Sustainability

ECPI ESG Companies Rating

Methodology & Research Process

July 2026

Version 3.0

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

ISS STOXX

Contents

Figures & Tables

Figures

Tables

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 ECPI ESG Companies Rating 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) a description of the risks covered, where the ESG rating is assessing risks; b) a description of the impacts covered, where the ESG rating is assessing impacts; c) information on how the risk and impact materiality are taken into account according to the double materiality principle, where applicable; d) where the ESG rating is based on other materiality dimensions, a description of those dimensions.	Please refer to: • ECPI ESG Companies Rating Objective
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:	Please refer to: • Summary of ECPI ESG Screening Methodology and Rating • ECPI Analysis: Categories and Aspects

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
		a) a description of what is covered under the E, S or G factors and which factors are aggregated, where applicable; b) a description of the specific issues that the ESG rating covers.	
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: • Summary of ECPI ESG Screening Methodology and Rating
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: • ECPI Analysis: Categories and Aspects
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: • Evaluation

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
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.	Please refer to: • Methodological Foundations
ANNEX III.1.p		ESG rating providers shall at the level of each ESG rating product: 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).	
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: a) the title of the rating methodology used;	Please refer to: Points a) and f) • Appendix A: Version Control

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
		b) a description of the types of rated items in relation to which the methodology referred to in point (a) applies; c) the time horizon over which the ESG rating is considered valid, where applicable d) 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; e) a description of the defined ranking system of rating categories used, with reference to: i. the meaning of each rating category for absolute and relative values and how the ranking system should be interpreted; ii. 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. f) the dates of the most recent update of the methodology and a description of the changes introduced to the previous version.	Points b) to e) • b) ECPI ESG Companies Rating Objective • c) Update Cycle • d) Quality Assurance • e) ECPI ESG Rating Scale
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: • Environmental Evaluation

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
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: Information Sources • Data Processes: Rating Process • Estimation of Input Data: Use of Estimated Data • Frequency of Data Updates: Update Cycle
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
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.	• This requirement is not applicable to the ECPI ESG Companies Rating

<table>
<tr><th>REGULATION (EU) 2024/3005</th><th>DELEGATED REGULATION</th><th>REQUIRED INFORMATION</th><th>ISS GERMANY AG DISCLOSURE</th></tr>
<tr><td colspan="4">Limitations in data sources, methodologies and information</td></tr>
<tr><td>ANNEX III.1.m

ANNEX III.1.q</td><td>Article 5</td><td>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.

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.</td><td>Please refer to:
• Limitations
• Limitations to Methodologies & Data</td></tr>
<tr><td colspan="4">Organisational Disclosures</td></tr>
<tr><td>ANNEX III.1.d</td><td>Article 6(2)</td><td>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.</td><td>Please refer to:
• Ownership Structure</td></tr>
</table>

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 sets out the methodology and the analytical process behind the ECPI ESG (Environmental, Social and Governance) Companies Rating Methodology.

ECPI ESG Companies Rating Objective

The ECPI ESG Companies Rating methodology is a proprietary framework developed on the basis of academic research, scientific studies, international standards and established ESG market practices. The methodology assesses and provides an opinion on companies' environmental, social and governance characteristics through a structured evaluation of policies, management systems, practices and controversies. It is designed to assess both the sustainability-related impacts generated by companies and the ESG risks and opportunities associated with their activities applying a double materiality approach.

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.

The ESG Evaluation covers eight categories, each one addressing a number of different aspects:

1. Environmental Strategy and Policy
2. Environmental Management System
3. Products (industry specific)
4. Production Process (industry specific)
5. Community Relations
6. Employees
7. Markets
8. Corporate Governance

A company is assessed against all the ESG categories and aspects in order to achieve the final ESG score and rating.

ESG Risks

The ESG Risks measured within the ECPI ESG Companies Rating are classified in 11 pillars with values from infinite <0 up to 0

