

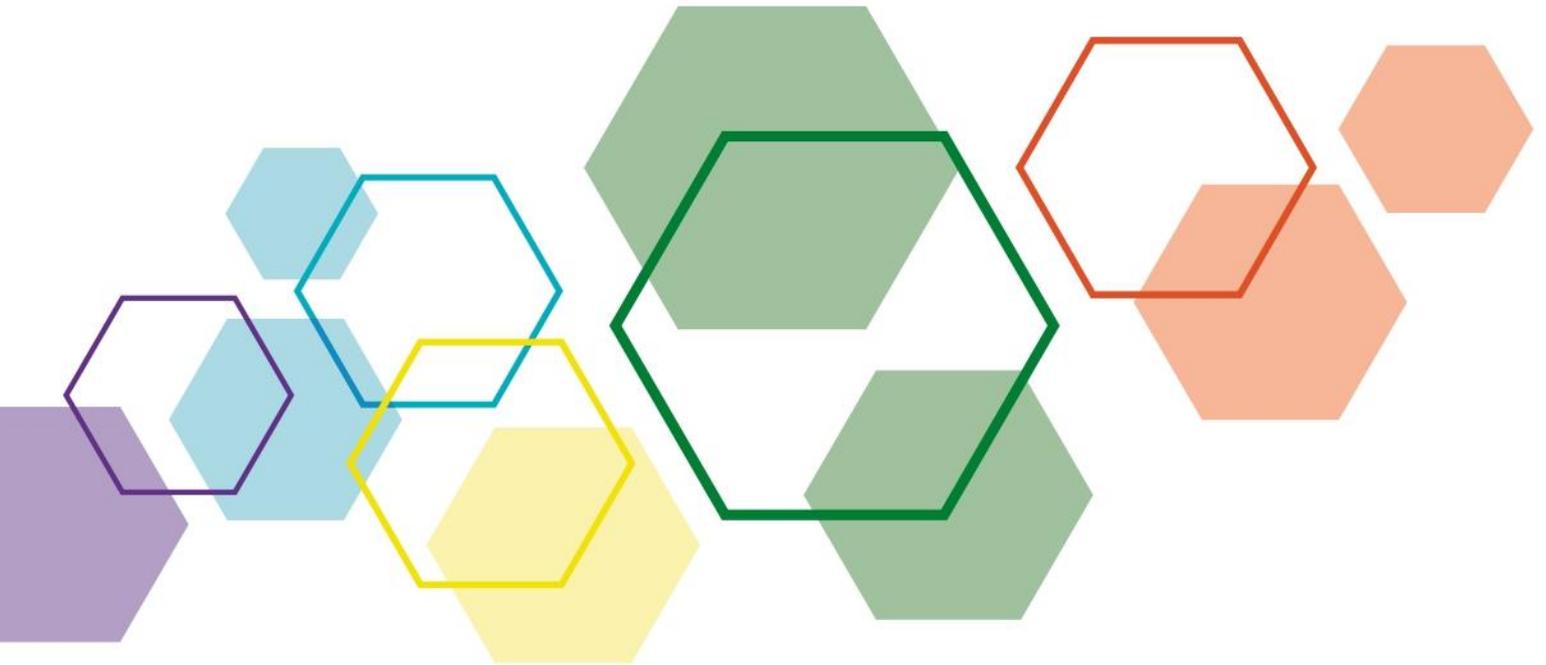
COVER NOTE FOR PUBLIC CONSULTATION

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# DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARDS

Appendix III – SFDR Principal Adverse Impacts in the ESRS

April 2022



Open for comments until 8 August 2022

**PTF-ESRS**

Project Task Force on European sustainability reporting standards

 **EFRAG**

# EFRAG Public consultation on ESRS Exposure Drafts

## Appendix III - SFDR Principle Adverse Impacts Indicators in the ESRS

- Objective of this appendix is to indicate in which part of the ESRS Exposure Drafts the SFDR Principal Adverse Impacts (PAI) Indicators, as requested by Annex I of the European Commission Delegated Act supplementing Regulation (EU) 2019/2088: [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/sustainability-related-disclosure-financial-services-sector\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/sustainability-related-disclosure-financial-services-sector_en), are covered.
- In drafting the ESRS Exposure Drafts, EFRAG PTF-ESRS endeavoured to make sure that all SFDR PAI indicators would be covered by the proposed disclosure requirements. The approach taken was to directly implement the indicators wherever possible or, when not possible, to make sure that the information needed by the financial market participants would be easily identified and found in the ESRS Exposure Drafts Disclosure Requirements. Respondents will find the rationale for the approach in the ESRS Exposure Drafts Bases for Conclusions. In doing so, EFRAG PTF-ESRS has identified that reporting the necessary information by preparers to enable financial market participants to meet their SFDR-related reporting obligations, significant questions of application and interpretation will likely emerge for a subset of the indicators. Specific questions have therefore been included in the public consultation survey to invite respondents to provide feedback on whether additional application and/or interpretation will be needed to enable faithful reporting on the SFDR indicators through application of the proposed draft standard.

