



# Group Responsible Investment Policy

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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 anti-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. 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** – Quintet Private Bank Europe (S.A.) including its branches and subsidiaries

## II. PURPOSE

- Responsible Investment is an integral part of our business and our clients, the regulators and society expect no less.
- The aim of this document (hereafter: the “Policy”) is to state the rules, governance, and procedures related to Responsible Investment within Quintet.
- 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 as defined in the Group Risk Taxonomy.
- Every entity to which this Policy applies (see ‘Target Population’) is expected to incorporate the Policy and related governance in its respective investment process and governance.
- This Policy is for internal use only. A public Responsible Investment Policy document will be derived from this document, which subsequently can also be used by each entity for their locally-branded Responsible Investment-related external communications and for regulatory disclosures.

## III. TARGET POPULATION

This policy covers all employees for the following departments:

- Investment ICS
- Discretionary Portfolio Management (DPM)
- Business Management Risk (BRM)
- Group Risk
- Investment Advisors (“IAs”) and Client Advisors (“CAs”) since they provide Advisory activities to their clients

This policy covers only Quintet Investments activities, including Quintet funds and Discretionary Portfolio Management (DPM) propositions. It does not concern Quintet corporate activities.

## IV. EXECUTIVE SUMMARY

- **Single line responsible investment criteria** : Details the minimum requirements which equities and bonds within Quintet’s investment universe must adhere to in Section 5.1, as well as the minimum additional criteria which must be met for an investment to be considered sustainable in section 5.4
- **ESG Integration:** Details the different approaches Quintet has to integrate ESG in different asset classes, as set out in section 5.2.
- **Exclusions:** Section 5.1.1. sets out our criteria for excluding equities/bonds from our investment universe due to either violations of international standards or practices deemed by Quintet to be unethical, harmful to society, or in breach of laws or regulations.

- **Active Ownership:** Our principles on voting in company AGM's is outlined in section 5.5.1 as well as our approach to engagement in section 5.5.2.
- **Third-party fund due diligence:** Details on our responsible investment requirements for investments in third-party managed assets can be found in section 5.7

## V. POLICY PROVISIONS

### 5.1. MINIMUM ESG EXCLUSION 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 II.).

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 5.7<sup>1</sup>). 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:

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<sup>1</sup>As 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.<sup>2</sup>

- **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 CO<sub>2</sub> 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.

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<sup>2</sup> 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<sup>3</sup>. 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.

Further information on the criteria and implementation process of the Exclusion list can be found in Appendix IV and V. The Exclusion Team is responsible of compilation and implementation of the exclusion list every quarter, composition of the Exclusion team can be found in the Active Ownership Group ToR. If a company is in breach of the exclusion criteria, the divestment process detailed in Appendix VI must be followed.

## **5.2. 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.

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<sup>3</sup> Please refer to Appendix V for more detailed information on how this is defined and established.

- 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.

### **5.3. 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.

### **5.4. 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 5.1. 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 VII](#).

Exemptions:

Some corporates may be exempt from the above rules providing that there are solid arguments and rationale as to why they do not meet these thresholds. More information on the exemption process can be found in Appendix III.

## **5.5. 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.

### **5.5.1. 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 Brown Shipley, Insinger Gillissen and KTL (Rivertree and Essential Portfolio Selection fund ranges).

### **5.5.2. 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.

## 5.6. 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.
- PRI Transparency Report

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.

## 5.7. THIRD-PARTY MANAGED ASSETS<sup>4</sup>

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

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<sup>4</sup> In this section, we refer interchangeably to "assets," "funds," and "mandates."

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

#### ***5.7.1 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 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.

#### ***5.7.2. 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.

### **5.7.3. 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.

### **5.7.4. 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 responsibility investment questionnaire for each fund.

## **VI. POLICY GOVERNANCE**

### **6.1. 1ST LINE OF DEFENSE**

The first line of defence owner is the Group Head of ICS and he/she delegates the day-to-day tasks related with this policy to ICS teams. .

