

VIS

Credit Rating Company Limited



الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency



INVESTMENT STRENGTH AND GOVERNANCE (ISG) RATING

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This Investor Strength Governance Rating is being introduced jointly by CCXI, IIRA and VIS. Sound financial health and strong governance together form the foundation of sustainable investment performance. The Investment Strength Governance Rating provides a holistic evaluation of how effectively an organization's governance structures and financial resilience support long-term value creation, risk management, and stakeholder confidence. By assessing transparency, accountability, board oversight, fiscal stability, and alignment with best practices, the rating highlights the robustness of an institution's decision-making framework and its capacity to safeguard investor interests while driving long term growth.

The investment strength component begins with assessing business risk and industry risk followed by a fundamental financial analysis examining profitability metrics such as return on equity, return on assets, and operating margins across multiple time periods to establish trend patterns. Cash flow analysis forms a critical pillar, evaluating operating cash flow consistency, free cash flow generation, and cash conversion cycles to assess the entity's ability to generate sustainable returns. Capital structure evaluation examines debt-to-equity ratios, interest coverage ratios, and debt maturity profiles to determine financial stability and leverage appropriateness. Growth analysis incorporates both historical performance and forward-looking indicators, including revenue growth sustainability, market share dynamics, and capital allocation efficiency. Analysis of dividend payment capacity and history is also an integral part of the investment strength assessment. A separate set of indicators are used for assessing financial strength of commercial banks and insurance companies.

The governance rating framework evaluates board composition and independence, assessing director qualifications, tenure diversity, and the presence of independent oversight committees. Management quality assessment examines leadership track records, strategic vision execution, and stakeholder communication effectiveness. Transparency and disclosure practices are evaluated through financial reporting quality, regulatory compliance history, and proactive investor communication. Risk management capabilities are assessed by reviewing internal control systems, enterprise risk frameworks, and crisis response mechanisms.

The integrated rating methodology combines these elements using a weighted scoring system that reflects the relative importance of different factors based on industry characteristics and market conditions. Peer comparison analysis provides context by benchmarking performance against industry standards and similar entities. The rating process incorporates both performance measures and relative positioning to ensure comprehensive evaluation. The definition of the factors and the sub-factors are described below:

INVESTMENT STRENGTH ("IS")

Under this, an entity would be assessed on two key components - a) Business Risk; and b) Financial performance. These components are further divided into sub-factors to capture comprehensive assessment.

A. BUSINESS RISK:

For any entity, business risk is a combination of its specific operational risk along with industry risk. In general, business risk is often categorized into systematic risk and unsystematic risk. Systematic risk refers to the general level of risk associated with any business enterprise, the basic risk resulting from fluctuating economic, political and market conditions. Systematic risk is an inherent business risk that companies usually have little control over, other than their ability to anticipate and react to changing conditions.

On the other hand, unsystematic risk refers to the risks related to the specific business in which a company is engaged. A company can reduce its level of unsystematic risk through good management decisions regarding costs, expenses, investments and marketing. Further, a company's product lines and its market share for each determine its ability to govern the market supply and, hence, output prices and may render it an advantage over other market players. Serving niche markets may also be an advantage or disadvantage depending upon the elasticity of demand for the limited target market. Vertical integrations also provide greater control of costs and prices.

Industry Risk:

The analysis focuses on the strength of industry prospects, as well as competitive factors affecting that industry. These factors include sales and revenue prospects for growth, stability and the pattern of business cycles. It is critical to determine vulnerability to technological change, and stability of regulatory interference. Knowledge of investment plans, in terms of capital expenditure, of the major players in any industry is important to assess both competitive prospects and barriers to entry.

The regulatory framework governing the industry may place the company at a significant advantage or disadvantage. The degree of regulatory support directed towards an industry is also a function of its contribution to economic growth which acts as a determinant of the industry's importance to the economy and to policy makers. For industries / companies reliant on foreign markets either for input supplies or for sales, timely access and fluctuations in exchange rate pose a major risk factor.

