

Sustainability

Corporate Rating

Methodology & Research Process

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Version 3.0

PUBLIC DISCLOSURE ON THE METHODOLOGY,
MODELS, AND KEY RATING ASSUMPTIONS USED IN
ESG RATING ACTIVITIES

**ISS
STOXX**

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Regulation (EU) 2024/3005: Public Disclosure on the Methodology, Models, and Key Rating Assumptions Used in ESG Rating Activities

This disclosure is published to meet the relevant requirements of the EU ESG Ratings Regulation (EU2024/3005) and related regulatory technical standards. The following index cross-references to the relevant information are made available within the Corporate Ratings Methodology Document and on our website.

Within this disclosure, the [Regulation \(EU\) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance \(ESG\) rating activities](#) is referred to as “**Regulation (EU) 2024/3005**”.

Within this disclosure, the Commission Delegated Regulation (EU) of 21 04 2026 supplementing Regulation (EU) 2024/3005 of the European Parliament and of the Council with regard to regulatory technical standards specifying the elements of ESG rating products to be disclosed to the public and to users of ESG ratings, rated items and issuers of rated items is referred to as “**Delegated Regulation**”.

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
Rating Product Disclosures			
ANNEX III.1.f	Article 3(1)	ESG rating providers shall disclose information on the ESG rating's clearly defined objective and marking whether the rating is assessing risks, impacts, or both, according to the double materiality principle, or any other dimensions, and in the case of double materiality the proportion of the risk and impact materiality. ESG rating providers shall disclose at the level of each ESG rating product: - a description of the risks covered, where the ESG rating is assessing risks; - a description of the impacts covered, where the ESG rating is assessing impacts; - information on how the risk and impact materiality are taken into account according to the double materiality principle, where applicable; - where the ESG rating is based on other materiality dimensions, a description of those dimensions.	Please refer to: • Corporate Rating Objective • Materiality • Sustainability Impact of Products and Services • Controversies
ANNEX III.1.g	Article 3(2)	ESG rating providers shall disclose the ESG rating's scope, namely, whether it covers an individual E, S, or G factor or whether it is an aggregated rating aggregating E, S and G factors, or whether it covers specific issues such as transition risks. ESG rating providers shall disclose at the level of each ESG rating product: - a description of what is covered under the E, S or G factors and which factors are aggregated, where applicable; - a description of the specific issues that the ESG rating covers.	Please refer to: • Rating Structure
ANNEX III.1.h	N/A	ESG rating providers shall disclose in the case of an aggregated ESG rating, the weighting of the three overarching E, S and G categories of factors (for example 33 % for the E factor, 33 % for the S factor, 33 % for the G factor), and the explanation of the weighting method, including weight per individual E, S and G category.	Please refer to: • Weighting of Indicators and Topics • Appendix A – Industries Overview

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REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
ANNEX III.1.i	N/A	ESG rating providers shall disclose within the E, S or G factors, specification of the topics covered by the ESG rating, and whether they correspond to the topics from the sustainability reporting standards developed pursuant to Article 29b of Directive 2013/34/EU.	Please refer to: • Standard and Industry Specific Indicators • Appendix A – Industries Overview
ANNEX III.1.j	N/A	ESG rating providers shall disclose information on whether the rating is expressed in absolute or relative value.	Please refer to: • Rating Outputs and Signals
ANNEX III.1.o	Article 3(3)	ESG rating providers shall disclose if an ESG rating of a rated item covers the E factor, information on whether that rating takes into account the targets and objectives of the Paris Agreement or any other relevant international agreements. ESG rating providers shall disclose if an ESG rating of a rated item covers the S and G factors, information on whether that rating takes into account any relevant international agreements. ESG rating providers shall at the level of each ESG rating product:	Please refer to: • Methodological Foundations • Performance Expectations
ANNEX III.1.p	Article 3(4)	a) include an indication of whether the ESG rating takes into account the targets and objectives of the Paris Agreement and which other international agreements are considered, with reference to basic identifying information on these agreements together with an explanation of their relevance to the ESG rating; b) specify whether the ESG rating is assessing alignment of commitments against the objectives of the agreements referred to in point (a).	

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
Basic Methodological Disclosures			
ANNEX III.1.a	Article 4(1)	ESG rating providers shall disclose an overview of the rating methodologies used and changes thereto, including whether analysis is backward-looking or forward-looking and the time horizon covered. ESG rating providers shall disclose: - the title of the rating methodology used; - a description of the types of rated items in relation to which the methodology referred to in point (a) applies; - the time horizon over which the ESG rating is considered valid, where applicable - a list and overview of the relevant supporting models and key rating assumptions, where applicable; information on measures and procedures to ensure the quality and reliability of data used; - a description of the defined ranking system of rating categories used, with reference to: - the meaning of each rating category for absolute and relative values and how the ranking system should be interpreted; - in the case of relative values, an explanation as to whether they are relative to a specific industry, geographical area, peer groups or other comparative references and their respective description. - the dates of the most recent update of the methodology and a description of the changes introduced to the previous version.	Please refer to: Points a) and f) Appendix B – Version Control Points b) to e) b) Corporate Rating Objective c) Types of Indicators, Rating Reviews and Updates d) Methodology Governance and Quality Assurance e) Primary Rating Outputs and Signals

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ANNEX III.1.b	Article 4(2)	ESG rating providers shall disclose the industry classification used. ESG rating providers shall provide: a) the name of the issuing body of the industry classification used; b) the name and version of the industry classification used; c) any publicly available link to the official documentation of the industry classification system.	Please refer to: • Industry Classification
ANNEX III.1.c	Article 4(3)	ESG rating providers shall disclose an overview of data sources, including whether data is sourced from sustainability statements required under Directive 2013/34/EU or from information disclosed under Regulation (EU) 2019/2088 and whether sources are public or non-public, and an overview of data processes, estimation of input data in case of unavailability and frequency of data updates. ESG rating providers shall include a description of the engagement process with rated items or issuers of rated items, including how the input from such engagement is taken into account.	Please refer to: • Data Sources: Sources of Information • Estimation of Input Data: Treatment of Disclosure Gaps, Use of Estimated Data • Frequency of Data Updates: Rating Reviews and Updates • Data and Engagement Processes: Rating Process and Company Dialogue
ANNEX III.1.e	Article 4(4)	ESG rating providers shall disclose information on whether and how the rating methodologies are based on scientific evidence. ESG rating providers shall where applicable, describe the process for identifying relevant scientific evidence.	Please refer to: • Methodological Foundations • Methodology Governance and Quality Assurance

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ANNEX III.1.k	N/A	ESG rating providers shall disclose where applicable, reference to the use of artificial intelligence in the data collection or rating process including information about current limitations and risks of using artificial intelligence.	Please refer to: Sources of Information
Limitations in data sources, methodologies and information			
ANNEX III.1.m	Article 5	ESG rating providers shall disclose any limitation in data sources and methodologies used for the construction of ESG ratings. ESG rating providers shall disclose any limitation on the information available to ESG rating providers.	Please refer to: Limitations Limitations to Methodologies & Data
ANNEX III.1.q	Article 5	ESG rating providers shall explain any limitations in respect of the following: a) the availability or consistency of data used in the rating process; b) the completeness, timeliness and accuracy of information; c) the use of assumptions, proxy reference points and data estimation.	
Organisational Disclosures			
ANNEX III.1.d	Article 6(2)	ESG rating providers shall disclose the ownership structure of the ESG rating provider. ESG rating providers shall disclose: a) a chart illustrating their ownership links with any parent undertaking and subsidiaries. The chart shall indicate, where applicable, whether any of those entities perform any of the activities listed in Article 16 (1) or services referred to in Article 16(6) of Regulation (EU) 2024/3005.	Please refer to: Ownership Structure

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REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
ANNEX III.1.l	Article 6(3)	ESG rating providers shall disclose general information on criteria used for establishing fees charged to clients, specifying the various elements taken into consideration, and general information on the business/payment model. ESG rating providers shall disclose the following: a) how the criteria they apply for establishing fees ensure that fees are fair, reasonable, transparent and non-discriminatory in accordance with Article 27 of Regulation (EU) 2024/3005; b) whether the ESG rating provider operates a subscription-paid model, an issuer-paid model, a combination of those models, or another model; c) a description of the relevant business model, and the proportion of total annual revenue derived from each model; d) where applicable, the impact of fees charged for services other than ESG rating activities on the determination of fees for ESG ratings, together with a description of those other services.	Please refer to: • Pricing Policy
ANNEX III.1.n	Article 6(1)	ESG rating providers shall disclose the main risks of conflicts of interest and the steps take to mitigate them. ESG rating providers shall indicate the areas of the ESG rating provider's activities, services or organisational structure from which the main risks of conflicts of interest may arise.	Please refer to: • Conflict of Interest Policy

Introduction

This document is intended to provide a comprehensive overview of ISS STOXX's approach to evaluating the sustainability performance of companies through the ISS STOXX "[Corporate Rating](#)". A methodology summary can be accessed [here](#).

Corporate Rating Objective

The Corporate Rating is designed to enable institutional investors to support their investment strategies by providing an opinion on the sustainability performance of corporate issuers. In the context of the Corporate Rating, sustainability performance refers to a company's demonstrated ability to adequately manage material sustainability risks, mitigate negative and generate positive social and environmental impacts, and capitalize on opportunities offered by transformation towards sustainable development. The Corporate Rating measures performance on an absolute twelve-point letter and underlying [numerical scale](#) from A+/4.00 (excellent performance) to D-/1.00 (poor performance).

Methodological Foundations

The Corporate Rating methodology builds on international normative frameworks, including the [United Nations \(UN\) Global Compact Principles](#), the [Organisation for Economic Co-operation and Development \(OECD\) Guidelines for Multinational Enterprises on Responsible Business Conduct](#), and the [UN Guiding Principles on Business and Human Rights](#), as well as the [UN Sustainable Development Goals \(SDGs\)](#). The methodology also takes into account mandatory and voluntary disclosure standards such as the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) issued by the International Sustainability Standards Board (ISSB); the Sustainability Accounting Standards Board (SASB) Standards, now maintained by the ISSB; the European Sustainability Reporting Standards (ESRS) developed under the scope of the European Union's Corporate Sustainability Reporting Directive (CSRD); Global Reporting Initiative (GRI) Standards, as well as regulatory changes and technological developments. This approach and the resulting scores enable institutional investors to align their investments with global standards.

While the Corporate Rating is typically not directly based on scientific evidence, several of its assessments draw on international guidelines, standards, and frameworks that are themselves informed by scientific evidence. For instance, the methodology for assessing the social and environmental impact of products and services applies a thematic approach across 15 proprietary sustainability objectives, drawing on guidance from the United Nations and national agencies, globally recognized taxonomies and certifications, as well as academic literature and published peer-reviewed scientific studies (see [Sustainability Impact of Products and Services](#)).

The Corporate Rating considers sustainability risks, opportunities, and impacts along the entire corporate value chain, including a company's supply chain, its own operations, and the use and disposal of its products. For instance, the Corporate Rating includes a dedicated [component](#) that classifies and assesses the positive and negative sustainability impacts of companies' products and services portfolios, following a thematic approach that encompasses 15 distinct Sustainability

Objectives informed by the UN Sustainable Development Goals, guidance from the United Nations (UN) and national agencies, globally recognized taxonomies and certifications, and peer reviewed academic literature. Violations of global norms ([Controversies](#)) are also considered within the assessment.

Materiality

The Corporate Rating applies a holistic and forward-looking concept of materiality that focuses on long-term value creation through a double materiality lens. The rating approach acknowledges that both financial and impact materiality are closely interconnected, as impacts resulting from companies' business operations on stakeholders and/or the environment can affect the economic value of a company over the short, medium, or long term. Consequently, the rating incorporates a broad range of standard and industry-specific sustainability topics designed to ensure that salient and emerging social and environmental risks and opportunities are captured. The set of topics included in and assessed within an issuer rating may differ from those identified by an issuer as material in materiality assessments conducted in accordance with external disclosure standards. This is due to the Corporate Rating methodology defining material topics at the industry level, incorporating sector-specific risks and, where relevant, issuer-specific idiosyncratic considerations.

Generally, sustainability risks and opportunities map to financial risks and opportunities. Some examples are as follows:

- Market risks/opportunities – Changing consumer preferences for sustainable products and services can directly impact a company's revenue, market share, and profitability.
- Operational risks – Failure to establish safe workplace conditions can disrupt operations and reduce worker morale leading to financial losses.
- Credit/counterparty default risk – A transition towards a lower-carbon economy may result in a company with carbon-intensive activities being left with stranded assets or requiring unexpected capital expenditure. This could result in difficulties in meeting financial obligations.
- Reputational risks/opportunities – Negative publicity or controversies related to sustainability issues can damage a company's reputation, brand value, and market position. Conversely, companies that adequately manage sustainability risks can enhance their reputation, attract, and retain customers and employees, and improve stakeholder trust.
- Legal/regulatory risk – Companies that fail to comply with existing and emerging sustainability-related policies, laws, and regulation may face legal and financial penalties.

