SUSTAINABILITY RISK POLICY

QUINTET
LUXEMBOURG
PRIVATE BANK

Sustainability Risk Policy

1. Scope and definitions

A sustainability risk is an environmental, social or governance (ESG) event or condition that, if it occurs, could cause a negative material impact on the value of the investment. Non-exhaustive examples include: the devaluation of investment if an investee entity is located in an area exposed to flooding which causes damage to assets or disruption to production or the risk of reputation damage and reduced commercial prospects if an investee company disrespects labour rights or has discriminative practices.

Quintet has identified E, S, and G factors that are relevant to the investment process, in line with the EU Taxonomy and EU Sustainable Finance Disclosure Regulation, which make reference to a number of criteria, activities, and practises, across environmental, social, and governance factors. Environmental factors include, but are not limited to, climate change, sustainable use and protection of water and marine resources, waste prevention and recycling, pollution prevention control and protection of healthy ecosystems. Social factors include, but are not limited to, human rights, gender equality, discrimination, and labour rights. Governance factors include, but are not limited to, sound management structures, employee relations, remuneration of relevant staff and tax compliance.

Sustainability risks precede and influence the investment decision.

- This policy covers only Quintet investments, including investments for its own account. It also covers investment advice on financial products (investment funds) provided by Quintet. It does not concern Quintet corporate activities.
- This policy applies where currently possible and feasible. Quintet is continually expanding the scope of this policy.

2. Investment relevance

Quintet views sustainability factors as sources of both upside and down-side risk and believes such factors are financially material to investment process across a broad range of assets and geographies.

3. Identification of sustainability risk

There are different sources of sustainability risks that may impact the investment case. Not all risks may be relevant to all investments. Sources of sustainability risk include, but are not limited to:

3.1. Physical and transition risks to the investment

Physical risks are a sub categorization of climate risks. Physical risks are typically classified as either an increasing accumulation and intensity of acute extreme weather events, for example heat waves and storms, and longer-term chronic changes in mean values and ranges of various climate variables, for example temperature, precipitation, and sea levels. A failure to adequately manage physical climate risks may lead to, amongst other consequences, the destruction or damage of facilities, the disruption or failure of supply chains and logistics, and potential changes in demand for products and services.

Transition risks can occur due to environmental or social factors such as when consumer habits change and technologies evolve toward a less polluting and greener economy. A failure to adequately manage transition risks may lead to, amongst other consequences, the impairment of defunct or outdated assets or reserves, the loss of customers, and the need for significant capital expenditure.

3.2. Reputational risk to the investment

Reputational risks may arise due to a variety of reasons such as inadequate controls, excessive risk-taking, and lack of due diligence. In the event an investee entity violates a sustainability norm or fails to adequately manage its sustainability risks the entity may suffer reputational damage. Consequences of reputational damage include, but are not limited to, a loss of customers, the loss or degradation of supplier relationships, and a withdrawal of funding from financial partners.

3.3. Regulatory risk to the investment

Regulatory risks may arise due to voluntary or involuntary violation of the law. In the event an investee entity violates a sustainability norm or fails to adequately manage its sustainability risks the entity may suffer regulatory consequences. Regulatory consequences include, but are not limited to, monetary fines, the removal of licenses to operate, increased supervision or reporting burdens.

3.4. Litigation risk to the investment

Litigation risks may arise may arise due to voluntary or involuntary harm to internal or external stakeholders, caused by action or inaction. In the event an investee entity violates a sustainability norm or fails to adequately manage its sustainability risks the entity may be subject to ligation. Consequences of litigation include, but are not limited to, monetary settlements, loss of intellectual property and removal of licenses to operate.

4. Management of sustainability risk

The management of sustainability risk may vary per type of investment and asset class. Quintet manages sustainability risk in the following ways, as appropriate for the relevant risks:

4.1. Adherence to international standards

Quintet adheres to multiple international standards in its operational practice and investment process. For example, Quintet requires investee entities to adhere to the United Nations' Global Compact Principles. The resultant processes may mitigate portions of sustainability risk and may be included in the workflow of sustainability risk monitoring

4.2. Active ownership

Active ownership is the use of the rights and position of ownership to influence the activities or behavior of investee entities. Quintet believes that active ownership is an effective means of managing sustainably risks and effecting change. Quintet operates a policy of active ownership across single line equities, fixed income and with third-party fund managers. Quintet executes this policy through a number of channels, including, but limited to: direct and proxy voting, collective and individual engagement, the co-filing of shareholder resolutions.

4.3. Exclusion

Exclusion is the conscious divestment or refusal to purchase securities issued by an entity. Quintet believes that exclusion is a viable means of managing sustainability risk, particularly when active ownership has previously failed or is not feasible. Quintet operates a policy of exclusion across single line equities and fixed income. Quintet executes this policy through its group investment universe and related processes.

