

Methodology: ISS-oekom Corporate Rating

HIGHLY INDUSTRY-SPECIFIC APPROACH

The ISS-oekom Corporate Rating provides a highly relevant and material assessment of a company's environmental, social and governance performance.

The Corporate Rating Universe of ISS-oekom currently covers 6,300 issuers, including full coverage of major stock indices (developed and emerging markets), important non-listed bond issuers, as well as small and mid caps drawn from sectors with strong links to sustainability.

The indicators assessed and the respective performance requirements are influenced by several factors such as international norms and conventions, social debate, regulatory changes and technological progress. In order to analyse a company's management of ESG issues within its core business, ISS-oekom's sector specialists select a set of about 100 criteria from the pool of indicators available in the database.

To ensure the high quality of the analysis, indicators and rating structures, weighting scenarios and results are reviewed by ISS-oekom's internal Methodology Board. In addition, the inclusion of upcoming issues in the rating methodology as well as results are regularly discussed with ISS-oekom's external Rating Committee, which consists of highly recognized ESG experts.

DEVELOPMENT AND REVIEW OF ESG RATING CRITERIA

Focus on Materiality

- › Selection & Weighting of 5 Key Issues per Sector
- › 800+ Detailed Industry Specific Criteria

Constant Further Development

- › Sector-Specific Expertise of Analysts
- › New Scientific Findings
- › Technological Developments
- › Regulatory Changes
- › Social Debate

Global Relevance / Alignment with

- › International Norms and Conventions
- › UN SDGs
- › Global Reporting Initiative
- › SASB

CROSS-SECTORAL TOPICS

More than 30 ESG topics across all industries are assessed in the ISS-oekom Corporate Rating.

Exemplary ESG Topics



Environment

Climate Change Strategy, Eco-Efficiency, Energy Management, Environmental Impact of Product Portfolio, Environmental Management, Water Risk and Impact



Social

Equal Opportunities, Freedom of Association, Health and Safety, Human Rights, Product Responsibility, Social Impact of Product Portfolio, Supply Chain Management, Taxes



Governance

Business Ethics, Compliance, Independence of the Board, Remuneration, Shareholder Democracy, Shareholder Structure



WEIGHTING AND RATING SCALE

Industry Classification Matrix

The environmental, social and governance dimensions of the rating are weighted according to an Industry Classification which is based on the environmental, social and governance relevance of sectors.

The higher a sector's ESG relevance, the higher is the performance threshold on the rating scale for a company to be labelled with the "Prime Status".

Industry-Specific Key Issues

To ensure that the most material issues have a high influence on the overall rating result, four to five industry-specific key issues are defined for every sector and are given a cumulated weighting of more than 50% in the overall company rating.

The industry-specific key issues of the Utilities sector are for example:

- › Facilitation of the Energy Transition and Resource Efficiency
- › Environmentally Safe Operation of Plants and Infrastructure
- › Accessibility and Reliability of Energy and Water Supply
- › Business Ethics and Government Relations
- › Worker Safety and Accident Prevention

Alphabetical Rating Scale

The overall evaluation is based on a twelve-point grading system from A+ (excellent performance) to D- (poor performance).



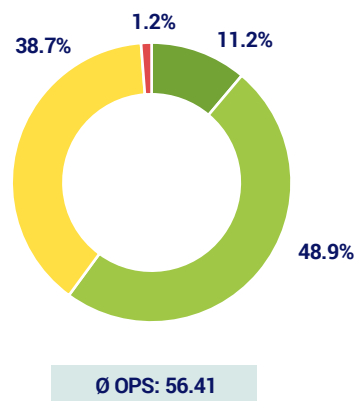
Prime Threshold

ISS-oekom accounts for the fact that ESG challenges are profoundly distinct in individual sectors, as well as for companies and states, by assigning different "ISS-oekom Prime" performance thresholds. Companies in the oil sector, for example, have to achieve a higher performance grade than those in the real estate sector to obtain the Prime Status.

ISS-OEKOM PERFORMANCE SCORE

The ISS-oekom Performance Score (OPS) is the translation of ISS-oekom's alphabetical ratings D- to A+ to a scale from 0 to 100.

