Quintet Private Bank Responsible Investment Policy

Contents

1. Introduction

1.1. *Introduction and aim of this document*

- Responsible Investment must become an integral part of our business; our clients, the regulators and society expect no less.
- While Quintet Private Bank already has different products and investment propositions in place for clients who want to see their Environmental, Social and Governance (ESG) preferences reflected in their investments, it has become desirable to formalise the Group's approach to Responsible Investment.
- The aim of this document (hereafter: the "Policy") is to state the rules, governance, and procedures related to Responsible investment within Quintet.[1]
- Every affiliate to which this Policy applies (see 'Scope of the Policy) 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 affiliate for their locally-branded Responsible Investment-related external communications.

1.2. *Scope of the Policy*

Compliance with applicable laws and regulations is mandatory, and is not subject to this Policy. The focus of this Policy is measures that are voluntary; that is, that go beyond applicable law and regulation, and nothing in this Policy should be understood to supersede or circumvent applicable law or regulation.[2]

Since Quintet consists of separate entities, with different business lines and different investment processes, a distinction has been made between these business lines. The Policy applies to:

A. Discretionary Portfolio Management (assets managed for end-clients on a discretionary basis)
B. Advisory (advice on assets of clients who ultimately decide themselves on their investments)
C. Asset Management (assets managed through our own mutual funds)
D. The bank's own ALM portfolios.[3]

The Policy is not applicable to:

- Execution only assets
- Custody services to external parties
- Professional clients who have their own investment policy.[4]

---

[1] Previous activities in Quintet generally fell under the rubric of "Sustainable Investment," as they typically had a strong ethical component. This document develops our baseline Responsible Investment policy, and encourages continuing development of Sustainable Investment solutions to meet client requests.

[2] In the case of any unlikely conflict between this policy and such laws or regulations, the laws or regulations will always prevail.

[3] These portfolios will not incorporate ESG integration at this time.

[4] Note that some professional investors have independent obligations under SRD II, while others may not. Contracts with professional investors should clearly delineate the responsibilities in these matters.

Affiliates can develop and implement their own Responsible Investment related rules, principles, and requirements, provided these fully incorporate and are consistent with the rules, principles, and requirements laid out in this Policy.

The Policy applies to all types of assets, where possible and feasible, and considers differences in the nature of the investments, such as different asset classes, different investment styles (e.g., active versus passive), and different investment structures (internally managed versus externally managed). Any such differences are explicitly mentioned in the relevant sections of this Policy.

1.3. Policy governance

The Policy owner is the Group CIO.

This Policy, as well as any future (material) modifications shall be validated by both the CIO Steering and the appropriate Group Committees.

Pursuant to this Policy, Quintet has set up a formal Responsible Investment ("RI") governance structure that includes a Group RI Board (hereafter: RI Board) and a Group RI Committee (hereafter: RI Committee). Oversight of the Policy lies with the RI Board, while the day-to-day activities and decision-making are delegated to the RI Committee.

The RI Board and RI Committee will each develop their own Terms of Reference (TOR) documents, which will be used as the practical guidance for their governance and decision making.

Please refer to **Appendix A** for an overview of the RI Board and RI Committee responsibilities and tasks, as well as the respective compositions.

The Policy will be updated periodically as required, and will be formally evaluated by the RI Board at least annually.

Any exceptions/waivers to the Policy can only be granted by Quintet's RI Board and are subsequently to be reviewed on an annual basis.

Affiliates are allowed to develop their own RI policies, as long as these fully incorporate and are consistent with the rules, principles, and requirements laid out in the Policy. In order to ensure the maximum alignment between the Policy and any local RI policies, the latter will be submitted to the RI Board for review prior going through their local validation process.

Please refer to **Appendix B** for an overview of the documents that are related to the Policy, and for an overview of which body needs to approve either the initial adoption of specific documents or areas, or any material changes to these documents.

1.4. Monitoring the Policy

Monitoring is an essential part of the Responsible Investment Policy. Given the current complexity of Quintet, with a high degree of autonomy for the affiliates, a robust monitoring policy, which will involve first, second and third lines of defense at both the Group and local levels, will be elaborated once the policy has been validated. Most likely the approach will be based on a mix of local monitoring with an obligation to report centrally. The monitoring guidelines and structures will be developed by the RI Committee, Group Compliance, and Group Risk as appropriate, and validated by the local Risk and Compliance Officers and the RI Board upon formal adoption of the Policy.

