

## Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant** Quintet Private Bank (Europe), S.A. with Legal Entity Identifier: KHCL65TP05J1HUW2D560

### Summary

Quintet Private Bank (Europe), S.A (hereafter: Quintet), with Legal Entity Identifier: KHCL65TP05J1HUW2D560 considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Quintet Private Bank and its branches in Belgium (Puilaetco), Germany (Merck Finck), Netherlands (InsingerGilissen), and Denmark.

This statement on principal adverse impacts on sustainability factors covers the reference period from 01 January 2022 to 31 December 2022. Hereafter this statement on principal adverse impacts on sustainability factors will be referred to as ‘this Statement’.

In the table in the section Description of the principal adverse impacts on sustainability factors, the adverse impacts are provided for each adverse sustainability indicator that the SFDR prescribes to report on, in accordance with the criteria and formulas provided in the Regulatory Technical Standards (RTS) of the regulation. This includes areas of adverse impact related to greenhouse gas emissions, biodiversity, water, waste, and social and employee matters for investments in companies, and greenhouse gas emissions and social violations in relation to investments in sovereigns and supranationals. Across all areas the investments have adverse impacts, but given the limited data availability for some of the adverse sustainability impact indicators and the lack of historical data, it’s not yet possible to put the obtained figures in perspective.

In this Statement we provide additional information on how principal adverse impacts are considered at Quintet, which is structured in the following way:

- Description of the principal adverse impacts on sustainability factors
- Description of policies to identify and prioritise principal adverse impacts on sustainability factors
- Engagement policies
- References to international standards
- Historical comparison

### Description of the principal adverse impacts on sustainability factors

The table below contains quantitative information for a prescribed set of adverse sustainability indicators as required by the Delegated Regulation 2022/1288 of the Sustainable Finance Disclosure Regulation (hereafter: SFDR). The indicators are calculated based on the investments that Quintet held on 31 March, 30 June, 30 September and 31 December 2022 where Quintet was responsible for the investment decision-making. Out of scope of this Statement are investments made by Quintet's clients within Quintet's Advisory and Execution Only propositions, as well as the investments of Quintet subsidiaries that manage mutual funds (as these are considered separate Financial Market Participants and therefore make their own SFDR disclosures).

Quintet has exercised best efforts to obtain the data needed to calculate the impacts of the adverse sustainability indicators in this Statement. The two main data inputs are: 1) Information on the size of the investment in individual investment instruments (such as stocks and bonds) for 31 March, 30 June, 30 September and 31 December 2022, and 2) Adverse sustainability indicator data in relation to the issuers of these investment instruments. Please refer to the section "Description of policies to identify and prioritise principal adverse impacts on sustainability factors" for more information about the sources used.

Quintet makes investments through single lines (for example by buying investment instruments such as stocks and bonds), as well through collective investment vehicles (such as mutual funds and Exchange Traded Funds (ETFs)) that are managed by external fund managers.

The calculations in the table below are based on those investments that fall within the categories specified by the SFDR, which are investments in companies, sovereigns and supranationals, and (direct) real estate. This includes both the investments made through single lines, as well as through collective investment vehicles. The assets in these categories together amount to approximately 80% of the assets managed by Quintet. The remaining approximately 20% relate to investment instruments for which no data was available (for example when we were not able to obtain the underlying holdings of third party funds), and other investment categories such as cash, derivatives, and commodities.

The available data for most adverse sustainability indicators in the table below ranges between approximately 2% and 100% as there are instances where for specific indicators there was no data available for investment instruments. In these cases the adverse impacts depicted in the table are likely to understate the actual adverse impacts. For some adverse sustainability indicators the available data was much lower, such as for emissions to water (approx. 10% data available) and gender pay gap (approx. 2% data available), as these are indicators that are currently not common for companies to report. Where the available data is less than 80% of the necessary data for a specific indicator, we have highlighted this in the table below (in the Explanation column) as this significantly affects the robustness of the indicator value. Quintet will continue to engage with investee companies, external fund managers, and data providers to improve the availability, reliability, and timeliness of the data, which we expect will improve the disclosures in this Statement for future reporting periods.

