



QUINTET  
PRIVATE BANK

## 2023 ACTIVE OWNERSHIP REPORT

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CHANGE WHAT YOU DON'T LIKE,  
INVEST IN WHAT YOU DO





We believe it is our responsibility as a fiduciary to our clients to exercise influence over the assets we manage and to be a catalyst for the transition towards a more sustainable future.

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## CONTRIBUTORS



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A woman with dark hair, wearing a green sleeveless top and blue jeans, is seen from behind. She has a grey backpack on her back and is looking out over a coastal landscape. In the distance, a white lighthouse with a dark top section stands on a rocky cliff overlooking the ocean. The sky is overcast and the overall tone is muted and atmospheric.

ACTIVE OWNERSHIP

# USING OUR INFLUENCE TO MAKE A DIFFERENCE

# Active Ownership

## Helping activate change with active ownership

Our 2023 Quintet Active Ownership report covers Quintet's stewardship work on behalf of its clients from 1st January 2023 to 31st December 2023.

At Quintet, we have sought to put environmental, social and governance (ESG) factors at the heart of our business and as a driver of our clients' investments. We consider active ownership as one of the most important and powerful tools to promote environmental and social characteristics. We believe it is our responsibility as a fiduciary to our clients to exercise influence over the assets we manage and to be a catalyst for the transition towards a more sustainable future. We engage and vote as active owners because we are convinced that when companies adopt sound environmental, social and governance practices they become better businesses, which benefits investors, society and the planet.

We recognise that we can create better outcomes for our clients by actively engaging and voting 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. You can find more information on the investment case for engagement [here](#).

We believe in the power of engagement and voting where investors can better use their voice to press for positive changes through a combination of dialogue with companies and voting at shareholder meetings. That is what is meant by "active ownership", which constitutes a key part of our investment strategy.

Working with our voting partner in 2023, Quintet voted on over 9,772 proposals at more than 643 shareholder meetings across the world. Environmental and social matters were front of mind, as demonstrated by our support of more than 47% of shareholder proposals on these topics, which is greater than the industry average<sup>1</sup>.

Over the same period, our engagement partner EOS at Federated Hermes (EOS) engaged with 565 companies on our behalf on a range of 2,795 issues and objectives.

Engagement addressed key risks, challenges and opportunities faced by companies. Since Quintet invests client assets with other asset managers, we also engage with the managers.

We undertook additional engagement activities as part of several collaborative engagement groups. Quintet is a member of the Climate Action 100+ (CA100+) initiative, a leading collaborative investor engagement on climate change. We are also a signatory of the United Nations Principles for Responsible Investment (UNPRI), the world's leading proponent of responsible and sustainable investing and are committed to being transparent about our responsible investing practices.

At Quintet, we understand the power of investment to impact the world. By changing the way we invest, we can change it for the better.

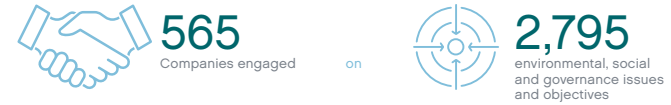
Change what you don't like. Invest in what you do. That's what we believe.

<sup>1</sup> Period: 2023. Statistics provided by Quintet's voting service provider, Glass Lewis, based on proposals voted in 2023. Glass Lewis reported in 2023 that average shareholder support for environmental and social proposals was respectively 23% and 18%.



At Quintet, we understand the power of investment to impact the world. By changing the way we invest, we can change it for the better. Change what you don't like. Invest in what you do. That's what we believe.

### Key engagement facts 2023



### Key companies engaged with in 2023



#### Meta Platforms

The company was engaged with over privacy issues stemming from the company's involvement with Cambridge Analytica and related election scandals.



#### Boohoo

Over the past year, the company was engaged with on the possibility of increasing employees' wages to match the national living wage.

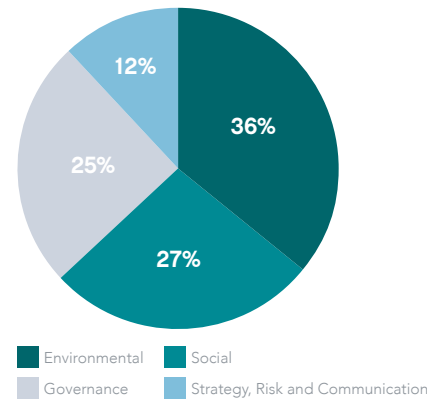


#### Volkswagen

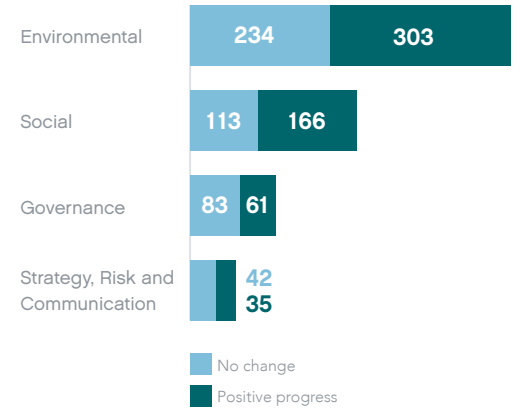
Engagement with the company has been slow, however progress has been made with the company releasing its first climate association report in 2023.

More detailed information on the engagements above can be found on pages 37-53.

### Companies engaged: breakdown of issues and objectives by theme



### More than half of our engagements saw progress, with at least one milestone achieved



Source: EOS, period: 2023

## Our engagement with third-party funds



**134**  
ESG funds  
selected



**120** questions  
used to assess  
ESG funds



**100%** of active  
fund managers have  
been interviewed  
alongside engagement  
where appropriate



**5** experts  
dedicated  
to (ESG) fund  
selection



**100%** of ESG funds  
signed the PRI,  
an endorsement of  
sustainable practices

Date: as of December 2023.  
Scope: third-party funds selected by Quintet for our core products.

## Key voting facts 2023



**9,772**  
Proposals voted at



**643**  
Meetings

## Breakdown of meetings by region



Europe  
**236**



North America  
**324**



Developed Asia  
**62**

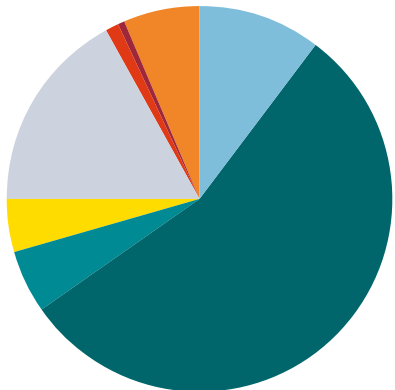


Oceania  
**6**



Others  
**9**

## Proposals voted by category



- Audit/Financials
- Board Related
- Capital Management
- Changes to company statutes
- Compensation
- Mergers & Acquisitions
- Meeting administration
- Others
- Shareholder proposals

**9,158**  
Management  
proposals voted

**22%** votes against  
management

**610**  
Shareholder  
proposals voted

**52%** votes against  
management



Our **voting group** comprises representatives of diverse investment teams across all regions overseeing voting decisions.



Support for **environmental proposals: 46%**. This is double the industry average<sup>2</sup>.



Support for **social proposals: 48%**. This is almost triple the industry average<sup>2</sup>.



Support for **governance proposals: 59%**. This is greater than the industry average<sup>2</sup>.



We voted against the election of ~379 directors because of failure to address **gender diversity**.

<sup>2</sup> Glass Lewis reported in 2023 that average shareholder support for environmental and social proposals was 23% and 18%, respectively.



ACTIVE OWNERSHIP

# TRANSPARENCY



# Transparency

Principle 6 of the UN PRI states that signatories should be open about their active ownership activities. As such, we seek to be transparent about our active ownership efforts:

- All the votes we have cast over the past 12 months are publicly disclosed after each company's shareholder meetings, and we publish them on this [webpage](#).
- We produce regular updates about our active ownership activities during the year and a full-year report to provide more context and information about our decisions to our clients.
- Our active ownership policy is available on Quintet's [website](#).

## How we vote

Where possible and feasible, we seek to vote at all shareholder meetings of the companies in which we invest on behalf of our clients. Currently we vote for direct line equities in portfolios of our in-house funds managed by Brown Shipley, InsingerGilissen Asset Management N.V. and Kredietrust Luxembourg S.A. (Rivertree and Essential Portfolio Selection fund ranges).

We do not vote where additional costs and / or barriers (such as share-blocking, share registration or in-person attendance) are deemed prohibitive or where our holdings are limited.