Methodology Reviews

The Corporate Rating methodology is subject to periodic reviews and updates that are overseen by ISS STOXX's Sustainability [Methodology Review Board](#) which comprises experienced methodology and research leaders across jurisdictions. Reviews consider factors including regulatory developments, existing and emerging disclosure standards, evolving stakeholder expectations, and industry and technological developments. ISS STOXX also undertakes public and client surveys to elicit the views of key stakeholders on methodological foundations and future potential methodology enhancements. Relevant upcoming methodology changes are communicated to clients on a quarterly basis.

Industry Classification

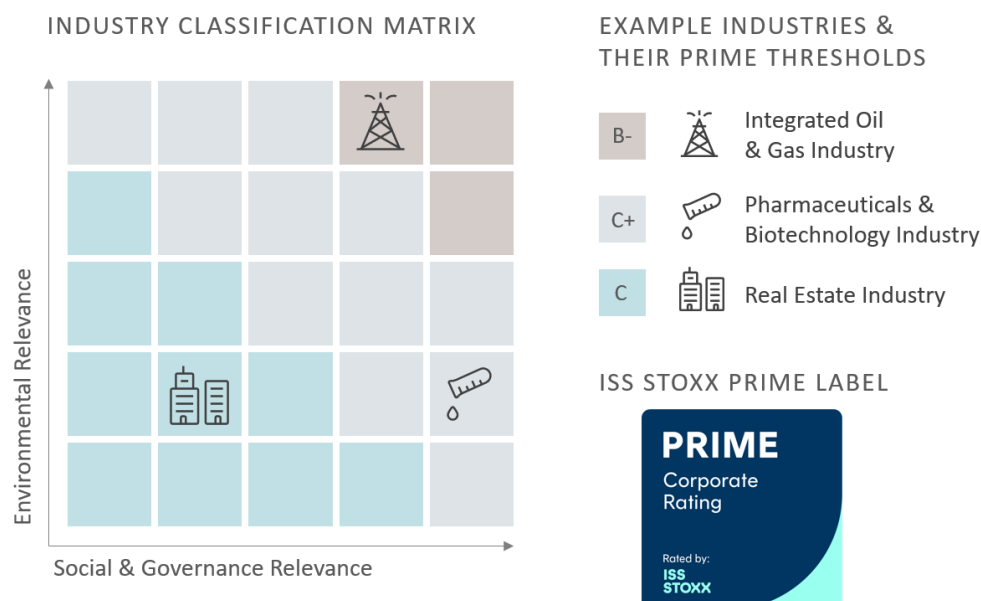
ISS STOXX recognizes that each business model has a distinct set of risks, opportunities, and impacts. To capture and reflect these characteristics, an industry-specific approach is applied using a proprietary industry classification system. This classification system is currently made up of 73 industries (a full list of industries including descriptions can be found in the [Appendix](#)).

Industry Classification Matrix and Determination of *Prime* Thresholds

To account for variations in sustainability risk profiles between industries, ISS STOXX has developed an Industry Classification Matrix which spans two dimensions: Social and Governance Relevance and Environmental Relevance. This matrix assigns each industry to a particular position based on an assessment of the industry's overall level of risk exposure, stakeholder impacts, and environmental footprint along the value chain. The industry's position within the matrix determines the relative weighting of the two dimensions of the Corporate Rating (see [Rating Structure, Weightings, and Key Issues](#) section) as well as the *Prime* threshold.

[Prime status](#) is assigned to companies with a sustainability performance in line with or above the *Prime* threshold, which is a defined industry-specific letter grade of either B-, C+, or C (see *Figure 1*), with C+ applying to most industries. Companies assigned to industries with an elevated sustainability risk profile must meet higher thresholds to be categorized as *Prime*.

Figure 1. Industry Classification Matrix



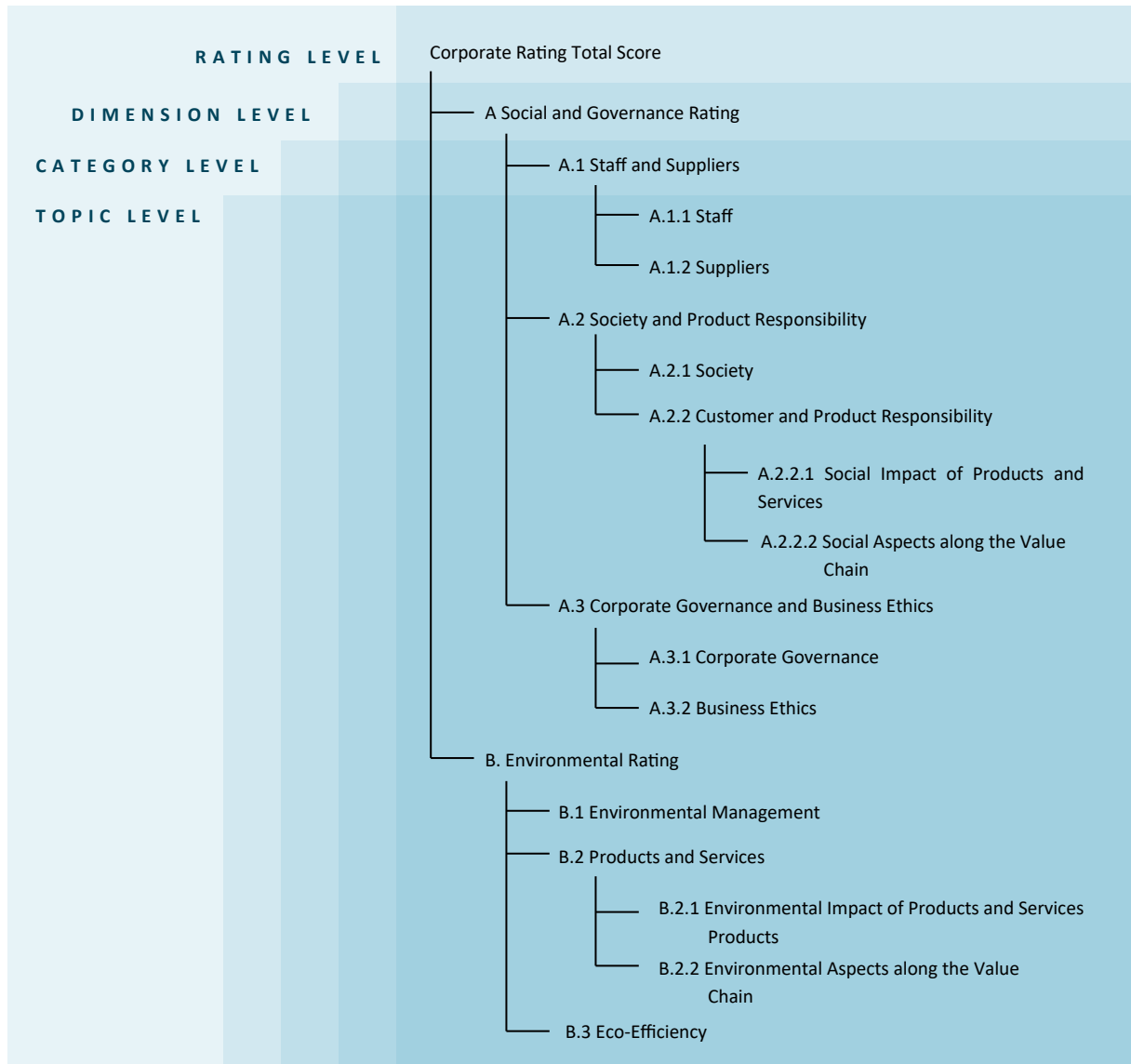
In rare cases, when companies exhibit significantly different risk profiles yet are classified within the same industry, they may be assigned a different *Prime* threshold. For example, given their cleaner production processes and lower environmental footprint, companies focusing on metals recycling are assigned a *Prime* threshold of C+, whereas the standard *Prime* threshold of companies in the *Metals Processing and Production* industry is B-.

Rating Structure, Weightings, and Key Issues

Rating Structure

The primary signal of the Corporate Rating is an aggregated score which, at the highest level, is made up of two dimensions, the Social and Governance Rating and the Environmental Rating. Each dimension is subdivided into three categories and further broken down into topics and indicators that can be located at different layers of the rating hierarchy (see *Figure 2* below). Assessments take place at the indicator level only. At all higher levels of the rating hierarchy scores are aggregated. Companies grouped within the same Corporate Rating industry generally have the same set of indicators, which enables comparability of sustainability performance among industry peers. The top-level hierarchy shown in *Figure 2* is consistent across industries. Industry-specific differentiation occurs at topic levels located below the consistent top-level hierarchy.

Figure 2. Consistent Top-Level Hierarchy of the Corporate Rating



Standard and Industry-Specific Indicators

Drawing on a pool of approximately 700 indicators, each industry-specific rating structure contains both standard and industry-specific indicators, with a total of approximately 100 assessed indicators per overall rating. Standard indicators generally account for around 50-60% of the indicators used in the rating, while industry-specific indicators account for around 40-50%. Standard indicators assess performance regarding sustainability topics relevant for all companies regardless of industry.

Examples of indicators and topics considered under each high-level topic are shown in the following *Table 1*. The topics covered in the CR largely correspond to topics from the Article 29b of Directive 2013/34/EU even though the topical structure of the Corporate Rating was primarily developed prior to this regulation coming into force (see *Table 1. Thematic Structure and Content of Main Rating Topics*). The rating may comprise topics that exceed the thematic boundary of the Topical ESRS.

Table 1. Thematic Structure and Content of Main Rating Topics

MAIN RATING TOPICS	DESCRIPTION	EXAMPLES OF INDICATORS AND TOPICS	RELATED ESRS TOPICS
A.1.1 Staff	Covers topics/indicators relating to labor rights and working conditions for the company's workforce and on-site contractors	• Equal opportunities and non-discrimination • Freedom of association and the right to collective bargaining • Health and safety • Training and education • Work-life balance	ESRS S1 Own Workforce

¹ ISS STOXX discloses this information in accordance with REGULATION (EU) 2024/3005 ANNEX III. 1.i. Note that this table lists the topics most directly corresponding to the environmental and social topics assessed under each main rating topic. The ESRS topic mentioned may only be partially relevant for the respective main issue areas.

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MAIN RATING TOPICS	DESCRIPTION	EXAMPLES OF INDICATORS AND TOPICS	RELATED ESRS TOPICS
A.1.2 Suppliers	Covers indicators relating to labor rights and working conditions in the supply chain	• Supplier standard with regard to labor rights and working conditions • Procedures to ensure compliance with the supplier standard on labor rights and working conditions • Measures to enable key suppliers to safeguard labor rights and improve working conditions	ESRS S2 Workers in the Value Chain ESRS G1 Business Conduct²
A.2.1 Society	Covers topics/indicators relating to external stakeholders of the company, excluding customers	• Human rights • Community • Relations with governments and influence on public policy • Stakeholder dialogue	ESRS S3 Affected Communities ESRS G1 Business Conduct³
A.2.2.1 Social impact of products and services	Covers the assessment of the social impact of the company's product portfolio	• Social impacts of the product portfolio • Strategy shift towards a more socially beneficial product portfolio	ESRS S4 Consumers and End-users
A.2.2.2 Social aspects along the value chain	Covers topics/indicators relating to business model-specific customer and product responsibility issues	• Product safety • Data privacy and information security • Responsible marketing	ESRS S4 Consumers and End-users ESRS G1 Business Conduct⁴

² Only disclosure relating to the G1 sub-topic *Management of relationships with suppliers, including payment practices especially late payment to small- and medium-sized undertakings (SMEs)* are relevant for this main rating topic.

³ Only disclosure relating to the G1 sub-topic *Political influence, including lobbying activities* are relevant under this main rating topic

⁴ Only G1 disclosures relating to animal welfare are relevant under this main rating topic

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MAIN RATING TOPICS	DESCRIPTION	EXAMPLES OF INDICATORS AND TOPICS	RELATED ESRS TOPICS
A.3.1 Corporate governance	Covers topics/indicators relating to corporate governance	- Board structure - Compensation - Shareholder rights - Auditing and risk oversight	N/A
A.3.2 Business ethics	Covers indicators relating to responsible business conduct and compliance	- Code of business ethics - Compliance procedures	ESRS G1 Business Conduct
B.1 Environmental management	Covers topics/indicators relating to general managerial approaches concerning environmental aspects	- Environmental management system - Energy management - Climate change strategy - Water risk and impact - Environmental management in the supply chain	ESRS E1 Climate Change ESRS E2 Pollution ESRS E3 Water and Marine Resources
B.2.1 Environmental impact of products and services	Covers the assessment of the environmental impact of the company's product portfolio	- Environmental impacts of the product portfolio - Strategy shift towards a more environmentally beneficial product portfolio	ESRS E1 Climate Change ESRS E2 Pollution ESRS E3 Water and Marine Resources ESRS E4 Biodiversity and Ecosystems ESRS E5 Resource Use and Circular Economy
B.2.2 Environmental aspects along the value chain	Covers topics/indicators relating to business model-specific environmental risks and impacts	- Biodiversity management - Product lifecycle - Material efficiency - Substances of concern	ESRS E1 Climate Change ESRS E2 Pollution ESRS E3 Water and Marine Resources ESRS E4 Biodiversity and Ecosystems ESRS E5 Resource Use and Circular Economy

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MAIN RATING TOPICS	DESCRIPTION	EXAMPLES OF INDICATORS AND TOPICS	RELATED ESRS TOPICS
B.3 Eco-efficiency	Covers quantitative indicators on resource use and emission intensities	• Carbon intensity • Nitrogen oxide, Sulfur oxide, Particulate matter emission intensities • Freshwater intensity • Waste intensity	ESRS E1 Climate Change ESRS E2 Pollution ESRS E3 Water and Marine Resources ESRS E5 Resource Use and Circular Economy

Notably, industry-specific considerations are applied to standard indicators as well. For instance, while the topic of labor rights and working conditions in the supply chain (A.1.2 *Suppliers*) is assessed in all industries, underlying sub-indicators and performance requirements differ reflecting the topic's varying materiality. For example, in industries which have been assessed by ISS STOXX as having a higher risk, such as *Textiles & Apparel*, companies must meet additional performance requirements, whilst in lower-risk industries such as *Commercial Banks & Capital Markets*, only a core set of sub-indicators are applied. Furthermore, for *Textiles & Apparel* the topic has a large weight in the rating structure, whilst for *Commercial Banks & Capital Markets* a much lower weight is applied (see *Table 2* below). Further details on weighting can be found in the following section.

