

## Statement on Principle Adverse Impacts of Investment Decisions on Sustainability Factors Methodology

Category	PAI	Metric	Data methodology - company level	Portfolio PAI calculation
<b>GHG emissions</b>	1. GHG emissions	Scope 1 GHG emissions	Direct emissions from owned or controlled sources (i.e. from burning fuels to generate heat, driving company car owned by company)	$\sum (\text{current value of investment} / \text{investee company's enterprise value} \times \text{investee company's scope 1 emissions})$
		Scope 2 GHG emissions	Indirect GHG emissions associated with the purchase of energy (i.e. emissions generated from the production of electricity, heat or cooling purchased by a company)	$\sum (\text{current value of investment} / \text{investee company's enterprise value} \times \text{investee company's scope 2 emissions})$
		Scope 3 GHG emissions	Indirect emissions (not included in scope 2) that occur in the value chain of the company, including both upstream and downstream emissions (e.g. emissions generated from purchased products and services, business travel, or financial investments)	$\sum (\text{current value of investment} / \text{investee company's enterprise value} \times \text{investee company's scope 3 emissions})$
	2. Carbon footprint	Carbon footprint	Total GHG emissions (scope 1, 2 and 3) adjusted per enterprise value	$\sum (\text{current value of investment} / \text{investee company's enterprise value} \times \text{investee company's total GHG emissions}) / \text{current value of all investments (€M)}$
	3. GHG intensity of investee companies	GHG intensity of investee companies	Total GHG emissions (scope 1, 2 and 3) adjusted per company revenue	$\sum (\text{current value of investment} / \text{current value of all investments} \times \text{investee company's total GHG emissions} / \text{investee company's revenue (€M)})$

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	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	Companies that work on the extraction of fossil fuels: crude oil, coal, natural gas, or heavy oils. Suppliers that provide products and/or services specifically for Fossil Fuel are also considered involved	$\sum (\text{current value of investments in investee companies active in the fossil fuel sector}) / \text{current value of all investments}$
	5. Share of non-renewable 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 of total energy sources	Percentage of total energy consumed from non-renewable energy sources, most likely: coal, oil, gas (natural gas). Other names are liquified oil, petrol, petroleum or anything NOT identified as 'energy from renewable sources' or 'renewable energy'	<p><b>Energy consumption:</b>  <math>\sum (\text{current value of investment} / \text{current value of all investments} \times \text{consumption of non-renewable energy (in GWh) by investee company} / \text{consumption of energy (in GWh) by investee company})</math></p> <p><b>Energy production:</b>  <math>\sum (\text{current value of investment} / \text{current value of all investments} \times \text{production of non-renewable energy (in GWh) by investee company} / \text{production of energy (in GWh) by investee company})</math></p>
	6. Energy consumption per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Summation of direct energy "energy company uses itself in the manufacturing process" and indirect energy "energy used to manufacture inputs used by the main company" divided by net sales or Total revenue in Million USD, per high impact climate sector according to Regulation (EC) No 1893/2006	$\sum (\text{current value of investment} / \text{current value of all investments} \times \text{energy consumption intensity (in GWh) of investee company belonging to NACE (A to H and L)} / \text{investee company's €M revenue belonging to NACE (A to H and L)})$

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<b>Biodiversity</b>	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in/near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.	Company or any of its subsidiaries (if available) are checked against their presence in biodiversity-sensitive areas and/or having activities negatively affecting biodiversity-sensitive areas, for example activities leading to the deterioration of natural habitats and the habitats of species and to disturbance of the species for which the protected area has been designated where conclusions or necessary mitigation measures identified have not been implemented accordingly	$\sum$ (current value of investment in investee companies with sites or operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas) / current value of all investments
<b>Water</b>	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	Value of emissions of priority substances, as well as nitrates, phosphates and pesticides, discharged to: subsurface waters and surface waters, or sewers that lead to rivers, oceans, lakes, wetlands, treatment facilities and groundwater	$\sum$ (current value of investment / investee company's enterprise value x investee company's total tonnes emissions to water generated) / current value of all investments (€M)
<b>Waste</b>	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	Reported tonnage of hazardous and radioactive waste (according to Directive 2008/98/EC) generated annually by companies	$\sum$ (current value of investment / investee company's enterprise value x investee company's total tonnes hazardous and radioactive waste generated) / current value of all investments (€M)
<b>Social and employee matters</b>	10. Violations of UN Global Compact principles and OECD Guidelines for multinational enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or the OECD principles	A violation flag is a designation given to companies that have been involved in significant controversies related to violations of international norms including the UNGC principles, OECD guidelines	$\sum$ (current value of investment in investee companies that have been involved in violations of the UNGC principles or the OECD principles) / current value of all

