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# Engagement Policy

January 2022

*At Quilter Investors, we believe that incorporating Environmental, Social and Governance (ESG) Considerations, should sit at the heart of the investment process.*

We have a commitment to embedding Responsible Investment principles fully across our business. Stewardship is a core part of our Responsible Investment programme and something that we take seriously at Quilter Investors. This Policy should be viewed alongside our Responsible Investment Policy and Proxy Voting Policy, which outline our activities in more detail.

***Quilter Investor Responsible Investment Policy***

***Quilter Investors Voting Policy***

## ***1.0 Policy scope***

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

- Multi-asset solutions – managed by Quilter Investors' own portfolio managers
- Managed Portfolio Services offered on retail platforms – managed by Quilter Investors' own portfolio managers
- Sub-advised Funds – single-strategy mandates managed by our Sub-Advisers

As Quilter Investors' multi-asset investment strategies include fund-of-funds solutions, references to 'Managers' in this Policy relate both to managers of the funds in which we invest as part of those strategies and also to our Sub-Advisers, unless otherwise stated.

## ***1.1 Engagement approach***

As a predominantly funds-based investor, we engage closely with our Managers to determine how effectively they engage on our behalf. Engagement is an ongoing conversation. This collaborative approach allows us to build rapport and develop mutual respect. It enables us to better understand the Managers we are investing with and their approach. It's also through this direct dialogue that we believe we can exert influence and make a difference. When concerns or material issues arise, we engage directly with our Managers as our first and preferred course of action. We believe it is equally as valid to address ESG-related issues as an engaged investor as it is to take a divestment or exclusionary approach.

In addition we believe in the positive impact that collaborative engagement can potentially have, and have begun to participate more frequently in such engagements. When it comes to the Managers of our sub-advised mandates, these Managers are appointed to run funds on our behalf. Our focus is on deepening our collaboration with these Managers in particular, taking a more proactive approach to working them to help effect positive change where possible.



## Escalation

We consider our Engagement a success when we see positive change, but we acknowledge that these issues are often complex, can involve longer time horizons and therefore, patience is nearly always required. Ultimately, however, if we felt our Managers were not responding appropriately or insufficient progress is made and our Engagement has led us to conclude that the longer-term suitability of the investment (and/or investment process) had been irreparably impaired, we could redeem our holding or utilise our proxy voting powers to vote against the board or management on the matter of concern. This is particularly relevant for us on climate-related issues as we recognise the importance of a transition to a lower carbon economy and the role the investment industry needs to play here. We also recognise the risks that climate-related issues can cause to a long-term investment case, should these issues not be appropriately recognised and managed. Engagement is thus a particularly important tool here.

Although we mostly invest through funds, we may also invest directly in bonds and equities and in such cases would engage directly with the company/issuer should we feel it appropriate. In conjunction with continued dialogue, we will also use our rights to vote for a change at an Annual General Meeting (AGM) or an Extraordinary General Meeting (EGM).

Given that we predominantly invest through funds, our Engagement process is executed in three main ways:

- 1 **Fund Level Engagement:** We can be agents for change by challenging the ways our Managers and their companies manage their ESG Risks and opportunities. If we support our Managers to encourage their companies to operate more sustainably, not only should this lead to better investment outcomes, but it will ultimately create more positive outcomes for society and the environment.

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- 2 **Closed-End Funds:** Investment in these vehicles can confer voting rights that can be used in conjunction with continued dialogue. If we feel an issue is not being addressed through engagement, we will use our rights to vote for change at an AGM or an EGM.

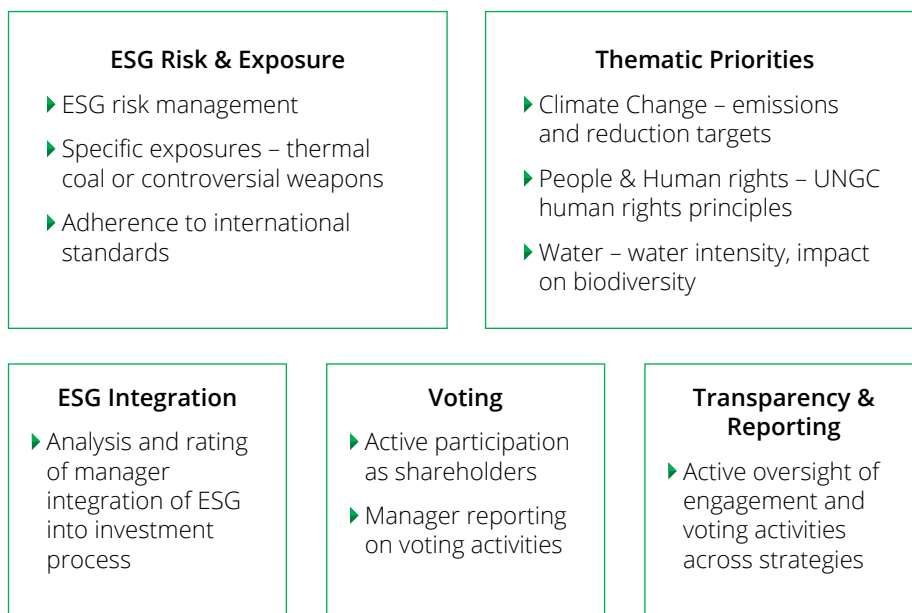
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- 3 **Sub-Advised Mandates:** With respect to our sub-advised mandates, we expect a robust Stewardship process to be executed on our behalf and activities to be disclosed. We will work collaboratively with these Managers on specific issues and exposures.

