

ISS ESG SDG IMPACT RATING

The SDG Impact Rating provides a holistic metric of impact using the UN Sustainable Development Goals (SDGs) as a 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”), while at the same time making use of existing and emerging opportunities in their products and services to contribute to the achievement of the Sustainable Development Goals.

The 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 obstruction) to +10 (significant contribution).

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 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, a sector impact classification (low, medium, high) is assigned to each sector 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.



Research Process

The SDG Impact Rating is derived from ISS ESG's SDG Solutions Assessment, Corporate Rating as well as Norm-Based Research (for more details, please refer to the respective descriptions).

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