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			and ILO labor standards. ESG controversies are assessed by researching and documenting answers to a series of qualitative and quantitative questions or inputs, such as legal proceedings (criminal and civil litigations), penalties, etc. The violations are assessed and graded based on the impact level of the violation itself, as well as violation management performance and the corrective action plans adopted by the company. The impact levels of controversies are measured using different variables and ranges depending on the type and number of controversies	<i>investments</i>
	11. Lack of processes and compliance mechanisms to monitor compliance with UNGC or the OECD principles	Share of investments in investee companies without policies to monitor compliance with the UNGC or OECD principles, or grievance/complaints handling mechanisms to address violations of the UNGC and OECD principles	Company has not committed to following the UNGC or OECD principles, and has not displayed any mechanisms to address violations of the guidelines.	$\sum$ (current value of investment in investee companies without policies to monitor compliance with the UNGC or OECD principles, or grievance or complaints mechanisms to address violations of the UNGC or OECD principles) / current value of all investments
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	Difference between average gross hourly earnings of male and female employees as a percentage of male gross earnings. Gender pay gap: (hourly earning of male-hourly earnings of females)/male gross earnings	$\sum$ ( current value of investment / current value of all investments x gender pay gap)

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	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	Reported gender balance of board of directors, per women and men	$\sum ( \text{current value of investment} / \text{current value of all investments} \times \text{number of female board members in investee company} / \text{total number of board members in investee company} )$
	14. Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Company is involved in the manufacturing or selling of anti-personnel mines, cluster munitions, chemical weapons and biological weapons	$\sum ( \text{current value of investment in investee companies involved in the manufacture or selling of controversial weapons} ) / \text{current value of all investments}$
<b>Environmental</b>	15. GHG intensity	GHG intensity of investee countries	Territorial CO2 emissions /Country GDP (€mn). Territorial Emissions are used as a proxy for GHG, given the high dominance of CO2 in GHG emissions. Territorial Emissions refer to Carbon dioxide emissions attributed to the country in which they physically occur	$\sum ( \text{current value of sovereign investment} / \text{current value of all investments} \times \text{Country's total GHG emissions} / \text{country's GDP} )$
<b>Social</b>	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	The country is on the list of sanctioned countries by the UN, OFAC, and/or EU that are in violation of human rights and weapons treaties	$\sum ( \text{current value of investment in investee country under investigation} ) / \text{current value of all investments}$

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<b>Additional PAIs</b>				
<b>Emissions</b>	1. Emissions of inorganic pollutants	Tonnes of inorganic pollutants equivalent per million EUR invested, expressed as a weighted average	Value of direct emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council, for the Large Volume Inorganic Chemicals- Solids and Others industry	$\sum (\text{current value of investment} / \text{investee company's enterprise value} \times \text{investee company's total emissions of inorganic pollutants (in tonnes)}) / \text{current value of all investments (€M)}$
	2. Emissions of air pollutants	Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average	Value of direct Sulphur dioxides (Sox/SO2) emissions, direct nitrogen oxides (NOx/NO2) emissions, direct ammonia (NH3) emissions, direct particulate matter (PM2.5) emissions, direct non-methane volatile organic compounds (NMVOC) emissions, direct total heavy metals (HM) emissions (encompassing cadmium, mercury and lead) in tonnes	$\sum (\text{current value of investment} / \text{investee company's enterprise value} \times \text{investee company's total emissions of air pollutants (in tonnes)}) / \text{current value of all investments (€M)}$
	3. Emissions of ozone-depleting substances	Tonnes of ozone-depleting substances equivalent per million EUR invested, expressed as a weighted average	Tonnes of ozone-depleting substances, chemicals that destroy the earth's protective ozone layer. They include: chlorofluorocarbons (CFCs), halons, carbon tetrachloride (CCl4), methyl chloroform (CH3CCl3), hydrobromofluorocarbons (HBFCs) hydrochlorofluorocarbons (HCFCs), methyl bromide (CH3Br),	$\sum (\text{current value of investment} / \text{investee company's enterprise value} \times \text{investee company's total emissions of ozone depleting substances (in tonnes)}) / \text{current value of all investments (€M)}$