Voting by Quintet is centralised through the active ownership voting group, composed of representatives of the asset and investment management, equity and sustainable investing teams. The actual votes require ongoing oversight by professionals who have experience in voting and are given the responsibility to take decisions in line with Quintet's ESG policies. The voting group monitors the recommendations of our proxy voting provider Glass Lewis to ensure consistency with Quintet's voting policy. This centralised organisation ensures we make consistent decisions for all our holdings, with the aim of producing a positive impact and increasing shareholder value.



## How we engage

Quintet represents a diverse group of clients with diverse holdings across the investment universe, investing 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. EOS represents approximately \$1.3 trillion in assets of like-minded asset managers in the engagements with companies. Collaborative engagement is an effective way of pooling knowledge and information, as well as sharing costs and risks to achieve influence and gain corporate managers attention. In cases where collaborative engagement is not practical, we may undertake direct engagement ourselves with the companies we invest in.

Quintet has instructed our 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.

## Memberships and partnerships

Quintet remains committed to being a member of the Climate Action 100+ (CA 100+) initiative. This powerful initiative led by investors, which consists of over 700 investors representing total AuM of approximately \$26.3 trillion, seeks to ensure the world's largest corporate greenhouse gas (GHG) emitters take the necessary action on climate change and reach net zero emissions by 2050.

Initially a five-year project started in 2017, Phase II of CA 100+ was recently launched which will continue to engage the world's 170 largest GHG emitters until 2030. The companies targeted by the initiative are responsible for approximately 80% of the world's GHG emissions. Through the hard work of the initiative, 75% of the focus companies now have net zero commitments<sup>3</sup>. The next phase aims to ensure that the companies with net zero commitments stay on track, as well as continuing to engage with the remainder of companies that have not yet made net zero transition plans.

We are also a signatory of the UN Principles for Responsible Investment (UN PRI), the world's leading proponent of responsible and sustainable investing. Principle 2 of UNPRI states that "We will be active owners and incorporate ESG issues into our ownership policies and practices", a principle fully endorsed by Quintet.



ACTIVE OWNERSHIP

# EXERCISING OUR RIGHT TO VOTE

# Exercising our right to vote

Voting at annual general meetings (AGM) or extraordinary general meetings (EGM) for companies which investors hold shares is one of the key rights of shareholders and allows for us to influence how the companies are governed.

We believe voting at AGMs allows us to press for positive change at the companies, supporting long-term value creation and benefiting investors, society and the environment.

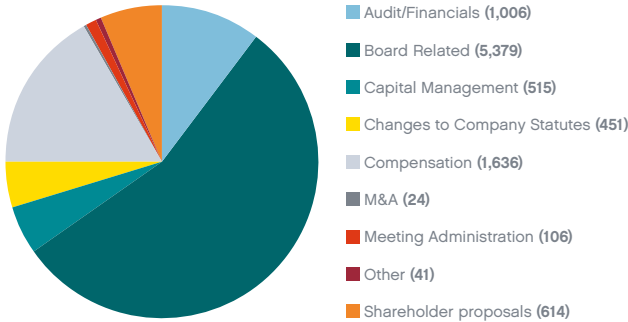
The year 2023 continued to be marked by increased awareness about social equality and climate change. At the same time the voting season saw an increase in “anti-ESG” proposals, by political think tanks attempting to negatively influence the progress companies are making on social and environmental issues. The end of the year was marked

by expectations around the 28th UN Climate Change Conference, commonly referred to as “COP28”, where Quintet’s Head of Sustainable & ESG Investing was in attendance.

Quintet voted on 9,158 management proposals in 2023 across a broad variety of topics. The most voted categories were board-related proposals, followed by compensation matters and then audit/financial matters.

Management proposals tend to address important issues associated with running a company. While we supported most of them, sometimes we believed it was in the best interest of investors to disagree with such proposals and we voted against management for 22% of the time. We have explained the reasons why below.

### Proposals voted by categories

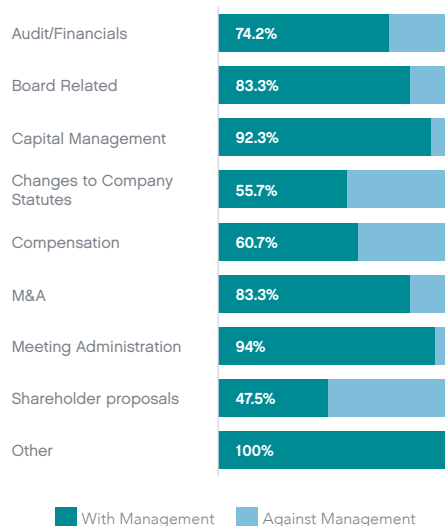


## Proposals voted by categories

### Compensation

We voted against compensation proposals brought forward by boards 632 times. This represents the majority of our votes against management in this category. We believe compensation should be fair, competitive and create appropriate incentives to promote long-term shareholder value. We opposed compensation resolutions when we believed that executive compensation did not match executive performance or if it was excessive when compared to that of company peers. We also voted against compensation proposals if there were no ties between compensation and sustainability.

### Votes compared to management



Period: 2023

### Audit/financials

When voting on audit/financial proposals, an overwhelming majority (96%) of our votes against management were due to excessive auditor tenure. We believe excessive tenure of the auditor can impact the independence of the auditor and the audit, both of which are essential to provide an unbiased view of financial statements.

### Board related

Around 41% of our votes against management on board-related proposals were due to failure of companies in having adequate female representation on the board. We believe diversity is essential for a stable and efficient board, therefore our policy is to oppose the election of male members of the nominating committee when there is not sufficient female representation.

In addition, 23% of all our votes against management on board-related proposals were related to opposing the election of the chair of the board because either the company is not a signatory of the United Nations Global Compact (UNGC) Principles or has violated one of its 10 principles. The 10 principles of the UNGC are derived from various treaties such as the Universal Declaration of Human Rights and International Labour Organisations Declaration on Fundamental Principles and Rights at Work. We believe that it is essential for companies to adhere to these ten principles in order for them to have

sustainable business practices, as such if companies fail to do so we vote against the chair of the board as responsibility lies with them to establish a culture of integrity and uphold basic responsibilities to their employees, society and the planet.

Lastly, 12% of all our votes against the election of directors occurred when we believed that independence and commitment of the director was insufficient due to them being on multiple boards of public companies. Directorships at public companies can consume a large amount of time and effort, therefore we take into consideration how many boards a nominee sits on as well as if they are an executive at a public company.

### Climate action/transition proposals

The "climate action/transition" proposal is a request by which companies provide shareholders with the opportunity to approve (or disapprove) the company's actions on transitioning to a greener economy as well as their climate related risks.

We voted with management on climate strategies when they were clear and achievable, such as at the recent AGM of Shell Plc and Total Energies SE. At Shells 2022 AGM we voted against their climate strategy as we believed the strategy could have achieved more, especially in regards to scope 3 emissions as the company had not set reduction targets for absolute emissions. At their 2023 AGM we supported their say on climate proposal as the company has argued it is already reducing emissions "further and faster

than even the most aggressive energy scenarios and policy pathway for sectors it operates in".

### Shareholder proposals

Shareholders have the rights as owners to escalate important matters and directly interact with a company's board and other shareholders. This right allows investors to achieve meaningful change to corporate policies and practices across a range of sustainability matters.

Shareholder proposals are particularly common in the US, with AGMs being made up of various proposals from various shareholders. This practice is also growing in Europe.

Last year, we voted on 614 shareholder proposals. They often addressed important sustainability issues, that the company has failed to address, and management teams tend to vote against shareholder proposals. We found that many of the proposals had merit and we voted against management on 52% of shareholder proposals.

Environmental and social matters were front of mind for Quintet, as demonstrated by our support of more than 48% of shareholder proposals on these topics. Whilst this is above the industry average, it is below our level of support for environmental and social shareholder proposals in previous years due to the decrease in quality of the proposals. In 2023 there was a large increase in anti-ESG shareholder proposals, often submitted by think tanks which target companies they believe as being "woke".

