Quilter TCFD Report 2022

Contents

Introduction

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Steven Levin,
Chief Executive Officer

Chief Executive Officer's statement

There is now considerable scientific evidence that the Earth's climate is changing and the scientific consensus is clear: human activities, such as the burning of fossil fuels and deforestation, are causing these changes. A swift and just global transition to a net zero[1] economy is needed to avoid the worst impacts of climate change. We recognise that we, alongside our peers in the financial services industry, have an important role to play in facilitating this transition over the coming years.

At Quilter, our purpose is to create prosperity for the generations of today and tomorrow. It's this which drives our ambition to be a responsible wealth manager, an ambition which sits as one of the four pillars of our strategy. Considering Climate Impact is a core theme of activity within this ambition, and we expect to continue to enhance and build on our response to the climate challenge in future years.

In 2022, we launched additional products aimed at meeting the needs of customers concerned about climate-related issues and we set a target to reduce our direct greenhouse gas emissions by 80% by 2030, from a 2020 baseline. Our direct emissions in 2022 are reducing in line with this target. We have also progressed the assessment of greenhouse gas emissions associated with aspects of our wider value chain. Within our investment processes, climate change continues to be a key pillar of our approach to stewardship. Finally, in 2022 we have been preparing delivery of extended regulatory climate-related disclosures across the Group. Clear and transparent disclosures on climate-related issues are essential to delivering change, and so I am delighted to present you with our second Task Force on Climate-related Financial Disclosures ("TCFD"[2]) report.

[1,2] *See the glossary for an explanation of key terms used in this report.*

About Quilter

Our business

Quilter plc is a leading UK-centric wealth management business and is listed on the London Stock Exchange and the Johannesburg Stock Exchange.

We have an adviser and customer offering spanning: financial advice, investment platforms, multi-asset investment solutions, and discretionary fund management.

The business is comprised of two segments:

Affluent and High Net Worth.

Affluent segment

Quilter Financial Planning

supports over 1,300 appointed firms in the UK. Advisers partner with us to help them run and grow their business. Quilter Financial Advisers helps customers across the UK with all their financial planning needs.

Quilter Investors

our fund management business provides advisers and their customers with multi-asset investment solutions to meet their needs.

Quilter Investment Platform

enables financial advisers to deliver the very best service to customers and their families, to help them achieve their financial goals. We offer a comprehensive range of products and investments through our award-winning online investment platform.

High Net Worth segment

Quilter Private Client Advisers

specialises in helping customers with complex financial needs.

Quilter Cheviot

our discretionary investment manager which offers bespoke portfolio management services to around 40,000 customers.

Our approach

The following items should be considered whilst reading this report

- **Report purpose:** The purpose of this report is to provide information for our shareholders, customers, prospective customers, advisers, employees, investment markets and other stakeholders on our exposure to and management of climate-related risks and opportunities. This report is designed to provide disclosures consistent with the Recommendations and Recommended Disclosures[3] of the TCFD. Under regulations introduced by one of our UK regulators, the Financial Conduct Authority ("FCA"[4]), in December 2020, Quilter plc, being a listed company, is expected to make climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures, except where it faces transitional challenges in obtaining relevant data or embedding relevant modelling or analytical capabilities. We have assessed our disclosures against the document entitled "Annex: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" published in October 2021 by the TCFD and identified the areas where enhancements to future disclosures are required.

- **Report approach**: This report relates to Quilter plc and its climate-related activities carried out over the 2022 calendar year. Quilter plc is a holding company containing a number of companies (referred collectively to as "the Group"[5]). Of particular relevance to TCFD disclosures, the Group includes two asset management companies, Quilter Cheviot and Quilter Investors and an asset owner, Quilter Life and Pensions, which manage or administer assets on behalf of customers. The report also contains information on how these companies manage climate-related risks and opportunities within their asset management activities, where material. This is our second TCFD-aligned report. We have made progress in understanding and measuring our exposure to climate-related risks and opportunities. We have produced information covering the TCFD's recommendations 'as far as we are able to'. By this we mean that we have sought to take an approach that is reasonable and proportionate to these circumstances, our type of business model and the assets that we manage. We have identified the areas where further work is required to enhance these disclosures and these are described on page 6 within the "Our disclosure" summary.

- **The roll-out of mandatory TCFD disclosures across the UK economy:** In December 2021, the FCA published rules for asset managers, life insurers and FCA-regulated pension providers to make mandatory climate-related disclosures, aligned with the recommendations of the TCFD[6]. Three of our businesses, Quilter Life and Pensions, Quilter Cheviot and Quilter Investors, fall into the scope of these new rules to different timescales. Quilter Life and Pensions falls into scope first and will publish a TCFD-aligned entity report and product reports in line with regulatory requirements on our website in June 2023. Quilter Cheviot and Quilter Investors will publish their first TCFD-aligned reports in June 2024.

[3] The four recommendations and eleven recommended disclosures set out in the report entitled "Recommendations of the Task Force on Climate-related Financial Disclosures" published in June 2017 by the TCFD.
[4,5] See the glossary for an explanation of key terms used in this report.
[6] PS21/24: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers

Disclosure summary

The TCFD's recommendations, first launched in 2017, are structured around the four themes of governance, strategy, risk management, and metrics and targets. Within these themes, there are 11 recommendations to support effective disclosure for all organisations.

Theme	Description	TCFD recommended disclosure	Pages	Our disclosure
Governance	Disclose the organisation's governance around climate-related risks and opportunities.	Describe the Board's oversight of climate-related risks and opportunities.	9	– We have presented the governance structure for Board oversight and management of climate-related risks and opportunities. – We have described recent relevant activities performed by the Board and senior management.
		Describe management's role in assessing and managing climate-related risks and opportunities.	10-12	
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning, where such information is material.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	14-16	– The climate-related risks we have identified are market, reputational, policy and legal, and physical risks such as extreme weather events. – Our climate-related opportunities include increased demand for low carbon products or products with climate-related investment aims. – We have described how the identified risks and opportunities have informed our strategy and business activities. We have not described the impact of climate-related risks and opportunities on our financial planning. – Our Quilter-wide climate-related scenario analysis exercise, which explored our long-term resilience to three potential climate scenarios, is described.
		Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	17-20	
		Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	21	
Risk management	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Describe the organisation's processes for identifying and assessing climate-related risks.	23	– We have described how climate-related risks have been integrated into our overall risk management framework, including information on how climate-related risks are determined in relation to other identified risks. – Our approach to managing climate-related risks within our investment activities is described in more detail, covering our approach to ESG integration[7] and stewardship[8] activities.
		Describe the organisation's processes for managing climate-related risks.	23, 25-30	
		Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	23-24	
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	32-34	With regard to our operational activities, we: – use greenhouse gas emission metrics to assess, monitor, and manage our exposure to climate-related reputational risks; – have disclosed our Scope 1 and Scope 2 greenhouse gas emissions; – have estimated our Scope 3 greenhouse gas emissions (excluding investments). We are not able to disclose our investment-related greenhouse gas emissions in this document, due to data limitations; and – have a target to reduce our Scope 1 and Scope 2 greenhouse gas emissions by 80% by 2030, from a 2020 baseline. With regard to our investment activities: – in our High Net Worth segment, we use a carbon-related metric, the weighted average carbon intensity ("WACI"[9]), as a measurement of exposure to climate-related market risk in our investments; – within our Affluent segment, we have provided carbon footprint metrics for our WealthSelect[10] Responsible and Sustainable ranges; and – we have disclosed the weighted average carbon intensity of a proportion of our investments, to the extent that data is available and reasonably credible.
		Disclose Scope 1[11], Scope 2[12], and, if appropriate, Scope 3[13] greenhouse gas ("GHG"[14]) emissions, and the related risks.	32-33	
		Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	32	

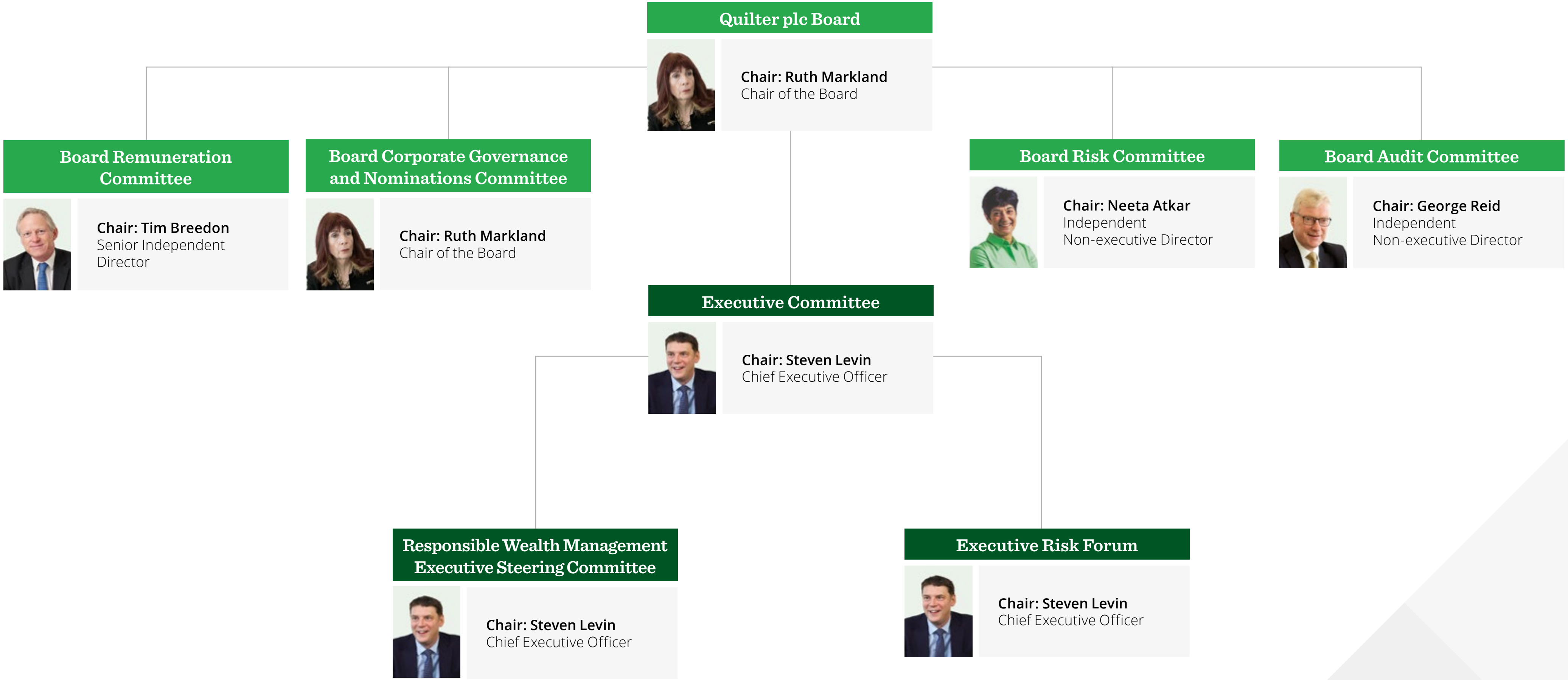
[7,8,9,10,11,12,13,14] *See the glossary for an explanation of key terms used in this report.*

Governance

Our governance approach for climate-related risks and opportunities.

Our Governance

Accountability for the oversight and management of climate-related risks and opportunities is held by a number of senior leaders and facilitated through a clear management and Board governance framework[15].