In the last column of the table below, the actions taken and actions planned have been described. This is in addition to Quintet's engagement efforts with third party fund managers. The description in the column does not include any actions taken by third party fund managers themselves in relation to each individual adverse sustainability indicator, as Quintet works with tens of third party fund managers who all have different approaches to taking adverse impacts into account.

<b>Indicators applicable to investments in investee companies</b>						
<b>Adverse sustainability indicator</b>	<b>Metric</b>	<b>Impact [year n]</b>	<b>Impact [year n-1]</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	373,550	Not applicable	-	The adverse impacts are part of the topics that were considered in engagements with companies where Quintet invested in single lines. This is continued in 2023, and the adverse impacts will be monitored and reviewed.
		Scope 2 GHG emissions	113,810	Not applicable	-	
		Scope 3 GHG emissions	2,921,428	Not applicable	-	
		Total GHG emissions	3,408,788	Not applicable	-	
	2. Carbon footprint	Carbon footprint	211	Not applicable	-	
3. GHG intensity of investee companies	GHG intensity of investee companies	445	Not applicable	-		

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	3.03%	Not applicable	-	Addressed via exclusions of investments in thermal coal in single lines. This is continued in 2023, and the adverse impacts will be monitored and reviewed.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	25.01% (consumption)  2.36% (production)	Not applicable	Please note that because of the formula prescribed by the SFDR Regulatory Technical Standards to calculate this indicator, the resulting figure when there is limited data availability (which is the case for this indicator with data for only 62.07% of the investments in	No specific actions taken. Will be monitored and reviewed in 2023.

					<p>corporates for consumption and 22.36% for production), may understate the adverse impact and is not representative for the assets that are in scope of this Statement.</p>	
	<p>6. Energy consumption intensity per high impact climate sector</p>	<p>Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</p>	<p>Agriculture, Forestry &amp; Fishing: 0.01</p> <p>Construction: 0.00</p> <p>Electricity, Gas, Steam &amp; Air Conditioning Supply: 0.04</p>	<p>Not applicable</p>	<p>-</p>	<p>No specific actions taken. Will be monitored and reviewed in 2023.</p>

			<p>Manufacturing: 0.75</p> <p>Mining &amp; Quarrying: 0.02</p> <p>Real estate: 0.02</p> <p>Transportation &amp; Storage: 0.01</p> <p>Water supply, Sewerage, Waste management &amp; Remediation: 0.00</p> <p>Wholesale &amp; Retail Trade &amp; Repair of Motor Vehicles &amp;</p>			
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			Motorcycles: 0.01			
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	3.54%	Not applicable	-	Same as for indicators 1-3, and 13.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.04	Not applicable	Please note that because of the formula prescribed by the SFDR Regulatory Technical Standards to calculate this indicator, the resulting figure when there is limited data availability (which is the case for this indicator with data for only 10.15% of the	No specific actions taken. Will be monitored and reviewed in 2023.

					investments in corporates), may understate the adverse impact and is not representative for the assets that are in scope of this Statement.	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	5.36	Not applicable	-	No specific actions taken. Will be monitored and reviewed in 2023.
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.32%	Not applicable	-	Addressed via exclusions and engagement for single lines investments. This is continued in 2023, and the adverse impacts will be



	(OECD) Guidelines for Multinational Enterprises					monitored and reviewed.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	33.28%	Not applicable	-	No specific actions taken. Will be monitored and reviewed in 2023.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	0.23%	Not applicable	Please note that because of the formula prescribed by the SFDR Regulatory Technical Standards to calculate this indicator, the resulting figure when	No specific actions taken. Will be monitored and reviewed in 2023.