- ESG ENVIRONMENTAL Risk => the Company is currently on trial, accused, or condemned for culpable or intentional significant environmental issues / liabilities
- ESG SOCIAL - Human Rights Risk => the Company is currently on trial, accused, or condemned of human rights violations
- ESG SOCIAL - Child Labour Risk => the Company is currently on trial, accused, or condemned for child labour abuses
- ESG SOCIAL - Labour Rights Risk => the Company is currently on trial, accused, or condemned of employees' rights violations
- ESG SOCIAL - Health and Safety Risk => the Company is currently on trial, accused, or condemned for culpable or intentional damages to persons or properties
- ESG GOVERNANCE - Customers Risk => the Company is currently on trial, accused, or condemned for damages or incorrect practices against its customers
- ESG GOVERNANCE - Suppliers Risk => the Company is currently on trial, accused, or condemned for incorrect practices against its suppliers
- ESG GOVERNANCE - Corruption and Bribery Risk => the Company is currently on trial, accused, or condemned for corruption, bribery, or similar episodes
- ESG GOVERNANCE Competitors Risk => the Company is currently on trial, accused, or condemned for monopolistic or in any case non-correct practices against its competitors
- ESG GOVERNANCE - Investors Risk => the Company is currently on trial, accused, or condemned for not providing the necessary level of information to stakeholder
- ESG GOVERNANCE - Accounting Risk => the Company is currently on trial, accused, or condemned for non-correct balance or accounting practice

where:

- ESG Environment Risk = ENVIRONMENTAL
- ESG Social Risk = average of non-null HUMAN RIGHTS, CHILD LABOUR, LABOUR RIGHTS, HEALTH AND SAFETY
- ESG Governance Risk = average of non-null CUSTOMERS, SUPPLIERS, CORRUPTION AND BRIBERY, COMPETITORS, SHARES BOND HOLDERS INV, ACCOUNTING TAXES

- ESG Total Risk = average (including the nulls) ENVIRONMENTAL Risk, SOCIAL Risk, GOVERNANCE Risk

To define a degree of risk, these have also been added as numeric classifiers to allow custom dynamic bands i.e.

- 0 => No Specific Risk
- [-10; 0) => Low Risk
- [-20; -10) => Medium Risk
- <=-20 => Severe Risk

ESG UN Global Compact Screening

Corporate issuers are also assessed based on their respect of the 10 principles of the UN Global Compact.

The Risk Areas are:

- Environmental Damages
- Human Rights
- Labour Rights
- Corruption and Bribery

Possible values for each risk area are:

- OK => "No specific risk" (no weaknesses or violations to report)
- Blacklisted => see below

Companies are signalled as Blacklisted if:

- Environmental Damages: ESG Rating = F and ESG ENVIRONMENTAL Risk <= -20
- Human Rights: ESG Rating = F and ESG SOCIAL - Human Rights Risk <= -20
- Labour Rights: ESG Rating = F and ESG SOCIAL - Labour Rights Risk) <= -20 and/or ESG SOCIAL - Child Labour Risk <= -20
- Corruption and Bribery: ESG Rating = F and ESG GOVERNANCE - Corruption and Bribery Risk <= -20.

UN Global Compact Risk Area Indicator

This indicator summarizes the position of the issuer with respect to the 4 UN Global Compact Risk Categories as per the above:

- if all 4 Risks equal to 0 => NO UN GC Violations
- if at least 1 Risk is =warning => UN GC Warning
- if at least 1 Risk is =blacklist => UN GC Violations
- if at least 2 Risks =blacklist => Extended UN GC Violations
- if at least 3 Risks =blacklist => Extreme UN GC Violations
- if all 4 Risks =blacklist => Widespread UN GC Violations

Methodological Foundations

Sustainability Framework

The methodology is based on the premise that ESG factors may provide additional information regarding a company's management practices, governance structures and sustainability-related exposures. The ECPI ESG Companies Rating methodology is grounded in scientific evidence and benefits from a strong academic foundation. The research methodology was developed in close collaboration with the researchers and academics of Bocconi University's Ethical Finance Department. This heritage continues to underpin the rating framework, which is based on the systematic identification and assessment of ESG factors supported by academic research, scientific studies, international standards, regulatory developments, and guidance issued by supranational organizations. The process for identifying relevant ESG issues involves continuous monitoring and review of scientific literature and sustainability research to determine which environmental, social, and governance factors are most material to companies' risk profiles and long-term sustainability performance. By integrating academic rigor, scientific consensus, sector-specific analysis, and evolving sustainability knowledge, the ECPI ESG Companies Rating aims to provide a robust, transparent, and evidence-based assessment of how companies manage sustainability-related risks and opportunities.

Underlying Concepts

The rating criteria have been developed in accordance with ICCR's "Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance" [1] and are inspired by the principles developed by International Bodies dedicated to Responsible Investment such as UN Global Compact

[1] ICCR -- Interfaith Center on Corporate Responsibility -- is an association of faith-based institutional investors, including national denominations, religious communities, pension funds, endowments, hospital corporations, economic development funds and publishing companies. The ICCR and its members encourage companies to be socially and environmentally responsible.

(www.unglobalcompact.org), the Global Reporting Initiative (www.globalreporting.org), and UN PRI (www.unpri.org).

