Quilter Investors

# Responsible Investment Policy

*October 2022*

# Contents

# 1. Responsible Investment at Quilter

The Quilter Plc group provides financial advice, investment solutions and wealth management to customers in the UK and selected international markets. We give customers and financial advisers choice and flexibility over how they access our solutions and services and, most importantly, we put good customer outcomes first. Our fundamental purpose is to help create prosperity for the generations of today and tomorrow. To fully realise our purpose and to help secure a more sustainable future, we are committed to acting and investing responsibly. We recognise the wider impact of our activities on our stakeholders and we are committed to ensuring we remain a responsible business. Our approach is framed by our Shared Prosperity Plan, of which Responsible Investment forms a core part.

***Quilter Responsible Business website***

# 2. Quilter Investors

Quilter Investors is the investment management business of the Quilter Plc group and is the trading name of Quilter Investors Limited and Quilter Investors Portfolio Management Limited. References to 'Quilter Investors' throughout this document can mean either or both of these companies. Quilter Investors is a multi-asset investment business; expertly designing and managing multi-asset solutions to help investors prosper for the long-term. Additionally, we operate a range of sub-advised single strategy funds where we have outsourced the investment management to specialist third-party asset managers, our 'Sub-Advisers'.

Although our investment roots go back much further, Quilter Investors Limited was formed in June 2018, when we separated from the Old Mutual Global Investors group of companies. This was swiftly followed by the listing of Quilter Plc on the London and Johannesburg Stock Exchanges. As a young and dynamic business, we are focused on how the solutions we offer best meet the changing needs of investors in a rapidly evolving investment landscape and are well placed to ensure Responsible Investment principles are embedded in our business.

We believe that incorporating Environmental, Social and Governance (ESG) Considerations should sit at the heart of the investment process. We have increasingly found that our customers expect us to invest responsibly and, of course, our regulators expect us to put ESG Considerations into our investment process and the way we operate our business. We also believe putting ESG principles in place is vital to fulfilling our duties as long-term stewards of customer assets and that failing to manage ESG Considerations and climate-related issues appropriately could negatively impact on shareholder value over the longer term.

# 3. Definitions of key terms

Responsible Investment continues to be an evolving area with an array of terms and definitions that can act as a barrier to understanding and awareness for investors. The United Nations supported Principles for Responsible Investment (PRI) defines Responsible Investment 'as a strategy and practice to incorporate ESG Factors in investment decisions and Active Ownership' and this is the definition of Responsible Investment that Quilter Plc group has adopted.

Responsible Investment can be executed in several ways and the Investment Association has published its framework to help create common terms and definitions, which the Quilter Plc group has adopted.

### Stewardship

The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. (Financial Reporting Council)

**What does this mean?**

- Ongoing engagement with the companies and funds we invest in to discuss their handling and disclosure of ESG related issues
- Engagement may be undertaken individually or in collaboration with other investors
- Using voting rights where applicable to further our engagement

### ESG Integration

The systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions. (UN Principles for Responsible Investment)

**What does this mean?**

- It is not about excluding certain activities but it is understanding the ESG related challenges and opportunities
- It is about risk mitigation
- The approach depending on the asset class

### Exclusions

Excluding entire sectors, activities, companies or countries from a fund or portfolio based on ESG criteria, moral or ethical views, or religious beliefs.

**What does this mean?**

- Across Quilter we have a firm-wide restriction on investing in cluster munitions and anti-personnel mines directly or indirectly through actively managed funds
- Some of the strategies or products we offer have specific exclusions as part of the investment mandate

### Sustainability focus

Investment approaches that select and include investments on the basis of their fulfilling certain sustainability criteria and / or delivering on specific and measurable sustainability outcome(s). Investments are chosen on the basis of their economic activity (what they produce/what services they deliver) and on their business conduct (how they deliver their products and services). (Investment Association)

**What does this mean?**

- Different strategies will set different sustainability outcomes
- For many strategies this will be linked to supporting the UN Sustainable Development Goals

### Impact investing

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. (Global Impact Investing Network)

**What does this mean?**

- Investing in different asset classes to intentionally achieve positive social and environmental outcomes
- Lower financial returns may be accepted to achieve social / environmental returns

A glossary of Responsible Investment terms used within this Policy and used by the Quilter Plc group elsewhere is included at the end of this document.

