Sustainability

SDG Solutions Assessment

Methodology & Research Process

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Introduction

This document is intended to provide a comprehensive overview of ISS STOXX's approach to evaluating both the positive and negative impacts of companies' products and services portfolios through the ISS STOXX Sustainable Development Goals Solutions Assessment (SDGA). A methodology summary can be accessed here.

SDG Solutions Assessment Objective

The SDGA is designed to enable institutional investors to support their investment strategies by classifying and assessing the positive and negative sustainability impacts of companies' products and services portfolios. It follows a thematic approach that encompasses 15 distinct Sustainability Objectives informed by the UN Sustainable Development Goals, guidance from the United Nations (UN) and national agencies, globally recognized taxonomies and certifications, and peer reviewed academic literature. The product's focus is on measuring the extent to which companies are making use of existing and emerging opportunities to contribute to the achievement of global sustainability objectives by offering - and generating revenues from - products and services with a positive impact. Likewise, it assesses products and services that obstruct the achievement of the Sustainability Objectives.

The SDGA applies a proprietary classification system for products and services across five assessment categories which is based on their impact on the achievement of different sustainability objectives:

ASSESSMENT CATEGORY	OBJECTIVE SCORE
Significant contribution	10.0
Limited contribution	5.0
No (net) impact	0.0
Limited obstruction	-5.0
Significant obstruction	-10.0

In addition to aggregated sustainability objective scores on a granular scale from -10 to +10, the underlying revenue percentage data can be leveraged to support tailored applications at the discretion of subscribing investors.

Methodological Foundations

The SDGA follows a thematic approach comprising 15 distinct proprietary sustainability objectives that are informed by:

- The UN Sustainable Development Goals
- Guidance from the United Nations and national agencies
- Globally recognized taxonomies and certifications (e.g., LEED)
- Peer-reviewed academic literature (e.g., New England Journal of Medicine)

Its holistic interpretation draws on the UN Sustainable Development Goals and the listed sources above, to reflect the current global consensus regarding the world's most pressing social, environmental, and economic challenges.

The 15 objectives were defined by ISS STOXX following a detailed analysis of the UN Sustainable Development Goals, to consider if the goals are relevant for the private sector as well as how they can apply to the potential (positive and negative) contribution of a company's products and services. In addition, the objectives were designed in a way that allows for a clear distinction between the environmental and social objectives.

As a result of the thorough analysis and definition process, Sustainability Solutions defined seven social and eight environmental proprietary objectives (Figure 1). Two additional, non-distinct objectives were created to account for social or environmental (non-) beneficial impacts from products and services that cannot be assigned to one of the 15 objectives (e.g., fur-based products, ESG-related products and services). These are labeled "Other (Social)" and "Other (Environmental)".

Figure 1: Overview of 15 Sustainability Objectives

Methodology Reviews

The SDGA methodology and classification of individual products and services is subject to regular reviews that consider new scientific findings, technological progress, regulatory developments, and public discourse. Changes to existing classifications are overseen and approved by ISS STOXX research experts and methodology leaders and internally documented and generally communicated to investor clients via quarterly Methodology Update newsletters.

Objective-Specific Taxonomies

Overview and Links to the SDGs

The SDGA Sustainability Objectives are mapped to the premise of the UN Sustainable Development Goals for which assessed products and services could potentially be relevant. For example, 'water services for residential customers' and 'energy supply to residential customers' are both positively assessed in the objective Providing basic services. While the former is relevant for SDG 6 - Clean Water & Sanitation, the latter is relevant for SDG 7 - Affordable & Clean Energy.

Figure 2: Overview of Sustainability Objectives and Their Relevant UN SDG(s)

SDGA SUSTAINABILITY OBJECTIVES	UN SUSTAINABLE DEVELOPMENT GOALS
7 SOCIAL OBJECTIVES	
ALLEVIATING POVERTY	1 – No Poverty
COMBATING HUNGER AND MALNUTRITION	2 – Zero Hunger
ENSURING HEALTH	3 – Good Health & Well-Being 6 – Clean Water & Sanitation
PROVIDING BASIC SERVICES	1 – No Poverty 3 – Good Health & Well-Being 4 – Quality Education 6 – Clean Water & Sanitation 7 – Affordable & Clean Energy 10 – Reduced Inequalities 11 – Sustainable Cities & Communities
DELIVERING EDUCATION	4 – Quality Education
ATTAINING GENDER EQUALITY	5 – Gender Equality 10 – Reduced Inequalities
SAFEGUARDING PEACE	16 – Peace, Justice & Strong Institutions
8 ENVIRONMENTAL OBJECTIVES	
ACHIEVING SUSTAINABLE AGRICULTURE AND FORESTRY	2 – Zero Hunger 15 – Life on Land
CONSERVING WATER	6 – Clean Water & Sanitation
CONTRIBUTING TO SUSTAINABLE ENERGY USE	7 – Affordable & Clean Energy
PROMOTING SUSTAINABLE BUILDINGS	11 – Sustainable Cities & Communities
OPTIMISING MATERIAL USE	12 – Responsible Consumption & Production
MITIGATING CLIMATE CHANGE	13 – Climate Action
PRESERVING MARINE ECOSYSTEMS	14 – Life below Water
PRESERVING TERRESTRIAL ECOSYSTEMS	15 – Life on Land

As shown in Figure 2, the UN SDGs 8, 9 and 17 are not mapped to any of the sustainability objectives. These goals primarily relate to either (macro-)economic (8 and 9) or public policy (17) targets that are not attributable to products and services of individual companies[1,2,3].

