Sustainability

EU Taxonomy Alignment Solution

Methodology & Research Process

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Version 1.0
PUBLIC DISCLOSURE ON THE METHODOLOGY, MODELS, AND KEY RATING ASSUMPTIONS USED IN ESG RATING ACTIVITIES

ISS STOXX

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Terms/Acronyms

TERMS/ACRONYMS	DEFINITION
AuM	Assets under Management
CapEx	Capital Expenditure
CSRD	Corporate Sustainability Reporting Directive
DNSH	Do No Significant Harm
E&E	Energy & Extractives
E&S	Environmental & Social
EC	European Commission
FinGuar	Financial Guarantees
GAR	Green Asset Ratio
GICS	Global Industry Classifcation Standard
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
KPI	Key Performance Indicator
NACE	Nomenclature statistique des activités économiques dans la Communauté européenne (i.e.: Statistical Classification of Ecnomic Activities in the European Community)
NBR	Norm-Based Research
NFRD	Non-Financial Reporting Directive
OCED	Organisation for Economic Co-operation and Development
OpEx	Operational Expenditure

TERMS/ACRONYMS	DEFINITION
PAI	Principal Adverse Impact
PSF	Platform on Sustainable Finance
RTS	Regulatory Technical Standard
SC	Substantial Contribution
SDG	Sustanable Development Goals
SDGA	Sustainable Development Goals Solutions Assessment
SFDR	Sustainable Financial Disclosure Regulation
TEG	Technical Export Group on Sustanable Finance
TSC	Technical Screening Criteria

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 EU Taxonomy Alignment Solution 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: • Introduction
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) 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.	Please refer to: • Introduction • Product Overview
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: • Factor and Outcomes

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
			• Calculating Overall Alignment Results (Modeled Data)
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: • Product Overview • Step 3: Assessing alignment with screening criteria for Substantial Contribution • Step 5: Assessing alignment with Minum Safeguards
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: • Factors and Outcomes
ANNEX III.1.o **ANNEX III.1.p**	Article 3(3) Article 3(4)	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: 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;	Please refer to: • Introduction • Product Overview • Step 5: Assessing Alignment with Minimum Safeguards

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
		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; 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.	Please refer to: Points a) and f) • Appendix 3: Version Control Points b) to e) • b): Introduction • c): 5-Step Process in Detail • d): Appendix 2: Relevant Supprting Models and Key Rating Assumptions, Quality Assurance • e) Factors and Outcomes

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
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: • Underlying Datasets Leveraged by the Modeled Data • Eligible Revenue Shares
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: Underlying Datasets Leveraged by the Modeled Data • Data Processes: Modeling Taxonomy Alignment (in Absence of Reported Data), Calculating Overall Alignment Results (Modeled Data) • Estimation of Input Data: Eligible Revenue Shares, Making Assumptions in the Absence of Data, Taking into Consideration EU Regulatory Requirements • Frequency of Data Updates: 5-Step Process in Detail • Engagement with rated items or issuers of rated items is not part of

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
			the EU Taxonomy Alignment solution process.
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: • Product Overview
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: • Underlying Datasets Leveraged by the Modeled Data
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.	Please refer to: • Limitations • Dealing with the Lack of Granularity in Company Revenue Reporting • Using Proxy Data to Assess Alignment with Substantial Contribution Criteria • Making Assumptions in the Absence of Data • Limitations to Methodologies & Data
ANNEX III.1.q	Article 5	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.	

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
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
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

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
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

In order to meet the objectives of the European Green Deal which operationalizes the climate-neutrality ambition in line with the objectives of the Paris Agreement, and the EU 2030 Climate Target Plan; the EU action plan on financing sustainable growth, published in March 2018 and updated in August 2020, called for the creation of a standardized classification system for environmentally sustainable economic activities in the form of the EU Taxonomy. The Taxonomy Regulation, which establishes the framework for the EU Taxonomy, was published in the Official Journal of the European Union in June 2020 and entered into force on 12 July 2020.

In line with the Taxonomy Regulation, companies in scope of Article 19a or Article 29a of Directive 2013/34/EU must report on their alignment with the Taxonomy while financial market participants offering relevant financial products within the EU are also required to disclose their alignment with the Taxonomy. To assist its clients with Taxonomy alignment reporting, ISS STOXX has developed a comprehensive EU Taxonomy Alignment Solution that provides an opinion on the alignment of corporate issuers with the EU Taxonomy.

Regulatory Background & Methodological Foundations

The Taxonomy Regulation is designed to establish an EU-wide classification framework that enables financial market participants to identify which economic activities and investments can be considered 'environmentally sustainable.' According to the Taxonomy's definition, an activity is considered environmentally sustainable when it contributes substantially to one of the following six objectives and at the same time does not significantly harm any of the others:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

In addition, the activity must be conducted in alignment with minimum safeguards, which cover social and governance criteria. This framework follows a double-materiality approach, where the achievement of one environmental objective shall not harm other objectives as well as shall still ensure minimum safeguards. Assessment against these objectives supports the consistent evaluation of environmental performance, while also enabling the use of taxonomy data in financial disclosures and decision-making.

The Taxonomy Regulation segments eligible activities into three categories. Apart from activities that can in and of themselves be considered sustainable (hereafter referred to as 'green'), the regulator defines 'enabling' and 'transitional' activities:

- Green activities: "Activities that in and of themselves contribute substantially to one of the six environmental objectives;"

- Transitional activities: "Activities for which there are no technologically and economically feasible low-carbon alternatives, but that support the transition to a climate-neutral economy in a manner that is consistent with a pathway to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels, for example by phasing out greenhouse gas emissions;"

- Enabling activities: "Activities that enable a substantial contribution to one or more of the objectives in other sectors of the economy."

Use of Reported and Estimated Data

The Taxonomy Regulation lays down the scenarios in which financial market participants may use estimated data by third-party data providers.

Regarding entity-level disclosures, in Article 8 of the Disclosures Delegated Act, the European Commission (EC) requires financial undertakings to use data directly reported by companies falling under EU reporting obligations (Non-Financial Reporting Directive - NFRD and later Corporate Sustainability Reporting Directive - CSRD) to calculate their Taxonomy-alignment. Directly reported data is therefore considered the prime source of information and must be prioritized.

For the assessment of investments in investee companies that are not subject to the disclosures required by Article 8 of the Disclosures Delegated Act, financial market participants should assess and use publicly reported data. Only where such data are not available should financial market participants be allowed to use non-public data that have been obtained either directly from investee companies or third parties, provided that the data made available under such disclosures are equivalent to the data made available under the disclosures made in accordance with Article 8.[1] Therefore, data reported by investee companies takes prevalence. However, in the absence of reported data, the financial market participants can use third party estimated data.

When it comes to product-level disclosures, the Sustainable Financial Disclosure Regulation (SFDR) Regulatory Technical Standard (RTS) introduces the concept of the use of 'equivalent information'. The RTS states that the use of equivalent information is acceptable for Article 8 and 9 product disclosure, but no such statement is made about the use of estimates. No further clarification is provided on the distinction between 'equivalent information' and estimates.

[1] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1288&from=EN, page 8, para 1

Product Overview

The EU Taxonomy Alignment Solution provides data factors that capture companies' directly reported data under the Taxonomy Regulation as well as an opinion on EU Taxonomy alignment, via a modeled assessment, where reported data is not available. The five steps of the modeled assessment consist of (1) identifying Taxonomy-eligible activities, (2) determining their relevant KPI share, (3) assessing their alignment with Substantial Contribution (SC) criteria defined by the EU Taxonomy, (4) checking whether the activities meet the Do No Significant Harm (DNSH) criteria, and (5) verifying if the company operates in alignment with minimum safeguards. While the EU Taxonomy Alignment Solution model is not directly based on scientific evidence, it is developed to closely resemble the Technical Screening Criteria (TSC) established under the EU Taxonomy Regulation in step (3), (4), and (5). These TSC reflect the scientific and technical assessments carried out at the EU level while developing the Taxonomy. Under the model, each issuer is assessed against 147 activities (see Appendix 1), and each activity is assessed in line with the five separate steps of the process.

To be noted, throughout this document the term 'Revenue' is used to refer to same Key Performance Indicator (KPI) as 'Turnover', which is the term used by the Taxonomy Regulation.

Figure 1: 5 Steps of EU Taxonomy Alignment assessment

The EU Taxonomy Alignment Solution is a data delivery offering provided via ISS's DataDesk platform and dedicated feeds. The solution includes reporting capabilities through the generation of a report designed to be as close to the regulatory templates as possible. As of March 2026, the solution covers both the Revenue and Capital Expenditure (CapEx) based key performance indicator (KPI) with modeled data and all KPIs within companies' disclosure obligations with directly reported data, including Revenue, CapEx and Operational Expenditure (OpEx) for non-financial companies as well as KPIs required to be disclosed by financial companies.

For estimated data, the model closely reflects the Taxonomy framework and covers all Taxonomy objectives and minimum safeguards criteria, which correspond to selected Environmental, Social, and Governance topics from the sustainability reporting standards developed pursuant to Article 29b of Directive 2013/34/EU. Specifically, the modeled assessment for alignment with SC and DNSH criteria covers environmental topics, while the estimation for minimum safeguards compliance covers social and governance subjects.

In addition, Article 10 of the Taxonomy Regulation (Regulation (EU) 2020/852) stipulates that an activity qualifying as substantially contributing to climate change mitigation shall contribute to the stabilization of greenhouse gas concentrations in the atmosphere in line with the objectives of the Paris Agreement. The EU Taxonomy Alignment Solution model, via closely covering the TSC as set out in the Climate Delegated Act, also offers an estimation of companies' alignment against the Paris Agreement's targets.

The product offers data directly reported by companies within the data collection universe as well as modeled data for companies that do not report and/or are outside of the data collection universe. The modeled data uses proxies and assumptions, however these are based on and calculated using data disclosed by companies.

Factors and Outcomes

In assessing the alignment of corporate issuers with Taxonomy criteria, the EU Taxonomy Alignment Solution goes beyond a binary assessment. To deal with the lack of corporate disclosures, and to provide users with a high level of transparency and possibility to customize their screening and reporting approach, the product comprises different categories of absolute alignment outcomes (for more details and rationale behind this approach, see section Going Beyond a Binary Assessment). The different types of alignment outcomes reflect the varying levels of confidence with which an assessment can be made and are summarized in Table 1: Alignment Outcomes.

For clarity and transparency, alignment outcome for companies with directly reported data will result in Aligned or Not Aligned whereas alignment for companies with modeled data will result in Likely Aligned, Potentially Aligned, and Likely Not Aligned. Additionally, a dedicated factor (see EU Taxon Data – Source below) informs whether the assessment of a specific company is based on reported or modeled data.

Table 1: Alignment Outcomes

POSSIBLE OUTCOMES	DEFINITION
Aligned	The company discloses that it operates in alignment with all relevant Taxonomy criteria, data is collected as reported by the company
Likely Aligned	Proxy data indicates alignment with all relevant Taxonomy criteria
Potentially Aligned	Proxy data indicates alignment with substantial contribution criteria, yet alignment with DNSH criteria and/or minimum social safeguards could not be confirmed (including through proxy data)

In the first instance, the EU Taxonomy Alignment Solution checks if Taxonomy data has been directly reported by the company. In this case, the reported data is collected and provided in the Solution. This is made clear by the factor 'EU Taxon – Data Source' showing either 'Reported Mandatory' or 'Reported Voluntary'. Where companies have not disclosed Taxonomy data or where companies fall outside of our data collection universe, the Solution then shows modeled data. This is indicated by an outcome of 'Modeled' for the 'EU Taxon – Data Source' factor.