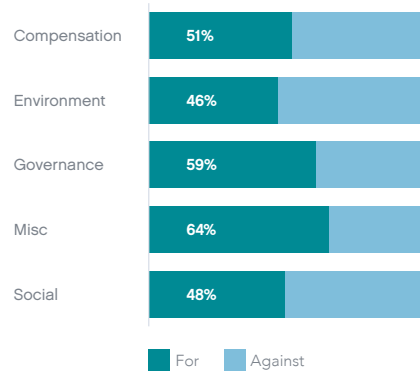
## Our votes on shareholder proposals

When voting on environmental shareholder proposals, we consider the impact the company may have on the environment as well as the risks they may face by not adopting environmentally responsible policies as we transition to a green economy. We believe companies that manage their environmental-related matters effectively can mitigate their regulatory and reputational risks – and in some circumstances key operational risks too – in addition to having a positive impact on the environment. We also believe adopting sustainable practices is in line with changing consumer preferences for more environmentally sustainable products and services, and therefore helps companies maintain and increase their market share.

The environmental proposals we supported included resolutions that request companies to set emission reduction targets in line with the Paris Agreement (e.g. Shell Plc and Berkshire Hathaway), produce reports on managing climate risk and transitioning to a green economy (e.g. Chevron and Exxon) and provide reports on fossil fuel financing (e.g. J.P. Morgan & Chase and Wells Fargo & Co.).

As a member of Climate Action 100+ we aim to support all proposals which are flagged by the initiative. We also support all climate-based shareholder proposals which seek to introduce greenhouse gas emission reduction targets and strategies; where possible and feasible.

### We supported more than 48% of environmental and social resolutions



Period: 2023

## Environmental matters

In the past several years, investors have had great success in influencing the largest greenhouse gas emitting companies to reduce their emissions and make transition plans. This is evidenced by the fact that 75% of the 170 companies which are targeted by CA 100+ now have net zero emission targets. This has resulted in fewer shareholder proposals which aim to introduce net zero targets as companies, as a large portion already have set them. However, it is important that shareholders track the progress of companies that have made commitments, as such it is common to see shareholder proposals now focus on seeking how companies are progressing on their commitments.

Managing and mitigating climate-related risks is hugely important, and GHG emissions are among our greatest concerns.

### Reduction of fossil fuel financing & absolute emission targets

At the AGMs of JP Morgan Chase & Co, and Wells Fargo & Co, we voted in favour of shareholder resolutions calling for the companies to introduce policy which would limit financing of fossil fuels consistent with the IEA's (International Environmental Agency's) 1.5°C scenario.

At the AGMs of Bank of America Corp., Goldman Sachs Group Inc, JP Morgan Chase & Co and Royal Bank of Canada, we voted in favour of shareholder resolutions which called for the companies to introduce absolute GHG emission targets. Whilst these companies have net zero commitments, they do not have them for scope 3 absolute emissions, which account for up to 90% of a bank's emissions.

We believe that the transition and physical risk from fossil fuels present increased credit, market reputation, and operational risks to banks.

Although, companies which operate in the financial services sector do not often have large operational environmental footprints, they are exposed to risks from climate change due their financing transactions and risks faced from companies in which they hold investments.

Whilst these proposals did not receive majority shareholder support, in part due to continued concerns over energy insecurity as well as anti-ESG sentiment in parts of the world.

We were encouraged to see that our convictions are increasingly shared by other like-minded shareholders. However, shareholder support for environmental proposals has been falling year on year. In 2021, shareholder support for environmental proposals was 41%, whereas in 2023 this has almost halved to 23%. This can be attributed to factors such as energy insecurity caused by the Russian invasion of Ukraine and also growing anti-ESG sentiment.

### Continued support for reduction of GHG emissions at oil majors

At the AGMs of Berkshire Hathaway, Chevron, Exxon Mobil and Shell Plc, we voted in favour of shareholder resolutions calling for clear Paris aligned targets to reduce greenhouse gas (GHG) emissions, especially for scope 3 emissions.

We believe setting absolute emissions reduction objectives over the short, medium and long term aligns with the Paris goals, will strengthen the company's strategies and will benefit the business, shareholders and the planet.

GHG reduction targets can help mitigate environmental impact and risks, as well as reduce regulatory risk and associated costs, such as carbon taxes. They also help to reduce the impact of prematurely writing off assets to which oil and gas companies are exposed – typically resulting from tighter regulations. Lastly, this approach can help put the companies in a better position to take advantage of the growing demand for renewable and greener energy.

## Social matters

During the 2022 AGM season social proposals were quite frequent, especially at tech companies. This trend continued in 2023, with various proposals on human rights, racial audits, concealment clauses and freedom of association.

When analysing social proposals, we consider the communities and broader stakeholders in the areas in which companies conduct business. We supported proposals requesting that companies provide greater disclosure about their impact on local stakeholders, as well as employee and human rights. Healthy relationships with stakeholders ensure a company can continue operating smoothly.

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

We voted in favour of proposals seeking increased disclosure on companies human rights records, including the impact of companies' products on human rights. They include proposals that urged companies to report on the possible human rights violations of their products (e.g. Alphabet and Microsoft).

We supported diversity and equity-related proposals. They include proposals that urged companies to undertake a racial equity audit by analysing the adverse impact on non-white stakeholders and communities of colour (e.g. Coca-Cola and Walmart); focused on creating a median gender and racial pay equity report (e.g. Apple and Amazon).

### Human rights and responsible product practices

At the AGMs of Alphabet and Meta Platforms Inc. we supported shareholder proposals which requested a third-party independent audit on any potential human rights violations stemming from targeted advertising.

Both companies earn significant revenues from advertising which uses personal and behavioural data of users to target ads. The algorithmic systems used to produce targeted ads can both infringe on users privacy and potentially have other human rights violations.

Moreover, both companies have various controversies stemming from their targeted ads, with both companies being drawn into the 2016 US election interference scandal.

We supported an independent third-party audit on this subject as it is essential for shareholders to understand any potential legal, reputational and financial risks the companies may face. Moreover, such an audit would have a positive impact on all stakeholders, and preserve the human rights of end users.

## Transparency on lobbying

We voted at several AGMs in favour of enhanced disclosure on company's political lobbying activities, specifically when their lobbying activities contradicted the companies public position.

### Enhanced transparency on lobbying and political contributions

At the AGMs of Alphabet, Amazon, McDonalds, Paramount and various other companies we supported proposals requesting that the companies provide greater transparency on their lobbying activities and political expenditures.

The proponents asked the companies to issue a report on how their political expenditures and lobbying activities align with their proclaimed values. It is important that company lobbying activities do not differ from the value they try to uphold.

Companies should consider their exposure to risks stemming from making corporate political expenditures. Transparency is an important component of corporate responsibility and allows shareholders to make informed decisions by being able to better consider any potential legal, reputational or financial risks.

### Enhanced transparency on freedom of association

At the AGMs of Activision Blizzard, Amazon, Starbucks and Wells Fargo & Co. we supported proposals requesting that the companies conduct a third-party assessment regarding policy which may obstruct freedom of association.

The proponents asked the companies to issue an independent assessment on the ability of their employees to unionise and collectively bargain and whether the companies were preventing them from doing so.

A key risk facing such companies is not only potential legal risk and public backlash, but this could affect productivity and employee morale. Moreover it could restrict the ability of the company to attract future talent.

Moreover, the rights of freedom of association and collective bargaining are reflected in the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work as well as one of the proclaimed rights of the UN's Universal Declaration of Human Rights.

ACTIVE OWNERSHIP

# HOW ENGAGEMENT ON YOUR BEHALF IS MAKING A POSITIVE IMPACT



# How engagement on your behalf is making a positive impact

Since we invest client assets with other asset managers, we also engage with them to express our beliefs and understand theirs.

Quintet has developed specific third-party fund selection Responsible Investment guidelines, which utilises research in order to validate that fund managers uphold their commitments. The Group Fund Solutions team require fund managers to complete a questionnaire in order to assess how ESG factors have been integrated into the investment process. The fund's holdings and its portfolio construction methods have to demonstrate clearly that environmental and social characteristics align with the manager's intentions.

## Key statistics

 **134** Environmental, Social & Governance (ESG) funds selected

 **100%** of active fund managers have been interviewed alongside engagement where appropriate

 **100%** of ESG funds signed the PRI, an endorsement of sustainable practices

 **120** questions used to assess ESG funds

 **5** experts dedicated to (ESG) fund selection

Date: as of December 2023.  
Scope: third-party funds selected by Quintet for our core products.

