

Guide to our responsible investment calculations

The responsible investment reporting we provide for the WealthSelect portfolios includes various metrics to enable you and your adviser to review the portfolios and assess their compatibility with your investment needs.

This guide provides information on the criteria applied and the methodology used when calculating the different metrics. We may make changes to improve and enhance the methodology over time, so please click [here](#) to ensure you are reading the latest version.

We have tried to make this guide as easy to understand and as accessible as possible, but if you do not understand anything within the guide, please contact your financial adviser.

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Scope of reporting

The following metrics are published in the tools and reporting for the WealthSelect portfolios:

Carbon footprint

Metrics	Managed Portfolios	Responsible Portfolios	Sustainable Portfolios
▶ Total carbon emissions in metric tons of an investment of £100,000 in the equity and corporate bond portion of the portfolio	⊗	✓	✓
▶ Total carbon emissions in metric tons of an investment of £100,000 in the reference index	⊗	✓	✓
▶ Percentage difference between the total carbon emissions in metric tons of an investment of £100,000 in the equity and corporate bond portion of the portfolio and the reference index	⊗	✓	✓

Sustainability outcomes

Metrics	Managed Portfolios	Responsible Portfolios	Sustainable Portfolios
▶ Percentage of the portfolio contributing positively to our 15 environmental and social sustainability outcomes.	⊗	⊗	✓

Product involvement

Metrics	Managed Portfolios	Responsible Portfolios	Sustainable Portfolios
▶ Unsustainable activities excluded or minimised	⊗	⊗	✓

The WealthSelect Sustainable portfolios aim to exclude and/or minimise exposure to unsustainable activities that can cause harm to the environment and society in general. We take care to understand and manage these exposures in the Managed and Responsible portfolios, but do not set any specific targets in these portfolios.

Definition of coverage

To provide transparency of how our metrics have been calculated we have included 'coverage' figures in this document. Our coverage figure represents the percentage of the portfolio (or in the case of Carbon Footprint, the percentage of the equity and corporate bond portion of the portfolio) for which data is available to calculate the metric. Two key variables may affect the availability of data, and therefore our coverage figures:

▶ The availability of constituent holdings data in relation to the funds held by the portfolios:

The portfolios' exposure to underlying assets is through funds rather than by holding those assets directly. Therefore, we require a full look-through to the funds' constituent holdings. To ensure our ESG metrics are as accurate and as representative as possible, we will normally only use constituent holdings data where it is less than three months old at the time of the calculation being undertaken. In the case of a fund for which we do not have up to date constituent holdings data, the weight of the fund in the portfolio will not be included in our carbon footprint calculation and will be treated as 'uncovered' in the sustainable outcomes metric.

▶ The availability of ESG data from our ESG data providers in relation to these constituent holdings:

The ESG data we source from ISS and Sustainalytics, two of the largest providers of ESG research and ratings, covers a large universe of securities and their issuers, but not every security or issuer will be covered by the data providers. Any constituent holdings which are not covered by our ESG data providers will be deemed 'uncovered'.

Data providers

ISS and MSCI are two of the largest providers of ESG research and ratings.

- ▶ ISS is a leading provider of corporate governance and responsible investment solutions, market intelligence, and fund services.
- ▶ MSCI is a leading provider of critical decision-support tools and services for the global investment community.

General principles on treatment of asset classes

The portfolios' exposure to underlying assets is through funds rather than by holding those assets directly. Therefore, we require a full look-through to the funds' constituent holdings. Each portfolio is analysed to determine the contribution of each underlying asset to the metrics. The following general principles apply to the main constituent asset types and exposures:

