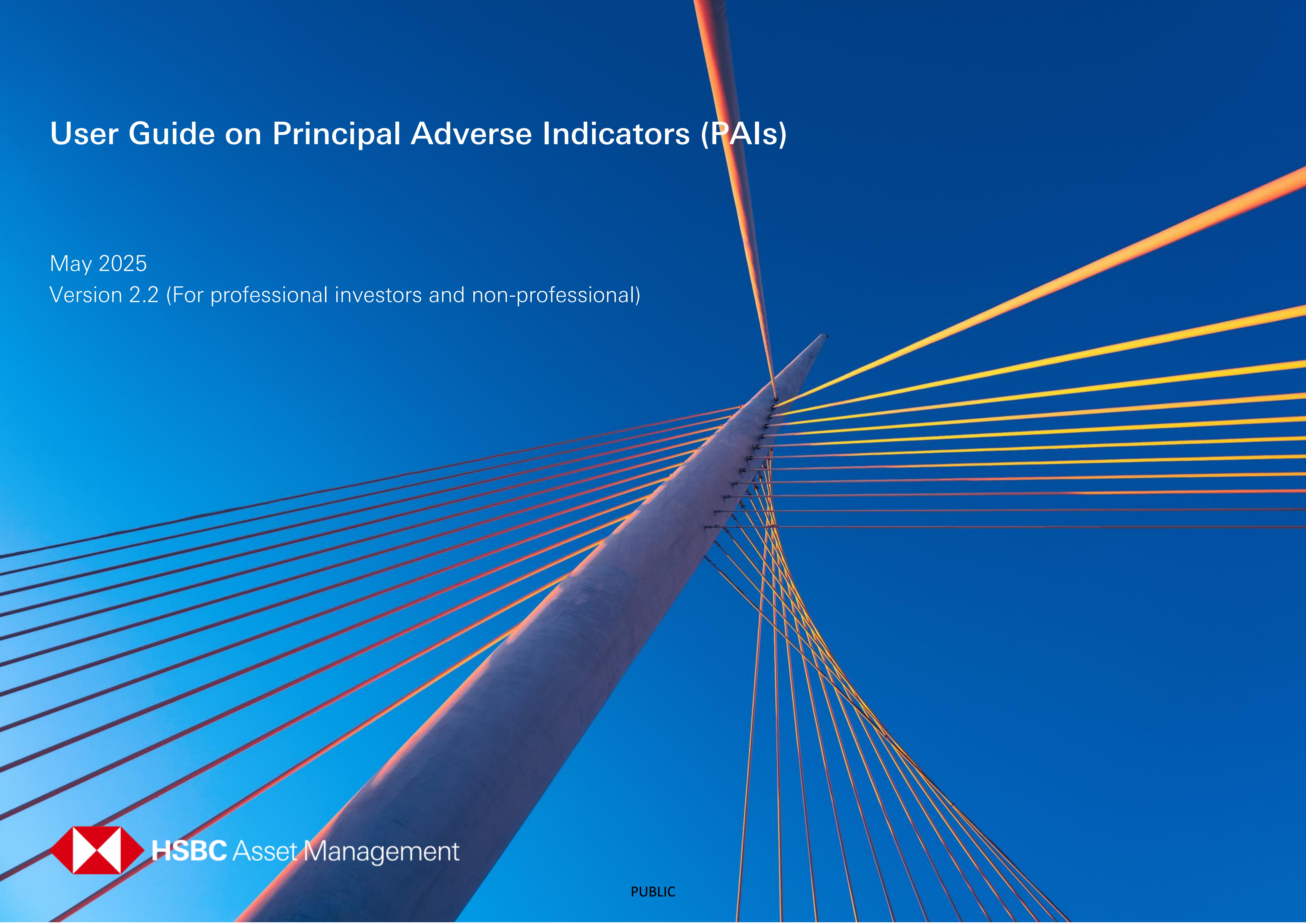

User Guide on Principal Adverse Indicators (PAIs)

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Version 2.2 (For professional investors and non-professional)

HSBC Asset Management

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1. What are PAIs?