[15] *The diagram is accurate as at 31 December 2022. Please see the Annual Report for information on how the membership of our Board and Board Committees has changed in 2022.*

The Board's oversight of climate-related risks and opportunities

Board Committee	Climate-related responsibilities	Activity in 2022
Quilter plc Board	The Board is accountable for the long-term success of the Group. The Board sets the Group's strategic priorities, including those in relation to responsible wealth management. The Board actively discusses and considers climate-related risks and opportunities as part of discharging its responsibilities.	– Reconfirmed Quilter's strategy, including the strategic objective to 'be a responsible wealth manager'. The Responsible Wealth Management theme includes 'Considering Climate Impact' as one of three core themes of activity. Within this theme, the Board was supportive of future work to build on existing emission reduction targets. The Board received updates on progress on the delivery of the strategy throughout 2022.
Board Risk Committee	Assists the Board in its oversight of risks, including climate-related risks, by reviewing management's recommendations on risk, in particular in relation to the structure and implementation of Quilter's risk framework.	– Reviewed and discussed Quilter's annual climate-related scenario analysis exercise. – Received updates on longer-term climate-related risks within emerging risk updates. – Received updates on progress made by the business in delivering increasing levels of mandatory climate-related disclosures across the business. – Considered Quilter's TCFD-aligned disclosures and the supporting evidence.
Board Audit Committee	Oversees the principles, policies, and practices adopted in the preparation of the financial statements of the Group and assesses whether annual financial statements comply with statutory requirements.	– Considered Quilter's TCFD-aligned disclosures and the supporting evidence.
Board Corporate Governance and Nominations Committee	Ensures the Board has strong and responsible leadership and an appropriate range of skills, knowledge, and experience. Provided oversight of the Group's responsible business framework in 2022.	– Provided guidance on Quilter's evolving responsible business performance metrics, which included climate-related key performance indicators.
Board Remuneration Committee	Assists the Board in its oversight of remuneration, including consideration of environmental-, social- or governance- ("ESG"[16]) related metrics and targets, which form part of the executive scorecard for reward purposes.	– During 2022, the Committee recommended to shareholders the new Directors' Remuneration Policy which sets out how the Group's Executive Directors and other executives should be incentivised to drive forward its Responsible Wealth Management Strategy and the metrics that would be used to assess the progress made. – The Committee approved the introduction of environmental measures within the Company's long-term incentive plan for the first time, as a signal of the importance of this area. The Committee also noted that it would continue to monitor market practice developments and expects the nature and weighting of climate-related measures within Quilter's executive incentive plans to evolve over the coming years. – Within the Group's long-term incentive plan, 10% of the performance measures relate to ESG factors. Of this, 2.5% is focused on reducing the carbon intensity of Quilter's operations in line with our target to reduce our Scope 1 and Scope 2 emissions by 2030. The remaining 7.5% is focused on responsible investment, assessed against the UN-backed Principles for Responsible Investment ("PRI"[17]) framework.

[16,17] *See the glossary for an explanation of key terms used in this report.*

Management's role regarding climate-related risks and opportunities

Management body	Climate-related responsibilities	Activity in 2022
Executive Committee	Supports the Chief Executive Officer in discharging his responsibilities for the management of the Group, including the management of climate-related risks and opportunities.	– Delegated responsibility for climate-related opportunities and delivery of the Responsible Wealth Management strategy to the Responsible Wealth Management Executive Steering Committee. – Delegated responsibility for monitoring and management of climate-related risks to the Executive Risk Forum. – Delegated authority to the WealthSelect Executive Oversight Forum, which approved the launch of the new WealthSelect Responsible and Sustainable ranges in March 2022.
Responsible Wealth Management Executive Steering Committee	Provides executive oversight and direction on our Responsible Wealth Management agenda, incorporating both responsible business and responsible investment.	– In early 2022, the scope of the Responsible Investment Executive Steering Committee was expanded to encompass the full Responsible Wealth Management agenda and the name of the Committee was adjusted accordingly. – Met every eight weeks throughout the second half of 2022 to provide executive oversight over the delivery of our Responsible Wealth Manager strategy. – Oversaw a programme of work delivering increasing levels of mandatory climate-related disclosures across the business. – Authorised a project to broaden our understanding of our operational Scope 3 emissions and explore the mechanisms available to us to reduce our impact, with a specific focus on purchased goods and services.
Executive Risk Forum	Assists the Chief Executive Officer in the oversight, challenge, and monitoring of material risks, including those related to the climate. Reviewing Quilter's risk profile for both current and potential future risks, including climate-related risks over the short, medium and long term and overseeing the mitigation of those risks.	– Met eight times in 2022 to review, manage and monitor all aspects of risk management. Climate-related issues and the progress of mandatory climate-related disclosures across the Group, were noted and discussed at four of those meetings. – Was attended by Andrew Tuddenham, Group Risk and Actuarial Director, to whom the Board has assigned responsibility for the oversight of the management of financial risks arising from climate change. – Approved and recommended the Group-wide climate-related scenario analysis exercise to the Board Risk Committee. – Reviewed progress against the measures and targets set out in Quilter's Board-approved risk appetite statement, including Scope 1 and Scope 2 emissions.

Examples of how climate-related risks and opportunities are considered within our functions

In 2022, we continued to embed the management of climate-related risks and opportunities into the activities carried out by many of our functions.

Financial Reporting

Considered the impact of climate-related risks within our financial statements.

Capital & Treasury

Considered climate-related risks within our due diligence processes. Started to engage with our banking counterparties on climate-related issues.

Investment Management

Embedded climate-related considerations into some of our investment strategies and stewardship activities.

Actuarial Risk

Developed our approaches to our ORSA[18] and ICARA[19] processes and informed our climate-related scenario analysis exercises.

Operations

Monitored and managed our buildings' and employees' exposure to physical climate-related risks. Measured our operational emissions.

Compliance

Ensured we met our climate-related standards and regulatory obligations.

Procurement and Supply Management

Considered climate-related risks and opportunities across Quilter's material and critically important suppliers.

Internal Audit

Considered climate-related risks in the development and execution of the annual audit plan.

Responsible Wealth Management

Worked with key stakeholders to ensure climate-related risks and opportunities are considered as part of our strategy and produced climate-related disclosures.

Enterprise Risk Management

Embedded climate-related risks into our risk management framework and developed our climate-related risk appetite.

[18,19] *See the glossary for an explanation of key terms used in this report.*

Resourcing enhancements

A number of resourcing changes and enhancements were made in 2022, to support our governance of climate-related risks and opportunities.

We have added specialist capabilities and resources to our two Responsible Investment teams which are supervised by our Heads of Responsible Investment for our Affluent and High Net Worth segments, Marisol Hernandez and Gemma Woodward, respectively. In our Affluent segment, we also added to our resource in 2022 with a dedicated Responsible Investment Reporting and Implementation Manager and converted our ESG Quantitative Analyst contract role into a permanent position. In our High Net Worth segment, we added to our resource capability in 2022, with two new responsible investment analysts and a sustainable investment specialist.

In July 2022, Bethan Lloyd was appointed as Head of Responsible Wealth Management Strategy. A central Responsible Wealth Management team has been established with the aim of driving collaborative and coordinated delivery of the Corporate Responsible Wealth Management agenda across the Group. The team works closely with our Responsible Investment teams and other functional areas.

Strategy

The climate-related risks and opportunities we are exposed to and the impact of climate-related issues on our business and strategy.

Climate-related risks and opportunities

We have assessed Quilter's exposure to a range of climate-related risks, including both transitional risks, which relate to the global transition to a lower carbon economy and physical risks associated with the physical impacts of climate change. We have also identified potential climate-related opportunities for Quilter.

Risk	Market risk		
Risk type	Transitional		
Definition	Shifts in the supply and demand for certain commodities, products or services as climate-related information is increasingly understood could affect our revenue streams.		
Quilter relevance	A transition to a lower carbon economy could lead to investment performance risk within our investment solutions, potentially impacting customer returns and our profitability.	Assets available on our platform with exposure to climate-related market risks may suffer poor performance during a transition to a lower carbon economy, which could potentially affect customer returns and our profitability.	Assets within shareholder funds and policyholder cash managed by the Group Treasury function are potentially exposed to climate-related market risk.
Likelihood	**Likely**	**Likely**	**Unlikely**
Relative significance	**High**	**Medium**	**Low**
Time period[20]	S M	S M	M
Potential financial impact	Reduced revenue as a result of asset value falls and reduced demand for our products.	Reduced revenue as a result of asset value falls.	Loss of shareholder funds. Reductions in capital and liquidity levels.
Management response	– We have integrated ESG factors, including the consideration of climate-related risks for applicable strategies, into our investment decision making processes. – Our approach to ESG integration is underpinned by our approach to stewardship, and climate change is a thematic focus for our engagement activities. Within Quilter Investors the climate engagement focus is on strategies with a climate-related objective.	– We offer customers the ability to diversify their investments over a wide range of sectors, asset classes and geographies, with the help of their advisers.	– The assets held are diversified to avoid excessive accumulation of risk. – The majority of these assets are held in bank accounts and money market funds with no over-exposure to any geographical or industrial sector. – Where we deposit policyholder cash with banks, we have included consideration of climate-related risks in our annual due diligence processes, and we have started to engage with our banking counterparties to understand their approach to climate and climate-related risks.

[20] *Time Period Key: S Short term, 0-5 years; M Medium term, around 10 years; L Long term, 30 + years.*

Risk	Reputational	Policy and legal	Extreme weather events and shifts in long-term climate patterns
Risk type	Transitional	Transitional	Physical
Definition	The risk that customers or stakeholders perceive that our response to the climate challenge is inadequate or that we are failing to suitably reduce our impact on the climate. This risk could also arise if we convey misleading information about the environmental soundness of our operations or our investment solutions.	In future, we could need to respond to an increasing level of policy actions in response to the climate crisis. This risk could include enhanced regulatory obligations or increases in pricing of greenhouse gas emissions.	There is a risk that increased severity or frequency of extreme weather events, or chronic changes such as rising mean temperatures and sea levels could affect the investment performance of our investment solutions or the value of assets on our platform. Physical climate-related risks could also affect our buildings, employees or operational activities.
Likelihood	**Possible**	**Likely**	**Likely**
Relative significance	**Medium**	**Medium**	**Medium**
Time period[21]	S M L	S M	M L
Potential financial impact	Could result in reduced market share and revenues or the potential for litigation action.	Could increase our expense base.	Could cause disruptions to business operations and / or increased expenses.
Management response	– We measure and monitor our emissions from our direct operations and value chain. – We have set a target to reduce our Scope 1 and Scope 2 emissions by 80% by 2030 from a 2020 baseline. – We are signatories to the UK Stewardship Code[22] and the United Nation's Principles for Responsible Investment. – We ensure that climate-related disclosures, such as TCFD reports, go through appropriate internal governance and oversight.	– We take our regulatory obligations seriously and are complying with all applicable climate-related regulatory requirements. – We are responding to enhanced climate-related regulatory disclosure requirements, such as the roll out of TCFD disclosures and regulatory proposals under the sustainability disclosure requirements ("SDR"[23]) regime. – We have established processes to identify, assess and respond to regulatory changes, including those related to climate change, in the jurisdictions in which we operate.	– We have integrated ESG factors, including the consideration of climate-related risks for applicable strategies, into our investment decision-making processes. – We assess and monitor our exposure to physical climate risks in our operational activities, considering the potential impact on buildings, data centres, and colleague productivity. – Analysis of exposure to physical climate-related risks informs our business continuity procedures.