1.5. Overview of the main elements of the policy

Quintet's RI Policy consists of five main elements:

1. **Quintet's minimum ESG requirements.** These relate to:
    1.1. Corporate issuers – based on:
        1.1.1. Involvement in specific products or services
        1.1.2. Controversial conduct
    1.2. Sovereign or sovereign-related issuers
2. **Active Ownership**. This consists of:
    2.1. Voting
    2.2. Engagement
3. **Exclusions**
4. **ESG integration**
5. **Reporting**

Each element and its respective application across asset classes is elaborated upon in detail in the next sections of this document.

2. Main Elements of Quintet's RI Policy

2.1. Minimum ESG requirements

Quintet has developed minimum ESG Requirements for all investments. The minimum ESG Requirements have been derived from relevant laws, 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.[5] The minimum ESG Requirements for direct investments can be categorised as follows:

Corporate issuers:

- Involvement in specific products or services

  Quintet considers involvement of corporate issuers in Controversial Weapons to be a violation of its minimum ESG requirements. 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 landmines, 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.[6]

- Controversial conduct

  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[7].

Sovereign or sovereign-related issuers:

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 <u>in addition</u> to all applicable regulations. Explicit implementation guidelines and assessment criteria will be developed together with Group Compliance to ensure consistency.

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

[5] Please refer to **Appendix C** for an overview of the 10 UN Global Compact principles.

[6] 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 consideration a violation.

[7] Please refer to Appendix D for more detailed information on how this is defined and established.

the case of direct investments compared to externally managed assets (i.e. via third-party asset managers). 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 in violation.

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 addition, specific guidelines shall be developed for third-party managed assets (please refer to chapter 3 of this Policy), which are derived from the minimum ESG requirements.

The minimum ESG requirements shall be applied across Quintet's investments. Please refer to:

- **Appendix D** for more detailed information on how the minimum ESG requirements are defined and what constitutes a violation;
- Section 2.B. and 2.C. for more information on how violations of the minimum ESG requirements are dealt with; and
- Chapter 3 for more information on the policy rules, procedures and responsibilities related to applying the minimum ESG requirements to externally managed assets.

2.2. Active Ownership

Quintet believes that active ownership contributes to good corporate governance and thereby 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 Group Funds Selection Team (GFST). By actively engaging with fund management companies and allocating capital to their funds on the basis of RI considerations, Quintet can further contribute to the development of Responsible Investment in the asset management value chain.

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 all shareholder meetings of the companies in which we invest for our clients. In case there are technical barriers or disproportionate costs involved, Quintet may develop criteria related to when voting cannot reasonably be expected to be done and potentially include thresholds related to the size of the holdings.[8]

A comprehensive Voting Policy will be developed which will provide more detail on the approach, criteria, and governance related to voting within Quintet. This document which will provide an

[8] For example, for Discretionary Portfolio Management and for Advisory, voting will only take place for companies within the Group Investment Universe.

overview of the main corporate governance issues, as well as Environmental and Social issues that Quintet believes to be of importance. Voting decisions are primarily based on investment considerations and are as much as possible aligned with Quintet's minimum ESG requirements and engagement efforts (see next section on engagement). The Voting Policy will be based on generally accepted best practices[9]. In addition, Quintet supports legislation that removes barriers to shareholder voting and will actively report on its voting activities. The Voting Policy will be subject to approval by the RI Board and upon approval, the Voting Policy will be considered part of the Quintet RI Policy. The Voting Policy will apply to all activities within the scope of the Quintet RI policy, whereby different affiliates (such as Asset Management) may decide to develop their own Voting Policy, which shall be approved by the RI Board to ensure alignment and consistency throughout the group.

<u>Implementation</u>: Since voting requires significant time investments, expertise, and suitable infrastructure, Quintet will work with an external proxy voting provider to facilitate the voting activities of Quintet through voting recommendations, the necessary IT infrastructure and reporting tools.