Table 2. Example of Materiality-Adjusted Approach Towards Assessing Labor Rights and Working Conditions in the Supply Chain

INDICATOR	SUB-INDICATORS		ABSOLUTE WEIGHT		
			TEXTILES & APPAREL	MEDIA	COMMERCIAL BANKS
A.1.2.1 Supplier standard with regard to labor rights and working conditions	Core Set	- Existence of a supplier labor policy - Inclusion of the extended supply chain - Child labor - Forced labor - Freedom of association - Discrimination - Harassment and abusive behavior - Health and safety - Wages - Working time	3%	1.4%	0.8%
	Optional Criteria	- Living wage - Regular employment - Migrant workers		N/A	N/A
A.1.2.2 Procedures to ensure compliance with supplier standards on labor rights and working conditions	Core Set	- Supplier risk assessments - Supplier audits - Procedures in case of non-compliance	6%	2.8%	0.8%
	Optional Criteria	- Supply chain mapping - Reporting on supply chain composition		N/A	N/A

		• Additional audit requirements • Audits in the extended supply chain • Reporting on audit results, incidents, and their follow-up • Facilitation of non-compliance reporting by suppliers • Training of employees			
A.1.2.3 Measures to enable key suppliers to safeguard labor rights and improve working conditions	Core Set	• Avoidance of negative impacts of purchasing practices • Capacity building • Collaboration with third parties	6%	N/A	N/A
A.1.2.4 Social controversies relating to supplier activities	N/A		0% to 12%*	0% to 3.4%*	0% to 1.2%*
Total A.1.2 Suppliers			15%	4.2%	1.5%

* Controversy indicators can be assigned up to 80% of the weight of *A.1.2 Suppliers* depending on the existence and severity of relevant controversies (see [Controversies](#)).

Weighting of Indicators and Topics

To adequately reflect the proportional materiality of topics, ISS STOXX develops weighting scenarios that apply to each industry-specific rating structure.

Multiple factors influence the final weight attributed to individual topics and indicators, including the following:

- Characteristics of the business model, such as exposure to supply chain risks, or the geographic breakdown of operations
- Recognition of the topic's materiality by corporate issuers, as well as by external disclosure standards such as IFRS/SASB Standards, ESRS, and GRI Standards
- Existing and emerging regulations
- Industry and technological developments
- The product portfolio's positive and negative sustainability impacts
- Track record of and exposure to controversies.

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ISS STOXX applies a rules-based approach for determining the weight of the Governance pillar which comprises an assessment of *A.3.1 Corporate governance* and *A.3.2 Business ethics*. The approach floors the weight of both *A.3.1 Corporate governance* and *A.3.2 Business ethics* at 5%. Setting a minimum weight of 5% acknowledges that sound corporate governance practices and adequate management of business ethics-related risks are relevant drivers of company value across industries.

The weight of *A.3.1 Corporate governance* is tied to the Prime threshold applying to the respective industry or company. This is based on the view that the weight of corporate governance should be proportionally lower for industries whose profile of business operations is characterized by elevated social and environmental risks and impacts. The lowest possible weight of 5% is assigned to industries having a Prime threshold of B- (the highest possible). Conversely, for industries having a Prime threshold of C, the corporate governance topic has a weight of 10%. The weight of the Business ethics topic will be either 5% or 7.5%, depending on whether the topic belongs to the set of key issues of an industry. The overall weight of the Governance pillar ranges from 10% to 17.5% under the updated approach (see *Table 3*)

Table 3. Weight of Corporate Governance and Business Ethics

PRIME THRESHOLD	WEIGHT OF A.3.1 CORPORATE GOVERNANCE	IS A.3.2 BUSINESS ETHICS A KEY ISSUE?	WEIGHT OF A.3.2 BUSINESS ETHICS	TOTAL WEIGHT OF GOVERNANCE RATING	EXAMPLE
C	10%	Yes	7.5%	17.5%	Commercial Banks & Capital Markets
C	10%	No	5%	15%	Real Estate
C+	7.5%	Yes	7.5%	15%	Pharmaceuticals & Biotechnology
C+	7.5%	No	5%	12.5%	Electronic Devices & Appliances
B-	5%	Yes	7.5%	12.5%	Integrated Oil & Gas
B-	5%	No	5%	10%	Chemicals

The Corporate Rating relies on data and evaluations stemming from [ISS STOXX Governance QualityScore](#) (GQS) for assessing the quality of corporate governance practices (see [Corporate Governance](#) section for further details). The weight of the four corporate governance topics Board structure, Compensation, Shareholder rights, and Audit and risk oversight varies depending on the GQS region of the respective company. This accounts for regional differences in the saliency of these topics and means that the weight of these four topics can differ at the industry level.

Identification of Industry-Specific Key Issues

The first step in defining weight distribution and materiality for each industry is to identify the key sustainability issues. Key issues can vary in complexity and can consist of a single topic or a combination of several topics and/or indicators in the rating structure. Both standard and industry-specific indicators may be included in a key issue; an example is shown below.

EXAMPLE OF INDUSTRY-SPECIFIC KEY ISSUES

In the *Electric Utilities* industry, the *Promotion of a sustainable energy system* is identified as a key issue and is made up of a granular set of performance indicators designed to ensure that the issue is comprehensively covered.

Standard indicators:

- *Greenhouse gas emission inventories*
- *Greenhouse gas emission reduction targets and action plans*
- *Disclosure of climate change risks and mitigation strategy*
- *Controversies relating to climate change*
- *Environmental impacts of the product portfolio*
- *Strategy shift towards a more environmentally beneficial product portfolio*

Industry-specific indicators:

- *Incentives offered to customers to increase energy and water efficiency and to promote reduction and recycling of waste*
- *Energy generation by source*
- *Share of renewable energy in electricity generation*
- *Share of renewable energy in total energy sales*
- *Development of renewable energy in electricity generation*
- *Strategy to promote renewable energy*
- *Development of innovative energy technologies*
- *Carbon intensity of energy generation*
- *Development of the carbon intensity of energy generation*
- *Thermal efficiency of fossil-fired power plants*
- *Integration of renewable energy sources into the electricity grid*

Cumulatively, key issues generally account for at least 50 percent and up to 80 percent of the rating weight, with individual key issue weight typically ranging between 5 and 40 percent. Examples are presented in *Table 4*.

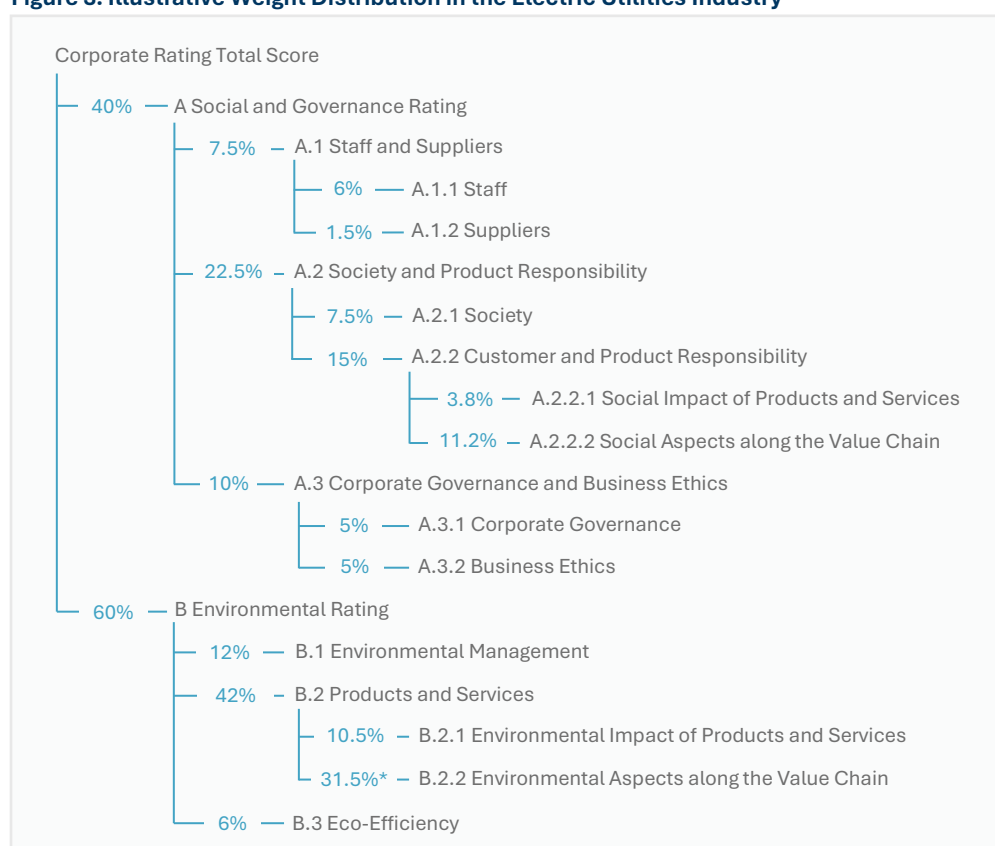
Table 4. Examples of Key Issues and Associated Average Weight in Select Industries

INDUSTRY	KEY ISSUES	WEIGHT
Commercial Banks & Capital Markets	Sustainability impacts of lending and other financial services	35.0%
	Customer and product responsibility	12.6%
	Sustainable investment criteria	11.6%
	Labor standards and working conditions	8.1%
	Business ethics	6.7%
	Total	74.0%
Electric Utilities	Promotion of a sustainable energy system	40.6%
	Environmentally safe operation of plants and infrastructure	11.8%
	Protection of human rights and community outreach	7.5%
	Accessibility and reliability of energy supply	6.3%
	Worker safety and accident prevention	3.1%
	Total	69.2%
Food Products	Impacts on soil and biodiversity along the value chain	17.1%
	Customer health and safety	14.7%
	Labor standards and working conditions	13.2%
	Mitigation of direct and indirect climate impacts	13.3%
	Conservation of aquatic ecosystems and water along the value chain	12.0%
	Total	70.3%

Industry-Specific Allocation of Weights

Weights of individual topics and indicators are allocated along the rating hierarchy at the dimension, category, topic, and indicator level. As an example, in the *Electric Utilities* industry, the high weight on the environmental dimension (60 percent) facilitates the allocation of adequate weight on topics and indicators assigned to the key issue *Promotion of a sustainable energy system*, e.g., *Environmental impact of the products and services* (see Figure 3).