Porter's Five Forces provides a broad framework for industry risk analysis; however, some of the sub-factors that form basis of consideration are listed below:

- Market opportunity - Sales prospects;
- Business Cycle;
- Industry hurdles and barriers to entry;
- Government Support & sectors' placement with respect to Governments long term vision and strategy;
- Regulatory environment;
- Technology;
- Global competition;
- Customers / Suppliers;
- Capital Intensity

Business risk of financial institutions (FIs) including commercial banks and insurance companies would also depend on the financial institution's level of exposure to a certain industry. Generally, financial institutions have diversified exposure on various industries; as such the business risk for FIs is usually considered low vis-à-vis industrial corporates.

B. FINANCIAL PERFORMANCE:

In general, financial strength of a corporate entity is determined from quantitative metrics. Select indicators that would be considered for ISG/ES for corporate assessment are:

Capital structure Debt-equity Mix:

The financial policy of the management is assessed to determine the degree of flexibility in the capital structure of the company. Leverage translates into higher returns enhancing shareholder's value, however, at the same time, increases the risk level as fixed obligations increase. A higher leverage, while enhancing profitability, would generally be considered risky and viewed with caution in analysis.

Profitability Indicators:

In assessing quality of earnings, diversification and stability are important factors. Historical trends, current and expected market situations are examined to project future profitability. This would also enable forecasting optimistic and stress case to reflect potentially improving or deteriorating profitability position in the intermediate to the long-term. Sales stabilize and gross margin improve generally as a company moves towards value-addition, develops differentiated products or market niche, operates at higher capacity utilization and builds economies of scale. Global supply and demand risk is also evaluated for companies with significant exports or imports.

Cash Flow Indicators:

The current and projected requirements for capital expenditure, debt servicing and dividend payments are examined with respect to the cash flows generated. The Funds from Operations level reflects the capacity of the cash generated from operations to meet working capital, capital expenditure and debt servicing requirements. At the level of Free Cash Flow, company's capability to service both regular and strategic expenditures is considered.

Dividend Paying Ability & History:

The dividend paying capacity is evaluated at the level of Discretionary Cash Flow. The company's dividend payout history coupled with future cash generation ability helps us in determining dividend yield, going forward.

Financial Performance of Financial Institutions and Insurance Companies:

Financial strength of commercial banks is determined by analyzing different quantitative factors including capitalization, asset quality, earning quality & stability including cost of funding and spreads and liquid assets carried on balance sheet.

Moreover, assessment of market access is reflected in market share of the institution and funding 4 profile. While sustainable earnings of the institution are given due coverage in the analysis, the FI's franchise value and the ability of the management to enhance and capitalize on this value, determines its financial strength over the long term. The dividend payout history along with future profitability helps in determining dividend yield, going forward.

For financial strength assessment of general insurance companies, we evaluate the company's ability as reflected in the strength of its cash flows including sustainable investment income, its liquidity reserves, access to credit or capital and the strength of its reinsurance arrangements. An insurance company's ability to withstand shocks is usually affected by its franchise value, market reach and the spread of business.

GOVERNANCE ("G")

Governance risks are an important consideration for all entities and prospective investors. Governance risks are largely issuer driven and relate to the framework and processes through which decisions are made and related actions are carried out. The different constituents of governance help direct and manage business and financial activities.

The Governance pillar of the ISG rating framework evaluates the effectiveness of the systems by which organizations are directed, controlled, and held accountable. Sound governance is recognized as a cornerstone of sustainable value creation, as it provides the structures and processes necessary to safeguard stakeholder interests, ensure ethical conduct, and mitigate regulatory, reputational, and operational risks.

The methodology evaluates governance performance across multiple dimensions, including board structure and independence, board effectiveness and oversight, executive compensation, shareholder rights and treatment, audit and financial oversight, business ethics and compliance. Each dimension is assessed with respect to the adequacy of formal frameworks and, more importantly, the extent and quality of their implementation in practice.