Fundamental Decision Process

The overall impact of a given product or service category regarding a certain sustainability objective is determined by a rules-based decision process.

The fundamental questions asked per objective are as follows:

1. Does the product or service by its intended purpose (or main impact) contribute to or obstruct the achievement of this specific sustainability objective?; and
2. Does the product or service have additional side effects that are directly attributable and clearly positive/negative from this objective's perspective?

Where the answer to both questions is "No," or where contributing and obstructing impacts neutralize each other, the product is evaluated as "no (net) impact."

Where the answer to one of these questions is "Yes," further analysis is applied to differentiate between those products and services with "limited" and those with "significant" contributing or obstructing impacts. Several parameters are factored into this assessment, such as:

- Product efficiency – How efficient is a certain product in its contribution to the objective? Is it the best-available technique or do more efficient solutions exist?
- Scale – How large is the number of beneficiaries or people negatively affected by a certain product's main impacts? How significant is the scale of environmental degradation or restoration?

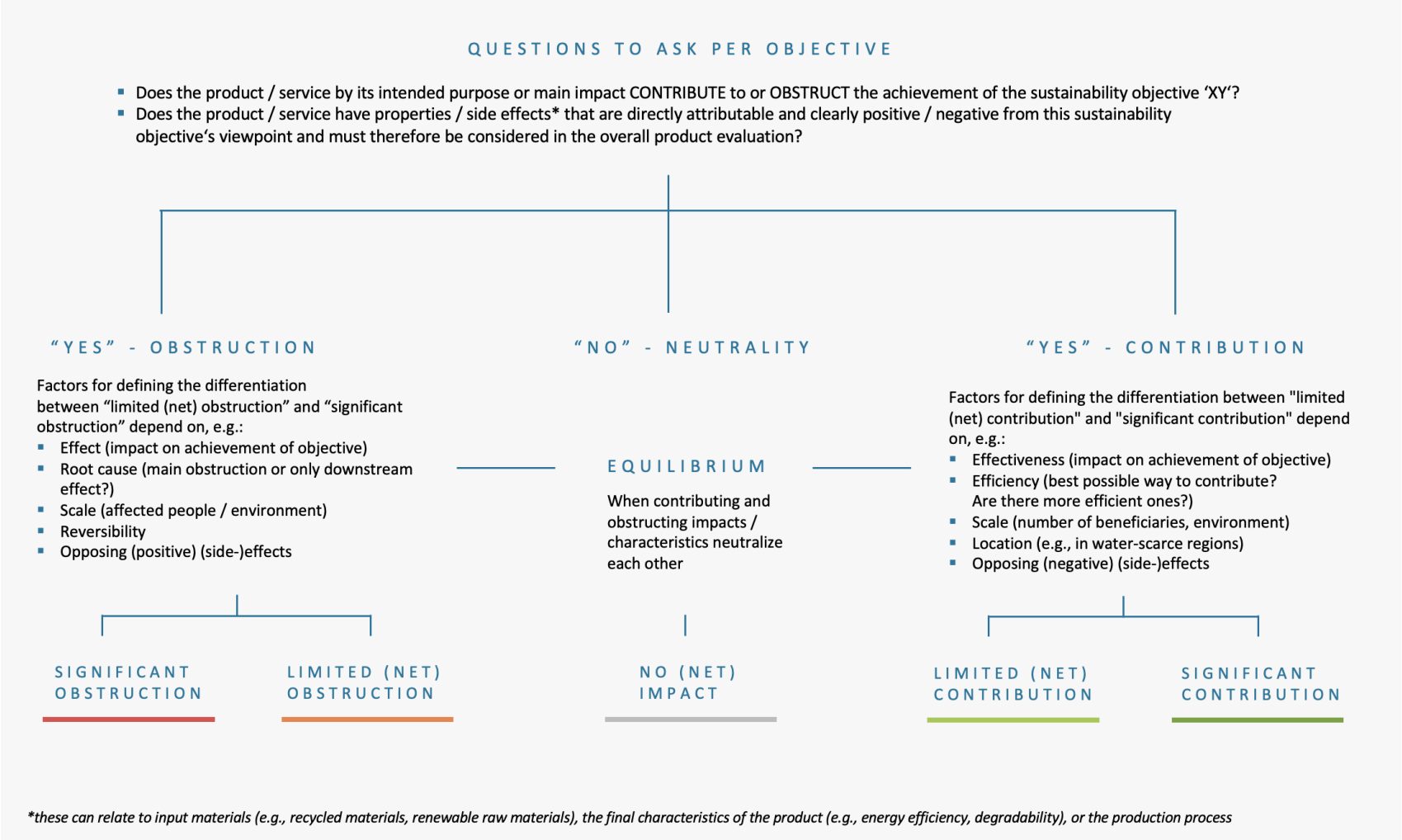
Based on this rules-based decision process, ISS STOXX has defined a taxonomy for each of the 15 sustainability objectives that define fundamental concepts, e.g., the general understanding of an objective and the requirements that products and services must fulfill to be classified accordingly in the range from "significant obstruction" to "significant contribution." The taxonomy is applied equally to all companies across industries.