4.4. Controversy monitoring

Controversies refer to E, S, or G incidents or events that have a negative impact on the environment, society, external stakeholders, or entity value. Controversy monitoring is an ongoing process to detect potential sustainability risks. Quintet believes controversy monitoring is an effective means of managing sustainably risks. Quintet operates a process of controversy monitoring across single line equities and fixed income. This process makes use of third-party data suppliers.

4.5. ESG integration

ESG integration is the process of analyzing and assessing sustainability and / or ESG risks and incorporating the assessment into opportunity identification, investment assessment, investment decision making, and portfolio construction process. Quintet undertakes ESG integration at multiple levels.

4.5.1. Individual securities

Quintet integrates ESG at the individual security level through an internally developed sector-specific materiality matrix and issuer factsheets. This process combines industry best practice, such as frameworks from the Sustainable Accounting Standards Board, third-party data, and in-house expertise. As the materiality of sustainable risks varies over time we update our underlying frameworks as new insights and best practices emerge, for which we leverage our in-house expertise, as well as the expertise of our ESG service providers. ESG integration is additional to the assessment of market risks, such as credit, duration, and equity.

4.5.1.1. Sector-specific financial materiality

The materiality of sustainable risks may vary over time and across geographies and sectors. Quintet therefore applies a sector-specific materiality matrix to assess sustainability risk for single line equities and fixed income.

4.5.2. Collective investment vehicles

Quintet requires third-party managers of collective investment vehicles to apply comparable sustainable risk management practices, and actively engage with their investee entities to ensure and improve their risk management practices. Quintet conducts an extensive due diligence process on each third-party manager and collective investment vehicle, combined with extensive reporting requirements and continued monitoring to ensure Quintet's standards are met.

4.5.3. Portfolio

Quintet integrates ESG at the portfolio level through the use of sustainable lenses (leader, improver, thematic) and dedicated assets. A sustainable lens is an investment philosophy that can be applied to a universe of assets, akin to a value or growth investment philosophy. Dedicated assets are financial assets where sustainability is inherent within the asset's construction, such as green bonds or microfinance. These approaches harvest differing sustainable-related risk premia and exhibit differing exposures to conventional factors.

5. Monitoring of sustainability risk

Sustainability risk is applicable to all investments. In December 2020 the Board of Quintet Group defined risk appetite for ESG (sustainability) risks as: "The Group recognizes the importance of implementing a holistic approach towards sustainability and to integrate ESG factors into investment activities be they for own account or on behalf of clients."

Ongoing monitoring of investments are conducted via the Quintet Investment Universe - the list common to all entities within Quintet that represents the set of all validated securities that can be used in discretionary portfolios or advised upon. Monitoring of single line equity and fixed income are subject to controversy monitoring.

5.1. Data. Sustainability risk management is supported by the use of external expert information sources to identify, assess, and monitor sustainability risks.

5.2. Process. Sustainability risk management is integrated into the investment and investment risk framework, where first and second lines of control have distinct responsibilities.

5.3. Infrastructure. External expert sustainability research and data is incorporated into information systems and is made available to investment and relevant risk staff.

5.4. Adaptation. Sustainability risks can change, so our models and processes are continuously updated. Ongoing education of investment and relevant risk staff is necessary. Quintet operates staff training on sustainability topics and Quintet's lines of defense monitor and track attendance and completion.

5.5. Reporting. Key risk indicators have been set and are reported to the Board Risk Committee on a quarterly basis. Relevant trigger and breach levels have been determined and are subject to re-assessment based on the risk appetite expressed by Quintet's Board of Directors.

6. Escalations and reporting

6.1. In the event that a sustainability risk is not adequately managed within functions and workflows, Quintet operates an escalation procedure through control functions. In addition, escalation may occur via designated responsible officers:

- The Group CIO represents the sustainability function on the Group Executive Committee.
- The Group CEO represents the sustainability function on the Group Board of Directors.

6.2. Quintet Group has integrated sustainability (ESG) risk in its Group taxonomy and in its Internal Capital and Liquidity Adequacy Assessment processes ("ICLAAP"). The ICLAAP includes, at a frequency deemed necessary, and at least once a year, a risk assessment and quantification of sustainability risks. The

ICLAAP confirms the relevant limits and thresholds and the calibration of risk indicators, for stress-testing and reverse stress-testing exercises.

7. Governance

7.1. The first line of control is the investment staff.

7.2. The second line of control is the relevant risk staff.

7.3. The Sustainability Risk Policy is reviewed at least annually.

7.4. The Group Investment Committee monitors implementation of the Sustainability Risk Policy.

8. Transparency and disclosure

8.1. Quintet is committed to providing timely and relevant communication and reporting of its sustainability risk efforts both externally and internally in full compliance with the current regulatory requirements.

8.2. Quintet publishes a summary of this policy and related matters on its website. Quintet also publishes related reports and disclosures including, but not limited to the Principles for Responsible Investment, twice yearly Active Ownership Reports, and sustainability information within the Quintet Group Annual Report.