**Table 1 – Indicators applicable to investments in investee companies**

<b>Climate and other environment-related indicators</b>		
1. GHG emissions	Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Total GHG emissions	DR E1-7 – Scope 1 GHG emissions, §38 DR E1-8 – Scope 2 GHG emissions, §41 DR E1-9 – Scope 3 GHG emissions, §44 DR E1-10 – Total GHG emissions, §47
2. Carbon footprint	Carbon footprint	DR E1-10 – Total GHG emissions, §47
3. GHG intensity of investee companies	GHG intensity of investee companies	DR E1-11: GHG intensity per turnover, §50
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	DR 2 - GR 2 – Description of business model and sectors the undertaking operates in, AG 12 (a)
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee sources compared to renewable energy sources, expressed as a percentage of total energy sources	DR E1-5 – Energy consumption & mix Paragraph 33 (a) and (b), and §34
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million of EUR of revenue of investee companies, per high impact climate sector	ESRS E1-6 – Energy intensity per turnover, § 35
7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites / operations located in or near biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	ESRS E4 – AG 29 related to DR 2-IRO 2 and IRO 3
8. Emissions to water	Tons of emissions to water generated by investee companies in million EUR invested, expressed as a weighted average	DR E3-4, Water management performance AG 24
9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per million EUR	DR E5-6, Waste §42

<b>Indicators for social and employee, respect for human rights, anticorruption and anti-bribery matters</b>		
10. Violations of UNGC principles and OECD	Share of investments in investee companies that have been involved in violations of the UNGC principles and OECD guidelines	DR S1-25 – Identified cases of severe human rights issues and incidents, §113a DR S2-1 – Policies related to own workforce, AG 25 DR S3-1 – Policies related to affected communities, AG 13 DR S4-1 – Policies related to consumers and end-users, AG 21
11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD guidelines	Share of investments in investee companies without policies to monitor compliance with UNGC principles and OECD guidelines or grievance / complaints handling mechanisms to address violations of UNGC principles and OECD guidelines	DR S1-1 – Policies related to own workforce, §14 DR S2-1 – Policies related to value chain workers, §11 DR S3-1 – Policies related to affected communities, §9 DR S4-1 – Policies related to consumers and end-users, §9
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	DR S1-16 – Pay gap between women and men, §81a
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	DR G1-9 – Composition of the administrative, management and supervisory bodies §43a(i)
14. Exposure to controversial weapons (anti-personal mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	DR 2-GR2 – Sector(s) of activity AG 12c
<b>Indicators applicable to investments in sovereign and supranational</b>		
Not applicable – sovereign and supranational are not in scope of CSRD. Therefore, they are not covered by ESRS		
<b>Indicators applicable to investments in real estate assets</b>		
<p>These KPIs are intended to cover specific real estate assets invested in by the FMP, not the real estate assets of investee companies of the FMP. The impacts of investee companies' real estate assets should already be covered in the investee company indicators.</p> <p>Therefore, these being sector-specific KPIs will be covered by sector-specific ESRS to be developed as part of set 2 ESRS, as per CSRD article 19b(1)b(ii).</p>		

**Table 2 – Additional climate and other environment-related indicators**

<b>Indicators applicable to investments in investee companies</b>		
1. Emissions of inorganic pollutants	Tons of inorganic pollutants equivalent per million EUR invested, expressed as weighted average	DR E2-4, Pollution of air, water and soil, §36a, AG16a
2. Emissions of air pollutants	Tons of air pollutants equivalent per million EUR invested, expressed as a weighted average	DR E2-4, Pollution of air, water and soil, §36a AG16b
3. Emissions of ozone-depleting substances	Tons of ozone-depleting substances equivalent per million EUR invested, expressed as a weighted average	DR E2- 4, Pollution of air, water and soil, §36a AG16c
4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emissions reduction initiatives aimed at aligning with the Paris Agreement	DR E1 – 3, measurable targets for climate change mitigation and adaptation §24
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 non-renewable energy source	DR E1 – 5, Energy consumption & mix §33a
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	DR E3-5, Water intensity performance §22b DR E3-4, Water intensity performance §19a
7. Investments in companies without water management policies	Share of investments in investee companies without water management policies	DR E3-1 – Policies implemented to manage water and marine resources §1
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	DR E3-1 Policies implemented to manage water and marine resources §5
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	DR2 – GR2 AG 12b
10. Land degradation, desertification, soil sealing	Share of investments in investee companies the activities of which cause land degradation, desertification or soil sealing	ESRS E4 AG 23 relating to DR 2-IRO 2
11. Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies	ESRS E4 biodiversity, AG 34a relating to DR 2-IRO 2 and 3
12. Investments in companies without sustainable oceans / seas practices	Share of investment in investee companies without sustainable oceans/seas practices or policies	ESRS E4 biodiversity, AG 34b relating to DR 2-IRO 2 and 3
13. Non-recycled waste ratio	Tons of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	DR E5-6 Waste §41d
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	ESRS E4, biodiversity AG 30a and b on DR 2-IRO 2 and 3
15. Deforestation	Share of investments in investee companies without a policy to address deforestation	ESRS E4 AG 34c relating to E2-IRO 2 and 3
16. Share of securities not issued under Union legislation on environmentally sustainable bonds	Share of securities in investments not issued under Union legislation on environmentally sustainable bonds	Intended to cover the FMP's share of non-green bonds invested in, not intended to cover an investee company's share of issued securities that are non-green. Therefore, it is not required in the ESRS.