[21] Time Period Key: S Short term, 0-5 years; M Medium term, around 10 years; L Long term, 30 + years.
[22,23] See the glossary for an explanation of key terms used in this report.

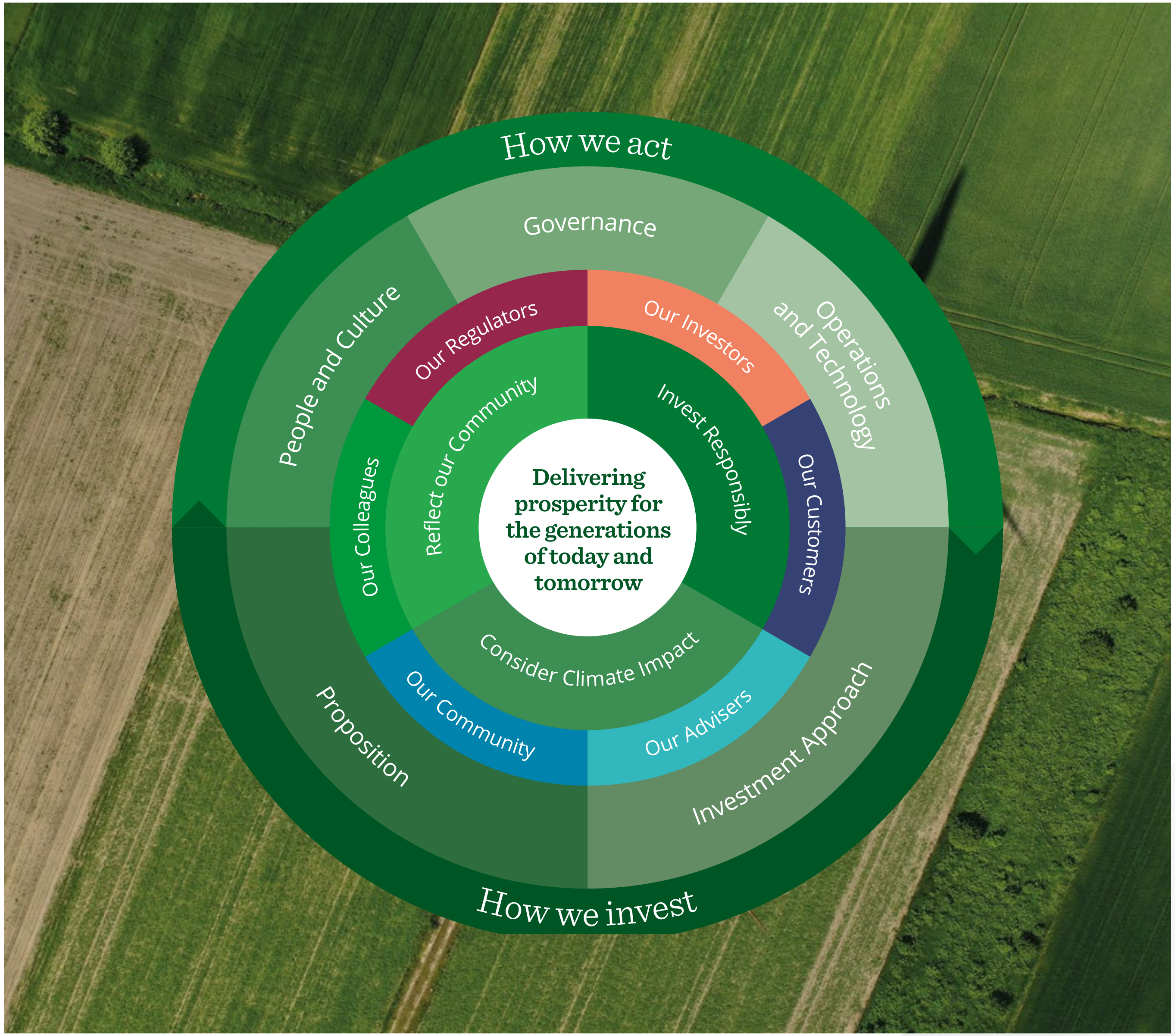
Opportunity	Products		
Definition	The opportunity to meet shifting customer needs and preferences by innovating, developing and offering low carbon investment products or products with climate-related investment aims.		
Likelihood	**Likely**		
Significance	**High**		
Time period[24]	S M L		
Potential financial impact	Increased revenues, market share and improved reputation.		
Management response	**In our financial advice processes** – We offer independent third-party ESG ratings for all 107 portfolio solutions on our matrix used by restricted financial planners. These ratings are supplied by Square Mile. – We have incorporated into our advice process the capture of customers' responsible investment preferences which includes climate-related concerns.	**In our investment solutions** – We offer investment products which explicitly target responsible and sustainable objectives, including those related to climate change. – For many years, customers of Quilter Cheviot have been able to exclude specific sectors and activities including fossil fuels.	**On our Platform** – In response to changing customer preferences, we proactively add funds that have sustainability[25] goals to our platform. – In addition, customer choice has recently been enhanced by the addition of the Responsible and Sustainable Managed Portfolios to our platform.

[24] *Time Period Key: S Short term, 0-5 years; M Medium term, around 10 years; L Long term, 30 + years.*
[25] *See the glossary for an explanation of key terms used in this report.*

The impact of climate-related risks and opportunities on our businesses and strategy

Being a responsible wealth manager

One of our four strategic pillars is to become a responsible wealth manager. This means acting and investing responsibly for our customers, advisers, colleagues, communities, shareholders. In 2022, the Responsible Wealth Management strategy was refocused to align under three core themes of activity: investing responsibly, reflecting our community and considering climate impact. Consideration of climate-related risks and opportunities is a key feature of our Responsible Wealth Management strategy, which co-ordinates climate-related activity across a number of strategic initiatives affecting both our operational activities (how we act) and investment activities (how we invest on behalf of our customers). We acknowledge that we have further work to do to build out our approach.



Timeline

Over a number of years we have evolved our approach to being a responsible wealth manager.

2019

Responsible investment representation on the Quilter Cheviot Investment Oversight Committee

Quilter became a signatory to the United Nations-backed Principles of Responsible Investment

2020

Responsible investment representation on the Quilter Investors Investment Oversight Committee

2021

Quilter became a signatory to the 2020 UK Stewardship Code

Climate Action pillar added to the Responsible Wealth Management framework

Member of the Institutional Investors Group on Climate Change ("IIGCC"[26])

Quilter signs the Investor Agenda's Global Investor Statement on the Climate Crisis

Quilter published a statement supporting the goals of the Paris Agreement[27]

2022

Launched Climate Assets Growth Fund in Quilter Cheviot

Quilter retains its status as a signatory of the FRC's UK Stewardship Code

Quilter plc published its first disclosures consistent with the TCFD's recommendations and recommended disclosures

Expanded our WealthSelect managed portfolio service, introducing 32 new portfolios, including responsible and sustainable options

[26,27] *See the glossary for an explanation of key terms used in this report.*

The impact of climate-related risks on our operations

Within our operations, our strategic response to climate-related risks involves understanding our emissions profile with a view to reducing our emissions over time where possible and ensuring our resilience to potential physical climate-related risks.

We monitor our emissions profile across our operations in line with the Greenhouse Gas Reporting Protocol[28]. In early 2022, we set a target to reduce our Scope 1 and Scope 2 emissions by 80% by 2030, from a 2020 baseline. Our Scope 1 and Scope 2 emissions were monitored throughout 2022.

In 2022, a priority was to broaden our understanding of the indirect impact we have operationally on the environment (Scope 3 emissions, excluding investments). We used our 2020 footprint to identify our largest sources of Scope 3 operational emissions (excluding investments) which are:

– purchased goods and services;

– employee commuting; and

– business travel.

To move forwards, we knew we needed to improve the methodology used to estimate these emissions, as the calculations used to create our 2020 baseline relied on assumptions that needed to be verified. One of the assumptions made was on how our colleagues commute to work and so to populate this more accurately, we needed credible information on how employees travel to work. To do this, we issued an employee sustainability survey in June 2022. The results of this survey were used to inform the assumptions we use to estimate our employee commuting emissions.

Within our operational activity, an area where we can make a significant impact in reducing emissions is within our purchased goods and services. We believe that the best way to do this is through an engagement-based approach with our suppliers, where we encourage them to take action to reduce their direct emissions. In late 2022, we worked towards setting a target to increase the proportion of suppliers we work with that have committed to setting targets aligned with the Science Based Targets initiative[29] ("SBTi"). See pages 32 and 33 to view metrics concerning our operational emissions profile.

We have embedded the consideration of physical climate-related risks into our workplace strategy. For example, we have assessed our offices' exposure to long-term climate-related flood risk and will consider these assessments in future lease renewal decisions.

[28,29] *See the glossary for an explanation of key terms used in this report.*

The impact of climate-related risks on our investments

Due to data and methodological challenges, we have not yet been able to complete a holistic measurement of the Scope 3 emissions associated with all of our investments, spanning both the assets we hold and the assets we hold or manage on behalf of our customers. We are cognisant that, as is typical for our sector, these associated emissions will likely form a majority of our total emissions profile. We have started to measure a key climate-related metric, the weighted average carbon intensity, for a number of our investment solutions. Examples of these metrics can be found in the metrics and targets section of this report.

We manage our exposure to climate-related risks within our investments by considering climate-related issues, alongside wider ESG factors, within our investment and stewardship activities. Within our Affluent segment, the focus of climate-related activity has been on the WealthSelect range. More information on our approaches to both the integration of ESG factors into investment activities and stewardship can be found in the Risk Management section of this report.

In the first quarter of 2022, we engaged an external consultant, Good Business, in order to explore ways of further enhancing our approach to assessing, monitoring and managing climate-related risk within our investments. For example, where we manage direct equity holdings for our customers, we are now monitoring the proportion of holdings aligned with the SBTi and, for our third-party funds, we have assessed the manager's signatory status to the Net Zero Asset Manager's Initiative ("NZAM"[30]).

On our platform, customers, assisted by their advisers, choose their investments from a wide range of funds, managed portfolios, investment trusts and exchange-traded funds. Where assets are managed by third parties, we have less control over the investments chosen and less ability to directly influence the emissions and manage the climate-related risks associated with these investments. Wider assets under advice are not considered within the scope of this work.

The impact of climate-related opportunities on our investments

In order to pursue climate-related opportunities and meet our customers' changing needs we offer investment solutions which explicitly target responsible and sustainable objectives, including those related to climate change.

Investment solutions with responsible investment-related objectives

High Net Worth segment	Affluent segment
For many years, customers of Quilter Cheviot have been able to exclude direct investment in specific sectors and activities including fossil fuels. Our Quilter Cheviot Climate Assets Balanced Fund was launched over ten years ago. This excludes fossil fuels and invests on a sustainable thematic basis. We launched the Climate Assets Growth Fund in 2022. We launched our first Positive Change strategy in 2020 Since then, we have launched two further versions of this with different risk appetites. These strategies, amongst other considerations, include funds exposed to companies with products or services that are solutions to environmental or social problems. In 2022 we launched a new strategy called Discretionary Portfolio Service ("DPS") Focused which has exclusionary and inclusionary characteristics based on ESG issues and factors. For example, producers of fossil fuels are excluded from this strategy.	In March 2022, we launched the new WealthSelect Responsible and Sustainable portfolios, to complement our existing managed portfolio services. These portfolios invest predominantly in investment funds, rather than directly in companies and are available to customers on our platform: – Our Responsible range of managed portfolios invests with managers that we identify as leaders in ESG integration and the management of ESG factors, including climate-related risks and opportunities. At least 50% of the portfolios' assets are in funds that pursue explicit environmental and/or social targets or characteristics. – Our Sustainable range of managed portfolios invests a substantial portion of its assets in funds that target a broad range of sustainable outcomes, including climate-related outcomes. In September 2022, we launched the Quilter Investors Timber Equity Fund. This has an objective to invest in companies which support sustainable forestry and timber practices.