The first line of defense is responsible for controlling their risks and for ensuring an effective monitoring and controls environment is in place to meet all policy requirements as laid out in this document.

First line will create process and procedures to make sure policy is implemented and it will escalate any concerns related to the interpretation of this policy.

BRM applies controls for incorporation of the exclusion list.

### **6.2. 2ND LINE OF DEFENSE**

Regulatory Compliance: Provides first line with assistance regarding the interpretation of this policy and relevant regulatory environment and with regards to the future developments of the regulatory landscape.

*Compliance monitoring activities on these topic will be defined where relevant (i.e. when related to compliance risks), and according to a risk based approach depending on the controls already in place in other control function, such as BRM, Risk Management, etc.*

Credit Risk team performs secondary controls on incorporations of the exclusions list.

### **6.3. 3RD LINE OF DEFENSE**

Independent assurance: Internal Audit acts as the third line of defense providing independent assurance over Quintet’s investment strategy and implementation by the business.

## VII. TRAINING AND ANNUAL CERTIFICATION

This Policy is not in scope of the annual certification process nor is it included in the set of mandatory policies required upon employee onboarding.

## VIII. VERSION CONTROL & METDATA

Quintet Group’s RI approach will continue to evolve, building upon the framework that has been established in this Policy.

To ensure that the Policy remains an effective and suitable governing framework for Responsible Investment within Quintet Group, this Policy shall be reviewed annually. Any changes will be recorded in the 'Change Log' (see the table below), so that readers can always understand the context and evolution of the latest version of the Policy.

Furthermore, there are various topics that have not been included in this Policy, but which may become relevant to include at a later stage, either following requests from Quintet’s clients, market developments, regulatory changes, or progressive insight about how ESG factors impact Quintet’s investments. Such topics will be monitored by the Sustainable Investment team, by following market developments and using inputs from Quintet’s ESG research providers, proxy voting provider, engagement provider, and brokers.

### Group Policy Document version control

Version	Approval Body	Approval date	Changes
1.0	AMC		Initial version

**Group Policy Document Metadata**

<b>Writer</b>	Investment Office
<b>Owner</b>	Investment Client Solutions
<b>Policy document category</b>	Policy (Level 1)
<b>Group affiliates and population in scope</b>	All ICS staff, and any individuals involved in investment management of portfolios
<b>Employee onboarding</b>	N/A
<b>Annual certification process</b>	N/A
<b>Last approval date and Body</b>	
<b>Date of Approval</b>	
<b>Date of Implementation</b>	
<b>Expected review date</b>	
<b>Related documents</b>	Group Active Ownership Policy Group Sustainability Risk in Investments Policy Group Investment Policy
<b>Policy replacements</b>	
<b>Laws, regulations, and standards</b>	Sustainable Finance and Disclosure Regulations
<b>Risk taxonomy</b>	Legal & Compliance risk, regulatory and investor protection risk sub-types ; Reputational risk,

## APPENDIX I - DIVERGENCES TO THE GROUP POLICY PER COUNTRY

Every local entity is expected to incorporate the Policy and related governance in its respective investment process and governance. Individual products may include additional exclusions, such as the Merck Finck's sustainable mandate which has exclusion related to alcohol, tobacco, gambling, adult entertainment, genetically modified seeds, coal and oil, non-essential/non-mandatory animal testing.

QLU -

QBE -

QDE -

QNL -

BSCO -

KTL -

## APPENDIX II – 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 III - EXEMPTIONS TO PORTFOLIO CONSTRUCTION CRITERIA

### Exception process:

**Non-eligible companies:** If an equity analyst (EA) wishes to select a company that does not meet the above principles an exception must be officially requested to the Head of Sustainable Investing

1. To request an exception the following process applies:

- The EA fills in an exception template to substantiate his arguments (section 4).
- Filled-in template is sent to the Head of ESG for decision approval. The Head of ESG may delegate to other member of the Sustainable Investment Team.
- Upon review and positive validation an exception may be granted. If exception is not granted, the company cannot be selected for sustainable portfolio construction. Please consider a period of three working days for approval.
- Exceptions may be revoked based on new material information that negatively impacts the company's outlook. For example, a severe controversy or a sharp drop on the material factor scores.

