

ISS ESG 

REGULATORY SOLUTIONS

DATA · ANALYTICS · INSIGHT

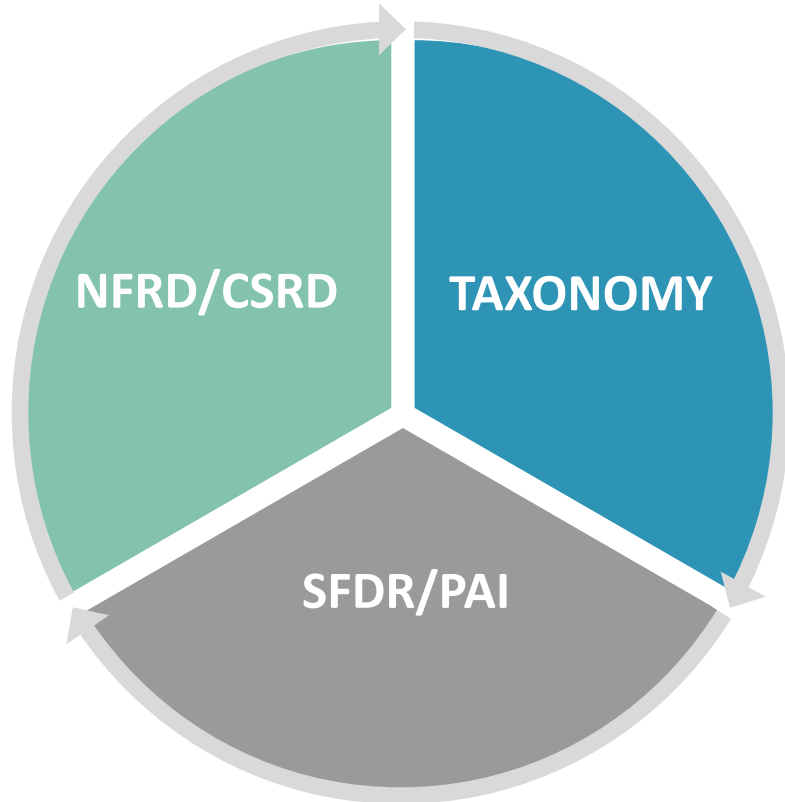


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GLOBAL ESG REGULATION & STANDARDS



EUROPEAN REGULATION

- EU Taxonomy Regulation
- Sustainable Finance Disclosure Regulation (SFDR) / Principal Adverse Impact (PAI)
- Non-Financial Reporting Directive (NFRD) / Corporate Sustainability Reporting Directive (CSRD)

RESULTING GLOBAL TRENDS

- APAC & US Regulation
- Voluntary Labels and Global Standards



EU TAXONOMY REGULATION

WHAT INVESTORS NEED TO KNOW

EU-wide classification framework defining environmentally sustainable economic activities

CLASSIFICATION FRAMEWORK

The Taxonomy Regulation establishes an EU-wide classification framework to enable financial market participants to identify which economic activities and investments can be treated as **environmentally sustainable**.




ACTIVITY SPECIFICATION

Economic activities that substantially contribute to one of the following taxonomy objectives and do not harm any of them:

-  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

ISSUER SPECIFICATION

In addition, the entity undertaking the economic activity must have procedures in place to ensure the respect of minimum social safeguards, defined in reference to the *UN Guiding Principles on Business and Human Rights* and the *OECD Guidelines on Multinational Enterprises*.

-  Minimum social safeguards

GREEN CATEGORIES

The disclosure on aligned activities has to be broken down along three categories:

- | | | |
|------------------|---------------------|-----------------------|
| Green activities | Enabling activities | Transition activities |
|------------------|---------------------|-----------------------|



GLOBAL COVERAGE AT START

- 7,900 issuers (ESG Corporate Rating universe)

This universe is set to increase in future iterations.

COMPREHENSIVE & IN-DEPTH ANALYSIS

- Application of approx. 600 screening factors (more to come)
- Analysis of currently 74* taxonomy-aligned economic activities, including:
 - Manufacture of aluminium
 - Manufacture of renewable energy technologies
 - Electricity generation from wind power
 - Freight rail transport
 - Composting of bio-waste



EU TAXONOMY ALIGNMENT SOLUTION

QUANTIFY THE SHARE OF YOUR
TAXONOMY ALIGNED INVESTMENTS
TO COMPLY WITH INCOMING
DISCLOSURE OBLIGATIONS



EVALUATION AGAINST SIX TAXONOMY OBJECTIVES

LEVERAGING MORE THAN
25 YEARS OF ESG
RESEARCH AND RATING
EXPERTISE!

