

ISS ESG SDG IMPACT RATING

The SDG Impact Rating provides a holistic metric of impact using the UN Sustainable Development Goals (SDGs) as the reference framework. The rating measures the extent to which companies are managing negative externalities in their operations across the entire value chain to minimize adverse impacts (“do no harm”) relative to the SDGs, while at the same time making use of existing and emerging opportunities in their products and services to contribute to 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 the other, 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, the company’s operational management, and the involvement in and responsiveness to controversies.

The Products and Services Score assesses the overall impact of a company’s product portfolio on the achievement of a given SDG, leveraging data from ISS ESG’s SDG Solutions Assessment (SDGA) Objective Scores.

In the Operations Pillar companies’ operational impact is assessed by the combination of a company’s goal-related 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 ESG Corporate Rating that are mapped based on their thematic relevance to the individual SDGs. For each industry, a certain subset of indicators is selected and assessed applying the ESG rating scale (excellent to poor performance). To account for the heterogenous impact potential 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 in 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 and through their adverse impacts may impede or obstruct the goals set under the SDG framework. Leveraging Norm-Based Research (NBR), a negative score is derived based on the NBR signal and score (Red, Amber, Green) and whether remediation measures have been adopted by the company to address and mitigate the adverse impacts generated through controversial behavior.

The SDG Impact Rating provides a range of scores representing qualitative assessments of the holistic sustainability impacts of a company with regard to the SDGs. The pillar scores are complemented by descriptive profile notes listing key impact drivers.

Research Process

The SDG Impact Rating is derived from ISS ESG's SDG Solutions Assessment, ESG Corporate Rating, as well as Norm-Based Research. The research input for the Products and Services Score is fully 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 the respective descriptions.

Use of Estimated Data

The SDG Impact Rating leverages the above data sets. 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 in raw data are made. Norms-Based Research relies on stakeholder allegation, i.e., reported data. For more details regarding the use of estimated data within those other solutions, please refer to the respective descriptions.

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