

The background of the cover is a photograph of a vast, snow-covered mountain slope. Three hikers are visible as dark silhouettes against the bright white snow, ascending the mountain. The sky is a deep, dark blue, suggesting a clear or slightly hazy day. The overall mood is one of adventure and achievement.

cardano

Sustainability Investment Policy

Appendix A: Sustainability Classification Framework

March 2026

Preface

Cardano delivers investment solutions to its clients with the objective to optimise longer-term financial, environmental and social returns. To guide these investment solutions, Cardano has developed a Sustainability Classification Framework. This framework is outlined in Cardano's Sustainability Investment Policy. The policy document describes the basics of the framework. The current document is appendix A of the Sustainability Investment Policy, describing in detail how investments are classified in the Cardano Sustainability Classification Framework.

Contents

1. Introduction	4
2. Step 1: Behaviour and activities	6
2.1. Introduction	7
2.2. Company fit within a sustainable society?	7
2.3. Sovereign fit within a sustainable society?	10
3. Step 2: Adaptive capacity	11
3.1. Introduction	12
3.2. Levers of change	12
3.3. Classifying investments	14
Annex	16

1.

Introduction



This document is an appendix to Cardano’s Sustainability Investment Policy. The purpose of the policy is to encourage companies, institutions and sovereigns – collectively referred to as entities – to contribute to the transition towards a sustainable society.

As described in the Sustainability Investment Policy, for our in-house sustainability framework investment management solutions, all investments are assessed and classified according to Cardano’s Sustainability Classification Framework (see figure A1). This appendix provides a more detailed explanation of the framework and outlines the steps involved in classifying investments into one of its seven categories. The framework distinguishes between company and sovereign assessment criteria.

Investments are evaluated in two steps:

In step 1, the question is raised whether the behaviour and the activities of entities fit within a sustainable society: Do the entities violate international standards and norms, or are they involved in activities that are considered too harmful for society? If investments do not pass this step, they are classified as ‘International Standards’ or ‘Harmful’.

In step 2, investments that pass the first step, are assessed and classified based on their ability and likelihood to adapt and contribute, either through reducing negatives or accelerating positives, to the transition towards a sustainable society - what we refer to as ‘adaptive capacity’, and/or other pre-defined criteria. Depending on the outcomes, the investments are classified as ‘Non-adapting’, ‘At Risk’, ‘Adapting’, ‘Sustainable’ or ‘Positive Impact’ – see section 3 for a detailed discussion of the categories.¹

The assigned classification determines in which investment solution the investment may fit, depending on a solution’s investment strategy. This document describes how both steps are implemented.

Assessments are conducted using indicators and data from external data provider(s) and other sources. A classification based on quantitative thresholds can be overruled if a fundamental analysis shows sufficient proof that the data does not sufficiently well reflect a company’s actual behaviour, sustainability-related risks or impacts.

The classifications are evaluated regularly.

Figure A1: Sustainability Classification Framework



“
The aim of Cardano’s Sustainability Investment Policy is to encourage entities to contribute to the transition towards a sustainable society.”

¹ Note that this second step only applies to companies. Sovereigns that pass step 1, i.e., they are considered not to violate international standards, are classified as ‘Adapting’. Green, social or sustainable sovereign bonds that comply with the Cardano Bond assessment criteria will be classified as ‘Positive Impact’. So far, investments in sovereigns are not classified as ‘Sustainable’ or ‘At Risk’ in the Sustainability Classification Framework.

2.

Step 1: Behaviour and activities



2.1. Introduction

As a first step, we evaluate compliance with international standards and norms, or involvement in severe controversies, based on a list of principles that are seen as fundamental to sustainability investing. Principles for companies and institutions differ from those for sovereigns. For companies, these principles also refer to involvement in activities that are considered too harmful to society.

In this document, section 2.2 discusses how we evaluate compliance with the principles for listed equity and bonds issued by corporates (including their subsidiaries and affiliates). Section 2.3 discusses how sovereign bond issuers (including sub-sovereign entities and state-owned companies) are evaluated.

2.2. Company fit within a sustainable society?

For companies, we have formulated two sets of ethical, social and environmental principles – see table A1. Each company undergoes an evaluation against these principles. Companies that do not pass the pre-defined criteria within the specified screening topics will be classified either as ‘International Standards’ or ‘Harmful’.