The assessment places emphasis on board independence and competence, alignment of management incentives with long-term value creation, protection of shareholder rights, integrity of audit and control functions, and the strength of ethical and compliance frameworks. Increasing weight is attributed to the integration of ESG considerations into corporate strategy and risk management, together with transparent and reliable disclosure practices.

Scoring differentiates entities that exhibit only basic or reactive governance arrangements from those demonstrating robust, transparent, and globally aligned practices. Strong performance under this pillar signals a resilient governance culture that enhances accountability, strengthens stakeholder confidence, and supports sustainable long-term growth.

Board Structure & Independence

The assessment of Board Structure and Independence within the ISG framework evaluates the effectiveness, balance, and autonomy of an organization's highest governing body in overseeing strategic direction, risk management, and sustainability commitments. The methodology emphasizes board composition, independence, diversity, and accountability mechanisms as indicators of governance strength.

A key element of the evaluation is the degree of independence among board members. Independent directors are critical for safeguarding objectivity, mitigating conflicts of interest, and ensuring that decisions are taken in the best interest of all stakeholders rather than dominated by management or controlling shareholders. The methodology evaluates the proportion of independent directors, separation of the Chair and CEO roles, tenure policies, and mechanisms that protect minority shareholder rights.

Board structure is also assessed in terms of expertise, diversity, and alignment with organizational strategy. This includes evaluating whether the board possesses the necessary skills in areas such as finance, risk management and industry-specific knowledge. Gender and cultural diversity are further considered as important factors contributing to broader perspectives and more inclusive decision-making.

The assessment also reviews the allocation of responsibilities within the board, such as the presence of specialized committees for audit, risk, nominations, and the effectiveness with which these committees operate. Transparency in director selection, re-election processes, and disclosures regarding board activities and performance are further indicators of governance maturity.

Organizations with well-structured boards, strong independence, and transparent governance practices are assessed more positively. A balanced and independent board enhances accountability, strategic oversight, and resilience, thereby contributing positively to long-term sustainability and stakeholder trust within the Governance framework.

Board Effectiveness & Oversight

The assessment of Board Effectiveness and Oversight evaluates the ability of the board to provide strategic direction, monitor management, and ensure accountability in advancing organizational performance and sustainability objectives. The methodology emphasizes the board's competencies, oversight practices, and commitment to long-term value creation.

A key aspect of the evaluation is the alignment between the board's skills and the company's strategic priorities, including financial performance, risk management. The methodology evaluates whether directors possess relevant expertise in areas such as industry knowledge, governance, audit, risk, and sustainability, and whether the board engages in continuous training to remain effective in a dynamic business environment.

Effectiveness is also assessed through the robustness of oversight mechanisms. This includes the board's role in setting strategy, approving major decisions, monitoring executive performance, and overseeing risk management frameworks. The existence of specialized committees—such as audit, risk and HR committees—along with their independence and activity levels, are important indicators of effective oversight.

Performance evaluation processes further contribute to board effectiveness. The methodology reviews whether boards undertake regular self-assessments or external evaluations, implement corrective measures, and disclose outcomes transparently. Active engagement with stakeholders and responsiveness to shareholder concerns are also considered as measures of accountability.

Organizations with boards that demonstrate strong expertise, active oversight, and a culture of continuous improvement are assessed more positively. High performance in this dimension reflects a governing body capable of ensuring accountability, managing risks, and guiding sustainable long-term growth.

Executive Compensation

The assessment of Executive Compensation evaluates how remuneration structures align management incentives with long-term organizational performance, shareholder interests, and sustainability objectives. The methodology evaluates transparency, fairness, and alignment as key dimensions of effective compensation governance.

A central focus is the link between pay and performance. The evaluation assesses whether executive compensation packages incorporate both financial results and non-financial metrics, risk management, and long-term value creation. Excessive reliance on short-term incentives or disproportionate pay relative to performance signals weak governance, while balanced structures that reward sustainable growth are assessed more positively.

