



# Group Active Ownership Policy

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## I. KEY DEFINITIONS

- **Active ownership** – Represents actively exercising one’s rights as the shareholder and/or bondholder 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.
- **Engagement** – The act of undertaking constructive dialogue with another entity with a view to improve environmental, social, and governance (ESG) practises.
- **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.
- **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

The aim of this document is to summarise Quintet’s active ownership processes and approach with Investee companies and third party fund managers.

As a signatory of the UN Principles for Responsible Investment (UNPRI), Principle 2 states that “We will be active owners and incorporate ESG issues into our ownership policies and practices,” a principle we endorse. As such a policy containing our active ownership is necessary to comply with our signatory status.

Quintet’s approach to active ownership includes monitoring the investments we make, identifying environmental, social and governance (ESG) issues, strategic problems, or opportunities for improvement, engaging with investment managers or management teams, voting at general meetings, and other efforts to encourage positive change for the long-term benefit of our clients and the world.

We believe we can create better outcomes for our clients by actively engaging when we invest. Our investment policy emphasises our ability to create positive change by being active owners, which we believe to be vital to improving long-term investment returns for our clients. Actively exercising the influence we have as an investor and investment manager is consistent with both the fiduciary duties we have for our clients and our objective to be a sustainable company.

Quintet regards exclusions as a last resort, when active ownership has proven unsuccessful, or is infeasible, and further investment would be incompatible with our principles and the best interests of our clients.

Since we also invest client assets with other asset managers, we hold them to the same high standards regarding active ownership, and we engage with those managers to ensure that they are active owners on behalf of our clients. The

The Active Ownership Group (“AOG”) operationalizes the Active Ownership Policy. The AOG consists of members from different disciplines and functions within Quintet and meets periodically to discuss the strategy, implementation, and progress.

### III. TARGET POPULATION

Our active ownership policy applies to our direct corporate investments in both equity and debt securities as well as 3<sup>rd</sup> party funds.

This policy covers all employees for the following departments:

- Discretionary Portfolio Management (assets managed for end-clients on a discretionary basis, often termed Investment Management);
- Advisory team (advice on assets of clients who ultimately decide themselves on their investments);
- Asset Management team (assets managed through Quintet’s mutual funds);
- Quintet’s ALM .

The document is not applicable to:

- Execution only assets;
- Custody services to external parties;
- Treasury and repurchase agreement (repo activities).

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)”. The principles of active ownership apply to all investments, and Quintet will expand its active ownership efforts to other investments as practical and feasible.

## IV. EXECUTIVE SUMMARY

- **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. The four priority engagement themes are detailed in section 5.1.2; (i) climate change, (ii) human and labour rights, (iii) human capital management and (iv) board effectiveness.
- **Proxy Voting:** The primary focus of Quintet’s voting decisions is good governance of the organisation, including the management of material environment and social risks. Our voting policy draws upon the expertise of our external service provider, emphasises governance, environmental, and social matters as set out in section 5.2.
- **Transparency:** Quintet aims to publish an active ownership report annually, on investee companies that we own, which covers our voting and engagement activities. As part of its ongoing commitment to transparency, Quintet discloses all its voting decisions online as set out in section 5.3.
- **Managing Conflict of Interests:** Quintet exercises voting rights solely in the general interest of its clients, irrespective of its own interests, and in compliance with its guiding principles as noted in section 5.5.

## V. POLICY PROVISIONS

### 5.1. ENGAGEMENT

#### 5.1.1. *ENGAGEMENT PRINCIPLES*

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 hired a specialised external service provider, EOS Hermes, to conduct 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. The engagement

priorities continue to be focused on the most material drivers of long-term value, with four priority themes: climate change, human and labour rights, human capital management and board effectiveness and ethical culture. Engagement priorities are reviewed annually, and we provide our insights and priorities as part of the priority-setting process with our service provider.

