

# Principal Adverse Impacts (PAIs) Proxy for the EU's Sustainable Finance Disclosure Regulation (SFDR)



Your granular PAI proxy data solution to meet SFDR requirements and drive meaningful impact through your reporting efforts

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## How can we support your SFDR PAI reporting?

The Sustainable Finance Disclosure Regulation (SFDR) came into force in March 2021 as one of the key initiatives to help achieve the European Green Deal. The SFDR aims at improving understanding of the impact of investments while also mitigating greenwashing. As it imposes mandatory ESG disclosure, financial market participants (FMPs) must report on Principal Adverse Impacts (PAIs) of their portfolios. Building on our award-winning Global Impact Database, we developed a PAI proxy data solution to support financial institutions in collecting hard-to-find quantitative PAI indicators and tackling SFDR reporting challenges.

## The Challenge

Principal Adverse Impacts (PAIs) are widely considered to be one of the most challenging aspects of SFDR. Granular and auditable PAI data is often not readily available and is difficult to collect. It is challenging to find data sources that cover a broad and extensive universe of companies worldwide and to streamline the process of aggregating and reporting PAI indicators. The lack of directly reported quantitative data represents one of the main issues: this is the case for private companies, small and medium-sized enterprises (SMEs).

## Application

GID data can be combined with portfolio data to fill PAI gaps as outlined in the Scope 3 emissions example:



$$\sum_i \left( \frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope}(x) \text{ GHG emissions}_i \right)$$

Investment data from your portfolio:

- Current value of investment
- Investee company's enterprise value
- Revenue data
- Investee country-sector

*\*Investment data does not need to be shared with Impact Institute*

PAI #	PAI name	Indicators	Units	GID proxy
1	GHG emissions scope 1,2,3 total	CO2, N20, F-gasses, CH4	Tonnes CO2-eq	✓
2	Carbon footprint	CO2, N20, F-gasses, CH4	Tonnes CO2-eq	✓
3	GHG intensity	CO2, N20, F-gasses, CH4	Tonnes CO2-eq	✓
5	Share of non-renewable energy consumption and production	Non-renewable energy consumption, non-renewable energy production	%	✓
8	Emissions to water	P emissions, N emissions	Tonnes	✓
12	Unadjusted gender pay gap	Pay gap	%	✓
2 Nat.	Emissions of air pollutants	NH3, NOx, PM10, PM2.5, SO2, NMVOC, As, Dc, Cr, CU, Hg, Ni, Pb, B(a)P, PAH, PCB, Se, Zn	Tonnes	✓
6 Nat.	Water usage	Blue, green, grey water consumption	m3	✓
2 Soc.	Rate of accidents	Fatal & non-fatal injuries	Accidents	✓

## Our Solution

GID PAI proxy data is derived from Impact Institute's [Global Impact Database](#) (GID) and can be used to calculate proxies for the PAI metrics required by SFDR. It covers the full global economy, allowing you to fill data gaps for an unlimited number of companies, such as SMEs, non-reporting listed companies, non-listed companies, and emerging market companies. By using proxies, the GID approach allows you to collect quantitative PAI data and make sure your PAI Statements comply with SFDR requirements. Our active R&D team works with you to find solutions that align to your needs, now and for future reporting cycles.

## Coverage

GID PAI proxy dataset is based on a top-down approach and consists of granular country-sector impact estimates, building on data from several leading global databases. It spans all global continents including emerging markets. It can help financial institutions to fill the PAI data gaps listed below across any industry and geography.

65 Sectors

9100 Global sectors

140 Countries

## Client testimonial

"For this first PAI quantitative disclosure, Incofin IM has decided to report greenhouse gas emissions (GHG) at the level of our investees. Impact Institute provided the GHG data for scopes 1,2, and 3, and shared with us a calculation template which was simple to use and allowed us to estimate the GHG emissions for each of our investees and funds. We are satisfied with the services offered by Impact Institute."

## About Impact Institute

Impact Institute is a social enterprise and a spin-off of True Price. Our mission is to empower organisations and individuals to realise the impact economy by creating a common language for impact and providing the tools to use it. We develop open-source standards for impact measurement and valuation and provide organisations with the data, software, training, and advisory services to implement them.

## Selection of our clients

