

PASI STATEMENT

(principal adverse sustainability impacts)

PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS (PASI) STATEMENT

Name FMP: Kredietrust Luxembourg S.A. (hereinafter “KTL” or “we”)
LEI of FMP: 222100SROVDPQTLZKT42

Introduction

KTL’s sustainable investment policies cover a wide range of sustainability aspects that are incorporated in our day-to-day investment decision-making. This includes the negative impacts of our investment decisions on sustainability factors, which are also called adverse impacts. The most significant adverse impacts are referred to as principal adverse impacts (hereafter: PAIs).

Benefiting of the support of its mother company Quintet Private Bank (Europe) S.A. (hereinafter “Quintet”), KTL has stringent due diligence policies in place to identify, measure, and assess PAIs and consider them in our investment-decision making. The way they are considered is a mix of different methods, such as engagement, voting, and exclusions. KTL offers a range of financial products across assets classes with different investment strategies, investment objectives, and binding rules related to sustainability factors. KTL allocates a significant portion of its client’s assets to financial products managed by external asset managers. As a consequence, the exact combination and application of the methods we use differs among financial products. However, wherever possible and feasible, we have minimum safeguards in place that are considered in line with the nature of the financial product.

In line with the requirements of the EU’s Sustainable Finance Disclosure Regulation (SFDR), KTL provides entity level information about the way the PAIs are considered. In addition, KTL will report annually on the mandatory and certain additional PAIs for the investments it has made. We have included in this Principal Adverse Sustainability Impacts (PASI) Statement an overview of how we currently consider the PAIs (see section A). This is based on the draft list of mandatory and optional PAIs that the European regulators have identified. As this is still a draft list, the exact mandatory PAIs and optional PAIs may still be subject to change. Once there is more clarity on the final list of PAIs that will be mandatory and optional, we will include in our investment approach any of the mandatory PAIs that are not yet part of our investment approach. This implies that we will formally include these PAIs in our sustainable investment policies, monitoring, and reporting. In addition, in case of a lack of reliable data for specific PAIs, we will indicate what we are doing to try to obtain them.

In this PASI Statement we provide additional information on how the PAIs are considered at KTL, which is structured in the following way:

- A. Description of principal adverse sustainability impacts
- B. Description of policies to identify and prioritise principal adverse sustainability impacts
- C. Engagement policies
- D. References to international standards

A. DESCRIPTION OF PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

KTL has a long history in responsible and sustainable investment and the consideration of a wide range of sustainability aspects in our investment decision-making. Mitigating the adverse impacts of our investments is an important part of this. Given the large variety of financial instruments that we employ on behalf of our clients within the financial products which are managed in line with their investment objectives and constraints and to meet different client needs, there are differences between the way sustainability considerations are reflected in our financial products. This also applies to the adverse impacts of our investment decisions – the selection of PAIs that are considered and the degree and way they are (or can) be considered depends on the type of financial instrument. Our financial products that have an explicit and binding sustainable investment objective structurally consider a wide range of PAIs. In the case of financial products that have explicit and binding rules related to environmental or social characteristics, whether the PAIs are considered, as well as how they are considered depends on the specific nature and approach of the financial product. In all cases we have minimum safeguards in place that are considered, where possible and feasible, in line with the nature and investment approach of the financial product.

While it's not yet clear what PAIs will be mandatory to report on at the entity level, we have provided in the table below an overview of the PAIs that are already part of our sustainable investment policies and that are currently categorized as mandatory by the European regulators. The table includes a short description of what they entail and how we currently consider them.

Adverse sustainability indicator	Metric	Information on the primary methods to consider the PAI
GHG emissions	Scope 1 GHG emissions, Scope 2 GHG emissions, Total GHG emissions. Scope 3 GHG emissions will be included as of 2023, and first reported on in 2024. Multiple greenhouse gases are considered and expressed in terms of tonnes of CO2.	Engagement, voting, exclusions
Carbon footprint	Carbon footprint. This relates to the GHG emissions of investee companies (relative to the investment by KTL), divided by the value of all KTL investments	Engagement, voting, exclusions
GHG intensity of investee companies	GHG intensity of investee companies. This is a ratio of the GHG emissions of companies divided by their revenues, multiplied by the percentage of these investments relative to all KTL investments.	Engagement, voting, exclusions.

Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	Exclusions, engagement.
Board gender diversity	Average ratio of female to male board members in investee companies.	Voting, engagement
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons.	Exclusions.
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.	Exclusions.

We will ensure that all mandatory PAIs are included in our sustainable investment policies once the PAIs are finally determined. In addition, we will update the above table to show all mandatory PAIs and in case we don't (yet) consider one of the mandatory PAIs, we will provide a description of the rationale.

For example, data availability is a concern for various PAIs. If reliable data are not yet available for certain PAIs, we will disclose these gaps and we will work with relevant research providers to try to obtain the data. In these cases, we will regularly report on the status.

Furthermore, once the PAIs list is definite, we will also identify which of the optional PAIs are structurally part of our sustainable investment approach and include these in the table. We will report for the first time quantitatively on the individual PAIs by 30 June 2023, which will be based on calendar year 2022.