Climate change is an ongoing priority. Quintet is a member of [Climate Action 100+](#), a collaborative investor engagement initiative that seeks to ensure that the world’s largest corporate greenhouse gas (GHG) emitters take action to reduce GHG emissions. We believe this is a logical step to protect our planet, as we recognise the importance of climate risk for our investments. Investors participating in Climate Action 100+ engage the world’s largest 100 “systemically important emitters” and 60 other companies that have been identified as being key to the transition to a net zero emissions economy.

### **5.1.2. ENGAGEMENT PRIORITIES (2022-2024)**

Quintet has instructed its engagement partner to engage on its behalf. The engagement priorities 2022-24 will continue to focus on the most material drivers of long-term value, with a focus on four priority themes<sup>1</sup>:

- Climate change:** In the lead-up to COP 26, over 3,000 companies committed to achieve net-zero emissions. However, an analysis of the largest emitters in the world showed that while approximately 50% had net-zero goals, only 20% had short and medium-term emissions reduction targets and only 7% had targets aligned with the Paris Agreement goals. The emphasis of our engagement is therefore on matching long-term commitments with a Paris-aligned strategy and targets. We also support action to ensure that published financial accounts and political lobbying are similarly aligned. Engagement is now broadening out to include the banks, ensuring that their net-zero ambitions match those of asset managers. The Glasgow Financial Alliance for Net-Zero brought together a broad coalition of financial actors representing in aggregate \$130 trillion of financial assets, including \$57 trillion or approximately 50% of global assets under management. This broad commitment opens up the prospect of further collaborative and escalated engagements with companies. We will continue to support action at Climate Action 100. As the climate changes, and extreme weather events become more frequent and severe, it will be important for companies to demonstrate that they have a physical risk strategy.
- Human and labour rights:** As we continue to engage on this enduring priority theme, we will seek to ensure increased vigilance in the protection of human and labour rights during and following the coronavirus pandemic, which is exacerbating inequalities, increasing the risks of unacceptable working conditions such as modern slavery and low pay and limiting access to fundamental needs such as food and medicine, including effective coronavirus vaccines. We continue our focus on indigenous and community rights and on high-risk regions such as disputed territories or areas of conflict. We will further focus on digital rights in the virtual world, such as challenges to the right to data privacy, the right to freedom of expression and discrimination through the development of artificial intelligence. We will continue to promote corporate application of the UN Guiding

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<sup>1</sup> Source: EOS at Federated Hermes.

Principles (UNGPs) on Business and Human Rights at 10 or UNGPs 10+ – the next decade of implementation of the UNGPs. We will also focus on escalated breaches of the UN Global Compact principles for human rights including considering voting against directors if not being adequately remediated.

- **Human capital management:** The coronavirus pandemic has shone a light on employers' treatment and engagement of their workforce. In 2022, we will focus our engagement with companies on providing fair wages and benefits so all can afford a decent living standard, as well as development and implementation of a human capital management strategy to promote best practice physical (including health and safety) and mental workplace wellbeing. Furthermore, we will continue our focus on diversity, equity, inclusion and representation; asking companies to develop a strategy and action plan to close the ethnic pay gap and achieve proportionate ethnic and gender representation at all levels. We will also challenge companies to expand their consideration of diversity metrics to include representation and equity for the e strategies should include articulation of culture and employee proposition to improve workforce loyalty and wellbeing.
- **Board effectiveness:** To enhance the quality of board performance and corporate decision-making, we will focus on ensuring that boards make improvements to ethnic diversity that at least match the recent progress on gender diversity. The goal will be for the board to achieve representation that is reflective of the diversity of the stakeholders it aspires to serve. We will also ask boards to reconsider the lessons of the pandemic, including the possibility for more internationally diverse board appointments, enabled by more effective remote working practices. We remain committed to improving a board's "software", relating to how it functions, in addition to its "hardware" (relating to its composition and structure). The board should continuously monitor and assess the prevailing company culture to ensure it is in line with company's purpose, strategy and values.

### **5.1.3. THIRD PARTY ENGAGEMENT**

We believe engagement and proxy voting for equity funds are crucial elements to assess and influence the behaviour of investee entities.

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.