[1] SDG 8 (Decent Work and Economic Growth) addresses employment-related issues such as job creation, economic inclusion, and decent work conditions. While companies can contribute to this SDG by being good and responsible employers, their impact from a product portfolio perspective is limited as there are no products or services directly contributing to this SDG's achievement.

[2] SDG 9 (Industry, Innovation and Infrastructure) expresses macro-economic goals regarding sustainable infrastructure, industrialization, and innovation. Since this SDG is defined broadly, a significant number of products and services could potentially be positively assigned to it – however, this runs a certain risk of "SDG washing." It was therefore decided not to include it as a separate objective in the SDG Solutions Assessment - particularly because potentially relevant products (e.g. energy-efficiency technology) are already positively assessed under at least one of the other, more thematic, objectives (here: Mitigating climate change).

[3] SDG 17 (Partnerships for the Goals) emphasizes the importance of multi-stakeholder partnerships and the role of societal actors, including the private sector. While this SDG addresses companies' responsibilities at a meta-level, their impact from a product portfolio perspective is limited as there are no products or services directly contributing to the goal's achievement.

Figure 3: The SDGA Decision Process



*these can relate to input materials (e.g., recycled materials, renewable raw materials), the final characteristics of the product (e.g., energy efficiency, degradability), or the production process

Social Objectives

ISS STOXX has defined seven social and eight environmental proprietary objectives' taxonomies listed below.

Combating Hunger & Malnutrition

The objective is to eliminate hunger, defined by the World Food Program as not having enough to eat to meet an individual's energy requirements, and malnutrition, a condition resulting from when an individual's diet does not provide adequate nutrients for growth and maintenance. Malnutrition encompasses both undernutrition and overnutrition.

Figure 4: Examples of Relevant Products and Services for 'Combating Hunger & Malnutrition'

ASSIGNED SCORE	RELEVANT PRODUCTS & SERVICES	PRODUCT EXAMPLES
10.0	Products with a high nutritional value that provide people with energy and beneficial nutrients for growth, development, and maintenance	▪ Fruits ▪ Vegetables ▪ Pulses
5.0	Products that provide people with energy and/or adequate nutrients for growth, development, and maintenance (good nutritional value)	▪ Rice ▪ Raw cereals ▪ Dairy products with limited processing/additives ▪ Unprocessed fish ▪ Water
0.0	Products/services with no (net) impact on hunger and malnutrition, including those that contribute to the farming/manufacturing of food products (indirect, dual use)	▪ Fertilizers ▪ Agricultural machines ▪ Processed dairy products ▪ Vitamins ▪ Flavors & Additives
-5.0	Products that provide people with inadequate nutrients for growth, development, and maintenance (low nutritional value)	▪ Highly processed food products e.g., processed chicken and fish products, fries, pizza, snack bars, potato chips, ready meals
-10.0	Products that promote malnutrition and thereby impede growth, development, and maintenance	▪ Alcohol ▪ Red meat-based products ▪ Energy and soft drinks ▪ Chocolate & sweets ▪ Sugar

Alleviating Poverty

The objective is to eliminate poverty in its various forms, including extreme poverty, defined by the UN Sustainable Development Goals as the number of people living on less than $1.25 a day, and other forms of financial poverty according to national levels. Examples for contributing products or services include microfinance or health insurance for low-income groups. An example of an obstructing product or service is "controversial forms of gambling".

Ensuring Health

The objective is to ensure that every person can, to the best extent possible, be cured from disease or infirmity and achieve or maintain a state of complete physical, mental, and social well-being (based on the definition of the World Health Organization). Examples of contributing products or services include pharmaceuticals, healthcare facilities, or assistive devices. Examples of obstructing products or services include alcoholic beverages or tobacco.

Delivering Education

The objective is to provide core educational goods and services. Education, as defined by the UNESCO International Standard Classification of Education, comprises deliberate activities and communications designed to bring about learning. Examples of contributing products or services include primary and secondary education, educational materials, or school transportation services.

Attaining Gender Equality

The objective is to achieve equal rights, responsibilities, and opportunities for women and men, taking into consideration the diversity of interests, needs, and priorities of different groups of women and men (based on UN Women). Examples of contributing products or services include menstruation products, contraception, or financial services targeted at women.

Providing Basic Services

The objective is to provide basic services including water, sanitation, housing, energy, medical care, telecommunication, education, financial services, public transportation, postal services, and social security for all (based on, e.g., the definitions included in the UN Declaration of Human Rights and the UN Declaration of Copenhagen). The focus is on the provision of basic services, which mostly require a localized infrastructure, to private end customers (B2C). Examples of contributing products or services include affordable housing or water, energy, or waste services for residential customers.