Table A1: Principles for companies

International Standards	Harmful
<p>Fundamental Business Principles</p> <ul style="list-style-type: none"> ● Subject to international sanctions ● Violation of basic human and labour rights ● Systematic involvement in fraud, corruption and tax evasion ● Environmental damage <p>Military weapons involvement</p> <ul style="list-style-type: none"> ● Involvement in controversial weapons ● Distribution of military equipment to military regimes 	<ul style="list-style-type: none"> ● Production and distribution of civilian firearms ● Products or businesses with significant risk of harm to physical or mental health (tobacco, gambling and adult entertainment) ● Activities with significant risk of harmful impacts to animal welfare

2.2.1. International Standards

Fundamental Business Principles

Subject to international sanctions

We screen companies against sanctions lists ordained by international organisations acting within the rule of law, including the United Nations (UN), the European Union (EU), the United States Office of Foreign Assets Control (OFAC), the Netherlands (NL), or the United Kingdom (UK). In addition, where required by law, we also screen against other relevant local sanctions regimes. Sanctions are compelling tools used in response to violations of international law or human rights.

Violation of International Standards

The UN Guiding Principles on Business and Human Rights, the UN Global Compact, the OECD Guidelines for Multinational Enterprise and the ILO Fundamental Conventions and Declaration on Fundamental Principles and Rights at Work provide a series of principles outlining responsibilities and expectations for businesses with respect to human rights, labour rights, governance and environmental impacts. We evaluate whether companies are violating the principles referenced in these guidelines and various other related conventions and standards².

Companies are assessed to identify any violations of the above mentioned standards, with any identified issues considered a violation.

² The information provided regarding conventions and standards is based on the current understanding and application as of the date of this framework. Please note that these standards are subject to change, amendment, or revision. The content presented here should not be considered as legal advice and is for informational purposes only.

These encompass the following areas:

Violation of basic human and labour rights

These conventions underline the corporate responsibility to respect human rights. This responsibility requires companies to avoid causing or contributing to adverse human rights impacts through their own activities, and to prevent, mitigate or remedy human rights impacts directly linked to their operations, products or services.

Depending on the circumstances, companies may need to consider additional universal human rights standards, for instance related to protecting the rights of specific groups such as indigenous peoples, women, persons with disabilities, and migrant workers and their families. It is also important for companies to consider situations where human rights or international humanitarian law are violated, including unlawful violence against civilians, genocide, or crimes against humanity.

“Fundamental labour rights include the effective abolition of child labour and the elimination of all forms of forced labour, as well as the freedom of association, the effective recognition of the right to collective bargaining and the elimination of all forms of discrimination in respect to employment”.³

Systematic involvement in fraud, corruption and tax evasion

We assess whether companies are systematically involved in fraud, corruption or tax evasion. This includes bribery, extortion, fraud, collusion, money laundering, embezzlement, illegal political contributions, nepotism and certain facilitation payments. Also, conscious withholding, falsifying or twisting information of essential importance to consumers, business relations, shareholders, employees, or other stakeholders are seen as a violation of international standards.

Table A2: Good governance

We assess whether companies follow good governance practices, based on the following criteria ⁴ :	
<ul style="list-style-type: none">● Alignment with the UN Global Compact.● Alignment with the UN Guiding Principles on Business and Human Rights.● Alignment with the OECD Guidelines for Multinational Enterprises.	<ul style="list-style-type: none">● Alignment with the ILO Declaration on Fundamental Principles and Rights at Work.● No involvement in very severe governance controversies.

Environmental damage

Very severe environmental controversies are incidents that significantly harm the environment. The evaluation of these controversies considers factors such as a company’s systemic involvement in issues related to land use and biodiversity, toxic spills and releases, energy and climate change, water management, operational non-hazardous waste, and the environmental impact of their supply chain management.

“
We do not invest in companies involved in controversial weapons.

³ ILO Declaration on Fundamental Principles and Rights at Work, 1998.
⁴ These criteria have been defined to assess investee companies’ adherence to the SFDR good governance requirement.

Military weapons involvement

These encompass the following areas:

Involvement in controversial weapons

We screen for companies to identify those involved in the production, development, sale, or distribution of controversial weapons or components or related services that are essential⁵ or specialised⁶. Moreover, we identify companies holding a stake (and/or voting powers) of 20 percent or more in other companies involved in such activities.

