

# SFDR Principal Adverse Impacts for financial products



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In accordance with Regulation (EU) 2019/2088 (the “Sustainable Finance Disclosure Regulation”, SFDR), this section provides information on Credit Suisse’s approach to considering the principal adverse impacts (PAI) at the financial product level. PAI are defined by the EU as “negative, material, or likely to be material effects on sustainability factors that are caused, compounded by, or directly linked to investment decisions and advice performed by the legal entity.” Following the framework provided by the SFDR, the PAI indicators are grouped by investment class (investments into investee companies, sovereign bonds, and real estate assets) and are defined as environmental, social, governance and employee matters, as well as respect for human rights, anti-corruption and anti-bribery matters.

Credit Suisse makes use of a combination of approaches to consider the PAI indicators for discretionary mandates in scope of SFDR. The degree and the way the PAI are considered depends on factors such as the investment strategy of a discretionary mandate, and the availability of reliable data. The approach applied to consider the PAI depends on the nature of the indicator, as well as on the specific context of the investment that is causing the adverse impact.

Credit Suisse acquires the necessary PAI metrics from third-party data providers and may use proprietary sources where appropriate to consider negative impacts at the financial product level. The efficiency of our methodology to consider PAI exposure is subject to adequate data quality and sufficient data coverage. Credit Suisse monitors the state of PAI disclosure and is looking to introduce additional measures to consider PAI once quality and coverage improve. For financial products in scope of SFDR, Credit Suisse considers the PAI and reports on them in the periodic reports, unless stated otherwise in the product legal documentation. Credit Suisse takes into consideration the information reported by third party collective investments which may be limited and, therefore, the ability of Credit Suisse to consider PAI for investments into third party collective investments may be limited.

The table below shows the mandatory PAI indicators defined by the SFDR and how Credit Suisse considers the relevant PAI indicators at the financial product level.

Theme	PAI indicator	Description of metric	Description of approach to consider PAI indicators
<b>Investments in investee companies</b>			
<b>Climate and other environment-related indicators</b>			
Greenhouse gas (GHG) emissions	1. GHG emissions	Absolute Scope 1 GHG emissions, Scope 2 GHG emissions, Scope 3 GHG emissions and total GHG emissions based on either reported or estimated values. Multiple types of greenhouse gases are considered and expressed in terms of tons of CO2 per year.	Credit Suisse is committed to contributing to the goals of the Paris Agreement and to achieving net zero carbon emissions by 2050. For this, Credit Suisse has published a Climate Action Plan including interim carbon reduction targets for 2030. Further information is available on the website <a href="#">here</a> .  Credit Suisse offers its clients discretionary mandates that integrate climate-specific metrics during the investment process and provide clients with a range of actively managed fund solutions that relate to the transition to a net zero society.
	2. Carbon footprint	Carbon footprint, calculated from the aggregated Scope 1, 2, and 3 GHG emissions of a company relative to its enterprise value.	Exposure to GHG is regularly monitored and reported at portfolio level. Credit Suisse reports the average portfolio carbon footprint (currently, Scope 1 and 2 GHG emissions), which is calculated as weighted average tons of greenhouse gases emitted (CO2e) per USD million of sales for all positions in the portfolio for which data is available. This report is available to all clients upon request.
	3. GHG intensity of investee companies	GHG intensity of investee companies calculated from the aggregated Scope 1, 2, and 3 GHG emissions of a company relative to its sales or revenues.	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector.	Credit Suisse's offerings classified as "Avoid harm" and above based on the Credit Suisse's proprietary Sustainable Investment Framework currently exclude companies that derive more than 20% of their combined revenues from thermal coal mining or coal-powered electricity generation. Credit Suisse has a plan to gradually strengthen these restrictions, which includes a 15% revenue threshold by 2025 and a 5% revenue threshold by 2030.  Additionally, Credit Suisse is introducing a restriction on companies active in Arctic oil and gas with a 5% revenue threshold as well as an oil sands restriction with a 10% revenue threshold (expected to be effective as of April 1, 2023).
	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.	Currently, for this PAI, data availability and/or quality is limited. Credit Suisse monitors the availability and quality of data for the PAI and might consider the data available while assessing investment risks and opportunities.
	6. Energy consumption intensity per high-impact climate sector	Energy consumption in GWh per EUR million of revenue of investee companies, per high-impact climate sector.	Currently, for this PAI, data availability and/or quality is limited. Credit Suisse monitors the availability and quality of data for the PAI and might consider the data available while assessing investment risks and opportunities.
Biodiversity	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.	Currently, for this PAI, data availability and/or quality is limited. Credit Suisse monitors the availability and quality of data for the PAI and might consider the data available while assessing investment risks and opportunities.
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per EUR million invested, expressed as a weighted average.	Currently, for this PAI, data availability and/or quality is limited. Credit Suisse monitors the availability and quality of data for the PAI and might consider the data available while assessing investment risks and opportunities.
Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per EUR million invested, expressed as a weighted average.	Currently, for this PAI, data availability and/or quality is limited. Credit Suisse monitors the availability and quality of data for the PAI and might consider the data available while assessing investment risks and opportunities.

## Indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters

Social and employee matters	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.	Credit Suisse excludes companies that exhibit severe weaknesses in business conduct, particularly regarding breaches of the United Nations Global Compact Principles (UNGC).
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	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 mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	Credit Suisse considers information on whether companies have no such process or compliance mechanism in place.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies.	Currently, for this PAI, data availability and/or quality is limited. Credit Suisse monitors the availability and quality of data for the PAI and might consider the data available while assessing investment risks and opportunities.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members.	Currently, for this PAI, data availability and/or quality is limited. Credit Suisse monitors the availability and quality of data for the PAI and might consider the data available while assessing investment risks and opportunities.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons.	Credit Suisse excludes companies that fail to comply with international treaties on controversial weapons such as the "Convention on Cluster Munitions," the "Chemical Weapons Convention," the "Biological Weapons Convention," and the "Treaty on the Non-Proliferation of Nuclear Weapons."

## Investments in sovereigns and supranationals

Environmental	15. GHG intensity	GHG intensity of investee countries.	When assessing sovereign bonds from a sustainability perspective, Credit Suisse considers environmental factors, including GHG intensity trend, amongst other datapoints from third party data providers.
Social	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.	Credit Suisse operates a global sanctions program designed to comply with key sanctions regimes including (but not limited to) the regimes of Switzerland, USA, UK, and EU.

## Investments in real estate assets

Fossil fuels	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.	For collective Real Estate investments, the CS product sustainability classification category "Avoid harm" or above is applied.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets.	For collective Real Estate investments, the CS product sustainability classification category "Avoid harm" or above is applied.