## All fund managers should at least meet Quintet's Responsible Investment criteria:

- 1** Integrate ESG factors in financial analysis and portfolio construction (for active funds)
- 2** Be active owners: engage with investee companies and where applicable vote at shareholder meetings
- 3** Exclude issuers involved in controversial weapons (applies only to issuers of cluster munitions)

## Funds with stronger sustainable characteristics are analysed based on 5 key pillars.

- 1** Intentionality (explicit and intended link to ESG in the objectives)
- 2** Sustainability of the portfolio (sustainable characteristics of the holdings)
- 3** Quality of sustainable research (sufficient skill, capacity & tools embedded in robust methods and processes)
- 4** Active ownership (high quality engagement and proxy voting, supported by clear policies)
- 5** Transparency (frequent reporting on voting, engagement and progress on ESG targets)

If a fund does not meet our minimum requirements or we do not support its approach to sustainability, we communicate our beliefs through engagement with the fund manager.

As demonstrated in the examples below, through active ownership we press for positive change, supporting long-term value creation for investments while benefiting society and the planet.

## Encouraging the adoption of sustainability

In 2023, we collaborated with one of our credit managers to transition their traditional strategy into an ESG-focused momentum strategy. This approach aims for concrete improvements in companies,

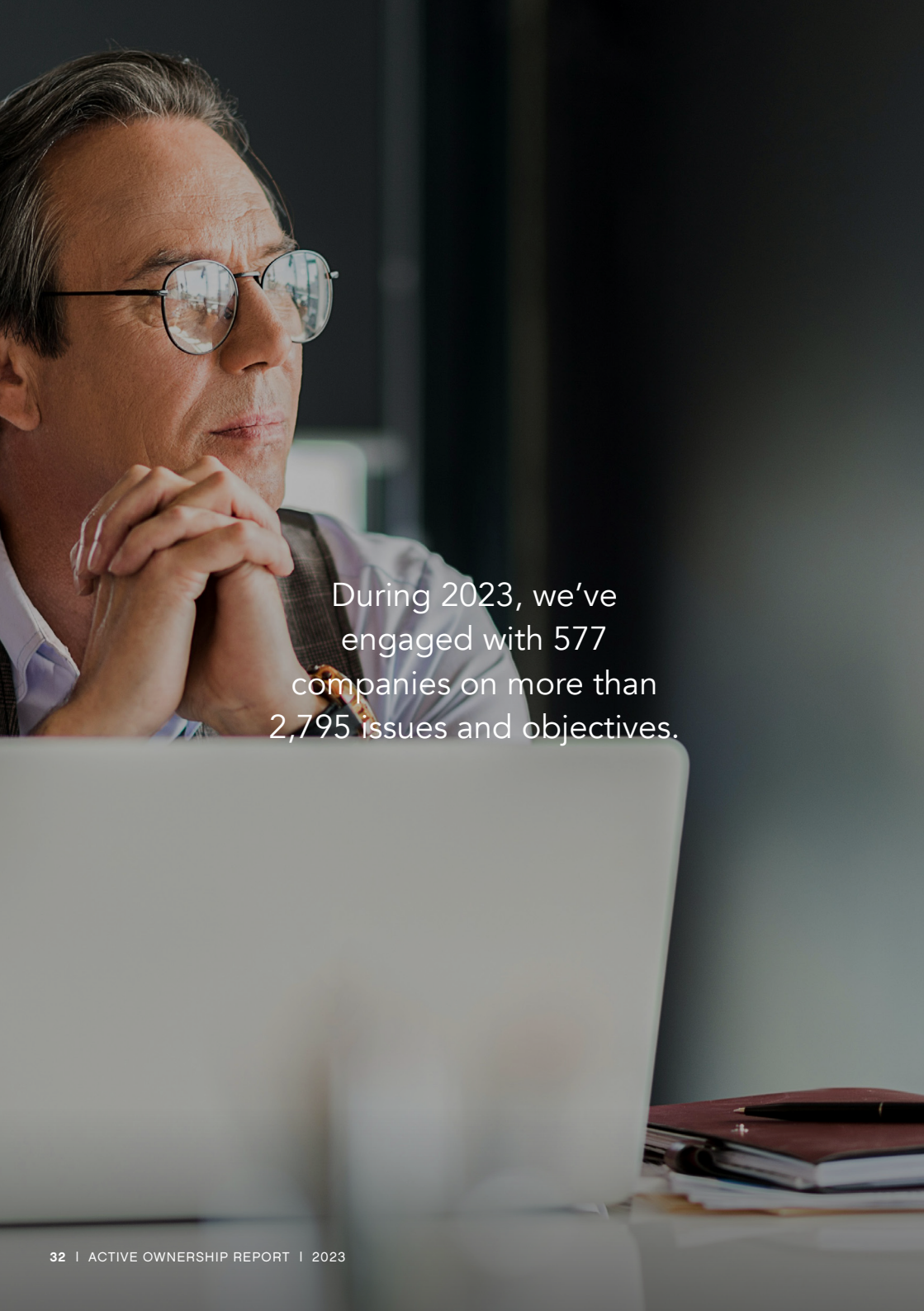
such as reduced energy and water usage and enhanced workplace conditions, which in turn improve ESG metrics and can lead to an increase in share price or a reduction in the credit spread for bonds.

Furthermore, we continued with our consultation with an Emerging Market Debt manager regarding their portfolio, discussing the Russian bonds they held and their stance on Brazil's rainforest deforestation, the Amazon River's pollution and whether investing in Brazilian government bonds is justifiable under the new administration.

We have diligently overseen the mandatory reporting of funds in our investment universe in relation to the EU Sustainable Finance Disclosure Regulation (SFDR). Where necessary, we requested updates to their disclosures. This was often required at the beginning of the year but has progressively decreased as all asset managers have become increasingly acquainted with SFDR.







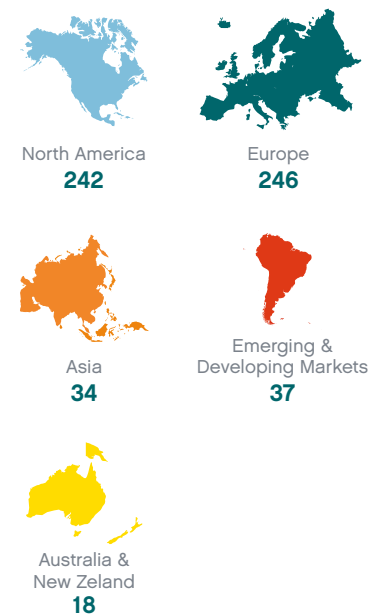
During 2023, we've engaged with 577 companies on more than 2,795 issues and objectives.

## Engagement with companies

We collaborate with a leading stewardship service provider, EOS at Federated Hermes (EOS), to engage with companies in which we hold shares and bonds on behalf of our clients through our in-house managed funds as well as advisory and discretionary mandates.

During 2023, we've engaged with 577 companies on more than 2,795 issues and objectives.

### Companies engaged<sup>4</sup>: geographical breakdown



To measure our progress and the achievement of engagement objectives, we use a four-stage strategy. When setting an objective at the start of an engagement, we set milestones that we want to achieve:

- **Milestone 1:** concern raised with the company at the appropriate level.
- **Milestone 2:** the company acknowledges the issue as a serious investor concern.
- **Milestone 3:** development of a credible strategy/stretching targets set to address the concern.
- **Milestone 4:** implementation of a strategy or measures to address the concern.

Progress against these objectives is assessed regularly and evaluated against the original engagement proposal. In 2023 we made solid progress in delivering engagement objectives across regions and themes. For 55% of our engagements, at least one milestone was moved forward.

### Milestones: engagement progress<sup>5</sup>



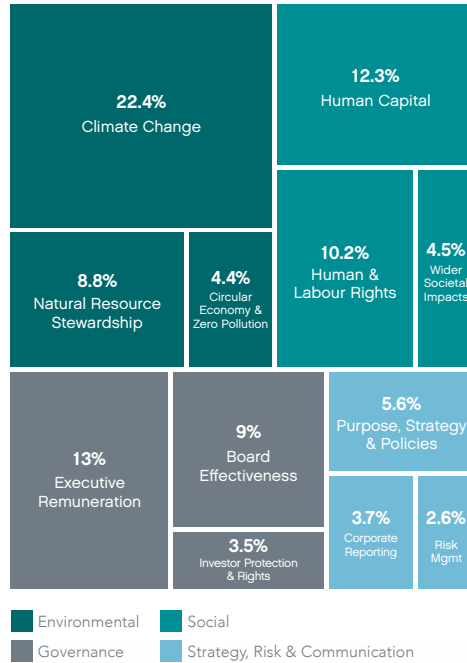
<sup>4</sup> On issues and objectives. Source: EOS, period: 2023  
<sup>5</sup> Source: EOS, period: 2023

## Four engagement themes

With the window of opportunity to make effective change in transitioning to net-zero growing smaller, it is increasingly more important that companies which have not set emission targets do so in the upcoming years. As such engagements on environmental topics have been the priority for 2023, comprising 36% of engagements in 2023, up from 29% the previous year. Social topics accounted for 27% of engagements followed by 25% for Governance topics. Strategy, risk and communication accounted for 12% of our engagement themes.