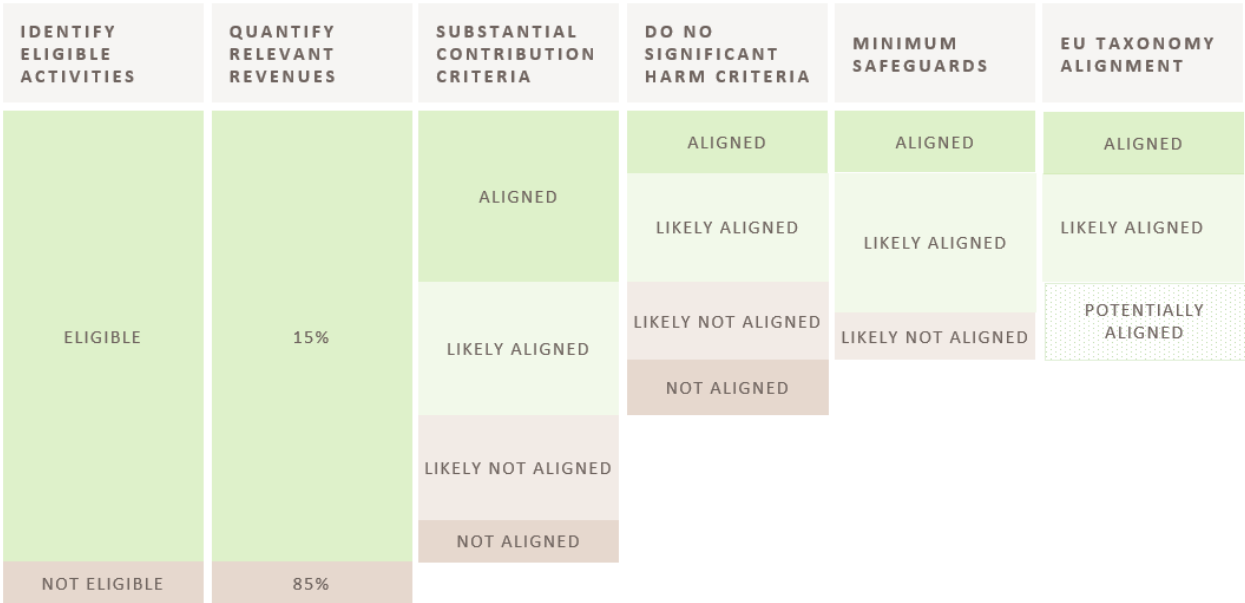
Table 2: Data Source Outcomes

POSSIBLE OUTCOMES	DEFINITION
Reported Mandatory	This indicates that the Taxonomy data is based on information directly reported by the company and that the company's disclosure is mandatory.

POSSIBLE OUTCOMES	DEFINITION
Reported Voluntary	This indicates that the Taxonomy data is based on information reported by the company and that the company's disclosure is voluntary.
Modeled	This indicates that the Taxonomy data is based on data modeled by us. This outcome is shown for companies where we have attempted to collect reported data but have no disclosure and for companies which fall outside our Taxonomy data collection scope.

The EU Taxonomy Alignment Solution provides granular data allowing users to follow the assessment step-by-step and to customize the model according to their needs. The diagram below provides an illustration (not to scale) of how an investment portfolio would be assessed using the five-step assessment process, and how the solution works in practice.

Figure 2: Illustrative 5-step assessment of an investment portfolio



Underlying Datasets leveraged by the Modeled Data

For modeled data, applicable to companies that do not report and/or are outside of our collection universe for directly reported data, the EU Taxonomy Alignment Solution draws on several internal proprietary data as well as third party datasets. The research process for some internal datasets, including Energy & Extractives (E&E) Data, Sustainable Development Goals (SDGs) Solutions Assessment (SDGA), and Corporate Rating, involves sourcing data from different companies' relevant disclosures, including sustainability statements as required under Directive 2013/34/EU. These datasets leverage mostly public information for the data collection and research processes. Supplementary non-public information is used for some solutions in certain instances, where the non-public information is considered not material. For more details on the use of non-public information, please refer to ISS STOXX Non-Public Information Framework.

These internal proprietary datasets are typically updated on annual or event-driven basis. Further details for each dataset are outlined in Table 3 below.

Table 3: Underlying Datasets

DATASET[2]	DESCRIPTION	ASSESSMENT STEPS
Energy & Extractives (E&E) Data	Energy & Extractives Data provides detailed analyses on companies' involvement in the extraction of fossil fuels, and the generation of power from fossil fuel, nuclear and renewable sources, thus providing information on the involvement in Revenue derived from and Capex on eligible Taxonomy activities.	Step 1: Identifying Eligible Activity Step 2: Calculating Capex and Revenue Share
Sustainable Development Goals (SDG) Solutions Assessment (SDGA)	SDGA analyzes the positive or negative impact a company's product and service portfolio has towards 15 sustainability objectives (derived from the UN Sustainable Development Goals), which overlaps with objectives defined under the EU Taxonomy. In many instances, activities that are eligible under the EU Taxonomy as well as respective substantial contribution requirements are captured through the SDGA.	Step 1: Identifying Eligible Activity Step 2: Calculating Revenue Share Step 3: Assessing alignment with screening criteria for substantial contribution
Corporate Rating	The Corporate Rating provides highly relevant, material and forward-looking environmental, social and governance data and performance assessments. In many cases, the substantial contribution and the do no significant harm criteria defined under the EU Taxonomy are captured through the Corporate Rating's 700+ indicators, which are mostly industry-specific.	Step 3: Assessing alignment with screening criteria for substantial contribution Step 4: Assessing alignment with do no significant harm criteria Step 5: Assessing alignment with minimum social safeguards
Climate Physical Risk Assessments	The Physical Climate Risk Management Score shows if the company has considered physical climate risk in its risk management strategies. This score is used to identify best practices aimed at reducing physical climate risks of an activity.	Step 4: Assessing alignment with do no significant harm criteria
Norm-Based Research (NBR)	NBR provides in-depth assessments of companies' adherence to international norms, allowing the flagging of companies which fail to ensure environmental protection, thereby causing harm to any of the six Taxonomy objectives or which do not operate in line with the minimum social safeguards as defined under the EU Taxonomy. While the NBR assessment process is carried out manually by ISS Stoxx research analysts, artificial intelligence is leveraged during the	Step 4: Assessing alignment with do no significant harm criteria Step 5: Assessing alignment with minimum social safeguards

[2] For information on coverage of our solutions, please refer to the Datasets overview.

DATASET[2]	DESCRIPTION	ASSESSMENT STEPS
	data collection process to screen publicly available traditional media and stakeholder publications for allegations of controversy involvement.	
FactSet Hierarchy with Revenue	FactSet Hierarchy with Revenue includes company business segments mapped against the Revere Hierarchy industry classification. The normalized data links business segment Revenue and product categories to the FactSet Revere Hierarchy.	Step 1: Identifying Eligible Activity Step 2: Calculating Revenue Share
Environmental & Social (E&S) Raw DataSet	The environmental raw data factors within E&S Raw Dataset comprise of answer ranges to a set of factor questions on different aspects related to an entity's environmental performance. These factors are utilized to determine the compliance level of an entity with certain substantial contribution and do no significant harm criteria.	Step 3: Assessing alignment with screening criteria for substantial contribution Step 4: Assessing alignment with do no significant harm criteria

Taxonomy Alignment of Reporting Companies

All information in this section is applicable to companies that fall within the Taxonomy reported data collection scope and that were found to disclose Taxonomy data.

Non-Financial Companies

To allow users to analyze companies' alignment with the EU Taxonomy through Revenue, CapEx and OpEx lenses, the EU Taxonomy Alignment Solution uses data reported for eligible activities which companies derive Revenues from as well as those which they make Capital and Operating Expenditures on. The data collection and derivation process for Revenue, CapEx and OpEx closely follows the disclosure templates for Non-Financial undertakings as introduced by the European Commission, allowing for maximum transparency and flexibility. The Solution uses directly reported data from companies where available.

Annex 2 of the Delegated Act complementing article 8 of the Taxonomy Regulation comprises templates for non-financial companies' Taxonomy reporting. The use of the templates became mandatory for reporting companies in 2023. In the section below, the Non-Financial reporting template is used to highlight how issuers' disclosed data is collected and feed into our data factors.

Identifying Eligible Activity Involvement

As per the Taxonomy Regulation, companies are required to disclose the Taxonomy eligible activities in which they are involved (see Figure 3: Taxonomy eligible activities). In the first step, companies' engagement in economic activities covered by the EU Taxonomy is identified. Only activity-level reporting with correct and unique identifiers is accepted. These include:

- the correct name of the activity
- the activity code as stated in the Delegated Act

Figure 3: Taxonomy eligible activities

Reported KPI (Turnover/CapEx/OpEx)	
Financial year (N)	

Economic Activities	Code	Taxonomy-eligible KPI (Proportion of Taxonomy-eligible Turnover/ CapEx/OpEx)	Tax-onomy-aligned KPI (monetary value of Turnover/ CapEx/ OpEx)	Taxonomy-aligned KPI (Propor-tion of Taxonomy-aligned Turnover, CapEx, OpEx	Environmental objective of Taxonomy-aligned activities						Enabling activity	Transitional activity	Proportion of Taxonomy-aligned in Taxonomy-eligible
					Climate Change Mitiga-tion	Climate Change Adapta-tion	Water	Circular Eco-nomy	Pollution	Bio-diver-sity			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Text		%	*Currency*	%	%	%	%	%	%	%	*(E where appli-cable)*	*(T where applicable)*	%
Activity 1				%	%	%	%	%	%	%			%
Activity 2				%	%	%	%	%	%	%			%
Sum of alignment per objective					%	%	%	%	%	%			
Total KPI (Turnover/CapEx/OpEx)				%	%	%	%	%	%	%	%	%	%

The EU Taxonomy Alignment Solution includes three involvement factors to indicate if the company: derives Revenues from, has CapEx on, or has OpEx on the respective activity. All three KPIs related to eligible activities are identified through company's reported Taxonomy data as disclosed in their annual and sustainability reports. If a company reports that it derives Revenue from or makes CapEx or OpEx on a specific Taxonomy eligible activity, the activity involvement factor will show 'True' as outcome.

Assessment Results

Table 4: Activity-level eligibility identification outcomes (based on reported data)

POSSIBLE OUTCOME	DEFINITION
True	The company reports involvement in this eligible activity
False	The company does not report involvement in this eligible activity

Identifying Eligible Revenue/CapEx/OpEx Share Values at Activity-Level

Eligible Revenue/CapEx/OpEx Shares

The Taxonomy Regulation requires companies to disclose their eligibility for the EU Taxonomy in terms of generated Revenue and spent CapEx and OpEx at economic activity level. Data on Revenue, CapEx, and OpEx shares associated with Taxonomy eligible activities is collected directly from a company's disclosure. (see Figure 4: Proportion of Taxonomy-eligible Revenue/CapEx/OpEx)

Figure 4: Proportion of Taxonomy-eligible Revenue/CapEx/OpEx

Reported KPI (Turnover/CapEx/OpEx)													
Financial year (N)													
Economic Activities	Code	Taxonomy-eligible KPI (Proportion of Taxonomy-eligible Turnover/CapEx/OpEx)	Taxonomy-aligned KPI (monetary value of Turnover/CapEx/OpEx)	Taxonomy-aligned KPI (Proportion of Taxonomy-aligned Turnover, CapEx, OpEx	Environmental objective of Taxonomy-aligned activities						Enabling activity	Transitional activity	Proportion of Taxonomy-aligned in Taxonomy-eligible
					Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Text		%	*Currency*	%	%	%	%	%	%	%	*(E where applicable)*	*(T where applicable)*	%
Activity 1				%	%	%	%	%	%	%			%
Activity 2				%	%	%	%	%	%	%			%
Sum of alignment per objective					%	%	%	%	%	%			
Total KPI (Turnover/CapEx/OpEx)				%	%	%	%	%	%	%	%	%	%

Assessment Results

Table 5: Activity-level eligibility quantification outcomes (based on reported data)

POSSIBLE OUTCOMES	DEFINITION
Eligible Activity Revenue/CapEx/OpEx (%)	Percentage of total Revenue/CapEx/OpEx associated with this eligible activity, ranging from 0% to 100%
Not Applicable	No involvement was identified for this activity
Not Disclosed	The company reports involvement in this eligible activity but does not disclose Revenue/CapEx/OpEx associated with the activity

Identifying Aligned Revenue/CapEx/OpEx Absolute and Share Values at Activity-Level

Absolute and share alignment values at activity level are collected directly from companies' disclosure template (see Figure 5: Absolute value and proportion of Taxonomy-aligned Revenue/CapEx/OpEx). At the same time, as the reporting template also encloses disclosure fields for the proportion of Revenue, CapEx, and OpEx at activity-level that contributes substantially to the Taxonomy six environmental objectives, these datapoints are collected from the template accordingly.