These guidelines draw from a wide range of studies by academic and scientific institutions, as well as related research from financial services companies.

Nonetheless, the methodology is not designed to measure compliance of the assessed instrument with the targets and objectives of the Paris Agreement or other relevant international agreements.

Summary of ECPI ESG CompaniesMethodology And Rating

The research process follows an objective, rigorous, and disciplined proprietary methodology that assesses qualitative and quantitative information by the means of a set of standardized indicators (e.g., Boolean, trend-based, and percentage-based indicators). Each indicator is evaluated according to predefined scoring rules and assigned a corresponding score. The overall rating is an aggregation of Environmental (E), Social (S), and Governance (G) factors, resulting in an ESG score and a rating assigned to each issuer.

A rule-based non-discretionary approach is used that considers approximately 80 key performance indicators to evaluate an issuer's environmental, social, and governance sustainability. The analysis of these indicators produces a score and a rating. A company's overall rating is the sum of the scores from each indicator; the higher the final score, the higher the final rating.

The Companies are evaluated in the following areas:

Figure 1: ECPI ESG Companies Rating Structure

Source: ISS STOXX

The traditional pillars of ESG scrutiny are the following:

"E"

Environmental strategy, policy, and management system.

Industry-specific environmental impact of production processes and products.

"S"

Social strategy and policy: assessing the quality of the company's relationships with its employees and local communities (labour and human rights, health & safety)

"G"

Relation with other stakeholders (customers, competitors, management, public agencies and regulators, shareholders, creditors, local government, and international institutions), market positioning and competitor analysis.

Governance structure: assessing both market and internal management issues, identifying the structure of the company's governing bodies, its main operating characteristics, as well as the political and regulatory/legal specifics of the firm's country of affiliation.

The involvement of companies in various activities that certain investors may consider controversial is also assessed. For each identified activity, the percentage contribution of the activity to the issuer's total revenues is determined and disclosed.

ECPI ESG Rating Scale

The proprietary rating scale ranges from “NE” to “EEE”, along 10 notches.

Figure 2: ECPI ESG Companies Rating Scale

RATING	LEVEL	DEFINITION	ECPI COMPANY RATING	
EEE EEE-	Very good	The company shows an **innovative** long-term strategic attitude, **strong** operational management practices and **proactive** actions to tackle social and environmental needs.	**VERY GOOD**	EEE EEE-
EE+ EE EE-	Good	The company shows a **clear** long-term strategic attitude, **sound** operational managment practices and **positive** actions to tackle social and environmental needs.	**GOOD**	EE+ EE EE-
E+ E E-	Fair	The company shows a **basic** long-term strategic attitude, **standard** operational managment practices and/or **average** actions to tackle social and environmental needs.	**FAIR**	E+ E E-
F	Poor	The company shows a **poor** long-term strategic attitude, **weak** operational managment practices and/or **ineffective-negative** actions to tackle social and environmental needs.	**POOR**	F
NE*	Controversial	The company is involved in **controversial sectors or activities.**		

* Only when applicable / on clients request

Source: ISS STOXX

ECPI Analysis: Categories And Aspects

ESG Categories and Indicators

The methodology uses several levels of analysis to assess a company’s performance, each one providing a different degree of detail (see Figure 1).

The ESG framework is structured in:

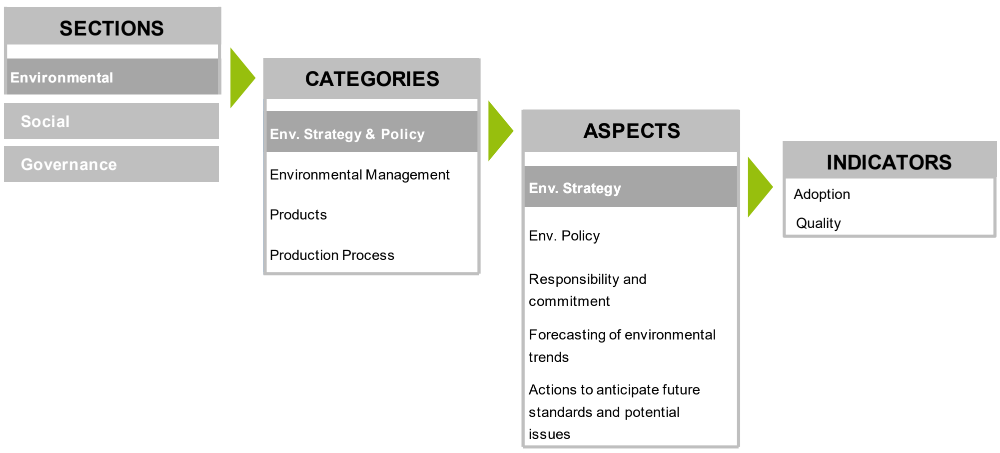
- 3 Sections: Environmental, Social, Governance
- 8 Categories
- 38 Aspects
- 80+ Indicators

The topics covered in the ECPI ESG Companies Rating largely correspond to topics from the Article 29b of Directive 2013/34/EU. The rating may comprise topics that exceed the thematic boundary of the Topical ESRS.