While Quintet would like to start as soon as possible with developing and implementing a group-wide Voting Policy, there are significant barriers to doing so for Discretionary Portfolio Management and for Advisory, since Quintet's clients currently must provide formal approval for Quintet to vote on their behalf. In addition, the rules around such approvals differ per country, which significantly hampers the possibility to roll this out in a robust and consistent manner within a short period of time, and may imply substantial costs related to the required authorizations. Consequently, the ambitions for starting to implement the Voting Policy across Quintet are as follows:

- **Asset Management**: 2019
- **Discretionary Portfolio Management**: 2020
- **Advisory**: whether group-wide voting is possible, feasible and/or desired is still to be investigated.

Engagement

Quintet considers engagement to be an essential part of being an Active Owner. In the context of Responsible Investment, Quintet refers to engagement as any interaction with external parties related to Environmental, Social and Governance (ESG) issues.

There are different motives for engagement, different topics (or categories of topics) to engage on, different parties to engage with, and different ways to execute the engagement. The main parties with which investors may engage on ESG issues are:

A) Investee companies/issuers[10]
B) External fund managers (in relation to third-party fund selection)
C) Regulators/policy makers

Quintet is well- positioned to exercise its influence in the (financial) value chain to create beneficial change through active ownership. This should always be balanced with the potential wish to not finance certain companies or activities at all, thereby foregoing the opportunity to exercise influence.

---

[9] For example, those recommended by the International Corporate Governance Network (ICGN)'s Global Corporate Governance Principles.

[10] Quintet believes that engagement is also an important and effective tool in relation to issuers of debt instruments, whether public or private.

Quintet has decided to focus its engagement efforts on where we expect to be able to obtain the most benefits for our clients, which is in category A and B. As such, Category C is currently not considered for engagement on a structural basis. Please refer to Chapter 3 for more information on category B.

Coordination: The RI Committee coordinates the engagement activities and provides support and guidance to (local) investment staff where necessary.

Engagement objectives: In the context of category A), engagement can have the following objectives:

1. To better understand the risks and opportunities of each specific investment case;
2. To use Quintet's influence as an investor to improve the investment case;
3. To verify information related to concerns voiced by media or research reports;
4. To use Quintet's influence as an investor to try to resolve any issues that Quintet considers to be in violation of the Quintet minimum ESG requirements;
   or
5. To use Quintet's influence as an investor to encourage companies to improve their ESG practices and related disclosures, thereby adding to sustainable long-term value creation that also benefits society as whole.

Timing: Engagement is a year-round activity and does not only centre around the AGMs of listed companies.

Intensity: The intensity of engagement can also differ. The United Nations Principles for Responsible Investment (PRI) distinguishes between two levels:

- Basic engagement (letter writing or limited number of meetings/calls)
- Comprehensive engagement (PRI definition: multiple, substantive and detailed discussions or interactions with a company)

Engagement forms: Engagements can take the form of letter writing; phone calls, or in-person meetings.

Individual or collaborative engagement: While voting is always on behalf of one investor, engagement can be done either individually or collaboratively. Collaborative engagements are done together with other investors and usually take the following forms:

- Through engagement platforms, such as the platform facilitated by the PRI
- Through engagement groups (e.g. Eumedion in the Netherlands)
- By teaming up informally with other (like-minded) investors

Outsourced engagement: Engagement can be done internally or externally. Quintet will work with an external engagement provider to engage on behalf of Quintet. The main reasons for this are:

- We prefer collective engagement, since we believe that the additional influence of combined shareholdings will be more effective in motivating the companies in which we invest;
- This is a new area for Quintet, which requires a significant time investment; and
- To engage effectively, relevant expertise on ESG issues is required, which Quintet currently does not have in-house and will take time to build up.

The foregoing does not preclude the possibility that Quintet or specific affiliates may undertake additional engagement activities, whereby the RI Committee will be the platform within Quintet to oversee and coordinate such engagements to ensure consistency and avoid duplication of efforts.

Engagement feasibility and timelines: In case issuers are in violation of Quintet's minimum ESG requirements, and engagement is considered feasible, such an issuer would remain eligible for investment in case it is formally included in Quintet's engagement program. Please refer to the next section (Exclusions) for more information on when and how this applies. In addition, Quintet may develop criteria related to when engagement may be considered infeasible; this may include thresholds related to the size of the holdings.

Quintet will only engage with issuers in violation of the minimum ESG requirements if resolving the issue successfully is likely, as it may otherwise jeopardize the credibility of the Responsible Investment approach.