We consider weapons controversial if they are forbidden under international law and banned by international conventions or treaties, or if they violate fundamental humanitarian principles when they are used. More specific, we consider the following weapons to be controversial:⁷

- Anti-personnel mines
- Biological weapons
- Chemical weapons
- Cluster munition
- Nuclear weapons
- White phosphorus
- Depleted uranium.

Distribution of military equipment to military regimes

Investments are evaluated with regard to companies involved in the trade or distribution of military equipment - such as conventional weapons, arms and weapon systems, military transport systems, other military goods and related services - with countries or non-state actors that are subject to United Nations (UN) Security Council, European Union (EU) or the United Kingdom (UK) arms embargoes.

2.2.2. Harmful

Production and distribution of civilian firearms

Investments in companies are identified when involved in the production or distribution, either wholesale or retail, of firearms and small-arms ammunitions intended for civilian use. Moreover, we identify companies holding a stake (and/or voting powers) of 20 percent or more in other companies involved in such activities.

Products or businesses with significant risk of harm to physical or mental health

We consider products or businesses that involve significant risk of harm to human physical or mental health as a violation of sound product and business integrity. Companies will be flagged under the following criteria, subject to pre-defined thresholds (see the Annex):

Companies involved in the following products or businesses:

- Tobacco
- Adult entertainment
- Gambling

Activities with significant risk of harmful impacts to animal welfare

We consider that human interaction with animals should occur in a responsible and prudent manner. Treatment of animals in a humane way should be standard.

Animal testing

Animal testing should not occur unless it is proven to be crucial for society, such as for medical testing, and if there is no alternative available or if it is required by law to test product safety on animals. Companies conducting animal testing for non-medical products, or those without disclosures in support of researching or employing alternatives to animal testing will be flagged.

Fur

Companies that produce fur will be flagged.

Factory farming

We screen for companies that are involved in commercial animal husbandry for the purpose of food production. The assessment may, for all above topics, take into account whether companies have policies or programmes on animal welfare.

“

We consider that tobacco involves significant risk of harm to human health.

⁵ Essential components or services are crucial for the functioning of the weapon, such as sub-munitions, fuses, guidance mechanisms, and warheads.

⁶ Specialised components or services are those that are specifically developed and provided for the controversial weapon and thus are not considered dual-use.

⁷ The first four types of controversial weapons align with the Principal Adverse Indicator set out in the SFDR related to exposure to controversial weapons (PAI 14).

2.2.3. Subsidiaries and affiliates

When classifying subsidiaries and/or affiliates of a classified company, the following criteria are used to determine whether the subsidiary or affiliate receives the same classification or is assessed separately.

A subsidiary or affiliate typically shares the company’s classification if:

- the two companies are not independently listed, or
- the classified company owns 50 or more percent of the voting rights of the subsidiary, or has a largely comparable ownership or governance structure or policy of the affiliate.

“
A company and its subsidiaries or affiliates generally receive the same assessment if the two organisations do not have an independent listing.

2.3. Sovereign fit within a sustainable society?

Sovereign bonds are an important asset class, traditionally seen as low-risk or even risk-free. However, research increasingly shows that governance, social and environmental factors significantly influence a country’s risks and opportunities and should be considered in sovereign debt analysis.

We consider compliance with fundamental rights, environmental standards, and global governance norms essential for (sub-)sovereign investments. Countries that systematically fail to meet these standards are deemed unethical or irresponsible investments and are classified as ‘International Standards’ in our Sustainability Classification Framework.⁸ Table A3 outlines the principles used. Sovereigns are evaluated against these principles according to predefined criteria and thresholds (see the Annex).

2.3.1. Sub-sovereign and State-owned issuers

Sub-sovereign entities are assessed in line with their parent country. State-owned companies in countries classified under ‘International Standards’ do not automatically receive the same classification. Any controversy directly involving a specific state-owned companies is assessed on a case-by-case basis, based on the principles outlined in section 2.2.