The ECPI ESG Companies Rating Methodology is composed of two families of indicators:

- 80% are indicators where the minimum score is 0 and the maximum scoring could vary from 0.5 to 4 (depending on the indicators)
- 20% are indicators where the score ranges from -100 to 0 => these are the ones evaluating company's controversies according to a list of parameters such as:
  - Severity (e.g. amount of the fine on sales)
  - Event (happened within 1 year or older)
  - Iteration (e.g. recursive event or not)
  - Iteration Length
  - Company Reaction (e.g. admission of guilt)
  - Type (e.g. malice or fate)
  - Contributory negligence (e.g. other companies involved)

Figure 3: Example of the methodology structure



Source: ISS STOXX

Environmental Evaluation

A firm's Environmental Evaluation covers four categories, each one addressing a number of different aspects:

1. Environmental Strategy and Policy
2. Environmental Management System
3. Products (industry specific)
4. Production Process (industry specific)

Environmental Strategy and Policy

- Definition of a strategy
- Presence and diffusion –- both within the company and to the public -- of a formal environmental policy to implement the strategy
- Nature of the environmental programs to apply the policy in terms of operational structure and sphere of application
- Definition of hierarchical levels of responsibility for policy enforcement
- Presence of qualitative and quantitative targets
- Capacity to forecast and meet emerging environmental trends and regulatory standards

Environmental Management System

- Adoption of and compliance with an international standard (EMAS, ISO14001, BS7750 or others)
- Scope of company's activities regulated by the management system
- Compliance with national and international regulation in the present and near past
- Frequency of system's revisions and audits/inspections
- Independence of the auditor and transparency on disclosure of non-compliance issues in the present and near past
- Availability, transparency, and quality of information for employees (training) courses and the public at large
- Adoption of international reporting standards and responsiveness to external requests

- Supply chain management (e.g. environmental requirements for suppliers)
- Risk management and disaster recovery plans

Products And Production Process (Sector Specific)

For analytical purposes, companies are assigned to one of eight proprietary sector groups: Distribution, Financial, Industrial, Pharmaceutical and Chemical, Resources, Transportation, Utilities and Other Services. These sector groups are used to determine the applicability of sector-specific indicators within the rating framework.

This proprietary industry classification is based on a holistic approach that considers the overall business activities, value chain, ESG risk exposure and impact of companies assigned to that sector group.

The evaluation monitors the impact level and recent trend of pollutant emissions, water treatment and use, waste treatment, and land and energy use.

Products

- Life-cycle impact analysis (materials, components, chemicals and substances, by-products, packaging and transport)
- Logistics issues
- Product research and development based on environmental impact and the launch of innovative products
- Education, training, and information to consumers or customers (e.g. information on products and their correct use)
- Recycling of parts, by-products, and materials

Production Process

- Emissions trend
- Waste treatment, recycling, and disposal trends
- Energy efficiency with attention to the use of alternative and renewable energy sources
- Reduction of dependency on natural resources as part of the product design process
- Management of environmental risks
- Environmental criteria in selection of suppliers

Figure 4: Example of Environmental Categories

ENVIRONMENTAL EVALUATION	
A - Environmental Strategy	
Aspects	A1 - Environmental Strategy A2 - Environmental Policy A3 - Environmental Policy range and involvement A4 - Environmental management bodies and commitment A5 - Environmental targets A6 - Forecasting of environmental trends and future standards A7 - Actions to anticipate future environmental standards and potential issues
B - Environmental Management	
Aspects	B1 - Environmental Management System B2 - Legislation compliance B3 - Environmental inspections / audits B4 - Environmental transparency, information and openness B5 - Supply Chain Environmental Management B6 - Communication, training and education B7 - Risk Management
C - Products	
Aspects	C1 - Lifecycle environmental impact
D - Production Process	
Aspects	D1 - Environmental impact of the process and Eco-efficiency D2 - Environmental Liabilities D3 - Renewable sources of energy

Source: ISS STOXX

Social Evaluation

A firm's Social Evaluation covers two categories, each one addressing a number of different aspects:

1. Community Relations
2. Employees

Community Relations

- Formal commitment to respect human rights
- Compliance with national and international regulation regarding human rights in the present and near past
- Adoption, nature and scope of the citizenship policy
- Stakeholder engagement initiatives (e.g. promotion of social and cultural activities)
- Contribution to local development
- Sponsorships and events and the level and scope of involvement
- Transparency and communication (e.g. sustainability report)

Employees

- Formal commitment to respect labour rights
- Compliance with national and international regulation regarding labour rights – concerning forced labour, discrimination, child labour, freedom of association -- in the present and near past
- Presence of a diversity policy with respect to minorities, disabilities, gender
- Presence and scope of employees' benefit policy
- Presence and scope of training programs
- Presence of a Health and Safety management system and the level of diffusion of the system
- Compliance with national and international regulation regarding health and safety management in the present and near past.

Figure 5: Example of Social Categories

SOCIAL EVALUATION	
E - Community Relations	
Aspects	E1 - Respect of human rights E2 - Corporate Citizenship strategy E3 - Social dialogue and community related initiatives E4 - Contributions to social and economic development E5 - Philanthropy, charity and donations strategy, initiatives and spending E6 - Social Accountability
F - Employees (Human Capital)	
Aspects	F1 - Employees rights respect F2 - Diversity/Gender F3 - Benefits F4 - Training, education and skills improvement F5 - Health and Safety

Governance Evaluation

A firm's Governance Evaluation covers two categories, each one addressing a number of different aspects:

1. Markets

2. Corporate Governance

Markets

- Presence and scope of a supply chain management policy
- Compliance with national and international regulation with respect to procurement and distribution management in the present
- Transparency on products and services; customer relationship management policy
- Compliance with national and international regulation regarding customer management in the present
- Presence and scope of whistle-blowing policy, code of ethics and other related procedures
- Presence of an audit committee
- Compliance with national and international anti-corruption regulation in the present and near past
- Compliance with national and international antitrust regulation in the present and near past

Corporate Governance

- Presence and scope of governance guidelines such as a code of conduct or insider dealing code
- Transparency and diffusion of the annual report
- Presence of an Investor Relations department
- Level of communication with the investment community (e.g. asset managers and investment banks)
- Compliance with national and international transparency regulation in the present and near past
- Level and scope of rights and duties of the shareholders
- Board structure (balance of power and control bodies), functioning and independence

- Code of conduct for the board of directors
- Policy for dealing with conflict of interests
- Transparency and scope of operations with related parties
- Compliance with national and international accounting regulations in the present and near past

The assessment considers whether subsidiaries, affiliated, controlled, and associated entities adhere to the applicable social and governance standards, with particular attention given to entities operating in countries where respect for human rights is reported to be weak.

Figure 6: Example of Governance Categories

GOVERNANCE EVALUATION	
G – Markets	
Aspects	G1 - Relations with suppliers G2 - Relations with customers G3 - Corruption G4 - Competitors
H - Corporate Governance	
Aspects	H1 - Corporate Governance Guidelines H2 - Disclosure on Corporate Governance H3 - Rights and duties of shareholders H4 - Board structure and functioning H5 - Transparency of operations with related companies

Source: ISS STOXX

Process Overview

Rating Process

Data collection, validation and rating determination are conducted in-house by trained analysts. The assessment may, in addition, incorporate information obtained from external data providers.