[30] *See the glossary for an explanation of key terms used in this report.*

Climate scenario analysis

We have performed scenario testing in order to test the potential outcomes of climate change on the Group.

As a wealth manager, our profitability is closely correlated to the health of the UK economy, from where most of our customers' wealth originates, and to that of the global economy, where we invest on behalf of our customers.

Three scenarios were chosen to explore our resilience to a range of long-term climate outcomes. These three scenarios were chosen because they explore both transition and physical risks to different degrees. An objective of scenario testing was to consider and identify potential management actions to support and inform our strategy. The exercise highlighted a range of key management actions aligned to the effective management and mitigation of climate-related financial risks.

The three scenarios used were based on standard industry scenarios defined by the Network for Greening the Financial System ("NGFS"[31]) and used by the Bank of England.

Scenario	Scenario description	Assumed global temperature rise
Orderly transition	There is an orderly transition to a net zero economy from 2020 to 2050.	1.8°C rise above pre-industrial level by 2050.
Disorderly transition	There is a disorderly transition to a net zero economy from 2030 to 2050.	1.8°C rise above pre-industrial level by 2050.
Hot house world	There is not a successful transition to a net zero economy.	3.3°C rise above pre-industrial level by 2050.

The scenario analysis was performed largely on a qualitative basis. The approach taken to perform scenario analysis was as follows:

- The scenario specification was provided by the Bank of England for the Climate Biennial Exploratory Scenario ("CBES"[32]) exercise. We did not formally participate in the CBES exercise but used the CBES scenario specification to determine the impacts of the three scenarios on the external business environment over the period to 2050. The CBES specification included financial impacts to individual market sectors within the UK economy under each scenario.
- The scenarios tested include some key simplifications. For instance, the "hot house world scenario" includes physical impacts which have been accelerated in order to come into the scenario timeframe. This scenario also does not include social impacts which could be significant, such as mass migration and war.
- Since we do not have comprehensive data on climate exposures within all underlying customer assets, a number of simplifying assumptions were made over the exposure to individual sectors.
- The impacts of the three scenarios on profitability, at five-year intervals, were estimated. The impacts were broadly assessed as those which could potentially be managed, through appropriate management actions, and those impacts which were largely outside of our control, such as systemic impacts on the economy and household wealth which would act as headwinds to our business performance. The financial impacts were estimated for the purpose of comparing the relative consequences of the three scenarios.
- Impacts on our business's risk profile, under the three scenarios, were broadly assessed by considering the potential change in the level of risk under a range of risk categories.

The scenario analysis highlighted and confirmed that Quilter's best interests lie in an orderly transition to a net zero economy. This finding was driven by the following observations under the scenarios tested. The scenarios would be expected to impact Quilter, through headwinds to future profitability.

- An orderly transition to a net zero economy would be expected to lead to a temporary impact on household wealth and corporate profits. This is largely due to rising energy costs. A permanent impact on the global economy would also be expected due to the cost of transition.
- A disorderly transition to a net zero economy would be expected to lead to a larger temporary impact due to greater economic impacts, such as rising energy costs, rising unemployment, significant stranded assets, and inflation caused by demand to replace stranded assets. A greater permanent impact to the global economy would be expected due to the higher overall cost of transition in this scenario.
- Failure to transition to a net zero economy would be expected to lead to greater impacts in the longer term, as the global environment becomes more hazardous and unpredictable. Under the hot house world scenario, many of the impacts from physical risks would be expected to crystallise or become more severe in a non-linear way over time, and so headwinds for the economy would be expected to become more severe beyond 2050. This scenario led to the greatest impact on the global economy, and to our profitability, by 2050.

We have a strong and resilient balance sheet and sufficient capital and liquidity to withstand all three of the scenarios tested.

It should be noted that scenarios are not predictions and are not equally likely to occur. Scenario analysis is currently limited by a number of factors, most notably data limitations which impact on our ability to assess full impacts and so a range of simplifications are required. Therefore, scenario analysis is early in its development and given the uncertainty in forward-looking measures and other inputs, we see this scenario analysis as a useful input rather than a strong predictive tool at this point.

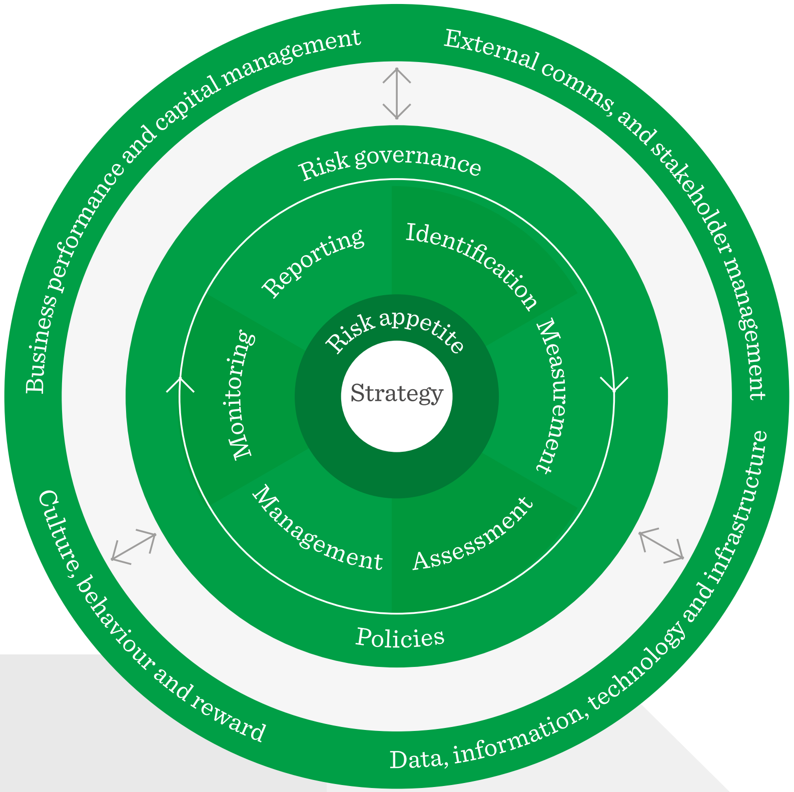
[31,32] *See the glossary for an explanation of key terms used in this report.*

Risk Management

How we identify, assess, and manage climate-related risks, particularly within our investment activities.

Climate-related risks and our risk management framework

Effective risk management is embedded across our business through our Enterprise Risk Management ("ERM") Framework[33]. This framework sets out how we identify, measure, assess, manage, monitor, and report on the risks to which our business is, or could be, exposed. We have embedded the consideration of climate-related risks into our ERM Framework, to ensure that climate-related risks are sufficiently understood and continually managed within Quilter's risk appetite.



Our processes for identifying, assessing, and managing climate-related risks

Within our climate-related risk identification process, we treat climate-related risks as a cross-cutting risk type for the Group. This means that we recognise that climate-related risks have the potential to manifest through a number of the existing risk types within our ERM Framework. For example, we consider the potential impact of climate-related risks on our operational, business and strategic risk profiles. Treating climate-related risks as a cross-cutting risk type helps us to separately identify, understand, and manage the potential for climate-related risks in all our businesses and functions and across different potential timescales. Climate-related risks assessed as material (over a range of timeframes) have been defined within the internal risk taxonomy contained within our ERM Framework.

Within our risk management framework, identified climate-related risks are assessed for materiality. This materiality assessment is largely qualitative and made with regard to relevant subject matter expertise.

Climate-related regulatory requirements

We consider emerging climate-related regulatory requirements in all of the jurisdictions in which we operate. Our operations and business activities are focused primarily in the UK, where the Government has set a legally binding target of net zero emissions by 2050. We regularly review proposals to change climate-related requirements, or introduce new ones, to ensure that we remain compliant with all applicable regulations. In December 2021, one of our UK regulators, the FCA, published new rules expanding mandatory climate-related disclosures aligned with the recommendations of the TCFD to three of our businesses, Quilter Life and Pensions, Quilter Cheviot and Quilter Investors. A programme of work commenced in 2022, focused on ensuring that data, systems and reporting mechanisms will be in place to meet these disclosure requirements.

In October 2022, the FCA published a consultation paper on Sustainability Disclosure Requirements ("SDR") and investment labels, to which we intend to respond.

[33] *See the glossary for an explanation of key terms used in this report.*

Embedding climate-related risks in our risk management framework - our progress in 2022

In 2022, the following actions were completed to progress the consideration of climate-related risks within our risk management framework:

- during our annual policy review process, policy owners were explicitly asked to consider climate-related risks in the policies within our ERM Policy Suite;
- the consideration of climate-related risks is embedded across all three lines of defence[34] within Quilter, including the Internal Audit and Risk and Compliance functions, to help ensure that clear and effective accountability for these unique risks is established throughout the business;
- members of the second line Risk and Compliance function and the third line Internal Audit function attended training sessions on climate-related risks and the recommendations of the TCFD;
- climate-related risks were included in the emerging risk register and included in emerging risk updates presented to senior leadership and the Board Risk Committee; and
- material exposures to the financial risks from climate change were considered in our internal ORSA and ICARA processes.

[34] See the glossary for an explanation of key terms used in this report.

Managing climate-related risks within our investment activities

As described in the table on page 14, we are exposed to the potential for transitional climate-related market risk in our investment solutions.

Our strategy for managing climate-related risks within our investment activity centres around:

- considering climate-related issues within our wider ESG integration activities; and
- our stewardship activities.

Further information about our approach to responsible investment can be found on our website in the following locations:

QUILTER CHEVIOT INVESTMENT MANAGEMENT

Responsible Investment | Quilter Cheviot

Quilter Investors

Responsible Investment Policies | Quilter Investors

Our two segments have distinct investment processes, reflecting the differences in the product offerings and customers served.

Investments	
High Net Worth segment Our discretionary investment management business, Quilter Cheviot, offers bespoke portfolio management services to just under 40,000 customers.	**Affluent segment** Our fund management business, Quilter Investors, provides advisers and their customers with multi-asset investment solutions.
– Quilter Cheviot offers discretionary fund management services for customers via third-party funds, direct equities, fixed income, and other asset classes. – Quilter Cheviot manages a number of funds, including funds with an exclusionary approach for fossil fuels.	– Within Quilter Investors, our multi-asset investment solutions invest predominantly in funds. – As at 31 December 2022, we also had around 49 direct equity and fixed income strategies where day-to-day management is delegated to external sub-advisers. These sub-advised mandates may also be held within our multi-asset solutions alongside third-party funds. – Our WealthSelect Managed Portfolio service is available to customers investing on our platform.