In the case an exception is granted due to solid arguments, the outlined rationale in the content should serve as guidance to support advisors in client conversations.

1. A **template must also be filled** in case:

- Data is not available for three material factors or more, and/or;
- Data is not available for controversies.
- Data is not available for one or more product involvement categories.

## APPENDIX IV GUIDELINES FOR EXCLUSION CRITERIA

Quintet’s exclusion criteria relate to four main categories:

- i. Involvement of corporate issuers in controversial weapons;
- ii. Involvement of corporate issuers in controversial conduct;
- iii. Involvement of corporate issuers in thermal coal; and
- iv. Sovereign or sovereign-related issuers targeted by EU arms-embargoes (aside from any other regulatory requirements).

In order to establish whether an issuer is in violation of the exclusion criteria, the following steps are necessary:

1. Assessing the evidence with respect to the criteria regarding what constitutes a violation
2. Assessing which entities are considered in-scope;
3. Deciding upon the subsequent action.

Note: our ESG data provider is currently Sustainalytics. Should that change, specific elements of this process may change without invalidating the process as a whole.

### **Guidance for involvement of corporate issuers in Controversial weapons**

1. What constitutes a violation?
  - a. Weapon type: Involvement in any of the 7 weapon types, except for nuclear weapons. Involvement in nuclear weapons is only a violation of the exclusion criteria if it is related to countries that are not a signatory to the Non-Proliferation Treaty (NPT);

Weapon type	Conventions/treaties
Anti-personnel mines	Ottawa Treaty
Biological weapons	Biological and Toxin Weapons Convention (BTWC) and Chemical Weapons Convention (CWC)
Chemical weapons	Biological and Toxin Weapons Convention (BTWC) and Chemical Weapons Convention (CWC)
Cluster munitions	Convention on Cluster Munitions (CCM)
Depleted uranium weapons	Currently no convention or legal framework for bidding or regulating depleted uranium
Nuclear weapons	Non-Proliferation Treaty (NPT), allowing 5 countries to have such weapons
White phosphorus weapons	Currently no convention or legal framework for bidding or regulating white phosphorus

- b. Activity type: Production, research & development, maintenance/services/management, system integration, testing, sales/trade; and

- c. Type of involvement: key or dedicated involvement (i.e. non-key and non-dedicated involvement are not a violation of Quintet’s exclusion criteria).
- 2. Which entities are in-scope?
  - a. Entities identified as directly and indirectly involved i.e. The entity itself and its affiliates (parents and subsidiaries) as indicated by our providers.
- 3. Subsequent action?
  - a. If considered in violation, bonds and equities issued by the company will be put on the exclusion list.

**Additional guidance for involvement of corporate issuers in controversial conduct**

- 1. What constitutes a violation?
  - a. Quintet expects companies it invests in to operate in accordance with international law and regulations.
  - b. Quintet uses the United Nations Global Compact principles as a reference framework to assess the conduct of corporate issuers. Corporate issuers that severely and structurally violate these principles are excluded.
- 2. Which entities are in-scope?
  - a. Entities identified as uncompliant as defined by our ESG data provider.
- 3. Subsequent action?
  - a. If considered in violation, the issuer will need to be formally included in quintet’s watch list
  - b. The issuer will also be put on the exclusion list if after 3 years (of engagement) the violation has not been resolved. The Investment Committee (IC) has the possibility to extend this period with 12 months in case the Exclusion Team believes that there is a positive forecast with regard to the feasibility of this extension leading to a resolution of the violation.

