



Group Responsible Investment Policy | Verantwoord beleggen beleid



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I. KEY DEFINITIONS

- **Active ownership** – Represents actively exercising one’s rights as the shareholder of a company, particularly active engagement with management, voting at Annual General Meetings (AGMs), and discussion on both financial and non-financial environmental, social, and governance (ESG) factors. The Active Ownership Group, which consists of members of each of each affiliate of the Quintet Group , meets periodically to discuss the implementation and progress of its Active Ownership strategy.
- **Engagement** – The act of undertaking constructive dialogue with investee companies/issuers with a view to improve environmental, social, and governance (ESG) practises.
- **ESG factors** – environmental, social or governance aspects. Examples of such aspect are pollution, carbon emissions, health & safety, labour conditions, board diversity, and corruption.
- **Exclusion** – The act of barring an entity's securities from being purchased for a portfolio due to business activities that are deemed unethical, harmful to society, or in breach of laws or regulations.
- **PAIs** – principal adverse impacts (PAIs). This refers to the negative impacts of investment decision-making on sustainability factors.
- **Responsible Investment** – Being an active owner and incorporating ESG issues into investment analysis and decision-making processes in order to achieve both financial and societal outcomes.
- **SFDR** – Regulation 2019/2088 of European Parliament and the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, also referred to as Sustainable Finance Disclosure Regulation (SFDR). SFDR is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants,.
- **Sustainability risk** – An environmental, social or governance (ESG) event or condition that, if it occurs, could cause a material negative impact on the value of the investment.
- **Voting** – Shareholders (typically) receive – and can choose to exercise – voting rights to be cast at annual or extraordinary general meetings on a range of strategic and environmental, social, and governance (ESG) matters.
- **Quintet or Quintet Groups**– means Quintet Private Bank Europe (S.A.) including its branches and subsidiaries

II. INTRODUCTION:

Where considered relevant, regulatory requirements and terminology of SFDR and the EU Taxonomy regulation have been taken into consideration in the development of the Policy as well as Climate and Environmental Risk. Responsible Investment is an integral part of Quintet's business and our clients and society expect no less. The aim of this document (hereafter: the "RI Policy") is to state the key rules, governance, and procedures related to Responsible Investment (RI) within Quintet. Where considered relevant, regulatory requirements and terminology have been taken into consideration in the development of the RI Policy. The RI Policy applies to Quintet investment activities, including funds managed by Quintet, advisory and Discretionary Portfolio Management (DPM) propositions.

The owner of this document is the Group head of the Investment & Client Solutions (ICS). This policy has been approved by Group Board of Directors of Quintet and is to be reviewed annually.

Effective: 31/12/2022

III. POLICY PROVISIONS

3.1. MINIMUM ESG REQUIREMENTS

Quintet has developed minimum ESG Requirements for its investments. The development of the Quintet Responsible Investment Policy has been based on the organisation's views on what constitutes being a good corporate citizen and internationally recognised standards such as the United Nations (UN) Global Compact principles (for an overview of the 10 UN Global Compact Principles, please refer to Appendix I.).

The minimum ESG requirements can be seen as the base expectation for all investments and are expected to evolve over time. Since the investment process and applicability differs per asset class and investment method, the application of the requirements will differ between investments, such as in the case of direct investments compared to externally managed assets (i.e. via third-party asset managers, see section 3.7¹). Also, the consequences of a violation of the minimum ESG requirements depend on various criteria, such as regulatory requirements, the nature of the violation, and the feasibility of engaging with the entity that is considered to be in violation.

EXCLUSIONS

If an issuer operates in violation of Quintet's defined exclusion criteria and either the desired changes related to resolving the violation cannot be achieved given the nature of the violation, or the issuer has not resolved the violation with the timeframe set by Quintet, such issuer is excluded from Quintet's investment universe. The exclusion criteria for direct investments are categorised as follows:

¹As the minimum ESG requirements are most applicable to equities and bonds, more specific guidelines may be developed to ensure that all investment instruments are suitably covered, such as structured products and derivatives, in line with any emerging market practices, data availability or regulatory guidance.

1. Equities and bonds issued by companies directly and indirectly involved in controversial weapons;
2. Bonds issued by countries under an EU arms-embargo, as well as equities and bonds of companies owned by these countries;
3. Equities and bonds issued by companies deriving significant revenue from the extraction of thermal coal or thermal coal power generation;
4. Equities and bonds issued by companies that are non-compliant with the principles of the UN Global Compact (UNGC) when engagement is not or no longer considered feasible.