Figure 3. Illustrative Weight Distribution in the Electric Utilities Industry

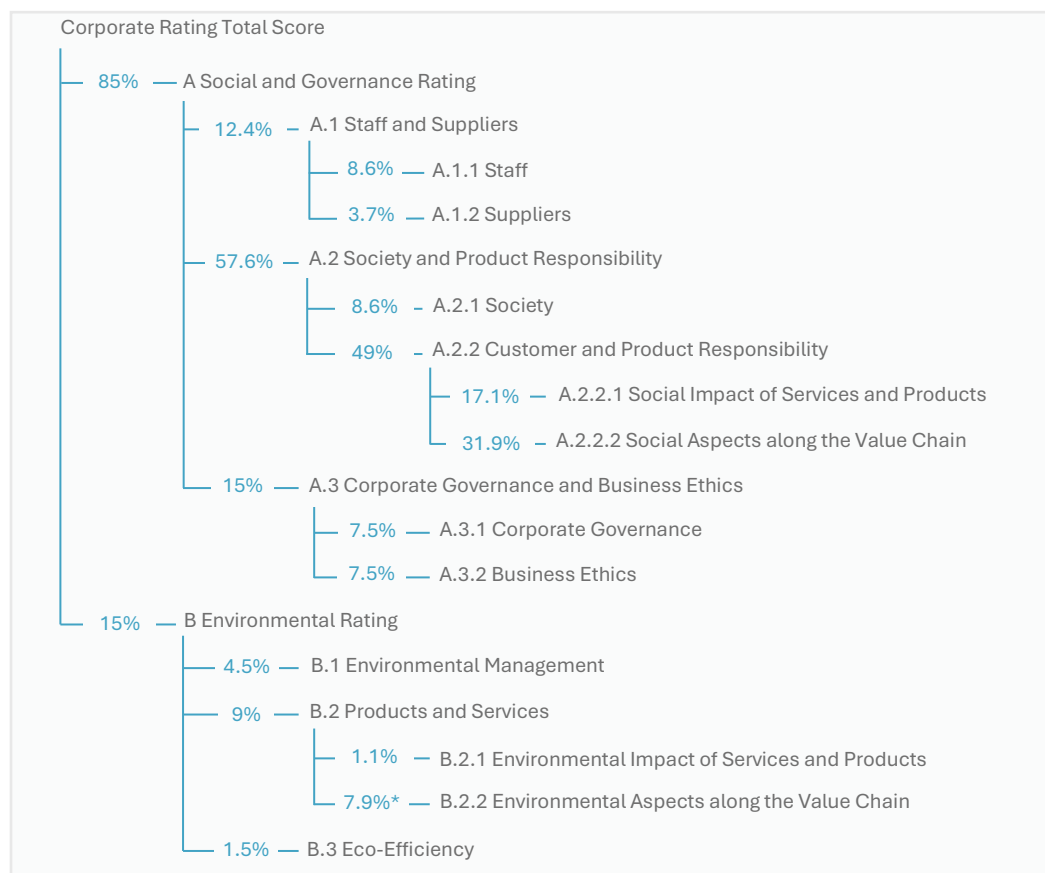


In industries where the major sustainability risks, opportunities, and impacts are tied to social issues, the Social and Governance dimension has a higher weight. For example, in the *Pharmaceuticals & Biotechnology* industry, this ratio is particularly tilted toward the Social and Governance dimension (85 percent), where four of the five identified key issues are related to social impacts (see Figure 4). These four key issues are *Business ethics, lobbying and ethical marketing*; *Health benefits of products and drug safety*; *Ethics in research and development*; and *Access to medicine in underserved regions*.

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Figure 4. Illustrative Weight Distribution in the Pharmaceuticals & Biotechnology Industry



The impact assessment of products and services, which may be a key issue in the rating, is assigned a weight of 10-50 percent, depending on the magnitude of the impact in comparison to the overall risk exposure.

At the indicator level, indicators relating to measures, procedures, and strategic positioning are generally assigned higher weights than those related to corporate policies, to emphasize the importance of the implementation of the principles that companies have committed to upholding.

Differentiated Weighting Scenarios for Specific Business Models

Weights may be adjusted for companies within the same industry that have different business models, to reflect the specific sustainability risk exposures and levels of materiality of individual sustainability topics. An example is shown below.

EXAMPLE OF DIFFERENTIATED WEIGHTING SCENARIOS

In the *Pharmaceuticals & Biotechnology* industry, companies exhibit various business models, ranging from pure R&D companies and service provider companies, such as contract manufacturing or research organizations, to traditional large pharmaceutical companies. Specific applicability and weighting scenarios are applied to account for the resulting differences in materiality of the individual social and environmental topics.

While most *Pharmaceuticals & Biotechnology* companies share a common set of key issues such as *Business ethics* and *Ethics in research and development*, other topics such as *Responsible marketing* and *Product safety* are only material for companies whose products have been placed on the market already. Furthermore, some companies have a lower risk exposure due to the nature of their products. For companies exclusively developing and producing biodegradable biopharmaceuticals (such as antibody drugs) topics such as the *Elimination of active pharmaceutical ingredients from production wastewater* are set to not applicable and thus are not attributed any weight.

Consideration of Non-Standard Business Models

Some companies substantially engage in business activities going beyond the usual range of activities for companies in their industry and accordingly have additional sustainability-related risks not captured in the standard rating model for that industry. In these cases, additional topics and indicators are integrated. The addition of these elements is prompted by one of the two following circumstances:

1. More than 20 percent of a rated company's revenue is generated in business areas that pose sustainability-related risks, opportunities, and impacts that are not adequately captured by the industry's default rating structure.
2. Business activities accounting for less than 20 percent of total revenue that have significantly higher social or environmental risks and impacts compared to the company's core business activities.

As an example, for the first circumstance, if a company is primarily active in the *Household & Personal Products* industry but also sells food products accounting for more than 20 percent of its total revenue, the company will first be assessed against the indicators selected for the *Household & Personal Products* industry. To help ensure that the risks, opportunities, and impacts associated with the company's food product business are also adequately reflected, additional indicators may be added: *Position on health and nutrition aspects of products*; *Nutrition targets relating to product*

portfolio; Nutrition labelling; Strategy to reduce critical additives in food and beverages; Implementation of a food safety management system; Certification of the food safety management system; Animal welfare standards; and Measures to ensure and promote animal welfare.

As an example for the second circumstance, a company which is mainly active in the *Insurance* industry and operates a natural gas transportation and storage business, generating less than 20% of total revenue. Due to additional and significantly higher environmental risks of the natural gas business as compared to the insurance business, the company is assessed against additional indicators: *Position on biodiversity conservation and responsible land use; Pipeline integrity and safety management; Environmentally safe operation of facilities; Process and facility safety management; Emergency response and preparedness.*

Assessment Rules

Performance Expectations

Absolute performance expectations are defined for each indicator along the rating scale with the goal to facilitate objective, reproducible, and comparable assessments. Where relevant, performance expectations are grounded in widely recognized international agreements, norms, and regulatory frameworks. For example, the Paris Agreement and science-aligned target setting under the Science Based Targets initiative (SBTi) are benchmarked against to assess companies' climate ambition. Similarly, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the Fundamental Conventions of the International Labour Organization are used to evaluate responsible business conduct, labor rights, and due diligence. These expectations are used to measure alignment with the objectives of these frameworks across company policies, actions, and targets:

SETTING OF PERFORMANCE EXPECTATIONS

Aligned with international norms, standards, and regulations such as:

- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Fundamental Conventions of the International Labor Organization
- OECD Guidelines for Multinational Enterprises on Responsible Business Conduct
- UN Sustainable Development Goals
- EU Sustainable Finance Taxonomy
- Paris Agreement
- Science Based Targets initiative

Informed by mandatory and voluntary disclosure standards such as:

- IFRS Sustainability Disclosure Standards (S1 and S2) and SASB Standards
- European Sustainability Reporting Standards
- GRI Standards

Consideration of industry-specific standards such as:

- International Finance Corporation Performance Standards
- A diverse range of certification schemes such as the Forest Stewardship Council, the Roundtable on Sustainable Palm Oil, and Responsible Care
- Industry associations such as the International Council on Metals & Mining, the International Petroleum Industry Environmental Conservation Association, and the Responsible Business Alliance

Types of Indicators

To obtain meaningful assessments at the topic level, a combination of indicators best suited to measure sustainability performance in the respective topics are used. A basic distinction can be made between qualitative and quantitative indicators (see *Figure 5*).

Figure 5. Types of Quantitative and Qualitative Indicators



About 75 percent of all indicators in the Corporate Rating are qualitative, focusing on policies and standards, management systems, the implementation of relevant structures and measures, strategic positioning towards key issues, and controversial business conduct. The remaining 25 percent of indicators focus on quantitative analysis. Where appropriate, trend assessments are complemented by an evaluation of the company's performance against publicly available or proprietary benchmarks, which may be general or industry-specific.

Examples of quantitative indicators and their underlying assessment approaches are displayed in *Table 5*.

Table 5. Examples of Quantitative Indicators

TYPE	EXAMPLE	ASSESSMENT APPROACH
Trend & Benchmark	Greenhouse gas emission intensity (iron ore and/or steel production)	Assesses both the trend of the intensity over the last three to five years as well as how the intensity compares to the average for this specific business activity.
Benchmark	Gender distribution	Assesses the level of female representation in management positions.
Distribution	Energy generation by source	Granular assessment of the energy mix (e.g., renewable sources, natural gas, coal) of electric utilities, taking into account environmental and social impacts.

While assessments in the rating are frequently backward-looking as they relate to e.g., existing measures and practices adopted by companies or trend assessments of a series of intensity values, several indicators in the rating have a distinct forward-looking component such as indicators assessing company targets or strategies. Additionally, on aggregate, even indicators mainly assessing existing measures and practices may be indicative of how well a company is positioned to mitigate risks and avoid potential adverse impacts in the future.

Structure and Assessment Approach of Indicators

Most indicators are evaluated and scored based on an assessment of content and the coverage of that content. Coverage is typically assessed based on the percentage of relevant employees or operations to which the content is applicable. However, for some indicators, coverage may consider other parameters, such as key suppliers.

Since 2024, a subset of indicators use ‘factorized’ data from the [ISS STOXX Environmental & Social Raw Data Set](#). Factorized data comprises specific questions and standard sets of answers, which allow content to be assessed with embedded coverage. For other indicators, content and coverage are assessed separately, and the assessments are combined. For quantitative indicators, in order to ensure comparability, data is only assessed if in a disclosure whose reporting boundary is complete or near-complete.

Factorized Approach

Over 60 indicators, relevant to companies across all or most industries, incorporate factorized data. This allows for granular and comparable assessments of issuers on a broad range of core sustainability topics.

Standardized questions and answer ranges embed coverage within the content assessment. For example, in many qualitative factors, a “Yes” answer is selected where the company specifies that it applies the content to the vast majority of operations:

- Question: Does the company disclose rules on conflict of interest?
Answer Ranges: “Yes”, “Yes, but not for entire company”, “Anecdotal/case study only”, or “No”.

Combined Approach

Indicators that do not use factorized data are structured using a bifurcated assessment of content and coverage. For these indicators, an equal 50-50 weighting is allocated to content and coverage grades:

$$\text{Indicator grade} = (\text{Content grade} \times 50\%) + (\text{Coverage grade} \times 50\%)$$

For example, if a best practice applies to fewer than 50% of operations, the indicator grade incorporates both content and coverage assessments as follows:

$$\text{Indicator grade} = (4 \times 50\%) + (2 \times 50\%) = 3$$

For the coverage assessment, the following grading generally applies:

Table 6. Coverage Assessment

COVERAGE (E.G., EMPLOYEES/OPERATIONS)	>0% - <20% OR NOT SPECIFIED	≥20% - <50%	≥50% - <80%	≥80% - 100%
Grade*	1	2	3	4

* See [Absolute Rating](#) for the numerical scale used in the rating.

Limits are in place for scores derived from combining significantly different content and coverage grades. Such limits avoid overly favorable assessments of high-scoring content combined with very low coverage, or low-scoring content that applies to the entire issuer.

For example, if a company discloses a best practice (grade 4 content), but this only applies to one company location at which < 20% of total employees are based (grade 1 coverage), the content assessment is capped at grade 2, resulting in a combined indicator score of only 1.5.

Quantitative Indicators

For quantitative indicators, in order to ensure comparability, data is only assessed if in a disclosure whose reporting boundary is complete or near-complete. In this way, a coverage assessment is embedded in the assessment of content.

For example, if a company discloses information on the proportion of its total workforce who are women, this will be assessed in the indicator 'Gender distribution'. Conversely, if the company discloses only partial information on gender diversity, such as for a single division or one of multiple countries in which it operates, then this data will not be assessed.

Corporate Governance

The Corporate Rating leverages [ISS STOXX Governance QualityScore](#) (GQS) data for the assessment of a company's corporate governance practices across four topics, i.e., Audit & Risk Oversight, Board Structure, Compensation, and Shareholder Rights. GQS calls upon a library of more than 300 governance factors across the coverage universe, of which up to approximately 200 are used for any one company as defined by region, highlighting both potentially shareholder-adverse practices at a company and mitigating factors that help tell a more complete story. Each factor is based on the same principles that form the foundation of the [ISS Benchmark Policy](#) and is tailored to address appropriate variations in corporate governance practices across global capital markets. Developed through an extensive, transparent, and inclusive process, these policies reflect corporate governance standards and best practices across jurisdictions, as well as the views of institutional investors, issuers, and corporate governance practitioners worldwide.

Governance QualityScore global coverage comprises approximately 8,000+ companies in more than 30 markets, aligning with local market indices, including but not limited to constituents of the S&P 1500, Russell 3000, S&P/TSX Composite, S&P/TSX Small Cap, STOXX600, and JPX-Nikkei 400, augmented with widely held companies. All markets are assigned to one of the 17 Governance QualityScore regions.

GQS uses raw scores to assess a company's absolute performance on any given factor. Raw scores can be negative in case company practices are below average vis-à-vis the market benchmark, positive in case practices exceed regional standards, or a value of 0 which represents a neutral situation. At an aggregated level, a raw score of 0 represents a situation where superior governance practices exactly compensate for deficiencies. The Corporate Rating converts GQS raw scores at the topic level, i.e., Audit & Risk Oversight, Board Structure, Compensation, and Shareholder Rights. The conversion works as follows: Raw scores of 0 are converted to a numerical grade of 2.5, the mid-point on the numerical 1-4 rating scale. Raw scores below or above zero are linearly converted to the 1-4

scale based on the min and max raw scores for each category which can vary by GQS region. Note that Corporate Rating does not use GQS decile-based scores but rather draws on the underlying raw scores which reflect a company's absolute performance of corporate governance against the respective market benchmark.

