ACTIVE OWNERSHIP UPDATE | AUGUST 2020

At Quintet, we believe that through our investments we have a responsibility to society. As an active owner, we use the influence we have to enhance the conduct of companies, encouraging more sustainable business models.

We exercise our active ownership by voting at general meetings and through dialogue with management. We monitor the management of companies in which we invest, taking into account environmental, social and governance (ESG) considerations. We believe that this enhances the economic value of companies and is beneficial for shareholders, people and the planet.

Actively exercising the influence we have as an investor and investment manager is consistent with both our fiduciary duty towards our clients and our objective to be a sustainable company

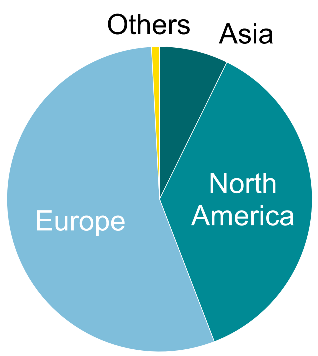
From January to 1 August 2020, we voted on 8,988 proposals at 592 meetings. In the second quarter, our partner, EOS at Federated Hermes (EOS), engaged with 440 companies on our behalf about 1,186 ESG issues and objectives.

The coronavirus pandemic has changed life in many ways and had a tremendous impact on companies. It has also forced us to adapt how we vote and engage.

VOTING OVERVIEW

From January to 1 August 2020, number of:

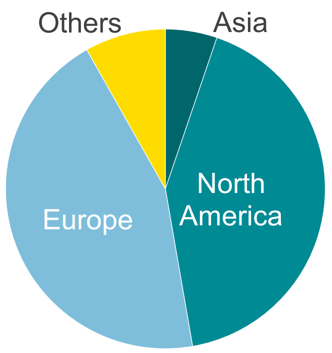
- meetings voted:	592
- management proposals:	8,733
- shareholder proposals:	255



ENGAGEMENT OVERVIEW

From 1 April to 30 June 2020, number of

companies engaged over the last quarter:	440
ESG issues or objectives:	1,186



Source: EOS

IMPACT OF COVID-19 ON VOTING

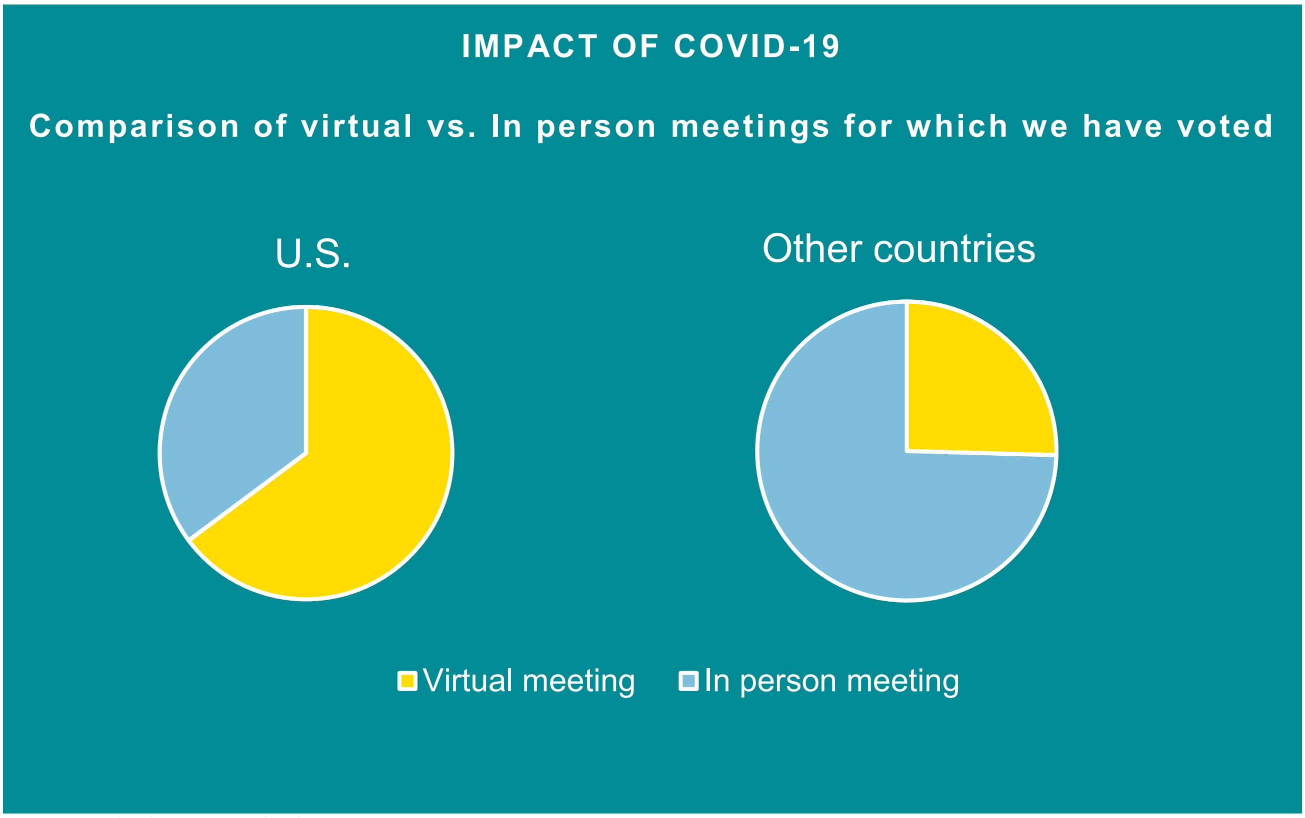
COVID-19 has had a dramatic impact on our lives, and it's also changed companies and the 2020 voting season. Faced with these exceptional circumstances, we have adapted some of our voting decisions.