THOROUGH ASSESSMENT PROCESS

Economic activities are assessed following a rigorous 5-step process:

1. Identification of eligible economic activities
2. Quantification of respective revenues
3. Check for substantial contribution
4. Check for significant harm
5. Check for social safeguards

Aggregation of revenues by alignment category at issuer level.

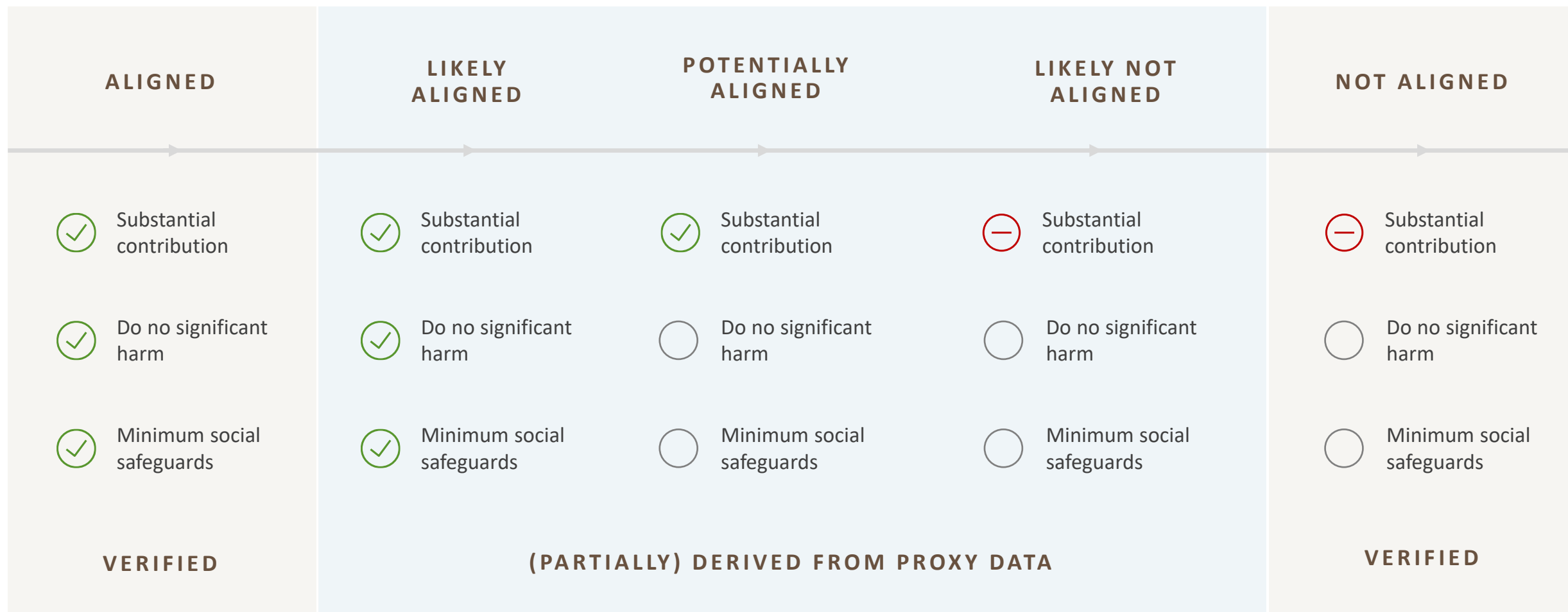
GRANULAR RESULTS

Where there is not enough data available to conclude absolute alignment or not, ISS ESG goes beyond a binary classification, leveraging in-house ESG data to further break down revenues into 'likely aligned', 'potentially aligned' and 'likely not aligned' sub-categories.