As part of our engagement framework, we conduct engagements across five key pillars as set out in the diagram below. This incorporates the Quilter plc thematic priorities of Climate, People and Human Rights and Water which form important engagement priorities within our overall engagement strategy.

In respect of climate change and the transition to a net zero economy, we recognise the urgency for action and necessity to incorporate into our engagement strategy. Determining whether climate risks are being adequately taken into account by managers and fund holdings allows us to establish any potential impacts of climate change that may affect the long-term profitability of investments.

In addition, we are currently working on our commitment to net zero across both our operations and investment and an implementation plan which will form a central part of our engagement approach going forward.



**ESG Risk & Exposure:** This refers to ESG risks management, looking at specific exposures held by managers (for example those in controversial areas such as thermal coal or controversial weapons or where there is exposure to high/severe ESG risks or significant controversies; or where there is a suspected breach of international standards). The objective of this pillar is to ensure that we understand how the manager is managing and factoring in these risks into their portfolios and what that means for our own exposure. A key objective also is enabling the QI PMs to have a clearer understanding of the potential risks their investments may be exposed to, so that they can integrate these ESG insights and factors into investment decision making.

**ESG Integration:** This refers to the Analysis and rating of manager integration of ESG factors into investment process. The objective of this pillar is to ensure we understand the level of ESG integration within the investment process and engage with managers to encourage and challenge them to integrate ESG factors more fully.

**Thematic priorities:** This refers to engagement on thematic issues that Quilter plc has identified as a priority. These will sit within the pillars of Climate Change, People & Human Rights and Water. These are longer-term engagements where we work with our managers to collaboratively engage on key thematic issues. A key priority for 2022 will be ensuring that there is engagement with companies that we are exposed to that are carbon intensive. We believe it is vital that such companies, develop transition plans to reduce their carbon intensity and negative climatic impacts.

**Voting:** This refers to our active participation as shareholders, effectively using our vote to be responsible stewards of our customer’s capital. The objective of this pillar is to use our vote effectively to support responsible investment principles and to engage with managers in advance of votes to lobby for change where required.

**Transparency & Reporting:** This refers to our reporting requirements of our managers to ensure they provide us with transparency for us to ensure they are delivering and running portfolios as we would expect and to help articulate and flag their approach to any particular risks. The objective of this pillar is to have active oversight of engagement and voting activities across strategies carried out on our behalf and to challenge and interrogate strategies to ensure managers are managing our assets appropriately.

Further detail on our engagement and voting can be found in the [Quilter Investors ESG Report](#)



### *1.2 Collaborative engagement*

Our Engagement activity is conducted both on an individual basis as well as joining collaborations with other investors where we see value in collectively engaging to facilitate action across important topics including climate change. The decision to work collaboratively is taken on a case by case basis, but in all such conversations, care will be taken to avoid inadvertently creating concert parties or sharing inside information. In such circumstances, we would seek alternative methods to address concerns. We are members of several industry or informal groups (either through direct membership or through our parent company, Quilter Plc), which we may use to facilitate collaboration and actively participate in collaborative engagement initiatives with other investors. These groups include

- The UK Investment Association
- United Nations supported Principles for Responsible Investment (UNPRI)
- The Institutional Investors Group on Climate Change (IIGCC)
- The UK Sustainable Investment and Finance Association (UKSIF)

### *1.3 Proxy voting*

We expect our Managers to exercise the right to vote at shareholder meetings on our behalf (proxy voting) as investors in their funds. Managers have discretion on how to vote but, as a minimum standard, we expect our Managers to execute proxy votes on non-standard issues whenever they can. In some jurisdictions we understand that there may be practicalities that make it difficult to execute a proxy vote.

Voting is a key component of our process for engaging with closed-end funds. We vote on all resolutions at all AGMs and EGMs globally (unless we are restricted from doing so, for example, in share-blocked jurisdictions). Our investment team reviews all resolutions ahead of shareholder meetings and we only decide how to vote after due consideration and discussion. As a rule, we aim to discuss and resolve any concerns with management before deciding to abstain or vote against a resolution.

In practice, we are made aware of all shareholder meetings, including AGMs and EGMs through ongoing Engagement with our Managers prior to receiving a corporate notification. This is important as it allows for ample time to review the resolutions, especially for EGMs where the table of resolutions are likely to refer to a specific event rather than a recurring item.

We also aim to use voting as a means of engagement and escalation specifically in relation to climate-related topics and exercise our proxy voting powers on climate-related resolutions to support the key areas of climate change.

We review all resolutions that are tabled and take an active involvement where necessary. For example, we may disagree with the recommendations of directors and/or third-party proxy advisers/administrations and, when appropriate, we will amend our voting intentions accordingly and provide a rationale for why we have done so. We wholeheartedly recognise the importance of voting, especially given that we are a significant investor in the closed-end fund sector.

We are fully transparent on our voting activity and report to our clients on a quarterly basis on our activity and in addition, will produce an Annual Voting Report. You can find out more about the process in our separate Proxy Voting Policy.



### *1.4 UK Stewardship Code*

We recognise the UK Stewardship Code (the Code) as best practice. It aims to enhance the quality of Engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders.

As a responsible investor and signatory of the Code, Quilter Investors is committed to our role as a steward of client assets in order to protect and enhance long-term returns. This document is written in recognition of the Code as best practice.

### *1.5 Conflicts of interest*

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

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

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

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

### *1.6 Policy review*

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

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

**Policy Owner:** Head of Responsible Investment

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