ESG integration

ESG integration
ESG integration is the inclusion of ESG factors, including climate-related factors, in our investment analysis for portfolio managers' consideration in their investment decisions, to better manage risks and improve returns. Although many of our strategies do not have explicit responsible or sustainable objectives, we believe that ESG factors are of relevance to wider investment strategies. Our preference is not to automatically exclude companies or funds in the first instance for the majority of our products and strategies, but to evaluate their approach to ESG issues, including those related to climate. The integration of ESG and climate-related factors is informed by qualitative and quantitative data, and we work with a number of third-party ESG data providers, such as Sustainalytics, CDP, Morningstar and Ethical Screening, to inform our analysis and approach to climate-related risks. Please see the table on page 27 for further details of our third party ESG data providers. Where applicable, we supplement climate-related data and metrics with a range of qualitative information.

Due diligence and selection process

Funds

In 2022, we engaged with fund managers and sustainability teams and assessed their approaches to NZAM commitments, the percentage of assets under management committed, and their progress on implementation. We engaged with fund managers where we saw a lack of consistency between the NZAM commitments and the broader behaviour by the firm or fund managers.

Direct equities (Quilter Cheviot)

- We have identified holdings which have a science based target ("SBT"[35]) aligned with the SBTi and are monitoring the percentage of our holdings which are aligned to an SBT.
- We performed a qualitative assessment of any material climate-related risks and opportunities associated with our direct equity holdings. For example, within the utilities sector we assessed any national decarbonisation targets and for energy companies, we assessed their climate transition goals, and identified and evaluated decarbonisation plans.
- Our qualitative assessment is supplemented by a quantitative data overlay. Our proprietary dashboards incorporate data from multiple sources. For example, these can include carbon emissions, carbon intensity, and information on net zero commitments.

[35] *See the glossary for an explanation of key terms used in this report.*

Investment & Risk Monitoring Process

High Net Worth segment	Affluent segment
Investment process In order to consider climate-related factors within our investment process we have undertaken the following actions: For our direct holdings we have created industry group dashboards based on the Sustainability Accounting Standards Board's materiality matrices. Within these, we use the climate-related metrics for all industry groups: climate GHG reduction targets and CDP climate disclosure scores. We will also use additional climate-related metrics depending on the industry group. For example, for the banking industry we include the Rainforest Action Network which produces a fossil fuel financing league table. For our indirect holdings through funds, we use Style Analytics to analyse the underlying characteristics including climate-related metrics. We are working to expand the holdings coverage beyond equity and fixed income holdings although this data can be difficult to obtain and use in a systematic way. We have developed a number of tools that enable the incorporation of ESG-related risks, including those relating to the climate, in the construction of our models, and funds. We use this information to monitor and track our exposure to climate-related risk in our investments. From an opportunities' perspective, we may make appropriate allocations to investments that are explicitly focused on sustainable investment, climate solutions and the transition to a low carbon economy. This is applicable to our strategies that have explicit climate objectives as well as our broader suite of products and strategies, where appropriate.	**Investment process** Climate-related factors are considered within the investment process for the WealthSelect Responsible and WealthSelect Sustainable portfolios. A dashboard has been created for these portfolios containing ESG and climate-related metrics. This includes GHG emissions, WACI, and product involvement in oil and gas, shale, oil sands, thermal coal extraction and fossil fuel generation. Temperature alignment, commitment to GHG reduction targets and alignment to the United Nation's Sustainable Development Goals are also included for consideration. The dashboard is used to monitor and track the ESG and climate-related risks of the portfolio and ensure exposure to unsustainable activities, including those that are climate-related, is minimised while maintaining a smaller carbon footprint than the reference index. The Quilter Investors Timber Equity Fund has an objective to invest in companies which support sustainable forestry and timber practices. Specific exclusions are monitored on a daily basis.
Risk monitoring and management Our ESG dashboards are used to inform our risk monitoring and ongoing risk management processes. We understand that our strategies may be affected by a transition to a lower carbon economy, and we use the information in our ESG dashboards to monitor and track our exposure to the potential for climate-related market risk arising from a transition to a lower carbon economy. We have identified key climate-related metrics for our core balanced strategies which include those which are fossil fuel free and/or have specific responsible investment objectives within their remit. We compare these on a regular basis in order to understand the different inputs and outputs. For example, a carbon intensive investment may be contributing significantly towards developing climate solutions for the future therefore it is vital to not just look at the numbers, but also the qualitative information as well.	**Risk monitoring and management** Our ESG dashboards are used as part of our risk monitoring and ongoing risk management processes for the WealthSelect Responsible and WealthSelect Sustainable Portfolios and the Quilter Investors Timber Equity Fund. They are used as part of a risk report run on a monthly basis with any above tolerance data points flagged for further investigation. For the solutions in Quilter Investors that do not have ESG, responsible or sustainable objectives, ESG data is provided for consideration by Portfolio Managers in their investment decision-making process.

Our approach to ESG and climate-related data and information

Our investment processes are supplemented by qualitative and quantitative ESG-related information, including information and data related to climate. We are reliant on the accuracy of the climate data provided to us by external providers. Therefore, we are mindful of this when using the outputs and calibrate accordingly. For applicable strategies, we supplement climate-related data and metrics with a range of qualitative information.

In addition to the data sources below, we also use publicly available third-party information from sources such as the Transition Pathway Initiative and Climate Action 100+.

External Data Provider	Purpose
ISS Climate & Impact Data	These two data sets are focused on climate-related data and alignment to the UN Sustainable Development Goals. We use ISS Climate data for our carbon intensity and carbon footprint metrics. They are also data inputs into our ESG dashboards (for equities, models, funds), for our third-party fund research and for our WealthSelect Responsible and WealthSelect Sustainable portfolios.
Sustainalytics	Sustainalytics data is used for analysis of ESG risk ratings, exposures and management scores, product involvement (including thermal coal and controversial weapons), carbon risk and carbon footprint, UN Global Compact status and controversies at security, fund holding and portfolio aggregated level.
ISS Proxy Exchange	ISS Proxy Exchange is used for our voting activity. ISS provides recommendations based on our agreed policy. We then make our own decision based on this information as well as our own engagement activity.
Style Analytics	For Quilter Cheviot, data from Sustainalytics and other external providers feeds into the Style Analytics tool to provide our fund research team with more granular detail regarding ESG factors and our underlying holdings.
Morningstar	For Quilter Investors, Morningstar is used for underlying fund data for fund research and analysis.
CDP	For Quilter Cheviot, data from CDP's global disclosure system is integrated into equity industry group dashboards as well as providing data for engagements.
Ethical Screening	Ethical Screening is used to screen on a negative and positive basis in line with a customer's policy. They are also an additional ESG data source and are employed at a portfolio level to help our research teams identify areas of exclusion, as well as positive screening within Quilter Cheviot.

Our stewardship, engagement and voting activities

Stewardship

Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for customers and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Quilter is a signatory of the UK Stewardship Code 2020, which sets out the expectations of how investors manage money on behalf of customers and sets out twelve principles for asset managers. Quilter recognises stewardship as a fundamental component of investment management and fully supports the UK Stewardship Code 2020, which applies to both Quilter Cheviot and Quilter Investors.

Stewardship plays an important role in supporting our approach to managing climate-related risks and opportunities responsibly. We believe that, for the majority of our strategies, an approach of engagement rather than divestment is the most appropriate initial action to take. An approach of simply divesting from holdings with a higher carbon intensity could result in these subsequently being held by investors who do not place any importance on transitioning to a lower carbon economy. In such a scenario, those investments will not have an incentive to change their behaviour and this could impede a transition to a lower carbon economy. Additionally, there is the paradox that some companies that have high carbon intensity are focused on developing solutions for a lower carbon world.

We have three thematic priorities to guide our engagement activity, one of which is climate change. We engage on climate-related issues with both companies and funds, where appropriate and we also participate in collaborative engagement. Our engagement activities are backed up by our approach to voting, where we may use our voting rights to push for enhanced disclosure and improvements around how climate-related issues are managed. In 2022, the thematic engagement activity carried out within our Affluent division was conducted only for our WealthSelect Sustainable range.

Our engagement activity for direct equity is driven by our responsible investment specialists and nuanced approaches are taken for different asset classes and strategies. Our climate change engagement can include a focus on clean energy and technology and conversely looking at high carbon emitters such as thermal coal and fossil fuels. Our climate-related engagement can also relate to reforestation/deforestation (including palm oil and palm plantations) and emerging natural climate solutions. This focus also includes understanding companies' net zero ambitions as well as decarbonisation plans.

Examples of climate-related engagement activities carried out in 2022

Thematic engagement with BHP – Quilter Cheviot

Objective: We continued our thematic engagement on climate-transition plans[36] and disclosures with the largest emitters in our voting universe (Scope 1 and Scope 2 emissions). The first phase is engagement for information to get a better understanding of the quality of transitions plans and whether companies are taking (or not taking) appropriate measures to align with a future lower carbon economy.

BHP's exposure to metallurgical coal and legacy oil/thermal coal assets makes the decarbonisation trajectory more complicated than peers like Rio Tinto. That said, in terms of target setting, BHP has not been as ambitious and does not appear to have committed as much capital expenditure to the decarbonisation strategy. Plans/expenditure on coal mine extension and expansion do not appear consistent with a net zero trajectory, despite stating this as a goal. Similar to peers, Scope 3 emissions from Chinese steelmakers present a challenge and there are individual projects ongoing to reduce the carbon intensity of customers. Further engagement may be needed to fully establish the scope and impact of these projects. The specific commitments to reduce emissions in shipping is a welcome level of detail in an area where BHP can exercise more agency. Whilst this is a solid framework, overall, the ambition seems to fall behind peers.

Outcome: This was an initial engagement to establish an opinion on transition plans. We would like to see further progress on Scope 3 emissions target setting and alignment of capital expenditure with a net-zero trajectory. Ongoing dialogue will be required.

[36] *See the glossary for an explanation of key terms used in this report.*

Thematic engagement with Britvic – Quilter Cheviot

Objective: To receive an update on the company's sustainability approach through a small shareholder group meeting.

The company gave an overview of the sustainability strategy and how the board has been involved in the agenda. In terms of general highlights, ESG metrics are now embedded into executive remuneration packages, comprising 20% of bonuses linked to the sustainability strategy. More specifically, some of the metrics cover increasing use of recycled packaging and reducing calories per serving. The company has had an SBT related to carbon emissions since 2019 and has reduced its overall emissions profile (Scope 1 and Scope 2) by 29% since then.

Outcome: This was a useful catch-up meeting, which gave us a clearer picture of the company's sustainability strategy.

Thematic engagement with a Third Party Fund Manager – Quilter Cheviot

Objective: To perform a deep dive into a fund manager's exposure to Exxon to gain an understanding of how climate risk is factored into the team's investment decision making and engagement.

We had a call with the portfolio managers and stewardship team to discuss their analysis and engagements with Exxon. We discussed the team's increased interest in the stock after new board members were elected in 2021. This followed the Engine 1-led activism, which the asset manager supported by voting for the election of three of the four proposed new Non-executive Directors. Our discussion included the ambition of the environmental targets that Exxon has set to date, whether the team expects to see Exxon disclose Scope 3 emissions data and set targets, and whether they are engaging on lobbying alignment. We pushed back on the view put forward by the portfolio manager that oil supply has been constrained by those advocating ESG considerations, rather than being constrained by factors such as Russia's war in Ukraine.

