

ISS ESG EU TAXONOMY ALIGNMENT SOLUTION

The EU Taxonomy defines an environmentally sustainable activity as one that substantially contributes to one of the six environmental taxonomy objectives (Climate change mitigation; Climate change adaptation; Sustainable use and protection of water and marine resources; Transition to a circular economy, waste prevention and recycling; Pollution prevention and control; Protection of healthy ecosystems) and, at the same time, does not significantly harm any of these. In addition, the activity has to be conducted in alignment with minimum social safeguards. In assessing the alignment of corporate issuers with the EU's taxonomy criteria, ISS ESG's EU Taxonomy Alignment Solution follows a five-step screening process. The five steps consist of (1) identifying taxonomy-relevant activities, (2) estimating revenue derived from them, (3) assessing their alignment with substantial contribution criteria defined by the EU Taxonomy, (4) checking whether the activities meet the Do No Significant Harm (DNSH) criteria, and (5) whether they are compliant with social safeguards.

Outputs

Each issuer is assessed against all activities covered by the EU Taxonomy Alignment Solution and for each activity the assessment outcome for all five separate steps of the process is provided, allowing users to follow the assessment step-by-step. ISS ESG's EU Taxonomy Alignment Solution goes beyond a binary assessment and distinguishes between different categories of alignment: Aligned, Likely Aligned, Potentially Aligned, Likely Not Aligned, Not Aligned. Moreover, to facilitate an overall assessment of a company, the data set also includes the percentage value of revenue derived from activities that are Aligned/ Likely aligned/ Potentially Aligned/ Likely Not Aligned/ Not Aligned for each company.

Research Process

ISS ESG's EU Taxonomy Alignment assessments are derived from several proprietary ISS as well as third party data sets. These data sets include ISS ESG's Energy & Extractives data as well as FactSet's Hierarchy with Revenue data, which are used to identify involvement in relevant activities and quantify respective revenues. A variety of factors from ISS ESG's Corporate Rating, Norm-Based Research and SDG Solutions Assessment are used to assess compliance with the EU Taxonomy's screening criteria for substantial contribution, do no significant harm requirements and minimum social safeguards. For more details, please refer to the respective descriptions.

**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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