However, ISS STOXX only collects reporting permissible by the Taxonomy Regulation. For example, if a company discloses an alignment share of an activity for a specific objective that the activity is not eligible for, this reporting will not be captured by the EU Taxonomy Alignment Solution.

Figure 5: Absolute value and proportion of Taxonomy-aligned Revenue/CapEx/OpEx

Reported KPI (Turnover/CapEx/OpEx)													
Financial year (N)													
Economic Activities	Code	Taxonomy-eligible KPI (Proportion of Taxonomy-eligible Turnover/ CapEx/OpEx)	Tax-onomy-aligned KPI (monetary value of Turnover/ CapEx/ OpEx)	Taxonomy-aligned KPI (Proportion of Taxonomy-aligned Turnover, CapEx, OpEx	Environmental objective of Taxonomy-aligned activities						Enabling activity	Transitional activity	Proportion of Taxonomy-aligned in Taxonomy-eligible
					Climate Change Mitiga-tion	Climate Change Adapta-tion	Water	Circular Eco-nomy	Pollution	Bio-diver-sity			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Text		%	*Currency*	%	%	%	%	%	%	%	*(E where appli-cable)*	*(T where applicable)*	%
Activity 1				%	%	%	%	%	%	%			%
Activity 2				%	%	%	%	%	%	%			%
Sum of alignment per objective					%	%	%	%	%	%			
Total KPI (Turnover/CapEx/OpEx)				%	%	%	%	%	%	%	%	%	%

Assessment Results

Table 6: Activity-level alignment quantification outcomes (based on reported data)

POSSIBLE OUTCOMES	DEFINITION
Aligned Activity Revenue/CapEx/OpEx (Absolute)	Monetary value in EUR of Revenue/CapEx/OpEx reported by the company for the activity as EU Taxonomy aligned
Aligned Activity Revenue/CapEx/OpEx (%)	Proportion of Revenue/CapEx/OpEx reported by the company for the activity as EU Taxonomy aligned, ranging from 0% to 100%
Aligned Activity Revenue/CapEx/OpEx (%) contributing to specific environmental objectives	Proportion of Revenue/CapEx/OpEx reported by the company for the activity as EU Taxonomy aligned and contributing specifically to one of the six EU Taxonomy objectives, ranging from 0% to 100%
Not Applicable	No involvement was identified for this activity
Not Disclosed	The company reports involvement in this activity but does not disclose alignment data

Calculating Overall Alignment at Activity-Level

In addition to the activity-level share and absolute values directly sourced from a company's disclosure as described above, the EU Taxonomy Alignment Solution also calculates the aligned Revenue/CapEx/OpEx share as a proportion of the *eligible* (not total) Revenue/CapEx/OpEx. The outcome of this calculation is then translated into enumeration bands for alignment (i.e., Aligned >X%'). This calculation is available for both an overall alignment and alignment specific to an environmental objective at activity-level.

> *Example: Company 1 reports that 42% of its total CapEx is Taxonomy eligible for the activity 'Installation, maintenance and repair of renewable energy technologies'. The company further reports that 22% of its total CapEx is EU Taxonomy aligned, of which 20% contributes substantially to the Climate Change Mitigation objective. In this case, the EU Taxonomy Alignment Solution will calculate the overall alignment and alignment with substantial contribution to Climate Change Mitigation as a*

proportion of eligible CapEx, resulting in outcomes of 'Aligned (>50%)' and 'Aligned (>40%)', respectively.

Assessment Results

The EU Taxonomy Alignment Solution provides a company's reported alignment of Revenue/CapEx/OpEx along the dimension of scope of alignment: >0% of the activity; >10% of the activity; >20% of the activity; >30% of the activity; >40% of the activity; >50% of the activity; >60% of the activity; >70% of the activity; >80% of the activity; >90% of the activity; 100% of the activity.

Table 7: Activity-level alignment enumerations (based on reported data)

POSSIBLE OUTCOMES	DEFINITION
Aligned	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is 100%
Aligned (>90%)	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is ≥ 90% and < 100%
Aligned (>80%)	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is ≥ 80% and < 90%
Aligned (>70%)	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is ≥ 70% and < 80%
Aligned (>60%)	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is ≥ 60% and <70%
Aligned (>50%)	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is ≥ 50% and < 60%
Aligned (>40%)	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is ≥ 40% and < 50%
Aligned (>30%)	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is ≥ 30% and < 40%
Aligned (>20%)	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is ≥ 20% and < 30%
Aligned (>10%)	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is ≥ 10% and < 20%
Aligned (>0%)	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is > 0% and <10%
Not Aligned	The company's reported data indicates that the proportion of the activity carried out in alignment with relevant criteria is 0%
No Information	The company reports involvement in the eligible activity but does not disclose eligible share and/or alignment with screening criteria for substantial contribution to the six objectives. As a result, the aligned share for the respective objectives' substantial contribution criteria cannot be computed
Not Applicable	No involvement was identified for this activity

Identifying Alignment with Minimum Safeguards at Entity-Level

The Taxonomy Regulation stipulates that an economic activity can only be considered Taxonomy-aligned if the entity carrying out the activity complies with minimum safeguards criteria at entity level. Therefore, compliance with the minimum safeguards can be deduced if an entity reports on any Taxonomy alignment value for either of their Revenue, CapEx, or OpEx KPI.

Table 8: Minimum Social Safeguards alignment outcomes (based on reported data)

POSSIBLE OUTCOMES	DEFINITION
Aligned	The company's reported data indicates that Minimum Safeguards criteria are met
No Information	The company's reported data does not provide sufficient basis to indicate Minimum Safeguards compliance

Identifying and Calculating Alignment and Eligibility Values at Entity-Level (Reported Data)

Specific aggregated datapoints at entity-level are captured directly from companies' disclosures and shown in respective data factors as following:

- Total absolute Revenues/CapEx/OpEx values
- Total proportion of Taxonomy-eligible Revenues/CapEx/OpEx
- Total absolute and proportion of Taxonomy-aligned Revenues/CapEx/OpEx
- Total proportion of Taxonomy-aligned Revenues/CapEx/OpEx per each environmental objective and per contribution category (Enabling/Transition)
- Total proportion of non-assessed Revenues/CapEx/OpEx due to non-materiality
- Total proportion of Taxonomy-aligned Revenues/CapEx/OpEx per total eligibility

At the same time, several entity-level datapoints are quantified by the EU Taxonomy Alignment Solution based on directly reported data. The datapoints that are derived by the solution are as following:

- Total proportion of Taxonomy-aligned Green Revenues/CapEx/OpEx
- Breakdown of proportion of Taxonomy-aligned Revenues/CapEx/OpEx by both environmental objectives and contribution category (Enabling/Transition/Green)
- Total proportion of Taxonomy-not aligned Revenues/CapEx/OpEx, as well as breakdown by environmental objectives and contribution category (Green/Enabling/Transition)
- Breakdown of proportion of Taxonomy-eligibility Revenues/CapEx/OpEx by environmental objective
- Total proportion of Taxonomy-not eligible Revenues/CapEx/OpEx, as well as breakdown by environmental objective

These datapoints are calculated using either entity-level or activity-level disclosures from the company. If the company's reporting at both activity-level and entity-level is non-existent, incomplete, or comprised of information which the Solution does not capture due to lack of consistency with the Taxonomy framework (e.g. no correct and unique activity identifier provided, revenues reported where not permissible for consideration under the framework, etc.), inconsistencies may arise or the outcome under the respective factor will be 'No Information'. Specifically:

- For factors that are aggregated based on directly captured entity-level data, if the required data input is not disclosed by the company, the result will be 'No Information'. For example: The quantification of total not aligned revenue share cannot be computed if the company does not disclose its total eligible and/or aligned revenue share. In such cases, the outcome for total not aligned revenue share will be 'No Information'.

- Similarly, for factors that are aggregated based on directly captured activity-level data, the outcome will be 'No Information' if one or more of the required data input is not disclosed by the company. For example: The quantification of total not aligned enabling revenue cannot be computed if the company discloses involvement in an enabling activity but does not disclose the eligible or aligned share of that activity.

- Inconsistency may also arise through these aggregations due to inconsistent or incomplete disclosures at activity-level. For example, when a company discloses the revenue shares it derives from economic activities that according to the Climate Delegated Act are eligible for the objective Climate Change Adaptation, but the company discloses total aligned, not aligned, and eligible share for Climate Change Adaptation objective to be 0%, there will be an inconsistency between the factors showing these values, which are directly captured from the company's report, and the total not aligned Climate Change Adaptation revenue share, which is aggregated from activity-level input.

All total eligible, aligned, and non-eligible Revenue/CapEx/OpEx share values are provided as percentage of a company's total Revenue/CapEx/OpEx.

Financial Companies KPIs

Annexes III to X of the Delegated Act complementing article 8 of the Taxonomy Regulation comprise reporting templates for financial companies falling within scope of entity-level reporting requirements. These requirements have been integrated in the data collection process for ISS STOXX EU Taxonomy Alignment Solution. Datapoints specific to financial companies are captured as disclosed in the companies' reporting templates, and overall covers the following main KPIs:

Asset managers:

- Weighted average of all investments that are directed at funding, or are associated with taxonomy-aligned economic activities based on Turnover and CapEx KPI of underlying assets

- Breakdown of the abovementioned KPI for each environmental objective and for transitional and enabling contribution type per objective

Credit institutions:

- Green asset ratio (GAR) showing the proportion of assets financing and invested in taxonomy-aligned economic activities per total covered assets

- Breakdown of the abovementioned KPI for each environmental objective and for transitional and enabling contribution type per objective

- KPIs for off-balance sheet exposures, including:
- Green ratio for financial guarantees to financial and non-financial undertakings (FinGuar KPI)
- Green ratio for assets under management (AuM KPI)

Investment firms:

For investment firms dealing on own account:

- The Green Asset Ratio (GAR) showing the proportion of assets associated with Taxonomy-aligned economic activities within total covered assets
- Breakdown of the abovementioned KPI for each environmental objective and for transitional and enabling type per objective

For investment firms not dealing on own account:

- The Green Asset Ratio (GAR) showing the proportion of revenue from investment services and activities associated with Taxonomy-aligned economic activities within total revenue from investment services and activities.
- Breakdown of the abovementioned KPI for each environmental objective and for transitional and enabling type per objective

Insurance/Reinsurance:

KPI related to investments:

- Weighted average of all investments that are directed at funding or are associated with Taxonomy-aligned economic activities based on Turnover and CapEx KPI of underlying assets
- Breakdown of the abovementioned KPI for each environmental objective and for transitional and enabling contribution type per objective

KPI related to underwriting activities:

- Gross premiums written or, as applicable, turnover relating to non-life insurance and reinsurance corresponding to Taxonomy-aligned insurance or reinsurance activities

At the same time, the following data factors were created and released to capture reporting requirements applicable per different financial reporting templates:

- Exposures financing Taxonomy-eligible and -aligned Nuclear & Gas activities
- Breakdown of non-assessed exposures, including:
  - Exposures financing non-assessed non-material activities of counterparties
  - Non-assessed exposures considered not material by the reporting entity

- Exposures to counterparties reporting in accordance with Article 7(9) of the Disclosures Delegated Act, i.e., financial counterparties opting out of EU Taxonomy disclosure until December 31, 2027

Modeling Taxonomy Alignment (In Absence of Reported Data)

All information provided in this section is applicable to non-reporting companies or companies that are out of scope of the EU Taxonomy reported data collection.