**to be updated once draft delegated acts are finalized.*

GOING BEYOND A BINARY ALIGNMENT ASSESSMENT

ALIGNMENT OUTCOMES EXPLAINED



INTRODUCTION: EU SUSTAINABLE FINANCE DISCLOSURE REGULATION

TO WHOM THE SFDR OBLIGATIONS APPLY TO

Financial market participants who offer financial products in the EU (including international firms with products selling/registered in the EU)

>> Investment firms, credit institutions, asset and fund managers, insurance companies, pension providers, and financial advisers

LEVEL 1

Transparency on

- i) Sustainability risks,
- ii) Principal Adverse impacts,
- iii) ESG approach and positioning of financial products (§6, 8 or 9).

LEVEL 2 - REGULATORY TECHNICAL STANDARDS

Regulatory technical standards developed by the European Supervisory Authorities (ESAs). The Principal Adverse Impact indicators and metrics as well as reporting templates are defined there. Expected to apply from January 2022.

RELATIONSHIP WITH THE EU TAXONOMY

Sustainable investment products (§9) and some products with ESG characteristics (§8 products) have to disclose the percentage of taxonomy-compliant green economic activities.



COMPREHENSIVE COVERAGE

- 7,000 companies
- 190 countries

Enhanced coverage for climate & social data:

- 25,000 issuers for GHG data
- 170,000 directorship records

HIGH-QUALITY & IN-DEPTH DATA

The SFDR Principal Adverse Impact Solution is powered by a broad range of high-quality ISS ESG research products, including:

- ESG Corporate Rating
- Country Rating
- ESG Raw Data
- Climate Data
- Energy & Extractives
- Controversial Weapons
- Norm-Based Research
- Governance QualityScore
- Director Data

Numbers are approximate. Data as of April 2021



SFDR PRINCIPAL ADVERSE IMPACT SOLUTION

MEASURE YOUR INVESTMENTS
AGAINST REGULATORY-
DEFINED PRINCIPAL ADVERSE
IMPACT INDICATORS &
METRICS

LEVERAGING MORE THAN
25 YEARS OF ESG
RESEARCH AND RATING
EXPERTISE!

EXPANDING INDICATOR COVERAGE

ISS ESG has mapped the mandatory and additional PAI indicators to its ESG solutions, leveraging justifiable proxies in the absence of reported and disclosed data, and has already commenced further data collection.

- **Corporates: 13 mandatory** indicators and **14 additional** indicators, including:
 - GHG emissions
 - Fossil Fuel involvement
 - Biodiversity
 - Emissions to water
 - Hazardous waste ratio
 - Violations of UN GC principles
 - Board gender diversity
- **Sovereigns: all mandatory** indicators (2), **6 additional** indicators, including:
 - GHG intensity
 - Investee countries subject to social violations
 - Average income inequality score
 - Average corruption score



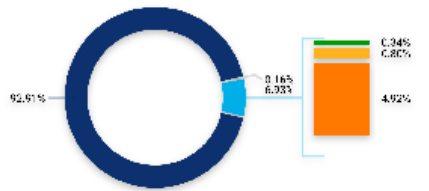
Overview

DATE OF HOLDINGS: 30/06/2021 | COVERAGE: 99.84% | AMOUNT INVESTED: 1,000,000 EUR | NO. OF HOLDINGS: 312 | PORTFOLIO TYPE: EQUITY
 FUND MARKET: Solvative ISS Prime Rated ESG Developed Markets Large and Mid Cap

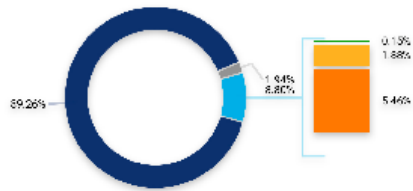
All Objectives

The EU Taxonomy Alignment report evaluates a portfolio's level of alignment against the six climate and environmental related objectives set out by the regulatory text, by determining investee companies' involvement in taxonomy eligible economic activities, quantifying the respective revenues from these activities, and subsequently applying the three technical assessment steps of Substantial Contribution, Do No Significant Harm, and Minimum Social Safeguards.