A Principal Adverse Impact ("PAI") is any impact of investment decisions or advice that results in a negative effect on sustainability factors, such as environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters. For financial market participants and financial advisers, providing the required PAI information is one of obligations under the Sustainable Finance Disclosure Regulation ("SFDR").

Under the SFDR requirements, European financial market participants must report on a predefined list of PAI indicators, which consists of 18 mandatory indicators (14 applicable to corporate issuers, 2 are specific to sovereign and supranational, and 2 to real estate) and over 40 optional indicators covering additional environmental and social factors.

HSBC Asset Management has selected the following two optional PAIs to include in our PAI reporting:

- Optional Environmental PAI 4 – Investments in companies without carbon emission reduction initiatives
- Optional Social PAI 9 – Lack of a human rights policy

Under SFDR, PAIs are required to be disclosed in the following ways:

1. **Disclosure at the product level (Article 7 SFDR)** – For all products in scope of SFDR, the investment manager discloses in the prospectus whether and how PAIs are considered in the investment approach. In addition, the list of PAIs selected by the product is mentioned in the Pre-Contractual Disclosure. The periodic reports are produced on an annual basis based on the fiscal year end of the fund also provides information on PAIs in the section "Does this financial product consider principal adverse impacts on sustainability factors?"
2. **Disclosure at the entity level (Article 4(1) to (5) of SFDR)** – Financial market participants must publish a Principal Adverse Sustainability Impacts statement (PASI statement) on their website on an annual basis. For those who consider PAIs on sustainability factors in their investment decisions, the statement should include a report describing how they have taken PAI into account covering:
    a. Information on policies for the identification of PAIs, actions taken and planned to mitigate them (for instance, reduction of carbon emissions by means of engagement or other policies), references to internationally recognised standards for due diligence and reporting, as well as a historical comparison.
    b. Reporting on mandatory PAI indicators and additional optional indicators identified

Note that the report must follow the template in Annex I of the RTS and must be published on 30th of June each year with the previous calendar year as a reference period.

Disclosure of PAIs in the European ESG Template ("EET") report

Though it is not a regulatory obligation, the EET provides as a new, standardized, machine-readable template for ESG data and is intended to facilitate the exchange of ESG data between product manufacturers and distributors and intermediaries for the purpose of fulfilling ESG-related regulatory requirements contained in the SFDR, the Taxonomy Regulation, MiFID II and the IDD for insurers.

The EET is to be produced for all open-ended products distributed in the EU at a share class level, and for all sustainable and non-sustainable products in scope of SFDR (article 6, 8 & 9 funds).

The quantitative PAI values in the EET are not linked to PAI consideration at product level nor product classification. Instead, they are provided for all products under scope of SFDR entity reporting. As a general principle, the following should be noted concerning the PAI values in the EET template:

- Their purpose is to fulfil the regulatory requirement of the SFDR PAI reporting at entity level and therefore deemed to be used by financial market participants who invested in financial products and are subject to SFDR's reporting at their entity level.
- They are not deemed to be used for investment decisions or product comparison at this stage as there are discrepancies in terms of approaches used within the industry to calculate some of them, leading to results which are not fully comparable.
- The data used in the calculation of PAI values are sourced from data vendors. They can be based on company disclosures or estimated by the data vendors in the absence of company reports. Please note that it is not always possible to guarantee the data accuracy, timeliness or completeness provided by third-party data providers.

Calculation methodology for PAIs in the EET vs. PAIs in the entity report

The same methodology is used to calculate the PAI values in the EET and in the entity report, except that in the entity report the PAI values are aggregated at entity level, and in the EET the PAI values are aggregated at fund level. PAI values are calculated on an annual calendar basis, to be in alignment with the SFDR Entity report.