In those cases that the RI Board has determined that an issuer should be included in the engagement program because of a violation of the minimum ESG requirements, this violation will need to be resolved within 3 years. When that is not the case, the issuer shall become ineligible for investment and added to Quintet's exclusions list. The RI Board has the possibility to extend this period with up to 12 months in case the RI Committee believes that there is high probability that the extension will lead to a resolution of the violation. In addition, should the RI Committee advise at any point before the end of 3-year period that engagement is no longer feasible or is unlikely to lead to a resolution of the violation, the RI Board can decide to terminate the engagement and add the issuer to Quintet's exclusions list.

It is important to note that affiliates can always decide to further reduce or discourage investment in issuers that violate the minimum ESG requirements, or to include a rule that specific types of violations of the minimum ESG requirements automatically lead to exclusion (i.e. regardless of any engagement efforts done at the Group level).

Scope: Engagement will cover holdings in the Group Investment Universe, and holdings of Asset Management.

Implementation: Quintet will select an external engagement provider as soon as possible, with the intention that the implementation of engagement activities can start in Q1 of 2019. This applies to both Asset Management and to Discretionary Portfolio Management and Advisory.

Engagement Policy document: Once the external engagement provider has been selected, a separate Engagement Policy document will be developed, which will provide more detail on the approach, criteria, and governance related to engagement within Quintet. This document will be considered part of the Quintet Responsible Investment Policy and will be updated periodically based on progressive insights, inputs from service providers, and changing market/best practices.

The Engagement Policy document will also contain additional stipulations on disclosure and reporting on the engagement activities, including guidelines regarding when details on specific engagement cases will or will not be shared with external stakeholders as in some cases confidentially during the engagement process may benefit the results of the engagement.

2.3. Exclusions

While not the main objective of investing responsibly, Quintet considers exclusions to be an important element of the Responsible Investment approach. Exclusion is appropriate when an issuer operates in violation of Quintet's minimum ESG requirements 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. As such, violations lead to an exclusion if:

- Issuers violate the minimum ESG requirements related to involvement in specific products or services[11]; or
- Issuers violate the minimum ESG requirements related to Controversial conduct and the RI Board does not consider (further) engagement to be feasible; or
- Sovereign or sovereign-related issuers violate the minimum ESG requirements.

Governance and decision-making process

To ensure robust and effective implementation of Quintet's Responsible Investment approach, Quintet has established explicit, objective, and consistent criteria to define violations and identify reasons for exclusions. Given that the universe, holdings, as well as the status of companies may change at any moment in time, it is important to have a structural monitoring and related decision-making process in place.

Therefore, the universe and holdings will be reviewed based on the minimum ESG requirements on a quarterly basis. Inputs for this structural monitoring can be the research of Quintet's ESG research provider, broker research, the media, NGO reports, or insights obtained by front office in conversations with the issuers or with other investors. The driver of this process is the RI Committee. In case of any coverage gaps related to differences in Quintet's investment universe or holdings, and the research provider's research universe, Quintet will explore if there are ways for the relevant research provider to provide full coverage on at least Quintet's minimum ESG requirements.

In case of indications of a potential violation of Quintet's minimum ESG requirements, the following steps would be taken:

1. The RI Committee will collect relevant available information and assess whether there is indeed a violation based on an explicit set of rules and guidelines;
2. If there is a violation, a decision will be taken regarding engagement feasibility;
3. If engagement seems feasible and there is a preference for the issuer to remain eligible for investment, the issuer can be formally added to Quintet's engagement program, which would subsequently be executed internally or by the external engagement provider;[12]
4. Both the decision on whether or not there is a violation and whether or not engagement is considered feasible, shall be validated by the Quintet RI Board;
5. In case of an exclusion, the internal exclusion list, the Group Investment Universe and the Local Investment Universes of each affiliate shall be updated; and
6. A similar process shall be followed in case there is evidence that an issuer is no longer in violation of Quintet's minimum ESG requirements – the issuer would then become eligible for investment if it is otherwise part of the Group Investment Universe.

In addition, in case of significant events or a news release that may lead to immediate concern about the status of specific issuers, an immediate review should be conducted as soon as feasible. Any such review shall be validated by the Quintet RI Board.

[11] Currently only the case for involvement in Controversial Weapons.

