



Group Sustainable Investment Framework - summary V.5.0.

1. Introduction

This document describes Quintet's 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

Article 2(17) SFDR establishes a principles-based definition of sustainable investment but does not prescribe a single assessment methodology across all types of instruments or issuers. Quintet considers that both corporate and sovereign instruments may qualify as sustainable investments where the applicable requirements can be clearly identified, assessed and evidenced through an appropriately defined methodology. For corporates, the assessment may consider the economic activities, products, services or operational performance of the investee company. For sovereigns, contribution is assessed at issuer level using objective and observable indicators of environmental and social performance. In all cases, Quintet assesses the following three 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 applies to all asset classes within Quintet's Group Investment Universe: single-line equities and bonds, including sovereign bonds; mutual funds and Exchange Traded Funds; and Alternative Investment Funds. Structured products are outside the scope of the framework.

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

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

For investments in third-party mutual funds, Exchange Traded Funds (ETFs) and Alternative Investment Funds (“Alternatives”), Quintet uses the sustainable-investment disclosures of the external manager, subject to sustainability due diligence. For funds used in Quintet’s flagship funds and discretionary portfolio management models, the Quintet ESG team assesses whether the external fund’s definition, methodology and application of sustainable investments are consistent with Quintet’s SIF. Where alignment is confirmed, Quintet relies on the sustainable-investment percentage disclosed by the external manager. Where alignment is not sufficiently demonstrated, Quintet does not rely on that percentage and instead assesses the sustainable-investment proportion internally using Quintet’s SIF and available holdings-level or other relevant data.

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	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: 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. 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 ($\geq 20\%$).
2. Do no significant harm (DNSH)	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:

	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) 2. Staying below specific thresholds for mandatory corporate Principal Adverse Impacts (PAIs)² that Quintet believes are relevant to assess significant harm, and for which sufficient robust data or proxies are available. 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.
3. Good governance	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. 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. Please refer to Appendix VI for more detailed information about these data points.

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

² 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.



bonds is therefore not an accurate assessment of whether or not the investment instrument is a sustainable investment based on SFDR.

To evidence contribution to an environmental objective under Pillar I, Quintet considers green bonds—corporate or sovereign—that are included in the Bloomberg Global Aggregate Green Social Sustainability Bond Index. Eligible bonds must meet the index methodology, including requirements relating to the use of proceeds, project selection and evaluation, management of proceeds, and allocation and impact reporting. The eligible-green-bond list is compiled monthly from the index.

Quintet applies a precautionary approach to the remaining pillars. Corporate green bonds must satisfy the good-governance requirement through the index methodology or additional Quintet checks; this requirement does not apply to sovereign green bonds because Article 2(17) applies good governance only to investee companies. DNSH is assessed for all green bonds through the index methodology or additional checks. Quintet initially considers issuer-level adverse impacts, but where a threshold is exceeded it performs and documents a manual review to determine whether the adverse impact is directly linked to the projects financed by the bond. A green bond fails DNSH only where the relevant adverse impact is directly linked to those projects. Sovereign green bonds are assessed using the applicable sovereign PAIs for GHG intensity and social violations.

2.2 Sovereign instruments

In addition to use-of-proceeds bonds, sovereign instruments may qualify as sustainable investments at issuer level. Quintet assesses contribution using internationally recognised World Bank indicators. The Environmental Score combines renewable electricity output, renewable energy consumption, and terrestrial and marine protected areas. The Social Score combines Voice and Accountability, Rule of Law, hospital beds per 1,000 people, and Control of Corruption. Indicators are converted into relative percentile rankings and averaged within each score.

A sovereign meets Pillar I where it either ranks in the top 25% for the Environmental or Social Score and is not in the bottom 25% for the other score, or ranks in the top 30% for both scores. It must also avoid the bottom 15% for every individual indicator and be a signatory to the Paris Agreement. The Paris Agreement criterion is a baseline eligibility safeguard and is not, by itself, evidence of environmental contribution. Pillar II is assessed using the sovereign PAIs for GHG intensity and social violations: countries in the worst 10% for sovereign GHG intensity, or identified as subject to relevant social violations, fail DNSH. Pillar III does not apply because a sovereign is not an investee company. The methodology and calibrations are reviewed periodically to maintain a selective and evidence-based approach.