The peak of the voting season occurs annually from March to June, during which most of the annual general meetings (AGMs) take place. This year it coincided with the global spread of the coronavirus pandemic. As a result, some companies took the decision to cancel their AGMs, while others postponed or switched from in-person gatherings to virtual meetings.

Among all companies for which we had voting rights and had an AGM planned between March and end of July, around 35% opted for virtual meeting and 5-10% postponed/canceled the meeting for after. Note that many companies had to change the date of their AGM but still managed to hold it during the first semester. The data also shows great disparities between US and non-US companies.

Before COVID-19, in line with the recommendations of our partner and proxy voting service provider, Glass Lewis, we tended to oppose virtual-only meetings as we feared this could significantly limit interactions between shareholders and management. We believed shareholders might not be able to ask questions and engage with independent directors as they would during in-person meetings.

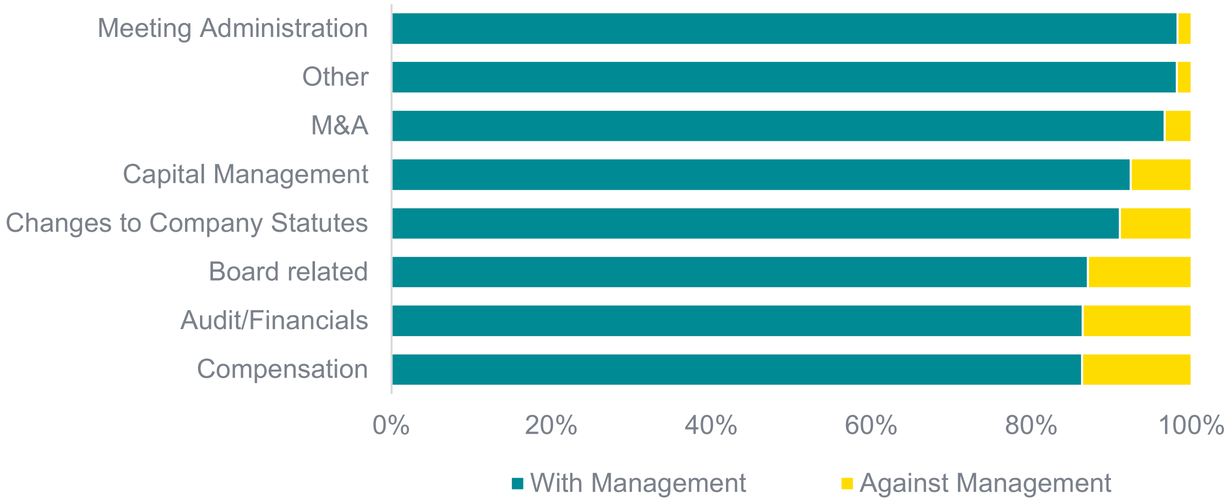
For companies choosing to hold a virtual-only shareholder meeting as of 1 March 2020, we have refrained to oppose provided that the company has disclosed its rationale for doing so, including citing the pandemic



Period: 01/03/2020 – 01/08/2020

QUINTET'S VOTES ON MANAGEMENT PROPOSALS

by category



Period: 01/01/2020 – 01/08/2020

BOARD-RELATED PROPOSALS:

We have voted against 347 proposals because of failure to address gender diversity at the board.

