

ISS ESG, the sustainable investment arm of Institutional Shareholder Services (ISS), recently announced enhancements to its methodology for scoring the Environmental & Social Disclosure QualityScore¹. These changes will take effect in the third quarter of 2023.

The scoring methodology will undergo revisions to make it more relevant, retiring around 50 factors and introducing over 60 new factors. These updates are driven by increased coverage of corporate disclosures and the inclusion of important new topics. As a result, the Environmental & Social Disclosure QualityScore will be supported by a comprehensive set of 360 refined factors. Companies can verify and submit changes to their data for all factors, including those newly added, during the data verification period from **July 10 to July 21**.




Topics and Enhancements include the following:

Environmental

- ✓ Update to existing assessments of companies' natural resources profiles.
- ✓ Increase in granularity of reviewing carbon and climate-related disclosures.
- ✓ Introduction of new participation factors in environmental initiatives and frameworks such as RE100

Social

- ✓ Expansion of included topics to allow for more in-depth assessments of labor relations and occupational health disclosures.
- ✓ Improved tracking of disclosures in the areas of workforce diversity and equality, with the addition of gender pay gap factors.
- ✓ Enhanced assessment of disclosures concerning human rights for companies and their suppliers.
- ✓ Introduction of new participation factors in social initiatives and frameworks including Women's Empowerment Principles, ILO 169, among others.

ISS QualityScore Tabular Summary			
Pillars	 Environment	 Social	 Governance
Key Issue Categories	Management of Environmental Risks & Opportunities	Human Rights	Board Structure
	Carbon and Climate	Labor, Health, & Safety	Compensation
	Natural Resources	Stakeholders & Society	Shareholder Rights
	Waste & Toxicity	Product Safety, Quality, & Brand	Audit & Risk Oversight
Rating Scale	1 – 10		
Best Rating	1 = Higher E&S Disclosure		1 = Lower Governance Risk
Worst Rating	10 = Lower E&S Disclosure		10 = Higher Governance Risk
Rating Type	Relative		
Comparative Rating	Specific Industry Group: Global Industry Classification Standards (GICS)		Regional Index (US – R3K, S&P 500)
Measure	Depth and Extent of Disclosure, Understanding of Environmental and Social Risks, Degree of Transparency		Corporate Governance Risk
Coverage Universe (# of Companies)	5,200		7,300
Number of Factors (Current – Varies per Company and Region)	100	130	150



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