Underlying asset type	Comment
Equities	▶ Included in coverage calculations and, where covered, contributes to metrics.
Corporate bonds	▶ Included in coverage calculations and, where covered, contribute to metrics.
Sovereign bonds	▶ Not included in carbon footprint calculations, which focuses solely on the equity and ▶ Included in sustainability outcomes calculations corporate bond portion of the portfolio.
Cash	▶ Not included in carbon footprint calculations, which focuses solely on the equity and corporate bond portion of the portfolio. ▶ Included in sustainability outcomes calculations. <i>*Note: Certain money market instruments will, where the immediate issuer or ultimate parent of the security is covered, will be treated in the same way as corporate bonds, and will be assigned the rating or score of their issuer.</i>
Derivatives	▶ Currency derivatives are treated as cash. ▶ For all other derivatives: – Short derivative positions allow a portfolio manager to notionally sell a company or index that they do not own (they increase in value if the company/index they are associated with falls in value). If these positions were included in our calculations they would produce negative values, for example a negative carbon footprint figure that would reduce the overall carbon footprint figure for the portfolio. To avoid this, we exclude short positions from our calculations. ▶ Positions with a positive portfolio value (long derivative positions): – Single name equity derivatives that can be linked to an underlying company will be assigned the rating or score of the company where there is coverage of that company. – Index and other types of derivatives are not expected to carry any rating or score. They will not be included in carbon footprint calculations. They will be included in sustainability outcomes calculations but are expected to be uncovered and therefore not contribute to metrics.
Property and commodities	▶ Not included in carbon footprint calculations, which focuses solely on the equity and corporate bond portion of the portfolio. ▶ Included in sustainability outcomes calculations.

Carbon footprint

The carbon footprint is the total of metric tons of scope 1 and 2 CO₂ equivalent emissions produced with respect to each £100,000 invested. This is calculated by allocating a share of the company's emissions based on the proportion of the total investment compared to the overall value of the company. The latter is defined as enterprise value including cash which is the total of the company's equity, debt, and cash.

Scope 1 emissions are a company's direct emissions from owned or controlled sources, for example while running its boilers and vehicles. Scope 2 emissions are indirect emissions from the generation of purchased energy, such as the electricity a company buys for heating and cooling buildings.

Purpose of metric

To evidence that, in accordance with their objectives, the WealthSelect Responsible and Sustainable portfolios have a smaller carbon footprint than the reference index (MSCI All Country World Index).

Reference index

When managing and analysing the portfolios, we need to have a suitable reference point for the portfolio's carbon footprint. We use the MSCI All Country World Index as our reference index. The MSCI All Country World Index is made up of global companies and so is a suitable reference point for the carbon footprint of your WealthSelect portfolio.

The MSCI All Country World Index was chosen because carbon emissions data is primarily available only on individual company data which means that we achieve a good level of coverage for equity and corporate bond assets which can easily be linked to individual companies. Other assets, such as government bonds or cash cannot be linked to a company and so it is much more difficult to get meaningful carbon emissions data. As a result, the carbon footprint of our portfolios is derived from the equity and corporate bond portion, for which the MSCI All Country World Index is a relevant reference.

Calculating and comparing the carbon footprint

Carbon emissions data is reported and collected in respect of corporate entities only. Comparing a carbon footprint based on £100,000 invested in a multi-asset portfolio (comprising a mix of equities, corporate bonds, government bonds, alternatives, and cash) and £100,000 invested in an all-equity reference index would not provide a meaningful indication of how successfully the portfolio's carbon risk has been managed.

A further challenge is presented by the different levels of carbon data coverage of the portfolio and the reference index, as carbon emissions data is unlikely to be available for every corporate entity held.

To provide a meaningful comparison the calculation measures the portfolio carbon footprint by assuming £100,000 is invested in the equity and corporate bond portion of the portfolio for which we have carbon emissions data coverage and the same amount invested in the reference index. The carbon footprint of the portfolio is adjusted to account for the difference in coverage levels between the portfolio and reference index to ensure a fair comparison.

Example calculation

	Portfolio data	Value	Use
a.	Emissions per £100,000 invested in the equity and corporate bond portion	8.01	Used in calculation
b.	Percentage of portfolio made up of equities and corporate bonds	71.96%	Shown in reporting
c.	Carbon data coverage of equity and corporate bond portion	91.47%	Used in calculation and shown in reporting

	Reference index data	Value	Use
d.	Carbon emissions of reference index per £100,000 invested	14.33	Shown in reporting
e.	Carbon data coverage of the reference index	99.62%	Used in calculation and shown in reporting

	Scaling calculation	Value	Use
f.	Scaled carbon emissions per £100,000 invested in the equity and corporate bond portion of the portfolio (for which we have carbon emissions data) = $a \div c \times e$	8.72	Shown in reporting
g.	Percentage difference in carbon footprint: portfolio vs reference index = $f \div d - 1$	39%	Shown in reporting

Example reporting



Carbon data coverage

The carbon footprint metric focuses on the portion of the portfolio comprising equities and corporate bonds, and our carbon data coverage represents the percentage of the equity and corporate bond portion of the portfolio for which we have carbon emissions data.