[12] Please note that for Discretionary Portfolio Management and for Advisory engagement with issuers will only take place within the Group Investment Universe.

Timelines for divestment
In case an issuer to be excluded is part of the Group or Local Investment Universe, the new exclusion will be processed in the first universe update following the validation by the Quintet Group RI Board. In case of any existing investments in the issuer, a predetermined timeline for divestment will apply.

Following the procedure in the Group Investment Policy (GIP), there are two types of obligations resulting from an issuer being flagged for exclusion, depending on the mandate type:

- Discretionary portfolio mandate: The Portfolio Manager will sell the position in the security ("Management obligation")
- Advisory mandate: the Advisor in charge of the advisory client will inform him of the affiliate's new position, that is, an advice to sell this specific security ("Information obligation")[13]

The delays for these obligations to take place can be found in the table below. In case of Advisory, the security will be sold immediately after the client's approval.[14]

Timelines for divestment

	Equities	*Bonds*	*Funds*
1/Discretionary Investment: obligation to act	sell in 1 month		sell in 3 months[15]
2/Advisory Investment: obligation to inform	inform in 1 month		

These are maximum delays to divest an excluded security. The RI Board may direct immediate divestment, in which case the action must also be immediate. In case a longer delay period may be necessary for specific securities or clients, the RI Board can be requested to provide an extension, which will be evaluated on a case by case basis.

The stipulated delays will be reassessed by the RI Board at least once a year.

Please refer to:

- **Appendix D** for more detailed information on how the minimum ESG requirements are defined and what constitutes a violation;
- Section 2.(above) for more information on how violations of the minimum ESG requirements are dealt with; and
- Chapter 3 for more information on applying the minimum ESG requirements to externally managed assets.

2.4. 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

[13] Note that for both Discretionary and Advisory portfolios, an appeal may be made to the local CIO that a sale may not be in the client's best interests. If the local CIO supports the appeal, they may refer it to the RI Board for validation, but only if this concerns the Responsible Investment Policy, and not applicable law or regulation.

[14] This implies that a client in Advisory who objects to an advised sale may be able to remain invested in holdings of issuers that Quintet has put on its exclusion list, subject to local procedures and policies, and provided that the exclusion is not mandated by regulation.

[15] Note that in case of a longer selling cycle, the order to sell must be made within 3 months.

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.

Quintet Group believes ESG integration can be approached at three levels:

1. At the security level: through the explicit examination of E, S, and G factors when assessing an investment case, with the aim of improving the understanding of potential risk and reward. Examples are through financial analysis, risk analysis, opportunity analysis, or valuation of a specific investment instrument.
2. At the portfolio level: either in portfolio construction (e.g. analysing what kind of ESG risks a potential portfolio is exposed to through the combination of securities (ex-ante)) or through monitoring the portfolio on these exposures (ex-post).
3. In ongoing risk management (monitoring individual securities and entire portfolios for ESG factors).

The investment processes within Quintet's affiliates 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, prescribed approach on how to integrate ESG factors, but has taken the following steps:

- In order to stimulate and facilitate ESG integration, investment staff members will 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.
- Since this is a relatively new area in the investment field, Quintet Group investment teams will work on developing 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. The ultimate responsibility lies at the Group CIO and local CIOs level, who will report at least twice a year to the RI Board on developments in ESG integration. The Quintet Group RI Committee will be available for coordination and support related to these activities.
- 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.

2.5. Reporting and Transparency

Reporting is an integral part of a Responsible Investment policy. The exact reporting commitments will be determined as part of the implementation of the policy, but are expected to cover the following areas:

1. Reporting to external stakeholders about Quintet's RI activities (e.g. through an annual Quintet RI report, by publishing all votes, through the PRI Transparency reporting)
2. Reporting to clients (e.g. on specific engagement cases, the ESG performance of their portfolios, etc.)

3. Other reporting (e.g. regulators)

In addition, Quintet Group has signed the Principles for Responsible Investment, and may explore joining or signing other (external) Responsible Investment and ESG initiatives or codes. Either the Group or the individual affiliate may endorse or become a member of a relevant code or initiative in support of Quintet Group's commitment to Responsible Investment.

3. Third-party managed assets[16]

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

3.1. 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 and any exceptions must be approved by the RI Board.