We urge funds to be transparent about the way they have implemented sustainability into their portfolios and how they have executed their sustainable fiduciary responsibilities. We require all funds on our approved

fund list to act as active owners and engage with the companies they invest in and use proxy voting where applicable. (See fund due diligence process for more information).

## **5.2. PROXY VOTING**

### **5.2.1. VOTING PRINCIPLES**

The primary focus of Quintet's voting decisions is good governance of the organisation, including the management of material environment and social risks. Governance structures that drive performance, create shareholder value and maintain a proper tone at the top are key to mitigating risk and building long-term shareholder value. Boards that work to protect and enhance the best interests of shareholders are independent, diverse, have a record of positive performance, and members with a breadth and depth of relevant knowledge and experience.

Our voting policy, which draws upon the expertise of our external service provider, Glass Lewis, emphasises governance, environmental, and social matters. We have partnered with Glass Lewis, a proxy voting provider, to provide research and technically implement voting. The Active Ownership Group, made up of representatives from various ICS functions and Quintet affiliates (greater detail can be found in the Active Ownership Group Tor), reviews in detail voting when the investment is large or when there is an increased level of controversy, or on request from members of our investment team, as further explained in Appendix II.

### **5.2.2. VOTING PRIORITIES**

#### **I. Composition, independence, and accountability of the board**

The composition of boards should aim at generating objective decision-making to deliver sustainable value to shareholders and other stakeholders of the corporation. The board should act on an informed basis and in the best long-term interests of the company with good faith, care and diligence, for the benefit of all shareholders and key stakeholders.

Quintet believes that boards should work to protect and enhance the best interests of shareholders and key stakeholders. To exercise proper governance, boards should be independent, have directors with diverse backgrounds and perspectives, have a record of positive performance and have members with a breadth and depth of relevant experience. Board composition should consider the expertise necessary to understand and address emerging risks facing the company and the necessary skills and experience should be present on the board and in its committees.

Our voting services provider has codified their approach to reviewing how boards are overseeing environmental and social issues. In instances where it is clear that a company has not properly managed or mitigated environmental or social risks to the detriment of shareholder value, or when such mismanagement



has threatened shareholder value, we may vote against members of the board who are responsible for the oversight of environmental and social risks.

We notably consider in voting decisions the tenure of individual board members, the average tenure of the board, male-female ratio, number of boards or executive positions held by the member, independence and relevant experience or expertise. We support commitment to establishing broad sustainable business practices and review on the disclosure of ESG risk related issues.

We vote against directors (non-executive) serving more than five boards or voting against executive directors serving more than two boards. We vote against the male members of the nominating committee where the board gender diversity requirements are not met, which are different across geographies.

## **II. Disclosure and transparency**

Boards should oversee timely, relevant, and high-quality company disclosures for investors and other stakeholders relating to financial statements, strategic and operational performance, corporate governance and material environmental and social risks.

Quintet believes that the auditor's role is crucial in ensuring the integrity and transparency of the financial information necessary for protecting shareholder value. Because of the importance of the role of the auditor, rotating auditors is an important safeguard of the independence of the auditor. We vote against auditor ratification proposals in instances where a company's auditor has not changed for 20 or more years.

## **III. Long-term sustainable value creation**

Quintet expects companies to understand the governance, environmental and social risks they face as well as the positive and negative impacts their business decisions have on stakeholders. Furthermore, Quintet expects companies to be transparent to its shareholders and key stakeholders about what these risks and impacts are, and how they are being managed. In addition, boards should provide adequate oversight of ESG issues and be prepared to discuss their long-term plans for sustainable value creation with investors.

When considered material to the business or its stakeholders, Quintet generally support environmental and social shareholder proposals aimed at enhancing a company's ESG policies and performance or increasing a company's reporting and disclosures with respect to such issues.

## **IV. Executive compensation and alignment with long-term interests of shareholders and key stakeholders**

Executive compensation structures should be designed to effectively align the interests of the CEO and executives with those of the company, its shareholders and key stakeholders to help ensure long-term performance and sustainable value creation. Compensation programs should not restrict the company's ability to attract and retain executives and should also consider best practices in the relevant market.