This represents approximately 60% of our votes against management on board-related proposals. Our policy is to oppose the election of male members of the nominating committee when women are poorly represented (for example, no woman on the board of small- and mid-cap companies).

At Quintet, we believe that board diversity is essential for a stable and efficient board, and this is particularly important in the current time of crisis.

COMPENSATION-RELATED PROPOSALS:

We opposed compensation plans when we believed that they did not properly reward pay for performance.

We have notably voted against 45 advisory votes on executive compensation, which represents roughly a quarter of our votes against management in this category.

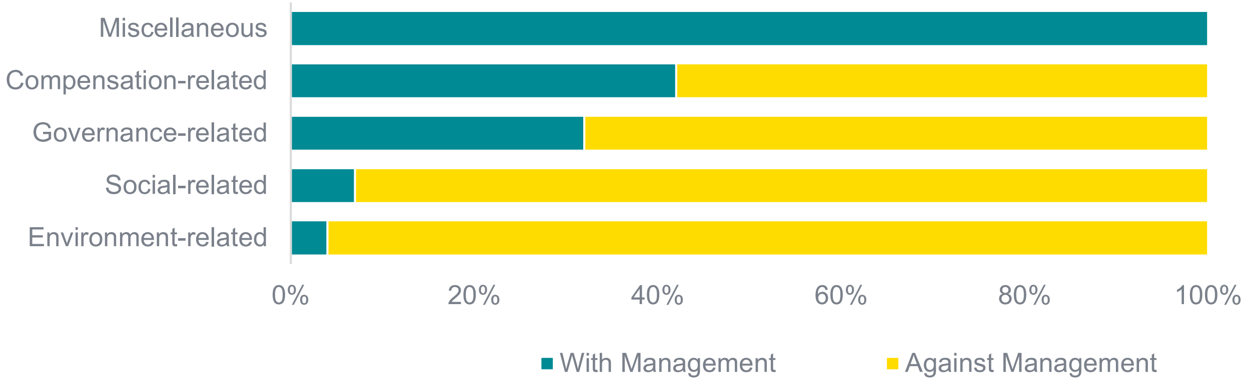
AUDIT/FINANCIAL-RELATED PROPOSALS:

88% of our votes against management for audit/financial proposals were for the appointment/ratification of the auditor where we found that the auditor tenure was too long.

We believe that true independence of the auditor is essential to give an objective opinion and fair view of financial statements.

VOTES ON SHAREHOLDER PROPOSALS

by category



Period: 01/01/2020 – 01/08/2020

The management generally reject shareholder proposals and recommend to oppose them. The high percentage of votes against management is explained by our strong support for resolutions brought by shareholders.

COMPENSATION:

Half of our votes against management were due to our support of proposals asking companies to report regarding race and/or gender pay equity.

At Quintet, we believe that increased disclosure will help to assess how companies ensure equitable compensation and evaluate related risks.

ENVIRONMENT:

We have supported almost all shareholder proposals related to the environment. These were mainly proposals regarding requests for reporting and reduction of greenhouse gas (GHG) emissions, report/action on climate change and environmental reports.

We believe that transparent environmental/climate reporting is necessary to assess risks presented by climate change and sustainability-related risks that companies face. GHG reduction targets can also help mitigate environmental risks.

GOVERNANCE:

A quarter of our votes against management were due to our support of proposals to separate the roles of chair of the board and chief executive officer.

In line with international corporate governance standards, we believe that the separation of these roles is best practice. This separation increases the board's independence from management and leads to better monitoring and oversight.

SOCIAL:

We supported almost all shareholder social-related proposals. Many resolutions were requests for reporting on company compliance with international human rights standards, including human capital management and reviewing political spending or lobbying.

We believe that enhanced social disclosure will help investors understand how companies manage social matters and to assess the risks companies face.

EXAMPLE OF OUR VOTES

Walmart

Impact of single-use plastic

At the AGM of Walmart in June, we supported a shareholder proposal requesting that the company issue a report assessing the environmental impact of single-use plastic bags.

The proponents of the proposal indicated that Walmart distributes around 19 billion single-use plastic bags a year. Meanwhile, scientists warn that about 1 trillion single-use plastic bags are used annually across the globe – or 2 million every minute. An estimated 100,000 marine animals are killed annually by plastic bags, and by 2050 there could be more plastic than fish, according to the Ellen MacArthur Foundation.