5-Step Process in Detail

In the absence of reported data, to allow users to analyze companies' alignment with the EU Taxonomy through both the Revenue and CapEx lens, the EU Taxonomy Alignment Solution identifies and evaluates eligible activities which companies derive Revenues from as well as those which they make capital expenditures on. The assessment process for Revenue and CapEx follows the same pattern and results for all five assessment steps are provided separately for Revenue and CapEx, allowing for maximum transparency and flexibility. Whereas eligible Revenue shares and their alignment with Taxonomy criteria are identified for all 147 activities, as of November 2023, the CapEx analysis covers only 9 energy-related activities for the modeled data.

The EU Taxonomy Alignment Solution model is completely derived leveraging input datasets as outlined in the **Underlying Datasets leveraged by the Modeled Data** section. The model runs on a continuous basis to reflect updates from input data sources in real time. The assessment output of the model is therefore valid until the next update cycles of upstream solutions, which typically run on an annual or event-driven basis. The solution's underlying methodology is considered valid until an update is carried out. Triggers of methodology update include updates from input data sources, methodology developments of upstream solutions, regulatory developments, and feedback from internal and external stakeholders.

Step 1: Identifying Eligible Activities

In the first step, companies engaging in economic activities covered by the EU Taxonomy are identified. The EU Taxonomy Alignment Solution comprises two involvement factors: one which gives an indication if the company derives Revenues from the respective activity, and one which indicates if the company has capital expenditure on the respective activity. Whereas Revenue streams related to eligible activities are identified using a mixture of FactSet Hierarchy with Revenue as well as our proprietary data, CapEx on eligible activities is identified solely through E&E Green/Brown Expansion screen.

The EU Taxonomy encompasses a broad range of activities some of which are still very niche and rarely reported on. Moreover, some Taxonomy activities (such as e.g. activities related to ecological restoration or research) refer to operations which are not easily connected to a specific Revenue stream. Therefore, particularly across the Revenue-related factors, certain Taxonomy activities will currently show no issuers involved.

Assessment Results

Table 9: Activity-level eligibility identification outcomes (based on modeled data)

POSSIBLE OUTCOME	DEFINITION
True	The issuer is involved in this eligible activity
False	The issuer is not involved in this eligible activity

Step 2: Calculating Revenue/CapEx Shares

Eligible Revenue Shares

To quantify Revenue derived from Taxonomy-eligible activities, the EU Taxonomy Alignment Solution uses a combination of FactSet Hierarchy with Revenue data (external data provider) and proprietary data, including E&E and SDGA data. The model was developed using a combination of top-down and bottom-up approaches, assessing specific company reported information as well as general industry data, depending on the quality and granularity of company disclosures and the nature of the Taxonomy activity.

Note that the EU Taxonomy and Delegated Acts use the Statistical Classification of Economic Activities in the European Community (NACE) for industry classification and focuses on priority sectors within NACE. Therefore, while respective Taxonomy activity definitions specified in the Delegated Acts are the main basis for the identification of eligible operations, we rely on the descriptions of the NACE codes listed in activity descriptions to help gauge the scope of certain Taxonomy activities.

Certain Taxonomy activities are covered by in-house dataset. This applies mainly to Taxonomy activities related to the production of electricity, for which Revenue figures can be directly derived from the E&E solution. Other Taxonomy activities are mainly covered using FactSet Hierarchy with Revenue data, which includes company reported Revenue segments mapped against the FactSet Hierarchy industry classification.

The Revenue modelling using FactSet data, follows the process outlined below:

- Firstly, the sector classification of FactSet Hierarchy is mapped to each Taxonomy activity.
- If the FactSet sector represents an exact match with a Taxonomy activity, all Revenue from that FactSet sector is considered eligible.
- If the FactSet Hierarchy sector classification does not offer an exact match with the Taxonomy activity (e.g. when a relevant FactSet sector contains a broad range of activities, only a part of which is Taxonomy-eligible), available measures are used to refine the model and more precisely identify Taxonomy-eligible Revenue shares. The approach applied depends on the scope of the respective FactSet sector and available data:
    - If some, but not all, companies captured under a FactSet sector are Taxonomy-eligible, our data factors as well as industry classifications are used to identify those companies which are in fact involved in the Taxonomy-eligible activity in question. Other FactSet sectors may also be used to identify involvement in relevant industries;

   - If all companies captured under a FactSet sector are likely Taxonomy-eligible, but only a share of Revenue derived from this sector represents Taxonomy-eligible operations, a bottom-up approach is applied to a sample of companies to estimate the share of this FactSet sector Revenue likely eligible for the Taxonomy activity.

  Example: Company A is involved in integrated paper production operations, including forest management. While it owns and manages timber properties, it does not report any Revenue directly under a "Logging" segment, and instead attributes all Revenue to the sale of its paper products. Therefore, the sole use of the "Logging" segment in the FactSet Hierarchy with Revenue data does not identify the company as involved in Taxonomy activity Forest Management. To identify among companies reporting Revenue attributed to paper products those which are also involved in forest management, we leverage additional data from its Corporate Rating. Company A has an active assessment for the Corporate Rating factor "Measures for sustainable forest/plantation management," which is only assessed for companies with significant forestry operations. It can thus be confirmed that Company A is involved in the Taxonomy activity Forest Management. Based on a review of a sample of similar cases, it has been estimated that 5% of their reported Revenue from the sale of paper products can be attributed to Forest Management.

- Specialized industry knowledge also helps identifying issuers actively involved in certain Taxonomy activities. In some cases, issuers with high Revenue exposure to a relevant sector have been manually researched by analysts to ensure better alignment with the Taxonomy's requirements.

At the same time, where a Taxonomy activity's scope also matches or overlaps with products and/or services assessed under the SDGA Solution, SDGA data might be utilized to ensure eligible revenues are captured to the furthest possible extent. In such cases, SDGA data points are incorporated in the revenue model together with FactSet data. Possible overlap between the two datasets is taken into account and precautions are taken to avoid double counting when quantifying eligible revenues based on a combination of SDGA and FactSet data.

Additionally, the Revenue modeling of certain activities also leverages NACE 2.1, issued by the European Union statistical office Eurostat, and the Global Industry Classification Standard (GICS) 2023 version, issued by MSCI and S&P Dow Jones Indices, to identify involvement and estimate eligible revenue share for those activities.

Dealing with the Lack of Granularity in Company Revenue Reporting

In some cases, companies' Revenue reporting is not easily mapped to Taxonomy activities. For instance, many companies have business segments that contains multiple operations, which may or may not include Taxonomy-eligible activities. Where Revenue reporting only goes down to one overarching segment, involvement in, and Revenue derived from, Taxonomy activities is unclear. In general, it can be assumed that where companies do not report Revenue streams separately, the company's Revenue derived from the activity is not significant, given that under IFRS rules if a component of an entity generates 10% or more of total Revenue it needs to be reported as a separate segment. However, where available, internal proprietary data, including SDGA and E&E which comprise estimated Revenue figures, is leveraged to identify also relatively minor Taxonomy-eligible Revenue streams for companies which do not report in a disaggregated manner.

Example: Company B engages in the production of various chemical products, including among others carbon black. However, the company only reports Revenue from one segment, Chemicals, and FactSet Hierarchy with Revenue data is not able to provide granular Revenue derived from different *types of chemical products. As a result, it is not possible to determine involvement in, and the share of Revenue derived from Taxonomy activity Manufacture of Carbon Black.*

In addition, some Taxonomy eligible operations are rarely reported on. Therefore, identification of Revenue derived from them is not possible in a scalable solution. However, based on industry reviews and FactSet Hierarchy classification, it is possible to identify companies potentially eligible for certain activities covered by the EU Taxonomy, even if Revenue derived from them cannot be identified. In these cases, companies considered to be eligible for the Taxonomy activity have a True result in the Activity Identification step, with 0% in the Eligible Activity Revenue factor. Moreover, certain operations and Revenue streams may be eligible for more than one Taxonomy activity. In such cases, in order to avoid double counting of the same Revenue stream, Revenue from the respective sector is either divided between the relevant Taxonomy activities, or is only applied to one of them, with the other activities showing a True result in the Activity Identification step, with 0% in the Eligible Activity Revenue factor.

Eligible CapEx Shares

To quantify the share of CapEx attributable to eligible Taxonomy activities, the solution builds upon the E&E Green/Brown Expansion dataset, which comprises data on a company's investment flows into renewable energies and fossil fuel projects. Based on this data, eligible CapEx shares are calculated for the following activities:

- Electricity generation from bioenergy
- Electricity generation from fossil gaseous fuels
- Electricity generation from geothermal energy
- Electricity generation from hydropower
- Electricity generation from nuclear energy in existing installations
- Electricity generation from ocean energy technologies
- Electricity generation from renewable non-fossil gaseous and liquid fuels
- Electricity generation from wind power
- Electricity generation using solar photovoltaic technology

Further Taxonomy activities are in the scope of the CapEx evaluation for the directly reported data only. This does not apply to non-reporting companies assessed by our modeled data.

Assessment Results

Table 10: Activity-level eligibility quantification outcomes (based on modeled data)

POSSIBLE OUTCOME	DEFINITION
Eligible Activity Revenue/Capex (%)	Percentage of total Revenue/CapEx related to the activity in question, ranging from 0% to 100%
Not Applicable	No involvement was identified for this activity

Step 3: Assessing Alignment with Screening Criteria for Substantial Contribution (SC)

To be considered Taxonomy-aligned, an economic activity must significantly contribute to at least one of the Taxonomy objectives by complying with activity-specific screening criteria for SC. In the third assessment step, for each activity that a company has been identified to be involved in, alignment with relevant screening criteria for SC is assessed. The model primarily draws on relevant factors from Corporate Rating, SDGA, as well as E&S Raw Dataset. The model is defined for each activity, replicating the activity-specific SC criteria by combining relevant factors, which can serve to approximate compliance with Taxonomy criteria. Where SC criteria have been defined for more than one Taxonomy objective, alignment assessments are provided separately for each objective. Moreover, for the purpose of calculating a company's Taxonomy-aligned Revenue share across all objectives, for each activity, the dataset also includes a factor indicating the most favorable assessment outcome across all SC assessments carried out for the respective activity.

Using Proxy Data to Assess Alignment with SC Criteria

Due to the very specific nature of Taxonomy criteria and the limited availability of data on companies' performance in this regard, in most cases a definitive assessment of compliance with relevant criteria is not possible. To provide an assessment even where the exact information is lacking, proxy datapoints from Corporate Rating, SDGA, and E&S Raw Data are leveraged. The model translates applicable factor outcomes into alignment assessments, in determining if the economic activity likely meets Taxonomy requirements. Where the alignment assessment is based on proxy data, translation strategies are defined to convert factor outcomes into alignment assessments. These translation strategies are defined on a case-by-case basis, taking into consideration the following aspects:

(i) the degree of fit between the Taxonomy criteria and the performance requirements underpinning the proxy factor;

(ii) the comparative ambitiousness of the Taxonomy requirements compared to the performance requirements underpinning the proxy factor; and

(iii) the scope of the likely alignment that can be derived from the proxy factor (i.e. whether the proxy factor indicates alignment across all eligible operations or merely points to alignment for a share of them).

Given that in these cases compliance with relevant criteria is not verified but modeled using proxy data, the result will indicate likely (non-)alignment rather than (non-)alignment.

> *Example: Company C has been identified as being involved in and deriving 80% of its Revenue from Taxonomy activity Building Acquisition & Ownership. There is no information on the comparative primary energy demand of Company C's buildings portfolio in relation to national or regional building stock. However, the SDGA indicates that 42% of the company's net sales stem from certified green buildings. As such, the assessment result indicates that over half of Company C's Revenue derived from acquisition and ownership of buildings is likely aligned with relevant screening criteria for substantial contribution ('Likely Aligned (>50%)').*

Making Assumptions in the Absence of Data

In some cases, where no reasonable proxies are available, additional research has been conducted to determine the general likelihood of alignment. If clear evidence could be compiled, likely (non-) alignment with the criteria in question is generally assumed.