Portfolio - All Objectives - by alignment



Benchmark - All Objectives - by alignment



● Eligible ● Not Eligible ● No Data ● Aligned ● Likely Aligned ● Potentially Aligned ● Likely Not Aligned ● Not Aligned

Overall Portfolio Alignment Level - Green, Enabling and Transition

Activity Type	Aligned Revenue	Aligned Revenue (% of T1)	Likely Aligned Revenue	Potentially Aligned Revenue	Likely Not Aligned Revenue	Not Aligned Revenue	Not Eligible	No Data
Green	0.00%	--	0.12%	0.21%	0.40%	0.30%	98.39%	0.10%
Enabling	0.00%	--	0.00%	0.25%	1.00%	0.00%	97.50%	0.16%
Transition	0.00%	--	0.10%	0.33%	2.03%	0.00%	96.12%	0.10%
Overall	0.00%	--	0.34%	0.60%	4.92%	0.00%	92.91%	0.16%

*No Data - This issue falls outside of the scope of the ISS ESG EU Taxonomy Alignment Solution

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**The overall alignment is only a rough estimate as the data is eligible assumed/subject to data availability. Data availability to confirm or expand on any alignment decision will be certain sources of data.

EU TAXONOMY PORTFOLIO ALIGNMENT REPORT

A single report at the click of a button, to meet EU Taxonomy reporting and disclosure obligations. Designed to be as close to the regulatory templates as possible.

INTUITIVE DATA VISUALISATION

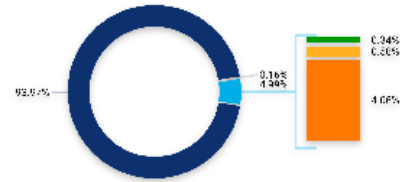
This new 'bar of pie' widget allows users to easily understand what percentage of their portfolios are Taxonomy relevant, and within that their Taxonomy alignment

RAW VALUES FOR REGULATORY COMPLIANCE

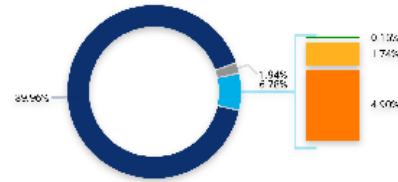
Data has also been included in tabular format, to allow the relevant numbers to be easily visible. This is particularly important when the report is being utilized to meet regulatory obligations

Climate Change Mitigation

Portfolio - Climate Change Mitigation - by alignment



Benchmark - Climate Change Mitigation - by alignment



● Liable ● Not Liable ● No Data ● Aligned ● Likely Aligned ● Potentially Aligned ● Likely Not Aligned ● Not Aligned

Overall Portfolio Alignment Level - Green, Enabling and Transition

Activity Type	Aligned Revenue	Aligned Revenue (Year -1)	Likely Aligned Revenue	Potentially Aligned Revenue	Likely Not Aligned Revenue	Not Aligned Revenue	No. Eligible	% Data
Green	0.00%	--	0.13%	0.21%	0.40%	0.00%	98.2%	0.14%
Enabling	0.00%	--	0.09%	0.01%	1.13%	0.00%	98.5%	0.16%
Transition	0.00%	--	0.06%	0.55%	2.55%	0.00%	96.0%	0.14%
Overall	0.00%	--	0.24%	0.78%	4.06%	0.00%	93.9%	0.16%

*The data is a regression of the data used in the report.

^No Data - This issuer falls outside of the scope of the ISS ESG EU Taxonomy Alignment Solution

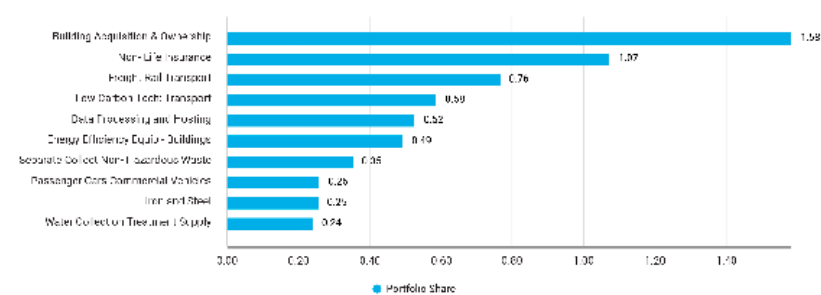
^The revenue alignment amount may equal to less than the eligible revenue segment due to insufficient data availability to conduct an overall taxonomy alignment assessment for certain issuers or activities