Outcome: This is an Article 6 fund[37] that does not have a net zero or sustainability objective. The asset manager is a signatory to the NZAM and our discussion was focused on understanding how their engagement strategy aligns with this, as well as the consistency between the thinking of the investment and stewardship teams. As the fund that currently has the largest exposure to Exxon out of our funds under coverage, we have urged them to use their access to management to engage more on climate action, including in regards to its lobbying activity. We also reiterated our view that the oil supply has been constrained by a number of factors, not just ESG considerations.

WealthSelect Climate Engagement – Quilter Investors

Objective: To initiate long-term engagement to increase the setting of SBTs for carbon emissions in our Sustainable portfolios.

Prioritising funds with the most carbon emissions not committed to SBTs, we have opened dialogue with 12 (half) of the fund investments in the WealthSelect Sustainable range, representing 78% of the carbon emissions of the mid-risk level portfolio. These funds have been asked for details relating to their climate awareness, engagement objectives and challenges that might apply to the assets in their investment strategy. We have also taken into account the firm level context in terms of climate action commitments. In all cases, follow up questions and specific issuer level examples were discussed with the manager to fully understand the detailed climate profile of the fund and the likely trajectory of its carbon transition.

Outcome: This has helped develop a detailed baseline understanding of the climate position of WealthSelect Sustainable range and identified areas for monitoring and ongoing engagement. We will be continuing this engagement long term and rolling out more broadly to our assets under management in line with our own product and firm level objectives.

[37] *See the glossary for an explanation of key terms used in this report.*

Thematic engagement with Credit Suisse – Quilter Investors
Credit Suisse via Quilter Investors Corporate Bond and Quilter Investors Diversified Bond Funds and SparInvest Ethical Bond Fund. **Objective:** Understand manager views of shareholder climate-related resolution ahead of the 2022 AGM. Managers with exposure to Credit Suisse directly or through a fixed income position were contacted for their views on a shareholder resolution calling on the bank to clarify its climate strategy by reducing exposure to fossil fuels. All managers were generally supportive of climate positive resolutions and the challenge of energy transition for companies like Credit Suisse. In the case of SparInvest, a holding passing criteria for investment by the WealthSelect Responsible portfolios, the manager shared information on their engagements with both ShareAction and Credit Suisse ahead of the AGM to understand concerns and alignment with their own view. **Outcome:** We achieved a good understanding of manager views and the current engagements with Credit Suisse, who were opposed to any amendment to the Articles of Association for this resolution. Despite general support through our exposures, this resolution gained only 18.5% support at the AGM and so was not approved.

Example: Collaborative engagement
SBTi CDP campaign: We joined a coalition of 274 financial institutions representing US$36.5 trillion to ask specific companies to commit to an emission reduction target.

Metrics and Targets

The metrics and targets we use to measure, monitor, and manage our exposure to climate-related risks and opportunities.

Overview

In this section, we describe the metrics we use to measure the impact the Group has on the environment and, where applicable, our targets.

We measure our Scope 1 and Scope 2 greenhouse gas emissions in line with the GHG Reporting Protocol and have estimated our Scope 3 emissions (excluding investments). We have a target to reduce our Scope 1 and Scope 2 greenhouse gas emissions by 80% by 2030, from a 2020 baseline.

Our WealthSelect Responsible and Sustainable portfolios have investment objectives to maintain a carbon footprint lower than the reference index (MSCI All Country World Index). We have provided examples of these metrics within this section.

We have also provided the weighted average carbon intensity metrics for a proportion of our investment strategies and portfolios.

Our operational greenhouse gas emissions

All operational emissions data are calculated according to the GHG Reporting Protocol – Corporate Standard. The GHG protocol categorises emissions according to 'Scope', as follows:

- **Scope 1 (Direct GHG)** These are emissions from sources that are owned or controlled by an organisation. This includes fuel combustion on site e.g., gas boilers, fleet vehicles and air-conditioning leaks.
- **Scope 2 (Energy – Indirect GHG)** These are emissions from the consumption of purchased electricity, heat and steam, or other sources of energy (e.g., chilled water) generated upstream from the organisation. For purchased electricity, organisations are required to report Scope 2 emissions according to a 'location-based' method and a 'market-based' method (see below):
  - **Scope 2 Location-based:** This reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).
  - **Scope 2 Market-based:** This reflects emissions from electricity that organisations have purposefully chosen and therefore includes where they may have renewable energy contracts in place or generate their own energy.
  - **Scope 3 (value chain – indirect):** These are all indirect emissions (not included in Scope 2) that occur in a company's value chain, including both upstream and downstream emissions (e.g., business travel, waste).

Our operational greenhouse gas emissions

Greenhouse gas emissions – 31 December	tCO_2e[38] 2022	tCO_2e 2021	tCO_2e 2020
Scope 1 emissions	377	1,132[39]	307
Scope 2 (location-based) emissions	1,085	1,622	2,410
Scope 2 (market-based) emissions	833	1,151[40]	1,855[41]
Total Scope 1 & 2 emissions[42]	**1,462**	**2,754**	**2,717**
Scope 3 (excluding investments) emissions[43 44]	39,900	56,599	58,377
1. Purchased goods and services	*37,151*	*54,169*	*55,466*
3. Fuel- and energy-related emissions	*89*	*127*	*188*
5. Waste	*5*	*8*	*13*
6. Business Travel	*803*	*253*	*460*
7. Employee Commuting (including working from home)	*1,637*	*1,823*	*1,906*
8. Upstream Leased Assets	*215*	*219*	*344*
Total Scope 1, 2 & 3 operational emissions	**41,362**	**59,353**	**61,094**
Operational carbon intensity[45]	**14.10**	**19.56**	**14.48**

Our workplace strategy has continued to drive down our Scope 1 and Scope 2 greenhouse gas emissions in line with our target to reduce these emissions by 80% by 2030, from a 2020 baseline. This strategy considers our office footprint and enhanced energy efficiency within our buildings and also places reliance on future decarbonisation of the national grid in relation to purchased electricity. Our Scope 1 and Scope 2 emissions were monitored throughout 2022. Our Scope 1 and Scope 2 emissions in 2022 were 46% lower than our 2020 baseline. The primary driver of this was the reduction in our office footprint caused by the sale of our International business. In particular, we have experienced a reduction in our Scope 1 emissions resulting from the replacement of the air conditioning units in our largest office. A leak of refrigerant from the replaced air conditioning units had accounted for 509 tCO_2e of emissions in 2021.

Since 2018, we have prioritised the procurement of energy for all our offices from renewable sources. All of the buildings we control the energy contracts for now run on renewable energy tariffs. Including properties where we do not have control of the energy contract, this means that 67% of our total employee base work in an office sourced with renewable electricity.

In 2022, we refined our methodology for estimating the greenhouse gas emissions associated with our purchased goods and services and with our employee commuting, which includes consideration of the emissions associated with our employees working from home. With regards to calculating emissions related to purchased goods and services, we have moved from a purely spend-based[46] methodology to a hybrid methodology, incorporating data from some of our suppliers to improve the accuracy of these reported emissions. In light of this, we have restated higher greenhouse gas emissions associated with our purchased goods and services in 2020 and 2021. Our employee commuting emissions are now informed by our annual sustainability survey, which reduces our dependency on using national commuting averages as assumptions in our calculations. Whilst there is still a degree of estimation and external reliance in these metrics, these methodological changes are improving the accuracy of the estimation of our Scope 3 operational emissions.

Due to the impact of including associated emissions from our purchased goods and services (which are calculated based on the Scope 1 and Scope 2 emissions of our suppliers), Scope 3 emissions are significantly higher than Scope 1 and Scope 2 emissions and represent over 96% of our total operational emissions. Our Scope 3 emissions decreased by 30% in 2022 in comparison with 2021, driven mainly by a significant reduction in our spend on purchased goods and services. In late 2022, activity was focused towards setting a target to increase the proportion of suppliers we work with that have committed to setting targets aligned with the SBTi. We have also experienced an increase in business travel in 2022 compared to 2021 as colleagues return to the pre-pandemic ways of working.

Due to data availability, our operational emission calculations do not take into account the emissions generated by self-employed advisers. This includes Quilter Financial Planning (Network), Quilter Financial Advisers (National) and other independent advisers who use our platform or asset management services. As stated above, our Scope 3 emissions do not include data for the impact generated by our investments.

[38] See the glossary for an explanation of key terms used in this report.
[39] Including a leak of refrigerants from air conditioning units. This figure differs from last year's reported value due to underestimation of gas supply in our Southampton office.
[40,41] This figure differs from last year's reported value due to a change in market-based emission factors for our geothermal supply in our Southampton office.
[42] Calculated as the sum of Scope 1 and Scope 2 (location-based) emissions.
[43] Our disclosed Scope 3 emission metrics (excluding investments) contain some estimations and reliance on externally provided data.
[44] Following a change in methodology, our emissions from purchased goods and services have been recalculated for 2020 and 2021.
[45] Calculated as total operational emissions divided by the average number of full time equivalent employees at year-end. This metric provides a comparison against other organisations.
[46] Please see the GHG Protocol for a description of these methodologies.

WealthSelect Responsible and Sustainable Portfolio Carbon Footprints

Our WealthSelect Responsible and Sustainable portfolios, launched in March 2022, have investment objectives to maintain a carbon footprint lower than the reference index (MSCI All Country World Index).

The carbon footprint is the total of metric tonnes of Scope 1 and Scope 2 CO_2e emissions produced with respect to each £100,000 invested (in the equity and corporate bond component of the portfolio), calculated on an 'equity ownership' basis. i.e., a proportion allocation of the company's emissions based on the proportion of the company's market cap 'owned'.

The total assets under management across the WealthSelect Responsible and Sustainable portfolios on 31 December 2022 was £135m.

Guidance on how these metrics are calculated, including information on the criteria applied and the methodology used when calculating the different metrics can be found **here**

Carbon footprint metrics (Tonnes of CO_2e per £100,000 invested) used to support investment aims as of 31 December 2022