Safeguarding Peace

The objective is to attain and sustain societies characterized by the absence of crime, violence, or fear of violence and to promote attitudes, structures, and institutions that underpin and sustain peaceful societies

(based on the definition used by the Institute for Economics and Peace). Examples of contributing products or services include products for crime prevention such as dedicated software or security equipment. Examples of obstructing products or services include weapons (systems) or firearms.

Environmental Objectives

Mitigating Climate Change

The objective is to stabilize greenhouse gas concentrations in the atmosphere at a level that would hold the increase in the global average temperature to well below 2°C or even 1.5°C above pre-industrial levels.

Figure 5: Examples of Relevant Products and Services for 'Mitigating Climate Change'

ASSIGNED SCORE	RELEVANT PRODUCTS	PRODUCT EXAMPLES
10.0	Products/services that by their intended purpose address the root causes of climate change	▪ Solar and wind power ▪ Small-scale hydropower ▪ Building insulation materials
5.0	Product/services which ▪ help mitigate climate change (without addressing root causes) ▪ enable energy efficiency/savings of otherwise negative products ▪ have directly attributable side effects which help to mitigate climate change	▪ Rail transport ▪ Bus transport ▪ Alternative drives ▪ Nuclear power ▪ LEDs
0.0	Products/services with no (net) impact on climate change	▪ Natural gas-related products/services ▪ Majority of other products/services
-5.0	Product/services ▪ with directly attributable side effects aggravating climate change; ▪ whose core characteristic is the consumption of coal and oil; ▪ that require a highly carbon-intensive production process (clearly attributable to the product); ▪ that facilitate the production of highly polluting and non-renewable energy sources	▪ Combustion engines and vehicles (e.g. cars, jets, trucks) ▪ Cruises ▪ Road/air transport ▪ Key services to oil/coal production ▪ Conventional palm oil ▪ Ruminant red meat
-10.0	Products/services that significantly aggravate climate change (main impact, scale, root cause)	▪ Oil and coal-based energy ▪ Related key components and services

Achieving Sustainable Agriculture & Forestry

The objective is to sustainably farm plants, trees, and livestock in a way that increases productivity and production while at the same time helping to maintain ecosystems; strengthening the capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters; and progressively improving land and soil quality. Examples of contributing products or services include certified food/agricultural products, organic certified cotton, or biological crop protection. Examples of obstructing products or services include palm oil without relevant certifications or nitrogen- and phosphate-based fertilizer.

Conserving Water

The objective is to ensure that freshwater, including surface water, groundwater, municipal supply, and rainwater, is accessible and available in sufficient quantity and quality in natural ecosystems. Social considerations (accessibility, sanitation, and hygiene) are not relevant here but assessed under "Providing basic services" and/or "Ensuring health." Examples of contributing products or services include (waste-)water treatment plants or water saving equipment. Examples of obstructing products or services include water-polluting pesticides or hydraulic fracturing.

Contributing to Sustainable Energy Use

The objective is to prioritize renewable and less polluting energy sources as well as efficiently using the selected energy sources. Examples of contributing products or services include energy generation based on renewable sources (such as solar, wind, geothermal), heat pumps, or electric vehicles. Examples of obstructing products or services include coal power plants, oil sands, or conventional combustion engine vehicles.

Promoting Sustainable Buildings

The objective is to minimize the negative environmental impacts related to building infrastructure through the entire infrastructure life-cycle in order to attain various other objectives, including the mitigation of climate change and the preservation of resources. Examples of contributing products or services include buildings certified to a sustainable building standard or building insulation materials.

Optimizing Material Use

The objective is to reduce overall raw material use and to utilize environmentally preferable materials (recycled raw materials, substitution of non-renewable raw materials with sustainable renewable raw materials) by increasing material efficiency, longevity, and reusability of products. Examples of contributing products or services include recycling facilities, products certified to a relevant material-efficiency standard, or reusable packaging materials.

Preserving Marine Ecosystems

The objective is to maintain functioning marine and coastal ecosystems by minimizing negative impacts such as pollution or overfishing and protecting threatened species as well as by restoring degraded ecosystems so that they have an intact biodiversity and can continue to deliver vital ecosystem services. Examples of contributing products or services include marine ecosystem restoration or marine oil spill containment services. Examples of obstructing products or services include single-use plastic products, commercial fishing without relevant certification, or cruises.

Preserving Terrestrial Ecosystems

The objective is to maintain functioning terrestrial ecosystems, e.g., wetlands, mountains, drylands, forests, and inland freshwater ecosystems, by minimizing pollution, preventing the over-extraction of resources, and protecting threatened species, as well as by restoring degraded ecosystems so that they have an intact biodiversity and can continue to deliver vital ecosystem services. Examples of contributing products or services include products from relevant certified sustainable forestry, soil remediation services, or terrestrial ecosystem conservation. Examples of obstructing products or services include large hydropower plants, gold mining, or products containing microplastics.

Assessment Rules

Evaluation Guidelines

Through clearly defined processes and evaluation guidelines, ISS STOXX ensures quality, consistency, and comparability of the product portfolio impact analysis and resulting data.