Taxonomy Alignment

Top 10 Issuers by Overall Taxonomy Alignment

Issuer Name	ISS ESG Rating Industry	Total Eligible Activity Revenue	Total Aligned Revenue	Total Likely Aligned Revenue	Total Potentially Aligned Revenue	Portfolio Weight (Column)
Bechtel Group AG	Water and Waste Utilities	64.16%	0.00%	21.66%	0.00%	0.07%
United Utilities Group PLC	Water and Waste Utilities	100.00%	0.00%	49.00%	0.21%	0.09%
Veolia SE	Electric Utilities	50.70%	0.00%	15.56%	1.00%	0.04%
Carillion PLC	Real Estate	100.00%	0.00%	20.00%	0.00%	0.04%
EDP Renovables SA	Renewable Electricity	0.40%	0.00%	13.48%	17.92%	0.02%
Eni Group SpA	Gas and Electricity Network Operators	90.51%	0.00%	13.70%	0.00%	0.02%
United Utilities Networks PLC	Gas and Electricity Network Operators	61.46%	0.00%	18.09%	0.00%	0.07%
Johnson Controls International plc	Industry Machinery & Equipment	66.86%	0.00%	17.56%	0.00%	0.11%
Waste Management Inc.	Water and Waste Utilities	100.00%	0.00%	12.74%	0.34%	0.12%
Red Bull Energy Group AG	Gas and Electricity Network Operators	84.24%	0.00%	17.22%	0.00%	0.09%

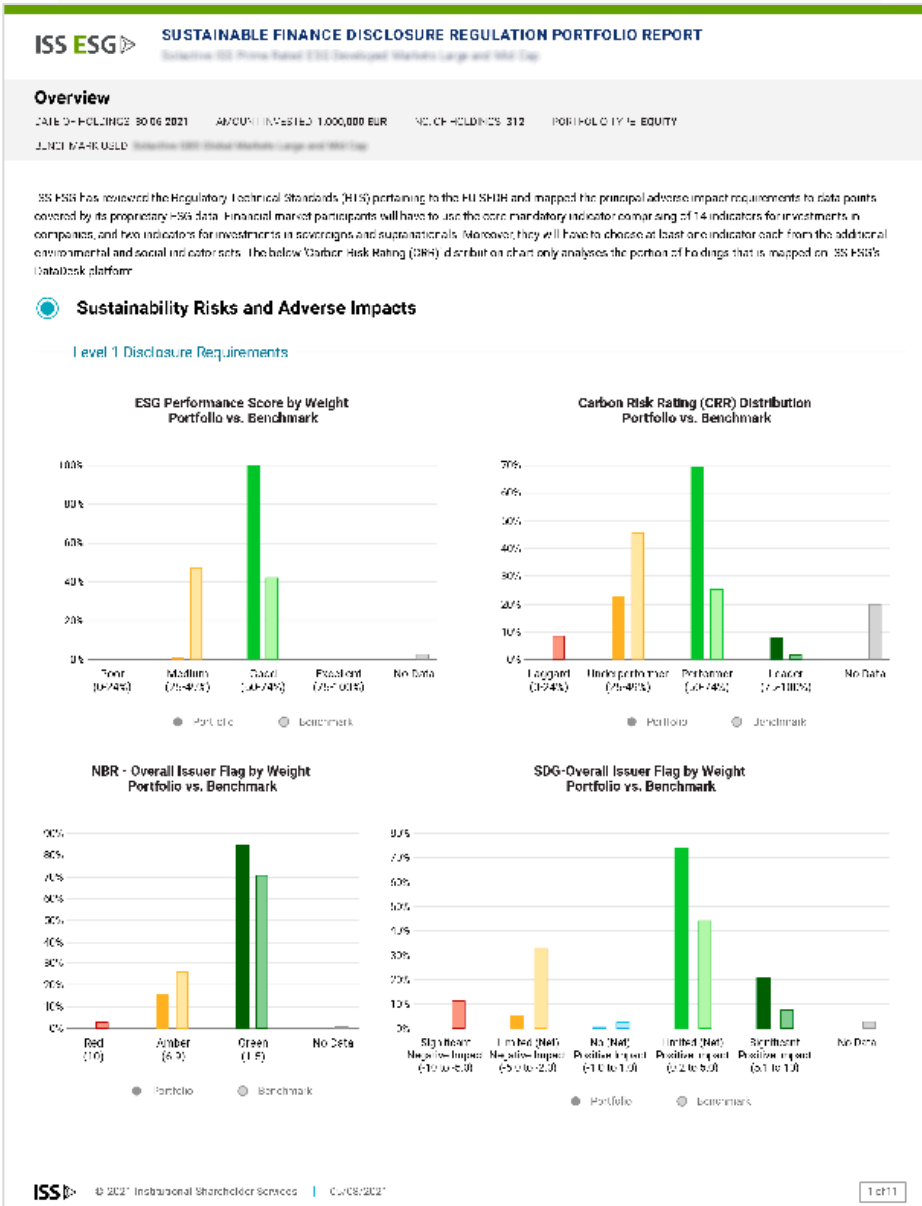
Top 10 Relevant Activities (%)