For further information on each of these categories, see below:

- **Controversial Weapons:**

Controversial weapons are weapons that can have a disproportionate and indiscriminate impact on the civilian population. The following weapon types are considered controversial by Quintet: anti-personnel mines, biological weapons, chemical weapons, cluster munitions, depleted uranium ammunitions, and white phosphorus weapons. In addition, involvement by corporate issuers in nuclear weapons related to countries that are not a signatory to the Non-Proliferation Treaty (NPT) is considered to be a violation of Quintet's minimum ESG requirements.²

- **EU arms embargo:**

Quintet considers sovereign issuers and sovereign-related issuers to be in violation of the minimum ESG requirements in case of EU arms embargoes targeted at the central government. Since Quintet already adheres to regulations concerning various types of sanctions, these regulations are assumed to be co-equal with the minimum ESG requirements. As such, any explicit criteria in this Policy related to sovereign or sovereign-related issuers must be understood as being in addition to any applicable regulations.

- **Thermal coal:**

Thermal coal is widely used as a principle means of generating electricity in much of the world. The International Energy Agency (IEA) found that CO₂ emitted from coal combustion was responsible for over 0.3°C of the 1°C increase in global average annual surface temperatures above pre-industrial levels. This makes coal the single largest source of global temperature increase. Thermal coal is inherently in contradiction with the ambitions of the Paris Agreement.

When corporate issuers are deriving more than 10% of revenues either from thermal coal extraction or thermal coal power generation, they are excluded.

² Please note that these criteria always include what is mandated by (local) law and regulation, but also go beyond these requirements (and are therefore stricter), for example with respect to the types of weapons that are considered a violation.

An exception to this requirement are Green Bonds, as Quintet believes that investing in green bonds can help companies fund environmental projects that will decrease their reliance on thermal coal in favour of greener technologies. This is consistent with Quintet's philosophy to deploy investment in order to create positive change.

- ***United Nations Global Compact principles:***

Quintet expects companies it invests in to operate in accordance with international law and regulations. Quintet uses the United Nations Global Compact principles as a reference framework to assess the conduct of corporate issuers. Corporate issuers that we have determined to severely and structurally violate these principles are considered to be in violation of Quintet's minimum ESG requirements. When that's the case, such issuers are only eligible for investment when there's an active engagement process with that issuer to resolve the violation. This is maximised at three years. When engagement is not or no longer considered feasible, such issuers need to be excluded.

3.2. ESG INTEGRATION

Quintet believes that investors can make better investment decisions if Environmental, Social, and Governance (ESG) factors and responsible business practices are an integral part of the investment process. ESG integration provides a fuller picture of the opportunities and risks related to individual investments and a portfolio as a whole.

In this policy document, the term ESG integration refers to the use of ESG factors in the investment process to enhance the risk-adjusted return profile by either increasing returns or lowering risk.

The investment processes within Quintet's entities are different between asset classes, strategies, and funds, as well as between individual portfolio or fund managers. As such, the ESG integration approaches are likely to be different as well, including implementation at the two levels mentioned above. Quintet Group does therefore not have a centralised, prescriptive approach on how to integrate ESG factors, but has taken the following steps:

- In order to stimulate and facilitate ESG integration, investment staff members have access to relevant ESG research and are expected to consider this information in their investment process and to demonstrate how they have done so.
- Quintet Group investment teams have developed internal guidelines, tools, training modules, and supporting materials to further enhance the ESG integration efforts. ESG integration may be either a quantitative or qualitative approach, at either level.
- Quintet Group has identified sustainability risks in the form of environmental, social or governance (ESG) events or conditions that, if they occur, could cause a material negative impact on the value of an investment. These precede and influence investment decisions, continuously managed and monitored. For further details on our approach to the integration of sustainability risks in investment decision-making, please refer to our Sustainability Risks in Investments Policy.

- In addition, where external (investment) research is a significant part of the investment process, Quintet Group will engage with the investment research provider to ensure ESG factors are considered in the financial analysis and valuation of individual securities.

3.3. ADVERSE IMPACTS

Quintet considers and mitigates principal adverse impacts (PAIs) of its investment decision-making, where possible and feasible, through a combination of methods (voting, exclusion, engagement, and portfolio construction). These methods are further described in this Policy document. Given the large variety of financial products that Quintet employs to meet different client needs, the exact way and degree the adverse impacts are considered depends on the type of financial product and is further detailed in product-specific disclosures.

