

Shareholder Rights Directive (SRD II) disclosures

April 2021



This is Quilter Investors' response to the Shareholder Rights Directive (SRD II) requirements regarding shareholder engagement. This should be read in conjunction with our Responsible Investment Policy, Engagement Policy and Voting Policy.

As part of the Shareholder Rights Directive (SRD II) firms are to develop and publicly disclose a policy on shareholder engagement or explain why they have chosen not to do so.

For more information on our engagement and voting approach please reference our [Engagement Policy](#) and [Voting Policy](#), which have been made publicly available on the Quilter Investors' website. These documents should be read in conjunction with our [Responsible Investment Policy](#). We publicly disclose our voting details on a quarterly basis and engagement descriptions on an annual basis.

The shareholder engagement policy must include information on how the asset manager:

- integrates shareholder engagement in their investment strategy
- monitors the investee company on relevant matters, including strategy, financial and non-financial performance and risk
- evaluates the capital structure, social and environmental impact and corporate governance
- conducts dialogues or engages with investee companies
- exercises voting rights and other rights attached to shares
- cooperates with other shareholders
- communicates with relevant stakeholders of the investee companies
- manages conflicts of interests

Quilter Investors' solutions mainly invest in funds and investment trusts, rather than individual stocks and bonds. As our direct stock and bond holdings generally form a small proportion of the overall assets we hold, the focus of our engagement and monitoring activity is based on the funds and investment trusts we hold. Alongside our portfolio managers, we utilise an independent fund research team who provide investment research. The independent fund research team monitors third-party asset managers and investment trusts on an on-going basis. Funds and investment trusts are selected and monitored in accordance with Quilter Investors' investment strategy, involving both quantitative and qualitative analysis, with significant importance placed on meeting the individual asset managers and their teams.

Monitoring includes but is not limited to:

- the experience of the asset manager and any turnover of the team
- an ongoing assessment of a fund's / investment trust's investment performance
- the profile / resource of the investment house
- the asset manager's investment approach including its style / size bias, concentration, turnover and liquidity
- the asset manager's risk controls and investment parameters
- the extent to which the asset manager incorporates environmental, social and governance ("ESG") issues into their investment process
- the quality of the fund's / investment trust's reporting and governance processes, including their ESG approach

When considering the extent to which ESG issues are integrated into the investment process, the independent fund research team expects the approach to differ by asset class and the strategy the asset manager is implementing. This includes assessing the extent to which the asset manager is considering environmental management and the impact of climate change in its investment analysis.

In respect of investment trusts, areas of interest include: diversity of the board; size of the trust and the potential for growth; the effect of other shareholders on the trust; and formal/informal buyback/tender facilities.

We also consider compliance with the UK Corporate Governance Code and where investment trusts do not comply with this code, we would seek to engage to understand why this is the case.

Key insights come from face to face meetings with asset managers and their team. The independent fund research team also have access to a number of quantitative analytical tools as well as publicly available sources such as investment trust reports and accounts and proprietary investment and ESG focused information gathered directly from managers.

The independent fund research team seeks to understand how considering these ESG factors fits into the asset manager's investment process, alongside all the other metrics they might use to assess investments. Understanding the degree of ESG integration within the asset manager's process is an increasingly important part of the research and selection process.

When the independent fund research team holds discussions with asset managers, they want to evaluate how they are incorporating key ESG issues into their analysis of companies and their investment decision making. Not managing ESG factors effectively may lead to reputational and financial damage for companies.

The desired outcome of monitoring activity is to reduce risk and to preserve and enhance the value of assets for our clients.

On an annual basis, the asset managers must publicly disclose how their engagement policy has been implemented, including a report on how they have cast votes in the general meetings of companies in which they hold shares.

We publicly disclose our voting details on a quarterly basis and engagement descriptions on an annual basis. We have classified significant votes that are enacted within our voting universe as per our significant votes definition. Please see our Voting Policy and Voting Reports for more details. Where the vote is categorised as 'significant' we will provide additional detail and a voting rationale.

The shareholder engagement policy and information on how it has been implemented must be available free of charge on the asset manager's website and must be updated annually.

Our policies have been made publicly available on our website. Please visit [quilterinvestors.com](https://www.quilterinvestors.com).