The portion of the portfolio comprising equities and corporate bonds is determined by categorising each of the underlying assets of each of the funds held by the portfolio and may therefore be different to the portfolio's aggregate exposure to funds classified as equities and corporate bonds from an asset allocation perspective.

Any fund that we do not have recent (less than three months old at the time of the calculation being undertaken) constituent holdings data will not be included in the equity and corporate bond portion or in the calculation of the carbon footprint metric or carbon coverage.

Consequently, it is possible for the 'Percentage of portfolio made up of equities and corporate bonds' to fluctuate solely due to the availability of constituent holdings data, while theoretically the portfolio's 'carbon data coverage of equity and corporate bond portion' could remain the same.

For comparison purposes we will also publish the equivalent carbon data coverage for the reference index.

Example carbon data coverage calculation:

	Constituent holdings data available	Portfolio weight	Portfolio value	Equities and corporate bonds	Other assets	Equities and corporate bonds covered by carbon data	Percentage of portfolio made up of equities and corporate bonds	Carbon data coverage of equity and corporate bond portion
Fund A	Yes	25%	250,000	250,000	-	200,000	= 700,000 ÷ 1,000,000	= 560,000 ÷ 700,000
Fund B	Yes	25%	250,000	200,000	50,000	160,000		
Fund C	Yes	25%	250,000	150,000	100,000	120,000		
Fund D	Yes	15%	150,000	100,000	50,000	80,000		
Fund E	No	10%	100,000	Data unavailable	100,000	Data unavailable		
		100%	1,000,000	700,000	300,000	560,000	70%	80%

Current carbon data coverage

Responsible Portfolios as at 30 June 2024

Portfolio	Percentage of portfolio made up of equities and corporate bonds	Carbon data coverage of equity and corporate bond portion	Carbon data coverage of reference index
WealthSelect Responsible Active 3	55.87	85.56	99.81
WealthSelect Responsible Active 4	59.90	89.09	99.81
WealthSelect Responsible Active 5	64.88	91.75	99.81
WealthSelect Responsible Active 6	69.65	94.08	99.81
WealthSelect Responsible Active 7	74.88	96.11	99.81
WealthSelect Responsible Active 8	81.26	97.98	99.81
WealthSelect Responsible Active 9	88.60	98.79	99.81
WealthSelect Responsible Active 10	95.74	99.10	99.81
WealthSelect Responsible Blend 3	55.89	87.60	99.81
WealthSelect Responsible Blend 4	60.00	90.52	99.81
WealthSelect Responsible Blend 5	65.07	92.76	99.81
WealthSelect Responsible Blend 6	69.91	94.72	99.81
WealthSelect Responsible Blend 7	75.20	96.41	99.81
WealthSelect Responsible Blend 8	81.67	97.93	99.81
WealthSelect Responsible Blend 9	89.07	98.66	99.81
WealthSelect Responsible Blend 10	96.25	98.98	99.81
WealthSelect Responsible Passive 3	59.67	89.83	99.81
WealthSelect Responsible Passive 4	66.05	92.21	99.81
WealthSelect Responsible Passive 5	72.09	94.08	99.81
WealthSelect Responsible Passive 6	77.99	95.62	99.81
WealthSelect Responsible Passive 7	83.79	96.93	99.81
WealthSelect Responsible Passive 8	89.53	98.06	99.81
WealthSelect Responsible Passive 9	93.94	98.78	99.81
WealthSelect Responsible Passive 10	97.78	99.35	99.81

Responsible Portfolios as at 30 June 2024

Portfolio	Percentage of portfolio made up of equities and corporate bonds	Carbon data coverage of equity and corporate bond portion	Carbon data coverage of reference index
WealthSelect Sustainable Active 3	59.19	83.90	99.81
WealthSelect Sustainable Active 4	64.52	87.01	99.81
WealthSelect Sustainable Active 5	69.79	89.59	99.81
WealthSelect Sustainable Active 6	74.93	91.77	99.81
WealthSelect Sustainable Active 7	79.64	93.32	99.81
WealthSelect Sustainable Active 8	84.14	94.67	99.81
WealthSelect Sustainable Active 9	90.29	96.67	99.81
WealthSelect Sustainable Active 10	96.04	98.22	99.81

Sustainability outcomes

This metric shows the percentage of the portfolio invested in companies making a net positive contribution (more than 5% of revenue) to each of the sustainability outcomes.