# 4. Policy scope

We believe that ESG issues have relevance to all investments, regardless of asset class. As such, the scope of this Policy applies to all our investment strategies including:

- Multi-asset solutions – managed by Quilter Investors' own portfolio managers
- Managed Portfolio Services offered on retail platforms – managed by Quilter Investors' own portfolio managers
- Sub-advised funds – single-strategy mandates managed by our Sub-Advisers
- As Quilter Investors' multi-asset investment strategies include fund-of-funds solutions, references to 'Managers' in this Policy relate both to managers of funds we invest in as part of those strategies; and to our Sub-Advisers, unless otherwise stated
- Some ESG related processes apply only to ESG-focused strategies, as stated.

## 5. Our Responsible Investment philosophy and principles

Our Responsible Investment philosophy is that the integration of ESG Considerations into our investment process and active stewardship is a critical part of generating long-term, risk-adjusted and sustainable returns for our investors. As such, Quilter Investors supports the Financial Reporting Council (FRC) Stewardship Code and has achieved signatory status to the FRC 2020 Stewardship Code 1, as part of the Quilter Plc group. Quilter Plc group is also a signatory to the UN PRI. Our philosophy and investment approach aligns with the expectations and guidance of both the PRI and the FRC Code. In addition, we recognise the importance of Climate Change and are members of the Institutional Investors Group on Climate Change (IIGCC) and support the Taskforce for Climate-related Financial Disclosures, both as part of Quilter Plc. Quilter Plc's first TCFD report was published in 2022.

**The following principles underpin our approach to Responsible Investment.**

- **Good corporate governance is central to long-term investing and a well-functioning investment market.** We are long-term investors and have a duty to be responsible stewards of our investors' assets. As such we consider strong corporate governance to be an important factor when allocating capital to Managers.
- **ESG Considerations should be embedded throughout the entire business.** We are working to ensure that ESG Considerations and our Responsible Investment approach are meaningfully incorporated and reflected throughout our entire business and not just in activities that are directly part of the investment process. This is also something we look for in the Managers in which we invest and those we appoint to manage funds for us.
- **ESG Considerations impact the whole investment process.** We believe ESG Considerations can have a role across the investment process from selecting Managers and portfolio construction through to ongoing monitoring.
- **Climate Change is a particularly important factor to consider in investing.** We place particular importance on climate change in how we think about investment and recognise both the impact that climate-related risks can have on invest returns, as well as the role investment plays in the transition to a low carbon economy. We are working to prioritise climate-related factors more meaningfully in everything we do.
- **A fund-of-funds approach to ESG Integration involves assessment at the overall portfolio level as well as across the underlying funds.** As a result, we seek to assess Managers individually on their integration of ESG Factors in addition to looking at the overall ESG-related exposures and characteristics of our portfolios.
- **Philosophy, process, people and portfolio.** When selecting Managers, we look at whether Responsible Investment is part of their investment philosophy; whether/how ESG Considerations are integrated throughout the investment process; and the investment team's experience and understanding of Responsible Investment, as well as available resources for implementation. This is in addition to understanding exactly what the Manager holds within the strategy itself.
- **Differing approaches to ESG Integration may be equally appropriate.** Though we have clear expectations and requirements that we apply to our Managers, we are mindful that differing approaches to ESG Integration can be equally valid depending on asset class, investment style, manager size or investment geography and we adapt our expectations accordingly. This is particularly relevant when considering ESG Integration in Passive Investing.
- **Transparency and collaboration.** As far as possible, we expect Managers to be fully transparent with us so that we can assess their investment capabilities as well as form a view on other important factors such as corporate culture, diversity, equality and inclusion, remuneration, training and succession plans.

# 6. ESG within our investment process

We believe that ESG Integration and Stewardship are a critical part of generating long-term, risk-adjusted and sustainable returns for our clients. As such, we are actively working to make ESG Considerations an integral part of the entire investment process. This is an iterative and ongoing process that reflects developments in best practice.