> *Example: Company D has been identified as being involved in the generation of electricity from geothermal energy. There is no data available on the lifecycle GHG emissions within Company D's geothermal electricity production, meaning that compliance with the Taxonomy's emission threshold cannot be assessed. However, external research revealed that it is reasonable to assume that most geothermal power plants have emissions lower than the relevant Taxonomy threshold. The assessment result thus indicates that it is likely that Company D's Revenue derived from the generation of electricity from geothermal energy is at least to some extent aligned with relevant screening criteria for substantial contribution to climate change mitigation. In such cases where alignment of a significant share of the activity can reasonably be assumed, however information on scope of alignment is lacking, the activity will be considered Likely Aligned (>20%).*

Activities With No Technical Screening Criteria (TSC) for SC

For certain activities that are considered eligible under the objective Climate Change Mitigation, the Delegated act does not specify specific TSC for substantial contribution. These activities do not have to meet any requirements to be considered substantially contributing to climate change mitigation and hence will show full likely alignment.

> *Example: Company E has been identified as being involved in the generation of electricity from wind power. As per the TSC defined in the Taxonomy, Company E's Revenue derived from this activity is automatically assessed as 'Likely Aligned (100%)' with SC criteria for the objective Climate Change Mitigation.*

Assessment Results

Table 11: Activity-level SC alignment outcomes (based on modeled data)

POSSIBLE OUTCOMES	DEFINITION
Likely Aligned (100%)	Our proxy data indicates that criteria are likely met throughout all operations related to the activity; alignment across all eligible operations can be reasonably assumed
Likely Aligned (>90%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with relevant criteria is ≥ 90% and < 100%
Likely Aligned (>80%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with relevant criteria is ≥ 80% and < 90%
Likely Aligned (>70%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with relevant criteria is ≥ 70% and < 80%
Likely Aligned (>60%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with relevant criteria is ≥ 60% and <70%
Likely Aligned (>50%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with relevant criteria is ≥ 50% and < 60%
Likely Aligned (>40%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with relevant criteria is ≥ 40% and < 50%
Likely Aligned (>30%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with relevant criteria is ≥ 30% and < 40%
Likely Aligned (>20%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with relevant criteria is ≥ 20% and < 30%; where alignment of a significant share of the activity can reasonably be assumed, however information on scope of alignment is lacking, the activity will be considered Likely Aligned (>20%)
Likely Aligned (>10%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with relevant criteria is ≥ 10% and < 20%
Likely Aligned (>0%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with relevant criteria is (≥ 1%) and <10%
Likely Not Aligned	Proxy indicates that criteria are likely not met; non-alignment can be reasonably assumed
Not Collected	No proxy available and no assumptions can be reasonably made
Not Applicable	No involvement was identified for this activity

Step 4: Assessing Alignment with Do No Significant Harm (DNSH) Criteria

Apart from checking alignment with screening criteria for substantial contribution, the EU Taxonomy also stipulates that for an economic activity to be considered Taxonomy-aligned, it must be verified that it does not significantly harm any of the Taxonomy objectives. For this purpose, the Taxonomy comprises activity specific DNSH criteria. Compliance with the DNSH criteria is assessed in the fourth assessment step. The DNSH alignment check is performed for each activity that a company has been identified to be involved in. To arrive at an assessment, the model primarily draws on factors from Corporate Rating, as well as NBR solutions.

Combining Positive and Negative Criteria to Check Alignment with DNSH Criteria

To replicate Taxonomy's DNSH criteria, a two-step assessment is applied:

First, (the likelihood of) compliance with all relevant qualitative and quantitative DNSH criteria is assessed, drawing mainly on Corporate Rating and E&S Raw Data factors. This assessment follows the same logic as described in the previous section (Step 3: Assessing Alignment with Screening Criteria for Substantial Contribution), whereby relevant (proxy) factors are identified and translated into an alignment assessment. As opposed to SC assessments where alignment results are provided in ten percent intervals (>0%, >10%, >20%, >30%, >40%, >50%, >60%, >70%, >80%, >90% and 100%.), DNSH alignments are provided in two intervals only (100% and >20%). This is due to the nature of the DNSH requirements, which tend to be of a more qualitative nature, as well as the related proxy data used to arrive at an alignment assessment which does not allow for a more granular assessment. In showing not only full but also partial likely alignment with DNSH criteria, we apply a more granular scale than the Y/N scale foreseen for reporting DNSH alignment within the Templates for the KPIs of Non-Financial Undertakings comprised within Annex II of the Delegated Act supplementing Article 8 of the Taxonomy Regulation.

Second, and as an additional layer of analysis, the model uses results from the NBR, which analyzes company involvement in, and responses to, controversies. Companies are flagged for (allegedly) causing significant adverse impact on the environment in relevant thematic areas if they are involved in the following type of controversy:

- Corporate failure has been verified or, at a minimum, the sources of allegations and risks are credible, and certain information about the company's ongoing involvement is available (Case Score >=6); AND
- Related to the company's own operations or operations of controlled subsidiaries, but excluding controversies in the supply chain or at financed projects (Corporate Involvement: Direct Involvement); AND
- Related to the following themes: Pollution, air pollution, water pollution, soil pollution, deforestation, biodiversity, environmental impacts (failure to conduct environmental impact assessment), climate change (failure to mitigate climate change impacts, opposition to climate change mitigation).

The two assessment steps are combined by downgrading the assessment of compliance with qualitative and quantitative DNSH criteria in case the company is involved in relevant controversies. The initial assessment results are downgraded as follows:

Table 12: Activity-level objective specific DNSH alignment outcomes (based on modeled data)

ASSESSMENT RESULT W/O CONTROVERSY	ASSESSMENT RESULT W/ CONTROVERSY
Likely Aligned (100%)	Likely Aligned (>20%)*
Likely Aligned (>20%)	Likely Not Aligned
Likely Not Aligned	Likely Not Aligned
Not Collected	Likely Not Aligned

* The Taxonomy stipulates that alignment should be measured at asset level, meaning that only those assets (and their corresponding Revenue) where a controversy happens should be considered non-aligned. The NBR tracks controversies at the company and country level and does not currently tie controversies to specific activities or assets. As such, even when a controversy has been identified, it is highly likely that the activity in question should not be considered entirely Not Aligned, but only a share of the activity should be considered Likely Not Aligned.

Example: Company F has been identified as being involved in Taxonomy activity Manufacture of Cement. The Taxonomy requires that to avoid causing harm to water and marine resources, companies involved in this activity ought to identify and manage risks in consultation with relevant stakeholders. Company F's Corporate Rating indicates that the company has adequate structures and measures in place to manage water-related risks, which translates into a Likely Aligned (100%) assessment. Yet, NBR also indicates that the company faces allegations of failing to prevent water pollution in some of its operations. Following the above-described procedure, the assessment will indicate that only a share of the Revenue which Company F derives from the manufacture of cement is likely aligned with relevant DNSH criteria related to the protection of water and marine resources. This result will then be combined with all other relevant DNSH objective results, as described below, to arrive at an overall DNSH alignment result.

Building a DNSH Alignment Assessment Based on All Relevant Taxonomy Objectives

The Taxonomy requires compliance with the DNSH criteria for up to six environmental objectives. The EU Taxonomy Alignment Solution comprises one aggregated DNSH assessment per activity, allowing users to understand quickly if an activity causes significant harm to any of the six objectives included in the Taxonomy. Disaggregated DNSH alignment results per objective are available through an additional data feed.

As the Taxonomy stipulates that for an activity to be considered Taxonomy-aligned it cannot harm any of the Taxonomy objectives, where our data indicates that the company fails to meet the criteria for any of the DNSH objectives, the overall result will indicate (Likely) Non-alignment. In other words, the overall result is driven by the lowest outcome across all DNSH objective results. Due to the large amount of DNSH criteria per activity as well as the granularity of data required to check compliance, in some cases, our datasets do not include (proxy) factors for all relevant DNSH checks. To the extent possible, an assessment will still be generated where the missing DNSH objective result will be considered neutral. However, if no data is available for two or more relevant DNSH objectives, the DNSH assessment result will show as Not Collected.

Example: Company G has been identified as being involved in Taxonomy activity Freight Rail Transport. For this activity, the Taxonomy identifies a potential for significant harm – and thus defines relevant DNSH criteria – for the following Taxonomy objectives: Climate Change Mitigation, Climate Change Adaptation, Transition to a Circular Economy, Waste Prevention and Recycling, and Pollution Prevention and Control. Our data indicates that Company G likely complies with the requirements for Climate Change Mitigation and Adaptation while at least 20 percent of Company G's freight rail transport operations likely also comply with the requirements for Circular Economy, Waste Prevention and Recycling. Yet, no data is available to make an assessment regarding the compliance with criteria for Pollution Prevention and Control. Following the above-described procedure, the DNSH alignment assessment will indicate that at least 20 percent of the Revenue Company G derives from freight rail transport is likely aligned with relevant DNSH criteria.

Taking into Consideration EU Regulatory Requirements

Many of the DNSH criteria are derived from EU regulations. In an interim report (p. 66), the TEG stated that "for around 70% of DNSH criteria, compliance with the Taxonomy can be demonstrated through compliance with EU environmental legislation" while the final report (p. 32) suggests that "for DNSH criteria that reflect legal requirements under EU regulations, it would be reasonable for Taxonomy users to assume these criteria have been met in the normal, lawful conduct of business, unless evidence to the contrary is demonstrated." The reliance on existing EU legislation was further emphasized in the Climate Delegated Act and Environmental Delegated Act, which comprises various recalibrations of criteria to ensure "greater consistency with existing sectoral legislation" (p. 3 of the Climate Delegated Act and page 5 of the Environmental Delegated Act). The EU Taxonomy Alignment Solution incorporates the assumption that companies operating within the EU comply with the respective requirements in their normal course of business. For companies based in the EU, it is therefore assumed that a significant share (>20%) of all eligible activities which they have been identified to be involved in, complies with all DNSH criteria derived from EU regulations.

Assessment Results

Table 13: Activity-level aggregated DNSH alignment outcomes (based on modeled data)

POSSIBLE OUTCOMES	DEFINITION
Likely Aligned (100%)	Our proxy data indicates that all relevant DNSH criteria are likely met throughout all operations related to the activity; alignment can be reasonably assumed
Likely Aligned (>20%)	A significant share (>20%) of the activity likely meets all relevant DNSH criteria; alignment can be indicated by proxy factors and/or due to the assumption of regulatory compliance within the European Union
Likely Not Aligned	For at least one relevant DNSH objective the analysis indicates that relevant criteria are likely not met
Not Collected	For two or more DNSH objectives no assessment can be made since no proxies are available and no reasonable assumptions can be made
Not Meaningful	Taxonomy does not define any DNSH criteria as the activity does not have the potential to cause significant harm
Not Applicable	No involvement was identified for this activity

Step 5: Assessing Alignment with Minimum Safeguards

Finally, the EU Taxonomy stipulates that an economic activity can only be considered Taxonomy-aligned if it does not violate minimum safeguards. Article 18 of the Taxonomy Regulation defines the minimum safeguards to be observed by companies.

Article 18(1): Compliance with OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights

According to article 18(1) of the Taxonomy Regulation, for an activity to comply with minimum safeguards, it needs to be carried out by a company acting in alignment with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, including the International Labor Organization's (ILO) declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights. Given the broad scope of the aforementioned standards, the Platform on Sustainable Finance (PSF), an advisory body established per mandate of the EU Commission, has suggested that compliance with the minimum safeguards should be based on four core topics, namely: (1) human rights, including labor rights, (2) combating bribery and corruption, (3) taxation, and (4) fair competition. Moreover, in a Commission Notice published in June 2023, the European Commission further explains that for companies to be considered aligned with article 18.1, they "must implement appropriate procedures, including procedures to continuously identify, prevent, mitigate or remediate the relevant actual and potential adverse impacts connected with their own operations, value chains and business relationships."