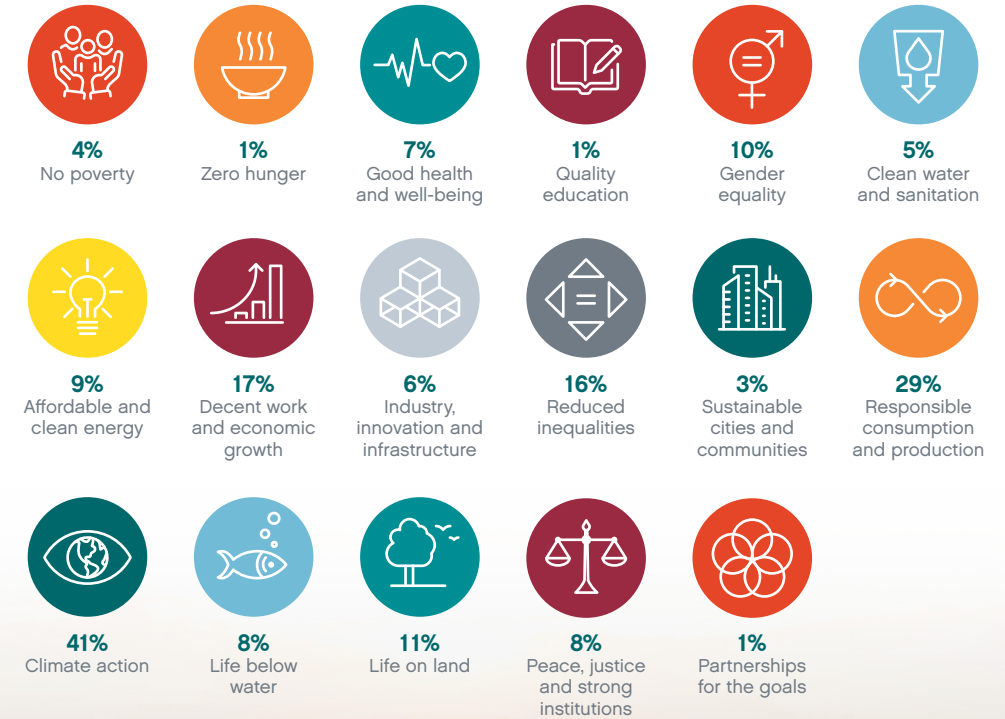
The full range of issues that our partner EOS engages with on our behalf reflects the increasing breadth of sustainability issues that are important to companies.

A summary of the 2,817 issues and objectives on which EOS engaged with companies in 2023 is shown here.



## Supporting the UN Sustainable Development Goals

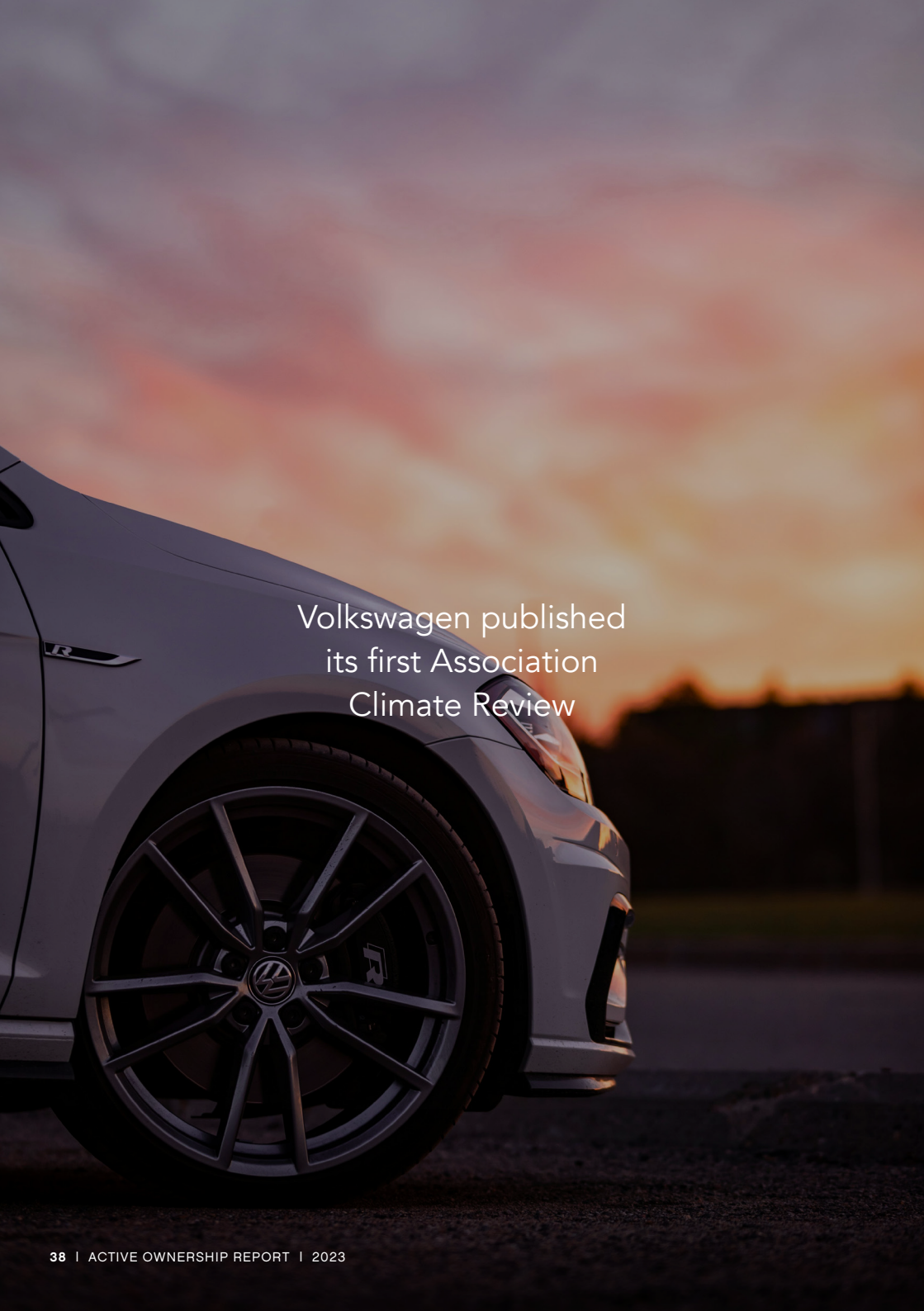
The chart below illustrates the proportion of 1,921 engagements and issues on which EOS has engaged in 2023, which are directly linked to an SDG (please note that one objective or issue may directly link to more than one SDG).