Transparency and disclosure are also key indicators. The methodology reviews whether companies clearly communicate compensation policies, performance metrics, and outcomes to shareholders, enabling informed evaluation. Independent board committees overseeing remuneration, free from conflicts of interest, further strengthen governance practices.

Fairness is assessed through the consideration of internal pay equity, including the ratio between executive pay and average employee compensation. Companies that demonstrate sensitivity to equity concerns and disclose efforts to address pay gaps reflect stronger governance maturity. Organizations with transparent, performance-linked, and responsibly structured executive compensation frameworks are assessed more positively. Strong practices in this dimension ensure that leadership incentives support prudent risk-taking, accountability, and alignment with both shareholder interests.

Shareholder Rights & Treatment

The assessment of Shareholder Rights and Treatment evaluates how effectively an organization protects and balances the interests of all shareholders, including minority and institutional investors. This dimension emphasizes fairness, transparency, and accountability in shareholder relations as fundamental indicators of governance quality.

The methodology evaluates whether companies provide equitable voting rights, transparent decisionmaking processes, and mechanisms that prevent the concentration of power among controlling shareholders. Structures such as dual-class share arrangements, excessive use of anti-takeover defenses, or unequal access to information are not viewed favorably, while practices that safeguard minority shareholder rights and enable active participation are assessed more positively.

Disclosure and communication form another key element. The evaluation assesses whether companies provide timely, accurate, and comprehensive information to shareholders, particularly regarding financial performance, strategic decisions, and sustainability commitments. Governance mechanisms that enable shareholder engagement—such as annual meetings, structured consultations, and proxy voting—are key indicators of inclusivity and accountability.

Shareholder treatment is also assessed through responsiveness to investor concerns, including transparency in dividend policies, fair treatment in capital raising, and accountability in cases of disputes or grievances. Companies that foster trust by addressing shareholder issues openly and fairly are regarded as stronger performers.

Organizations that demonstrate equitable treatment, transparency, and responsiveness in managing shareholder rights are assessed more positively. Strong performance in this dimension reflects a governance culture that upholds fairness, reduces conflicts of interest, and builds long-term investor confidence and trust.

Audit & Financial Oversight

The assessment of Audit and Financial Oversight evaluates the strength of an organization's mechanisms for ensuring financial integrity, risk management, and accountability to stakeholders. This dimension emphasizes the role of internal controls, external assurance, and board-level oversight in safeguarding transparency and credibility.

A core element of the evaluation is the independence and effectiveness of the audit function. The methodology evaluates whether external auditors are independent, rotated regularly, and free from conflicts of interest. The strength of internal audit systems, risk management frameworks, and compliance monitoring is also assessed as indicators of governance maturity.

The role of the board and its audit committee is central to effective oversight. The assessment reviews whether the audit committee is composed predominantly of independent directors with appropriate financial expertise, whether it meets regularly, and whether it has clear authority over auditor appointments, financial reporting, and risk oversight.

Transparency and disclosure are further considered through the quality, timeliness, and completeness of financial statements, as well as the integration of non-financial information into reporting frameworks. Companies that obtain third-party assurance on sustainability disclosures demonstrate stronger commitment to accountability.

Robust audit practices, independent oversight, and credible financial reporting make organizations assessed more positively. Strong performance in this dimension signals financial discipline, effective risk management, and enhanced trust among investors and stakeholders.

Business Ethics & Compliance

The assessment of Business Ethics and Compliance assesses the extent to which an organization embeds ethical conduct and regulatory compliance into its operations. The analysis evaluates the presence of a comprehensive Code of Conduct, supported by policies addressing corruption, conflicts of interest, fair competition, confidentiality, human rights, and workplace integrity. Emphasis is placed not only on the formal existence of such policies but also on their communication, training, and application across the organization and its business partners.

