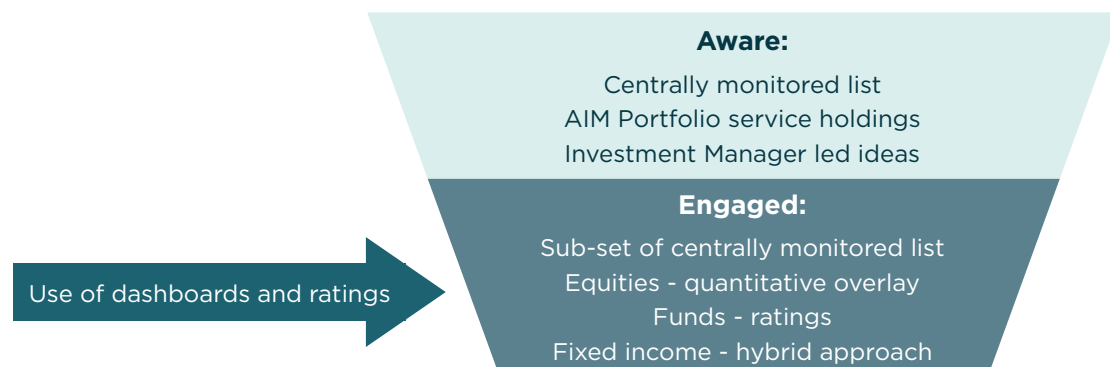


# DPS Applied strategy

*The Discretionary Portfolio Services (DPS) Applied strategy is for clients who would like a greater emphasis placed on Environmental, Social and Governance (ESG) factors.*

## Strategy Overview

The DPS Applied strategies harness Quilter Cheviot's research and responsible investment process, as well as data from external providers, to implement ESG factor screening on a positive and negative basis to ensure more emphasis is placed on ESG risks beyond the firmwide approach to active ownership and ESG integration which forms the basis of the Aware categorisation.



# Inclusionary factors are driven by our proprietary:

**Equity ESG dashboards**

**Fund ESG ratings**

**Fixed income assessments**

The **equity ESG dashboards** incorporate material ESG factors based on the Sustainability Accounting Standards Board (SASB) framework. The SASB reporting framework identifies ESG factors, which are financially material, and which have a direct impact on companies' enterprise value. We also add in additional factors which the analyst believes are relevant to the sector. We use various third-party data providers, annual reports, and publicly available sources on non-governmental (NGO) platforms such as CDP (formerly known as the carbon disclosure project) to source the ESG data points.

Our **fund ESG ratings** consider the approach taken by external fund managers to ESG integration and engagement. We draw on various ESG inputs including our one-to-one meetings with fund managers, holdings-based analysis via Style Analytics (a factor and ESG analytics provider) and the responses fund managers give to the Request for Information (RFI) which has firm and fund level questions on areas including ESG resource, integration approach, portfolio risk analysis and voting. Our analysts assign a Quilter Cheviot ESG rating to the fund that reflects the degree to which they believe ESG risks and opportunities are embedded in investment analysis and decision making within the manager's investment process. A qualitative assessment is made for exposures where it remains more difficult to integrate ESG factors such as government bond funds.

For **fixed income** where we invest in funds, we follow the fund research approach. For government bonds we are invested primarily in UK, EU and US as well as supra-national issuance. Where we invest directly in corporate bonds the primary consideration is whether these issuers are senior and BBB rated, and whether the bonds will maintain that BBB rating over the period to maturity. We believe identifying the ESG challenges and opportunities that impact the debt issuer are an important factor in evaluating the likelihood of the bond retaining the BBB rating over its lifetime. Our analyst assesses the issuer's ESG credentials, and monitors these on an ongoing basis.



For the negative screening element, we exclude the following areas for direct holdings only:

Environmental	Social
<b>Environment</b> <ul style="list-style-type: none"> <li>• The worst performing with the highest impact</li> <li>• Classed as below average or worst</li> </ul>	<b>Human Rights</b> <ul style="list-style-type: none"> <li>• Where there is evidence that the company's operations knowingly or unintentionally, cause or contribute to the abuse of human rights</li> </ul>
<b>Fossil fuels</b> <ul style="list-style-type: none"> <li>• Mining of coal or operation of coal-fired power stations</li> <li>• Unconventional resources &amp; techniques – deposits such as oil/tar sands, oil and gas shales; and techniques such as hydraulic fracturing or unconventional locations – such as deep water or Arctic</li> <li>• Conventional oil and gas well exploration and production</li> </ul>	<b>Armaments</b> <ul style="list-style-type: none"> <li>• Weapons and weapon systems – any involvement</li> <li>• Strategic components and services – major involvement</li> </ul>
	<b>Consumer Credit</b> <ul style="list-style-type: none"> <li>• Provision of high-interest consumer credit facilities</li> </ul>
	<b>Gambling</b> <ul style="list-style-type: none"> <li>• Irresponsible marketing</li> <li>• Casinos and betting, gaming machines &amp; lotteries – major involvement</li> </ul>
	<b>Pornography</b> <ul style="list-style-type: none"> <li>• Production, distribution &amp; retail – major involvement</li> </ul>
	<b>Tobacco</b> <ul style="list-style-type: none"> <li>• Manufacture of tobacco products and related products – any involvement</li> </ul>
	<b>Alcohol</b> <ul style="list-style-type: none"> <li>• Irresponsible marketing (e.g. targeting minors through advertising on social media that has minimum age restrictions)</li> </ul>

As an example within a portfolio there will not be any direct exposure to an oil & gas producer; however there may be exposure through one of the funds held as the exclusions do not apply.

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**This is a marketing communication. Investors should remember that the value of investments, and the income from them, can go down as well as up and that past performance is no guarantee of future returns. You may not recover what you invest.**

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