					there is limited data availability (which is the case for this indicator with data for only 2.19% of the investments in corporates), may understate the adverse impact and is not representative for the assets that are in scope of this Statement.	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	20.12%	Not applicable	-	Same as for indicators 1-3, and 7.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions,	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00%	Not applicable	-	Addressed via exclusions in single lines and third party fund selection. This is continued in 2023, and the adverse

	chemical weapons and biological weapons)					impacts will be monitored and reviewed.
<b>Indicators applicable to investments in sovereigns and supranationals</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact [year n]</b>	<b>Impact [year n-1]</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Environmental	15. GHG intensity	GHG intensity of investee countries	0.02	Not applicable	-	No specific actions taken. Will be monitored and reviewed in 2023.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Absolute: 3 countries  Relative: 2,61%	Not applicable	-	Addressed via exclusions in single lines of countries with UN and EU arms embargoes targeted at the central government. This is continued in 2023, and the adverse impacts will be monitored and reviewed.

<b>Indicators applicable to investments in real estate assets</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact [year n]</b>	<b>Impact [year n-1]</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.00%	Not applicable		Not applicable
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	0.00%	Not applicable	-	Not applicable
<b>Other indicators for principal adverse impacts on sustainability factors</b>						
Information on additional climate and other environment-related indicators, as set out in Table 2 of Annex I of the SFDR Delegated Regulation (2022/1288):						
<b>Adverse sustainability impact</b>	<b>Adverse impact on sustainability factors (qualitative or quantitative)</b>					<b>Metric</b>
<b>Indicators applicable to investments in investee companies</b>						

<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>		
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
Information on additional climate and other environment-related indicators, as set out in Table 3 of Annex I of the SFDR Delegated Regulation (2022/1288):		
<b>Adverse sustainability impact</b>	<b>Adverse impact on sustainability factors (qualitative or quantitative)</b>	<b>Metric</b>
<b>Indicators applicable to investments in investee companies</b>		
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>		
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy
<b>Description of policies to identify and prioritise principal adverse impacts on sustainability factors</b>		

This section describes the policies to identify and prioritise principal adverse impacts on sustainability factors and how those policies are kept up to date and applied to Quintet's investments.

The Quintet Responsible Investment policy considers a range of adverse impacts on sustainability factors in investment management process, through different methods. The key methods that are used are exclusion, the incorporation of ESG factors and limits in portfolio construction, engagement,. The first two methods are specifically used by Quintet to consider various adverse impacts already in the investment due diligence process for single lines (equities, bonds). For investments in funds managed by external fund managers this is conducted via Quintet's fund due diligence process. The exact way adverse impacts are taken into account differs between external fund managers. Quintet does not prioritise certain adverse impacts over others, however, some adverse impacts are steered on more explicitly than others. While all indicators in the table in this Statement are directly or indirectly influenced through the different methods and criteria that Quintet applies, the indicators that are most explicitly embedded in the Quintet Responsible Investment Policy are PAI indicator 4 (companies active in the fossil fuel sector) through the exclusion criteria for single lines related to thermal coal, PAI 10, (violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises) through the combined engagement and exclusion approach for single lines related to companies that are considered to be in violation thereof, and PAI 14 (involvement in controversial weapons) through the exclusion criteria for single lines related to company involvement in controversial weapons. Please refer to the [Quintet Responsible Investment policy](#) for more information.

*When was the policy approved?*

The date of approval of the most recent version of the Responsible Investment policy is 09 February 2023. The policy is reviewed at least annually by Quintet's Sustainable Investment team.

*How is the responsibility for the implementation of the policies within organisational strategies and procedures allocated?*

Quintet's Investment Client Solutions department is the formal owner of the policy and needs to approve any changes to it, whereafter the Quintet Board of Directors also needs to formally approve the policy. The responsibility for implementing Quintet's Responsible Investment policy (including principal adverse sustainability impacts) into organisational procedures and investment decisions lies with the Investment Client Solutions department.