2. PAI Calculation assumptions/approaches:

1. “Current value of investment” vs. “all investments"

“Current value of investment” is calculated based on all investments taken average of 4 quarter ends snapshot of previous calendar year. (For further details please refer to “Data reference period and refresh frequency” for PAI in below.)

“All investments” are based on the total market value.

Currency adjustments are made using Reuters’ conversion rate at 4pm London time to convert PAI values into Euros.

2. “Investee company’s enterprise values”

“Investee company’s enterprise values” i.e., EVIC is first sourced from the asset’s immediate issuer, if not available then from ultimate parent excluding majority ownership, then ultimate parent including ownership. For the reference period, we use the latest available EVIC as the previous fiscal year end for Annex 4 and 5 and as at previous calendar year end for Annex 1

3. “Data reference period and refresh frequency” for PAI

Average quarter ends of the previous calendar year were taken for the portfolio/fund holdings and latest available ESG data as at calendar year end for Annex1. For periodic reports (Annex 4 and Annex 5), it will be the data based on the average quarter end of the previous fiscal year for fund holdings and latest available ESG data as at fiscal year-end.

4. “Variation from RTS for units used for PAI 3 & 15”

For the above two PAIs, we used the same units (million Euros) in the numerator and denominator.

5. Data coverage/ quality limitations

Due to the lack of data coverage, PAIs could not be calculated for:

- Portfolio/funds in the Alternatives investment sector (i.e., private equity, private debt, real estate & infrastructure).
- Derivatives.
- In some cases, for second level and beyond fund of funds look-throughs.

PAI specific ESG data limitation / coverage are detailed in the PAI explanation table below.

6. ESG data source, published vs estimated

HSBC uses ESG data issued by 6 third-party data providers (Bloomberg, Sustainalytics, Iceberg Data Lab, IMF, ISS ESG, S&P Trucost). These data providers use a mix of published values and estimated data estimates based on their own methodologies.

7. SFDR controversial weapon definition Vs. HSBC banned weapon policy

SFDR's controversial weapon definition covered within the HSBC Banned Weapon policy which is available on our website: https://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies

8. Eligibility methodology

Assets were classified based on the Solvency II Complementary Identification Code (CIC) methodology*. The eligibility is calculated as the weight of the portfolio/fund assets which match the CIC category classification that applies to the PAI concerned (Corporate, Sovereign, Real Estate, Others).

*Link to Solvency II Complementary Identification Code (CIC) methodology can be found in here:

https://register.eiopa.europa.eu/Publications/Consultations/EIOPA-14-052-Annex_IV_V_-_CIC_table.xls

9. Coverage methodology

The coverage shows the weight of the portfolio/fund assets which are eligible for the respective PAI and for which the related ESG third-party provider has data coverage.

10. Fund of Funds Look-through

HSBC AM is performing a look-through on fund of funds to calculate PAIs scores of the underlying fund's assets where feasible.

11. Exact Fit / Partial Fit:

Exact fit is when the indicator assesses all the components exactly as defined by the SFDR / Partial Fit is when indicators are used which only assess parts of what is defined by the SFDR e.g., if data is not readily available.