Table A3: Principles for sovereigns

Governance	Social	Environment
Exhibit good governance, including compliance with political rights & civil liberties, no involvement in structural corruption, care for institutional strength. Compliance with international sanctions and no involvement in controversial arms trade.	Provision of decent circumstances to uphold and protect human and social capital, including compliance with fundamental human, social and labour rights.	Incorporation of the impacts of climate change, resource scarcity and other environmental and nature risks into governmental decision making. That is, sovereigns are expected to take the risks, opportunities and impacts of climate change and resource scarcity into account in policy programs.

⁸ Sovereigns meeting all standards are classified as ‘Adapting’. Green, social or sustainable sovereign bonds that comply with the Cardano Bond assessment criteria are generally classified as ‘Positive Impact’. We currently do not use the ‘Sustainable’ or ‘At Risk’ categories for sovereigns in our Sustainability Classification Framework.

3.

Step 2: Adaptive capacity



3.1. Introduction

In the second step, each investment is classified into one of the remaining five categories of the Sustainability Classification Framework shown in figure A1, based on where they stand in the journey towards a sustainable way of operating.

We evaluate how an entity manages its sustainability-related risks and how well it reduces its negative or contributes to a positive real-world impact. In section 3.2, we first describe which levers an entity can pull to reduce risks and impacts related to the major challenges that need to change when transitioning to a sustainable society. In section 3.3, we describe how investments are classified into the remaining five categories of the Sustainability Classification Framework. More detail on certain criteria and thresholds are set out in the Annex.

Figure A2: Adaptive capacity



3.2. Levers of change

We define an investment’s *adaptive capacity* as its ability and likelihood to contribute to the transition towards a sustainable society.

High adaptive capacity means effectively managing sustainability risks and creating positive impact; low adaptive capacity means failing to do so and maintaining negative impact.

Adaptive capacity is assessed by analysing seven levers through which an investment can reduce sustainability-related risks or mitigate negative impacts. Four levers represent environmental behaviour and three levers reflect social and governance behaviour – see table A4. Each lever may impact multiple planetary boundaries and social themes.

Table A4: Levers of change to reduce sustainability-related risks and impacts

Levers of change	
 Fossil fuel use	Management of fossil fuel use impacts among other things climate change, biodiversity loss, accessibility to basic services (energy availability) and a fairer society (human health).
 Water use	Management of freshwater use and discharge impacts, among other things water scarcity, availability of basic services (drinking water and food) and a fairer society (health).
 Land and ocean use	Land conversion, land and ocean use overexploitation, and natural resources management especially for agricultural and soft commodity purposes, impacts climate change, biodiversity loss, and water scarcity but also availability of basic services (food) and a fairer society (treatment of local communities and unequal access to land).

Levers of change		
	Materials use and waste management	Management of scarce natural resources, chemical substances and hazardous waste and plastics potentially contributes to climate change, water pollution and a fairer society (human health).
	Human capital management	Activities related to labour and union rights, employee health & safety and labour practices, impact accessibility and availability of basic needs and a fairer society.
	Social capital management	Actions to maintain the license to operate on which businesses and sovereigns depend, impact accessibility and availability of basic needs and a fairer society, e.g. through impacts on human rights, community relations, social equity and access to health care and finance.
	Organisational behaviour and integrity	Actions to create an ethical business environment, impact good governance and a fairer society. For companies this refers to their own business model, but also to how they treat companies and other stakeholders up- and downstream in their value chain.

Material levers vary by (sub)sector. Table A5 (based on the GICS sector classification) shows the most material levers per sector. Risk assessments consider only these material

levers, while real-world impact evaluations take all potential impacts into account.

Table A5: Materiality map showing which levers are material to the various sectors.

Sectors	Levers of change						
	Fossil Fuel use	Water use	Land use	Materials & Waste Man.	Human Capital Man.	Social Capital Man.	Organisational Behaviour & Integrity
Communication services	—	—	—	—	●	●	●
Consumer discretionary	●	●	●	●	●	●	●
Consumer staples	●	●	●	●	●	●	●
Energy	●	●	●	●	●	●	●
Financials	●	—	—	—	●	●	●
Health Care	●	—	—	●	●	●	●
Industrials	●	●	●	●	●	●	●
Information technology	●	●	—	●	●	●	●
Materials	●	●	●	●	●	—	●
Real estate	●	●	—	—	—	●	●
Utilities	●	●	●	●	●	●	●

- = Material for most entities in the sector
- = Less likely to be material for the entities in the sector

Note that materiality is not necessarily the same for each of the sub-sectors within a certain sector.