ACTIVE OWNERSHIP

# CASE STUDIES



## Volkswagen published its first Association Climate Review



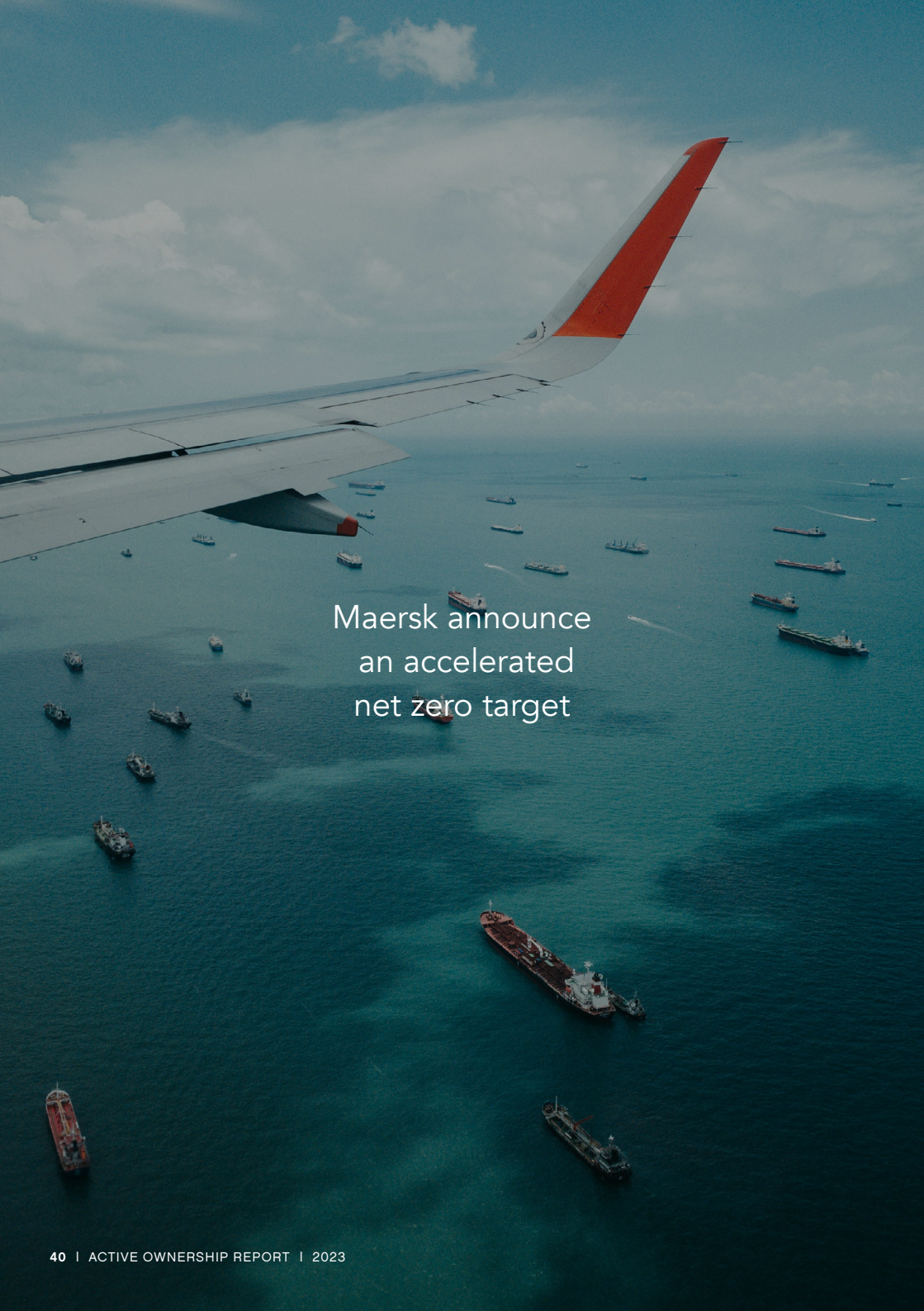
# Volkswagen

OES' engagement with Volkswagen has focused strongly on climate lobbying since the start of 2019. EOS have asked the German automotive company to align with the Institutional Investors Group on Climate Change investor expectations on climate change-related corporate lobbying and the new Global Standard on Responsible Climate Lobbying.

In EOS' view, progress at the company has been slow. In 2022, EOS made a supporting statement for a shareholder resolution filed by seven European investors, urging the company to explain how its lobbying activities helped to address climate risks. EOS stated that since the start of our engagement with Volkswagen, nearly half of the European companies in scope for the Climate Action 100+ initiative had published at least one climate lobbying review, and the majority had committed to repeating this disclosure annually.

This shareholder proposal was rejected by the company, resubmitted in 2023, and again rejected. In February, EOS met with VW's public affairs department, which confirmed that the company was planning to publish a report before the 2023 AGM. However, in the run up to the meeting EOS did not see any detailed drafts or a public commitment to publish the report.

For this reason, as well as our concerns about the misalignment between the short- and medium-term emissions reduction targets and a 1.5°C trajectory, EOS recommended a vote against the discharge of the management board ahead of the AGM. Following our clients' effective voting deadline and only days before the annual meeting in May, Volkswagen published its first Association Climate Review 2023. EOS welcomed this as a step in the right direction following four years of engagement on this issue.



Maersk announce  
an accelerated  
net zero target



## AP Møller-Mærsk

AP Møller-Mærsk is one of the world's largest shipping companies, operating in 130 countries with over 100,000 employees. Its global container shipping activities form part of an end-to-end logistics and services offering, including inland haulage. It is one of the world's top 100 carbon emitters and was therefore included in the Climate Action 100+ (CA100+) collaborative engagement. EOS acted as the co-lead investor, alongside Akademiker Pension.

EOS began engaging with the company on its response to climate change in 2016, focusing on the resilience of its asset portfolio. From 2019, they focused on encouraging Maersk to set and disclose science-based greenhouse gas emission reduction targets, initially for Scope 1 and 2 emissions.

Given the company's significant role as an industry leader, EOS also sought greater transparency on its membership of industry organisations with a climate change stance misaligned with the company's strong support of the Paris Agreement. Although the company believed there was general alignment, EOS asked it to conduct a formal review

and publish the findings, including a discussion of what actions it was taking where there were conflicts. EOS also asked the company to include its inland logistics business in its decarbonisation strategy and targets, a complex task.

At the 2021 annual shareholder meeting, together with our CA100+ co-leads, EOS praised the company's progress in integrating sustainability into its core business strategy, including its commitment to launch its first climate neutral vessel by 2023. EOS asked Maersk to set science-based short- and medium-term carbon reduction targets and to implement improvements in line with the expectations set out in the recently published CA100+ Net Zero Benchmark.

In our engagement, EOS shared best practices on lobbying disclosures to help inform the company's approach; encouraged the disclosure of how capital allocation aligns with Maersk's short-term targets and a demonstration of how it was managing potential externalities linked to the use of alternative shipping fuels; and asked that the International Energy Agency's 1.5°C scenario be referenced in its TCFD reporting.

## Changes at the company

In December 2021, Maersk committed to conducting a review of its industry organisation memberships and a dedicated website area went live in early 2022. This states the company's position and/or policies on various climate-related topics and provides a high-level overview of the alignment of its key industry associations and actions taken where misalignment has been found.

In early 2022, Maersk announced an accelerated net zero target, incorporating all direct and indirect emissions across the entire business, including the inland logistics business. The decarbonisation strategy included medium-term 2030 targets, which it pledged would be aligned with the Science Based Targets initiative (SBTi) 1.5°C pathway. The SBTi methodology for the shipping sector was released in December 2022 and the company is working to align its targets.

### Next steps

EOS will continue to engage with Maersk on the development of lobbying disclosures to align with best practice. They will also query the company's response to physical climate risks and its role in the just transition, as well as its alignment of capital allocation with climate targets and strategy.