3.4. ADDITIONAL SINGLE LINE SUSTAINABLE INVESTMENT CRITERIA FOR PORTFOLIO CONSTRUCTION

Quintet has developed elaborate additional sustainable investment criteria for portfolio construction for single lines, which are applied to most funds and portfolios managed by Quintet, and are in these cases applied on top of the minimum ESG requirements described in section 3.1. Given the large variety of financial products that Quintet employs, the exact way in which the additional single line sustainable investment criteria are considered depends on the type of financial product and is detailed in product-specific disclosures.

These criteria reflect Quintet's view on activities, products and conduct of companies that are, or are not considered sustainable. They cover a range of indicators that ensure investee companies align with our expectations with regards to involvement in controversial practices, sustainability risk, and provision of products and services in line with a sustainable future. Please note that the portfolio construction rules described below are in some areas less strict and some areas more strict than the SFDR definition of a sustainable investment. For any product disclosures related to for example the percentage of the sustainable investments in a financial product, Quintet applies additional criteria to ensure that such investments meet the SFDR definition of sustainable investments.

Principles for sustainable portfolio construction:

- i. Sustainability score of products and services: equal or above 3
- ii. Controversy severity level: maximum significant (level 3)
- iii. Sustainability score of most material ESG factors: equal or above 2
- iv. Product involvement: the company's revenue derived from activities listed below is within boundaries (refer to point iv below).

- i. Sustainability score of products and services

The sustainability score of products & services is defined at sub-industry level and based on Quintet's proprietary methodology that considers government, regulation, policy, consumer, ethical and sustainability considerations. Scores 0 to 2 represent products and / or services in conflict with a sustainable future.

Exceptions to the above requirement can be made for companies that are deemed to be on an improving trend or leading in their sub-industry and therefore contributing towards a sustainable future, despite their membership of a sub-industry that has a product and services sustainability score below 3. These companies can then be given a bonus score, conditional upon a framework, through which it is evidenced why the specific company is considered to contribute to a sustainable future.

ii. Controversy severity level

Controversies are incidents and events that may pose a business or reputation risk to a company due to the potential impact on stakeholders or the environment. Controversies are classified by Sustainalytics in five categories; low (level 1), moderate (level 2), significant (level 3), high (level 4) and severe (level 5). High and severe controversies (level 4 and 5) have a highly negative impact on the environment and society with serious business risk. They reflect exceptional egregious behaviors, high frequency of incidents, and / or companies with poor management of the controversy.

iii. Material ESG factors

The process of selection of the “most material ESG factors” is industry specific and combines the use of leading sustainability standards, such as the Sustainability Accounting Standard Board, and in-house expertise. We give greater weights to factors that can significantly impact company value drivers. For example, water is important for the food and beverage industry, as water scarcity could have an adverse effect on operational continuity. In contrast, for banks, water scarcity has a negligible impact on operations.

The performance for each factor is calculated on a scale from 0 to 5, with five stars representing a well managed risk and zero stars representing a severe risk; enterprise value is considered to have a negligible / low / medium / high / severe risk of material financial impacts driven by the management of the ESG factor.

If a score is not available for one or two material factors, apply rule to remaining factors. If data is not available for 3 factors or more a score of n/a is given.

iv. Product involvement

This research includes details on how a company is involved in one or more business activities that can be considered of a controversial nature as well as the degree of involvement, generally using revenue as a proxy.

For greater detail on the product involvement approach, please refer to [Appendix II](#).

Exemptions:

3.5. ACTIVE OWNERSHIP

Quintet believes that active ownership enhances the long term economic and societal value of the investee company over time. As such, exercising the influence Quintet has as an investor and investment manager in order to achieve beneficial change, is consistent with both our fiduciary duty towards our clients and our objective to be a responsible company. Quintet’s ownership practices consist of dialogue and engagement with investee companies, and the exercise of voting rights to hold investee companies’ management accountable.

In addition, since Quintet invests a significant share of the assets entrusted to us by our clients via third-party funds, Quintet is well positioned to stimulate active ownership and Responsible Investment practices of fund managers through the work of the Quintet's Fund Solutions Team. By actively engaging with fund management companies and allocating capital to their funds on the basis of ESG and RI considerations, Quintet can further contribute to the development of Responsible Investment in the asset management value chain.