3.3. Classifying investments

Based on an assessment for the different levers and other pre-defined criteria, each investment is classified into one of the following five categories:⁹

- **Positive Impact:** Investments that accelerate the transition towards a sustainable society through intentional contributions to environmental or social objectives. They do no significant harm to other environmental or social objectives. Their operations are within the planetary boundaries and social foundations or are transitioning at or ahead of sector pathways. They have the management capabilities to mitigate the risks they are exposed to. (See the Cardano Impact Investing Policy for more details.)
- **Sustainable:** Investments that contribute to the transition towards a sustainable society. They do no significant harm to environmental or social objectives. Their operations are within the planetary boundaries and social foundations or are transitioning at or ahead of sector pathways. They have the management capabilities to mitigate the risks they are exposed to.
- **Adapting:** Investments that are transitioning towards a sustainable society by reducing their negative impacts. They may do significant harm to environmental or social objectives. There is sufficient evidence that they are transitioning towards operating within the planetary boundaries and social foundations in a reasonable timeframe. They have the management capabilities to mitigate the risks they are exposed to.
- **At Risk:** Investments with negative impacts that are not yet aligned with the transition to a sustainable society. They may do significant harm to environmental or social objectives. They do not yet demonstrate sufficient commitment to transitioning their activities to operate within the planetary boundaries and social foundations. They may lack sufficient management capability or willingness to transition towards a sector pathway in a reasonable timeframe, creating long term sustainability and/or financial risks.
- **Non-adapting:** Investments with negative impacts that are not aligned with the transition to a sustainable society. They may do significant harm to environmental or social objectives. They do not demonstrate commitment, capability or willingness to transition their activities to operate within the planetary boundaries and social foundations. They are not managing significant sustainability and financial risks, that in the long term may lead to them becoming stranded assets.

For each material lever, we assess:

- **Exposure** to material sustainability risks and potential positive and negative impacts, based on factors such as carbon or water intensity, regulatory regime, physical environment, and the value at risk from environmental change.
- **Management capacity** to address risks and impacts, based on strategies, policies, targets, certifications, and demonstrated performance (e.g. carbon reduction pathways, controversies, revenue or capital expenditure from positive-impact activities like renewables or regenerative agriculture, or negative-impact activities like thermal coal or operations in high-conservation areas).

A high management capacity score is a forward-looking indicator of an entity's ability to manage exposure risks, reduce negative impacts, and create positive impact. The framework applies a double materiality approach, using multiple lever-specific data sources.

For each lever of change, we apply pre-defined criteria and thresholds that determine an investment's classification across the 'Non-adapting', 'At Risk' and 'Adapting' categories. Thresholds specify the level of management capacity required for a given exposure. Criteria become progressively stricter from 'Non-adapting' to 'Adapting'. Thresholds vary by lever, reflecting the differing materiality and societal impact of each theme.

Specific criteria apply for the classification to the 'Sustainable' category. In addition to meeting 'Adapting' criteria, the investments must contribute to an environmental or social objective and do no significant harm to the environment or society, and the investee companies must follow good governance practices¹⁰.

For the 'Positive Impact' category, in addition to meeting 'Sustainable' criteria, investments must be made with the intention to generate a positive and measurable social or environmental impact alongside a financial return.

⁹ Investments that classify as 'Sustainable' or 'Positive Impact' are considered a 'sustainable investment' within the meaning of the SFDR.

¹⁰ These concepts refer to the definition of 'sustainable investments' in the SFDR. See the Annex for more information on the criteria we have established for how each parameter is to be fulfilled.

The lowest threshold to which an investment doesn't comply, in principle, determines the category to which it is assigned. For instance, a utility company not passing the 'Non-adapting' thresholds for the fossil fuel lever is classified as 'Non-adapting', irrespective of how good its water and land use scores are. A classification based on quantitative thresholds can be overruled if a fundamental analysis shows sufficient proof that the data used do not sufficiently well reflect a company's actual behaviour, sustainability-related risks or impacts. We evaluate the classifications regularly.