3. PAI Explanation (From Annex 1 Template principal adverse sustainability impacts statement)

#	PAI	Metric	Explanation
Table 1 Statement on principal adverse impacts of investment decisions on sustainability factors			
1	GHG emissions	Scope 1 GHG emissions - Metric tonnes CO2 equivalents	Data Vendor: S&P Trucost and Bloomberg Scope 1 designates the GHG emissions (in tonnes of CO2 equivalent) from direct emitting sources owned or controlled by a company: direct emissions resulting from the combustion of fossil fuels, such as gas, oil, coal, during their process of production. Within the framework of SFDR, GHG Emissions refer to 'financed emissions'. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its emissions. To get the total, we sum up the GHG absolute emissions - Scope 1 divided by entreprise value, multiplied by investment for all investee companies. Enterprise Value, including cash (EVIC) in million Euro are sourced from Bloomberg incorporated in the metric. Data limitation: GHG Emissions - Scope 1 data are primarily based on company disclosures or estimated by S&P Trucost in the absence of company reports. There is no 100% coverage for these metrics. While our data provider, S&P Trucost, endeavours to provide full coverage for the entire universe of possible holdings, there are sometimes gaps due to companies not reporting emissions, and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. There is a further potential gap when our holding is at the subsidiary level, and emissions are only reported at the level of the parent company and not distributable to the subsidiary. These datapoints are measured in tonnes of CO2 equivalents per million of euros of revenue. They cover the full spectrum of GHG emissions and not only carbon. Hence, we consider them as an Exact Fit of the PAI definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.
		Scope 2 GHG emissions - Metric tonnes CO2 equivalents	Data Vendor = S&P Trucost and Bloomberg

			Scope 2 comprises company's indirect GHG emissions (in tonnes of CO2 equivalent) from purchased or acquired electricity, steam, heat and cooling necessary to manufacture the product. Within the framework of SFDR, GHG Emissions refer to ‘financed emissions’. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its emissions. To get the total, we sum up the GHG absolute emissions - Scope 2 divided by enterprise value, multiplied by investment for all investee companies. Enterprise Value, including cash (EVIC) in million Euro are sourced from Bloomberg incorporated in the metric. Data limitation: GHG Emissions - Scope 2 data are primarily based on company disclosures or estimated by S&P Trucost in the absence of company reports. There is not 100% coverage for these metrics. While our data provider S&P Trucost endeavours to provide full coverage for the entire universe of possible holdings, there are sometimes gaps due to companies not reporting emissions and it is not appropriate to estimate on reported emissions for niche asset classes or sub-industries. There is a further potential gap when our holding is at the subsidiary level and emissions are only reported at the level of the parent company and not distributable to the subsidiary. This PAI is measured in tonnes of CO2 equivalents and cover the full spectrum of GHG emissions and not only CO2. Hence, we consider it as an Exact Fit of the PAI definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.
		Scope 3 GHG emissions - Metric tonnes CO2 equivalents	Data Vendor: S&P Trucost and Bloomberg GHG emissions - Scope 3, defined as all other indirect emissions (not included in scope 1 and 2) that are generated throughout a company's value chain, can often be the largest source of emissions for companies. Scope 3 emissions are divided into two main categories: upstream (supply chain, i.e., purchased or acquired goods & services) and downstream (products value chain: use of sold goods and services) activities of a company. This PAI accounts for both upstream and downstream activities included in GHG emissions - scope 3 categories. Within the framework of SFDR, GHG Emissions refer to ‘financed emissions’. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its emissions. To get the total, we sum up the GHG absolute emissions - Scope 3 divided by enterprise value including cash (EVIC), multiplied by investment for all investee companies. Enterprise Value, including cash (EVIC) in million Euro are sourced from Bloomberg incorporated in the metric. Data limitation: Scope 1 and 2 carbon are more directly under the control of the individual companies we invest in, whereas scope 3 estimates are more an estimation of a company's interaction and the resulting GHG emissions of

