



Group Sustainable Investment Framework - summary V.4.0.

1. Introduction

This document describes Quintet' Sustainable Investment Framework (SIF), which is a framework to generate an instrument-level data set in order to meet the requirements laid out in the EU Sustainable Finance Disclosure Regulation ("SFDR"), Article 2(17).

This data set is also needed in the context of MiFID ESG, in order to be able to match instruments and products with clients' sustainability preferences.

1.1 Quintet's interpretation of the sustainable investment definition

Quintet's interpretation is that SFDR's definition of a sustainable investment applies to investments instruments related to corporates and sovereign bonds. As the SFDR's sustainable investment definition is multi-dimensional, in order to systematically assess investments based on this definition, Quintet has divided the definition into three key pillars:

1. Contribution to an environmental and social objective
2. Do no significant harm
3. Good governance

Quintet's interpretation is that an investment instrument needs to meet the requirements of each pillar to be considered a sustainable investment. An exception to this are sovereign bonds, as the European Commission has clarified that the good governance requirement only applies to investments in companies¹.

1.2 Application

The framework is applied to investments in equities and bonds (including sovereign bonds, though Quintet for the time being will only consider sovereign bonds that are Green Bonds as potentially eligible to be sustainable investments).

For each asset class we may deploy a tailored approach, depending on the nature of the asset class and our interpretation of the regulation.

For investments in third-party mutual funds, Exchange Traded Funds (ETFs), and Alternative Investment Funds² ("Alternatives"), the Quintet ESG team conducts a thorough sustainability due-diligence assessment to evaluate the alignment of the external fund's investment approach with Quintet's Sustainability Investment Framework. This assessment is performed for funds used in Quintet's flagship funds and discretionary

¹ Q&A provided by the European Commission with answers to questions of the ESAs, d.d. 25 May 2022, p.8.

²Alternative investment funds as defined in the Directive 2011/61/EU

portfolio management (DPM) models. Where the ESG due-diligence confirms that the external fund's definition, methodology, and application of Sustainable Investments are consistent with Quintet's framework, Quintet relies on the Sustainable Investment percentage (SI%) as disclosed by the external manager.

Quintet's current interpretation is that this is the method expected by the European Commission and the European Supervisory Authorities. Quintet's approach may be amended in case regulatory guidance prescribes a different method.

2. Approach to single lines (equities and bonds)

2.1 General approach

An equity or corporate bond needs to meet the three pillars listed in section 1.1 in order to qualify as a sustainable investment. The general approach to each of the three pillars is described in the table below.

SFDR Sustainable Investment pillar	Quintet Approach
1. Contribution to an environmental or social objective	<p>As there is limited quantitative data available on this topic, Quintet has opted for using different "lenses" to evidence such contribution by leveraging different data sets, each capture potential contributions in different ways. The following data sets have been selected for that purpose:</p> <ol style="list-style-type: none"> 1. Clarity AI EU Taxonomy alignment data; 2. Triodos IM transition theme data; (see appendix on page 41). 3. Strong performance on carbon emissions and risk – measured by combining companies carbon intensity (source of data is Clarity AI) and Clarity AI indicator on whether companies have a carbon reduction initiative in place. 4. Clarity AI UN Sustainable Development Goals (SDGs) dataset – identifying companies with revenues aligning with the SDGs. <p>Companies are considered meeting the requirements of the first pillar if they meet the following criteria: 1) They have significant revenue, or significant Capex or Opex alignment with the EU Taxonomy ($\geq 20\%$), or 2) They are contributing to an Impact theme ($\geq 33\%$ revenues for equities and corporate bonds or $\geq 75\%$ of proceeds for Impact bonds), or 3) have low carbon intensity combined with a carbon reduction strategy, or 4) are identified as having significant revenues aligning with one or more of the UN SDGs ($\geq 20\%$).</p>
2. Do no significant harm (DNSH)	<p>In line with the requirements described in the RTS (Level 2) of SFDR, the SIF uses two key elements to assess whether companies don't do significant harm:</p> <ol style="list-style-type: none"> 1. Compliance with the UN Global Compact principles (using Clarity AI data set, which includes compliance with the OECD guidelines for SMEs and UN Guiding Principles for Business & Human Rights)