Companies not covered by GQS are assessed against a core set of indicators capturing key aspects of corporate governance. Companies may not be covered by GQS for the following reasons: Non-listed companies; country of coverage not in GQS' scope; the company has an uncommon ownership structure or non-trading voting stock; the company is an externally-managed fund; the company does not have a recent annual meeting; the company is considered a (closed-ended) investment trust, real estate investment trust or closed-ended venture capital trust.

Treatment of Disclosure Gaps

The Corporate Rating measures performance and as such requires relevant information on which an objective and reproducible assessment can be based. Relevant information is either information exactly matching the data requirements or sufficiently robust evidence allowing for an assessment or making reasonable estimates. In absence of relevant information, the performance of an indicator cannot be positively assessed, resulting in a grade of 1 (D-). Assessments in the Corporate Rating are not derived from modelling, nor does the absence of controversies lead to positive scores.

In addition to company disclosures, relevant information may be retrieved from [alternative sources](#). For example, when a company has more than 80 percent of its employees located in one or several countries with high standards with regard to certain sustainability topics, this information is taken into account in the assessment according to clear rules and evaluation guidelines. This method can also benefit some low-transparency companies in these regions as selected topics are assessed positively. Indicators for which high standards in countries of operations are considered, based on sources such as national legislation, OECD reports, ILO databases, government web pages, information provided by the European Commission, comprise the following:

- Policy on freedom of association and collective bargaining
- Policy on non-discrimination
- Implementation of a health and safety management system
- Workplace flexibility and working time reduction
- Dependent care and special leave
- Payment practices
- Policy on employment security and responsible workforce restructuring
- Measures to ensure responsible workforce restructuring

Use of Estimated Data

Estimations based on robust evidence may be made under the following two conditions:

1. For quantitative indicators that are based on percentage assessments, estimations can be made if no (precise) reported data is available. Analysts are provided with clear guidance on how and in what instances estimations may be made. Neither estimations nor modelling are applied to all other absolute quantitative data (such as consumption data or intensities).

Where percentage estimations are made, they are based on evidence found in company reporting. For example, when assessing the [sustainability impact of products and services](#) and in the absence of precise disclosure, analysts adhere to established estimation rules by using a 5 percent revenue share interval for certain products. For instance, a company reports that it generates 25 percent of revenues through its "Beverages" segment. The majority of the products are alcoholic beverages and only one of their products is a non-alcoholic beverage. Each of the product types generates a different sustainability impact, therefore, to capture both in the estimation, a 5 percent revenue share interval (the minimum) is allotted to the non-alcoholic products and the remainder (20 percent) to the alcoholic products.

2. If coverage is not clearly specified by the company, estimations are made based on contextual information, provided reasonable assumptions can be made with medium to high certainty.

These coverage estimations are also based on evidence found in company reporting. For instance, a company states that relevant biodiversity management practices are implemented at its domestic operations. It does not provide a concrete percentage breakdown of operations by country but discloses that domestic operations account for the majority of global production volumes. Based on this contextual information, the coverage assessment will provide an estimation that more than 50% of operations are covered by these programs.

All estimations are made transparent in the Corporate Rating report. The overall share of estimated data based on robust evidence across Corporate Ratings data is generally between 5 and 10 percent.

Small and Medium-Sized Companies

Disclosure and performance requirements for certain indicators are adjusted for small and medium-sized enterprises (SMEs) to prevent systematic disadvantages due to financial or capacity constraints. For instance, certifications of management systems are generally not required for SMEs. SMEs are defined as companies with fewer than 500 employees and less than 500 million USD of revenue in line with an anticipated increase in mandated corporate reporting on sustainability-related matters. Additional adjustments for disclosure and performance requirements are defined for very small companies employing less than 10 employees.

Additionally, for companies that do not directly employ any staff and contract external managers, the *Staff* section of the rating is deactivated. These issuers are concentrated in a few industries, including Real Estate and Mortgage & Public Sector Finance. Specific weighting schemes are applied to these companies, assigning higher weight to other areas of the rating comprising key issues such as

customer and product responsibility, and environmental performance. Indicators elsewhere in the rating that solely concern direct employees also become not applicable.

Sustainability Impact of Products and Services

The social and environmental impact of products and services is an integral component of the sustainability performance assessment. Dedicated indicators assess the impact of a company's products and services in the context of seven social and eight environmental sustainability objectives that are informed by the SDGs, guidance from the United Nations and national agencies, globally recognized taxonomies and certifications, and peer reviewed academic literature. The assessment is based on the share of net sales generated with relevant products or services that contribute to or obstruct the achievement of one or more of the objectives covered.

Figure 6. Overview of 15 Sustainability Objectives



Controversies

The assessment of companies' sustainability performance in the Corporate Rating is informed by a systematic and comprehensive evaluation of a company's involvement in controversies, sourced from ISS STOXX's [Norm-Based Research](#) (NBR). NBR assesses corporate involvement in alleged or verified failures to respect established norms on human rights, labor standards, environmental protection and business malpractice set out in authoritative standards on responsible business conduct. The core normative framework consists of the [Principles of the UN Global Compact](#), the [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#), and the [UN Guiding Principles for Business and Human Rights](#) and are supplemented by the [Sustainable Development Goals](#).

The Corporate Rating leverages the severity assessment of NBR which presents a measure of the reported risk to or impact on society or the environment, considering corporate responsibility, on a scale of: Potential, Moderate, Severe, to Very severe.

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The involvement in a controversy leads to a downgrading of the relevant sections in the Corporate Rating.

Table 7. Controversy-Induced Downgrading Mechanism

NBR SEVERITY LEVEL	DOWNGRADING IMPACT AT TOPIC LEVEL*	IMPACT ON TOPIC WITH A+ PERFORMANCE
Potential	No downgrading applied	A+ / 4.00
Moderate	20%	A- / 3.40
Severe	50%	B- / 2.50
Very severe	80%	D+ / 1.60

* The table displays the standard approach for the incorporation of controversies into the rating. To account for company- or industry-specific considerations, a rules-based approach and procedures are in place which, accordingly, result in adjusted weightings.

Controversies applied to the topics *Staff*, *Social aspects along the value chain* and *Environmental aspects along the value chain* may not directly relate to specific underlying topics but to the overall subject area more generally. To avoid an asymmetric impact on the overall performance assessment at the upper level of the rating, a more modest downgrading mechanism of 5/10/20% instead of 20/50/80% is applied.

Rating Outputs and Signals

Primary Rating Outputs and Signals

Absolute Rating

The absolute rating is expressed by a letter grade on a scale from D- to A+. Underlying these letter grades is a numerical scale ranging from 1 to 4. The letter grades span numerical intervals of 0.25:

Figure 7. Numerical Scale, Alphabetical Rating, and Performance Level

D-	D	D+	C-	C	C+	B-	B	B+	A-	A	A+
1.00 - <1.25	1.25 - <1.50	1.50 - <1.75	1.75 - <2.00	2.00 - <2.25	2.25 - <2.50	2.50 - <2.75	2.75 - <3.00	3.00 - <3.25	3.25 - <3.50	3.50 - <3.75	3.75 - 4.00
Poor			Medium			Good			Excellent		

Prime Status

Prime status is assigned to companies with a sustainability performance in line with or above a defined industry-specific letter grade (see Industry Classification Matrix and Determination of Prime Thresholds). This designation refers to a company's demonstrated ability to adequately manage material sustainability risks, mitigate negative and generate positive social and environmental impacts, and capitalize on opportunities offered by transformation towards sustainable development.

ISS STOXX Performance Score

The ISS STOXX Performance Score allows for easy identification of the *Prime* status as well as for cross-industry comparisons of the overall rating using a normalized *Prime* threshold. The Performance Score is a numerical expression of the alphabetic overall rating (A+ to D-) on a scale of 0 to 100, with 50 representing the normalized *Prime* threshold. Companies with values equal to or greater than 50 have been assigned *Prime* status.

Conversion to the Performance Score numerical scale normalized to the *Prime* threshold of the respective industries results in differing performance score intervals corresponding to letter grades for industries with different letter grade *Prime* thresholds, as illustrated in *Table 8*.

Table 8. Conversion of Letter and Numerical Scales to the Performance Score per Prime Threshold

LETTER SCALE	NUMERICAL SCALE	ESG PERFORMANCE SCORE CONVERSION FOR DIFFERENT PRIME THRESHOLDS		
		C	C+	B-
A+	3.75 - 4.00	≤ 100	≤ 100	≤ 100
A	3.50 - <3.75	< 93.75	< 92.86	< 91.67
A-	3.25 - <3.50	< 87.50	< 85.71	< 83.33
B+	3.00 - <3.25	< 81.25	< 78.57	< 75.00
B	2.75 - <3.00	< 75.00	< 71.43	< 66.67
B-	2.50 - <2.75	< 68.75	< 64.29	< 58.33
C+	2.25 - <2.50	< 62.50	< 57.14	< 50.00
C	2.00 - <2.25	< 56.25	< 50.00	< 41.67
C-	1.75 - <2.00	< 50.00	< 40.00	< 33.33
D+	1.50 - <1.75	< 37.50	< 30.00	< 25.00
D	1.25 - <1.50	< 25.00	< 20.00	< 16.67
D-	1.00 - <1.25	< 12.50	< 10.00	< 8.33

Decile Rank

The Decile Rank complements the absolute rating by providing insight into how companies perform compared to their industry peers. This dynamic ranking indicates in which decile (tenth part of total) the individual rating ranks within its industry, from 1 (best – company's rating is in the first decile within its industry) to 10 (worst – company's rating is in the tenth decile within its industry) (*Figure 8*).

Figure 8. ISS STOXX Decile Rank

10	9	8	7	6	5	4	3	2	1
Low relative performance					High relative performance				

The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by 10, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal absolute score are classified in the higher decile, resulting in a smaller number of ratings in the decile below.

Supplementary Rating Outputs

ISS STOXX Rating Momentum

The ISS STOXX Rating Momentum provides a signal on the year-on-year trend of a rated entity's overall rating. It is calculated based on the difference between the numerical grade of the current final rating and the numerical grade of the last regular final rating. The Rating Momentum is classified into five levels, from significantly negative to significantly positive, depending on the numeric grade change (*Table 9*).

Table 9. Calculation of Rating Momentum

DELTA	ESG MOMENTUM	SYMBOL
$\Delta \leq -0.5$	Significantly negative	⚡
$\Delta \leq -0.25$	Negative	⚡
$\Delta > -0.25 - < 0.25$	Stable	■
$\Delta \geq 0.25 - < 0.5$	Positive	⬆
$\Delta \geq 0.5$	Significantly positive	⬆

Table 10. Examples of Rating Momentum

EXAMPLES	GRADE ANNUAL UPDATE YEAR X	GRADE ANNUAL UPDATE YEAR Y (X + 1)	DELTA	ESG MOMENTUM
Company A	1.684	1.697	$1.697 - 1.684 = 0.013$	Stable
Company B	2.550	2.050	$2.050 - 2.550 = -0.5$	Significantly negative
Company C	2.248	2.510	$2.510 - 2.248 = 0.262$	Positive

Transparency Level

The Transparency Level identifies the extent to which the Corporate Rating is based on tangible information on a company's performance, including information disclosed by the company or retrieved from third-party sources, as listed under [sources of information](#) below. It takes into consideration the availability of information for specific indicators, including information made available as part of the rating feedback process, as well as the indicator's materiality as reflected in its absolute weight in the rating. The calculated percentage is classified into five transparency levels following the scale in *Figure 9*.

Figure 9. Transparency Levels

0% - <20%	20% - <40%	40% - <60%	60% - <80%	80% - 100%
Very Low	Low	Medium	High	Very High

For example, if information is available for indicators with a cumulative absolute weight in the rating of 23 percent, then the rating's Transparency Level is "Low." The Transparency Level thus helps in understanding the extent to which a low scoring in the rating may be due to a lack of disclosure and information.

Analyst Opinion and Sustainability Opinion

Each Corporate Rating is summarized in an Analyst Opinion that consists of:

- **Product Portfolio Impact Commentary** – Provides a summary assessment of the quality and the share of revenue from a company's products and services that contribute to or obstruct the achievement of sustainable development objectives.
- **Key Issues Performance Commentary** – Provides a summary assessment of how proactively and successfully the company addresses material sustainability challenges in its own business activities and value chain, thus reducing its individual risks, in particular regarding its industry's key issues and compares this to the industry average performance.
- **Governance Commentary** – Provides an overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

The *ISS STOXX Opinion* provides a high-level summary of the Product Portfolio Impact as well as Key Issues Performance Commentaries and includes a brief description of Rating Momentum of the overall rating performance, in case of pronounced improvements or deteriorations of the rating score.

Limitations

The Corporate Rating methodology, data collection, and research process may be subject to certain limitations. The below outlines possible limitations as well as action taken to address them:

Limitation in Availability or Consistency of Data Sources

- **Lack of Standardization in Issuer Disclosure:** Issuers often disclose information using different formats, definitions, and levels of detail. This lack of standardization in the breadth and depth of disclosures poses a certain risk of interpretation errors and requires additional effort to vet data collection and assessment. Data collection manuals guide analysts in capturing data in an as consistent manner as possible.