Based on the proprietary taxonomies described above, key products and services are classified by experienced analysts with deep industry knowledge. If analysts identify products or services as part of the assessment process that are not yet included and classified in the products and services database, SDGA research leads will discuss the addition with the respective industry specialists. Critical decisions are escalated to the Methodology Team for final review. All product classifications and modifications are documented and communicated to the research team.

Key Concepts

Dual-Use Approach

The dual-use concept refers to products or services that can be used for different purposes depending on the industry or that are not specifically designed for a purpose that is relevant to the SDGA assessment. Such products or services are assessed neutrally/no net impact as their positive, negative, or neutral impact depends on the respective use.

For instance, agricultural machinery used for farming organic carrots can also be used for farming potatoes used in processed, low-nutritional potato chips. Similarly, military transport trucks may have a different paint job, but can still be used in civil applications without alterations (assuming that the truck is not specifically adapted with armoring or guns).

Enablers

Enablers refer to products or services that directly contribute to a positive or negative solution, such as key components that are (i) part of the final product, (ii) key to making it work, and (iii) specifically adapted to the use of the final product. This also covers key services that are part of making the final product, key to making it work, and specifically adapted to the use of the final product.

As an example, key components of diagnostic and treatment devices are assessed positively in Ensuring Health like the final product, as they are considered enablers fulfilling the above requirements.

Promoters

Promoters refer to products/services that promote the production or provision of a product/service without being responsible for the direct positive or negative impacts, such as activities involving financing, retailing, trading, investments, insurance, construction, operation, management, leasing, and collection of royalties.

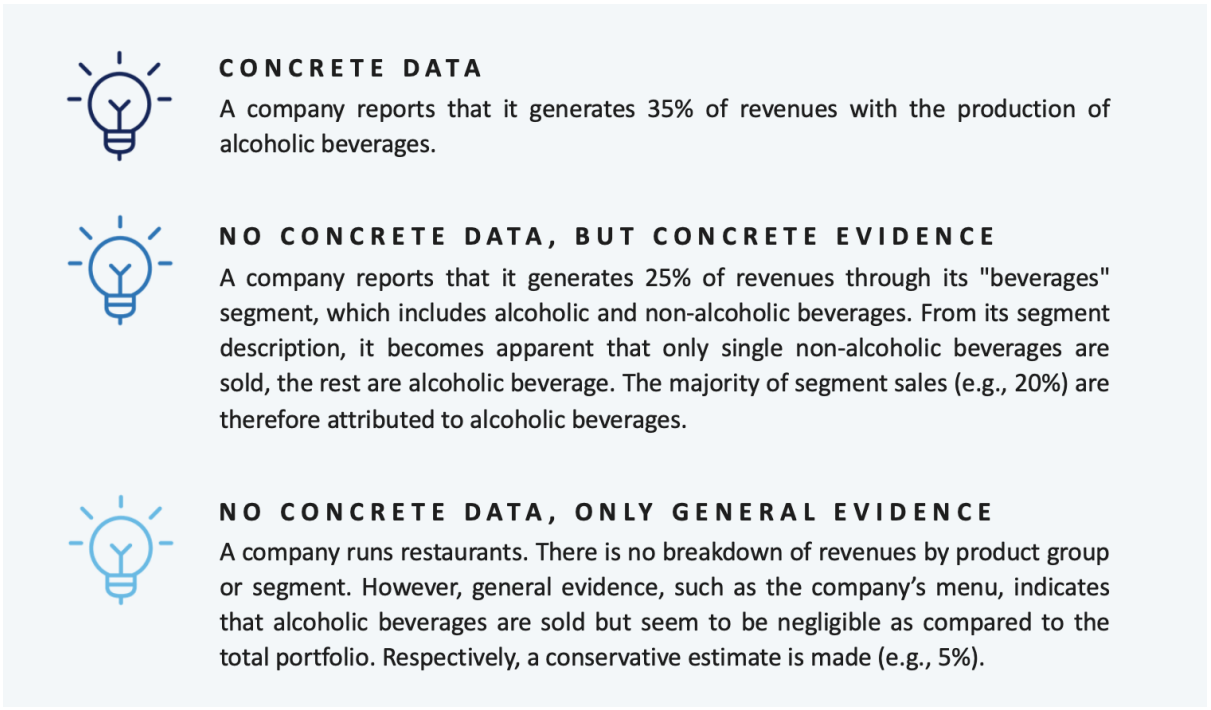
For example, retailing of prescription pharmaceuticals is assessed positively in Ensuring Health, as it promotes the use of prescription medicine or drugs, contributing to improving an individual's health. Construction of wind power plants promotes the use of wind power as a renewable source of energy; hence, it is assessed positively in Sustainable Energy Use and Mitigating Climate Change.

