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SUSTAINABLE FINANCE DISCLOSURE REGULATION – PRINCIPLE ADVERSE IMPACT INDICATOR COVERAGE

The regulation

To reach the Paris Agreement and reduce the impacts of climate change, several regulations have been drafted. An important and timely piece of regulation for the EU is around sustainable finance disclosure.

The Sustainable Finance Disclosure Regulation (SFDR) introduces environmental, social and governance (ESG) disclosure standards for financial market participants, advisers and products. The regulation requires all EU-based financial market participants to disclose on ESG issues.

The aim of the regulation is to minimize greenwashing and to provide a transparent view into sustainability investments for the end investor. To meet the SFDR, asset managers need accurate and trusted data. This is where Refinitiv can help.

Based on the Final Report on draft Regulatory Technical Standards published in February 2021, Refinitiv has analyzed the three tables provided in the report concerning Principal adverse sustainability impacts statement and carried out a coverage exercise, further details can be found below.

UK/EU impacts

Disclosure measures, covering securities, supernationals, sovereigns and real estate, will affect both investment managers and investment products in the EU and UK:

- EU: The SFDR comes into effect March 10, 2021 and relates to ESG policies
- UK: The regulation will be phased in from 2022 and relates to climate-related disclosure

Coverage

Refinitiv has solid coverage across 56 of the proposed 64 indicators.

Table 1: Principal adverse sustainability impacts statement

Indicators applicable to investments in investee companies				
Adverse sustainability indicator	Metric	Refinitiv – Level of Match	Refinitiv Data Measures	
Climate and other environment-related indicators				
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	Direct	CO2 Equivalent Emissions Direct, Scope 1
		Scope 2 GHG emissions	Direct	CO2 Equivalent Emissions Indirect, Scope 2
		From 1 January 2023, Scope 3 GHG emissions	Direct	CO2 Equivalent Emissions Indirect, Scope 3
		Total GHG emissions	Direct	CO2 Equivalent Emissions Total

Indicators applicable to investments in investee companies				
Adverse sustainability indicator	Metric	Refinitiv – Level of Match	Refinitiv Data Measures	
Greenhouse gas emissions	2. Carbon footprint	Carbon footprint	CO2 Equivalent Emissions Direct, Scope 1 CO2 Equivalent Emissions Indirect, Scope 2 CO2 Equivalent Emissions Indirect, Scope 3	
	3. GHG intensity of investee companies	GHG intensity of investee companies	CO2 Equivalent Emissions Direct, Scope 1 CO2 Equivalent Emissions Indirect, Scope 2 CO2 Equivalent Emissions Indirect, Scope 3 Total Revenue	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	Direct	TRBC – The Refinitiv Business Classification
	5. Share of nonrenewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	Direct	Renewable Energy Use Renewable Energy Supply
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Direct	Total Energy Use To Revenues USD TRBC Codes
Biodiversity	7. Activities negatively affecting biodiversitysensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversitysensitive areas where activities of those investee companies negatively affect those areas	Partial	Biodiversity Impact Reduction
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	Direct	Water Pollutant Emissions
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	Direct	Hazardous Waste

Indicators applicable to investments in investee companies				
Adverse sustainability indicator	Metric	Refinitiv – Level of Match	Refinitiv Data Measures	
Social and employee, respect for human rights, anti-corruption and anti-bribery matters				
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Direct	Anti-Competition Controversies Count Recent Anti-Competition Controversy Business Ethics Controversies Recent Business Ethics Controversies Recent Critical Countries Controversies Critical Countries Controversies Freedom of Association Controversies Recent Human Rights Controversies Human Rights Controversies Public Health Controversies Recent Public Health Controversies Environmental Controversies Count Recent Environmental Controversies Child Labor Controversies Recent Child Labor Controversies Diversity and Opportunity Controversies Recent Diversity Opportunity Controversies Wages Working Condition Controversies Count Recent Wages Working Condition Controversies
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Direct	Global Compact Signatory OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	Direct	Gender Pay Gap Percentage
	13. Board gender diversity	Average ratio of female to male board members in investee companies	Direct	Board Gender Diversity, Percent
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Partial	Cluster Bombs Anti-Personnel Landmines

Indicators applicable to investments in investee companies				
Adverse sustainability indicator		Metric	Refinitiv – Level of Match	Refinitiv Data Measures
Indicators applicable to investments in sovereigns and supranationals				
Environmental	15. GHG intensity	GHG intensity of investee countries	Direct	Emissions, CO2 Emissions (KG Per 2010 US Dollar of Gross Domestic Product)/World Bank Indicator
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Direct	Comprehensive Risk, Political, Human Rights, Band Fragile States Index, Human Rights
Indicators applicable to investments in real estate assets				
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	No Match	Industrial Real Estate Rental & Development Industrial Real Estate Services
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	No Match	

Table 2: Additional climate and other environment-related indicators (opt-in indicators – at least 1 to be reported)