## *6.1 Exclusions*

We take a selective approach to exclusionary screening criteria as, in general, we believe most clients wish to retain broad market exposure. The only blanket Exclusion we seek to employ for all investments relates to cluster munitions and anti-personnel land mines, which are subject to international conventions and law. Given the nature of funds and derivatives that track or replicate indices and of smart beta products utilised within our solutions, managers may not be able to exercise full discretion in the choice of investment. Therefore, there may be rare instances where indirect exposure to issuers potentially involved in cluster munitions and anti-personnel land mines may inadvertently occur. In these circumstances, policies or Exclusions relating to controversial weapons would not be applicable.

For funds that have explicit Responsible Investment objectives (for example the Quilter Investors Ethical Equity Fund), more specific negative screens may be applied. Typically, these could relate to activities that we feel are unsustainable, such as tobacco production and may either be excluded completely or subject to tolerance bands, such as revenue contribution, depending on strategy.

While we currently do not explicitly set thresholds for allowable levels of exposure to such areas, we review data on our investments relating to exposure to controversial activities such as tobacco production, thermal coal and other fossil fuel exposure, military contracting, armaments and gambling.

Finally, we recognise the importance of the ***UN Global Compact Principles*** in investing responsibly. These are a set of 10 principles that set out fundamental responsibilities for corporates in the areas of human rights, labour, environment and anti-corruption. Particularly for our ESG-focused solutions, we seek to understand how our Managers consider and monitor these in their investment process and monitor for potential breaches as part of our approach to ESG integration and Stewardship more broadly. However, we are mindful that different ESG data service providers may have differing assessments of corporate behaviour and different tolerances. Therefore, for our ESG-focused solutions and where we undertake ESG deep dives into certain sub-advised or 3rd party funds, where we identify that a fund has caused us to have exposure to a company in breach of the UNGC, we may engage with the Manager to better understand the potential issue.

## *6.2 Thematic investing and positive screening*

Across our investment strategies, we may take tactical exposure to sustainable asset classes, for example renewable energy or infrastructure. Increasingly, we see that exposure to such asset classes makes sense from an investment perspective and we would expect exposure to such areas to increase over time. Additionally, we would expect increasing exposure to assets that are set to benefit from and/or support a transition to a low carbon economy, as investment conditions suit.

For our ESG-focused solutions, a more systematic approach to positive screening and thematic investment may be undertaken. Further details are available on request.

### 6.3 Our approach to climate change

We believe that climate change represents a particularly significant set of risks for investors. As part of our work on climate action and TCFD disclosures and reporting we are looking to take steps to integrate climate-related risks and considerations into our investment processes and strategies. This includes measuring the carbon footprint and weighted average carbon intensity of our portfolios and enabling our portfolio managers to understand their exposure to controversial activities from a climate-related perspective, including involvement in carbon-intensive sectors such as the fossil fuel industry. We have increased our data sets available to include specialist data on climate change and are working to make this readily available across our business. We have also incorporated climate as a priority pillar from a stewardship and engagement perspective and incorporate a significant level of scrutiny on climate-related issues in our investment due diligence process. We look to make a formal commitment to net zero emissions across our investments by 2050 as part of Quilter Plc in due course. This will require formal interim and longer-term emissions reduction targets over the coming years.

### 6.4 ESG data and resources

We partner with Morningstar Sustainalytics and ISS as our main ESG data providers and receive a comprehensive range of ESG datasets from them. We have tools, available to our investment teams to help with informing further analysis, research and Engagement priorities. We work with Institutional Shareholder Services (ISS) to support the exercising of our Voting Rights.

### 6.5 Manager assessment and selection

Our investment fund research team considers a Manager's approach to ESG Integration and Stewardship as part of their research and analysis process for evaluating funds for investment. The analysts draw on various ESG inputs including holdings-based analysis and responses to the ESG and climate-focused Request for Information (RFI) sent to Managers quarterly. A key part of the process, however, is the analysts' personal meetings with Managers and other relevant teams, whether as part of their regular due diligence meetings or as separate meetings dedicated to discussing the approach taken to responsible investment, including:

- The expertise of the investment team as well as that of any separate Responsible Investment/ Stewardship team, and how they work together
- Internal and external ESG and climate data and how it is used within the investment process
- How ESG and climate Factors are incorporated alongside the various traditional financial metrics the Manager might use to assess companies
- The extent to which material ESG and climate-related Risks are incorporated in a systematic way into analysis and decision making
- The extent to which Managers are engaging with company management teams regarding ESG and climate-related issues.