This means that the proportion of a company's revenue that is generated from sustainable activities must outweigh the proportion of its revenue generated from unsustainable activities. The net difference must be more than 5% of the company's total revenue to be considered to be contributing to sustainable outcomes.

























Purpose of metric

To evidence that, in accordance with their objectives, the WealthSelect Sustainable portfolios support sustainable solutions to environmental and social challenges that help to achieve the objectives of the UN Sustainable Development Goals.

Sustainability outcomes and the UN Sustainable Development Goals

The UN Sustainable Development Goals are the reference framework used for the definition of our 15 sustainability outcomes consisting of seven social outcomes and eight environmental outcomes:

Social outcome	UN Sustainable Development Goal
 Alleviating poverty	1 – No poverty 
 Combating hunger	2 – Zero hunger 
 Ensuring health	3 – Good health and wellbeing 6 – Clean water and sanitation  
 Providing basic services	1 – No poverty 3 – Good health and well-being 4 – Quality education 6 – Clean water and sanitation 7 – Affordable and clean energy 10 – Reduced inequalities 11 – Sustainable cities and communities       

Social outcome	UN Sustainable Development Goal	
 Delivering education	4 – Quality education	
 Attaining gender equality	5 – Gender equality 10 – Reduced inequalities	 
 Safeguarding peace	16 – Peace, justice, and strong institutions	
 Sustainable agriculture	2 – Zero hunger 15 – Life on land	 
 Conserving water	6 – Clean water and sanitation	
 Sustainable energy use	7 – Affordable and clean energy	
 Sustainable buildings	11 – Sustainable cities and communities	
 Optimising material use	12 – Responsible consumption and production	
 Mitigating climate change	13 – Climate action	
 Preserving marine ecosystems	14 – Life below water	
 Preserving terrestrial ecosystems	15 – Life on land	

Three UN Sustainable Development Goals have not been mapped to any of the sustainability outcomes as they relate to either macro-economic targets (Goal 8 - Decent work and economic growth and Goal 9 - Industry, innovation, and infrastructure) or public policy targets (Goal 17 - Partnerships for the goals) that are not attributable to products and services of individual companies.

Calculating the environmental and social outcomes supported by the portfolio

For each of the 15 sustainability outcomes, the metric calculates and reports the sum percentage exposure to companies with more than 5% of their revenue making a net positive contribution to that outcome.

Each company's products and services, and the revenue derived from them, are classified for each sustainability outcome into the following categories, based on the direct impact of those products and services on achieving the particular outcome:

- ▶ Significant Contribution
- ▶ Limited Contribution
- ▶ No (net) impact
- ▶ Limited Obstruction
- ▶ Significant Obstruction

We deduct the proportion of the company's revenue derived from products and services that are 'obstructive' to a particular sustainability outcome (the sum of Significant Obstruction + Limited Obstruction), from the proportion of its revenue derived from products and services that are 'contributory' to that outcome (the sum of Significant Contribution + Limited Contribution). Any of its revenue that is classified as being derived from products and services that have 'no (net) impact' is ignored.

If the result of this calculation is positive (net 'contributory' revenue) and more than 5%, the company will be treated as having a net positive contribution to that outcome and its weight in the portfolio will be captured in the sum percentage portfolio exposure in respect of that outcome.

Companies contributing to more than one sustainability outcome

It is possible for a company to make a net positive contribution to more than one of the fifteen sustainability outcomes. In such cases, the company's weight in the portfolio will be captured in the sum percentage portfolio exposure for each sustainability outcome to which it makes a net positive contribution.

Therefore, although the portfolio's contribution to each sustainability outcome is being measured and reported separately, an aggregation of net positive contributions across multiple sustainability outcomes could mean the same company's portfolio weight being counted multiple times, and the portfolio's aggregate net positive contribution could be more than 100%.