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			bromochloromethane (CH <sub>2</sub> BrCl)	
	4. Investments in companies without carbon emissions reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	Company lacks announced relevant and reliable emissions reduction targets in line with the Paris agreement.	$\sum (\text{current value of investment in investee companies without carbon emissions reduction initiatives}) / \text{current value of all investments}$
<b>Water, waste and material emissions</b>	6. Water usage and recycling	1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies 2. Weighted average percentage of water recycled and reused by investee companies	1: Total amount of water consumed in cubic meters, 2: Share of total water consumed that was either recycled or reused	<b>1:</b> $\sum (\text{current value of investment} / \text{current value of all investments} \times \text{investee company's total amount of water consumed (m3)} / \text{investee company's €M revenue})$  <b>2:</b> $\sum (\text{current value of investment} / \text{current value of all investments} \times \text{investee company's total amount of water recycled or reused (m3)} / \text{investee company's total water consumed (m3)})$
	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies	Company lacks water management policies, has no strategy or plan for effective water usage	$\sum (\text{current value of investment in investee companies without water management policies}) / \text{current value of all investments}$
	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	Company is located (headquarters, subsidiaries, and/or operational locations) in an area with high water stress. Water stress areas refers to places where demand is higher than the available supply. As per the RTS, 'area of	$\sum (\text{current value of investment in investee companies with sites located in areas of high water stress without a water management policy}) / \text{current value of all investments}$

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			high water stress' means regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) according to World Resources Institute's (WRI) Water Risk Atlas tool "Aqueduct"	
	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	Manufacturer of pesticides and other agrochemical products that fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006	$\sum (\text{current value of investment in investee companies producing chemicals}) / \text{current value of all investments}$
	10. Land degradation, desertification, soil sealing	Share of investments in investee companies the activities of which cause land degradation, desertification, or soil sealing	Companies whose activities cause land degradation, the deterioration or loss of the productive capacity of the soils for present and future. Companies' activities found also causing desertification and soil erosion are considered involved	$\sum (\text{current value of investment in investee companies causing land degradation, desertification, or soil sealing}) / \text{current value of all investments}$
	11. Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies	Company lacks sustainable land/agriculture practices policies, targeting proper usage of land and avoiding its contamination	$\sum (\text{current value of investment in investee companies without a sustainable lands or agriculture practice policy}) / \text{current value of all investments}$
	12. Investments in companies without sustainable oceans/seas practices	Share of investments in investee companies without sustainable oceans/seas practices or policies	Company lacks sustainable oceans/seas practices policies, targeting proper usage of oceans/seas and avoiding their contamination	$\sum (\text{current value of investment in investee companies without a sustainable oceans or seas practice policy}) / \text{current value of all investments}$
	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	Value of hazardous and non hazardous non-recycled waste	$\sum (\text{current value of investment} / \text{investee company's enterprise value} \times \text{investee company's tonnes of non-recycled waste generated}) / \text{current}$



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				<i>value of all investments</i>
	14. Natural species and protected areas	1.Share of investments in investee companies whose operations affect threatened species 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	1: Company's operations affect IUCN Red List species and/or national conservation list species. Company does not state if any of its operations is endangering the International Union for Conservation of Nature (IUCN) Red List or any other national conservation list species. 2: The company lacks programs in place to ensure its activities are not endangering the variety of plants, animals and/or other species.	<b>1:</b> $\sum$ (current value of investment in investee companies whose operations affect threatened species) / current value of all investments  <b>2:</b> $\sum$ (current value of investment 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 diversity value outside protected areas) / current value of all investments
	15. Deforestation	Share of investments in companies without a policy to address deforestation	Company lacks a policy that targets eliminating the decrease of forest areas that are lost for other uses such as agricultural croplands, urbanization, or mining activities.	$\sum$ (current value of investment in investee companies without a deforestation policy) / current value of all investments
<b>Social and employee matters</b>	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	Lacks programs and targets to Reduce Health and Safety Incidents	$\sum$ (current value of investment in investee companies without a workplace accident prevention policy) / current value of all investments
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	Total of injuries and fatalities per one-million hours worked	$\sum$ (current value of investment / current value of all investments x investee company's recorded work related injuries /