**Guidance for involvement of corporate issuers in thermal coal**

- 1. What constitutes a violation?
  - a. Thermal Coal Extraction-Revenue Percentage: The company extracts thermal coal.
  - b. Thermal Coal Power Generation-Revenue Percentage: The company generates electricity from thermal coal.
- 2. Which entities are in-scope?
  - c. Entities deriving more than 10% revenue either from thermal coal extraction or thermal coal power generation as defined by our ESG data provider.
- 3. Subsequent action?
  - b. If considered in violation, bonds and equities issued by the company will be put on the exclusion list. Green bonds are not in scope for this exclusion.
  - c. For the purpose of the exclusion list, a service provider is used to build the list and to identify green bonds; Bloomberg. The latter flags bonds as green at the time of a bond’s issuance and

uses ICMA's voluntary Green Bond Principles. The Green Bond Principles defined by ICMA are based on four core components: use of proceeds, Process for Project Evaluation and Selection, Management of Proceeds and reporting.

Green bonds are debt instruments where the funds raised are used exclusively to fund green projects. The range of projects that are generally considered as green includes amongst others: renewable energy, energy efficiency, pollution prevention and control, sustainable land and resource management, protection of biodiversity, water and waste management, and clean transport. Green bonds are by nature focused on individual projects and cannot be used for general corporate purposes.

Each entity issuing a green bond produces a report detailing how the money is spent and the positive environmental impact. Second Party Opinions or Third Party Verifications have helped to address investor concerns around greenwashing as well as transparency. This is one of the key benefits to green bonds regarding use of proceeds and realized environmental impact

Although there is no global taxonomy in place, there are guiding principles for green bonds, with strong adoption among market participants. Leading principles are ICMA's Green Bond Principles (GBP) and the Climate Bond Initiative's Climate Bond Standards (CBS). Both the GBP and CBS contribute to the development of green finance by providing issuers and investors with guidance on permissible projects as well as on impact assessment and reporting.

### **Guidance for sovereign or sovereign-related issuers targeted by EU arms-embargoes**

2. What constitutes a violation?
  - a. Countries sanctioned with an arms-embargo targeted at the central government
  - b. If the sanction is issued by the EU (which includes the sanctions issued by the UN)
3. Which entities are in-scope?
  - a. Issuing entities directly related to government bodies (for example debt instruments issued by the state, municipalities, or provinces)
  - b. Agencies that are directly related to the government
  - c. Companies that are directly or indirectly owned by the government <sup>2</sup>
4. Subsequent action?
  - a. If considered in violation, bonds issued by the entity will be put on the exclusion list.
  - b. Equities and bonds of companies owned by these countries will be put on the exclusion list.

## **APPENDIX V GUIDELINES FOR EXCLUSION IMPLEMENTATION**

In case an issuer in the exclusion list was previously part of the Group Investment Universe, the new exclusion will be processed in the immediate universe update.

In case of any existing investments in the issuer, a predetermined timeline for divestment will apply:

- Advisory mandate\*: the advisor in charge of the advisory client will give an advice to sell this specific security (“information obligation”). A proof of the communication must be saved in the system (CRM or other local system).
- Asset management (in-house funds): the manager in charge of the funds will sell the position in the security (“management obligation”).
- Discretionary mandate: the portfolio manager will sell the position in the security (“management obligation”);

The delays for these obligations is 1 month, any waiver after such period would be submitted to the Compliance function for approval, with specified reasons and action plan.

\* In advisory, if the client wants to keep or buy an excluded security, he/she has to be informed about the fact that the instrument is excluded and the reason. If the client once duly informed, still wants to proceed, (s)he can as long as the order is categorized as an execution only instruction - this does not apply to holdings that are prohibited by law. The process shall follow the prescriptions detailed in the investor protection policy document.