The scope of the Responsible Investment policy (including the way adverse sustainability impacts are considered) applies to all assets managed by Quintet. However, specific investment products or propositions can deviate from this approach – in these cases their respective approach is described in the legal documentation of that specific investment product.

*What are the methodologies to select the adverse sustainability indicators listed in the table?*

Quintet believes it is important that companies demonstrate their commitment to reducing environmental and social adverse impacts and has selected two additional adverse sustainability indicators (next to the prescribed mandatory indicators), which are the environmental indicator “Investments in companies without carbon emission reduction initiatives” and the social indicator “Lack of a human rights policy”. The lack of carbon emission reduction initiatives and lack of a human rights policy is a strong signal that further attention may be required, especially given the high probability of adverse impacts (particularly in certain sectors of the economy) in these areas, the severity of the potential impact in case companies do not take appropriate actions, and the potentially irremediable character of these impacts. These two indicators were selected after reviewing all the additional indicators listed in Table 2 and Table 3 of Annex I of the SFDR Delegated Regulation 2022/1288. Most indicators were not considered suitable, relevant or feasible to include. The review was conducted in the following way: a first assessment was done based on whether or not the indicators directly or indirectly relate to a topic that Quintet addresses via its Responsible Investment policy. Subsequently, Quintet analysed whether at this moment in time sufficient reliable information is available for the remaining indicators and whether the indicators are expected to measure adverse impacts that given Quintet’s investment approach would likely cause severe, irremediable impacts. Based on this review the two beforementioned indicators were selected, which are directly and indirectly addressed Quintet’s investment decision-making through exclusions, portfolio construction, and active ownership activities.

*What is the associated margin of error of the methodologies to select the adverse sustainability indicators?*

Quintet is not able to identify a specific associated margin of error in assessing or calculating the indicators listed in the table. If in the future Quintet will be able to identify a specific margin of error, such information will be included in future updates to this Statement.

*What data and sources does Quintet use for the calculations of the adverse impacts?*

There is limited data availability for the data points needed to calculate the adverse sustainability indicators in the table in this Statement. This has various causes, among others the fact that many of these indicators are newly introduced by the SFDR, not many companies are voluntarily reporting these indicators (or only a subset of these indicators), and reporting by external fund managers on these indicators is limited thus far. Furthermore, as Quintet invests a significant portion of clients’ assets through external fund managers, Quintet needs information on the holdings of these funds, as well as the size of these holdings, at the prescribed four measurement dates at the end of each quarter (31 March, 30 June, 30 September and 31 December 2022).

For this reason, Quintet has done the following as part of our commitment to exercise best efforts to obtain relevant, robust, and timely data:

1. We obtain information on the holdings of the funds we have invested in on behalf of our clients via Refinitiv, a global provider of financial markets data and infrastructure. Where Refinitiv did not have the holdings data available, or not in line with the prescribed four measurement dates in 2022, Quintet has engaged directly with the largest external fund managers to obtain these holdings. While this has helped improving the data set, there are still data gaps.
2. We have obtained an adverse impacts data set on a global universe of companies and countries from our external data provider Sustainalytics, which is a global ESG and corporate governance research, ratings and analytics firm. Sustainalytics collects reported data from companies, does additional analyses on policies, targets, or activities (where the specific indicators require so), and makes use of proxies or estimations to fill data gaps where it's believed to be appropriate. While this does not fill all data gaps, using their data set helps improving the available data compared to only using data reported by investee companies.

Next to having more adverse impact data available by working with Sustainalytics, using their data set also allows Quintet to do the calculations on our investments (both single lines and external funds) based on one data set instead of relying on the disclosures of external fund managers, who may use different sources and methodologies, which would have made the impacts shown in the table in this Statement less consistent.

