

SDG Impact Rating

The SDG Impact Rating provides a holistic metric of impact aligned to the UN Sustainable Development Goals (SDGs). The rating measures to which extent companies are managing negative externalities in their operations across the entire value chain to minimize adverse impacts (“do no harm”) relative to the SDGs, whilst making use of existing and emerging opportunities in their products and services portfolio to contribute toward the achievement of the SDGs.

The covered company’s impact is measured thematically, following the SDG framework, as well as at an aggregate level. The SDG Impact Rating uses numeric scores to indicate a company’s impact, presented on a scale from -10 (significant negative impact) to +10 (significant positive impact).

Outputs

SDG Overall Impact Rating

In line with the spirit of the UN Sustainable Development Goals, which do not give a normative preference to one goal over another, the overall SDG Impact Rating is determined by the most distinct Goal Rating (i.e., the highest positive and/or lowest negative Goal Rating).

Goal Ratings

For each of the 17 SDGs, a company’s impact is determined by the combination of three pillars: the company’s products and services, its operational management, and the involvement in and responsiveness to controversies.

The products and services score assesses the overall impact of a company’s product and service portfolio on the achievement of a given SDG, leveraging the objectives scores from ISS STOXX’s SDG Solutions Assessment (SDGA).

In the operations pillar, companies’ impact is assessed by using a combination of a company’s goal-related operational performance (within a given industry) and its absolute impact potential compared to companies in other industries. Operational performance is assessed using indicators from the ISS STOXX Corporate Rating that are mapped based on thematic relevance toward individual SDGs. For each industry, the selected subset of indicators is assessed applying the rating scale (excellent to poor performance). To account for heterogenous impact potentials across industries, an industry impact classification (low, medium, high) is assigned to each industry and each SDG, determining the starting and end point of the scale on which the performance indicators are assessed.

The controversy score accounts for situations in which companies may act in conflict with established norms on responsible business conduct. Adverse impacts from controversial business conduct may impede or obstruct the goals set under the SDG framework. Leveraging ISS STOXX Norm-Based Research (NBR), a negative score is derived based on the NBR signal and score (Red, Amber, Green)

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Methodology and Research Process

and whether remediation measures have been adopted by the company to address and mitigate adverse impacts.

The SDG Impact Rating provides a range of scores representing qualitative assessments of a company's holistic sustainability impacts with regard to the SDGs. The pillar scores are complemented by descriptive profile notes listing key impact drivers. ISS STOXX generates company reports which provide a summary overview and breakdowns of scores.

Research Process

The SDG Impact Rating is derived from ISS STOXX's SDG Solutions Assessment, Corporate Rating, and Norm-Based Research. The research input for the products and services score is based on quantitative corporate revenue data (reported or estimated). Data for the operations pillar is derived from the Corporate Rating which uses both quantitative and qualitative data, and the controversy score is built on signals and scores reflecting qualitative assessments of corporate controversies. For more details, e.g., regarding data collection within those solutions, please refer to their respective methodology overviews.

Use of Estimated Data

The SDG Impact Rating leverages the data sets referenced above. In the SDG Solutions Assessment, shares of net sales generated with products are assessed by analysts based on company reported data and following clear estimation rules. In the Corporate Rating, some types of indicators allow for estimations if no (precise) reported data is available but assumptions with medium to high certainty can be made. In addition, estimations on coverage (i.e., the reach of content) can be made based on contextual information. No estimations are made for raw data. Norms-Based Research relies on stakeholder allegations, i.e., reported data. For more details regarding the use of estimated data within those solutions, please refer to their respective methodology overviews.

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