### **Guidelines for implementation**

Quarterly review:

1. Every quarter the full universe of our ESG provider is screened for the exclusion criteria.
2. Based on the list of companies violating the criteria for controversial weapons, controversial conduct and thermal coal, Bloomberg is used to retrieve identifiers of bonds and equity issued these entities.
3. Based on the list of countries under EU arms Embargo, Bloomberg is used to retrieved identifiers of securities issued by entities directly related to government bodies (for example debt instruments issued by the state, municipalities, or provinces), and agencies that are directly related to the government and companies that are directly or indirectly owned by the government
4. Based on the previous steps, the Exclusion Team updates the exclusion list for changes every quarter.

Annual review:

1. At the time an equity (issuer) or bond holding is signalled to be in violation of the United Nations Global Compact Principles (UNGCP), it will be placed on the watch list, and the 3-year period will commence for that issuer (both equities and bonds, and relevant subsidiaries and parent companies).
2. Once on the watch list, an issuer remains on the list regardless of the current investment status.
3. The purpose of the watch list is to monitor the 3-year period, and see if any effective engagement takes place. The list includes the commencement date of the 3-year period.

4. At the end of the 3-year period (or earlier) if recommended by the Exclusion Team and approved by the Investment Committee, an issuer considered (still) to be in violation of the UNGCP is moved from the watch list and to the exclusion list, unless there is an ongoing engagement with the issuer. The Investment Committee has the possibility to extend this period by 12 months in case there is a positive forecast with regard to the extension leading to a resolution of the violation.

## APPENDIX VI DIVESTMENT PROCESS

In case an issuer in the exclusion list was previously part of the Group Investment Universe, the new exclusion will be processed in the immediate universe update.

In case of any existing investments in the issuer, a predetermined timeline for divestment will apply:

- Advisory mandate\*: the advisor in charge of the advisory client will give an advice to sell this specific security (“information obligation”). A proof of the communication must be saved in the system (CRM or other local system).
- Asset management (in-house funds): the manager in charge of the funds will sell the position in the security (“management obligation”).
- Discretionary mandate: the portfolio manager will sell the position in the security (“management obligation”);

The delays for these obligations is 1 month, any waiver after such period would be submitted to the Compliance function for approval, with specified reasons and action plan.

\* In advisory, if the client wants to keep or buy an excluded security, he/she has to be informed about the fact that the instrument is excluded and the reason. If the client once duly informed, still wants to proceed, (s)he can as long as the order is categorized as an execution only instruction - this does not apply to holdings that are prohibited by law. The process shall follow the prescriptions detailed in the investor protection policy document.

## APPENDIX VII – THRESHOLDS FOR PRODUCT INVOLVEMENT

Product Involvement	Thresholds				Criteria
<b>Adult Entertainment</b>	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 %
<b>Alcoholic Beverages</b>	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 %
<b>Gambling</b>	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 %
<b>Genetically Modified Organisms (GMO)</b>	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 %



<b>Nuclear Power</b>	<b>Nuclear Production</b>	<b>Nuclear Distribution</b>	<b>Nuclear Supporting Products /Services</b>		
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.	5%	15%	15%		revenue %
<b>Tobacco</b>	<b>Tobacco Products Production-</b>	<b>Tobacco Products Related Products/Services</b>	<b>Tobacco Products Retail</b>		
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.	0%	5%	5%		revenue %
<b>Civilian Weapons</b>	<b>Small Arms Civilian customers (Assault weapons)</b>	<b>Small Arms Civilian customers (Non-assault weapons)</b>	<b>Small Arms Retail/distribution (Non-assault weapons)</b>	<b>Small Arms Retail/distribution (Assault weapons)</b>	
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.	0%	0%	5%	5%	revenue %
<b>Nuclear weapons</b>	<b>Nuclear Weapons Non tailor-made or non essential</b>	<b>Nuclear Weapons Tailor-made and Essential</b>			

<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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