

ISS ESG SECTOR-BASED SCREENING

Sector-Based Screening is a long-standing ISS ESG research product that helps investors identify and make decisions regarding companies' involvement in certain industry sectors, particularly in the production and distribution of certain controversial products and services. It provides a detailed, granular set of revenue data that is shaped by prevailing industry and investment standards, and investor needs. Issue areas covered by Sector-Based Screening include: Abortifacients, Abortion, Alcohol, Animal Welfare, Cannabis, Civilian Firearms and Ammunition, Contraceptives, Euthanasia, For Profit Correctional Facilities, Gambling, GMO, Hazardous Substances, Military Equipment and Services, Palm Oil, Pork, Pornography, Predatory Lending, Tobacco, Stem cells, and Violent Video Games. Involvement in such sectors can constitute a material sustainability risk.

Outputs

For each covered issuer, ISS ESG's Sector-Based Screens provide issue profiles which identify the type of business activity, specifying whether the company engages in Production, Distribution or Services related to the issue area, as well as providing the reported or estimated share of revenue generated from the controversial business activity. Where applicable, assessments provide information on product sub-categories and additional metrics, such as the presence of a public policy regarding the issue area.

Sector-Based Screening covers both direct operations as well as operations that are $\geq 20\%$ owned by the company, such as subsidiaries, joint ventures, associates and affiliates. Revenue shares are attributed in proportion to ownership using equity-based method. Parent entities partially inherit the subsidiaries assessment, but not vice versa.

Research Process

Sector-Based Screenings assessments are updated annually as well as on an ad-hoc basis in case of relevant corporate actions (e.g. mergers, acquisitions). ISS ESG's Sector-Based Screening research process can be broken down as follows:

- Risk assessment: Identification of risk industries and issue-relevant keywords, review of third-party data and reports, and news monitoring
- Research: Review of corporate disclosure such as regulatory filings, sustainability reports, press releases, investor presentations, company websites, and other company disclosures. Third-party information such as government sources, industry databases and reputable newspapers are cross-referenced as supplemental to company disclosures.
- Quality assurance: All significant changes as well as new assessments are peer-reviewed and company dialogues are initiated if key information is not disclosed.
- Final report: Granular data to support customized implementation

**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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