Threshold levels are based on the best available (scientific) knowledge about impact to the planetary boundaries or social foundations. Over time, for instance when the transition progresses, the threshold levels for a specific lever may change. As new data becomes available, new measurement methods are developed, and innovations allow for new updates, threshold values may be redefined.

“
Entities are likely to be classified as 'Positive Impact' if they intentionally develop products that enable others to reduce their climate impacts.

Annex

Annex

Company assessments – key criteria and thresholds *

Topic	Sub-topic	Criteria	International Standards	Harmful	Non-Adapting	At Risk
Subject to international sanctions	Sanctions lists issued by the UN, EU, OFAC, NL or UK, or where required by law, other relevant jurisdictions	Fail	✓			
Violation of basic human and labour rights	UN Guiding Principles on Business and Human Rights	Fail	✓			
	UN Global Compact	Fail	✓			
	OECD Guidelines for Multinational Enterprises	Fail	✓			
	ILO Declaration on Fundamental Principles and Rights at Work	Fail	✓			
Systematic involvement in fraud, corruption and tax evasion	Governance controversies	Very severe	✓			
Environmental damage	Environmental controversies	Very severe	✓			
Involvement in controversial weapons	Controversial weapons: - Anti-personnel mines - Biological weapons - Chemical weapons - Cluster munition - Nuclear weapons - White phosphorus - Depleted uranium (including >20% stakeholders)	Any involvement	✓			
Distribution of military equipment to military regimes	Military equipment to countries or non-state actors subject to UN, EU or UK arms embargoes	Fail	✓			
Production and distribution of civilian firearms	Civilian firearms (including >20% stakeholders)	Any involvement		✓		
Products or businesses with significant risk of harm to physical or mental health	Tobacco (including cigarettes, cigars and e-cigarettes) - cultivation and production	Any turnover		✓		
	Tobacco (including cigarettes, cigars and e-cigarettes) - supply, retail and distribution	>10% turnover		✓		

Topic	Sub-topic	Criteria	International Standards	Harmful	Non-Adapting	At Risk
	Adult entertainment	>5% turnover		✓		
	Gambling - offering, exploiting, producing, licensing or supporting gambling, lottery and competitive games or manufacturing and selling the relevant equipment	>5% turnover		✓		
Activities with significant risk of harmful impacts to animal welfare	Animal testing	True		✓		
	Fur	True		✓		
	Factory farming	True		✓		
Fossil fuel use	Thermal coal - generation	≥ 15% turnover (2025) ≥ 5% turnover (2028)			✓	
	Thermal coal – mining	≥ 10% turnover (2025) ≥ 2% turnover (2028)			✓	
	Coal Fired Power Generation - expansion	Score			✓	✓
	Unconventional oil & gas	Revenue and management score			✓	✓
	Climate-related risk	Exposure and management score			✓	✓
	Climate Value-at-Risk	Score				✓
	Nuclear energy	Revenue				✓
Water use	Water use	Exposure and management score			✓	✓
	Water stress controversies	Severe or Very Severe				✓
Land and ocean use	Biodiversity	Exposure & management			✓	✓
	Raw Material – sourcing	Score				✓
	Raw Material controversies	Severe or Very Severe				✓
Materials use and waste management	Pollution and hazardous waste	Exposure and management score			✓	✓
	Waste management, including plastic and electronic waste				✓	✓
	Chemical safety				✓	✓
Human capital management	Labour practices	Exposure and management score			✓	✓
	Employee health & safety				✓	✓
	Supply chain labour				✓	✓
	Employee training and development				✓	✓

Topic	Sub-topic	Criteria	International Standards	Harmful	Non-Adapting	At Risk
Social capital management	Controversial material sourcing and procurement	Exposure and management score			✓	✓
	Product safety & quality				✓	✓
	Data and privacy security				✓	✓
	Assess to and affordability of communication, health care, nutrition and finance				✓	✓
	Community relations				✓	✓
Organisational behaviour and integrity	Organizational Behaviour Driver	Score				✓
ESG Score	ESG Score	Proprietary				✓
Controversy score	Controversy score	Score				✓
Adapting	Applies when an investment does not fit any of the four lower categories (International Standards, Harmful, Non-adapting, At Risk) nor qualifies for the top two (Sustainable, Positive Impact)					
Sustainable	Positive contribution to an environmental or social objective	- Contribution to one of the UN Sustainable Development Goals (SDGs) - Transition pathway towards climate neutrality				
	Do No Significant Harm	<i>Amongst others:</i> - Minimum classification as Adapting - Overall Controversy Score - Paris-aligned benchmark exclusions as referred to in Article 12.1 of the Commission Delegated Regulation (EU) 2020/1818 - Principal Adverse Impacts				
	Good Governance practices	Part of International Standards	Violation of basic human and labour rights; and Systemic involvement in fraud, corruption and tax evasion			
Positive impact	- Minimum classification as Sustainable - Intentional, substantial real-world impact through business or product, measured by revenue, capital expenditure, research and design plans, and/or operational expenditure					