			upstream stakeholders. Due to a lack of reported information, it is a great challenge to estimate and quantify company scope 3 emissions. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.
		Total GHG emissions - Metric tonnes CO2 equivalents	Data Vendor: S&P Trucost and Bloomberg Total GHG Emissions (Scope 1, 2 & 3) are commonly referred to as 'financed emissions'. For example, if a portfolio owns 10% of a given company, it would be financing 10% of its GHG emissions. It is the sum of the GHG absolute emissions (Scope 1,2 & 3) divided by enterprise value, multiplied by investment. GHG emissions are primarily based on company disclosures or estimated by S&P Trucost in the absence of company reports. Enterprise Value, including cash (EVIC) in million Euro are sourced from - Bloomberg incorporated in the metric. Data limitation: Lack of coverage of GHG emissions - Scope 3 and some niche asset classes (such as Small Caps, High Yield, Frontier or Emerging Markets issuers). These gaps are due to companies not reporting emissions, and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. Scope 3 emissions cover both upstream and downstream emissions. This PAI is measured in tonnes of CO2 equivalents and cover the full spectrum of GHG emissions and not only carbon. Hence, we consider it as an Exact Fit of the PAI definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.
2	Carbon footprint	Carbon footprint - Metric tonnes of CO2 per million of euros (EV)	Data Vendor: S&P Trucost and Bloomberg This PAI is the sum of all financed emissions (scope 1, 2 and 3) divided by the total value of investments. Data limitation: Carbon emissions (Scope 1, 2 & 3) are primarily based on company carbon disclosures or estimated by S&P Trucost in the absence of company reports. It is worth noting the lack of coverage of scope 3 Carbon emissions and some niche asset classes (such as Small Caps, High Yield, Frontier or Emerging Markets issuers). These gaps are due to

			companies not reporting emissions and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. Scope 3 emissions cover both upstream and downstream emissions. This PAI is considered as an Exact Fit of the definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.
3	GHG intensity of investee companies	GHG intensity of investee companies – Metric tonnes of CO2 equivalents per million of euros of revenue	Data Vendor: S&P Trucost GHG intensity measures the quantity of GHG emissions (scope 1,2 and 3) per million-euro revenue of an issuer of a financial investment. It is a measure of environmental efficiency of an issuer, measuring issuer GHG emissions, relative to issuer economic output. Data limitation: GHG intensity are primary based on company GHG emissions (Scope 1, 2 & 3) disclosures, or estimated by S&P Trucost in the absence of company reports. The lack of coverage of scope 3 and niche asset classes (Small Caps, High Yield, Frontier or Emerging Markets issuers) are due to companies not reporting emissions and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries. Scope 3 emissions cover both upstream and downstream emissions. This PAI is measured in tonnes of CO2 equivalents and cover the full spectrum of GHG emissions and not only CO2. Hence, we consider this metric to be an exact fit to the PAI definition. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.
4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	Data Vendor: Sustainalytics For this PAI, the selection of data points provided by Sustainalytics cover the full spectrum of fossil fuel involvements of companies determined on their revenues analysis. Hence, we consider this metric to be an exact fit to the PAI definition. It's important to note that we decided to consider 0 Fossil Fuel share for some internally approved green bonds issued by companies operating in the fossil fuel sector based on the International Capital Market Association (ICMA) guidelines.The

			funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management.
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	Data vendor: Bloomberg This PAI represents the percentage of the company's total energy consumption and production that is generated using non-renewable sources in the reporting year. This data is taken as reported by the company. To calculate the reported shares, the percentages as directly reported by companies are considered, or a calculation is made based on company disclosure on total energy consumption and production and related non-renewable share. Bloomberg do not use estimation models to cover this PAI. Data limitation: Despite a larger research universe, only a small number of companies are disclosing the metric, but we can expect this limitation to ease in the future.
5a	Share of non-renewable energy consumption	Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Data vendor: Bloomberg This PAI represents the percentage of the company's total energy consumption that is generated using non-renewable sources in the reporting year. This data is taken as reported by the company. To calculate the reported shares, the percentages as directly reported by companies are considered, or a calculation is made based on company disclosure on total energy consumption and related non-renewable share. Bloomberg do not use estimation models to cover this PAI. Data limitation: Despite a larger research universe, only a small number of companies are disclosing the metric, but we can expect this limitation to ease in the future.
5b	Share of non-renewable energy production	Share of 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	Data vendor: Bloomberg This PAI represents the percentage of the company's non-renewables energy production in the reporting year. This data is taken as reported by the company. Total energy production from renewables includes wind, solar, biomass, waste and all other types of renewable energy in gigawatt hours (GWh). To calculate the reported shares, the percentages as directly reported by companies are considered, or a calculation is made based on company disclosure on total energy production and related non-renewable share. Bloomberg do not use estimation models to cover this PAI. Data limitation: Despite a larger research universe, only a small number of companies are disclosing the metric, but we can expect this limitation to ease in the future. It is worth noting that this data is available for the Utilities' sector only.
6	Energy consumption intensity per high	Energy consumption in GWh per million EUR of revenue of investee companies, per high	Data vendor: Bloomberg

