

ISS ESG SFDR PRINCIPAL ADVERSE IMPACT

Pursuant to the European Union’s Sustainable Finance Disclosure Regulation (SFDR), affected financial market participants are obliged to disclose the “Principal Adverse Impact” (PAI) of their investments on sustainability factors. To facilitate such disclosures, ISS ESG’s SFDR Principal Adverse Impact solution provides a set of datapoints that are aligned to the adverse sustainability indicators for investee companies, as well as sovereigns and supranationals, as presented in the Regulatory Technical Standards (RTS) provided by the European Supervisory Authorities. The ISS ESG dataset comprises all mandatory as well as some additional PAI indicators for both corporate and sovereign issuers. Adverse sustainability indicators applicable to investments in real estate assets are not supported. In addition to the data on individual issuers, ISS ESG also offers an associated portfolio analytics reporting tool, which calculates the performance of a portfolio against the specific PAI indicators and metrics following the calculations prescribed by the RTS.

Outputs

The dataset provides issuer level datapoints aligned to the specific requirements of the RTS. The dataset comprises three types of factors:

- quantitative data on e.g., emission levels or percentage share of non-renewable energy consumption
- true/false indications providing a qualitative assessment on whether the issuer complies with prescribed requirements such as having a workplace health and safety policy in place
- performance assessments for issuers in certain areas, such as the human rights performance of investee countries.

Research Process

The ISS ESG SFDR PAI solution leverages both raw data collected by ISS ESG as well as assessments from several ISS ESG solutions. These solutions use a mixture of quantitative and qualitative inputs and have their individual methodologies and research processes. For more details, please refer to the documents of the respective solutions, including:

- ESG Corporate Rating
- Country Rating
- Climate Solutions
- Energy & Extractives
- Controversial Weapons Research
- Norm-Based Research
- Governance QualityScore

Use of Estimated Data

In case of insufficient or inadequate disclosure, some of the data leveraged within ISS ESG's SFDR Principal Adverse Impact Solution can be modelled or estimated. Estimated figures are based on clear estimation rules to ensure that results are based on reasonable assumptions with medium to high certainty. Of the solutions leveraged within ISS ESG's SFDR Principal Adverse Impact Solution, the ESG Corporate Rating, Climate Solutions, and Energy & Extractives contain estimated and/or modelled data. Please refer to the relevant methodology documents of these solutions for further details on how data can be modelled or estimated.

Last Updated: June 2022

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for long-term and sustainable growth by providing
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