* Not all granular details are reflected in this Annex. Sub-topic assessments may vary by sector and may include qualitative considerations. Stricter criteria may apply on a solution-by-solution basis; please refer to the relevant solution documentation.

Sovereign assessments – key criteria and thresholds *

Category	Topic	Sub-topic	Criteria
International Standards	Governance	World Bank <i>Worldwide Governance Indicators</i>	Lowest 20%
		Governance scores	Lowest 20%
		Subject to UN, EU or UK arms embargoes	Fail
		Distribution of military equipment to countries and non-state actors subject to UN, EU or UK arms embargoes	Fail
		Sanctions lists issued by the UN, EU, OFAC, NL, or UK, or where required by law, other relevant jurisdictions	Fail
	Social	Protection of political rights and civil liberties: <i>Freedom House's 'Freedom in the World'</i>	“Not Free” or “Free” or “Partly Free” if they have control over disputed territories
		Social scores	Lowest 20%
		Support provided to social and economic development of population, measured through the Human Development Index (HDI).	Lowest 20%
	Environment	Environmental scores	Lowest 20%

*Not all granular details are reflected in this Annex. Sub-topic assessments may vary by country or region and may include qualitative considerations.

**Cardano Asset
Management N.V.
Cardano Risk
Management B.V.**

Weena 690
21st floor
3012 CN Rotterdam
The Netherlands
T: +31 10 206 1300
E: info@cardano.com
W: cardano.com

**Mercer Risk
Management Limited**

1 Tower Place West
London
EC3R 5BU
United Kingdom
T: +44 (0)20 7626 6000
W: www.mercer.com

The information contained in this document is for discussion purposes and under no circumstances may any information contained in this document be construed as an offer to provide investment service (e.g. investment advice). The information contained in this document reflects, as of the date of issue, the views of the legal entities explicitly stated above ("Mercer & Cardano") and sources believed by Mercer & Cardano to be reliable. No representation or warranty is made concerning the accuracy or completeness of any data contained in this document. In addition, there can be no guarantee that any projection, forecast or opinion in this document will be realised. Past investment performance is not a reliable indicator of future results; no guarantees of future performance are provided. The views expressed in this document, or any factual information contained in this document, may change at any time subsequent to the date of its issue. No information contained in this document shall be construed as any sales or marketing materials in respect of any financial instrument, product or service sponsored or provided by Mercer & Cardano or any of its affiliates or agents. Mercer & Cardano accept no liability to any person for any information contained in this document. The recipients of this Information cannot derive rights from this Information. Any person wishing to use the information contained in this document for investment purposes must make their own assessment of the merits of doing so or should seek financial advice from a third party. References to specific securities are presented solely in the context of industry analysis and are not to be considered recommendations by Mercer & Cardano. Mercer & Cardano may have positions in, and may effect transactions in the markets, industry sectors and companies described in this document. This document is not an advertisement. Nothing in this document shall be construed as tax advice or legal advice. Mercer & Cardano only provide services to professional clients.

© Mercer & Cardano 2026

Cardano Asset Management N.V. is part of the Marsh McLennan Group. Cardano Asset Management N.V. is registered in the Netherlands number 30143634. Authorised and regulated by the Dutch Financial Markets Authority.

Cardano Risk Management B.V. is part of the Marsh McLennan Group. Cardano Risk Management B.V. is registered in the Netherlands number 24308915. Authorised and regulated by the Dutch Financial Markets Authority.

Mercer Risk Management Limited is part of the Marsh McLennan Group. Mercer Risk Management Limited is registered in England and Wales with company number 09050863. Authorised and regulated by the Financial Conduct Authority.