SFDR Sustainable Investment pillar	Quintet Approach
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Contribution to an environmental or social objective	Quintet assesses sovereign contribution at country level using internationally recognised World Bank indicators. The methodology combines environmental indicators reflecting renewable-energy use and biodiversity protection with social indicators reflecting healthcare capacity and the institutional foundations of inclusive and sustainable social development. Contribution may be evidenced not only through direct outcomes, but also through the institutional characteristics that underpin inclusive and sustainable social development. Effective participation, public accountability, access to justice, personal security and the protection of public resources are considered fundamental to social cohesion, social inclusion and the equitable delivery of essential public services. The indicators are assessed collectively; no individual indicator is sufficient on its own to demonstrate social contribution under Article 2(17) SFDR. Countries are ranked on a relative percentile basis. The indicators are translated into an Environmental Score and a Social Score using average percentiles. A sovereign meets the contribution requirement where it either: (i) ranks in the top 25% in either the Environmental or Social Score and is not in the bottom 25% in the other; or (ii) achieves a top 30% percentile ranking in both scores. In addition, the country must not rank in the bottom 15% for any individual environmental or social indicator. Environmental Score 1. Renewable electricity output: the share of electricity generated from renewable sources, relevant to renewable-energy use and the transition towards a lower-carbon electricity system. 2. Renewable energy consumption: the share of renewable energy in total final energy consumption, relevant to renewable-energy use across the wider economy. 3. Terrestrial and marine protected areas: the proportion of territorial area designated for protection, relevant to biodiversity and ecosystem conservation. Social Score 1. Voice and Accountability: reflects citizens' participation in selecting government, freedom of expression, freedom of association and free media, and is relevant to civic participation, social inclusion and public accountability. 2. Rule of Law: reflects confidence in and adherence to the rules of society, including the courts, police, protection of rights and the likelihood of crime and violence, and is relevant to access to justice, personal security, equal treatment and social stability.
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	3. Hospital beds per 1,000 people: reflects the availability of healthcare infrastructure relative to the population and is relevant to healthcare capacity and investment in human capital. 4. Control of Corruption: reflects the extent to which public power is protected from being exercised for private gain and is relevant to the effective and equitable allocation of public resources and delivery of public services. The country must also be a signatory to the Paris Agreement. This is a baseline eligibility safeguard confirming formal commitment to the internationally agreed climate framework; it is not evidence of environmental contribution on its own. Contribution is determined through the quantitative environmental indicators above, while climate-related harm is separately assessed through the sovereign DNSH test, including the applicable GHG-intensity threshold.
Do No Significant Harm (DNSH)	In line with the SFDR Regulatory Technical Standards, Quintet uses the mandatory sovereign Principal Adverse Impact indicators to assess whether a sovereign causes significant harm to any environmental or social objective. A sovereign must pass both tests below: 1. GHG intensity — Quintet uses sovereign carbon-emission-intensity data from Clarity AI. The indicator is expressed in metric tonnes of CO₂ equivalent per EUR million of GDP and is calculated using reported or estimated data. Countries are ranked across the available sovereign universe. Countries in the worst 10% for sovereign GHG intensity fail the DNSH assessment; the top 90% pass this test. 2. Investee countries subject to social violations — Quintet uses Clarity AI's country-level social-controversies assessment. Clarity AI assigns a binary "Yes/No" result based on sanctions imposed by the European Union, United Nations or US Office of Foreign Assets Control in relation to specified matters, including human-rights abuses by government institutions or law-enforcement bodies, sanctioned individuals holding positions within government institutions, an unconstitutional change of government, violations of international law, or the misappropriation of public funds resulting in the undermining of democracy. A country assigned "Yes" fails the DNSH assessment and cannot qualify as a sustainable investment; the required threshold is no involvement in social violations. The Good Governance pillar is not applied to sovereign instruments because the issuer is not an investee company.



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
5.0	25/09/2026	Updated methodology for Sovereign Instruments