**Indicators applicable to investments in sovereign and supranational**

Not applicable – sovereign and supranational are not in scope of CSRD. Therefore, they are not covered by ESRS

**Indicators applicable to investments in real estate assets**

17. GHG emissions	Scope 1, 2 3 and total GHG emissions generated by real estate assets	<p>These KPIs are intended to cover specific real estate assets invested in by the FMP, not the real estate assets of investee companies of the FMP. The impacts of investee companies' real estate assets should already be covered in the investee company indicators.</p> <p>Therefore, these being sector-specific KPIs will be covered by sector-specific ESRS to be developed as part of set 2 ESRS, as per CSRD article 19b(1)b(ii).</p>
18. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	
19. 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	
20. Raw material 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 a new construction and major renovations	
21. Land artificialization	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	

**Table 3 – Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters**

<b>Indicators applicable to investments in investee companies</b>		
1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	DR S1-1 – Policies related to own workforce, §20
2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	DR S1-11 – Performance of the health and safety management system, §63b
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	DR S1-11 – Performance of the health and safety management system, §63d
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)	DR S2-1 – Policies related to value chain workers, AG16
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	DR S1-18 – Discrimination incidents related to equal opportunities, §88a
6. Insufficient whistleblowing protection	Share of investments in entities without policies on the protection of whistleblowers	DR G2-2, policies and targets on business conduct, §20d
7. Incidents of discrimination	<ol style="list-style-type: none"> <li>Number of incidents of discrimination reported in investee companies expressed as a weighted average</li> <li>Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average</li> </ol>	<p>DR S1-18 – Discrimination incidents related to equal opportunities, §88b</p> <p>DR S1-18 – Discrimination incidents related to equal opportunities, §88b</p>
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)	DR S1-17 – Annual total compensation ratio, §84a
9. Lack of human rights policy	Share of investments in entities without a human rights policy	<p>DR S1-1- Policies related to own workforce, §18</p> <p>DR S2-1 – Policies related to value chain workers, §15</p> <p>DR S3-1 – Policies related to affected communities, §14</p> <p>DR S4-1 – Policies related to consumers and end-users, §13</p>
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	DR 2-GOV 5 – Statement on due diligence, AG 55
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	<p>DR S1-1 – Policies related to own workforce, §18</p> <p>DR S2-1 – Policies related to value chain workers, §15</p>
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 in terms of geographic areas or type of operation	Own workforce-related specific application guidance on ESRs 2 DR 2-IRO 2 and 3, AG8 Workers in the value chain related specific application guidance on ESRs 2 DR2-IRO 2 and DR2-IRO 3, AG9b
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 type of operation	Own workforce-related specific application guidance on ESRs 2 DR2-IRO 2 and 3, AG8 Workers in the value chain related specific application guidance on ESRs 2 DR2-IRO 2 and DR2-IRO 3, AG9b
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	<p>DR S1-25 – Identified cases of severe human rights issues and incidents, §113a</p> <p>DR S2-1 – Policies related to own workforce, AG23</p>

		DR S3-1 – Policies related to affected communities, AG21 DR S4-1 – Policies related to consumers and end-users, AG19
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 UN convention against corruption	DR G2-2 – Policies and targets on business conduct, §20b
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 anti-corruption and anti-bribery	DR G2-6 – Corruption or bribery events, §39
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	DR G2-6 – Corruption or bribery events, §38a
18. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the UN convention against corruption	DR G2-2 – Policies and targets on business conduct, §20b
19. 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 anti-corruption and anti-bribery	DR G2-6 – Corruption or bribery events, §39
20. 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	DR G2-6 – Corruption or bribery events, §38a
<b>Indicators applicable to investments in sovereign and supranational</b>		
Not applicable – sovereign and supranational are not in scope of CSRD. Therefore, they are not covered by ESRS		



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