Portfolio	Carbon Footprint	Carbon Footprint reference index	Coverage[47] %	Reference index Coverage %	Reference index
WealthSelect Responsible Active 3	8.88	12.31	46.1%	99.8%	MSCI All Country World Index
WealthSelect Responsible Active 4	8.95	12.31	51.3%	99.8%	MSCI All Country World Index
WealthSelect Responsible Active 5	8.90	12.31	56.6%	99.8%	MSCI All Country World Index
WealthSelect Responsible Active 6	9.17	12.31	61.9%	99.8%	MSCI All Country World Index
WealthSelect Responsible Active 7	9.12	12.31	68.4%	99.8%	MSCI All Country World Index
WealthSelect Responsible Active 8	8.94	12.31	75.8%	99.8%	MSCI All Country World Index
WealthSelect Responsible Active 9	8.16	12.31	87.0%	99.8%	MSCI All Country World Index
WealthSelect Responsible Active 10	7.91	12.31	93.2%	99.8%	MSCI All Country World Index
WealthSelect Responsible Blend 3	9.14	12.31	46.9%	99.8%	MSCI All Country World Index
WealthSelect Responsible Blend 4	9.27	12.31	52.0%	99.8%	MSCI All Country World Index
WealthSelect Responsible Blend 5	9.27	12.31	57.1%	99.8%	MSCI All Country World Index
WealthSelect Responsible Blend 6	9.58	12.31	62.3%	99.8%	MSCI All Country World Index
WealthSelect Responsible Blend 7	9.58	12.31	68.6%	99.8%	MSCI All Country World Index
WealthSelect Responsible Blend 8	9.43	12.31	75.9%	99.8%	MSCI All Country World Index
WealthSelect Responsible Blend 9	8.67	12.31	87.0%	99.8%	MSCI All Country World Index
WealthSelect Responsible Blend 10	8.43	12.31	93.1%	99.8%	MSCI All Country World Index
WealthSelect Responsible Passive 3	6.08	12.31	50.3%	99.8%	MSCI All Country World Index
WealthSelect Responsible Passive 4	6.12	12.31	61.4%	99.8%	MSCI All Country World Index
WealthSelect Responsible Passive 5	6.30	12.31	70.3%	99.8%	MSCI All Country World Index
WealthSelect Responsible Passive 6	6.38	12.31	78.0%	99.8%	MSCI All Country World Index
WealthSelect Responsible Passive 7	6.65	12.31	83.6%	99.8%	MSCI All Country World Index
WealthSelect Responsible Passive 8	6.49	12.31	87.5%	99.8%	MSCI All Country World Index
WealthSelect Responsible Passive 9	6.36	12.31	92.8%	99.8%	MSCI All Country World Index
WealthSelect Responsible Passive 10	6.69	12.31	95.0%	99.8%	MSCI All Country World Index
WealthSelect Sustainable Active 3	8.95	12.31	48.9%	99.8%	MSCI All Country World Index
WealthSelect Sustainable Active 4	8.22	12.31	55.6%	99.8%	MSCI All Country World Index
WealthSelect Sustainable Active 5	7.81	12.31	61.7%	99.8%	MSCI All Country World Index
WealthSelect Sustainable Active 6	7.61	12.31	67.5%	99.8%	MSCI All Country World Index
WealthSelect Sustainable Active 7	7.87	12.31	72.6%	99.8%	MSCI All Country World Index
WealthSelect Sustainable Active 8	7.93	12.31	78.9%	99.8%	MSCI All Country World Index
WealthSelect Sustainable Active 9	7.55	12.31	87.3%	99.8%	MSCI All Country World Index
WealthSelect Sustainable Active 10	7.22	12.31	94.5%	99.8%	MSCI All Country World Index

[47] *Our coverage figures represent the percentage of the portfolio for which data is available to calculate the metric.*

Weighted Average Carbon Intensity

The WACI is a key metric recommended for disclosure by the TCFD. The metric represents a strategy's or portfolio's exposure to carbon-intensive companies. It provides information on the level of Scope 1 and Scope 2 carbon emissions within an investment portfolio (or model) against the revenue produced by the portfolio (or model) and is expressed in tonnes of CO_2e per $ million of revenue.

For the purposes of monitoring our exposure to climate-related market risk, the WACI metric has limitations, the most significant of which are as follows:

– Certain asset classes are excluded from this calculation. Most significantly, these include government bonds, asset-backed securities, cash, foreign currencies, and derivatives.

– The WACI metric covers Scope 1 and Scope 2 emissions but does not cover Scope 3 emissions.

– WACI does not take into account the difference in carbon characteristics among different sectors.

We have included a coverage percentage for each portfolio, representing the percentage of the portfolio or fund for which data is available to calculate the metrics. In the calculation of these figures, we have placed reliance on the accuracy of our third-party ESG data providers – ISS.

Our Affluent segment – the WealthSelect portfolios

The following table provides WACI metrics for our WealthSelect managed portfolios. The WealthSelect Managed Portfolio Service is available to customers using our platform. The total assets under management across all the WealthSelect portfolios on 31 December 2022 was £10.3bn. Whilst the WealthSelect Responsible and Sustainable ranges have a carbon-related investment objective, the WealthSelect Managed range does not consider the WACI or any other carbon-related metrics as part of investment management processes.

Portfolios' Weighted Average Carbon Intensities (Tonnes CO_2e per $m Sales Revenue) as of 31 December 2022

Portfolio	WACI	Benchmark WACI	Coverage[48] %	Benchmark Coverage %	Benchmark Index
WealthSelect Managed Active 3	94	153	55.8%	99.9%	MSCI All Country World
WealthSelect Managed Active 4	103	153	60.6%	99.9%	MSCI All Country World
WealthSelect Managed Active 5	110	153	65.4%	99.9%	MSCI All Country World
WealthSelect Managed Active 6	117	153	69.9%	99.9%	MSCI All Country World
WealthSelect Managed Active 7	124	153	75.1%	99.9%	MSCI All Country World
WealthSelect Managed Active 8	129	153	81.4%	99.9%	MSCI All Country World
WealthSelect Managed Active 9	135	153	88.3%	99.9%	MSCI All Country World
WealthSelect Managed Active 10	140	153	94.8%	99.9%	MSCI All Country World
WealthSelect Managed Blend 3	97	153	56.0%	99.9%	MSCI All Country World
WealthSelect Managed Blend 4	107	153	60.9%	99.9%	MSCI All Country World
WealthSelect Managed Blend 5	115	153	65.8%	99.9%	MSCI All Country World
WealthSelect Managed Blend 6	123	153	70.5%	99.9%	MSCI All Country World
WealthSelect Managed Blend 7	130	153	75.8%	99.9%	MSCI All Country World

[48] *Our coverage figures represent the percentage of the portfolio for which data is available to calculate the metric.*

Portfolio	WACI	Benchmark WACI	Coverage[49] %	Benchmark Coverage %	Benchmark Index
WealthSelect Managed Blend 8	136	153	82.3%	99.9%	MSCI All Country World
WealthSelect Managed Blend 9	144	153	89.7%	99.9%	MSCI All Country World
WealthSelect Managed Blend 10	151	153	96.5%	99.9%	MSCI All Country World
WealthSelect Managed Passive 3	121	153	53.9%	99.9%	MSCI All Country World
WealthSelect Managed Passive 4	128	153	64.9%	99.9%	MSCI All Country World
WealthSelect Managed Passive 5	137	153	73.5%	99.9%	MSCI All Country World
WealthSelect Managed Passive 6	143	153	81.9%	99.9%	MSCI All Country World
WealthSelect Managed Passive 7	150	153	87.5%	99.9%	MSCI All Country World
WealthSelect Managed Passive 8	158	153	92.1%	99.9%	MSCI All Country World
WealthSelect Managed Passive 9	170	153	95.1%	99.9%	MSCI All Country World
WealthSelect Managed Passive 10	196	153	97.5%	99.9%	MSCI All Country World
WealthSelect Responsible Active 3	72	153	95.3%	99.9%	MSCI All Country World
WealthSelect Responsible Active 4	76	153	51.3%	99.9%	MSCI All Country World
WealthSelect Responsible Active 5	78	153	56.3%	99.9%	MSCI All Country World
WealthSelect Responsible Active 6	83	153	61.4%	99.9%	MSCI All Country World
WealthSelect Responsible Active 7	85	153	66.2%	99.9%	MSCI All Country World
WealthSelect Responsible Active 8	86	153	72.4%	99.9%	MSCI All Country World
WealthSelect Responsible Active 9	84	153	79.5%	99.9%	MSCI All Country World
WealthSelect Responsible Active 10	83	153	89.7%	99.9%	MSCI All Country World
WealthSelect Responsible Blend 3	78	153	96.0%	99.9%	MSCI All Country World
WealthSelect Responsible Blend 4	83	153	52.2%	99.9%	MSCI All Country World
WealthSelect Responsible Blend 5	85	153	57.2%	99.9%	MSCI All Country World
WealthSelect Responsible Blend 6	91	153	62.1%	99.9%	MSCI All Country World
WealthSelect Responsible Blend 7	94	153	66.9%	99.9%	MSCI All Country World
WealthSelect Responsible Blend 8	95	153	73.0%	99.9%	MSCI All Country World
WealthSelect Responsible Blend 9	94	153	79.9%	99.9%	MSCI All Country World
WealthSelect Responsible Blend 10	94	153	90.3%	99.9%	MSCI All Country World
WealthSelect Responsible Passive 3	66	153	98.1%	99.9%	MSCI All Country World
WealthSelect Responsible Passive 4	68	153	55.6%	99.9%	MSCI All Country World
WealthSelect Responsible Passive 5	71	153	67.3%	99.9%	MSCI All Country World
WealthSelect Responsible Passive 6	73	153	76.5%	99.9%	MSCI All Country World

[49] *Our coverage figures represent the percentage of the portfolio for which data is available to calculate the metric.*

Portfolio	WACI	Benchmark WACI	Coverage[50] %	Benchmark Coverage %	Benchmark Index
WealthSelect Responsible Passive 7	77	153	84.3%	99.9%	MSCI All Country World
WealthSelect Responsible Passive 8	78	153	89.7%	99.9%	MSCI All Country World
WealthSelect Responsible Passive 9	81	153	93.2%	99.9%	MSCI All Country World
WealthSelect Responsible Passive 10	89	153	96.7%	99.9%	MSCI All Country World
WealthSelect Sustainable Active 3	78	153	96.4%	99.9%	MSCI All Country World
WealthSelect Sustainable Active 4	81	153	56.5%	99.9%	MSCI All Country World
WealthSelect Sustainable Active 5	84	153	62.3%	99.9%	MSCI All Country World
WealthSelect Sustainable Active 6	87	153	67.7%	99.9%	MSCI All Country World
WealthSelect Sustainable Active 7	93	153	72.7%	99.9%	MSCI All Country World
WealthSelect Sustainable Active 8	98	153	77.3%	99.9%	MSCI All Country World
WealthSelect Sustainable Active 9	100	153	82.7%	99.9%	MSCI All Country World
WealthSelect Sustainable Active 10	100	153	90.2%	99.9%	MSCI All Country World

In addition to the WealthSelect portfolios, a wider range of multi-asset investment solutions are managed within our Affluent segment. For example, Quilter Investors manages the Quilter Investors Cirilium and Creation Portfolios and sub-advised mandates. Aside from the Quilter Investors Timber Equity Fund, these investment solutions do not consider WACI or other carbon-related metrics as part of investment management objectives.

The total assets managed by Quilter Investors at 31 December 2022 was £21.0bn. In 2022, we commenced a programme of work to enhance the underlying data and processes within these investment solutions and, in particular, to align the third-party carbon data provider to match with the rest of the business. As this work has not yet completed, and to ensure that our disclosed metrics are produced consistently across the business, we have chosen not to display WACI metrics for these portfolios in this report.

Details on the MSCI ACWI benchmark can be found here

[50] *Our coverage figures represent the percentage of the portfolio for which data is available to calculate the metric.*

Our High Net Worth segment

Within Quilter Cheviot, we use data from ISS to enable the monitoring of Scope 1, Scope 2 (and Scope 3 where available) GHG emissions, carbon intensity, and WACI and aim to use this information to help monitor climate-related risks across our portfolios and strategies going forward.

When viewing Quilter Cheviot's published WACI metrics, the following limitations should be considered:

1. As a multi-asset manager, we invest in a range of equities, bonds, and alternative assets. The majority of our assets under management are invested in equities. For other asset types there are some carbon-related data gaps, particularly for alternative asset classes. Therefore, we have included a coverage percentage with our WACI metrics.
2. As a discretionary fund manager, we have nearly 40,000 customers with individual segregated portfolios managed in line with the underlying customer's specific requirements. Each portfolio is assigned a 'house' strategic asset allocation/model containing our security recommendations for a mix of equities, bonds, and other assets. There will be minor tactical variation in the live customer's portfolio in both asset allocation and security selection. Therefore, it is impractical to provide statistics for each and every portfolio. For that reason, we have produced WACI metrics for our core model portfolios as representing the bulk of our assets under management.
3. We manage a few publicly available funds. We have reported the relevant metrics for the Libero Balanced Fund. For the Climate Assets and Quilter Cheviot Global Income and Growth Fund for Charities we run not just funds but also portfolios aligned with these strategies and for these we have reported the metrics against that broader strategy.

