

# S&P Global Sustainable1

## S&P Global EU Sustainable Finance Disclosure Regulation Dataset

### Notice of Methodology Enhancements

July 2024

S&P Global's EU Sustainable Finance Disclosures Regulation (SFDR) Dataset enables Financial Market Participants to start the process of disclosure at the entity-level and eventually at the product-level across a broad range of mandatory and opt-in principal adverse impact (PAI) indicators outlined by the SFDR. The data is updated on a quarterly basis to address any changes in the regulation or changes in the data sources. This notice describes the methodology enhancements that are currently under review and that S&P Global Sustainable1 intends to release in July 2024. The methodology updates contained in this notice are currently under review and may be subject to change. The purpose of this notification is to ensure we maintain transparency in our methodological process and decisions with the market. The full release will be accompanied by a detailed methodology report describing the data sources, methods and assumptions used in the analysis, and a release note describing the impact of the methodology changes on the dataset.

#### Methodology Enhancements under Review

The following table describes the methodology enhancements that are under review and being considered for the upcoming release, the expected impact on the dataset, and the intended benefit of these enhancements for clients. The enhancements described below may be subject to change and the related expected impact may also differ from what has been described below as these updates are yet to be implemented and are under review.

Enhancement Name	Enhancement Description	Client Benefit	Expected Impact on EU SFDR Dataset
I. 7. 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 (0/1)	<p>This change relates to PAI indicator I.7. Our current dataset evaluates all companies included in the S&amp;P Global Corporate Sustainability Assessment and the S&amp;P Global Nature and Biodiversity Risk Dataset to determine if they have assets in or near biodiversity-sensitive areas. For companies identified in the Nature and Biodiversity Risk Dataset, it is also necessary for them to be in NACE sectors classified as high-impact climate sectors to be considered as negatively affecting biodiversity-sensitive areas.</p> <p>Companies outside this universe and not part of the high-risk sectors identified by the UN Environment Program and ENCORE will be assigned a default value of</p>	<p>Increase coverage at dataset level and enhanced portfolio calculations.</p> <p>Increased accuracy in the assessment of assets materiality for high biodiversity sensitive areas.</p>	<p>Overall coverage is expected to increase from 10% to 60%. Within the 10% covered universe 90% of the companies currently map to this metric i.e. are marked 1. By increasing coverage to 60%, this is expected to change to 80% marked as 0 and 20% marked as 1. This is largely due to the methodology change where we will estimate a 0 when companies are not covered in either the CSA or the Nature and Biodiversity Risk dataset and do not fall within a high impact sector. It is also partially due to the high impact sector classification change being made.</p>

	<p>zero. These companies will be flagged in the disclosure file as "estimated" rather than using disclosed values.</p> <p>Additionally, the high-impact climate sector classification (EU classification) will be replaced by the UN Environment and ENCORE classification to assess a company's material impact on biodiversity.</p>		
<p>III. 1 Investments in companies without workplace accident prevention policies</p>	<p>The PAI Indicator III.1, which tracks investments in companies lacking workplace accident prevention policies, has been revised. Previously, the indicator used an OHS Governance Oversight Score (0-100) that focused on IHS systems, including worker health, worker committees, and regulatory compliance. This score has been replaced by the OHS Programs Score, which also ranges from 0-100 but now concentrates on evaluating the availability, remediation, and capacity-building efforts aimed at reducing occupational health and safety hazards and enhancing worker well-being. The new metric retains the previous scoring system but with updated criteria.</p>	<p>Adjustments have been made to ensure continuity in datapoint availability.</p>	<p>Initial analysis indicates a significant yet justifiable shift in scores, with a correlation coefficient of 0.55 and a typical score difference ranging from -34 to 0 points between the old and new metrics. We do not expect any changes in the sector coverage.</p>

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