At Quintet, we recognise that single-use plastics are a significant problem and that our convictions must be reflected in our actions.

This is also consistent with our commitment to eliminate all single-use plastic consumable products from all the offices in our 50-city network by the end of 2020.

Just Eat Takeaway.com

Authority to issue shares and to suppress preemptive rights

During its AGM in May, Just Eat Takeaway.com asked in a first proposal for general authority to issue new shares with preemptive rights and without preemptive rights.

We supported this proposal as we see the issuance of new shares up to a certain maximum limit and with certain conditions as beneficial to the company and shareholders. On one hand, it gives the company flexibility to finance operations and future business opportunities. On the other hand, preemptive rights protect shareholders as they allow existing investors to buy newly issued shares before the public. They protect their holdings from being diluted, allowing them to maintain a certain percentage of ownership.

However, in a subsequent proposal, the board asked for authorisation to suppress the preemptive rights. We did not believe that the ability to issue shares without preemptive rights was aligned with market practice, nor that it was reasonably justified by the company. We were also concerned about a risk of excessive potential dilution. Therefore, we opposed the second resolution.

Chevron

Paris-aligned climate lobbying

The proposal, brought by Climate Action 100+ investor signatories, requested that Chevron issue a report describing if, and how, its lobbying activities align with the goal of limiting average global warming to well below 2 degrees Celsius (the Paris Climate Agreement's goal). Shareholders also asked that the report addresses the risks presented by any misaligned lobbying and the company's plans, if any, to mitigate these risks.

Similar lobbying proposals won significant support, but short of a majority, at ExxonMobil (37.5% in favor), Caterpillar (34%) and General Motors (33%) meetings. This is the first time that a proposal of this nature passed. At Quintet, we are proud to have used our voting rights to make this happen.

Chevron is still a member of the American Fuel and Petrochemical Manufacturers and the Western States Petroleum Association, while other energy companies such as BP announced that they would leave both organisations due to misalignments on climate policy.

The majority of shareholder votes (53%) were in favour of the proposal. This result shows that shareholders recognise that corporate lobbying activities that are inconsistent with the goals of the Paris Agreement present regulatory, reputational and legal risks.

As a member of Climate Action 100+, we are deeply committed to pressing the world's largest corporate GHG emitters to take meaningful action on climate change.

IMPACT OF COVID-19 ON ENGAGEMENT

The engagement approach of our partner EOS has also evolved during the crisis. In the early days of the pandemic, the immediate focus was on the operational and financial resilience of companies and, critically, their treatment of employees, suppliers and customers. These short-term concerns influenced whether a company was able to survive the pandemic:

Board functionality

Whether company boards took a proactive role in crisis management, maintaining close communication with the executive management team to understand and anticipate the impact.

Business continuity

Could the company operate remotely? How resilient was its IT infrastructure? How long could this be sustained?

Employees and contractors

How did the company protect the physical and mental health of its employees? Was there paid leave for sickness or those self-isolating, and flexibility for workers who had to care for others? Encouraging a responsible approach to the use of government furlough schemes, and fairness between executive and staff pay.

Customers

Has the company prioritised key workers and vulnerable customers? Has it paid refunds promptly? Did it refrain from price gouging on sought-after items such as hand sanitizer and face masks?

Supply chain

Fairness to suppliers through payment terms. Companies should reassess just-in-time supply chains, which are often inadequate when customers are panic buying.

Cashflow and funding

How financially resilient is the company – what do the stress tests look like? How much cash does it have on the balance sheet? Should the company suspend the payment of dividends or cancel planned share buybacks?

As the crisis evolves, engagement is looking at the lessons learned and the post-crisis response. EOS has therefore shifted its attention towards sustainability-focused risk management to address how a company can become more resilient to future crises. This means adjusting the focus for the second half of the year, recognising that the world now looks very different from 2019.

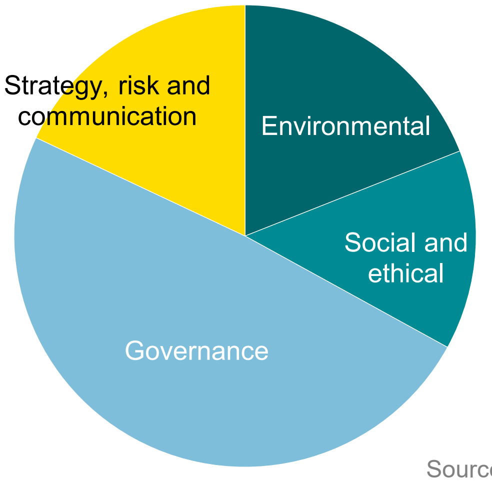
Source: EOS

UPDATE ON ENGAGEMENT

The full range of issues that our partner, EOS, engages with on our behalf reflects the increasing breadth of sustainability issues that are important to companies.