*The revenue alignment amount may equal to less than the eligible revenue segment due to insufficient data availability to conduct an overall taxonomy alignment assessment for certain issuers or activities

ISS ESG'S SFDR PORTFOLIO REPORT

A single report at the click of a button, designed to support SFDR Level 1 and Level 2 compliance obligations as well as reporting against the specific Principal Adverse Impact indicators and metrics.



ESG RATING / CARBON RISK RATING

Underlying data from these solutions can be used to address the broad Sustainability Risks that an investment product / portfolio might be subject to

NORMS BASED RESEARCH / SDG IMPACT

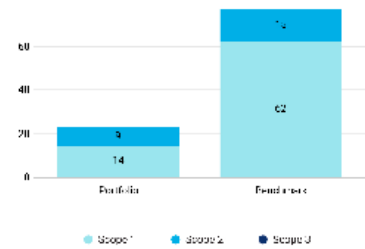
Underlying data from these solutions can be used to address the broad Principal Adverse Impacts that could be relevant to an investment product / portfolio



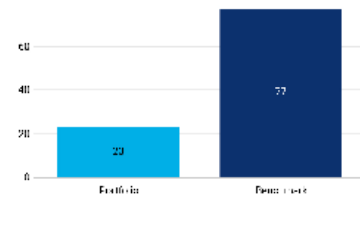
Principal Adverse Impacts - Corporate Assets

Primary Indicators: Energy and Emissions

Emissions Exposure Analysis (tCO2e)



Carbon Footprint (tCO2e/Mio EUR EV)



Indicator	Metric	ISS ESG Factor	Portfolio Current	Coverage	Portfolio (Year 1)	Benchmark Current	Benchmark (Year 1)	Explanation
1. GHG Emissions	CO2 Emissions Scope 1	GHG Intensity - Scope 1 per Mio EUR Enterprise Value	14.11	99.84%	0.90	-	-	
	Scope 2 (EU Emissions EU)	GHG Intensity - Scope 2 per Mio EUR Enterprise Value	8.66	99.84%	-	8.01	-	
	Scope 3 (EU Emissions EU)	GHG Intensity - Scope 3 per Mio EUR Enterprise Value	0.02	1.01%	0.03	-	-	
	Total GHG Emissions	GHG Intensity - Scope 1+2+3 per Mio EUR Enterprise Value	22.79	99.84%	77.24	-	-	
2. Carbon Footprint	-	GHG Intensity - Scope 1+2+3 per Mio EUR Enterprise Value	23.00	99.84%	-	77.28	-	
3. GHG intensity of investee companies	-	GHG Intensity - Total per Enterprise Value	0.00	0.00%	-	0.00	-	
4. Exposure to companies active in the fossil fuel sector	Share of investments in fossil fuel sector in the total asset base	Fossil Fuel Involvement (FPI)	No information	0.00%	-	0.01%	-	

Principal Adverse Impacts - Corporate Assets

Primary Indicators: Energy and Emissions Continued

Indicator	Metric	ISS ESG Factor	Portfolio Current	Coverage	Portfolio (Year 1)	Benchmark Current	Benchmark (Year 1)	Explanation
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and production by material investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	Oil, Gas, or coal	No Information	99.42%	-	99.42%	-	This factor encompasses all emissions of energy generated from non-renewable sources, as well as energy consumption from the use of non-renewable energy, and is not included in this factor.
		Nuclear	5,367.75%	95.57%	-	6,447.38%	-	
		Non-renewable energy potential	No Information	0.00%	-	0.00%	-	
6. Energy Consumption Intensity per High Impact climate sector	Energy Consumption Intensity per High Impact Climate Sector	Energy Consumption Intensity (per Mio EUR)	-	-	-	-	-	See chart below

Energy Consumption Intensity per High Impact Climate Sector (per mil EUR)