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				<i>one million hours worked)</i>
	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	Total lost workdays at work due to injuries, accidents, fatalities or illness	$\sum (\text{current value of investment} / \text{current value of all investments} \times \text{investee company's workdays lost to work-related injuries, accidents, ill health and fatalities occurring as part of the exercise of labor activities})$
	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)	Has not published a procurement related code that states guidelines showing rights and duties of suppliers working with the company	$\sum (\text{current value of investment in investee companies without a supplier code of conduct}) / \text{current value of all investments}$
	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	The company does not have a mechanism for how it approaches a social incident, and the steps it takes to manage such an incident and avoid its reoccurrence	$\sum (\text{current value of investment in investee companies without a grievance or complaints handling mechanism}) / \text{current value of all investments}$
	6. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers	The company does not provide employees with a mean of communicating concerns such as a hotline preferably anonymous	$\sum (\text{current value of investment in investee companies without a policy on the protection of whistleblowers}) / \text{current value of all investments}$
	7. Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average	1: Number of discrimination incidents reported by the company or disclosed via an external party 2: Number of	<b>1:</b> $\sum (\text{current value of investment} / \text{current value of all investments} \times \text{number of discrimination incidents reported by$

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		2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average	discrimination incidents reported by the company or disclosed via an external party that lead to penalties/fines	<i>the company or disclosed via an external party)</i>  <b>2:</b> $\sum$ (current value of investment / current value of all investments x number of discrimination incidents reported by the company or disclosed via an external party that lead to penalties or fines)
	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)	The value of highest remuneration (salary plus any other benefits such as bonuses) divided by the median of the employees' annual remuneration	$\sum$ (current value of investment / current value of all investments x total annual compensation of the highest paid individual in investee company / median annual total compensation for all other employees in investee company)
	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	Company does not state an explicit related statement as a standalone document or part of the code of conduct. Having an anti-discrimination policy does NOT mean a yes for this question	$\sum$ (current value of investment in investee companies without a human rights policy) / current value of all investments
	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	The company does not state that there's due diligence to ensure that policies are implemented	$\sum$ (current value of investment in investee companies without a due diligence process) / current value of all investments
<b>Human rights</b>	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	Company is checked if its operations and/or supply chain are exposed to child labor risk. This is checked based on the company's	$\sum$ (current value of investment in investee companies exposed to operations and suppliers at significant

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		incidents of child labour in terms of geographic areas or type of operation	own disclosure, especially in the GRI index. Also the company's main products are cross checked against the US Department of Labor List that indicates exposure to child and forced labor during the production processes	<i>risk of incidents of child labour in terms of geographic areas or type of operation) / current value of all investments</i>
	13. Operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of 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	Company is checked if its operations and/or supply chain are exposed to forced labor risk. This is checked based on company's own disclosure, especially in the GRI index. Also the company's main products are cross checked against the US Department of Labor List that indicates exposure to child and forced labor during the production processes.	$\sum$ (current value of investment 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 type of operation) / current value of all investments
	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	Company has been involved in severe human rights issues and incidents, including instances that have lead to lawsuits, formal complaints, and serious allegations by the media or the public	$\sum$ (current value of investment / current value of all investments x number of severe human rights issues and incidents connected to the investee company)
<b>Anti-corruption and anti-bribery</b>	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	Company lacks a statement outlining acceptable and non-acceptable behavior to ensure compliance with anti-corruption law, for example bribery, misusing public authority, etc.	$\sum$ (current value of investment in investee companies without anti-corruption and anti-bribery policy) / current value of all investments
	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 anti-corruption and anti-bribery laws by investee companies	Number of any related court litigations or penalties or fines raised against the company due to violation of anti-corruption and/or anti-bribery laws. Only cases with released	$\sum$ (current value of investment / current value of all investments x number of convictions for violation of anti-corruption and anti-

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			<p>verdicts are taken into consideration.</p> <p>Value of any related court litigations or penalties or fines raised against the company due to violation of anti-corruption and/or anti-bribery laws</p>	<p><i>bribery laws) + (current value of investment / current value of all investments x number of fines for violation of anti-corruption and anti-bribery laws)</i></p>

**Source:** Datia – SFDR Principle Adverse Impact Methodology - June 2024