Quintet believes that to ensure alignment of executive and shareholder interests, executive compensation should be underpinned by relevant and objective Key Performance Indicators (KPIs) related to areas that are

material to the company's long performance and sustainable value creation, which includes non-financial targets. Furthermore, executive compensation programs should be disclosed to shareholders in a transparent way and be subject to shareholder approval.

Given the complexity of most companies' compensation programs, Quintet believes that compensation needs to be reviewed on a case-by-case basis, recognising that each company must be examined in the context of industry, size, maturity, performance, financial condition, its historic pay for performance practices and other relevant internal or external factors.

We support inclusion sustainability metrics in executive compensation plans. We encourage annual advisory compensation votes. We vote against say-on-pay proposals in case of potential severe disconnect between pay and performance, and where sustainability is not an explicit consideration for companies when awarding executive compensation and we have concerns regarding the pay and performance link.

#### **V. Rights of shareholders**

The rights of all shareholders should be equal and adequately protected. Fundamental to this protection is ensuring that shareholder voting rights are directly linked to the shareholder's economic stake, and that minority shareholders have equal voting rights on key decisions or transactions which affect their interest in the company.

Quintet is an advocate of increased shareholder participation and access to a company and its board of directors. Processes and procedures for general meetings of shareholders should allow for equal treatment of all shareholders. Companies should avoid creating unnecessary hurdles for investors to cast their vote in a timely and cost-effective manner.

Quintet generally support initiatives that seek to enhance shareholder rights, such as the introduction of majority voting to elect directors, the adoption and amendment of proxy access bylaws, the elimination/reduction of supermajority provisions, the submission of shareholder rights' plans to a shareholder vote, and the principle of one share, one vote.

#### **VI. Shareholder proposals**

Quintet supports shareholder proposals that aim to enhance and protect shareholder rights and that seek to adopt more sustainable practices and enhance transparency on current practices.

When voting on environmental proposals, we take into account the impact companies have on the environment, as well as the risks they may face by not adopting environmentally responsible policies. We believe systematic risks, such as those related to climate change, are issues that companies need to manage with high priority. We generally support proposals seeking to adapt more ambitious environment objectives and improve disclosure about company practices that impact the environment.

When analysing social proposals, we consider the communities and broader constituents in the areas in which companies do business. We generally support proposals requesting that companies provide greater disclosure about their impact on local stakeholders, as well as employee and human rights. We support proposals seeking increased disclosure on public health and safety issues, review of political spending or

lobbying, reporting on compliance with international human rights standards and transparency on various social issues.

### 5.3. TRANSPARENCY

Quintet publishes an active ownership report annually. This report covers our voting and engagement activities with investee companies.

As part of its ongoing commitment to transparency, Quintet discloses all its voting decisions [online](#). Voting decisions are available as soon as possible after meetings take place, and our rationale is included where appropriate. All the votes we have cast over the past 12 months are available. Managing conflicts of interest

Quintet exercises voting rights solely in the general interest of its clients, irrespective of its own interests, and in compliance with its guiding principles.

If exercising its voting right for a given company exposes Quintet to a conflict of interest. Such conflict will be managed in accordance with the Group Conflict of Interest Policy. Additionally, the active ownership group may seek Compliance advice.

## VI. GOVERNANCE

### 5.4. 1ST LINE OF DEFENCE

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 defence is responsible for controlling its risks and for ensuring an effective monitoring and controls environment is in place to meet all policy requirements as laid out in this document.

The 1<sup>st</sup> line of defence creates processes and procedures to make sure the policy is implemented and escalates any concerns related to the interpretation of this policy.

BRM applies controls for incorporation of the exclusion list.

### 5.5. 2ND LINE OF DEFENCE

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.

### 5.6. 3RD LINE OF DEFENCE

Independent assurance: Internal Audit acts as the third line of defence 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 AND METADATA

### Group Policy Document version control

Version	Approval Body	Approval date	Changes
1.0	ExCo	2021-09-06	Initial version
2.0	IC & GPC		Alignment of the Group Responsible Investment Policy and The Group Active Ownership Policy. Removal of the exclusion process and related responsible Investment processes as they will now sit with the Group Responsible Investment Policy. Incorporation of elements to align with SFDR.