The analysts use this assessment to provide a view of the fund that reflects the degree to which they believe ESG Risks and opportunities are embedded within investment analysis and decision making. Given the fast pace of change being seen across the investment fund industry to integrate ESG Factors, as well as the evolving nature of ESG data, metrics, regulations and risks, the investment fund research team see their assessment of Managers as an iterative process, that will adapt over time. They have built out an ESG fund rating as an internal measure to enable comparison across sectors and asset classes. The team look to build an understanding, not just of how ESG is incorporated into investment processes and engagements today, but also its future direction. They schedule regular meetings to understand the progress being made.

### 6.5.1 Manager expectations

In general, we expect Managers to:

- have a formal Responsible Investment (or similar) policy
- have a Stewardship Code (where relevant) and to be a signatory of the FRC UK 2020 Stewardship Code or equivalent, or taking steps to become one
- to be a PRI signatory, or be taking steps to become one.

In certain situations, for example specific strategies or investment structures, the above requirements may not be relevant or appropriate. Where this is the case, we expect the Manager to articulate a meaningful rationale as to why.

### 6.5.2 Quilter Investors' ESG-enhanced approach

When it comes to Manager selection, we have developed a proprietary review process that ascertains whether a Manager has adopted what we consider to be an enhanced ESG approach. This uses quantitative data from our external providers (primarily Sustainalytics, ISS and Morningstar) and information from Managers, as well as enhanced assessments. We use this process for funds where their approach to Responsible Investment is a core part of our investment thesis and are beginning to use this assessment approach for our sub-advised fund range. The key components of the assessment focus on philosophy, process people and portfolio.

**Philosophy:** We assess whether a Manager has ESG Integration as a core part of their investment philosophy and whether it makes clear reference to ESG Considerations. If there is an ESG/Responsible Investment policy in place, we review how comprehensive it is and analyse the Manager's Engagement strategy and Proxy Voting Policy. Lastly, we look at the Manager's commitments to responsible investing, such as being a signatory of UN PRI and FRC UK Stewardship Code and other initiatives such as the Paris Agreement and the United Nations Sustainable Development Goals (SDGs) as well as formal commitments the Manager may have made around climate change including any Net Zero pledges. This will become increasingly important to us in view of our concerns around climate-related risks.

**Process:** We assess whether ESG Considerations are systematically integrated throughout the investment process from portfolio construction and sector analysis to stock selection and Active Ownership. Strong and evidenced Active Ownership is a key part of this analysis, particularly when we assess passive funds. We would expect managers to provide examples and case studies in order to demonstrate systematic ESG Integration. Additionally, we generally expect that Managers monitor the ongoing ESG Risks and opportunities of the portfolio as part of their risk management process. We also look at the resources available to monitor the process and the quality of reporting.

**People:** We assess the Manager's resources and capability with respect to Responsible Investment. We look for evidence of Responsible Investment expertise and ongoing development in the investment team and, where there is a specialist Responsible Investment team, we seek to understand how this team works with other members of the investment team.

**Portfolio:** We assess the holdings within the strategy to understand the exposure and rationale for investment. This is to ascertain whether it is compatible with our assessment of the philosophy, process and people pillars and our expectations of the manager.

#### 6.5.3 Corporate governance

Ensuring high standards of corporate governance helps align the interests of company management teams with the interests of long-term shareholders. We believe that good corporate governance improves the quality of a business, which in turn leads to higher and more sustainable long-term investment returns. Consequently, we want our Managers to ensure that the companies in which our clients are invested consider their interests as minority shareholders fairly. In addition, the actions of Managers towards corporate governance should provide valuable insight into their own firm's culture.