To replicate the requirements of article 18(1), two dedicated factors were created to assess the presence of relevant due diligence practices as well as check for unremedied breaches of relevant norms. The derivation of these two factors leverages input from upstream solutions, which incorporate international agreements as laid out in article 18(1) in their assessment logic. Details on how input from upstream solutions are used to derive minimum safeguards alignment are explained below.

EU Taxon – Minimum Safeguards Due Diligence Flag

Leveraging on a list of selected topics from Corporate Rating, this factor provides a binary (likely aligned/likely not aligned) indication of whether the company has sufficient due diligence measures and procedures, covering the four core topics identified by the PSF (listed below). A company is considered 'likely not aligned' if its median perfomance across the below-mentioned topics is poor (D- to D+ / <1.75) and 'likely aligned' if its median performance across the below-mentioned topics is medium, good or excellent (C- to A+ / >=1.75).

1. Human Rights, including Anti-bribery and anti-corruption.
2. Taxation.
3. Fair Competition

Figure 6: ISS STOXX Corporate Rating: Numeric Scale, Alphabetic 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		

Assessment Results

Table 14: MSS due diligence flag outcomes

POSSIBLE OUTCOMES	DEFINITION
Likely Aligned	The company has established sufficient due diligence policies to prevent and mitigate adverse impacts on human rights (including consumer rights), labor rights, anti-bribery, taxation and free competition.
Likely Not Aligned	The company has not established sufficient due diligence policies to prevent and mitigate adverse impacts on human rights (including consumer rights), labor rights, anti-bribery, taxation and free competition.

EU Taxon – Minimum Social Safeguards Controversies

NBR data provides in-depth assessments of companies' adherence to international norms, including the standards mentioned in the Taxonomy Regulation.

Leveraging Norm-Based Research data points, this factor flags companies for not operating in line with minimum safeguards if they are involved in the following type of controversy:

- Corporate failure has been verified or, at a minimum, the sources of allegations and risks are credible, and certain information about the company's ongoing involvement is available (Case Score: >=6); AND

- Related to the company's own operations or operations of controlled subsidiaries, but excluding controversies in the supply chain or at financed projects (Corporate Involvement: Direct Involvement); AND
- Related to human rights, taxes, labor rights, anti-corruption and fair competition; AND
- The company has not taken/announced concrete remediation measures to address and mitigate the breach (Remediation Indicator: No measures announced or Commitment expressed).

Assessment Results

Table 15: MSS Controversies outcomes

POSSIBLE OUTCOMES	DEFINITION
Likely Aligned	The company is not subject to (allegations of) failing to meet minimum social safeguards
Likely Not Aligned	The company is subject to (allegations of) failing to meet minimum social safeguards

Article 18(2): Adherence to the 'Do No Significant Harm' Principle from the Sustainable Finance Disclosure Regulation (SFDR)

Per article 18(2) of the Taxonomy Regulation, compliance with the minimum safeguards also requires companies to adhere to the principle of "do no significant harm" referred to in the SFDR. As per the Commission Notice from June 2023, this provision implies that companies must operate in alignment with the Principal Adverse Impact indicators defined in table 1 of Annex I of the SFDR Delegated Regulation (mandatory social Principal Adverse Impact (PAI) indicators applicable to investee companies). The European Commission further notes that the only issue covered by the relevant PAI indicators which is not explicitly covered by the provisions under article 18(1) is the involvement in controversial weapons. Assessing alignment with minimum safeguards therefore also necessitates considering a company's involvement in the manufacture or trade of controversial weapons, as defined by SFDR (anti-personnel mines, cluster munitions, chemical weapons, or biological weapons).

Controversial weapons involvement (APM, CM, Bio, Chem)

This factor provides a True/False indication of whether the issuer has verified involvement in anti-personnel mines, cluster munitions, chemical weapons, or biological weapons. A company will be flagged for exposure to controversial weapons in case it is involved in the following type of assessment:

- Verified involvement in controversial weapons (Case Score = 10); AND
- Related to any of the following weapon categories (Case Areas): anti-personnel mines, cluster munitions, chemical weapons, biological weapons

Assessment Results

Table 16: Controversial weapons involvement outcomes

POSSIBLE OUTCOMES	DEFINITION
True	The company has verified involvement in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, biological weapons)
False	The company has no verified involvement in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, biological weapons)

Deriving the Minimum Social Safeguard Alignment Outcome

Based on the three factors described above, an overall alignment assessment for the minimum social safeguard provision is derived. A company is considered 'Likely Aligned' with minimum social safeguards if:

- They have relevant due diligence measures in place (EU Taxon – Minimum Safeguards Due Diligence Flag is 'Likely Aligned'); AND
- Are not subject to (allegations of) unremidied breaches of relevant standards (EU Taxon – Minimum Social Safeguards Controversies is 'Likely Aligned'); AND
- Have no verified involvement in controversial weapons (Controversial weapons involvement (APM, CM, Bio, Chem) is False)

Assessment Results

Table 17: Aggregated MSS alignment outcomes (based on modeled data)

POSSIBLE OUTCOMES	DEFINITION
Likely Aligned	The company is considered likely aligned with minimum social safeguards
Likely Not Aligned	The company is considered likely not aligned with minimum social safeguards

Calculating Overall Alignment Results (Modeled Data)

Overall Alignment per Activity

The Taxonomy Regulation requires investors to report the proportion of underlying investments which are Taxonomy-aligned. To facilitate this type of reporting, an overall alignment result is provided for each activity a company has been identified to be involved in. Based on these activity-level results, the total Revenue and Capex shares falling into each alignment category are calculated for each company (see the following section). The overall alignment result is derived from the results of steps 3-5 described above (checking alignment with screening criteria for substantial contribution, DNSH criteria, and minimum social safeguards). Where an activity can qualify as Taxonomy-aligned under more than one Taxonomy objective, an overall alignment assessment is provided separately for each objective. Moreover, for the purpose of calculating a company's

Taxonomy-aligned Revenue share across all objectives, for each activity, the dataset also includes a factor indicating the most favorable assessment outcome across all relevant Taxonomy objectives.

Going Beyond a Binary Assessment

The Taxonomy Regulation requires both financial and non-financial companies to disclose the proportion of their activities and/or investments which are Taxonomy-aligned. Thus, a binary classification is expected: activities are either aligned and hence considered environmentally sustainable, or not aligned. However, in practice, it is not always possible to make a definitive assessment on whether an activity is carried out in alignment with all relevant Taxonomy criteria. Therefore, besides Aligned results that are applicable to reported data outcomes, EU Taxonomy Alignment Solution also provides information for non-reporting company on Likely Aligned and Potentially Aligned activities (see also Assessment Results below). In going beyond a binary assessment, our solution allows users to understand the level of confidence as well as the scope of Taxonomy alignment assessments. This approach is also in line with the recommendation originally made by the TEG to also report the percentage of investors' portfolios that are potentially aligned.

Within the Delegated Act supplementing Article 8 of the Taxonomy Regulation, which specifies entity-level taxonomy disclosure requirements, as well as the Final Report on draft Regulatory Technical Standards, which defines product-level disclosures, the regulator acknowledges the lack of company disclosures. Where directly reported data is lacking, and in the specific use case of voluntary disclosure or for non-NFRD, later non-CSRD, companies at entity level, as well as at product-level, estimations or "equivalent information" can be obtained either from investee companies themselves or from third-party data providers. In distinguishing between Aligned, Likely Aligned and Potentially Aligned activities, the EU Taxonomy Alignment Solution allows investors to report transparently on the level of confidence behind Taxonomy alignment assessments and distinguish between estimated vs reported data.

Aggregating Alignment Results into an Overall Assessment

When deriving the overall alignment result from the three assessment steps, a staggered approach is applied. The assessment result of step 3 (alignment with substantial contribution criteria), constitutes the primary driver of the overall result, whereas the remaining checks serve to further refine the assessment:

- If the criteria for SC are likely met, the activity is considered at least Potentially Aligned.
- If the DNSH and minimum social safeguard criteria are also (likely) met, the activity will be considered Likely Aligned.
- If the SC criteria are likely not met, the activity will be considered Likely Not Aligned.
- Where there is not enough data to make a substantial contribution assessment, no overall alignment assessment is possible and the result will be Not Collected.

Assessment Results

Overall alignment results convey information along two absolute qualitative dimensions:

(1) Level of confidence: Potentially Aligned; Likely Aligned

(2) Scope of alignment: >0% of the activity; >10% of the activity; >20% of the activity; >30% of the activity; >40% of the activity; >50% of the activity; >60% of the activity; >70% of the activity; >80% of the activity; >90% of the activity; 100% of the activity

Table 18: Activity-level overall alignment outcomes (based on modeled data)

POSSIBLE OUTCOMES	DEFINITION
Likely Aligned (100%)	Our proxy data indicates alignment with all relevant Taxonomy criteria throughout all operations related to the activity
Likely Aligned (>90%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with all relevant criteria is ≥ 90% and < 100%
Likely Aligned (>80%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with all relevant criteria is ≥ 80% and < 90%
Likely Aligned (>70%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with all relevant criteria is ≥ 70% and < 80%
Likely Aligned (>60%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with all relevant criteria is ≥ 60% and < 70%
Likely Aligned (>50%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with all relevant criteria is ≥ 50% and < 60%
Likely Aligned (>40%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with all relevant criteria is ≥ 40% and < 50%
Likely Aligned (>30%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with all relevant criteria is ≥ 30% and < 20%
Likely Aligned (>20%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with all relevant criteria is ≥ 20% and < 30%; where alignment with all relevant criteria can reasonably be assumed for a significant share of the activity, however, information on scope of alignment is lacking, the activity will be considered Likely Aligned (>20%).
Likely Aligned (>10%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with all relevant criteria is ≥ 10% and < 20%
Likely Aligned (>0%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with all relevant criteria is (≥ 1%) and <10%
Potentially Aligned (100%)	Our proxy data indicates alignment with substantial contribution criteria throughout all eligible operations related to the activity, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data)
Potentially Aligned (>90%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with substantial contribution criteria is ≥ 90% and < 100%, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data)
Potentially Aligned (>80%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with substantial contribution criteria is ≥ 80% and < 90%, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data)
Potentially Aligned (>70%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with substantial contribution criteria is ≥ 70% and < 80%, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data)
Potentially Aligned (>60%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with substantial contribution criteria is ≥ 60% and < 70%, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data)

POSSIBLE OUTCOMES	DEFINITION
Potentially Aligned (>50%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with substantial contribution criteria is ≥ 50% and < 60%, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data)
Potentially Aligned (>40%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with substantial contribution criteria is ≥ 40% and < 50%, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data)
Potentially Aligned (>30%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with substantial contribution criteria is ≥ 30% and < 40%, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data)
Potentially Aligned (>20%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with substantial contribution criteria is ≥ 20% and < 30%, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data). Where alignment with substantial contribution criteria can reasonably be assumed for a significant share of the activity, however, information on scope of alignment is lacking, and alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data), the activity will be considered Potentially Aligned (>20%)
Potentially Aligned (>10%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with substantial contribution criteria is ≥ 10% and < 20%, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data)
Potentially Aligned (>0%)	Our proxy data indicates that the proportion of the activity likely carried out in alignment with substantial contribution criteria is (≥ 1%) and <10%, yet alignment with DNSH criteria and/or minimum social safeguards could not be verified (including through proxy data)
Likely Not Aligned	Our proxy data indicates non-alignment with substantial contribution criteria
Not Collected	Insufficient data to make an overall assessment
Not Applicable	No involvement was identified for this activity

Overall Revenue/CapEx

Using the Revenue and CapEx estimations and alignment results for all activities a company has been identified to be involved in, and following the classification of activities into green, enabling and transitional, the following company-level Revenue/CapEx shares are calculated for each Taxonomy objective separately (thus far only Climate Change Mitigation and Climate Change Adaptation) as well as aggregated across all objectives:

- Total Eligible Revenues/Capex (Total/Green/Enabling/Transition)
- Total Likely Aligned Revenues/Capex (Total/Green/Enabling/Transition)
- Total Potentially Aligned Revenues/Capex (Total/Green/Enabling/Transition)
- Total Likely Not Aligned Revenues/Capex (Total/Green/Enabling/Transition)

- Total Not Collected Revenues/Capex (Total/Green/Enabling/Transition)
- Total Not Eligible Revenues/Capex (Total/Green/Enabling/Transition)

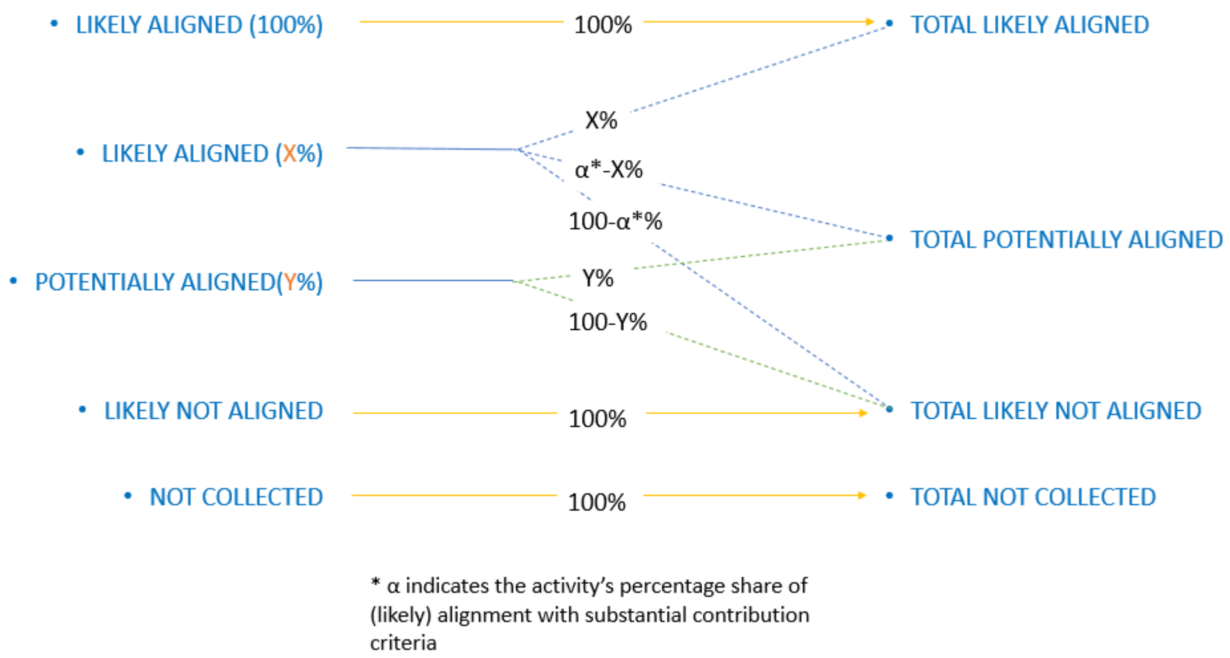
All Revenue/CapEx factors provide the absolute percentage of a company's total Revenue/CapEx. To avoid double counting in the aggregation of Revenue and CapEx shares across Taxonomy objectives, Revenue/CapEx for an activity eligible under more than one objective is counted only once. Furthermore, the most favorable alignment assessment across all objectives is used in the calculation of total Revenue/CapEx shares for the above alignment categories.

The Revenue/CapEx generated through Taxonomy-eligible activities is added to the respective categories based on the overall alignment result. Where the overall alignment result applies to all of the eligible activity Revenue/CapEx, it is added to the respective categories in full. If the overall alignment result applies only to a share of the activity Revenue/CapEx, i.e. the overall alignment result is Likely Aligned (>20%) or Potentially Aligned (>20%), the activity Revenue/CapEx is distributed across two categories: 20 percent of the activity's Revenue/CapEx will be added to the category indicated by the overall alignment result, whereas 80 percent will be added to the Total Potentially Aligned or Total Likely Not Aligned category.

Where the overall alignment for an activity is Potentially Aligned (>Y%), the remainder (100-Y%) is always considered Likely Not Aligned, seeing that substantial contribution requirements are not met. Where the overall alignment for activity Revenue/CapEx is only Likely Aligned (X%), the distribution of the remaining percentage (100-X%) depends on the alignment of the activity Revenue/CapEx with SC criteria. Any share of the activity Revenue/Capex which is (likely) aligned with some SC criteria (α%) but not categorized as overall Total Likely Aligned (α-X%) will be distributed to the appropriate Total Potentially Aligned Revenues/CapEx category. The remaining activity Revenue/CapEx that not (likely) aligned across all three criteria (100-α%) will be distributed to Total Likely Not Aligned.

The below diagram visually represents this logic, showing the share of Revenue/CapEx that can be calculated into each total Revenue/CapEx category, dependent on the different potential iterations of alignment.

Figure 7: Allocation of activity Revenue/CapEx across alignment categories



Example: Company H has been identified as being involved in Taxonomy activity Manufacture of Batteries. For this activity, the EU Taxonomy Alignment Solution identifies 40% of the Revenue/CapEx from the activity as Likely Aligned or Potentially Aligned. As such, 40% of Company H's Revenue/CapEx will be added to the category Total Likely Aligned or Total Potentially Aligned. Whereas the remainder 60% (100%-40%) will be added to the Total Potentially Aligned or Total Likely Not Aligned category depending on the alignment of the activity with SC criteria.
If Company H's overall alignment for an activity is Potentially Aligned (>40%), the remainder 60% (i.e. 100%-40%) will always be attributed to Total Likely Not Aligned, seeing that SC requirements are not met.

If Company H's overall alignment for an activity is Likely Aligned (40%), the distribution of the remaining 60% (i.e. 100%-40%) depends on the alignment of the activity with substantial contribution criteria. If alignment of the activity with SC criteria is (90%). 50% (i.e. 90%-40%) will be attributed to Total Potentially Aligned since 50% of the activity is (likely) aligned with SC criteria but not (likely) aligned across all three steps. While the remaining 10% (i.e. 100%-40%-50%) will be attributed to Total Likely Not Aligned.

Quality Assurance

ISS STOXX has established a quality management system that includes the following quality controls for the EU Taxonomy Alignment Solution model and internal sources from which it is derived:

- ISS STOXX products are based on a consistent and rigorous rating methodology designed to yield comparable risk and performance across companies and industries
- 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 geographically diverse team of analysts enriches the observation and interpretation of sustainability performance and trends.
- Rigorous training programs are mandatory for all analysts, ensuring a high standard of proficiency.
- Assessments are proofread by experienced analysts who are familiar with the assessment methodology.
- Periodic quality control and assurance reviews are conducted to ensure the correct data collection, methodological implementation, and research process.
- For NBR and Corporate Ratings, where relevant, ISS STOXX engages directly with stakeholders to review, confirm, and supplement information in assessments.
- Data and documentation related to past assessments are safely archived.
- A dedicated global Methodology team oversees the consistent application of the methodology. Specifically, the development of the EU Taxonomy Alignment Solution model undergoes rigorous research and peer-reviewed processes. Additionally, the team initiates and coordinates methodological developments in cooperation with internal specialists who keep abreast of the continually evolving international sustainability trends in their fields of expertise.
- A Methodology Review Board consisting of experienced methodology and research leaders has been established with the goal of having a robust and consistent methodology development process and structure and to guide and vet the methodology development strategy and process.

Limitations

All underlying data sources that feed into the EU Taxonomy Alignment Solution model, as well as the underlying methodology of the model itself undergo regular review and enhancement processes to address existing limitations. The below outlines such limitations as well as the action taken to address these:

Limitations in Availability or Consistency of Data Sources

- Coverage gap between modeled eligibility and alignment: As outlined in the Product Overview section, the coverage of the model's first step in identifying eligibility and estimating revenue is considerably larger than that of the alignment assessment, due to the larger scope of FactSet data leveraged at the first step of the model. ISS STOXX research team is continually working on expanding the coverage of Corporate Ratings, which in turn will result in increasing the coverage of the modeled alignment assessment.
- Limited scalability for niche activities: Certain EU Taxonomy-eligible activities remain niche and are infrequently disclosed, leading to the identification and allocation of associated revenue being not feasible in a scalable or systematic manner. Details on alternative approaches for these cases of niche activities can be found in the section Dealing with the Lack of Granularity in Company Revenue Reporting.

Limitations in Completeness, Timeliness, and Accuracy of Information

- Completeness of alignment assessment for covered issuers and of CapEx model:
  - As specified in the section above, the coverage of the model in identifying eligibility is considerably higher than alignment assessment, leading to a group of issuers where estimated alignment outcomes are not available. Completeness will be gradually improved via the expansion of Corporate Ratings, the main input proxy source for the modeled alignment assessment.
  - Similarly, due to constraints of proxy datapoints, the current EU Taxonomy Alignment CapEx model only covers a small portion of EU Taxonomy activities. Please find more details on this gap in the section below on Limitations in the use of Assumptions, Proxy Reference Points, and Data Estimation
- Use of proxies and estimated assessment outcomes: Due to the high granularity and technical level of the EU Taxonomy TSC, exactly matching proxy datapoints are not always available. As a result, instead of a definitive assessment result, the EU Taxonomy Alignment Solution model offers estimations and assessment of likelihood on compliance. Please find more details on estimation approaches in the following sections:
  - Using Proxy Data to Assess Alignment with Substantial Contribution Criteria
  - Making Assumptions in the Absence of Data

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

- Data constraints and reliance on proxies: Owing to the specificity of EU Taxonomy TSC and the limited availability of granular issuer data, a definitive assessment of alignment is often not possible. In such cases, proxy datapoints are applied to approximate compliance. More details on this approach can be found in the section Using Proxy Data to Assess Alignment with Substantial Contribution Criteria
- Indicative assessments where proxies are unavailable: Where no suitable proxies can be identified, additional qualitative research is undertaken to determine the general likelihood of alignment, without concluding on definitive compliance. Please refer to the section Making Assumptions in the Absence of Data for further information on this approach.
- Limited coverage of the CapEx model: Due to absence of sufficient proxy datapoints and indicators to measure eligible CapEx for EU Taxonomy activities, the current coverage of the CapEx model is restricted to only 9 activities on electricity generation.

ISS STOXX research strives to ensure the completeness, consistency, and robustness of our methodology. Regular and ad-hoc review processes are carried out to identify the latest available datapoints that can address limitations as outlined above, update the model according to regulatory developments, and carry out enhancements as necessary according to developments of input data sources and stakeholders' use cases.

Appendix

Appendix A: List of Activities Currently In Scope & Special Activity Cases

Every issuer covered by modeled data within the EU Taxonomy Alignment Solution is assessed against each of the 147 activities listed in the table displayed at the end of this appendix. CapEx data is available for 9 energy-related activities marked with an asterisk in the table. The Taxonomy framework presents challenges in identifying and quantifying certain activities due to inconsistencies in activity names, codes and descriptions as well as overlapping scopes. This appendix outlines these challenges as well as the approach taken within the EU Taxonomy Alignment Solution to deal with them.

Limited relevance of the revenue (turnover) KPI under the climate change adaptation objective

For directly reporting companies, the EU Taxonomy Alignment Solution covers all activities for Revenue/CapEx/OpEx that are reported by the companies in scope, except where certain reporting is not permissible under the framework. Please note that according to the Climate Delegated Act (p. 5), "for the environmental objective of climate change adaptation (unless for enabling activities), only expenditures related to making an activity climate-resilient should count, not the Revenue associated with that activity." Therefore, if a company reports Revenue alignment with the Climate Change Adaptation objective derived from an activity that is not classified as enabling, then this reporting is not considered permissible and will not be captured by the EU Taxonomy Alignment Solution. For issuers which do not report their alignment with the Taxonomy, such activities are not included in the model.