### **Engagement policies**

Active ownership (which includes engagement with companies) is a fundamental part of our investment process, and a key method to reduce adverse sustainability impacts. Active ownership involves monitoring the investments we make, identifying environmental, social and governance (ESG) issues, strategic problems or opportunities for improvement, engaging with management teams or investment managers, and other efforts to encourage positive change for the long-term benefit of our clients and the world. Since we also invest client assets with other fund managers, we hold them to the same high standards regarding active ownership, and we engage with those managers to encourage that they are active owners on behalf of our clients. In the case of external assets managers of passive funds, this can be in the form of these external fund managers engaging with the index providers on environmental, social or governance factors related to the index construction methodology.

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 these firms. To be effective in engaging with these companies, we believe that collective engagement is likely to achieve better results than efforts we might undertake on our own. We have therefore hired specialised external service providers to conduct engagement on our behalf.

What are Quintet's engagement priorities?

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. This includes mitigating and reducing adverse impacts of our investments on sustainability factors. Our ultimate objective is to create value for investors, the company, and people and the planet. Quintet works with its engagement partner



Equity Ownership Services (EOS) at Federated Hermes to give special attention to companies that violate the principles of the UN Global Compact, or that have experienced significant ESG controversies. The engagement priorities are currently 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. 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. Engagement priorities are reviewed annually, and we provide our insights and priorities as part of the priority-setting process with EOS.

How does that apply to external fund managers?

Quintet allocates a significant portion of our clients' assets to external fund managers. Active ownership to create sustainable investor value is important for all investments, and we incorporate this into the selection and monitoring of external managers where possible and feasible. As part of our formal fund due diligence and monitoring process, we engage with these managers to communicate our beliefs and to understand theirs, and for insight into their active ownership policy and practices.

*How do the engagement policies and priorities adapt over time?*

Given the dynamic nature of the annual review and priority-setting process at EOS, and the fact that Quintet works with dozens of external fund managers who all have their own specific approaches to address adverse impacts and to prioritise these, Quintet does not have a predetermined set of adverse sustainability indicators that are structurally and systematically considered in the engagement activities. Quintet will monitor the development of the principal adverse impacts reported in this Statement over time and where considered appropriate, Quintet will review if it's feasible to adapt either the engagement policy or the engagement priorities where for specific principal adverse impacts there is no or only limited reduction of the adverse impacts from reporting period to reporting period.

### **References to international standards**

The Quintet Responsible Investment approach in general, as well as specifically in relation to the mitigation of adverse impacts, Quintet considers various international standards and codes. The most important ones are the United Nations' Global Compact principles, the OECD Guidelines for Multinational Enterprises, and the United Nations' Guiding Principles on Business and Human Rights. These are embedded in our due diligence and investment decision-making. This is underpinned by data, research, tools and services that we receive from our external service providers related to ESG risks and opportunities, exclusions, and engagement. Furthermore, where possible and feasible we expect our external managers to apply these standards, or similar standards as considered relevant, in their investment decision-making, exclusions, engagement and voting activities.

The adverse sustainability indicators in the table in this Statement that measure alignment with the above are primarily the following ones:

- 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

The methodology and data used to measure the adherence to the above items is described in the “Sources” section on the previous page. Quintet’s methodology and data do not enable forecasting the future principal adverse impacts of investee companies. Furthermore, Quintet does not use a forward-looking climate scenario in its due diligence. When more robust data sets and tools become available to do forward-looking climate scenario analyses, Quintet will review if and how forward-looking climate scenarios may be of added value and feasible to implement in the investment due diligence on adverse impacts and the monitoring thereof.

#### **Historical comparison**

As this is the first publication of this Statement, the table with adverse sustainability indicators does not yet contain a historical comparison. Next year’s publication of this Statement based on calendar year 2023 (by June 2024), will include a comparison of the 2023 figures to the 2022 figures.

#### Legal disclaimer

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