We recognise that geographically, corporate governance may be at different stages of development and we take this into consideration.

When assessing the corporate governance of potential/existing closed-end funds and/or investment holding companies, we consider their board composition, including the independence of directors and board diversity. In general, we expect boards to have a majority of fully independent directors and that the composition should be diverse. This is part of our broader due diligence process.

### *6.6 Operational Due Diligence*

We have a dedicated Operational Due Diligence team, focused on non-investment risks within the Managers of our sub-advised funds and third-party funds invested in by our multi-asset portfolios. These assessments explicitly incorporate a range of ESG-related factors as part of each review. This specialist team conducts reviews that informs the broader organisational level ESG questions that are also considered by our investment fund research team.

The Operational Due Diligence process monitors any changes at the organisational level and flags areas of risk or concern.

### *6.7 Portfolio construction*

There is an added layer of complexity within a multi-asset, multi-manager business, as ESG data tends to be available at an individual company level rather than at a fund level. We utilise datasets from our providers to allow us to better understand ESG Risks and exposures both at the portfolio and fund level, and at the level of the underlying holdings within the funds.

### *6.8 Investment risk and performance analysis*

We have incorporated ESG Data and climate-related information as well as insights from our engagement work into our regular investment review processes for our ESG-focused solutions. This is an ongoing project and we expect to expand on the range of data points used over time. We use data primarily from Sustainalytics and Morningstar on underlying holdings, which is aggregated at portfolio level primarily for our ESG-focused solutions which is enhanced with further specialist datasets from ISS around Climate. This is also the methodology used to look at Sustainability Risks for regulatory reporting purposes, where we primarily use the Sustainalytics ESG Risk Rating aggregated up to portfolio level.

# 7. Stewardship

We take Stewardship seriously at Quilter Investors with an emphasis on exercising our voting rights. Our Engagement Policy and Voting Policy outline our activities in more detail. These can be found here:

***Quilter Investors Voting Policy***

***Quilter Investors Engagement Policy***

## *7.1 Engagement*

Engagement involves a purposeful ongoing dialogue by a shareholder with the management or board of a company with the intention of influencing corporate behaviour. As we mainly invest in companies through funds rather than directly, we predominantly engage with our Managers in the first instance. This collaborative approach enables us to better understand the Managers we are investing with and their approach. Where we hold closed-end funds, such as Investment Trusts, we may also undertake more direct Engagement. Although we predominantly invest through funds, we may also invest directly in bonds and equities and in such cases would engage directly with the company/issuer should we feel it appropriate. In addition, we believe that working with other investors as part of broader collaborative engagements can be an effective way of encouraging change within companies and so where appropriate we look to collaborate with others for example through organisations such as the PRI.

- Engagement is a powerful tool to influence positive change. As active owners of our investments we can be agents for change – influencing the ways our Managers (and indirectly the underlying companies they invest in) manage their ESG Risks and opportunities. If we support our Managers to encourage the companies in which they are invested to operate more sustainably, not only should this lead to better investment outcomes, but it will ultimately create more positive outcomes for society and the environment.

- We view Engagement as an ongoing conversation, as we listen to the challenges our Managers face and provide honest feedback as investors. This collaborative approach allows us to build rapport and develop mutual respect. It is also through this direct dialogue that we believe we can exert influence and make a difference.

- Just as we are on our own journey with regards to considering ESG Factors, many Managers and companies are also on a journey of improvement or change. When concerns or material issues relating to a Manager's investments do arise, we engage directly with our Managers as our first and preferred course of action rather than automatically divesting and leaving the problems for others to solve. However, we would follow an escalation process should we feel that our managers are not responsive, if insufficient progress is being made, or that the longer-term suitability of the investment (and/or investment process) had been irreparably impaired.

- For our our ESG-focused solutions, as long-term investors, we engage directly and promptly with our Managers when ESG Risks arise because we have already established strong working relationships. We expect a clear strategy and timetable for addressing any issues, which we then monitor. We consider our Engagement a success when we see positive change, but we acknowledge that these issues are often complex, and patience is nearly always required. Ultimately, however, if we felt our Managers were not responding appropriately or our Engagement led us to conclude that the longer-term suitability of the investment (and/or investment process) had been irreparably impaired, we may redeem our holding. In the case of closed-end funds, further action may also involve voting for change at an Annual General Meeting (AGM) or Extraordinary General Meeting (EGM).