3.5.1. VOTING

Quintet believes that exercising shareholder rights enhances the economic value of companies and contributes to the goal of providing an optimal return to our clients. In addition, Quintet considers voting to be an essential part of being an active owner, and will therefore seek to vote, where possible and feasible, at shareholder meetings of the companies in which we invest for our clients. Our Active Ownership policy and voting guidelines, which draw upon the expertise of our external service provider, emphasises governance, environmental, and social matters. We partner with GlassLewis, a global proxy voting provider, for proxy research and recommendations and to cast our votes. The Active Ownership Group reviews in detail voting when the investment is large or there is an increased level of controversy, or on request from members of our investment team, as further explained in our Group Active Ownership Policy.

Voting is currently implemented for direct line equities within funds managed by entities being part of Quintet Group.

3.5.2. ENGAGEMENT

The primary focus of Quintet's engagement is to address companies' key risks, challenges, and opportunities, covering environmental, social, governance, strategy, risk and communication matters. Our ultimate objective is to create value for investors, the company, and people and the planet.

Since Quintet represents a diverse group of clients with diverse holdings across the investment universe, we invest in a wide range of companies. As many of these companies are large, our direct investments may be small relative to the size of the firm. To be effective in engaging with these companies, we believe that collaborative engagement is likely to achieve better results than efforts we might undertake on our own. We have therefore partnered with EOS at Federated Hermes, a specialised external service provider, which conducts engagement on our behalf. In cases where collaborative engagement is not practical, we may undertake direct engagement ourselves with the companies we invest in.

Quintet has instructed its engagement partner to give special attention to companies that violate the principles of the UN Global Compact, or that are involved in significant ESG controversies.

Quintet allocates a significant portion of its client's assets to external managers. In addition to engagement for direct lines, Quintet engages with external fund managers. Active ownership to create sustainable investor value is important for all investments, and we incorporate this conviction into the

selection and monitoring of external managers. We also engage with these managers to communicate our beliefs and to understand theirs, and for insight into their active ownership policy and practice.

For more information on our engagement policy and practices please refer to our Group Active Ownership Policy.

3.6. REPORTING AND TRANSPARENCY

Reporting is an integral part of being a responsible investor. In addition to any regulatory requirements for entity and product level reporting, Quintet reports to external stakeholders about Quintet's Responsible Investment activities in the following ways:

- Annual group active ownership report
- Disclosure of Quintet's voting decision's online, dating back to the past 12 months.

Furthermore, depending on the exact product or proposition, Quintet also provides Responsible Investment related reporting to clients beyond regulatory requirements, such as for example on specific engagement cases and the ESG performance of their portfolios.

3.7. THIRD-PARTY MANAGED ASSETS³

Since Quintet's RI Policy includes all asset classes, Quintet also applies RI requirements to third-party managed assets, which are intended to reflect the intentions and objectives behind the guidelines for internally managed assets.

While Quintet Group cannot unilaterally determine the investment approach in pooled investment funds, we can leverage our position in the asset management value chain as a fund selector. By asking questions, stimulating certain types of behaviour/approaches, and ultimately, allocating capital accordingly, Quintet can positively influence the development of the Responsible Investment field as a whole.

Quintet Group makes a distinction between:

- Funds managed by a third-party for which Quintet can determine the investment approach
- Funds managed by a third-party for which Quintet cannot determine the investment approach
- Passive Funds
- Alternative investments

3.7.1 FUNDS MANAGED BY A THIRD-PARTY FOR WHICH QUINTET CAN DETERMINE THE INVESTMENT APPROACH

For third-party managed assets that are managed for any Quintet entities on a discretionary basis (i.e. where Quintet has a formal say on how the assets are managed) external managers are expected to

³ In this section, we refer interchangeably to "assets," "funds," and "mandates."

follow the same requirements and guidelines as Quintet applies to its internally managed assets. Feasibility and (potential) cost implications will be assessed on a case by case basis.

3.7.2. FUNDS MANAGED BY A THIRD-PARTY FOR WHICH QUINTET CANNOT DETERMINE THE INVESTMENT APPROACH

Quintet has developed specific third-party fund selection RI guidelines, which utilises research in order to validate that fund managers stick to their commitments. The Group Fund Solutions team require fund managers to fill out a rigorous questionnaire in order to assess how ESG factors have been integrated into the investment process.

All fund managers should at least meet Quintet's Responsible Investment criteria:

- 1) Integrate ESG factors in financial analysis and portfolio construction (for active funds)
- 2) Be active owners: engage with investee companies and where applicable vote at shareholder meetings.
- 3) Exclude issuers involved in controversial weapons (applies only to issuers of cluster munitions)

Funds with stronger sustainable characteristics are analysed based on 5 key pillars.