3.2. Funds managed by a third-party for which Quintet cannot determine the investment approach

Quintet will develop specific third-party fund selection RI guidelines, which will include minimum Responsible Investment (RI) requirements for third-party managed assets that are invested through mutual funds.

Given the significant diversity in Responsible Investment approaches around the world, these RI requirements will be principle-based and allow for room in differences in how these principles are applied.

The RI Committee and GFST have been mandated to jointly develop the RI requirements and related thresholds that the funds will need to meet. This also applies to the timelines that the funds will be granted to meet the requirements and to the differences between current investments and 'new' funds. The approach will be validated with the CIO Steering and approved by the RI Board before being implemented.

3.3. Passive Funds

Passive funds: Not all third-party fund requirements are equally relevant or feasible to implement for passively managed funds. As a consequence, there may be few externally managed passive funds available that would precisely meet Quintet's requirements. Therefore, from an RI perspective,

[16] In this section, we refer interchangeably to "assets," "funds," and "mandates."

passively managed funds are currently eligible for investment as long as they are managed in line with applicable legal requirements in the relevant jurisdictions. Preference may be given to passive funds to the extent that these more closely approximate this policy.

3.4. Alternative Investments

Given the nature of alternative investments Quintet will develop specific RI guidelines for this category of funds and mandates.

Given the significant diversity in Responsible Investment approaches around the world, these RI requirements will be principle-based and allow for room in differences in how these principles are applied.

The RI Committee and GFST and other units with relevant expertise will be mandated to jointly develop the RI requirements and related thresholds that such funds should meet. This also applies to the timelines that the funds will be granted to meet the requirements and to the differences between current investments and 'new' funds. The approach will be validated with the CIO Steering and approved by the RI Board before being implemented.

4. Updating of the Policy and Change Log

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 at least once a year. 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 RI Committee, by following market developments and using inputs from Quintet's ESG research providers, proxy voting provider, engagement provider, and brokers. Once considered relevant, the RI Committee will recommend to the RI Board how such topics could be added to the Policy. Changes to the Policy would follow the prescribed approval process.

Change Log

Policy Version	Sections adopted or changed	Adoption or Changes approved by
DRAFT policy	All, except: Voting Policy; Engagement Policy, Third-party funds RI requirements	Validation by CIO Steering in September 2018; Validation by Group Compliance in October 2018.
1.0	All, except: Voting Policy; Engagement Policy, Third-party funds RI requirements	Approved by the GMC on 12 November 2018
1.1	Technical changes to version 1.0 Note: *Third-party funds RI requirements*, *Voting Policy*, and *Engagement Policy* are separate documents to be incorporated by reference into this policy.	Approved by the Responsible Investment Board on 14 May 2019
1.1.1	KBL name changed to Quintet; no other changes	

Appendix A – RI Board and RI Committee

The RI Board and RI Committee responsibilities:

- RI Board:
    - Overseeing the overall implementation of the RI Policy
    - Responsible for the allocation of the operational budget of central Responsible Investment efforts (such as ESG research, service providers, and training)
    - Validating and deciding upon recommendations of the RI Committee (such as changes to the voting and engagement policy, or specific exclusion cases)
    - Communicating and reporting to the GMC
    - Making recommendations to the GMC in case of any material proposed changes to the policy
    - Communicating and consulting with the CIO Steering and GPAC

- RI Committee:
    - Supporting the practical implementation of the policy
    - Coordinating the development of internal and external documentation related to RI
    - Managing the relationships with external RI-related service providers
    - Determining whether an issuer has violated Quintet's minimum ESG requirements (for approval by RI Board)
    - Deciding on the action taken in case of any violations (based on rules in RI Policy)
    - Supporting the various functions, such as the (local) investment teams, risk, compliance, sales, and marketing in their respective RI activities
    - Monitoring market developments
    - Acting as an expert group available for RI related questions within the organisation
    - Coordinating training activities

The RI Board[17] may change its composition over time, but should at least include:

- The Group CIO (acting as the Chair of the RI Board)
- One member of the Group Executive Committee
- Representative of Asset Management
- Representative of Group Risk or Group Compliance
- Head of Responsible Investment

The RI Committee may change its composition over time, but should at least include:

- Head of Responsible Investment (acting as the Chair of the RI Committee)
- An RI contact person for each affiliate
- Representative of Asset Management/Rivertree
- Representative of Group Investment Research
- Representative of GFST
- Representative of Group Risk or Group Compliance

[17] The local CIOs are invited to attend the RI Board meetings (in person or via video) in 2019. This approach will be evaluated before Q4 2019.