- We take a more hands-on approach with our Sub-Advisers and expect them to actively engage on our behalf.

In respect of climate change and the transition to a net zero economy, we recognise the urgency for action and necessity to incorporate into our engagement strategy. Determining whether climate risks are being adequately taken into account by managers and fund holdings allows us to establish any potential impacts of climate change that may affect the long-term profitability of investments. This is currently a consideration for our ESG-focused solutions as we look to incorporate across all our ranges in due course.

Further detail on our engagement and voting can be found in the ***Quilter Investors ESG Report***.

### *7.2 Proxy voting*

- We expect our Managers to exercise the right to vote at shareholder meetings on our behalf (proxy voting) as investors in their funds. Managers have discretion on how to vote but, as a minimum standard, we expect our Managers to execute proxy votes on non-standard issues whenever they can. In some jurisdictions we understand that there may be practicalities that make it difficult to execute a proxy vote.
- Voting is a key component of our process for engaging with closed-end funds. We vote on all resolutions at all AGMs and EGMs globally (unless we are restricted from doing so, for example, in share-blocked jurisdictions). Our investment team reviews all resolutions ahead of shareholder meetings and decides how to vote after due consideration and discussion. We vote in the best interests of our clients and in accordance with the principles set out in the Corporate Governance section of this Policy. We aim to discuss and resolve any concerns with management before deciding to abstain or vote against a resolution.
- We also aim to use voting as a means of engagement and escalation specifically in relation to climate-related topics and exercise our proxy voting powers on climate-related resolutions to support the key areas of climate change.
- We are fully transparent on our voting activity and report to our clients on a quarterly basis on our activity and in addition will produce an Annual Voting Report. More about the process can be found in the ***Quilter Investors Voting Policy*** and further detail on our voting can be found in the ***Quilter Investors Annual Voting Report***.

### *7.3 Conflicts of interest*

Quilter Plc has a Conflicts of Interest Policy that sets out how we manage conflicts of interest in our day-to-day business. The Policy is applicable group-wide and sets out the necessary principles to manage and mitigate key risks and safeguard our independent business. Our culture is what we stand for and our values of pioneering, dependable and stronger together, are critical considerations in the development of all Quilter Group ("Quilter Group") policies. The Policy is designed to meet these aims to manage our risks and by adhering to this policy reflect and support our Culture and Values. Full details are available on request.

All employees undertake regular training. Conflicts management forms a core part of the annual Computer Based Training. Identifying and managing conflicts and mitigating the risk of potential damage to our clients' interests have always been, and remain, an important part of our culture. Employees (including senior management) of the firm, play an essential role in the firm's approach to identify and manage any conflicts. Therefore, it is important that employees understand the firm's approach to conflicts and take responsibility for identifying and managing conflicts seriously.

Quilter Investors recognises the importance of managing potential conflicts of interest and maintains a Conflicts Register, which identifies current and potential conflicts of interest that impact our business. We also record any outside business interests that our employees may have, and where these may cause of conflict with business decision making these are monitored closely. We have in place procedures, systems and controls, including mandatory training, to effectively manage these conflicts and to ensure that we act in the best interest of clients. The Quilter Investor's Compliance Manual sets out employees' responsibilities with regards to the identification, prevention or management of conflicts of interest. All employees are obliged to confirm that they are aware of the Quilter Investors' Compliance Manual and understand its content on an annual basis. The Conflicts Register is also reviewed periodically by senior managers across the business.

With respect to Stewardship, it is possible that actual or perceived conflicts of interest may arise through the normal course of business in relation to the execution of our Stewardship activity. For example, should a potential conflict of interest be identified when exercising proxy votes, which may influence us to not act fairly, independently or objectively in the interests of our clients, we will follow the voting recommendations of ISS, our third-party proxy voting service provider.