1. Intentionality (explicit and intended link to ESG in the objectives)
2. Sustainability of the portfolio (sustainable characteristics of the holdings)
3. Quality of sustainable research (sufficient skill, capacity & tools embedded in robust methods and processes)
4. Active ownership (high quality engagement and proxy voting, supported by clear policies)
5. Transparency (frequent reporting on voting, engagement and progress on ESG targets)

For a more detailed overview of our sustainable funds selection process please refer to our fund sustainability due diligence policy. The Sustainable Investment team and Group Fund Solutions team have been mandated to jointly develop the RI requirements and related thresholds that funds need to meet. This also applies to the timelines that funds are granted to meet the requirements and to the differences between current investments and 'new' funds.

3.7.3. PASSIVE FUNDS

With passive funds or ETFs no interview with the fund manager is conducted. The questionnaire is partly answered by the fund manager and partly by the underlying index provider.

3.7.4. ALTERNATIVE INVESTMENTS

When we invest in alternatives managed by external managers, we leverage on the SFDR disclosures by the product manufacturers. Furthermore, our Alternative Investment team follows a detailed due diligence process as part of the investment process where they work with external partners when

needed to complete a detailed operational and investment due diligence. As part of this process they also get the managers to fill out a responsible investment questionnaire for each fund.

APPENDIX I – THE UN GLOBAL COMPACT PRINCIPLES

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

APPENDIX II – THRESHOLDS FOR PRODUCT INVOLVEMENT

Product Involvement	Thresholds				Criteria
Adult Entertainment	Adult Entertainment Production	Adult Entertainment Distribution			
This involvement area provides an assessment of whether companies derive revenue from adult entertainment. This includes producers of adult movies, cinemas that show adult movies, adult entertainment magazines, and the broadcasting of adult entertainment.	5%	15%			revenue %
Alcoholic Beverages	Alcoholic Beverages Production	Alcoholic Beverages Retail	Alcoholic Beverages Related Products / Services		
This involvement area provides an assessment of whether companies derive revenue from alcoholic beverages. These include producers of these beverages as well as retailers and distributors and suppliers of alcohol-related products/services to alcoholic beverage manufacturers.	5%	15%	15%		revenue %
Gambling	Gambling Operations	Gambling Supporting Products	Gambling Specialized Equipment		
This involvement area provides an assessment of whether companies derive revenue from gambling. This includes companies that offer gambling services (operation of casinos, lotteries, bookmaking, online gambling, etc.), gambling products (slot machines and other gambling devices) or supporting products/services to gambling operations.	5%	15%	15%		revenue %
Genetically Modified Organisms (GMO)	Genetically Modified Plants and Seeds Development	Genetically Modified Plants and Seeds Growth			
This involvement area provides an assessment of whether companies derive revenue from the development and/or cultivation of genetically modified seeds and/or plants, as well as the growth of genetically modified crops	5%	15%			revenue %

Nuclear Power	Nuclear Production	Nuclear Distribution	Nuclear Supporting Products /Services		
<p>This involvement area provides an assessment of whether companies are involved in the production or distribution of energy from nuclear sources or developing products or services that support the nuclear power industry.</p>	5%	15%	15%		revenue %
Tobacco	Tobacco Products Production-	Tobacco Products Related Products/Services	Tobacco Products Retail		
<p>This involvement area provides an assessment of whether companies derive revenue from tobacco products including cigarettes, cigars, tobacco, electronic cigarettes, paper used by end consumers for rolling cigarettes, filters, snuff tobacco, etc. It includes tobacco products manufacturers, retailers and distributors, as well as companies providing tobacco-related products or services.</p>	0%	5%	5%		revenue %
Civilian Weapons	Small Arms Civilian customers production (Assault weapons)	Small Arms Civilian customers production (Non-assault weapons)	Small Arms Retail/distribution (Non-assault weapons)	Small Arms Retail/distribution (Assault weapons)	
<p>This involvement area provides an assessment of whether companies derive revenue from firearms. It includes manufacturers of firearm weapons such as guns, rifles, and pistols, manufacturers of components of these weapons and retailers.</p>	0%	0%	5%	5%	revenue %
Nuclear weapons	Nuclear Weapons Non tailor-made or non essential	Nuclear Weapons Tailor-made and Essential			

<p>This involvement area provides an assessment of whether companies are involved in the manufacturing of nuclear weapons or components or services thereof. Nuclear weapons, in contrast to conventional weapons, have a disproportionate and indiscriminate impact on civilian populations as well as consequential impacts to surrounding ecosystems.</p>	<p>involvement</p>	<p>involvement</p>			<p>Involvement or no involvement</p>
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