Net Sales Share Estimations

The SDG Solutions Assessment measures impact and as such requires relevant revenue information, on which an objective and reproducible assessment can be based. While the reporting of some companies provides exact figures on relevant product sales, others report only geographic segments or no segment sales at all. Where exact figures are not available, analysts take all relevant and available information into account to estimate the share of net sales a company generates with relevant products. Analysts are provided with clear guidance to ensure that results are based on reasonable assumptions:

- Net sales values are documented with one decimal.
- Products assumed to represent less than 1% of total sales are considered "de minimis" and data is not entered into the assessment.
- Reported data is entered with its exact value.
- Estimated data is rounded and 5% estimation intervals are used where more concrete information is unavailable on relevant product sales.

Figure 6: Revenue Concept - Example



Scoring and Assessment Outputs

Scoring

For each thematic assessment, the share of net sales generated with relevant products and services is quantified per assessment category (i.e., significant contribution, limited contribution, etc.). As a result, the SDG Solutions Assessment provides 75 distinct data points per company (five revenue share numbers per sustainability objective), each of which is accompanied by a qualitative description of assessed products or services.

These results are aggregated into 18 scores on a -10 to +10 scale per company that allow for top-level assessments and comparisons, as well as into 6 aggregate revenue-based data points:

- **15 Objective Scores**, one score for each sustainability objective.
- The **SDG Solutions Score (SDGS)**, which assesses the overall, aggregated impact of a company's product portfolio on the achievement of sustainability objectives.
- The **SDGS Social**, which assesses the overall, aggregated impact of a company's product portfolio on the achievement of social objectives.
- The **SDGS Environmental**, which assesses the overall, aggregated impact of a company's product portfolio on the achievement of environmental objectives.
- Three **aggregated revenue-based data points** on the "**Minimum Combined Contribution**," i.e., the minimum share of revenues generated with products and services contributing to at least one objective.
- Three **aggregated revenue-based data points** on the "**Minimum Combined Obstruction**," i.e., the minimum share of revenues generated with products and services obstructing at least one objective.

The scoring and aggregation model enables the consideration of (potential) multidimensional impacts of products and services on different sustainability objectives and prevents a disproportionate influence of multiple-counted revenues on overall results. Beyond that, aggregate revenue-based information is only provided in the form of the "minimum share of revenues generated with products and services contributing to (or obstructing) at least one objective." This conservative approach is designed to prevent any overstatement of positive or negative SDG impact.

To give an example: the product "energy generation based on hydropower (>1000MW)" is assessed with "limited obstruction" under the "Preserving terrestrial ecosystems" objective due to its detrimental impacts. The same product will also be assessed with "limited contribution" under "Mitigating climate change" and "Contributing to sustainable energy use" due to the positive contribution of hydropower toward these objectives. Therefore, net sales shares should not be added up across objectives to arrive at overall conclusions (e.g., statements like "80% of the company's turnover can be classified as 'significant contribution'").

Objective Scores

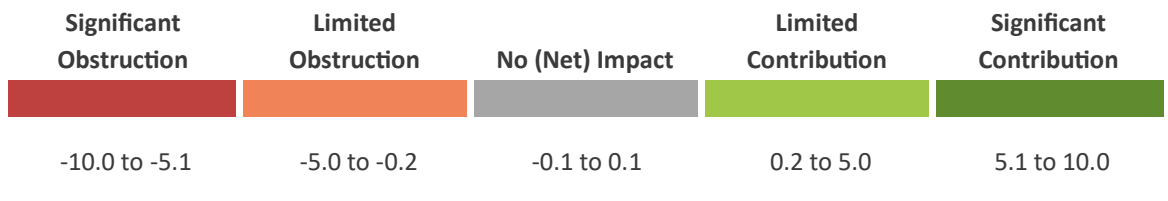
For each sustainability objective, an Objective Score is calculated that assesses the overall impact of a company's product portfolio on the achievement of a given objective. These scores are calculated by multiplying the (estimated) net sales shares generated with relevant products and services with the numeric scores assigned to the assessment category.

Figure 7: Objective Score Calculation Model – Example

Objective-Specific Product Category	Significant Obstruction	Limited Obstruction	No (Net) Impact	Limited Contribution	Significant Contribution
Category-Assigned Score	**-10.0**	**-5.0**	**0.0**	**5.0**	**10.0**
Net Sales Share (Estimate)	25%	50%	15%	0%	10%
Objective Score	= 25% × [-10.0] + 50% × [-5.0] + 15% × [0.0] + 0% × [5.0] + 10% × [10.0] = -4.0				

All Objective Scores range on a scale from -10.0 (i.e., 100% of net sales are generated with products/services classified as having a significant obstructing impact) to 10.0 (i.e., 100% of net sales are generated with products/services classified as having a significant contributing impact) with an underlying classification into five broad categories as follows:

Figure 8: Numeric Scale and Categories



With an Objective Score of -4.0, the product portfolio of the example company would be classified as "limited obstruction" with regard to the affected objective.