	impact climate sector	impact climate sector - GWh per million of euros of revenue	This data is taken as reported by the company. Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sectors based on NACE classification of activities. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities. Data limitation: Despite a larger research universe, only a small number of companies are disclosing the metric, but we can expect this limitation to ease in the future.
7	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	Data vendor: Iceberg Data Lab We use an approximation of the "Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where related-activities negatively affect those areas" due to the challenge of gathering a mapping of investee companies with sites/operations located in or near to biodiversity sensitive areas. An assessment of companies' activities located in or near to biodiversity sensitive areas would require a spatial approach which is not yet disclosed by companies and available to investors. In this context, we use an approximation to assess the most material biodiversity impacts of companies. We rely on the Iceberg Data Lab methodology which estimates all the material biodiversity impacts, calculated and supported by robust scientific frameworks (damage functions, pressure factors), and translated into the Corporate Biodiversity Footprint (CBF) indicator which reflects the annual biodiversity footprint of a company, expressed in the Km^2.MSA unit. The « Mean Species Abundance » (MSA) is a biodiversity metric expressing the average relative abundance of native species in an ecosystem compared to their abundance in an ecosystem undisturbed. For PAI 7, we use the weighted sum of CBF intensity for companies that operate within high-impact sectors as defined by the Finance for Biodiversity Pledge. These high-impact sectors include those with the greatest impact on biodiversity, such as intensive agriculture, fishing, the forestry industry, mining, oil and gas exploration, construction, and real estate development. By definition, this is a negative value: the corporate biodiversity footprint intensity corresponds to a certain value per million euros invested per year. This implies that a one million euro invested results to a mean loss of a certain CBF value per Km^2.MSA over annual period. Data limitation: There are methodological bias and limits to the Corporate Biodiversity Footprint (CBF) methodology, the most important being that the CBF covers only terrestrial biodiversity and partially marine biodiversity, which are in the scope of many inventories, reviews, and damage functions. In addition, some pressure factors such as Invasive species are not modelled yet, due to the lack of robust models but will be developed over time. It is worth noting that, as of today, only a low fraction of companies is disclosing the metric or information that is requested by the PAI 7, but we expect this limitation to ease in the future as some companies are increasingly interested in natural capital accounting to mitigate their impacts and measure their risks. Considering the approximation made and data limitation, this PAI is a Partial Fit of the definition.
8	Emissions to water	Metric tonnes of emissions to water generated by investee companies per million EUR	Data vendor: Bloomberg We consider the amount of discharges to water that influence the biophysical or chemical quality of the water, in thousands of metric tonnes per million of euros invested. The following pollutants are considered for the purpose of this