Activities included in Annex I & II of the Climate Delegated Act under the same code and name with/without 'low carbon' qualifier

For a limited number of cases, the Climate Delegated Act defines the same activity twice, once for Climate Change Mitigation and Climate Change Adaptation. The name of the activities differs slightly, with one containing a 'low-carbon' qualifier. For example, the Taxonomy Regulation defines 'Airport infrastructure' as contributing to Climate Change Adaptation and 'Low carbon airport infrastructure' as contributing to Climate Change Mitigation. In such case, the two activities are merged into one. Using the previous example, ISS Stoxx defines 'Low carbon airport infrastructure' to capture both the activities. The activities where this occurs are as follows:

- Airport infrastructure (Adaptation), and Low carbon airport infrastructure (Mitigation)
- Infrastructure enabling road transport and public transport (Adaptation), and Infrastructure enabling low-carbon road transport and public transport (Mitigation)
- Infrastructure for water transport (Adaptation), and Infrastructure enabling low carbon water transport (Mitigation)

Activities with same scope included under different names and codes in the Climate and Environmental Delegated Act

The Climate Delegated Act and Environmental Delegated Act establish requirements for some activities that, while being defined to have substantial contribution to different environmental objectives, share the same or highly similar scopes of business operation and value chains. As a result, to identify Taxonomy eligibility, an identical revenue model is built for activities with fully overlapping business scopes. When aggregating eligible and aligned revenues across activities to arrive at entity-level aggregate outcomes, the respective revenue stream is counted only once to avoid double counting. There are three pairs of such activities where this occurs, namely:

- Construction, extension and operation of waste water collection and treatment (Mitigation), and Urban waste water treatment (Water)
- Construction, extension and operation of water collection, treatment and supply systems (Mitigation), and Water supply (Water)
- Material recovery from non-hazardous waste (Mitigation) and Sorting and material recovery of non-hazardous waste (Circular Economy)

Activities with similar or identical names relating to the same general activity but with nuances in business scopes

The Climate Delegated Act and Environmental Delegated Act also set out requirements for certain Taxonomy activities that, while having the same or similar names, are defined to cover somewhat different business scopes that contribute to different environmental objectives. For example, the Environmental Delegated Act defines TSC for two activities on Treatment of hazardous waste, one comprising waste treatment activities with the aim for material recovery and included under the Circular Economy objective, while the other comprises waste treatment activities prior to waste disposal, which is included under the Pollution objective. In such cases, granular revenue reporting allowing for a differentiation along these nuances is generally not available. Therefore, to model revenue shares for such activities, often the same revenue streams are considered, and a bottom-up approach is applied to a sample of companies along with external research to estimate the share of the relevant revenue streams to be attributed to each activity. The activities where this occurs include:

- Treatment of hazardous waste (Circular Economy) and Treatment of hazardous waste (Pollution)
- Collection and transport of non-hazardous waste in source segregated fractions (Mitigation), Collection and transport of non-hazardous waste and hazardous waste (Circular Economy) and Collection and transport of hazardous waste (Pollution)

List of Activities Included in the EU Taxonomy Model

Table 19: List of activities included in the EU Taxonomy model

ACTIVITY CODE	ACTIVITY NAME
7.7	Acquisition and ownership of buildings
1.1	Afforestation
6.2	Air transport ground handling operations
5.7	Anaerobic digestion of bio-waste
5.6	Anaerobic digestion of sewage sludge
9.2	Close to market research, development and innovation
4.2	Cogeneration of heat/cool and power from bioenergy
4.18	Cogeneration of heat/cool and power from geothermal energy
4.19	Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels
4.17	Cogeneration of heat/cool and power from solar energy
2.1	Collection and transport of hazardous waste
2.3	Collection and transport of non-hazardous and hazardous waste
5.5	Collection and transport of non-hazardous waste in source segregated fractions
5.8	Composting of bio-waste
1.4	Conservation forestry
1.1	Conservation, including restoration, of habitats, ecosystems and species
4.27	Construction and safe operation of new nuclear power plants, for the generation of electricity and/or heat, including for hydrogen production, using best-available technologies
7.1	Construction of new buildings
5.3	Construction, extension and operation of waste water collection and treatment
5.1	Construction, extension and operation of water collection, treatment and supply systems
9.3	Consultancy for physical climate risk management and adaptation
13.1	Creative, arts and entertainment activities
8.1	Data processing, hosting and related activities
8.2	Data-driven solutions for GHG emissions reductions
3.3	Demolition and wrecking of buildings and other structures
2.6	Depollution and dismantling of end-of-life products
5.13	Desalination
4.15	District heating/cooling distribution
11.1	Education
4.8	Electricity generation from bioenergy*
4.29	Electricity generation from fossil gaseous fuels*
4.6	Electricity generation from geothermal energy*
4.5	Electricity generation from hydropower*
4.28	Electricity generation from nuclear energy in existing installations*

ACTIVITY CODE	ACTIVITY NAME
4.4	Electricity generation from ocean energy technologies*
4.7	Electricity generation from renewable non-fossil gaseous and liquid fuels*
4.3	Electricity generation from wind power*
4.2	Electricity generation using concentrated solar power (CSP) technology
4.1	Electricity generation using solar photovoltaic technology*
14.1	Emergency Services
9.1	Engineering activities and related technical consultancy dedicated to adaptation to climate change
14.2	Flood risk prevention and protection infrastructure
1.3	Forest management
6.2	Freight rail transport
6.6	Freight transport services by road
4.3	High-efficiency co-generation of heat/cool and power from fossil gaseous fuels
2.1	Hotels, holiday, camping grounds and similar accommodation
6.16	Infrastructure enabling low carbon water transport
6.15	Infrastructure enabling low-carbon road transport and public transport
6.13	Infrastructure for personal mobility, cycle logistics
6.14	Infrastructure for rail transport
6.8	Inland freight water transport
6.7	Inland passenger water transport
4.16	Installation and operation of electric heat pumps
7.4	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
7.3	Installation, maintenance and repair of energy efficiency equipment
7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
7.6	Installation, maintenance and repair of renewable energy technologies
5.1	Landfill gas capture and utilisation
6.18	Leasing of aircraft
13.2	Libraries, archives, museums and cultural activities
6.17	Low carbon airport infrastructure
3.4	Maintenance of roads and motorways
1.1	Manufacture of active pharmaceutical ingredients (API) or active substances
3.8	Manufacture of aluminium
3.15	Manufacture of anhydrous ammonia
3.18	Manufacture of automotive and mobility components
3.4	Manufacture of batteries
4.13	Manufacture of biogas and biofuels for use in transport and of bioliquids
3.11	Manufacture of carbon black
3.7	Manufacture of cement

ACTIVITY CODE	ACTIVITY NAME
3.13	Manufacture of chlorine
1.2	Manufacture of electrical and electronic equipment
3.5	Manufacture of energy efficiency equipment for buildings
3.2	Manufacture of equipment for the production and use of hydrogen
3.1	Manufacture of hydrogen
3.9	Manufacture of iron and steel
3.3	Manufacture of low carbon technologies for transport
1.2	Manufacture of medicinal products
3.16	Manufacture of nitric acid
3.14	Manufacture of organic basic chemicals
3.6	Manufacture of other low carbon technologies
1.1	Manufacture of plastic packing goods
3.17	Manufacture of plastics in primary form
3.19	Manufacture of rail rolling stock constituents
3.1	Manufacture of renewable energy technologies
3.12	Manufacture of soda ash
1.1	Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems
3.2	Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation
3.21	Manufacturing of aircraft
5.6	Marketplace for the trade of second-hand goods for reuse
5.9	Material recovery from non-hazardous waste
13.3	Motion picture, video and television programme production, sound recording and music publishing activities
3.1	Nature based solutions for flood and drought risk prevention and protection
10.1	Non-life insurance: underwriting of climate-related perils
6.4	Operation of personal mobility devices, cycle logistics
6.19	Passenger and freight air transport
6.1	Passenger interurban rail transport
2.1	Phosphorus recovery from waste water
4.26	Pre-commercial stages of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle
5.3	Preparation for re-use of end-of-life products and product components
5.5	Product-as-a-service and other circular use- and result-oriented service models
2.2	Production of alternative water resources for purposes other than human consumption
4.24	Production of heat/cool from bioenergy
4.31	Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system

ACTIVITY CODE	ACTIVITY NAME
4.22	Production of heat/cool from geothermal energy
4.23	Production of heat/cool from renewable non-fossil gaseous and liquid fuels
4.21	Production of heat/cool from solar thermal heating
4.25	Production of heat/cool using waste heat
9.3	Professional services related to energy performance of buildings
8.3	Programming and broadcasting activities
4.1	Provision of IT/OT data-driven solutions
4.1	Provision of IT/OT data-driven solutions for leakage reduction
2.5	Recovery of bio-waste by anaerobic digestion or composting
1.2	Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event
10.2	Reinsurance
2.4	Remediation of contaminated sites and areas
2.3	Remediation of legally non-conforming landfills and abandoned or illegal waste dumps
5.4	Renewal of waste water collection and treatment
5.2	Renewal of water collection, treatment and supply systems
7.2	Renovation of existing buildings
5.1	Repair, refurbishment and remanufacturing
9.2	Research, development and innovation for direct air capture of CO2
2.1	Restoration of wetlands
6.9	Retrofitting of inland water passenger and freight transport
6.12	Retrofitting of sea and coastal freight and passenger water transport
5.4	Sale of second-hand goods
5.2	Sale of spare parts
6.1	Sea and coastal freight water transport, vessels for port operations and auxiliary activities
6.11	Sea and coastal passenger water transport
8.4	Software enabling physical climate risk management and adaptation
2.7	Sorting and material recovery of non-hazardous waste
4.1	Storage of electricity
4.12	Storage of hydrogen
4.11	Storage of thermal energy
2.3	Sustainable urban drainage systems (SUDS)
4.14	Transmission and distribution networks for renewable and low-carbon gases
4.9	Transmission and distribution of electricity
6.5	Transport by motorbikes, passenger cars and light commercial vehicles
5.11	Transport of CO2
2.4	Treatment of hazardous waste (Circular Economy)
2.2	Treatment of hazardous waste (Pollution)

ACTIVITY CODE	ACTIVITY NAME
5.12	Underground permanent geological storage of CO_2
6.3	Urban and suburban transport, road passenger transport
2.2	Urban Waste Water Treatment
3.5	Use of concrete in civil engineering
2.1	Water supply

Appendix B: Relevant Supporting Models and Key Rating Assumptions

Models

- **EU Taxonomy Alignment calculation model**: Calculated eligibility and alignment using proprietary proxies and third-party data.

- **EU Taxonomy Alignment model**: Modeled alignment in the absence of reported data which follows a five-step process covering Taxonomy eligibility, KPI share, substantial contribution (SC) alignment, Do No Significant Harm (DNSH) alignment, and minimum safeguards alignment.

Assumptions

- **Use of "Revenue" as synonymous with "Turnover"**: The term "Revenue" is used to refer to the Taxonomy KPI "Turnover."

- **Assumptions for assessing alignment with screening criteria for substantial contribution**: If no reasonable proxies are available, additional research may support a general assumption of likely alignment/non-alignment.

- **DNSH partial alignment granularity limited to 100% and >20%**: DNSH modeled outcomes are provided only at 100% and >20% intervals due to qualitative nature and proxy constraints.

- **EU regulatory compliance assumption for DNSH**: Assumes compliance for a significant share (>20%) of all involved eligible activities with DNSH criteria derived from EU regulations in the normal course of business for EU-based companies

Appendix C: Version Control

Name of Methodology: EU Taxonomy Alignment Solution

VERSION	DATE	DETAILS
1.0	July 2026	Publication of EU Taxonomy Alignment Solution Methodology and Research Process document. 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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sales@iss-stoxx.com
iss-stoxx.com

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