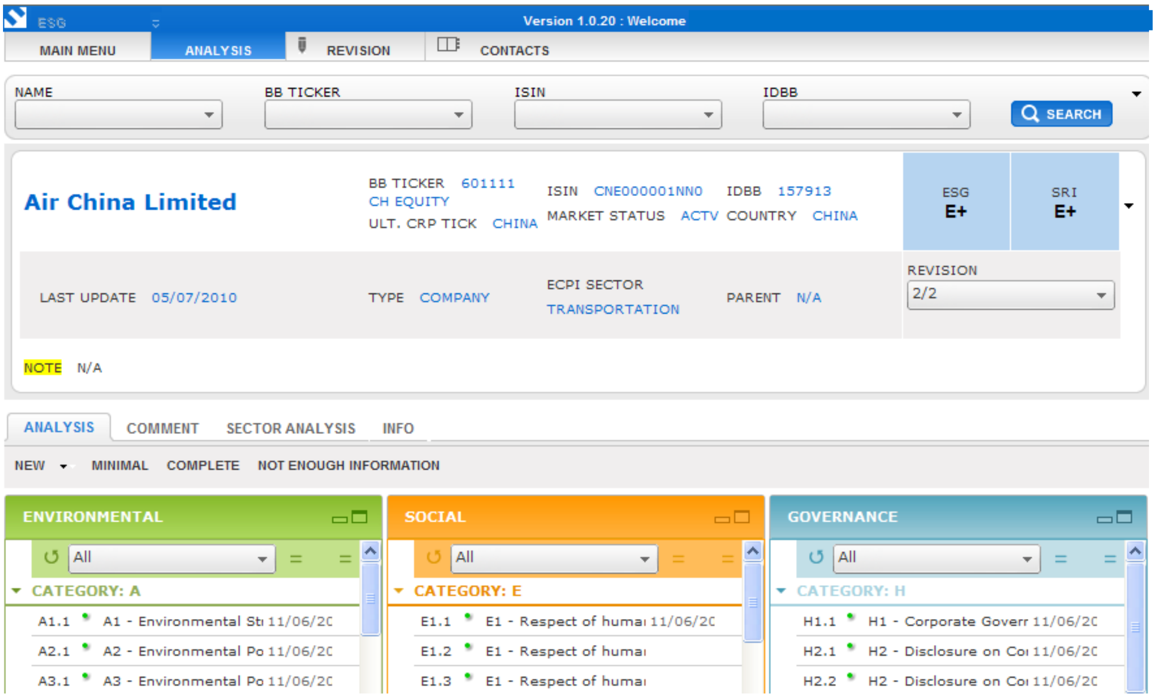
A company must be assessed against all the ESG categories and aspects in order to achieve the final ESG score and rating. The Screening Methodology consists of two steps:

1. **Controversial Sector Screening:** considering companies from a sector perspective, identifying and evaluating the specific industries where they operate in order to be able to signal in the investment universe businesses involved in activities injurious to the rights and the dignity of humanity (so called: controversial sectors).

2. **ESG evaluation:** the companies are analysed according to a wide and comprehensive set of categories, aspects, and indicators to provide the best and most reliable evaluation of their ESG performance. The analysis is based on publicly available information.

The analysis is conducted and maintained in a dedicated ESG Research Database:

Figure 7: ESG Research Database



Past revisions of the research are archived.

Each aspect is itself made up of a set of qualitative and quantitative environmental, social and governance indicators. (To reflect differences between the environmental impacts of products and the production process across industries, sector-specific indicators are included among aspects of the Product and Production Process analysis.)

These indicators cover all the non-financial areas of interest of a company.

Each indicator has a multiple-choice answer with a pre-defined set of scores that can be positive or negative depending on the aspect under scrutiny, to ensure assigned rating is not dependent on the analyst conducting the research.

The analysis is designed to be forward looking: evaluation of controversial practices, for instance -- where a trial is perhaps ongoing and/or a sentence or settlement is reached -- considers not only the potential impact on a company's profitability, but also the timeframe (whether the fact refers to a recent or old event), iteration (whether the issue is persistent and for how long), company reaction, event type (malice, guilt or fate), and the complicity of other companies.

The aim is to understand whether and to what extent the company is involved and its reaction: different situations will get different scores within a consistent methodology to assess all companies on the same basis.

Below is an extract of the indicators used to assess a company's ESG performance:

Figure 8: Excerpt of Environmental Strategy Indicators and Checklist

Screening aspect	*Explanation of the screening aspect*	*Checklist with scores (Max and Min)*

ASPECT	TOPIC	CHECKLIST	
A1 - Environmental Strategy	Formalized environmental strategy	Formalized environmental strategy	☐
A2 - Environmental Policy	Adoption of a coherent environmental policy	Has the company developed an environmental policy coherent with its environmental strategy?	☐
A3 - Environmental Policy range and involvement	How wide are the environmental policy and the level of internal / external commitment to develop it?	Does the environmental policy, if adopted, apply only to the company's operations, or to the environmental impact of products and services and/or suppliers and service providers or other business partners, too?	☐
A4 - Environmental management bodies and commitment	Formal definition of roles and responsibilities by the company	Did the company formally address a responsible function for environmental issues?	☐
A5 - Environmental targets	Formal commitment to environmental qualitative and/or quantitative targets and objectives	Did the company set formal environmental targets and objectives periodically reviewed by the Board of Directors or by the Senior Management?	☐
A6 - Forecasting of environmental trends and future standards	Future trends in the company's environmental strategy	Is the company proactive in considering future environmental trends (e.g. adopting a different mix of energy sources, developing innovative resource-saving measures, etc.)?	☐
A7 - Actions to anticipate future environmental standards and potential issues	Initiatives to address future environmental standards and potential issues	Is the company currently taking action to develop initiatives to address future environmental standards and potential issues?	☐

Source: ISS STOXX

Involvement of Companies In Controversial Activities

The involvement of companies in controversial activities is, where possible, measured by the percentage contribution of the controversial activity to the total revenues of the issuer (see table below).