Appendix B – Overview of documents related to the Responsible Investment Policy, and the authority to approve the document and changes

Documents related to the Responsible Investment Policy
Quintet Group Voting Policy
Quintet Group Engagement Policy
Quintet Group Third-party funds RI requirements
Terms of Reference RI Board
Terms of Reference RI Committee
Exclusion List
Engagement List
Monitoring and Compliance Guidelines
Quintet Group RI Implementation documents/manuals:
1. ESG integration approach

Overview of approval level for different RI Policy documents or areas

Document / area	**To be approved at initial adoption**	**To be approved in case of material changes by**
Quintet Group RI Policy	GMC	GMC
Quintet Group minimum ESG requirements (topics and involvement criteria)	GMC	GMC
Quintet Group Voting Policy	RI Board	RI Board
Quintet Group Engagement Policy	RI Board	RI Board
Quintet Group Third-party funds RI requirements	RI Board	RI Board
Exclusion List	RI Board	RI Board
Engagement List	RI Board	RI Board
Monitoring and Compliance Guidelines	RI Board	RI Board
Group RI Implementation documents/manuals	RI Committee	RI Committee
Local Responsible Investment and Sustainable Investment (related) policies	Local CIO, consistent with local governance	Local CIO, consistent with local governance

Appendix C – 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 D –Guidelines for evaluating the minimum ESG requirements

Quintet's minimum ESG requirements relate to three main categories:

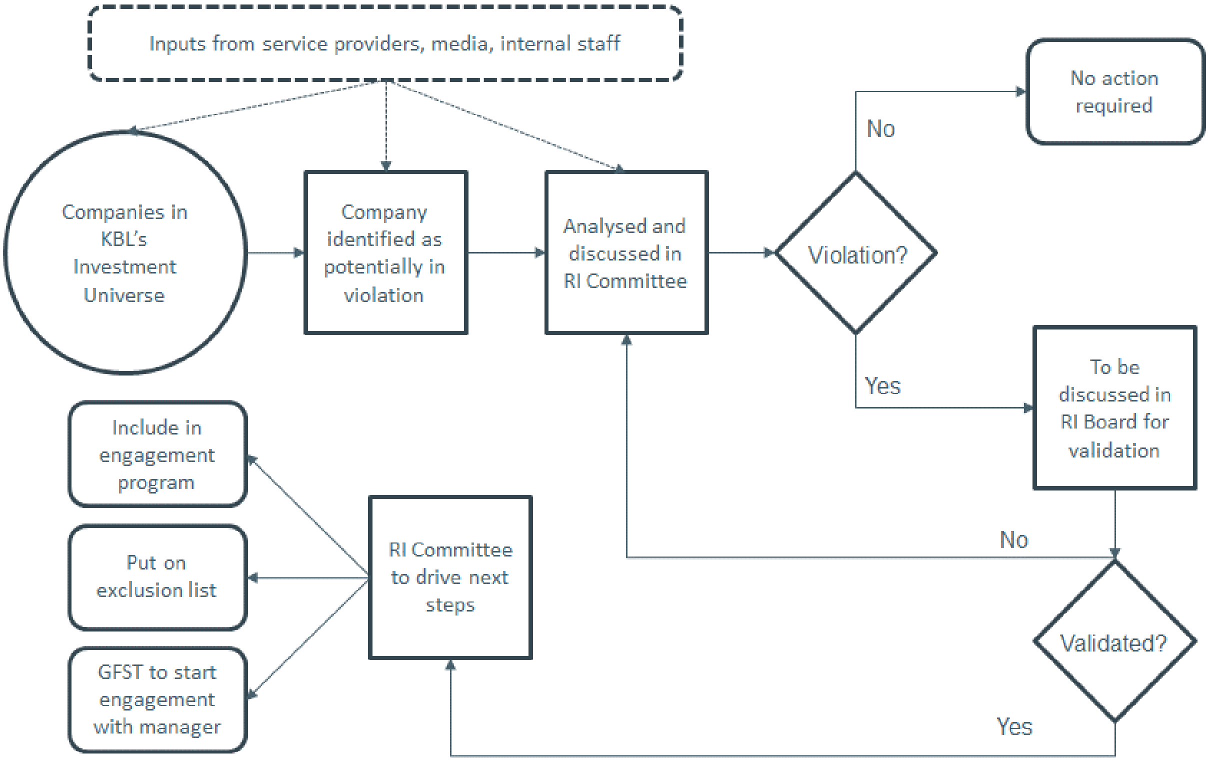
i) Involvement of corporate issuers in specific products or services;
ii) Involvement of corporate issuers in controversial conduct; and
iii) Sovereign or sovereign-related issuers targeted by EU arms-embargoes (aside from any other regulatory requirements).