Source: EOS





We participated in a collaborative engagement with fast fashion retailer

boohoo

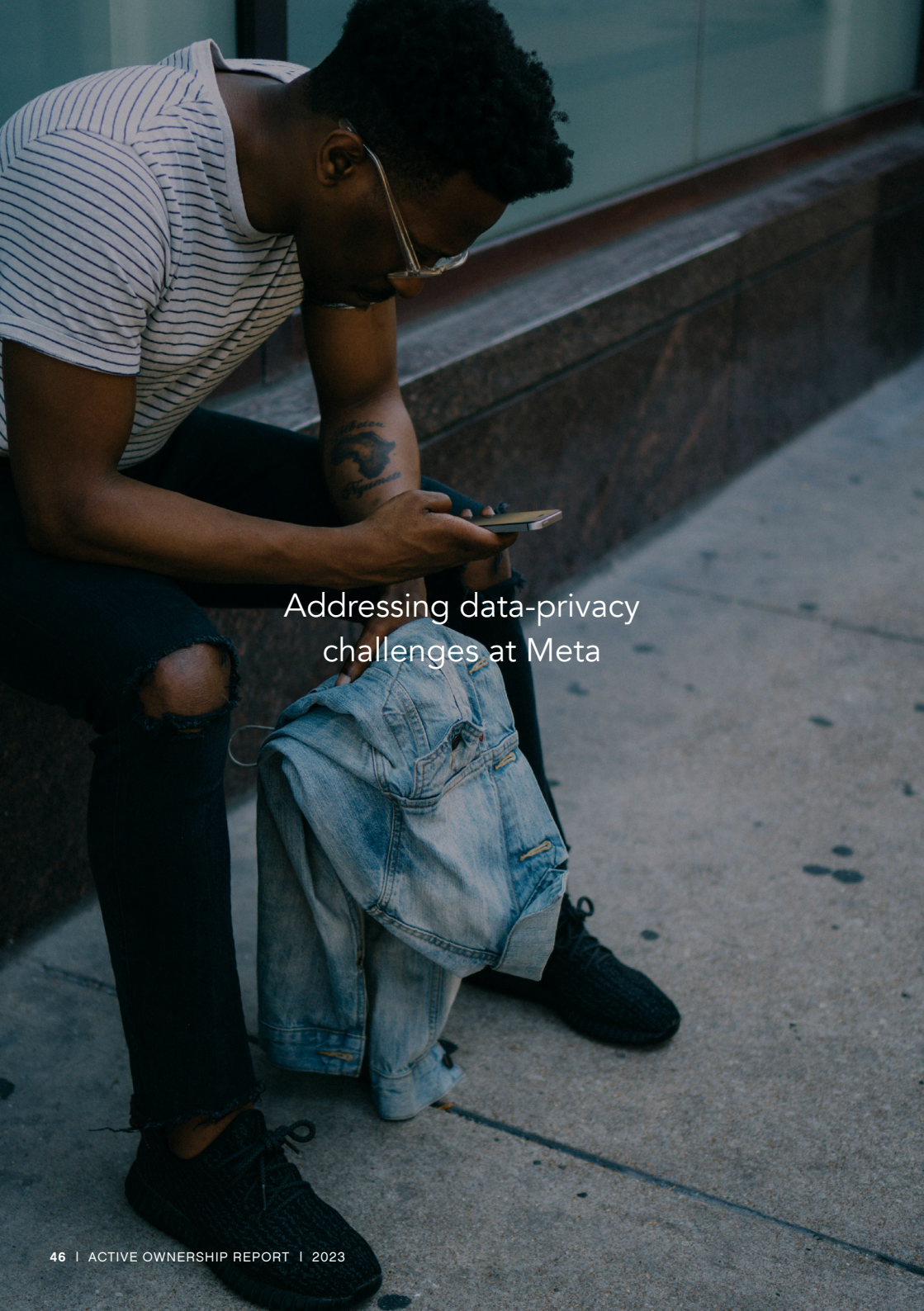
## Boohoo

As part of ShareAction's Good Work Coalition, EOS participated in a collaborative engagement with fast fashion retailer Boohoo. The company said that since the Levitt Review into Boohoo's Leicester supply chain,<sup>16</sup> it had worked hard to implement changes, but that worker exploitation and modern slavery remained a challenge for the wider industry.

EOS asked about its pay review process and the company said that it considered a variety of factors including its competitors' pay practices and the UK's National Living Wage, which it aims to keep paying above. It underlined the importance of being a profitable business and said it was looking at other ways of rewarding employees, for example by granting additional holidays.

EOS encouraged the company to become an accredited Living Wage employer and to increase minimum pay in line with the new UK living wage of £12 per hour. The company acknowledged our recommendation. It said that it had seen a positive movement in supply chain retention rates since its pay review last year, which we welcomed.

Source: EOS



## Addressing data-privacy challenges at Meta



# Meta Platforms

Following the Cambridge Analytica scandal, EOS engaged with technology company Meta Platforms on how it could resolve its data privacy challenges and provide safeguarding policies that protect its users.

Our engagement began in 2018, in direct response to the Cambridge Analytica scandal. During a call with the company, it explained how it viewed data privacy and content management as an ongoing challenge, but one that it took seriously. EOS encouraged it to clearly outline the steps it would take to solve these issues, and asked for its quarterly reporting to include information on how it was improving data privacy. EOS also expressed our concerns about the dual-class share structure and executive compensation, and encouraged the company to accelerate board refreshment.

Subsequently, EOS participated in a joint call organised by the Swedish National Pension Fund's Ethical Council, during which they commented on the company's draft human rights policy. EOS suggested that Meta could be more proactive in explaining how it chooses its human rights due diligence targets and be more explicit in how it identifies salient issues. In 2022, EOS published their Digital Rights Principles and shared them with Meta. These outline our expectations on privacy rights, freedom of expression, and other human rights specific to digital products and services.



## Changes at the company

In the aftermath of the Cambridge Analytica scandal, the company committed to investigating apps that had access to large amounts of data before its data policies changed in 2014. It also said it would enhance restrictions on developers' access to large amounts of data, and make sure that users understood which apps they had allowed to access their data.

In 2022, Meta published its first standalone human rights report. This provided some helpful information on policies and procedures, such as around governing content on its platforms. It enhanced its bullying and harassment policy and expanded its policies that prohibited veiled and implicit threats. However, EOS remained concerned that the business model – which correlates higher revenue with higher quantities of clicks, likes, posts, and shares – contributed to the spread of problematic content on its platforms. The report fell short of the highest standard for user privacy rights in our view, which is a commitment to obtaining user consent for collection, inference, sharing, and retention of their data.

Source: EOS

Meta appointed three new independent directors in 2020 and a fourth in 2022. However, EOS questioned the board's effectiveness, given the continued presence of the dual-class share structure. Plus, executive compensation did not improve: quantum remained excessive and there are no disclosed clawback policies, stock ownership guidelines, or holding period requirements for executives.

### Next steps

Following the publication of Meta's first human rights report, EOS would like the company to create videos and images describing its privacy policies and terms and conditions. We hope that future iterations of the report include a human rights impact assessment of the metaverse.

EOS continue to advocate for the company to strengthen its policies and protections for children and young people, to prevent abuse and exploitation and uphold the best interests of underaged users.





More transparency  
on climate lobbying



## Climate Action 100+ eyes road to 2030

In 2023, EOS continued to push for progress where companies lagged best practice, while also encouraging efforts where progress had been made. For example, EOS welcomed the reduction in carbon emissions at Stellantis in line with its commitments, and the development of a plan for transitioning to zero-carbon vehicles.

In March, EOS led the CA100+ in-person meeting with ConocoPhillips, scrutinizing the scenario analysis underpinning its capital allocation decisions. The company argued that it uses four scenarios, all of which are consistent with 1.5°C, but did not plan to adopt the IEA's NZE by 2050 Scenario. EOS asked the company to disclose the differences in assumptions between its internal scenarios and the NZE scenario. Since March, ConocoPhillips has explained that its internal scenarios assume an earlier use of direct air capture, nature-based offsets, and carbon capture and sequestration technologies. The credibility of these assumptions will be a focus of ongoing engagement.

Early in the year, EOS challenged Repsol on the inclusion of Scope 4 "avoided" emissions in its carbon intensity indicator. The company acted on this feedback, providing the relevant disclosure at its ESG day later in the year. EOS welcomed this, but continued to push on the ambition of its 2020 Scopes 1-3 emissions reduction target, given that this was almost achieved in 2022.

The value of strong emissions reduction targets will only be realised if company strategies can effectively transform businesses into something fit for the future. Increased scrutiny of decarbonisation strategies during collaborative engagements was therefore a key trend for 2023. This included encouraging the CA100+ focus companies' own value chain engagements, such as at Hon Hai, which has kicked off a supplier engagement programme to encourage progress on Scope 3 emissions reduction. In April 2023, EOS was invited to visit the Hon Hai production campus in Zhengzhou. As a CA100+ engagement lead, the visit provided EOS with significant insights into Hon Hai's net-zero commitment versus the on-site implementation, including via an exclusive presentation of the company's decarbonisation strategy.