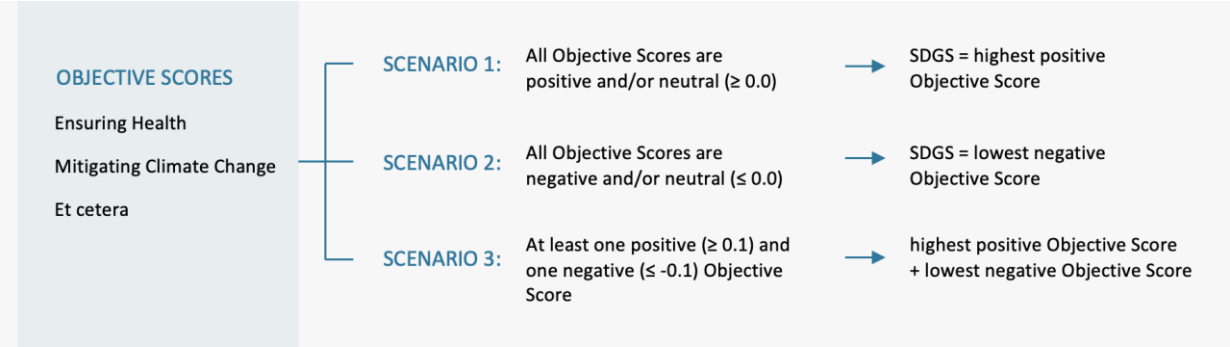
SDG Solutions Score

The SDG Solutions Score expresses the overall impact of a company's product portfolio on the achievement of sustainability objectives, allowing for peer and cross-industry comparisons, ranging on a scale from -10.0 to 10.0.

The SDG Solutions Score considers only the most distinct Objective Scores (i.e., the highest positive and/or the lowest negative score) in its aggregation model, leading to three possible scenarios:

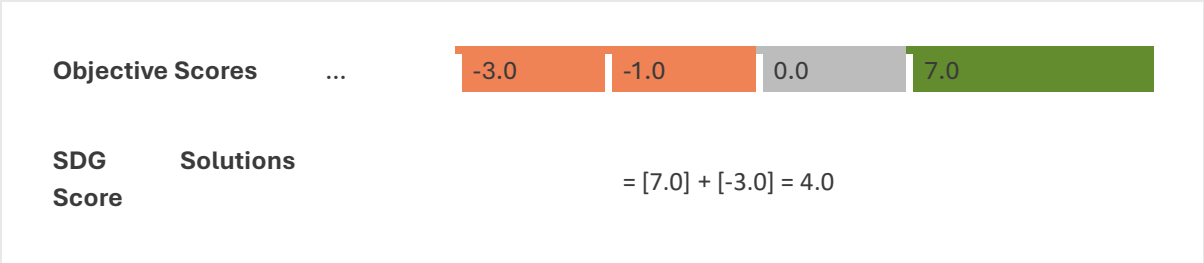
- For companies without any negative sustainability objective, the SDG Solutions Score is determined by the highest positive Objective Score.
- For companies without any positive sustainability objective, it is determined by the lowest negative Objective Score.
- For companies with both positive and negative sustainability objectives, it is calculated as the sum of the highest positive and the lowest negative Objective Score.

Figure 9: The SDG Solutions Score Aggregation Model



The aggregation model is in line with the general spirit of the UN SDGs, which do not give a normative preference to one goal over another. When it comes to businesses' contribution to the SDGs, it is argued that companies can and should focus their efforts on goals on which they can have the highest impact based on their business model (SDG Compass Guide).

SDG Solutions Score Aggregation Model – Example for Scenario 3:



A company's product portfolio with an SDG Solutions Score of 4.0 would be classified as "limited contribution." The significant contribution to the achievement of one objective is balanced by the limited obstructing impacts on the achievement of another objective.

The SDG Solutions Score is further broken down into the SDGS Social and the SDGS Environmental to allow for comparisons of impacts of a company's portfolio regarding aggregated social or environmental objectives only. The calculation of these scores follows the same overall aggregation model.

Research Process

Data Collection, Analysis, and Updates

Data collection and analysis for the SDGA is conducted exclusively in-house by trained and specialized analysts who adhere to comprehensive evaluation guidelines for each assessment.

Data is generally reviewed on an annual basis, integrating the latest available annual and/or segment reporting. As part of the ISS STOXX's Corporate Rating process, companies are contacted both when they are rated for the first time and every two to three years thereafter for a voluntary review of their rating, which includes verification and validation of the information reported, including the assessment of their products and services portfolio. In addition to solicited feedback, companies covered in the Corporate Rating universe can access their rating free of charge via the ~~Governance Analytics platform~~[4] Compass platform and submit unsolicited feedback via the ~~Sustainability Solutions Help Center~~ ISS STOXX Help Center at any time.

Sources of Information

The main sources consulted for the SDGA are companies' public disclosures, specifically their most recent Annual Report and Segment Reporting. Further relevant information on products and services are taken from companies' websites, other documents such as Sustainability Reports or Investor Presentations, allowing for a realistic picture of a company's product portfolio and its sustainability impacts.

ISS STOXX accepts supporting non-public official company documents and feedback on revenue estimates as part of the company dialogue process for Corporate Rating.

[4] The ~~Governance Analytics~~ platform is available to all corporate issuers and managed by ISS Corporate ~~Solutions~~, Inc. ("ICS"), a wholly-owned subsidiary of ISS. Due to a potential conflict of interest between these business units, ISS has implemented a firewall which separates ICS from ISS.