Indicators applicable to investments in investee companies				
Adverse sustainability indicator	Metric	Refinitiv – Level of Match	Refinitiv Data Measures	
Climate and other environment-related indicators				
Emissions	1. Emissions of inorganic pollutants	Tonnes of inorganic pollutants equivalent per million EUR invested, expressed as a weighted average	Direct	Water Pollutant Emissions
	2. Emissions of air pollutants	Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average	Partial	NOx Emissions SOx Emissions VOC Emissions
	3. Emissions of ozone depletion substances	Tonnes of ozone depletion substances equivalent per million EUR invested, expressed as a weighted average	Direct	Ozone-Depleting Substances
	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	No match	Targets Emissions
Energy performance	5. Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each nonrenewable energy source	Direct	Energy Purchased Direct Energy Produced Direct Indirect Energy Use Electricity Purchased Electricity Produced Renewable Energy Purchased Renewable Energy Produced
Water, waste and material emissions	6. Water usage and recycling	1. Average amount of water consumed and reclaimed by the investee companies (in cubic meters) per million EUR of revenue of investee companies	Direct	Water Withdrawal Total
		2. Weighted average percentage of water recycled and reused by investee companies	Direct	Water Recycled
	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies	Direct	Policy water efficiency
	8. Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	No match	

Indicators applicable to investments in investee companies				
Adverse sustainability indicator	Metric	Refinitiv – Level of Match	Refinitiv Data Measures	
Water, waste and material emissions	9. Investments in companies producing chemicals	Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006	Direct	Agricultural Chemicals Agricultural Chemicals (NEC) Fertilizers Pesticides Organic Fertilizers Agricultural Chemicals Wholesale
	10. Land degradation, desertification, soil sealing	Share of investments in investee companies the activities of which cause land degradation, desertification or soil sealing	Partial	Land Environmental Impact Reduction
	11. Investments in companies without sustainable land/ agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies	Partial	Equator Principles or Env Project Financing
	12. Investments in companies without sustainable oceans/ seas practices	Share of investments in investee companies without sustainable oceans/seas practices or policies	Partial	SDG 14 Life Below Water
	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	Direct	Waste Recycling Ratio
	14. Natural species and protected areas	1.Share of investments in investee companies whose operations affect threatened species	Partial	Biodiversity Impact Reduction
		2.Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas	Direct	Biodiversity Impact Reduction
15. Deforestation	Share of investments in companies without a policy to address deforestation	Partial	Land Environmental Impact Reduction	
Indicators applicable to investments in sovereigns and supranationals				
Green securities	16. Share of securities not certified as green under a future EU legal act setting up an EU Green Bond Standard	Share of securities in investments not certified as green	Direct	Green Bond Flag ESG Bond Flag
	17. Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard	Share of bonds not certified as green	Direct	Green Bond Flag ESG Bond Flag

Indicators applicable to investments in investee companies				
Adverse sustainability indicator	Metric	Refinitiv – Level of Match	Refinitiv Data Measures	
Indicators applicable to investments in real estate assets				
Green securities	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets	Direct	CO2 Equivalent Emissions Direct, Scope 1 Real Estate
		Scope 2 GHG emissions generated by real estate assets	Direct	CO2 Equivalent Emissions Indirect, Scope 2 Real Estate
		From 1 January 2023, Scope 3 GHG emissions generated by real estate assets	Direct	CO2 Equivalent Emissions Indirect, Scope 3 Real Estate
		Total GHG emissions generated by real estate assets	Direct	CO2 Equivalent Emissions Total Real Estate
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	No match	
Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	Partial	Waste Reduction Initiatives Real Estate
Resource consumption	21. Raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled and biosourced) compared to the total weight of building materials used in new construction and major renovations	No Match	Environmental Materials Sourcing
Biodiversity	22. Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets	No match	

Table 3: Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters (opt-in indicators – at least 1 to be reported)

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters				
Adverse sustainability indicator	Metric	Refinitiv – Level of Match	Refinitiv Data Measures	
Indicators applicable to investments in investee companies				
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	Direct	Health & Safety Policy
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	Direct	Accidents Total Contractor Accidents Employee Accidents
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	Direct	Lost Working Days Employee Lost Working Days Contractor Lost working Days
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	Direct	Policy Supply Chain Health & Safety Supply Chain Health & Safety Improvements Supplier ESG training Supply Chain Health & Safety Training Policy Child Labor Policy Forced Labor
	5. Lack of grievance/ complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters	Direct	Improvement Tools Business Ethics
	6. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers	Direct	Whistleblower Protection
	7. Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average	Direct	Diversity and Opportunity Controversies Recent Diversity and Opportunity Controversies
		2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average	No Match	Diversity and Opportunity Controversies Recent Diversity and Opportunity Controversies
8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)	Partial	Salary Gap	