		invested, expressed as a weighted average - Thousands of Metric tonnes per million of euros invested	metric: direct nitrates, direct phosphate emissions, direct pesticides emissions, direct emissions of priority substances (i.e., heavy metals, loads of organic pollutant parameters such as biochemical oxygen demand (BOD) and chemical oxygen demand (COD), nitrogen and phosphorus compounds, soluble salts, and suspended solids). We consider this metric to be an exact fit to the PAI definition as provided by the regulator given the correspondence of covered substances. Bloomberg do not use estimation models to cover this PAI. Data limitation: At least in the beginning, we can expect a highly heterogeneous disclosure with most companies only including a subset of this metric in their reporting.
9	Hazardous waste and radioactive waste ratio	Metric tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average - Thousands of Metric tonnes per million of euros invested	Data vendor: Bloomberg Hazardous Waste Ratio is measured in tonnes of hazardous waste generated by a company. Following the EU definition, the datapoints include both hazardous and radioactive waste as reported by companies. We consider this metric to be an exact fit to the PAI definition as provided by the regulator given the correspondence of covered substances. Bloomberg do not use estimation models to cover this PAI. Data limitation: At least in the beginning, we expect a highly heterogeneous disclosure with most companies only including a subset of this metric in their reporting.
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	Data Vendor: Sustainalytics We rely on Sustainalytics to assess UN Global Compact Principles and OECD Guidelines, i.e., companies in open violation of UN Global Compact Principles, get counted under this PAI. Conversely, companies flagged as Watchlist are regarded to be closely monitored but not yet in open contravention of the principles which we interpret the regulation to require. Given the scope of the principles and standards covered, we consider this datapoint to be an exact fit to the PAI definition. Data Limitation: In some cases, we cannot always guarantee the data accuracy, timeliness or completeness provided by the vendor. Where necessary, we investigate to verify the accuracy of the violations before a decision is made to action. In situations where we disagree with the vendor's assessments, we add our proprietary research and conclusions for the exclusionary screens committed.
11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles	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	Data Vendor: Bloomberg PAI 11 is intended to capture evidence, or lack thereof, of companies' mechanisms and due diligence efforts to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (MNE's). PAI 11 considers several raw data points disclosed from companies and publicly sourced data: Industry Org Membership - Labour Rights, Employee Freedom of Association Policy, ILO Labour Standards, OECD Guidelines for MNE's, Modern Slavery Act Statement, Forced Labour Policy, Child Labour Policy and Un Global Compact Signatory. If any of the above

	and OECD Guidelines for Multinational Enterprises	mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	fields are 'Yes' the company is considered to have a process for monitoring UNGC principles and OECD Guidelines for MNE's. Data limitation: This metric is an interpretation of the principles and guidelines in question based on Bloomberg own methodology and the underlying data as provided by the company itself or sourced from publicly available sources. Actual results may therefore vary. This metric does neither constitute nor replace any legal opinion, legal assessment, legal advice, or other expert statement on the existence of a violation.
12	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	Data Vendor: Bloomberg The average unadjusted gender pay gap of investee companies is the difference expressed between the average (mean or median) earnings of men and women including management across a workforce, irrespective of worker characteristics or job title. The unadjusted analysis offers a holistic view for assessing potential pay disparity as it considers the distribution of employees across all jobs. The analysis is unaffected by differences such as level and job title, which may themselves be a result of discrimination. It can reveal, for example, gaps in the representation of women in senior-level roles. We use the percentage gender pay gap for total employees including management for the company. This Percentage represents female earnings in relation to its male counterparts. We consider this metric to be an exact fit to this PAI definition. Data limitation: Only a small proportion of companies disclose gender pay gap data, and not all disclosures are the same, but we expect these limitations to ease in the future.
13	Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	Data Vendor: Bloomberg Percentage of women on the Board of Directors, as reported by the company. Europe: Where the company has a Supervisory Board and a Management Board, this is the Percentage of Women on the Supervisory Board. This data is annualized, based on the reporting year. We consider this metric is an exact fit to this PAI definition. Bloomberg do not use estimation models to cover this PAI.
14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons,	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Data Vendor: ISS ESG We rely on ISS ESG to screen out companies with strong indications of involvement in the production or distribution of anti-personnel mines, cluster munitions, chemical weapons, and biological weapons. Based on ISS, coverage of the investment universe in this PAI assumes coverage is equivalent to eligibility.