### 7.4 Collaboration

We work with other organisations in the industry to promote and advance Responsible Investment. Where appropriate, we look for opportunities to collaborate with other investors on engagements with companies, regulators and governments. This can take the form of collaborative engagements, signatories to letters or participation in consultations for example.

Quilter Group is a signatory to the Principles for Responsible Investment (PRI) and takes this commitment seriously as a member of the PRI Wealth Manager Working Group. Quilter Plc group also has a committee member on TISA's Responsible & Sustainable Investment Committee, which has a broad purpose to develop understanding, engage with regulators and look to implement plans and industry guidance. We do this to promote best practice and seek to address issues that require collective effort and action.

Quilter plc is a member of the Institutional Investors Group on Climate Change (IIGCC) which plays an important role in taking action on climate change and supporting the move to net zero.

Quilter Investors is also a member of the Investment Association (UK trade body), the Investor Group of the 30% Club and UKSIF (The UK Sustainable Investment and Finance Association). This facilitates collaboration with other investors. In particular, we work with the Investment Association and its members to fully understand and prepare for regulatory implementation and actions on climate change, in addition to forward planning on sustainable finance public policy and fund-level communications of Responsible Investment.

# 8. ESG oversight and governance

## *8.1 Quilter Group*

The Quilter Plc board oversees the group's approach to responsible business, which encompasses Responsible Investment. The board has delegated this oversight to the Corporate Governance and Nominations Committee, which is chaired by Quilter Plc's Chairman, Glyn Barker. Within executive management, the Responsible Investment Steering Committee is a sub-committee of the Quilter Plc Executive Committee and is accountable for directing Quilter Plc group's overarching responsible investment strategy.

## *8.2 Quilter Investors*

The Quilter Investors board oversees our overall Responsible Investment programme via the Investment Oversight Committee, which incorporates three Non-Executive Directors. From an executive perspective, our Chief Executive Steven Levin and Chief Investment Officer, Marcus Brookes, have responsibility for ensuring that our Responsible Investment strategy is successfully implemented. This responsibility is formally delegated to the Head of Responsible Investment, whose role is to lead a specialist team on these activities to ensure successful implementation.

We have incorporated ESG and Responsible Investment within the Quilter Investors governance structure. The Executive Management Committee is responsible for ensuring that the appropriate expertise, support and oversight is in place to successfully deliver our Responsible Investment programme of work.

# 9. Policy review

We will continue to review this Policy at least on an annual basis to ensure it remains current.

# Glossary

There are a wide range of terms and definitions used in this space, which can be difficult to navigate. That's why we've created the Quilter A to Z of Responsible Investment to help you understand the words and definitions used frequently within this document.

**Active Ownership**

Where shareholders use voting and Engagement to influence the management of companies with respect to ESG Factors. Similar principles are also used by investors in other asset classes such as fixed income, private equity or real estate.

**Corporate Responsibility**

Activity undertaken by a company to manage its impact on society and the environment.

**Engagement**

Shareholders enter into purposeful dialogue with the management or board of a company with the intention of influencing corporate behaviour. The issues covered can be wide ranging, from corporate strategy and capital discipline, to environmental, social or corporate governance matters. Engagement is a tool used in Active Ownership and can be conducted by one investor or a group of investors.

**ESG Considerations**

ESG-related principles and philosophy applied generally to the investment process or business activity.

**ESG Factors**

*Environmental* - Issues related to the environment such as resource, water and land use, biodiversity, pollution, atmospheric emissions, climate change and waste. This is the 'E' in ESG.

*Social* - Issues relating to the relationship between companies and people, such as their employees, suppliers, customers, communities. Examples of social issues of interest to investors include health and safety, labour standards, supply-chain management, consumer protection. This is the 'S' in ESG.

*Governance* - Issues relating to the governance of an organisation, also referred to as corporate governance, examples include board composition, executive remuneration, internal controls and balancing the interests of all stakeholders. This is the 'G' in ESG.

**ESG Integration**

The systematic and explicit inclusion of material environmental, social and governance (ESG) Factors into investment analysis and investment decisions.

**ESG Risks**

ESG Factors that could have a material negative impact on the value of a company's assets or its activities.