Limitations in the Completeness, Timeliness, and Accuracy of Information

- **Reliance on public sources:** Data collection is inherently constrained by the quality, completeness, and accessibility of public sources. Public disclosures can be outdated,

delayed, selectively detailed, spread across multiple documents, or released at different times, potentially leading to discrepancies in data collection.

- Limitations to internal processing of disclosed data: Many companies may disclose sustainability-related information at around the same time in a year. This may pose challenges in terms of timely data collection and processing. Several measures are applied to increase efficiency of data collection and processing, while ensuring a high level of data quality, such as specialization of data collection teams, standardization of processes and quality checks.

Limitations in the use of Assumptions, Proxy Reference Points, and Data Estimation

- As described elsewhere (see [Use of Estimated Data](#)), assessments may rely on estimations based on robust evidence in certain situations. While estimation rules have been defined to ensure reproducibility of assessments, estimations are inherently subject to a certain level of uncertainty. In addition to standardization of rules how analyst arrive at estimations, ISS STOXX offers companies the opportunity to review and verify estimated data as part of company outreach processes.

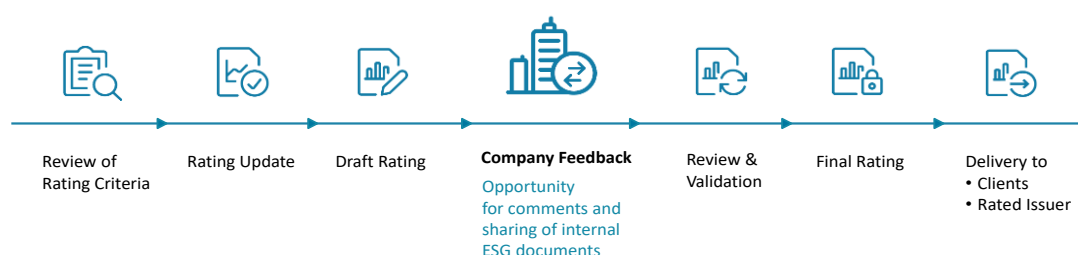
Rating Process

Rating Process and Company Dialogue

Data collection and analysis for the Corporate Rating is exclusively conducted in-house by trained and specialized analysts based on clear data collection manuals and evaluation guidelines.

As part of the rating process (*Figure 10*), companies are contacted both when they are rated for the first time and generally every two to three years thereafter for a voluntary review of their rating, which includes verification and validation of the information reported. The company dialogue process includes a notification of their upcoming rating, where the company confirms whether it intends to participate in this process. If the company opts in, they receive the opportunity to review the draft rating report and verify and/or confirm data to enhance the quality, completeness and usefulness of assessments. For validation of Governance QualityScore data, companies can access a dedicated data verification platform.

Figure 10. ISS STOXX's Rating Process



In addition to solicited feedback, companies covered in the Corporate Rating universe can access their rating free of charge via the [Compass platform](#)⁵ and submit unsolicited feedback via the [ISS STOXX Help Center](#) at any time.

Rating Reviews and Updates

Ratings are considered valid until their next update and are generally reviewed on an annual basis. In addition to these scheduled updates, additional updates are conducted on the following occasions:

- Significant developments or reporting on key sustainability issues that are identified or brought to the attention of ISS STOXX (e.g., the company's first sustainability report is released, or new targets in material sustainability topics are set)
- Newly released raw data inputs may be incorporated into the rating following data profiling unless they lead to significant changes in the overall rating grade and/or key issue assessments, in which case they are incorporated during scheduled updates and subject to additional quality control measures
- Detection of new controversies or of relevant developments to existing controversies through ISS STOXX's Norm-Based Research

Corporate actions such as mergers, acquisitions, or spin-offs, are reflected in ratings once consolidated reporting becomes available.

Sources of Information

Data is primarily sourced from issuers' own public disclosure and reporting such as online reporting and corporate filings (Annual reports, Sustainability reports, Integrated reports, including reporting from sustainability statements required under Directive 2013/34/EU), company policies as well as company sustainability disclosures to national authorities (e.g., modern slavery statement required under Section 54 of the United Kingdom Modern Slavery Act 2015) or recognized initiatives (e.g., the Science Based Targets initiative), proxy statements, as well as relevant databases. Information disclosed under Regulation (EU) 2019/2088 may also be considered if relevant.

Additionally, ISS STOXX carries out data mining, through the use of frontier technology (AI/Machine Learning), for sustainability-related controversies from a wide range of alternative sources, including the following: media sources (international, local), social media, NGOs, government agencies, inter-governmental agencies. Data from these sources triggers and feeds into in-depth analysis under ISS STOXX's Norm-Based Research which in turn feeds into the Corporate Rating.

⁵ Compass is a web-based platform hosted by ISS-Corporate, a wholly owned subsidiary of ISS. There is no obligation to purchase or use any of the products or services of ISS-Corporate in order to receive a courtesy copy of the published ISS STOXX Corporate Rating report. ISS-Corporate provides data, advisory, and software solutions to companies to help them design and manage their sustainability programs. ISS STOXX, which is separate from ISS-Corporate, will not give preferential treatment to, and is under no obligation to support, any company matter (whether or not that company has purchased products or services from ISS-Corporate). No statement from an employee of ISS-Corporate should be construed as a guarantee that ISS STOXX will provide favorable treatment relating to any particular ISS STOXX deliverable.

In accordance with the [Non-Public Information Policy](#), ISS STOXX does not and will not solicit, accept, or use non-public company information in research processes involving company outreach and dialogue.

Methodology Governance and Quality Assurance

ISS STOXX has established a quality management system featuring the following quality controls for the Corporate Rating:

- The Corporate Rating is based on a consistent and rigorous rating methodology designed to yield comparable scores across companies and industries for industry-agnostic or standard rating topics and indicators, as well as comparable scores across peer-to-peer companies in the same industry for industry-specific topics and indicators.
- The methodology and scoring approaches are built into proprietary software utilized by the analysts and designed in a way to ensure objectivity, consistency, and comparability of assessments.
- A global team of specialized analysts in local markets spanning the Americas, Europe, and Asia helps to ensure diversity in observing and interpreting sustainability trends.
- All analysts undergo a rigorous training program.
- All ratings are systematically proofread by experienced analysts who are intimately familiar with the rating methodology and assessment rules.
- A dedicated global Sustainability Research Methodology team oversees the consistent application of the methodology. Additionally, the team initiates and coordinates methodological developments in cooperation with sector leads and sustainability topic specialists who keep abreast of the continually evolving international sustainability trends in their fields of expertise.
- Changes to Prime status by small margins and significant grade changes are subject to review and approval by a committee including senior staff from across Sustainability Research.
- Material methodology changes are subject to review and approval by a Methodology Review Board consisting of experienced methodology and research leaders.

Appendix

Appendix A: Industries Overview

ISS STOXX CORPORATE RATING INDUSTRY	INDUSTRY DESCRIPTION	PRIME THRESHOLD (NUMERICAL/ LETTER GRADE)	DEFAULT TOP-LEVEL PILLAR WEIGHT AS % OF TOTAL WEIGHT (SOCIAL:GOVERNANCE: ENVIRONMENTAL)	KEY ISSUES
Aerospace & Defense	Manufacturers of aerospace products (e.g., aircraft, aircraft components, space equipment) and military equipment (e.g., weapon systems, weapon components). Further includes companies manufacturing naval surface vessels and submarines.	2.25/C+	30:15:55*	• Environmental impact of products • Government relations and prevention of corruption • Resource-conserving production • Product safety • Responsible trade practices
Air Freight & Logistics	Companies providing predominantly air freight transport or multiple modes of transportation. Also includes companies offering logistic services other than transport (such as warehousing) and mail service companies (e.g., to-door delivery, parcel lockers).	2.25/C+	23.5:12.5:65	• Climate protection • Pollution prevention • Labor standards and working conditions • Transport safety and stakeholder responsibility
Airlines	Companies whose main business activity is air passenger transport, such as airline operators. These vary from well-known large airline companies to smaller helicopter companies.	2.25/C+	20:15:65	• Climate protection • Pollution prevention • Labor standards and working conditions

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	Some companies also offer air freight transport to a smaller extent.			- Transport safety and stakeholder responsibility - Business ethics
Asset Management & Brokerage	Companies engaged in the investment management of third-party assets and/or related custody and securities fee-based services, as well as brokerage services. Includes companies operating, e.g., mutual funds, closed-end funds, unit investment trusts, and investment trusts/companies, which are comparable to some companies in the <i>Multi-Sector Holdings</i> industry.	2.00/C	37.5:17.5:45*	- Sustainable investment criteria - Customer and product responsibility - Social and environmental impacts of products and services - Employee relations and work environment - Business ethics
Auto Components	Companies manufacturing products for the automobile industry. The product range extends from components for the power train and bodywork, to the interior lining and car seats, to electronic products and tires.	2.25/C+	30:15:55	- Environmental impact of products - Resource-conserving production - Product safety - Social challenges in the supply chain - Business ethics
Automobile	Companies manufacturing vehicles (passenger cars, light trucks, motorcycles) with combustion engines or electric drives.	2.25/C+	32.5:12.5:55	- Vehicle fleet fuel consumption - Sustainability standards in the supply chain - Vehicle life cycle analyses

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				- Alternative drive systems and mobility concepts - Product safety and automotive cybersecurity
Auxiliary Financial Services & Data	Companies that do not have financial products on their own balance sheet and provide services to financial companies. Includes collection agencies, rating agencies, research agencies, retailers of financial products, and platform and application providers.	2.00/C	57.5:17.5:25	- Customer and product responsibility - Labor standards and working conditions - Sustainability standards for products and transactions - Business ethics
Beverages	Manufacturers of alcoholic and non-alcoholic beverages: distillers, vintners, brewers, and producers of soft drinks, juices, and mineral water.	2.25/C+	42.5:12.5:45*	- Customer health and safety - Impacts on soil and biodiversity along the value chain - Labor standards and working conditions - Mitigation of direct and indirect climate impacts - Water and wastewater management

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Chemicals	Producers of basic chemicals (petrochemicals, polymers, and inorganic chemicals), specialty chemicals, and other related materials. Includes industrial gas manufacturers and agrochemical producers (seeds, pesticides, and fertilizers).	2.5/B-: Industry default 2.25/C+: Applies to Biotechnology , Flavors & Fragrances, and Industrial Gases companies	35:10:55* 32.5:12.5:55	- Chemical and product safety - Climate protection and energy efficiency - Facility and transport safety - Alternative raw materials - Worker safety and accident prevention
Coal & Consumable Fuels	Companies active in the mining and processing of thermal coal and uranium.	2.5/B-	32.5:12.5:55	- Environmental risks and impacts of operations - Climate protection and contribution to the energy transition - Business ethics and relations with governments - Protection of human rights and community outreach - Worker safety and accident prevention

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Commercial Banks & Capital Markets	Companies providing a broad range of financial services for institutional, corporate, and retail clients. This includes lending, project finance, investment banking, asset management, and counseling services.	2.00/C	37.5:17.5:45*	• Sustainability impacts of lending and other financial services/products • Customer and product responsibility • Sustainable investment criteria • Labor standards and working conditions • Business ethics
Commercial Support Services	Companies providing equipment rental and maintenance services (e.g., storage-container rental providers, infrastructure maintenance providers, outdoor advertisers), facilities management services, and security and alarm services (e.g., prison and immigration detention center operators). Also includes providers of funeral products and services.	• 2.25/C+: Industry default • 2.00/C: Applies to Equipment Rental and Maintenance companies	55:15:30* 57.5:17.5:25*	• Socially responsible service provision • Fair, safe, and non-discriminatory working conditions • Environmental impacts of services and supplies • Business ethics and government relations
Construction	Companies active in engineering and construction work ranging from mainly residential or mixed-use developments to infrastructure projects (e.g., roads, airports,	2.25/C+	40:15:45	• Energy and resource efficiency • Labor standards and working conditions

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	power stations, industrial sites). Also includes real estate developers.			• Protection of human rights and community outreach • Business ethics • Impact on land use and biodiversity
Construction Materials	Producers of construction materials (e.g., cement/ concrete, bricks/stones) and building products (e.g., glass/ceramics, insulation, sanitary ware). Includes producers of infrastructure components such as electricity poles or storage tanks. Does not include manufacturers of largely wood-based building products (<i>Furniture & Fittings</i>).	2.25/C+	30:15:55*	• Eco-efficiency of production • Labor standards and working conditions • Products and services with environmental benefits • Business ethics • Environmental impacts of raw material extraction
Development Banks	Local, national, or multilateral financial institutions, whose goal is the promotion of economic, social, and environmental development either in specific regions or internationally. The banks provide theme-specific loans, subsidies, and guarantees for the private and public industry and/or make (impact-oriented) equity investments. In addition, the industry includes export and import finance institutions.	2.00/C	30:15:55	• Sustainability standards for financial products and services • Goal-oriented promotion of sustainability issues • Climate change and related risks • Labor standards and working conditions