In order to establish whether an issuer is in violation of the minimum ESG requirements, the following steps are necessary:

1. Assessing the evidence with respect to the criteria regarding what constitutes a violation
2. Assessing which additional or related issuing entities are considered in-scope; and
3. Deciding upon the subsequent action (i.e. engagement or exclusion).

Please refer to the diagram below for a visual representation of this decision-making process.

Diagram 1: Decision-making workflow for assessing violations of Quintet's minimum ESG requirements and deciding upon subsequent actions



The three steps may differ depending on the nature of the violation, for which additional guidance is provided for the different categories of the minimum ESG requirements (please refer to the next page).

Additional guidance for involvement of corporate issuers in specific products or services

Currently this only relates to involvement of corporate issuers in Controversial Weapons. Please see an overview of these weapons below.

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 forbidding 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 forbidding or regulating white phosphorus

The conventions and treaties that ban or regulate these weapons have very detailed definitions of what constitutes the respective weapon. However, they do not provide definitions for establishing when a company is involved. As such, an investor needs to first decide upon the definition of involvement. In addition, for the weapon types for which there is no treaty or convention banning or regulating their use, Quintet will adopt the definitions as used by our external ESG research provider.

Quintet applies a definition of involvement in controversial weapons that focusses on the most direct involvement types. Quintet may decide to make these criteria stricter over time and affiliates are in any case allowed to apply stricter criteria.

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 minimum ESG requirements if it is related to countries that are not a signatory to the Non-Proliferation Treaty (NPT);
    b. Activity type: Production, research & development, maintenance, system integration, testing, sales/trade; and
    c. Type of involvement: key and dedicated involvement (i.e. non-key and/or non-dedicated involvement are not a violation of Quintet's minimum ESG requirements).
2. Which additional or related entities are in-scope?
    a. Involvement by the entity itself;
    b. If owning more than 50% of an involved entity; or
    c. If owned for more than 50% by an involved entity
3. Subsequent action?
    a. If considered in violation (and that assessment is approved by the RI Board), the issuer will be added 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 considered to be in violation of Quintet's minimum ESG requirements.
2. Which additional or related entities are in-scope?
   a. Involvement by the entity itself;
   b. If owning more than 50% of an involved entity; or
   c. If owned for more than 50% by an involved entity
3. Subsequent action?
   a. If considered in violation (and that assessment is approved by the RI Board), the issuer will need to be formally included in Quintet's engagement program to remain eligible for investment.
   b. The issuer will be put on the exclusion list in case the issuer has been considered to be in violation, but is not being included in Quintet's engagement program.
   c. The issuer will also be put on the exclusion list if after 3 years of engagement, the violation has not been resolved. The RI Board has the possibility to extend this period with 12 months in case the RI Committee believes that there is a positive forecast with regard to the feasibility of this extension leading to a resolution of the violation.

Additional guidance for sovereign or sovereign-related issuers targeted by EU arms-embargoes

1. What constitutes a violation?
   a. If countries have been 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)
2. Which additional or related 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 100% owned by the government[18] [19]
3. Subsequent action?
   a. If considered in violation (and that assessment is approved by the RI Board), the issuer will be put on the exclusion list.

---

[18] In case of companies that are owned for less than 100% by the government, and exclusion of their securities is not already mandated by regulation, the RI Board will agree upon these issuers on a case by case basis.

[19] Please note that this only applies to state-related issuers. As such, companies with a headquarters or a listing in the respective country or companies that derive revenues from that country are not considered in violation of Quintet's core ESG requirements.