Finally, once we have updated our sustainable investment policies based on definite list of mandatory PAIs, we will ensure that the relevant due diligence, monitoring, and reporting mechanisms are updated to reflect these new PAIs as well. Parallel to that, this will also be integrated in our requirements for external asset managers, which will be reflected in the selection of asset managers, appointment of asset managers (when relevant), monitoring, periodic reviews, and reporting.

B. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

Leveraging on Quintet group, KTL has defined a sustainable investment framework based on international sustainability frameworks and standards, best practices, and guidelines of industry bodies. This is expressed in minimum requirements that investments must adhere to and additional requirements that are incorporated in various aspects of our sustainable investment approach, such as engagement and voting. The due diligence process leverages various inputs from specialized external parties, such as ESG research, ESG data, engagement insights, and voting analyses and recommendations. This is subsequently applied to our investment universe, for which we assess whether investments are in line with our requirements. In case they are not, these investments are either excluded from the investment universe, or incorporated in our engagement program in order to mitigate the adverse impacts. Please refer to section C for more information about our engagement approach. In addition, when investments meet our requirements, but severe issues are identified in relation to adverse impacts, such issues are addressed as part of our engagement activities, as well as through our voting decisions. While we do not prioritize one PAI over the other, when choices need to be made regarding the allocation of resources, we focus on the largest investments we did on behalf of the financial products we manages, investments with the largest adverse impacts, and those cases in which we believe there is the highest likelihood of our efforts leading to meaningful beneficial change.

Furthermore, from time to time through a due diligence process set in place, there is a review of the capabilities, policies and approach of our external asset managers in relation to sustainable investment, which includes the way they consider adverse impacts. We expect our external asset managers to consider PAIs in a manner that is in line with the specific nature and investment objectives of the financial product. This includes having structural due diligence, monitoring, and reporting mechanisms in place in relation to the adverse impacts that are binding elements of the financial product. As part of the due diligence and monitoring of external asset managers, there is subsequently a review of the periodic reporting of the external asset managers for each underlying financial product and the asset managers are required to frequently fill in extensive due diligence questionnaires in which they need to describe their policies, engagement and voting activities, results, and plans.

C. ENGAGEMENT POLICIES

At KTL, sustainability is at the heart of our business and drives our investment philosophy. Active ownership is a fundamental part of our investment process, and vital to reducing adverse sustainability impacts.

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

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 external asset managers, voting at general meetings, 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 asset managers, we hold them to the same high standards regarding active ownership, and we engage with those managers to ensure that they are active owners on behalf of our clients.

Choice for collaborative engagement, use of expertise

Since KTL 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 collaborative 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 and voting on our behalf. In cases where collaborative engagement is not practical, we may undertake direct engagement ourselves with the companies we invest in.

Engagement priorities

The primary focus of KTL's engagement is to address companies' key risks, challenges and opportunities, covering environmental, social, governance, strategy, risk and communication matters.

Our ultimate objective is to create value for investors, the company, and people and the planet.

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

Engagement priorities are reviewed annually, and we provide our insights and priorities as part of the priority-setting process with EOS.

Engagement with external asset managers

KTL allocates a significant portion of our client's assets to external asset managers. Active ownership to create sustainable investor value is important for all investments, and we incorporate this conviction into the selection and monitoring of external asset managers. We also engage with these managers to communicate our beliefs and to understand theirs, and for insight into their active ownership policy and practice.

Voting priorities

KTL works with the specialized proxy voting service provider Glass Lewis, where we have adopted an ESG voting Policy. The primary focus of KTL's voting decisions is good governance of the organisation, including the management of material environmental and social risks. Governance structures that drive performance, create shareholder value and maintain a proper tone at the top are a key to mitigating risk and building long-term shareholder value. Boards that work to protect and enhance the best interests of shareholders are independent, diverse, have a record of positive performance, and have members with a breadth and depth of relevant knowledge and experience.

With our votes we seek to support widely-accepted enhanced environmental, social and governance practices. The ESG voting policy, which draws upon the expertise of Glass Lewis, emphasizes governance, environmental, and social matters. The ESG policy will support most governance-related shareholder proposals all environmental and social shareholder proposals aimed at enhancing a company's policies and performance or increasing a company's disclosures with respect to such issues.

D. REFERENCES TO INTERNATIONAL STANDARDS

As part of our sustainable investment approach in general, as well as specifically in relation to the mitigation of adverse impacts, KTL considers various international standards and codes. The most important ones are the United Nations' Global Compact principles, the OECD Guidelines for Multinational Enterprises, the United Nations' Guiding Principles on Business and Human Rights, and the International Corporate Governance Network (ICGN) statement on Global Governance Principles.

These are embedded in the due diligence processes, as well as our monitoring and reporting. In addition, the data, research, tools and services that we receive from our business partners related to ESG risks and opportunities, exclusions, engagement, and voting are all either derived from or at least (partially) based on or related to these standards. Furthermore, we expect our external asset managers to apply these standards, or similar standards as considered relevant, in their investment decision-making, exclusions, engagement and voting activities, as well as in their reporting.

In addition, KTL is a signatory of the Principles for Responsible Investment (PRI). As a signatory, we have made a commitment to its six principles:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.