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Digital Finance & Payment Processing	Companies providing payment transaction processing services and facilitating digital payments for consumers, merchants, financial institutions, and other stakeholders to enable the authorization, clearing, and settlement of transactions. Also includes companies providing cross-border, peer-to-peer money transfer services that allow customers to send and receive funds with or without bank accounts.	2.25/C+	60:15:25	• Employment security and employee wellbeing • Business ethics and responsible client management • Data protection and information security • Customer protection and reliable provision of services • Energy management of data centers
Education Services	Companies providing educational services, either on-line or through conventional (off-line) teaching methods. Includes private universities, primary schools, kindergartens, after-school tutoring, correspondence teaching, cram/prep schools, language schools, vocational schools, providers of educational materials, and other education services.	2.00/C	70:15:15	• Products and services with social benefits • Employee relations and work environment • Resource-conserving campus operations • High-quality and inclusive educational services
Electric Utilities	Companies that are primarily involved in the generation of energy (electricity or heat). Includes companies that, in addition to energy generation, engage in the distribution and/or transmission of electricity or heat; the sale of	2.5/B-	30:10:60*	• Promotion of a sustainable energy system • Environmentally safe operation of plants and infrastructure

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	natural gas; energy trading; the provision of energy-related services (e.g., products and consultancy in relation to energy efficiency, renewables, or sustainable buildings); or the extraction of coal, oil, or natural gas. Does not include companies that operate gas distribution and/or transmission networks (<i>Gas and Electricity Network Operators</i>) or energy utilities with an exclusive focus on renewable energy facilities (<i>Renewable Electricity</i>) (unless they operate large-scale hydropower plants).			• Protection of human rights and community outreach • Accessibility and reliability of energy supply • Worker safety and accident prevention
Electrical Equipment	Companies active in the design and production of components, equipment, and systems for conventional and renewable energy generation, storage, and distribution. These range from electrical cables and wires and electrical components or equipment to power-generating equipment and other heavy electrical equipment, including power turbines, heavy electrical machinery intended for fixed use, and large electrical systems. In addition, it includes companies that design and build turnkey power plants.	2.25/C+	32.5:12.5:55*	• Environmental impact of products • Resource-conserving production • Product safety • Occupational health and safety

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Electronic Components	Companies that develop and manufacture a broad range of electronic components. This includes components for consumer electronics and household appliances (e.g., cables, power packs), measurement instruments (e.g., high-precision instruments, sensors), electrical and digital building infrastructure (e.g., lighting products and solutions), power electronics and energy management solutions (e.g., switchboard and circuit breakers), renewable energy equipment (e.g., inverters and energy storage for photovoltaic systems), and industrial automation controls and specialized components (e.g., embedded computer technology).	2.25/C+	42.5:12.5:45*	• Labor standards and working conditions • Substances of concern • Resource-conserving production • Responsible sourcing of raw materials
Electronic Devices & Appliances	Companies active in the production, marketing, and sale of electronic devices and appliances. These range from consumer electronics and computers (e.g., TVs, laptops, tablets) through various communication technologies (e.g., mobile phones, routers, telecommunication infrastructure) to household appliances (e.g., refrigerators, washing machines, electric stoves). Includes companies that produce and/or market final	2.25/C+	42.5:12.5:45*	• Labor standards and working conditions • Resource-conserving production • Take-back and recycling • Eco-design of products • Responsible sourcing of raw materials

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ISS STOXX CORPORATE RATING INDUSTRY	INDUSTRY DESCRIPTION	PRIME THRESHOLD (NUMERICAL/ LETTER GRADE)	DEFAULT TOP-LEVEL PILLAR WEIGHT AS % OF TOTAL WEIGHT (SOCIAL:GOVERNANCE: ENVIRONMENTAL)	KEY ISSUES
	products and have direct customer relationships (B2B or B2C). Does not include so-called ODM (original design manufacturers) and OEM (original equipment manufacturers) (<i>Electronic Components</i>).			
Financial Exchanges	Companies operating financial exchanges, commodities exchanges, or other trading platforms for financial instruments. Typical business areas are pre-listing services, listing, trading and clearing, post-trading services, market data and research services, and related information technology and IT services.	2.00/C	40:15:45	• Sustainable products and services • Environmental and social aspects in listing rules • Labor standards and working conditions • Product responsibility and protection of market participants • Energy efficiency of IT infrastructure
Food Products	Companies active in the production and processing of raw materials through agriculture, aquaculture, fisheries, and livestock farming as well as manufacturers of finished and packaged products (e.g., frozen pizza, soups, ice cream) including milk products, functional foods, and confectionery. Further includes companies that produce food-related ingredients (e.g., starches, sweeteners).	2.25/C+	42.5:12.5:45*	• Impacts on soil and biodiversity along the value chain • Customer health and safety • Labor standards and working conditions • Mitigation of direct and indirect climate impacts

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				• Conservation of aquatic ecosystems and water along the value chain
Furniture & Fittings	Companies manufacturing and/or distributing furniture products, furniture components (e.g., hinges, veneer, and upholstery), and interior fixtures (e.g., ceiling systems, flooring products, and sanitary equipment).	2.25/C+	42.5:12.5:45	• Design for environment • Environmental Impacts of production • Customer health and safety • Labor standards and working conditions • Sustainable sourcing
Gas and Electricity Network Operators	Companies that are primarily engaged in the transmission and/or distribution of electricity and/or natural gas. Besides the focus on operating power grids and/or natural gas pipelines, the companies may be involved in related secondary activities (e.g., power generation, natural gas extraction, and processing).	2.25/C+	47.5:12.5:40*	• Promotion of a sustainable energy system • Environmentally safe operation of plants and infrastructure • Protection of human rights and community outreach • Accessibility and reliability of energy supply • Worker safety and accident prevention

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Health Care Equipment & Supplies	Manufacturers of non-pharmaceutical medical products used for diagnosis and treatment. Includes producers of diagnostic testing equipment and laboratory supplies	2.25/C+	50:15:35*	• Health benefits of the product portfolio • Environmental impact of products • Product safety • Marketing and business ethics • Substances of concern
Health Care Facilities & Services	Providers of medical care to patients, diagnostic services and support to pharmaceutical companies, elder care and assisted living, and other services which promote health through illness prevention and wellness programs.	2.00/C	60:15:25*	• Health benefits of the product portfolio • Quality and patient safety • Employee relations and work environment • Energy and waste management
Health Care Technology & Services	Companies providing information technology services primarily to health care providers. Includes companies providing applications, systems, and/or data processing software, internet-based tools, and IT consulting services to doctors, hospitals, or businesses operating primarily in health care.	2.00/C	60:15:25	• Products and services with social and environmental benefits • Employment security and employee wellbeing • Data protection and information security • Customer protection and digital inclusion • Energy management of data centers

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Heavy Trucks & Construction & Farm Machinery	Manufacturers of heavy-duty trucks, rolling machinery, earth-moving, and construction equipment, and related parts. Also includes manufacturers of non-military shipbuilding and agricultural and farm-related machinery, as well as motorcycle and caravan/camping trailer/RV manufacturers.	2.25/C+	32.5:12.5:55*	• Environmental impact of products • Resource-conserving production • Product safety • Occupational health and safety
Household & Personal Products	Manufacturers of household, personal care, and hygiene products. Products range from household cleaners, soap, cosmetics, menstruation products, and diapers to household appliances, gardening tools, and stationery products.	2.25/C+	42.5:12.5:45	• Product safety • Environmental impact of products • Sustainable raw materials • Responsible marketing • Animal testing
Human Resource & Employment Services	Companies providing temporary staffing, permanent recruitment, and other human resource services (e.g., payroll and benefit support services and retirement support services).	2.00/C	67.5:17.5:15	• Fair, safe, and non-discriminatory working conditions • Socially responsible service provision • Business ethics and government relations • Environmental impacts of services and supplies
Industrial Conglomerates	Highly diverse manufacturing companies active in multiple sectors (e.g., energy, medical equipment, transport, or digital offerings).	2.25/C+	40:15:45	• Environmental impact of products

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	Usually, these companies have business activities in three or more sectors, none of which contributes a majority of revenues.			• Environmental impact of production processes • Product safety • Corruption prevention and business ethics • Worker safety and accident prevention
Industrial Machinery & Equipment	Manufacturers of machinery/material handling/building material equipment and components for industrial applications. Includes companies that manufacture presses, machine tools, compressors, pollution control equipment, elevators, escalators, insulators, pumps, roller bearings, and other metal fabrications.	2.25/C+	32.5:12.5:55*	• Environmental impact of products • Resource-conserving production • Product safety • Occupational health and safety
Industrial Support Services	Companies providing equipment rental, engineering, and field services to the aerospace and defense, industrial machinery, oil and gas, nuclear power, and construction industries.	2.25/C+	40:15:45*	• Environmental impacts of services and supplies • Socially responsible service provision • Fair, safe, and non-discriminatory working conditions • Business ethics and government relations

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Insurance	Companies providing life and/or health insurance and/or property & casualty insurance; reinsurance companies, and insurance brokers	2.00/C	40:15:45	• Customer and product responsibility • Sustainability standards for insurance and reinsurance • Sustainable investment criteria • Climate change and related risks • Employee relations and work environment
Integrated Oil & Gas	Companies active along the entire oil and gas value chain. That is production, storage/transportation, and refining.	2.5/B-	32.5:12.5:55	• Climate protection and contribution to the energy transition • Environmental risks and impacts of operations • Business ethics and relations with governments • Protection of human rights and community outreach • Worker safety and accident prevention
Interactive Media & Online Consumer Services	Companies providing online media and consumer services, including social media, online marketplaces, and other online	2.25/C+	70:15:15	• Customer protection, responsible marketing, and digital inclusion

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	consumer platforms. Also includes gaming and online gambling providers and developers.			• Labor standards and working conditions • Data protection and information security • Business ethics • Energy management and water use
IT Consulting & Other Services	Companies providing IT consultancy and management and customized software development services. Often in relation to digital transformation, systems integration, cybersecurity, and cloud migration.	2.00/C	60:15:25	• Products and services with social and environmental benefits • Employment security and employee wellbeing • Data protection and information security • Energy management of data centers
Leisure	Comprises a wide range of different business models that provide almost the entire range of services along the tourism value chain. Includes accommodation providers, tour operators, travel agencies, operators of cruise ships, casinos, theme parks, cinemas, and other more specialized entertainment or leisure facilities (e.g., sports facilities/clubs,	2.25/C+	52.5:12.5:35*	• Climate protection • Labor standards and working conditions • Accessible and safe leisure operations • Environmental impacts of tourism

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	providers of gambling services). Does not include betting/gambling agencies that provide their services exclusively online (<i>Interactive Media & Online Consumer Services</i>).			Social and ethical impacts of tourism
Leisure Products	Companies engaged in the production, marketing, distribution, and sale of leisure products. Includes toys and games, sporting goods (e.g., golf clubs, fitness equipment, or bicycles), musical instruments, outdoor and camping gear, and recreational vehicles such as leisure boats or motorhomes. Manufacturing of products may be in-house or outsourced.	2.25/C+	42.5:12.5:45*	- Resource-conserving production - Labor standards and working conditions - Environmental impacts of products - Product safety
Managed Health Care	Companies active in the provision of health insurance and pharmacy benefits management for private and corporate customers and state health care programs.	2.00/C	67.5:17.5:15*	- Social benefits of products and services - High-quality care - Business ethics and political influence - Sustainability in health care provision and investments - Data protection and information security

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Marine Transportation	Companies active in dry bulk shipping, transport of oil and gas, and containerships services.	2.25/C+	20:15:65	• Climate protection • Labor standards and working conditions • Biodiversity and pollution management • Transport safety • Business ethics
Media	Companies engaged in mass communication through media content production (entertainment, fiction, non-fiction, scientific, advertisement) and dissemination via various channels (print, TV, movies, radio, online).	2.25/C+	62.5:12.5:25*	• Resource efficient processes • Responsibility for recipients and access to media • Staff diversity, safety and employment security • Editorial responsibility • Paper sourcing
Metals Processing & Production	Companies active in processing raw materials (usually encompassing smelting or refining activities) and producing metal products. Also includes companies engaged in metal recycling by producing scrap metal products or providing recycling services to third parties.	• 2.5/B-: Industry default • 2.25/C+: Applies to companies primarily active in	37.5:12.5:50* 30:15:55	• Responsible sourcing of raw materials • Climate protection, energy efficiency, and recycling • Environmental risks and impacts of operations • Business ethics

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		metals recycling		Worker safety and accident prevention
Mining & Integrated Production	Companies active in raw material extraction, mineral processing, and metals production. Includes both companies only engaged in mining, as well as integrated companies active in mining and further metal production.	2.5/B-	42.5:12.5:45	- Environmental risks and impacts of operations - Protection of human rights and community outreach - Business ethics and government relations - Climate protection, energy efficiency, and recycling - Worker safety and accident prevention
Mortgage & Public Sector Finance	Companies that provide capital to the real estate market. Most companies are mortgage banks or regional banks with a strong focus on mortgage lending. Also includes covered bond issuers, refinancing institutions, and REITs focusing on mortgage-backed securities.	2.00/C	40:15:45*	- Sustainability impacts of lending and other financial services/products - Customer and product responsibility - Statutory ESG-standards linked to the geographical allocation of the lending portfolio - Employee relations and work environment