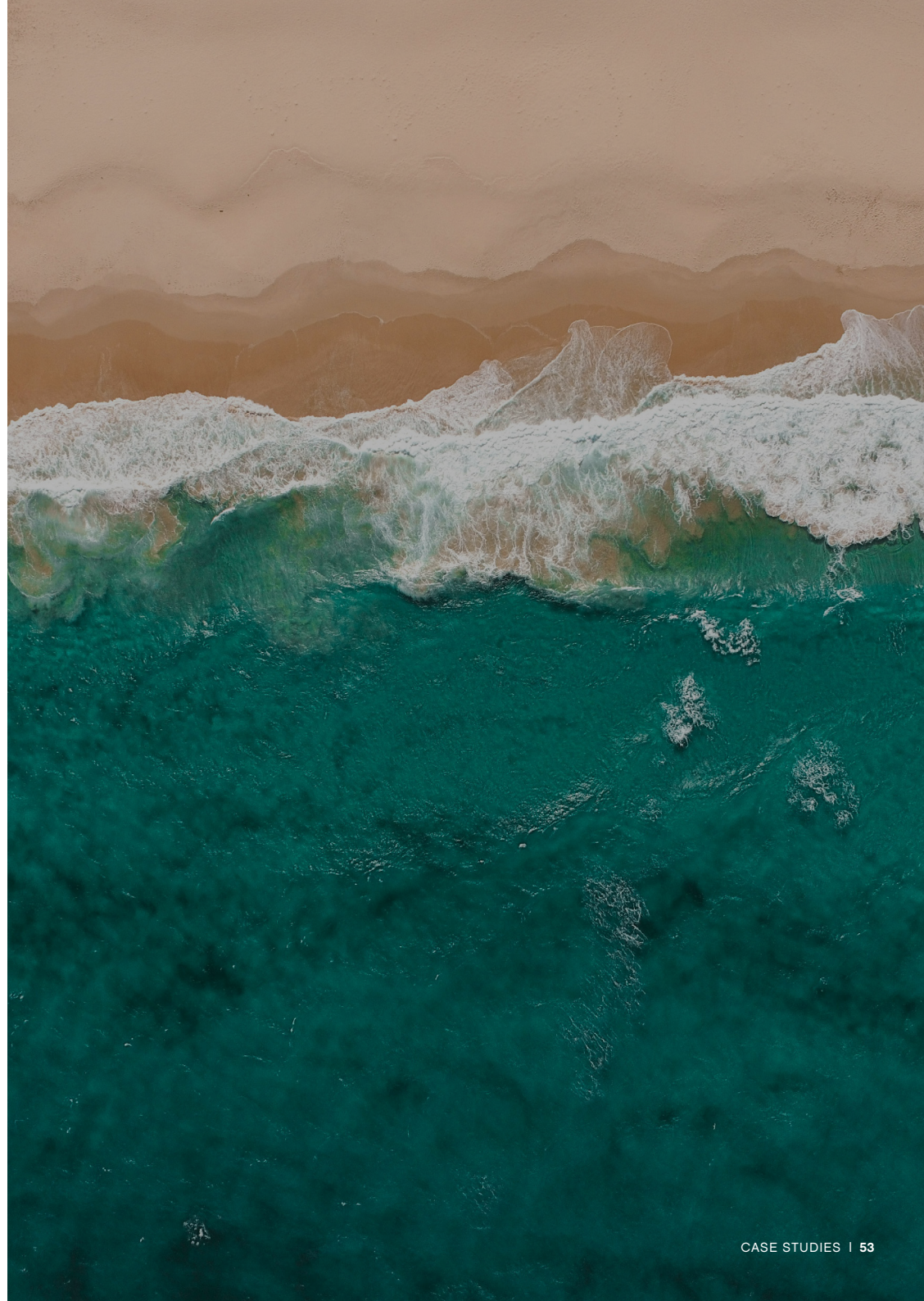
For many focus companies, decarbonisation will not be linear and no single technology offers a complete solution. For example, the chemicals sector requires myriad solutions to decarbonise hundreds of different products, many of which remain nascent. This means that investors and their representatives must employ a holistic

lens when engaging with companies, as the desired outcome may not be immediately obvious.

EOS have emphasised the importance of well-articulated and comprehensive transition plans across the chemicals sector. These go beyond serving investors assessing alignment with the Paris Agreement, because developing a comprehensive transition plan requires companies to confront abatement challenges and develop business models that capture the system transformation expected.

At Posco, EOS have asked for greater clarity over timelines for the company's implementation of hydrogen-powered steelmaking and how this is expected to transition the hard-to-abate sector. Continuing EOS' co-lead role for Air Liquide, they are encouraging the company to provide a comprehensive and coherent transition roadmap for the business, indicating implementation timelines for each green technology identified and how these will complement one another.

Source: EOS



# Appendix 1

## Voting statistics breakdown

Voting is implemented for direct line equities held in-house funds managed by Brown Shipley, InsingerGilissen Asset Management N.V. and Kredietrust Luxembourg SA (Essential Portfolio Selection and Rivertree funds).

The breakdown of the voting statistics in 2023 is indicated hereafter.

## Brown Shipley

### Proposal statistics

PROPOSAL CATEGORY TYPE	FOR	AGAINST	ABSTAIN	1 YEAR
<b>Totals</b>	<b>624</b>	<b>153</b>	<b>97</b>	<b>21</b>
Audit/Financials	96	19	9	0
Board Related	362	63	3	0
Capital Management	35	5	0	0
Changes to Company Statutes	20	0	80	0
Compensation	51	24	0	21
Mergers & Acquisitions	3	0	0	0
Meeting Administration	5	2	2	0
Other	2	0	0	0
Shareholder proposals: compensation related	5	2	0	0
Shareholder proposals: environment related	8	6	0	0
Shareholder proposals: governance related	9	6	2	0
Shareholder proposals: social related	20	25	1	0
Shareholder proposals: miscellaneous	5	1	0	0

### Meeting statistics

REGION	COUNTRY OF ORIGIN	VOTED
<b>Total</b>		<b>69</b>
North America		25
	United States	24
Europe		42
	Ireland	12
	Luxembourg	16
	Netherlands	4
	United Kingdom	3
Other		2

## InsingerGilissen Asset Management

### Proposal statistics

PROPOSAL CATEGORY TYPE	FOR	AGAINST	ABSTAIN	UNVOTED	1 YEAR
<b>Totals</b>	<b>4105</b>	<b>754</b>	<b>158</b>	<b>0</b>	<b>89</b>
Audit/Financials	496	89	7	0	0
Board Related	2386	343	7	0	0
Capital Management	351	28	8	0	0
Changes to Company Statutes	171	11	131	0	0
Compensation	457	125	0	0	89
Mergers & Acquisitions	15	3	0	0	0
Meeting Administration	67	5	0	0	0
Other	34	0	0	0	0
Shareholder proposals: compensation related	13	15	0	0	0
Shareholder proposals: environment related	24	42	0	0	0
Shareholder proposals: governance related	31	30	4	0	0
Shareholder proposals: miscellaneous	7	4	0	0	0
Shareholder proposals: social	53	59	1	0	0

### Meeting statistics

REGION	COUNTRY OF ORIGIN	VOTED
<b>Total for all Regions</b>		<b>339</b>
Asia		47
	Hong Kong	9
	Japan	37
North America		112
	Canada	16
	United States	96
Europe		170
	Belgium	12
	France	16
	Germany	19
	Guernsey	1
	Ireland	10
	Jersey	2
	Luxembourg	24
	Netherlands	25
	Norway	4
	Portugal	1
	Spain	8
	Switzerland	11
	United Kingdom	30
Oceania		6
	Australia	6
Other		3

## Essential Portfolio Selection and Rivertree funds

### Proposal statistics

PROPOSAL CATEGORY TYPE	FOR	AGAINST	ABSTAIN	1 YEAR
<b>Totals</b>	<b>4914</b>	<b>1124</b>	<b>421</b>	<b>0</b>
Audit/Financials	451	156	4	0
Board Related	2938	604	12	0
Capital Management	351	11	7	0
Changes to Company Statutes	174	7	2	0
Compensation	711	164	386	1
Mergers & Acquisitions	12	1	0	0
Meeting Administration	66	6	0	0
Other	29	0	0	0
Shareholder proposals: compensation related	16	20	1	0
Shareholder proposals: environment related	40	43	0	0
Shareholder proposals: governance related	49	34	7	0
Shareholder proposals: miscellaneous	9	5	1	0
Shareholder proposals: social	68	73	1	0

### Meeting statistics

REGION	COUNTRY OF ORIGIN	VOTED
<b>Total for all Regions</b>		<b>393</b>
Asia		30
	Hong Kong	2
	Japan	28
Canada & United States		221
	Canada	28
	United States	193
Europe		136
	Belgium	2
	France	18
	Germany	19
	Ireland	11
	Jersey	1
	Luxembourg	1
	Netherlands	21
	Norway	4
	Portugal	2
	Spain	8
	Switzerland	11
	United Kingdom	30
Oceania		6
	Australia	6
Other		3



## Additional Information

### Contact

Contact your Client Advisor to find out more about Quintet's ESG commitments and how we can help you manage your money for future generations.

You can also find news related to our ESG approach on our website <https://www.quintet.com/en-gb/sustainability>.



Quintet is a member of the Climate Action 100+ initiative.



Quintet is a signatory of the Principles for Responsible Investment.



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