The evaluation further reviews the robustness of compliance management systems, including the independence and effectiveness of oversight functions, the conduct of risk assessments, and alignment with recognized international standards. The adequacy of whistleblowing and grievance mechanisms is also assessed, with particular focus on accessibility, protection against retaliation, and transparency in the resolution process. Anti-bribery and anti-corruption safeguards, due diligence of third parties, and disclosure of any material breaches are key indicators of performance.

Overall, scoring distinguishes between organizations with minimal, reactive measures and those demonstrating proactive, transparent, and globally benchmarked practices. Strong performance reflects not only the establishment of ethical frameworks but also their effective enforcement, disclosure, and integration into corporate culture, thereby mitigating governance risks and strengthening stakeholder confidence.

ENVIRONMENT AND SOCIAL CONSIDERATIONS (“ES”)

A company exposed excessively to environment risks such as transition risk that can materially impact its operations, reputation, financial stability, and long-term sustainability or to assess potential investors expectations regarding sustainability performance of such a company would also include detailed environmental performance assessment as per methodology described in Appendix-I.

Similarly, assessing the social risk of a company is important whenever its operations, supply chains, or products have a direct or indirect impact on people, communities, or wider stakeholders. This assessment becomes particularly critical at the time of investment decision-making, and when companies operate in sectors with high labor intensity, complex supply chains, or material exposure to customer safety and welfare. Social risk assessment is also vital during periods of organizational change—such as mergers, acquisitions, or geographic expansion—where workforce integration, cultural alignment, and community engagement can influence long-term success. Social performance assessment of such companies will be conducted as per methodology described in Appendix-II.

THE SCORING FRAMEWORK

This comprehensive approach produces investment ratings that combine quantitative rigor with qualitative insight, enabling investors to understand both current investment attractiveness and the probability of sustained performance over time. The methodology's strength lies in its ability to identify high-quality investments while highlighting potential risks that might not be immediately apparent through traditional financial analysis alone.

The above-mentioned factors are inputs in determining the overall ISG Score which would be reflected in respective

Scale	Score Range	Definition
IS 1	91-100	Very Strong Investment Strength
IS 2	76-90	Strong Investment Strength
IS 3	61-75	Good Investment Strength
IS 4	40-60	Medium Investment Strength
IS 5	Less than 40	Low Investment Strength

A single (+) or a double (++) could be added to express relatively higher investment strength prospect within the category range-bound scales as below.

Investment Strength Rating Scale

Scale	Score Range	Definition
GR1	91-100	Very Strong Corporate Governance
GR2	76-90	Strong Corporate Governance
GR3	61-75	Satisfactory Corporate Governance
GR4	40-60	Adequate Corporate Governance
GR5	Less than 40	Weak Corporate Governance

Governance Performance Rating Scale

In case of environmental and social considerations, the ISG score would also include some weightage of these factors. The respective scales are given in Appendix I & II.

Scale	Score Range	Definition
ISG 1	91-100	Very Strong Investment Prospects
ISG 2	76-90	Strong Investment Prospects
ISG 3	61-75	Good Investment Prospects
ISG 4	40-60	Medium Investment Prospects
ISG 5	Less than 40	Low Investment Prospects

A single (+) or a double (++) could be added to express relatively higher investment strength prospect within the category

APPENDIX-I

METHODOLOGY FOR ENVIRONMENTAL RISK ASSESSMENT (“E”)

Environmental risks are a significant consideration for a large number of issuers in the public and private sectors. Environment risk is broadly categorized into two segments:

1. The consequences of regulatory or policy initiatives that seek to reduce environmental trends or hazards.
 - Regulations that have been implemented or those that are likely to be introduced (by the regulators or binding agreements under an international accord) with impact on the credit profiles of issuers and sectors.
 - Longer-term regulatory initiatives where implementation is unclear or subject to delays provide less visibility into the likely impact on the relative risk of default and credit loss for issuers.
2. The adverse effects of direct environmental trends and hazards such as pollution, drought, severe natural and human caused disasters and climate change.