The different Prime thresholds reflect the highly industry-specific approach with regard to ISS-oekom ESG ratings. In order to make results best comparable across all industries, the Prime threshold is set to an OPS of 50 for all industries.



DIALOG-ORIENTED RATING PROCESS

In order to build up a comprehensive picture of each company, ISS-oekom's analysts collect information relevant to the rating both from the companies being analysed and from independent experts.

During the rating process, considerable importance is attached to the dialogue with the company under evaluation. The rating process illustrated below provides companies with ample opportunity to comment on and add information to the provisional findings. After finalisation of the rating, the full rating report is delivered to the company free of charge.



CONTROVERSY ASSESSMENT

ISS-oekom undertakes a comprehensive analysis of relevant controversies with respect to numerous business practices and areas. Thereby, our clients are enabled to consider, either separately or in addition to the rating, the behaviour and the activities of a company in areas they regard as especially critical.

Each case of **Controversial Business Practice** is examined and categorised based on

- › whether it can be clearly attributed to the company,
- › the extent of the company's responsibility and
- › the severity of the case.

For the classification of the severity of the misconduct, the concrete negative effects are systematically evaluated. In addition, it is considered whether, to what extent and with what success the company has taken steps to mitigate the impact, to compensate it and to prevent similar incidents from occurring in the future.

Controversial Business Areas are assessed in accordance to

- › their revenue share of either a specific product or
- › the revenue share of the company as a whole.
- › It also considers whether a company is producer or trader of the products in question.

Only sources classified by ISS-oekom as trustworthy are used to assess facts. In addition to verifiable activities, presumed activities of companies are also evaluated if the factual and circumstantial situation on the basis of these sources and under the consideration of the expertise of the specialized analysts is assessed by them as sufficiently reliable.

CONTROVERSIAL BUSINESS PRACTICES

- › Human Rights Controversies
- › Labour Rights Controversies
- › Controversial Environmental Practices
- › Business Malpractice

Assessment according to level of severity

■ moderate
 ■ severe
 ■ very severe

CONTROVERSIAL BUSINESS AREAS

- › Alcohol
- › Nuclear Power
- › Fossil Fuels
- › Gambling
- › Chlorinated Hydrocarbons
- › Pornography
- › Tobacco
- › Furs
- › Animal Testing
- › Pesticides
- › GMOs
- › Military

Assessment according to revenue share

■ ≥ 0%
 ■ ≥ 5%
 ■ ≥ 10%

UP-TO-DATE RESEARCH REPORTS AND DATA

ISS-oekom Corporate Ratings are based on a staged update process. All Ratings are updated shortly after if incidents such as controversies, accidents or mergers occur.

Corporate information, like annual reports and sustainability reporting, are generally assessed within three months. Furthermore every Corporate Rating is reviewed on an annual basis. A comprehensive dialogue with each company is conducted every second year.

UPDATE PROCESS





Screening



Evaluation



Integration

 CONTINUOUS UPDATE	 ANNUAL UPDATE
<p>Controversy Assessment</p> <ul style="list-style-type: none"> > 30,000+ International Media Sources > International NGOs > Scientific Institutions <p>Company Developments</p> <ul style="list-style-type: none"> > Mergers > Acquisitions > Spin-Offs > Delisting 	<p>Company Data</p> <ul style="list-style-type: none"> > Annual Reports > CSR Reports > Website <p>ESG Impact Data</p> <ul style="list-style-type: none"> > Resource Efficiency & Emission Intensity > Revenue Data on relevant Product Groups & Services

ABOUT ISS-OEKOM



Long-Standing Expertise

- > 25 Years of Excellence in ESG Research
- > Highly Experienced Analysts
- > More than 180 clients worldwide
- > Customized Service



High Quality Research

- > Focus on Materiality
- > 800+ Detailed Industry-Specific Criteria
- > Transparent Rating Process



Extensive Rating Universe

- > Universe of 7,000 Corporate and Sovereign Issuers Worldwide
- > Coverage of Global and National Equity and Bond Indices

Since March 2018, ISS-oekom has been a member of the ISS family, providing high quality solutions for sustainable and responsible investment and corporate governance.

Originally founded in 1993 and formerly known as oekom research, the company is one of the world's leading ESG research and rating agencies for sustainable investments with an unsurpassed rating methodology and quality recognition.

Contact
sales@iss-esg.com

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