### Group Policy Document Metadata

## APPENDIX I – REQUIRED DIVERGENCES TO THE GROUP POLICY PER COUNTRY

QLU -

QBE -

QDE -

QNL -

BSCO -

KTL –

## APPENDIX II – VOTING EXECUTION

Quintet has a leading independent provider of global governance services, to provide proxy research and recommendations to underpin Quintet’s voting decisions.

Quintet will not vote where:

<b>Writer</b>	Quintet’s Group Head of Sustainable, ESG, and Impact Investing
<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>	No
<b>Annual certification process</b>	No
<b>Last approval date and Body</b>	ExCo
<b>Effective date</b>	2021-09-06
<b>Expected review date</b>	2023-09-06
<b>Related documents</b>	Group Investment Policy Group Responsible Investing Policy Group Sustainability Risk in Investments Policy Active ownership group ToR Group Risk Appetite Framework
<b>Laws, regulations, and standards</b>	Sustainable Finance and Disclosure Regulations
<b>Risk taxonomy</b>	Climate and environment risk, Physical and Transition risk sub-type, , Reputational risk

- across applicable Quintet holdings the exposure sums to less than € 500,000 unless the company is involved in a severe controversy, as defined by ourselves or one of our service providers.
- additional costs and / or barriers (i.e. share-blocking, share registration or in-person attendance) are deemed prohibitive by the Active ownership group.

Quintet's Active Ownership group will discuss in detail the shareholder meetings' agenda items in the following circumstances:

- Where across applicable Quintet holdings the exposure sums to more than 1% of the company's outstanding shares.
- Where across applicable Quintet investments we represent more than € 20 million.
- Where the company is involved in a severe controversy.
- Upon the request of equity portfolio managers, or members of the Active Ownership Group.

## APPENDIX III – EXAMPLES OF ESG VOTING RULES

### Examples of ESG-oriented voting rules for shareholder proposals:

#### Compensation

- Vote in favour of proposals to tie executive compensation to E, S and G performance measures, health and safety regulations, non-discrimination laws and human rights standards.
- Support most governance-related shareholder proposals all environmental and social shareholder proposals aimed at enhancing a company's policies and performance or increasing a company's disclosures with respect to such issues.
- Vote for proposals requesting disclosure on gender, racial or ethnic pay inequity.

#### Corporate Governance

- Vote in favour of initiatives introducing majority voting, electing directors etc.
- Support proposals aimed at increasing the diversity of boards or management as well as those requesting additional information concerning workforce diversity and the adoption of more inclusive non-discrimination policies.

#### Environment

- Support proposals requesting companies develop greenhouse gas emissions reduction goals, comprehensive recycling programs, and other proactive means to mitigate a company's environmental footprint.
- Support proposals to disclose or adopt certain policies related to mitigating climate change related risks.
- Support proposals requesting that a company consider energy efficiency and renewable energy sources in its project development and overall business strategy.

#### Labour/Human Rights

- Generally supporting enhancing the rights of workers, considering communities.
- Support the adoption of codes of conduct relating to labour standards, human rights conventions, and corporate responsibility at large.
- Reviewing performance and oversight of certain directors when a company is found to have violated international human rights standards.

#### Health & Safety

- Vote in favour of proposals seeking increased disclosure regarding public health and safety issues.
- Support proposals calling for the labelling of Genetically Modified Organisms (GMO's), the prohibition of tobacco sales to minors.

#### Business Ethics

- Vote for proposals seeking to increase disclosure of a company's business ethics and code of conduct, as well as of its activities that relate to social welfare.
- Vote in favour of proposals to develop sustainable business practices (incl. animal welfare policies, human rights policies, fair lending policies).
- Supporting reporting and reviewing a company's political and charitable spending and lobbying practices.

#### Mergers, acquisitions and contested Meetings

- Support shareholders proposals asking the company to consider the effects of transactions on company's stakeholders.