	and biological weapons)		Data limitation: Involvement in some weapon categories like biological and chemical weapons, blinding lasers, not detectable fragments remain at best patchy. But there is no alternative as of now. It is worth noting that chemical and biological weapons cases are very unusual and have tended to be made by state owned or private companies. Nevertheless, we consider this metric to be an exact fit to this PAI definition.
15	GHG intensity	GHG intensity of investee countries - Metric kilo tonnes per unit of GDP (in millions of euros)	Data Vendor: S&P Trucost This metric is measured as the level of GHG territorial emissions (measured in kilo tonnes, Ktonnes) per unit of GDP (in millions of euros, M€). GHG Emissions are associated with any aspect of an economy's activity and includes territorial emissions (domestic + exported) and emissions embedded in its imports. GDP used is the purchasing power parity (ppp) GDP. Data for the GDP of invested countries is obtained from the IMF (public source) while carbon emissions are sourced from S&P Trucost. Intensities are then computed as a simple ratio between emissions and GDP for the latest year available. Data limitation: We consider this metric to be a partial fit as we exclude "Land use, land-use change and forestry" (LULUCF) from GHG territorial emissions accounting, given the uncertainty of the numbers. LULUCF is an important category accounting for GHG emissions within the United Nations Framework Convention on Climate Change (UNFCCC). The LULUCF sector covers emissions and removals of greenhouse gases resulting from direct human induced land use, land-use change and forestry activities. Carbon is sequestered by forestry and grassland, while carbon losses occur on existing cropland and natural land (e.g., grassland) that is converted to cropland or settlement. It's noteworthy that we attribute a 0 carbon intensity to certain internally approved Green Bonds issued by sovereigns. These sovereign Green bonds are regarded as owing to their explicit commitment to finance projects with environmental benefits based on the International Capital Market Association (ICMA) guidelines. The funds raised by these bonds are used for projects that positively impact the environment or climate, such as renewable energy or sustainable waste management. This approach, which considers 0 carbon intensity, is adopted in the absence of a more precise, project-based assessment of GHG emission reductions.
16	Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Data Vendor: Sustainalytics We rely on Sustainalytics' country risk analysis which includes social risks such as civil or transnational conflict, state repression, violent crime, and labour rights/discrimination. Sustainalytics captures the most controversial social-related events in which a country is involved in that are interpreted to potentially affect the prosperity and economic development of a country and its ability to manage its wealth in an effective and sustainable manner. At the event level, the overall impact on stakeholders and the environment gets evaluated based on the Incidents' Severity Scores as well as the risk to a country's Human Capital. The impacts of an incident, get summarized in a Severity Score, which measures

			the Depth (the degree of impact), Breadth (how widespread the impact is) and Duration (what the duration is likely to be) of an Incident. We consider and report only the most severe events (category 5) to constitute Social Violations in the spirit of the regulation. Data points provided by Sustainalytics are considered as an exact fit to this PAI’s requirements.
	Investee countries subject to social violations	Number of investee countries subject to social violations (relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	See above
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	Eligibility 0%. We do not have any eligible assets for this PAI.
18	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	Eligibility 0%. We do not have any eligible assets for this PAI.

Table 2 Additional climate and other environment-related indicators

4	Investment 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	Data vendor: Bloomberg Indicates whether the company is lacking carbon emissions reduction initiatives aimed at aligning with the Paris Agreement. The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2 Degrees Celsius and pursuing efforts to limit it to 1.5 Degrees Celsius. Data limitation: By now, only a fraction of companies has committed to carbon emission reduction initiatives, but we can expect this proportion to increase in the future. We consider this metric is an exact fit to this PAI definition. Bloomberg do not use estimation models to cover this PAI.

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

9	Lack of a human rights policy	Share of investments in entities without a human rights policy	Data Vendor: Bloomberg This PAI is disclosing the investments in companies which lack a certain Human Rights policy or programme. Data limitation: By now, only a fraction of companies publishes a human right policy, but we can expect this proportion to increase in the future. We consider this metric to be an exact fit to this PAI definition. Bloomberg do not use estimation models to cover this PAI.

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