

ISS ESG CLIMATE SOLUTIONS

ISS ESG's Climate Solutions include carbon and climate data, actionable intelligence and state-of-the-art portfolio analytics. ISS ESG's climate solutions have been developed in line with various best practice and regulation-driven international reporting initiatives such as the Swedish AP fund guidelines, the TCFD, the French Energy Transition Law, the Dutch Platform Carbon Accounting Financials, the German FNG label, the Febelfin Sustainability Standard, the Financial Stability Board and others.

In total, there are approximately 600 climate related data points available via ISS ESG.

Outputs

Emissions data

ISS ESG's comprehensive data base of GHG emissions include both reported emissions data and modelled estimations for non-disclosed emissions, or those who report with a low trust metric (according to internal analysis). ISS ESG utilizes a proprietary approximation system to estimate emissions, which includes over 800 climate-relevant sector and subsector-specific models. The modelling system was developed over the course of three years in partnership with the Swiss Federal Institute of Technology (ETH Zurich).

Scenario alignment analysis

ISS ESG's detailed scenario analyses enable clients to assess the potential business implications of climate change, as suggested by the Task Force on Climate-related Financial Disclosures ("TCFD"). Historical emission intensities are used to estimate future emission trajectories. The average emission intensities for both direct (scope 1) and indirect (scope 2) emissions are then compared to what is required under three scenarios provided by the International Energy Agency ("IEA") in their report World Energy Outlook 2020: Sustainable Development Scenario (SDS), Stated Policy Scenario (STEPS) and Current Policy Scenario (CPS). The calculated trajectory considers the historic emissions intensity trend and, if relevant, the company's science-based targets (SBT) and other corporate targets. If the intensity is in line with, or below, the required sector intensity for the SDS, the company is considered aligned. If not, the company is considered unaligned.

Physical Risks

The ISS ESG climate physical risk solution assesses company exposure to physical risks by simulating the impact of hazards such as tropical cyclones on companies' operations and sales. The analysis is based on granular information about companies' geographical footprint, e.g., where in the world companies have production facilities and where they are generating their revenue. The results show the potential financial Value at Risk of physical risks in three scenarios: historical, most likely, and worst case. Additionally, the assessment looks at whether a company has strategies in place to manage those risks.

Climate Impact Report

The ISS ESG Climate impact report enables investors to assess the climate impact of their portfolios with the click of a button. By combining ISS ESG's Emissions Data set with Climate Scenario Analyses, Carbon Risk Rating results, Energy & Extractives Screens and physical risk analyses, the climate impact report helps financial market participants understand, measure and act on climate-related risks and their impact on their investments.

Research Process

The data used in ISS ESG's Climate Solutions is updated regularly: Financial and asset data is updated throughout the year while company emissions and physical risk data is updated annually. ISS ESG's climate research process can be broken down as follows:

- Data collection: ISS ESG's climate team collects data from a variety of sources, including corporate disclosures, disclosures to national and international Environmental Protection Agencies and voluntary disclosures, such as the CDP. The data is fed into a proprietary data base comprising reported and modelled greenhouse gas information (scopes 1, 2, and 3 emissions) for more than 25,000 companies and more than 80,000 securities plus sovereign and municipal issuers. For the physical risk analysis, financial data used for the analysis for approximately 11,000 companies as well as an asset database consisting of approximately 250,000 physical assets' locations is collected and updated throughout the year.
- Data modelling:
 - Emissions database: For companies which do not disclose emissions, and those who report with a low trust metric (according to internal analysis), emission data is modelled.
 - Physical risk: Hazard intensities are derived from several CMIP5 models and the climate risk modelling tool Climada. The raw climate output is bias corrected to ensure regional accuracy.
- Data analysis: To provide investors with actionable intelligence, ISS ESG's climate team uses its proprietary data base to provide a variety of analyses as described above.

**We empower investors and companies to build
for long-term and sustainable growth by providing
high-quality data, analytics, and insight.**

SUCCEED WITH ISS ESG SOLUTIONS

Email sales@iss-esg.com or visit iss-esg.com for more information.

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