Involvement in certain sectors of activity may lead to the exclusion of the issuers from ruled based investable universes and financial indices.

Table 1: Overview of Sector Criteria for Company Signalling

SECTOR OF ACTIVITY	DESCRIPTION	SECTOR SCREENING RULE
Alcohol	The production and/or the promotion of alcoholic products and its use.	The company is "**Signaled**" if revenues originated from the sector are greater than 2% of total sales (threshold considered for "Distributors" is 5%).
Gambling	Horse betting, betting centres, gambling and casinos, gambling machine manufacturing.	The company is "**Signaled**" if revenues originated from the sector are greater than 2% of total sales.
Military	The company manufactures or supplies goods and services to the consumer market or military sector and to the Ministry of Defense and its offices for the purpose of military objectives.	The company is "**Signaled**" if revenues originated from the sector are greater than 2% of total sales.
Nuclear & Biological Weapons, Cluster Bombs & Antipersonnel Landmines	The company manufactures nuclear and biological weapons, cluster bombs and antipersonnel landmines.	The company is "**Signaled**" regardless of the amount of revenues generated by the sale of these products.
Tobacco	The production and/or the promotion of tobacco products and its use.	The company is "**Signaled**" if revenues originated from the sector are greater than 2% of total sales (threshold considered for "Distributors" is 5%).
Pornography	In the media, telecom and entertainment industries, the production of pornographic material.	The company is "**Signaled**" regardless of percentage of revenues originated from the sector.
Nuclear energy	The exclusion of companies operating in the nuclear energy sector is related to the lack of economic preparation to address problems in case of nuclear accident or disaster, the lack of resolution to address radioactivity issues, the awareness that nuclear energy production generates plutonium (the most important raw material used in nuclear armament production).	The company is "**Signaled**" if revenues originated from the sector are greater than 2% of total sales .
Contraceptives	In the pharmaceutical industry, companies producing contraceptives, medicines and equipment related to abortion or birth control methods.	The company is "**Signaled**" regardless of percentage of revenues originated from the sector.

SECTOR OF ACTIVITY	DESCRIPTION	SECTOR SCREENING RULE
Biotechnology and Genetically Modified Organisms (GMOs)	In the food and agriculture industries, those companies actively involved in the research, development and production of biotechnologies, manipulation and genetic modification and production of species, produce and other organisms.	Regardless of the percentage of revenues originated from the sector, we mark "**Signaled**" if the Company uses GMO for food products.
Animal Testing	Companies, in the pharmaceutical and cosmetic industries that conduct scientific tests on animals for their product research.	The Company is "**Signaled**" regardless of the percentage of revenues originated from the controversial activity.
Stem Cells	Primarily in the pharmaceutical sector, companies that utilize stem cells for their research activity.	The Company is "**Signaled**" regardless of the percentage of revenues originated from the controversial activity.
Coal	Companies, principally in the utilities, metals and mining sectors that are involved in coal fired power generation and/or thermal coal extraction (used for power generation).	The company is "**Signaled**" if revenues originated from the controversial activity are greater than 10% of total sales.
Fracking	Those companies in the oil and gas sectors, that are involved in the unconventional extraction of shale oil and/or shale gas, also called hydraulic fracturing or fracking.	The Company is "**Signaled**" regardless of the percentage of revenues originated from the controversial activity.
Oil Sands	Those companies in the oil and gas sectors, that are involved in the unconventional extraction of tar/oil sands.	The Company is "**Signaled**" regardless of the percentage of revenues originated from the controversial activity.

Evaluation

The result of the analysis process and the company evaluation provide the overall ESG Rating. All eight categories of analysis -- four environmental screening categories, two social screening categories, and two governance screening categories -- contribute to the final score.

A company's overall rating is the sum of the scores from each indicator, the higher the final score, the higher the final rating. The output of the rating is expressed in absolute values.

By incorporating sector-specific analysis, evaluations also provide meaningful sector comparisons and rankings.