Governance was the focus in almost 50% of engagements over the last quarter (April to the end of June), while the three other themes accounted for around 15% to 20% each.

FOUR ENGAGEMENT THEMES



Source: EOS

DANONE

Climate-related reporting

As part of our ongoing dialogue on climate change with European food company Danone through the Climate Action 100+ initiative, EOS asked the company to publicly support the Task Force on Climate-related Financial Disclosures (TCFD) and align its reporting to the framework. EOS first raised our request in correspondence sent in November 2018. EOS reiterated the position during meetings with the senior executive responsible for nature and the water cycle on multiple occasions in the first and third quarters of 2019, as well as in a meeting with the lead independent director in the final quarter of 2019. During the latter meeting, EOS obtained reassurance that the company was considering its official support for the TCFD in 2020.

During a meeting in the first quarter of 2020 with the vice president for nature and the water cycle, EOS was pleased to hear that Danone had given its official support. EOS also welcomed the new TCFD equivalence grid, showing the reconciliation between Danone’s disclosure and the TCFD recommendations, in its 2019 universal registration document. EOS separately welcomed the strengthened commitment made in September 2019 through the signature of the Business Ambition for 1.5°C pledge. EOS continues to engage on our behalf on other aspects of climate change such as setting intermediate targets and enhanced disclosure on carbon sequestration in soil, which is a key area of Danone’s climate strategy.

Source: EOS

ENGAGEMENT EXAMPLES

VEOLIA ENVIRONNEMENT
Board composition

EOS raised concerns about the excessive size of the board at French water and waste management company Veolia Environnement, and the low level of independence, for the first time in 2008, and then in 2010 and 2011 with several of the company's representatives. It reiterated concerns in 2016 in a meeting with the lead independent director, where EOS welcomed the ongoing refreshment of the board but explained that we did not support the appointment of non-voting directors on the board (censeurs). EOS continued dialogue in 2017 and 2018. In a meeting with the lead independent director in 2020, EOS noted the significant reduction in the size of the board – from 19 members in 2007 to 13 in 2020.

EOS was also pleased to see that the board no longer includes non-voting directors. The independence level increased from 31% in 2010 to 62% in 2020, according to ISS data. EOS continues to engage on our behalf on other governance topics, including the separation of the roles of chair and CEO and on climate reporting.

TESCO
Response to COVID-19

EOS has engaged with UK supermarket Tesco on governance and culture in the wake of an accounting scandal in 2014. It now has a markedly different culture and robust processes governing risk management, including for financial reporting and audit. EOS discussed how this had been reflected in Tesco's response to the coronavirus pandemic in its most recent engagements with the chair of the audit committee and the chief people officer.

Pandemic risk was on the company's radar and was rapidly escalated, with a swift operational response. It increased available delivery slots from around 590,000 when the UK lockdown was imposed in March to one million by the end of April. Likewise, efforts to rebuild trust with stakeholders, including employees, have resulted in an engaged and motivated workforce. To support the increased capacity and provide cover for employees who are isolating, Tesco has employed around 50,000 temporary staff, including 4,000 new drivers and 12,000 new pickers, and has begun paying a 10% bonus on the hourly rate to employees.

Source: EOS
Quintet has adopted an active ownership policy as part of its commitment to sustainable investing. We engage with companies in which we hold shares or bonds on behalf of our in-house managed funds and advisory and discretionary mandates In addition, we vote on behalf of in-house managed funds.

ADDITIONAL INFORMATION

Quintet is a signatory of Climate Action 100+.

Quintet is a signatory of the United Nations Principles for Responsible Investment.

This document has been prepared by Quintet Private Bank (Europe) S.A. The statements and views expressed in this document – based upon information from sources believed to be reliable – are those of Quintet Private Bank (Europe) S.A. as of the date (24 August 2020), and are subject to change. This document is of a general nature and does not constitute legal, accounting, tax or investment advice. This document does not provide any individual investment advice and an investment decision must not be based merely on the information and data contained in the document. All investors are reminded that investing puts your capital at risk, and that the value of investments may go up or down. Changes in exchange rates may also cause the value of underlying investments to go up or down.