Each core strategy, model, customer portfolio, and fund has a benchmark. For example, our balanced mandates are usually measured against the MSCI PIMFA Private Investor Balanced Index.

We excluded from our disclosure the following:

1. Our Defensive and Conservative strategies as these have less than 50% invested in equities and therefore the overall data coverage was very low.
2. Our AIM Portfolio Service as there is a lack of directly reported data for smaller companies, and so the coverage is low.

We have used data sourced from ISS based on the holdings data that we have uploaded onto the ISS DataDesk. For all the models, strategies, and funds, the climate data is based on the corporate bond and equity holdings data that is available. All figures in the tables below are from the ISS DataDesk based on our holdings data.

The models, funds, and strategies shown in the next two tables represent 79% of our assets under management. As at 31 December 2022, Quilter Cheviot managed £25.5bn in assets on behalf of customers. In the case of models, the assets under management represents portfolios which are managed in line with those models. The median coverage of the models, funds and strategies is 73% and the median benchmark coverage is 62%.

Models' Weighted Average Carbon Intensities (Tonnes CO_2e per \$m Sales Revenue)

Strategy/Portfolio	WACI		Benchmark WACI		Coverage[51] %		Benchmark Coverage %		Benchmark Index
	2022[52]	2021	2022	2021	2022	2021	2022	2021	
Onshore Balanced Model	109	116	135	148	73%	68%	62%	62 %	MSCI PIMFA Private Investor Balanced Index
Onshore Balanced Collectives Model	103	117	135	148	73%	66%	62%	62%	MSCI PIMFA Private Investor Balanced Index
Offshore Sterling Balanced Model	109	127	136	148	69%	67%	63%	62%	QC Sterling Private Client Balanced Index
Onshore Income Model	111	117	134	147	65%	52%	50%	50%	MSCI PIMFA Private Investor Income Index
Onshore Collectives Income Model	105	113	134	147	64%	51%	50%	50%	MSCI PIMFA Private Investor Income Index
Offshore Sterling Income Model	111	118	134	147	59%	52%	50%	50%	QC Sterling Private Client Income Index
Onshore Growth Model	112	116	137	149	82%	80%	77%	78%	MSCI PIMFA Private Investor Growth Index
Onshore Growth Collectives Model	107	113	137	149	82%	80%	77%	78%	MSCI PIMFA Private Investor Growth Index
Offshore Sterling Growth Model	112	128	138	149	81%	82%	78%	78%	QC Sterling Private Client Growth Index
Charity CAIF Model	99	97	132	152	77%	68%	70%	70%	Charity model benchmark
Onshore Strategic Model	110	117	129	145	61%	50%	50%	50%	QC Sterling Private Client Strategic Index
Onshore Collective Strategic Model	101	114	129	145	62%	50%	50%	50%	QC Sterling Private Client Strategic Index
Onshore UK Equity Model	109	124	102	142	97%	99%	100%	100%	MSCI UK IMI
Ireland Equities Model	98	109	138	149	95%	83%	95%	78%	QC Ireland Private Client Equity Index
Ireland Balanced Model	90	108	138	148	72%	68%	63%	62%	QC Ireland Private Client Balanced Index
Ireland Growth Model	94	108	138	149	81%	83%	78%	78%	QC Ireland Private Client Growth Index
Positive Change 3	87	114	134	154	61%	54%	50%	50%	MSCI PIMFA Private Investor Income Index
Positive Change 4	85	111	135	148	69%	68%	62%	62%	MSCI PIMFA Private Investor Balanced Index
Positive Change 5[53]	86	N/A	137	N/A	78%	N/A	77%	N/A	MSCI PIMFA Private Investor Growth Index
Climate Assets Balanced Strategy	124	116	135	148	70%	81%	62%	62%	MSCI PIMFA Private Investor Balanced Index
Climate Assets Growth Strategy[54]	109	N/A	137	N/A	77%	N/A	77%	N/A	MSCI PIMFA Private Investor Growth Index
MPS (Managed Portfolio Service) Balanced	124	125	135	148	70%	65%	62%	62%	MSCI PIMFA Private Investor Balanced Index
Libero Balanced	94	82	135	148	73%	68%	62%	62%	MSCI PIMFA Private Investor Balanced Index
DPS Focused Balanced[55]	78	N/A	135	N/A	74%	N/A	62%	N/A	MSCI PIMFA Private Investor Balanced Index

Commentary

Broadly the WACI metric for strategies has reduced in comparison to the 2021 number. This reflects the lower equity weighting within live portfolios in 2022 compared to 2021. Given that we do not have data for all asset classes the equity weighting is the key determinant of the overall WACI number.

For some strategies the WACI metric has increased. However, in all instances this is a function of the data coverage increasing.

Details on the MSCI PIMFA benchmarks may be found here

The other benchmarks are composites of indices:

QC Sterling Private Client Balanced Index – 62.5% equities / 25% cash and fixed income / 12.5% alternatives
QC Sterling Private Client Income Index – 50% equities / 32.5% cash and fixed income / 17.5% alternatives
QC Sterling Private Client Growth Index – 77.5% equities / 10% cash and fixed income / 12.5% alternatives
Charity model benchmark – 70% equities / 20% cash and fixed income / 10% alternatives
QC Sterling Private Client Strategic Index – 50% equities / 25% cash and fixed income / 25% alternatives
QC Ireland Private Client Equity Index – 95% equities / 5% cash
QC Ireland Private Client Balanced Index – 62.5% equities / 25% cash and fixed income / 12.5% alternatives
QC Ireland Private Client Growth Index – 77.5% equities / 10% cash and fixed income / 12.5% alternatives

[51] *Our coverage figures represent the percentage of the strategy or portfolio for which data is available to calculate the metric.*
[52] *All figures are as of 31 December of either 2022 or 2021.*
[53, 54, 55] *This is a new fund/strategy, launched in 2022.*

Appendix

Appendix – Glossary

Term	Definition
Article 6 Fund	Under the EU's Sustainable Finance Disclosure Regulation rules, an Article 6 Fund is a fund that does not take into account sustainability within its investment approach.
CBES	The Climate Biennial Exploratory Scenario. Every two years the Bank of England puts out a Biennial Exploratory Scenario. For 2021, the focus of the exercise is climate change. Through CBES, the Bank of England will assess the impact of climate-related risks on the UK financial system.
CO_2e	Stands for CO_2 equivalent. The emission of different GHGs warm the earth at different intensities. For example, releasing 1 tonne of methane into the atmosphere has a greater warming potential than releasing 1 tonne of CO_2. This metric is used to express the impact of each different GHG in terms of the amount of CO_2 that would create the same amount of warming so that the impacts of the different GHGs can be compared.
ERM Framework	Our Enterprise Risk Management Framework sets out how we identify, measure, assess, manage, monitor, and report on the risks to which our business is, or could be, exposed.
ESG	Environmental, Social and Governance.
ESG integration	ESG integration at Quilter is the explicit and systematic inclusion of ESG factors, including climate-related issues, in our investment analysis and decisions to better manage risks and improve returns.
FCA	Financial Conduct Authority.
GHG	Greenhouse gas.
Greenhouse Gas Reporting Protocol	The GHG Protocol supplies the world's most widely used greenhouse gas accounting standards.
Greenwashing	Making misleading or unsubstantiated claims about environmental performance.
The Group	The holding company Quilter plc and its underlying companies.
ICARA (formerly ICAAP)	The Internal Capital Adequacy and Risk Assessment process. The set of underlying risk and capital management processes which are performed through an annual cycle, or whenever there is a material change in the risk profile or business strategy, in order to manage the risk and capital profile of the investment and advice businesses within the Group and to support strategic decisions. The ICARA is performed for the subset of investment and advice businesses within the Group under the Investment Firms Prudential Regime.
IIGCC	Institutional Investors Group on Climate Change.
Net Zero	Net zero refers to a state in which the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere.
NGFS	The Network of Central Banks and Supervisors for Greening the Financial System.
NZAM	The Net Zero Asset Manager's Initiative. The NZAM is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner.
ORSA	The Own Risk and Solvency Assessment. The set of underlying risk and capital management processes which are performed through an annual cycle, or whenever there is a material change in the risk profile or business strategy, in order to manage the risk and capital profile of the Group and to support strategic decisions. The ORSA is performed for the full Group under Solvency II requirements.

Appendix – Glossary (continued)

Term	Definition
Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP21 in Paris, on 12 December 2015. Its goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.
PRI	The Principles for Responsible Investment. The PRI is a UN-supported network of investors, working to promote sustainable investments.
SBT	Science Based Targets.
SBTi	The Science Based Targets initiative. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. The SBTi drives ambitious climate action in the private sector by enabling companies to set science-based emissions reductions targets.
Scope 1 Emissions	The direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the company. Scope 1 emissions result from a company's internal operations, including on-site energy production, vehicle fleets, manufacturing operations, and waste. The values represent metric tonnes of CO_2 equivalent.
Scope 2 Emissions	The indirect greenhouse gas (GHG) emissions attributable to operations that are owned or controlled by the company. Scope 2 emissions result from the emissions generated in the production of energy (electricity, steam, heat, and cooling) that is purchased by a company generated upstream from the organisation. For purchased electricity, organisations are required to report Scope 2 emissions according to a 'location-based' and a 'market-based' method.
Scope 3 Emissions	These are all indirect emissions (not included in Scope 2) that occur in a company's value chain, including both upstream and downstream emissions (e.g., business travel, waste).
SDR	Sustainability Disclosure Requirements. These are regulations created by the UK regulator, the FCA, aimed at combating greenwashing and ensuring investors are provided with the correct information on how their investments impact social and environmental sustainability.
Sustainability	Whilst there is no single definition of 'sustainability', we use this term to refer to environmental, social or governance factors or concerns. Environmental concerns include climate and broader environmental issues, like biodiversity. Social factors range from modern slavery to international development. Governance refers to the way that companies are controlled and directed.
Stewardship	Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for customers and beneficiaries leading to sustainable benefits for the economy, the environment and society.
TCFD	The Task Force on Climate-related Financial Disclosures. The Financial Stability Board created the TCFD to improve and increase reporting of climate-related information.
tCO_2e	Tonnes of CO_2e.
The Three Lines of Defence	An organisational model aimed at providing a structured framework for managing risk and exercising control within an organisation. Within the model, the first line has primary responsibility for managing organisational risks. The second line comprises the Risk Management and Compliance functions to help build and monitor the first line of defence's controls. The third line provides independent risk assurance.
Transition Plan	A transition plan is integral to an entity's overall strategy, setting out its plan to contribute to and prepare for a rapid global transition towards a low GHG-emissions economy.
UK Stewardship Code	The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for customers and beneficiaries leading to sustainable benefits for the economy, the environment, and society.
WealthSelect	A managed portfolio service offered by Quilter and available to customers of Quilter's platform.
Weighted Average Carbon Intensity ("WACI")	A portfolio's exposure to carbon-intensive companies, expressed in tonnes CO_2e/\$m revenue. This metric is recommended by the TCFD. Certain asset classes are excluded from the WACI calculation. Most significantly, these include government bonds, asset-backed securities, cash, foreign currencies, and derivatives.

Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. Exchange rates may cause the value of overseas investments to rise or fall.

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