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ISS STOXX CORPORATE RATING INDUSTRY	INDUSTRY DESCRIPTION	PRIME THRESHOLD (NUMERICAL/ LETTER GRADE)	DEFAULT TOP-LEVEL PILLAR WEIGHT AS % OF TOTAL WEIGHT (SOCIAL:GOVERNANCE: ENVIRONMENTAL)	KEY ISSUES
Multi-Sector Holdings	Companies with significantly diversified holdings across three or more sectors, none of which contribute a majority of revenues. Composed of investment companies, which hold majority and minority shares in other companies for a specified and limited amount of time before they are sold, as well as conglomerates, which invest in different sectors strategically. Excludes investment companies with active asset management segments that comprise the majority of the net assets (<i>Asset Management & Brokerage</i>), and conglomerates that are mainly active in industrial sectors (e.g., industry, machinery, plant construction) (<i>Industrial Conglomerates</i>).	2.00/C	27.5:17.5:55*	• Sustainable impacts of investments • Climate change and related risks • Transparency on portfolio companies • Labor standards and environmental management in own operations • Business ethics
Multi-Utilities	Companies that are engaged in various utilities activities and services, including energy generation, electricity, heat and gas distribution, network operation, waste management, water treatment, and wastewater treatment. Occasionally, some companies are also engaged in fossil fuels extraction (coal, oil & gas) or LNG production.	2.5/B-	30:10:60*	• Promotion of a sustainable energy system and resource efficiency • Environmentally safe operation of plants and infrastructure • Accessibility and reliability of energy and water supply • Protection of human rights and community outreach

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				Worker safety and accident prevention
Oil & Gas Equipment/Services	Companies that provide support services, manufacture equipment, or are contract drillers for oil and natural gas exploration and production (E&P) companies.	2.5/B-: Industry default 2.25/C+: Applies to services companies not engaged in contract drilling as well as equipment production companies	27.5:12.5:60* 30:15:55	- Environmental impacts of oil and gas activities - Worker safety and critical incident prevention - Sustainable product design - Government relations and prevention of corruption
Oil & Gas Exploration & Production	Companies active in the exploration and production of oil and gas.	2.5/B-	32.5:12.5:55*	- Climate protection and contribution to the energy transition - Environmental risks and impacts of operations - Business ethics and relations with governments

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				- Protection of human rights and community outreach - Worker safety and accident prevention
Oil & Gas Refining & Marketing	Companies active in the production of (mostly) transportation fuels. Includes producers of biofuels.	2.5/B-: Industry default 2.25/C+: Applies to producers of biofuels	32.5:12.5:55* 30:15:55	- Climate protection and contribution to the energy transition - Environmental risks and impacts along the value chain - Business ethics and relations with governments - Worker safety and accident prevention - Protection of human rights and community outreach
Oil & Gas Storage & Pipelines	Companies active in storage and pipeline transportation of oil and gas. Does not include companies exclusively transporting gas.	2.5/B-	42.5:12.5:45*	- Environmental risks and impacts along the value chain - Climate protection and contribution to the energy transition - Protection of human rights and community outreach

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				- Worker safety and accident prevention - Business ethics and relations with governments
Packaging	Companies engaged in the design and manufacturing of packaging solutions (e.g., bottles, cans, boxes, wrap) made from different materials (e.g., plastic, paper, metal, and glass). They supply many industries (e.g., food, beverages, pharmaceuticals, tobacco, and retail).	2.25/C+	22.5:12.5:65	- Environmental impacts of production - Resource-conserving production - Responsible sourcing of raw materials - Packaging life cycle - Product safety
Paper & Forest Products	Manufacturers/producers of pulp, paper, fiberboard, or other wood-based materials. Companies often also own/manage forests and plantations. Includes companies that only grow wood without processing it further. Does not include companies that manufacture mainly personal care (<i>Household & Personal Products</i>), other packaging materials (<i>Packaging</i>), or housing (<i>Furniture & Fittings</i>) products.	2.25/C+	32.5:12.5:55	- Environmental impacts of wood processing - Sustainable wood/fiber sourcing - Protection of human rights and livelihoods - Worker safety and accident prevention - Sustainable management of forests and plantations

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Pharmaceuticals & Biotechnology	Companies active in the research, development, production, and/or commercialization of pharmaceutical products (e.g., prescription and over-the-counter pharmaceuticals, vaccines, animal health drugs). Also composed of producers of traditional Chinese medicine, supplements, and cannabis-based drugs. Further includes companies providing specialized services for the pharmaceutical industry, in particular, outsourced manufacturing and/or clinical trial services. Does not include biotechnology companies not active in healthcare (these are evaluated in the relevant manufacturing industries).	2.25/C+	70:15:15*	• Health benefits of products and drug safety • Business ethics, lobbying, and ethical marketing • Ethics in research and development • Water management and pharmaceutical residues • Access to medicine in underserved regions
Public & Regional Banks	Companies providing a broad range of financial services such as lending, project finance, asset management, and counseling services for institutional, corporate, and retail clients. Includes banks that are regionally bounded and/or banks that are state-owned/privately-owned (e.g., co-operative bank, state bank).	2.00/C	37.5:17.5:45	• Sustainability impacts of lending and other financial services/products • Customer and product responsibility • Sustainable investment criteria • Labor standards and working conditions • Business ethics

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Rail Transportation	Companies providing passenger and/or freight rail transportation.	2.25/C+	22.5:12.5:65	- Climate protection - Labor standards and working conditions - Pollution prevention - Transport safety and stakeholder responsibility
Real Estate	Companies managing real estate portfolios and leasing office, retail, residential, and industrial properties, as well as other property types. Includes companies that, in addition to the above, plan, build, or commission new real estate projects. Excludes companies generating major shares of revenue from the development, construction, and subsequent sale of buildings (<i>Construction</i>); real estate brokerage; or facility management services (<i>Commercial Support Services</i>).	2.00/C	40:15:45*	- Green building considerations - Climate protection, energy efficiency, and renewables - Occupational health and safety - Environmental and social aspects in site selection - Health and well-being of occupants
Renewable Electricity	Companies that are exclusively involved in energy generation from renewable energy sources, such as wind power, solar power, small-scale hydro, geothermal, and/or biomass. Does not include energy utilities involved in the operation of large-scale	2.25/C+	22.5:12.5:65*	- Promotion of a sustainable energy system - Labor standards and working conditions

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	hydropower plants or conventional energy generation facilities (e.g., fossil- and/or nuclear-fired power plants) (<i>Electric Utilities</i>).			- Responsible land use and biodiversity management - Protection of human rights and community outreach
Research & Consulting Services	Companies providing research and consulting services (e.g., management consulting services, business information or scientific research, marketing, and testing and certification services). Further includes companies that provide real estate services and vehicle fleet managers.	2.00/C	47.5:17.5:35	- Environmental impacts of services and supplies - Fair, safe, and non-discriminatory working conditions - Socially responsible service provision - Business ethics and government relations
Restaurants	Companies that are engaged in the manufacturing/selling of food and beverages served in canteens, cafes, and restaurant chains.	2.25/C+	52.5:12.5:35*	- Customer health and safety - Mitigation of direct and indirect climate impacts - Labor standards and working conditions - Impacts on soil and biodiversity along the value chain - Conservation of aquatic ecosystems and water along the value chain

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Retail	Companies that purchase goods or products in large quantities from manufacturers directly or through wholesalers, and then sell smaller quantities to consumers. Does not include wholesalers who normally sell their goods to other businesses (<i>Trading Companies & Distributors</i>). Retailing can be done in either fixed locations like stationary stores or through e-commerce.	2.25/C+	52.5:12.5:35*	• Labor standards and working conditions • Minimization of environmental impacts across the lifecycle of products • Products with environmental or social benefits • Mitigation of direct and indirect climate impacts • Customer information and protection
Road Transportation	Companies that provide freight or passenger land transportation. Includes companies providing vehicle rental and taxi services.	2.25/C+	22.5:12.5:65*	• Climate protection • Pollution prevention • Labor standards and working conditions • Customer responsibility and transport safety
Semiconductor Equipment	Companies that manufacture semiconductor equipment, including manufacturers of the raw material and equipment used in the solar power industry.	2.25/C+	32.5:12.5:55*	• Environmental impact of products • Resource-conserving production • Product safety • Occupational health and safety

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Semiconductors	Companies that design and produce semiconductors, also known as microchips or microprocessors. Production of semiconductors is done in highly specialized factories ("fabs") which could either be in-house or outsourced. Companies usually offer products that are used in the medical and renewable energy industries, while some are specialized in aerospace and military solutions.	2.25/C+	42.5:12.5:45*	• Labor standards and working conditions • Resource-conserving production • Hazardous substances • Responsible sourcing of raw materials
Software & Diversified IT Services	Companies providing IT-related products and services that often include office and systems software (e.g., cloud-based solutions), cybersecurity solutions, merchant solutions, data center hosting/collocation services, and AI-technology software, among others, to both individual customers and enterprises.	2.00/C	60:15:25*	• Products and services with social and environmental benefits • Employment security and employee wellbeing • Data protection and information security • Customer protection and reliable provision of services • Energy management of data centers
Specialized Finance	Financial services companies that focus on a specific type of asset or a specific mission. Includes companies with business models in royalties, microfinance, leasing,	2.00/C	40:15:45*	• Products and services with social and environmental benefits

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	infrastructure, and small consumer loans, but also sustainable finance institutions, religious banks, and so-called “bad banks.”			• Customer and product responsibility • Sustainability impacts of lending and other financial services/products • Labor standards and working conditions
Telecommunication s	Companies providing telecommunication products and respective services to business and residential customers, regardless of whether they own networks. Additionally, includes companies designing, building, and maintaining telecommunication infrastructure, such as towers and cable networks, as well as companies offering satellite-based telecommunication services.	2.25/C+	60:15:25	• Climate protection • Sustainability aspects of distributed hardware • Customer protection and reliable provision of services • Data protection • Business ethics and government relations
Textiles & Apparel	Companies that are involved in different stages of the textile and apparel value chain. These stages include the production of yarn and fabrics; the manufacture of garments or other textile or fashion-related products; or the design, marketing, and distribution of these products. Includes footwear, accessories, leather goods, and jewelry and watches	2.25/C+	42.5:12.5:45*	• Labor standards and working conditions • Resource-conserving production and climate protection • Responsible sourcing of raw materials • Circular Economy

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	companies. Does not include textile and apparel retailers that mainly sell third-party brands instead of their own brands (<i>Retail</i>).			Substances of Concern
Tobacco	Companies active in producing tobacco or other nicotine-containing products.	2.25/C+	52.5:12.5:35	- Consumer health and responsible marketing - Sustainable agricultural practices - Labor standards in the supply chain - Prevention of deforestation - Transparency on lobbying activities
Trading Companies & Distributors	Wholesalers and distributors (B2B) active in a specialized sector (e.g., pharmaceuticals, chemicals, food products, automobiles, electronic components, textiles, etc.) with diversified sales channels and no or only limited manufacturing activities. Includes pharmaceutical wholesalers. Also includes diversified distributors active in several sectors which have diversified their portfolios to include activities such as raw materials extraction, manufacturing of diverse goods, infrastructure and energy projects, etc.	2.25/C+	47.5:12.5:40*	- Sustainable product portfolio - Supply chain management - Safe and efficient transport and distribution - Product safety

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Transportation Infrastructure	Companies providing transportation infrastructure and related services to ensure the smooth running of passenger and freight transport. The following types of operators are common for the industry: rail network operators; toll road, road, and highway operators (including operators of parking infrastructure); airport operators; port operators; and operators with mixed infrastructure types.	2.25/C+	30:15:55	• Reduction of air emissions • Worker health and safety and product safety • Stakeholder responsibility • Business ethics and government relations • Responsible land use and biodiversity management
Water and Waste Utilities	Companies providing drinking water supply, wastewater treatment, and waste management services to residential, municipal, governmental, business, and/or industrial customers. Services can range from drinking water purification and supply, wastewater and sewage sludge treatment, and sewer system operation to waste collection, transport, treatment, incineration, and recycling.	2.25/C+	42.5:12.5:45	• Energy management and resource efficiency • Accessibility and reliability of water supply • Environmentally safe operation of plants and infrastructure • Worker safety and accident prevention

* Differing top-level weights exist for business models in the industry that are associated with a distinct profile of sustainability risks, opportunities, and impacts.

Appendix B: Version Control

Name of Methodology: Corporate Rating

VERSION	DATE	DETAILS
1.0	September 2023	Publication of the Corporate Rating Methodology and Research Process document
1.1	May 2025	A new approach to indicator assessments - the 'Factorized approach' - was introduced. It currently applies to indicators relevant to companies across all or most industries. The definition of small- and medium-sized enterprises was updated. The research process for reflecting corporate actions in ratings was updated.
2.0	April 2026	Methodology update integrating ISS STOXX Governance QualityScore data and assessments into the corporate governance section of the Corporate Rating. Introduction of a new, rules-based approach for the determination of the weight of corporate governance and business ethics leading to an overall increased weight of the Corporate governance and business ethics section (A.3).
2.1	April 2026	Document review and update
2.2	May 2026	Document update reflecting the revised Policy on Non-Public Information.
3.0	July 2026	Inclusion of the Public Disclosure on the Methodology, Models, and Key Rating Assumptions Used in ESG Rating Activities (as defined by the Regulation (EU) 2024/3005)



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