



## CONSIDERING SUSTAINABILITY RISKS AND FACTORS AT QUILTER CHEVIOT

**Sustainability risks are an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. As part of our responsible investment approach, we consider sustainability risks and factors when assessing investments. We refer to this as ESG integration and this is an ongoing process across all asset classes we invest in.**

On behalf of our clients, we invest directly as well as indirectly through funds. In order to identify and prioritise ESG factors, we use a number of data sources, including ISS, Sustainalytics, Ethical Screening and other third-party research providers. Our research team uses these resources to help inform their decision making as part of their ongoing work in initiating and then monitoring investments at Quilter Cheviot. The responsible investment team works alongside the research team and focuses more specifically on the governance aspects. From 2021 onwards the team is also focused on identifying thematic areas where we wish to engage, including climate change and human rights.

We have prioritised our model lists of direct holdings across the UK, North America and Europe, as well as our monitored list of funds. For our direct holdings of equities, it is our research analysts' responsibility to identify ESG factors (both challenges and opportunities) when they initiate on a new holding, as well as on an ongoing monitoring basis. We combine this approach with an overarching programme to engage with our key holdings on both a reactive (to news-flow) as well as in 2021 on a proactive basis. Our fund research team is responsible for engaging with third-party managers to understand their approach to ESG integration and stewardship. Again this is part of the research initiation process as well as on an ongoing basis. This process involves a qualitative and quantitative approach.

For fixed income holdings, we invest through funds and directly. The direct holdings are predominantly in UK, EU and US government bonds. Integrating ESG factors into the selection of sovereign debt issued by developed countries is problematic and best approached by seeking to influence government policy where appropriate. For more

detail on this, we would refer you to [Our approach | Quilter plc](#). A significant part of our bond exposure is through third-party funds and therefore the fund research approach of understanding the underlying manager's ESG process applies.

Within our ESG integration process, we do not exclude specific industry groups or activities (the only area where we have a firm wide restriction is controversial weapons). However, our responsible investment framework offers clients the opportunity to determine their own approach.



Read more: [ESG Considerations](#)

### Our responsible investment framework

There are four key areas that this focuses on, in addition to our firm-wide process:

- Climate Assets [Climate Assets – Quilter Cheviot | Investment Management Services | Private Clients](#)
- Positive Change [Positive Change – Quilter Cheviot | Investment Management Services | Private Clients](#)
- DPS Focused – [DPS Focused – Quilter Cheviot | Investment Management Services | Private Clients](#)
- Exclusions such as ethical criteria determined by the client [Ethical investing – Quilter Cheviot | Investment Management Services | Private Clients](#)



For more detailed information on our responsible investment framework, click [here](#).



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## QUILTER CHEVIOT

Senator House  
85 Queen Victoria Street  
London EC4V 4AB

**Please contact our  
Marketing Department  
on +44 (0)20 7150 4000  
or email [marketing@quiltercheviot.com](mailto:marketing@quiltercheviot.com)**



[quiltercheviot.com](http://quiltercheviot.com)

**Investors should remember that the value of investments, and the income from them, can go down as well as up and that past performance is no guarantee of future returns. You may not recover what you invest. All images in this document are sourced from iStock.**

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INVESTMENT MANAGEMENT