The Environmental pillar evaluates the extent to which organizations integrate environmental stewardship into their governance, strategy, and operations. The framework evaluates governance structures, climate and carbon management, resource efficiency, circular economy practices, biodiversity protection, pollution prevention, transparency, and regulatory compliance as key dimensions of environmental performance.

The assessment emphasizes the translation of policies into measurable outcomes through robust management systems, reliable data, and credible disclosure. It evaluates how organizations address climate risks and opportunities, reduce emissions, optimize resource use, safeguard ecosystems, and prevent pollution, while ensuring compliance with evolving regulatory requirements. Transparent engagement with stakeholders and alignment with international frameworks further strengthen environmental credibility.

Entities that demonstrate disciplined governance, verifiable reporting, and sustained progress against defined targets are assessed more favorably. Strong performance in the Environmental pillar signifies not only effective risk mitigation and operational efficiency but also enhanced resilience, long-term competitiveness, and alignment with global sustainability imperatives.

Environmental Governance & Management Systems

The assessment of Environmental Governance and Management Systems within the ISG rating methodology evaluates the strength and effectiveness of an entity's environmental practices and oversight. It assesses how environmental risks and opportunities are integrated into policies, strategies, and operations, with particular focus on governance structures, board accountability, and enterprise-wide risk management.

The methodology reviews management systems such as ISO 14001, assessing how policies translate into practice through monitoring, reporting, and continuous improvement. It evaluates the setting of targets on emissions, energy, water, waste, and biodiversity, as well as the extent to which companies pursue climate mitigation, resource efficiency, and circular economy strategies.

Transparency and disclosure are key, with emphasis on reporting quality, third-party verification, and alignment with global standards such as GRI and TCFD. Stakeholder engagement and participation in voluntary commitments or certifications also reflect stronger governance maturity.

The framework extends beyond basic compliance, evaluating the extent to which organizations embed environmental considerations into their strategic decision-making, demonstrate robust and credible risk management practices, and exhibit forward-looking stewardship aimed at continuous improvement and long-term sustainability.

Climate Change & Carbon Management

The assessment of Climate Change and Carbon Management within the ISG framework evaluates how effectively organizations address climate risks and opportunities through five dimensions: emissions measurement and reporting, emission reduction, Climate Strategy and Targets, mitigation actions, performance monitoring, and climate resilience. It begins with accurate disclosure of Scope 1, 2, and relevant Scope 3 emissions, ideally aligned with global standards such as the GHG Protocol, GRI, or TCFD, and independently verified for credibility.

Organizations are rated on the ambition and credibility of their emission reduction targets, particularly when aligned with science-based pathways, and the extent to which these commitments are embedded into business planning and capital allocation. Mitigation is assessed through concrete measures such as energy efficiency, renewable energy adoption, process optimization, and supply chain engagement, with stronger scores given to entities demonstrating sustained investment and innovation.

Performance monitoring evaluates whether progress is regularly tracked, transparently reported, and assured externally, with year-on-year reductions in emissions signaling robust management. Climate resilience and adaptation extend the evaluation to preparedness for physical and transition risks, through scenario analysis, risk assessments, and long-term planning.

The methodology positively evaluates organizations that combine credible emissions management with proactive mitigation and resilience strategies, reflecting both current performance and long-term readiness for a low-carbon future.

Resource Efficiency & Conservation

The assessment of Resource Efficiency and Conservation evaluates how effectively organizations manage natural resources and reduce their environmental footprint across energy, water, and materials. Energy management evaluates monitoring, efficiency targets, renewable adoption, and integration into long-term planning. Water management emphasizes measuring withdrawals and discharges, pursuing conservation and recycling, and addressing risks in water-stressed regions. Material efficiency evaluates how companies reduce raw material use, minimize waste, adopt sustainable sourcing, and incorporate circular economy practices.