Example reporting



Sustainable outcomes data coverage

Our sustainable outcomes data coverage figure is representative of the percentage of the total portfolio for which constituent holdings and ESG data is available for the purposes of measuring the portfolio's contribution to the sustainable outcomes. As explained, any short positions held by the portfolio are removed before the calculation of the metric and the coverage figure. Any fund for which we do not have constituent holdings data, and any constituent holdings which are not covered by our ESG data providers, will be treated as "uncovered" in the calculation of the sustainable outcomes metric and sustainable outcomes data coverage figure.

Example sustainable outcomes data coverage calculation:

	Constituent holdings data available	Portfolio weight	Portfolio value	Portfolio assets covered by sustainable outcomes data	Sustainable outcomes data coverage
Fund A	Yes	25%	250,000	200,000	= 720,000 ÷ 1,000,000
Fund B	Yes	25%	250,000	200,000	
Fund C	Yes	25%	250,000	200,000	
Fund D	Yes	15%	150,000	120,000	
Fund E	No	10%	100,000	Constituent holdings data unavailable	
		100%	1,000,000	720,000	72%

Current sustainable outcomes data coverage

Sustainable Portfolios as at 30 June 2024

Portfolio	Sustainable outcomes data coverage of the portfolio
WealthSelect Sustainable Active 3	55.62
WealthSelect Sustainable Active 4	61.59
WealthSelect Sustainable Active 5	67.50
WealthSelect Sustainable Active 6	73.27
WealthSelect Sustainable Active 7	78.49
WealthSelect Sustainable Active 8	83.56
WealthSelect Sustainable Active 9	90.44
WealthSelect Sustainable Active 10	96.92

Product involvement

Minimising unsustainable exposures

The WealthSelect Sustainable portfolios aim to minimise exposure to unsustainable activities. We achieve this by taking the following steps:

- ▶ As a minimum, the portfolios will seek to avoid causing significant harm, by incorporating the UN Global Compact principles into our assessment framework.
- ▶ In addition, we will look to exclude exposure to certain areas that we believe are contrary to the sustainable goals we are trying to achieve.
- ▶ For some areas there is an outright prohibition of inclusion in the portfolios, for example manufacture and sale of controversial weapons (anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions) and manufacture of tobacco.
- ▶ For other areas we recognise that there can be difficulties in measuring exposure, for example thermal coal and unconventional oil and gas extraction (Arctic oil and gas exploration, oil sands, and shale energy), in which case we allow a tolerance of up to 5% revenue exposure to enable us to identify and exclude any companies with active, meaningful involvement (i.e. companies that derive more than 5% of their revenues from these activities will be excluded).

We may hold companies that are transitioning to sustainable activities and may therefore have some non-sustainable exposures in the portfolios (other than the activities excluded above). These exceptions will be companies that are a leader in an aspect of the transition to a low carbon economy and/or where there is a credible and fully costed transition plan in place, or for companies that are otherwise a leader in a key sustainability theme. In such cases we would also expect the relevant manager to be able to demonstrate a credible engagement plan with the company in question.

Managing exposures to non-sustainable activities

We will be aware of, and will engage, with all managers regarding non-sustainable exposures.

We will avoid investing in companies that derive more than 10% of their revenues from the activities listed below:

- ▶ Military contracting and civilian firearms
- ▶ Conventional oil and gas extraction
- ▶ Gambling operations
- ▶ Predatory lending
- ▶ Fossil fuel generation

There may be cases where we hold companies that derive more than 10% of revenue from non-sustainable activities on an exceptional basis.

For example, a utilities company held in the portfolios generates around 20% of their revenue from oil and gas fired electricity production. However, we hold the company as they are also the largest owner of wind farms globally and therefore one of the largest producers of wind power. Renewable energy represents around 64% of their total generating capacity. They have also committed to become carbon neutral in Europe by 2030 and globally by 2050 and are assessed as having significant positive impact with significant contribution to UN SDG 13 – Climate action.

Important information

Source: Quilter Investors. Calculated by Factset. Based on the latest data and portfolio holdings available as at 30 June 2024. Carbon emissions data provided by MSCI. Sustainability outcomes alignment data provided by ISS.

Further information on the WealthSelect Managed Portfolio Service can be found at quilter.com/wealthselect

WealthSelect Managed Portfolio Service

Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments may go down as well as up and investors may not get back the amount originally invested. Exchange rates may cause the value of overseas investments to rise or fall.

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Please be aware that calls and electronic communications may be recorded for monitoring, regulatory, and training purposes and records are available for at least five years.

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