

ISS ESG NORM-BASED RESEARCH

ISS ESG's Norm-Based Research identifies corporate controversies and assesses how companies manage these controversies. The scope covers controversial practices that have adverse impacts on society and the environment in line with established expectations for Responsible Business Conduct as set forth in the core normative framework consisting of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights, all of which are embedded in the Sustainable Development Goals. The normative framework underpinning the scope of Norm-Based Research is dynamic. When reviewing whether an allegation is linked to established standards for Responsible Business Conduct, Norm-Based Research considers the maturity of the standards themselves and the maturity of the specific expectations these raise for businesses.

Corporate controversies are identified by evaluating allegations that companies fail to abide by global norms as set out in the relevant international initiatives and guidelines. All reported allegations constitute some material risk to investors. Only allegations deemed credible are researched. Research and dialogue with companies and stakeholders seeks to validate facts, confirm relevant standards and expectations, and identify measures taken by companies to manage or mitigate impacts, prospective or otherwise. Through this exchange, Norm-Based Research aims to dismiss unfounded or addressed allegations.

Outputs

The analysis results are categorized and presented according to ISS ESG's traffic-light system (Green, Amber, or Red) and 10-1 rating scores. In addition, clients are provided with additional indicators (Severity, Remediation and Verification) and data points that allow for additional granularity to further customize results. Severity provides a measure of the reported risk or impact on society or the environment, taking into account the degree of corporate involvement. Remediation presents the status of efforts by the company to address the allegations. Verification contextualizes the status and prospective review by an authoritative body of a complaint raised by stakeholders against a company. The combination of individual Norm-Based Research signals and scores provides insight into a company's overall capability to avoid, manage or mitigate environmental and social controversies.

Research Process

Norm-Based Research assessments are updated when information on significant developments is obtained through the systematic monitoring of news and stakeholder sources, or through dialogue with the company and stakeholders. In addition, assessments are reviewed annually. ISS ESG's Norm-Based Research process can be broken down as follows:

- Data collection: ISS ESG carries out data collection, looking for allegations of corporate involvement in failures to respect international norms and standards. Near-real time data is collected from tens of thousands of traditional media, social media and stakeholder publications globally through a combination of AI and manually set filters, and processed by a team of dedicated ESG news analysts.
- Research and dialogue: Research includes fact-finding dialogue with companies and stakeholders. Reports are drafted by thematic experts.

- Quality assurance: Assessments undergo a thorough internal peer review and significant assessment changes are reviewed by a group of senior analysts.
- Data validation: Companies receive draft reports for Amber and Red signals prior to publication, and are offered an opportunity to review, confirm or supplement the facts presented.
- Final report: A final report with the analysis results is published.

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

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