

SFDR Principal Adverse Impact Solution

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 STOXX'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 STOXX 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 STOXX 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 STOXX SFDR PAI solution leverages both raw data collected by ISS STOXX as well as assessments from several ISS STOXX 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:

- Climate Solutions
- Controversial Weapons Research
- Sovereign Rating
- Energy & Extractives
- Corporate Rating

SFDR Principal Adverse Impact Solution

Methodology and Research Process

- Raw Data
- Governance QualityScore
- Norm-Based Research

Use of Estimated Data

In case of insufficient or inadequate disclosure, some of the data leveraged within ISS STOXX'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 STOXX's SFDR Principal Adverse Impact Solution, the 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.

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ISS STOXX Sustainability enables investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions. It also provides climate data, analytics, and advisory services to help financial market participants understand, measure, and act on climate-related risks across all asset classes. In addition, our Sustainability solutions cover corporate and country research and ratings enabling its clients to identify material social and environmental risks and opportunities. Sustainability solutions are provided by Institutional Shareholder Services Inc., an investment adviser registered under the U.S. Investment Advisers Act of 1940.

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