### Exclusions

An approach to investing that intentionally excludes certain investments from a firm, fund or portfolio. Exclusions may be applied on a variety of issues, including to align with client expectations. They may be applied at the level of a whole sector, or to business activities, products or revenue stream and can apply to a company or jurisdictions/countries.

### Green Bonds

A bond represents a loan made by an investor to a borrower (issuer), typically a corporate entity or government, in return for a fixed interest payment. The proceeds for Green Bonds are used exclusively to finance projects with environmental benefits such as renewable energy and energy efficiency projects.

### Impact Investing

Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Examples include Green Bonds, social property or environmental investments. The target financial return might range from below market rate to market rate.

### Long-term

ESG issues often play out over a horizon of years and decades. As a result, responsible investors tend to adopt longer investment horizons than traditional financial analysis.

### Managers

Used when referring to third-party managers of the funds in which we invest and those managing funds that we operate.

### Materiality

Used when referring to the relevance of an ESG Factor to the financial performance of a company. Material ESG Factors are those which have the potential to impact financial outcomes.

### Paris Agreement

Reached in 2015, the Paris Agreement is a global agreement under the United Nations to strengthen the global response to climate change by keeping the global temperature rise this century to well below two degrees celsius above pre-industrial levels. It also aims to pursue efforts to limit the temperature increase even further to 1.5 degrees celsius.

### Principles of Responsible Investment (PRI)

The world's leading voluntary initiative to promote Responsible Investment. Launched in 2006 it now has thousands of signatories globally who commit to adopt six principles for Responsible Investment and report against these annually. Although voluntary and investor-led, the PRI is supported by the United Nations.

### Proxy Voting

Where a shareholder delegates their voting rights to be exercised on their behalf. Often voting rights are delegated to investment managers who exercise votes on investors' behalf. Votes are used to express shareholder opinions to company management.

### Quilter Plc group

Quilter Plc group is a leading provider of advice, investments and wealth management in the UK and internationally.

### Quilter Investors

Quilter Investors is the investment management business of Quilter Plc and includes Quilter Investors Limited and Quilter Investors Portfolio Management Limited.

### Responsible Business

The operation of a business that pursues commercial goals while at the same time considering the interests of wider stakeholders including employees, customers, suppliers and wider society as well as the environment. Also referred to as Corporate or Social Responsibility.

### Responsible Investment

Responsible Investment is a strategy or practice that incorporates ESG Factors into investment decisions and ownership activity.

### Screening

An investment approach that is used to screen individual investments in or out of a portfolio based on specific criteria that relate to ESG Factors or ethical issues. Negative Screening refers to the Exclusion of investments, while positive Screening refers to the inclusion of certain investments.

### Smart Beta

Long-only rules-based investment strategies that aim to outperform a capitalisation-weighted benchmark.

### Sustainability

Operating in a way that avoids the depletion of natural resources to maintain ecological balance so that activity can be sustained for a long time or indefinitely.

### Sustainable Development

Economic development that meets the needs of the present day without compromising the ability of future generations to meet their own needs.

### Sustainable Investment

Investment approaches that select and include investments on the basis of fulfilling certain sustainability criteria and/or delivering on specific and measurable sustainability outcomes. Investments are chosen on the basis of their economic activities (what they produce/the services they deliver) and on their business conduct (how they deliver their products and services).

### Stewardship

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. When investing in equities it involves Proxy Voting and active shareholder Engagement with company management.

### Thematic Investing

An investment approach that invests in companies that are exposed to specific investment themes such as renewable energy, waste and water management, education or healthcare innovation.

### UN Sustainable Development Goals (SDGs)

The SDGs, or the ‘Global Goals’, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. There are 17 goals reflecting the most significant challenges facing the world.

**Voting Rights**

When an investor buys a share in a listed company it typically comes with specific voting rights that can be exercised at the company's annual general meeting or extraordinary meetings. It is usually used as a means of expressing the opinion of the shareholder about how the company is being managed. Typical issues upon which votes are cast include executive pay, board appointments, mergers or acquisitions, or sale of parts of the business and the company annual report and accounts. Also referred to as proxy voting when voting rights are delegated.





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