Quality Assurance

ISS STOXX has established a quality management system featuring the following quality controls for the SDG Solutions Assessment:

- The SDG Solutions Assessment is based on a consistent methodology and classifications of products and services to assure comparability of assessments across companies and sectors.
- The methodology and scoring approaches are built into proprietary software utilized by the analyst and designed in a way to ensure objectivity, consistency, and comparability of assessments.
- Industry specialists, dedicated SDG methodology leads, and the SDGA specialists regularly exchange information on recent developments and assessments in bilateral or multilateral discussions, and collectively agree on methodological developments and changes.
- All assessments are systematically proofread by a second analyst who is familiar with the methodology and process.
- Regular data quality checks are conducted by the SDGA Quality Management Team.
- All analysts undergo an in-depth training program, including industry-specific training sessions and the provision of guidance materials.
- Furthermore, all companies are given the opportunity to comment on their assessment and provide additional information and feedback during regular updates of the ISS STOXX's Corporate Rating.

Appendix

Appendix A: Example

Electric Utility Company

A (fictitious) company is exclusively involved in energy generation and discloses energy generation by source:

- 60% of total net sales: energy generated based on nuclear power
- 30% of total net sales: energy generated based on coal
- 10% of total net sales: energy generated based on renewables such as wind power

The company's customer base consists of consumer households (estimated 50% of total net sales) and private sector clients (estimated 50% of total net sales).

Following the taxonomies of the sustainability objectives, the company's product portfolio is relevant to the objectives "Providing basic services", "Contributing to sustainable energy use", "Mitigating climate change", and "Preserving terrestrial ecosystems":

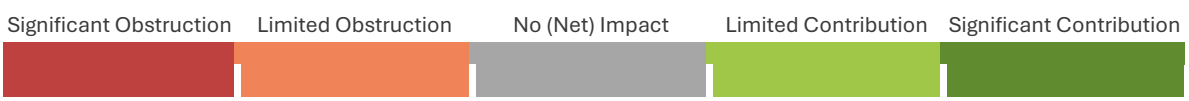
OBJECTIVE: PROVIDING BASIC SERVICES

Significant Obstruction	Limited Obstruction	No (Net) Impact	Limited Contribution	Significant Contribution
0.0%	**0.0%**	**50.0%**	**50.0%**	**0.0%**
/	/	All other products/services	Energy supply to residential customers	/

OBJECTIVE: CONTRIBUTING TO SUSTAINABLE ENERGY USE

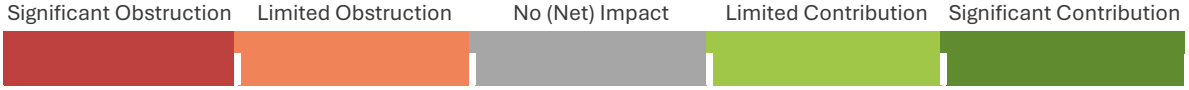
Significant Obstruction	Limited Obstruction	No (Net) Impact	Limited Contribution	Significant Contribution
90.0%	**0.0%**	**0.0%**	**0.0%**	**10.0%**
Energy generation based on nuclear and coal	/	All other products/services	/	Energy generation based on wind

OBJECTIVE: MITIGATING CLIMATE CHANGE



30.0%	0.0%	0.0%	60.0%	10.0%
Energy generation based on coal	/	/	Energy generation based on nuclear	Energy generation based on wind

OBJECTIVE: PRESERVING TERRESTRIAL ECOSYSTEMS



0.0%	60.0%	40.0%	0.0%	0.0%
/	Energy generation based on nuclear	All other products/services	/	/

Based on the scoring model, the calculation of Objective Scores is as follows:

- Providing basic services: 50% × [5.0] = **2.5**
- Contributing to sustainable energy use: 90% × [-10.0] + 10% × [10.0] = **-8.0**
- Mitigating climate change: 30% × [-10.0] + 60% × [5.0] + 10% × [10.0] = **1.0**
- Preserving terrestrial ecosystems: 60% × [-5.0] = **-3.0**
- All other objectives: 0% = **0**

The calculation of the SDG Solutions Scores is:

- SDGS Social = 2.5 + 0 **= 2.5** (aggregation of the most distinct social Objective Scores)
- SDGS Environmental = -8.0 + 1.0 = **-7.0** (aggregation of the most distinct environmental Objective Scores)
- SDG Solutions Score = -8.0 + 2.5 = **-5.5** (aggregation of the most distinct Objective Scores)

Thus, the overall assessment of the company is "significant obstruction" based on the majority of energy generation stemming from highly polluting and non-renewable energy sources. The assessment, however, also positively considers that the company provides energy to private housing and has a minor share of renewable energy generation in its portfolio.

Appendix B: Version Control

Name of Methodology: SDG Solutions Assessment

VERSION	DATE	DETAILS
1.0	July 2024	Publication of the SDG Solutions Assessment Methodology and Research Process document
2.0	December 2025	Integrated new text in SDGA Objective and Methodological Foundations
2.1	March 2026	Document review and update

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

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