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability indicator	Metric	Refinitiv – Level of Match	Refinitiv Data Measures	
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	Direct	Human Rights Policy
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	Direct	Human Rights Contractor
	11. Lack of processes and measures for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings	Direct	Policy Forced Labor
	12. Operations and suppliers at significant risk of incidents of child labour	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour exposed to hazardous work in terms of geographic areas or type of operation	Partial	Policy Child Labor Critical Country 1 Critical Country 2 Critical Country 3 Critical Country 4 Critical Country 5
	13. Operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms of geographic areas and/or the type of operation	Partial	Policy Forced Labor Critical Country 1 Critical Country 2 Critical Country 3 Critical Country 4 Critical Country 5
	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	Partial	Recent Human Rights Controversies Human Rights Controversies
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and antibribery consistent with the United Nations Convention against Corruption	Direct	Policy Bribery and Corruption
	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and antibribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anticorruption and anti-bribery	Partial	Improvement Tools Business Ethics Bribery, Corruption and Fraud Controversies Recent Business Ethics Controversies Business Ethics Controversies
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anticorruption and anti-bribery laws by investee companies	Partial	Bribery, Corruption and Fraud Controversies Recent Business Ethics Controversies Business Ethics Controversies

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

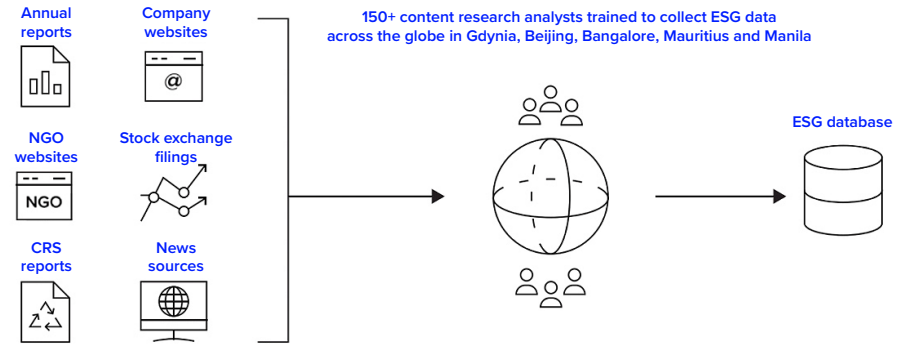
Adverse sustainability indicator	Metric	Refinitiv – Level of Match	Refinitiv Data Measures
Indicators applicable to investments in sovereigns and supranationals			
Social	18. Average income inequality score	The distribution of income and economic inequality among the participants in a particular economy including a quantitative indicator explained in the explanation column	Direct Fragile States Index, Economic Inequality
	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained in the explanation column	Direct Legatum Prosperity Index, Freedom of Assembly and Association, Score Legatum Prosperity Index, Freedom of Opinion and Expression, Score
Human rights	20. Average human rights performance	Measure of the average human right performance of investee countries using a quantitative indicator explained in the explanation column	Direct Comprehensive Risk, Political, Human Rights, Score Fragile States Index, Human Rights
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column	Direct Corruption Perceptions Index, Score Anti-Corruption Risk, Criminal, Corruption, Score
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of noncooperative jurisdictions for tax purposes	Direct Filter by company country of HQ – see comments for list
	23. Average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force using a quantitative indicator explained in the explanation column	Direct Political Stability Risk Rating, Epre Score (1-10, 1 = Lowest Risk) Comprehensive Risk, Political, Political Stability
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column	Direct Comprehensive Risk, Political, Rule of Law, Band Rule of Law, Estimate of Governance

Refinitiv ESG content

With our standardized ESG data points, we strive to be the industry standard database that reflects official company disclosure on ESG metrics.

Refinitiv’s ESG team comprises over 150 content research analysts trained to collect, audit and standardise ESG data. We have one of the largest ESG content collection operations in the world, with local language expertise, operating from different locations across the globe. We process numerous publicly available information sources to provide up-to-date, objective and comprehensive ESG data coverage.

Our analysts process over 450 measures manually within the ESG universe, putting each measure through a careful process of standardisation to ensure comparability across the full range. Our ESG offering also considers ESG news and controversies, which are updated on a continuous basis as and when events occur and are reported by global media. The database is updated continuously, in alignment with corporate reporting patterns, and data is refreshed on products every week.



Our quality assurance framework

Data entry/pre-production	Post-production	Independent audits	Management reviews
450+ built-in error check logics in the collection tool for various data points: <ul style="list-style-type: none"> • Error check can be tailor-made for specific requirements • Strong deterrence for high-severity data issues with checks that cannot be overwritten 	350+ automated quality check screeners run on ESG collection tool on a daily basis: <ul style="list-style-type: none"> • Correction checks for interrelated data points • Negative screening • Inconsistency/missing quantitative and qualitative data • Scaling • Variance within year • Sector-based range checks (Business Classification codes) • Validating completeness of prior year • Machine-based checks using R tool • Range checks for indicators 	Sample audits on a daily basis: <ul style="list-style-type: none"> • Detailed audits • Critical data point checks • Product audits • Weekly reporting and root cause analysis • Feedback sessions with the production teams 	<ul style="list-style-type: none"> • Monthly quality deep dives • Heat map analysis with top areas for concerns • Measures to address problematic topics and data points • New system validation checks and screeners are constantly created based on new learning, insights and feedback to continuously improve the data quality

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