	<p>2. Staying below specific thresholds for mandatory corporate Principal Adverse Impacts (PAIs)³ that Quintet believes are relevant to assess significant harm, and for which sufficient robust data or proxies are available.</p> <p>Please refer to Appendix V for more detailed information about these data points, including the thresholds that Quintet has set and information on the use of proxies.</p>
<p>3. Good governance</p>	<p>Good governance has not been explicitly defined in the regulation. Also, governance regulation and best practices differ greatly between geographies. As such, Quintet needs to apply data points that can be systematically applied across its universe. To achieve this, Quintet uses Clarity AI's ESG risk research related to governance to identify companies that do not meet good governance practices, as the governance controversies that Clarity AI identifies are considered to be universally accepted bad governance practices.</p> <p>The good governance requirement is considered to be met when companies are not scoring significantly low scores related to governance matters such as sound management structures, employee relations, remuneration of staff and tax compliance. In addition, Quintet expects the companies to comply with the UN Global Compact principles, which include commitments to anti-corruption and labour relations to satisfy the good governance pillar.</p> <p>Please refer to Appendix VI for more detailed information about these data points.</p>

Quintet has interpreted the regulation to be based on a pass-fail method. As such, only when a company successfully meets the requirements in all three pillars, the investments instruments related to that company are considered sustainable investments. Such a holding is then considered a 100% sustainable investment. The percentage of sustainable investments in Quintet financial product is subsequently calculated by adding up the weights of all investments that are considered sustainable investments.

2.1 Green bonds

Quintet uses a separate approach for Green Bonds, as these are debt instruments where the funds raised are used exclusively to fund green projects. Green bonds are by nature focused on individual projects and cannot be used for general corporate purposes of the issuer. Applying the framework to the issuer of these bonds is therefore not an accurate assessment of whether or not the investment instrument is a sustainable investment based on SFDR.

³ Table 1 of Annex I of the RTS lists 14 corporate PAIs, with detailed definitions. These PAIs are mandatory to report on at the entity level, but not at the financial product level. However, the RTS refers to Annex I in the context of assessing DNSH at the investment instrument level, whereby Quintet's interpretation is that it's required to explain how the PAIs have been considered to assess DNSH, but that it's not required to use each PAI to assess DNSH.



To determine whether there is contribution to an environmental objective (pillar I), we consider any green bonds (both corporate and sovereign) that are part of the Bloomberg MSCI Global Green Bond Index to meet the requirements of pillar I.

Furthermore, it is our interpretation that good governance requirement applies at company level rather than project level, so we believe it would not be needed to assess good governance for green bond instruments. However, at this point the regulation is not clear about this. Therefore, as long as there is no regulatory guidance or established market practices on this, Quintet will apply a precautionary approach in this regard. This approach entails that in order to consider Green Bond holdings as sustainable investments, these holdings also need to satisfy the good governance requirement either through the index construction by the index provider or through additional checks by Quintet (in line with the checks done for non-green bonds, as described in the table). This does not apply to sovereign green bonds as the good governance requirement only applies to investments in companies. In addition, as part of the precautionary approach, the do no significant harm (DNSH) requirement is also applied to green bonds – again, either through the index construction by the index provider or through additional checks conducted by Quintet.

Change log

Version	Publication date	Details
1.0	31/12/2022	Initial version
2.0	31/12/2023	Updated criteria in first SFDR pillar - contribution
3.0	31/05/2024	Updated in the second SFDR pillar - Do No Significant harm
4.0	09/02/2026	Updated change in data provider and subsequent changes in SFDR pillar -contribution, SFDR pillar – Do No Significant Harm and SFDR pillar – Good Governance