Figure 9: Example of Company Evaluations across Categories

Environmental screening categories

Score (min and max)

Companies under evaluation

		Score Max	Score Min	company A	company B	company C	company D
Environmental Evaluation	A - Environmental Strategy	10	0	9	7	8	7
	B - Environmental Management	10	<0	-7	7	8	7
	C - Products	10	0	8	8	6	8
	D - Production Process	10	0	8	8	6	8
Total		**40**	**0**	**18**	**30**	**28**	**30**
Social Evaluation	E - Community Relations	20	<0	15	10	15	10
	F - Employees (Human Capital)	20	<0	15	15	-15	18
Total		**40**	**0**	**30**	**25**	**0**	**28**
Governance Evaluation	G – Markets	20	<0	10	15	18	-5
	H - Corporate Governance	20	<0	18	15	10	15
Total		**40**	**0**	**28**	**30**	**28**	**10**
Grand Total (Environmental + Social + Governance)		**120**	**0**	**76**	**85**	**56**	**68**

Governance screening categories

Social screening categories

Environmental, Social and Governance evaluation

Information Sources

Data collection, validation and rating determination are conducted in-house by trained analysts.

The analyses draw on a range of reliable and publicly available sources, including sustainability reports, annual reports and company websites, to create a transferable, equitable, and auditable approach. Data may also be sourced from sustainability statements required under Directive 2013/34/EU or from information disclosed under Regulation (EU) 2019/2088.

The assessment may, in addition, incorporate information obtained from external data providers, including Sustainable One, LSEG ESG data feeds and Dow Jones Factiva.

Where possible, quantitative indicators are used for an easy and objective assessment. Where no quantitative metrics can be established, qualitative indicators with clear and unambiguous rules for assigning scores are defined.

Sources Include:

- Company annual reports
- Company sustainability reports, environmental reports, CSR reports or similar
- Company websites
- Regulatory data (from the regulators in the country/countries where the company is incorporated and/or listed)
- Information providers and search engines

- Media and news services (including newsletters from local and international institutions and NGOs).
- Screening of company's participation in international institutions
- Screening of company's certifications
- Screening of company's awards
- Thematic websites promoted by international non-profit organizations
- National (Bocconi University) and international university networks.

All documents used for each company appraisal are stored internally in company-specific folders.

Associations and NGOs

Information from non-profit and non-governmental organizations (NGOs) is used as a source of input when assessing company activities and issues such as human rights, environmental pollution, and the treatment of workers and minority groups. Priority is given to information originating from NGOs affiliated with, or otherwise linked to, internationally recognized organizations, including the United Nations, UNICEF, Amnesty International, Human Rights Watch, and Freedom House. To assess reliability, information is generally validated against additional sources, which may include publicly available company disclosures and other relevant data sources.

Use of Estimated Data

The ECPI ESG Companies Rating methodology does not incorporate estimated data as input is based purely on disclosed data.

Update Cycle

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

- Regular news screening is conducted in order to capture more recent involvements of the company in controversial sectors of activity or its exposure to controversies likely to impact the ESG risk profile of the company

Limitations

The ECPI ESG Companies 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.

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

- Only company reported data is considered in the assessment and no assumptions or estimations are made. No proxy reference points are considered.

Quality Assurance

- The quality of the assessments is ensured by a rule-based approach, where each indicator has a multiple-choice answer with a pre-defined set of scores that can be positive or negative depending on the aspect under scrutiny, thereby reducing analyst's discretionary reading of the assessed dimension.

- The quality of the assessment is also ensured by a two-tier validation mechanism (maker-checker).

Methodology Review Process

The ECPI ESG Companies Rating methodology is subject to at least annual review and may be updated more frequently where required due to regulatory developments, methodological enhancements, data availability considerations, or evolving market practices.

Appendix

Appendix A: Version Control

Name of Methodology: ECPI ESG Companies Rating

VERSION	DATE	DETAILS
2.2.0	April 2024	Publication of the ECPI ESG Companies Rating Methodology and Research Process document
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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ISS STOXX delivers world-class research, data, and technology solutions that empower capital market participants to pursue their visions with confidence. Our expertise spans indices, corporate governance, sustainability, cyber risk, and fund intelligence, giving clients the tools they need to uncover opportunities, manage risks, and navigate evolving regulations. We are made up of 4,000 professionals operating across 20 countries and serving approximately 5,000 clients, including many of the world's leading institutional investors. Our scale and reach give us deep market knowledge, while our innovative methodologies allow us to offer our clients tailored insights that drive impact and success.

ISS STOXX Sustainability enables investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions. It also provides climate data, analytics, and advisory services to help financial market participants understand, measure, and act on climate-related risks across all asset classes. In addition, our Sustainability solutions cover corporate and country research and ratings enabling its clients to identify material social and environmental risks and opportunities. Sustainability solutions are provided by Institutional Shareholder Services Inc., an investment adviser registered under the U.S. Investment Advisers Act of 1940.