Entities that demonstrate systematic tracking, measurable targets, and continuous improvements in energy, water, and materials are assessed more positively, as they reduce ecological impacts, improve efficiency, and strengthen resilience against resource scarcity and regulatory pressures.

Circular Economy & Waste Management

The assessment of Circular Economy and Waste Management assesses how organizations minimize waste, optimize resource use, and adopt circular models that extend product lifecycles. It evaluates waste tracking and reduction,

responsible disposal, and proactive measures such as zero-waste policies and hazardous waste controls. Circular design is assessed through durable, repairable, or recyclable products and lifecycle approaches that reduce environmental impacts. Recycling and recovery focus on programs that close resource loops through reuse, partnerships, and transparent reporting.

Organizations that embed circularity into operations and strategy, demonstrate measurable improvements in waste reduction and recovery, and align with global sustainability norms have a better rating consideration for their environmental responsibility and long-term resilience.

Biodiversity & Ecosystem Protection

The assessment of Biodiversity and Ecosystem Protection evaluates how organizations manage their impacts on natural habitats and species, recognizing biodiversity loss as both an environmental and business risk. It evaluates impact assessments, conservation and restoration initiatives, and responsible land use, with particular focus on eliminating deforestation from supply chains.

Entities that integrate biodiversity into strategic planning, invest in restoration projects, and adopt deforestation-free policies demonstrate stronger governance and alignment with global biodiversity goals. Such practices not only mitigate ecological risks but also enhance long-term resilience and stakeholder trust.

Pollution Prevention & Environmental Health

The assessment of Pollution Prevention and Environmental Health evaluates how organizations manage emissions, discharges, and hazardous substances to protect ecosystems and human health. It emphasizes air quality, water quality, and chemical management, recognizing pollution as a key environmental and business risk.

Air quality management evaluates controls on harmful emissions and adoption of cleaner technologies. Water quality management evaluates wastewater treatment, recycling, and compliance with standards. Chemical management reviews safe handling, substitution of toxic substances, and adherence to global conventions.

Organizations that demonstrate comprehensive pollution controls, transparent reporting, and continuous improvement are assessed more positively, as they reduce ecological harm, protect public health, and strengthen resilience against regulatory and reputational risks.

Transparency, Reporting & Communications

The assessment of Transparency, Reporting, and Communications evaluates how organizations disclose environmental performance, ensure credibility, and engage stakeholders. It evaluates the scope and quality of reporting, alignment with global frameworks such as GRI, SASB and TCFD, and the use of third-party verification to enhance trust.

Stronger performers are those that provide consistent, forward-looking disclosures, validate data through independent assurance, and maintain proactive dialogue with regulators, investors, and communities. Such practices strengthen accountability, reduce greenwashing risks, and build long-term stakeholder confidence.

Regulatory Compliance & Risk Management

The assessment of Regulatory Compliance and Risk Management assesses how organizations meet environmental legal obligations and manage related risks. Legal compliance is evaluated through adherence to applicable laws, monitoring systems, and a track record free from material violations.

Risk management extends the evaluation to how entities identify and address physical, regulatory, and transition risks, integrating them into enterprise-wide frameworks and long-term planning. Companies with strong compliance records and proactive risk governance are assessed more positively, as they demonstrate resilience, accountability, and

Rating Scale	Definition
EA 1	Very High Environmental Accountability
EA 2	High Environmental Accountability
EA 3	Good Environmental Accountability
EA 4	Medium Environmental Accountability
EA 5	Low Environmental Accountability

preparedness for evolving environmental challenges.

THE SCORING FRAMEWORK

Environmental Performance Rating

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APPENDIX-II

METHODOLOGY FOR SOCIAL RISK ASSESSMENT (“S”)

VIS-CCXI-IIRA view social considerations as falling broadly into two categories (i) issuer-specific considerations, such as product safety problems that harm an issuer’s reputation, (ii) the adverse effects of external factors, such as regulation that leads to higher compliance costs or creates rigid work rules.

The Social pillar within the ISG/ES framework evaluates how organizations manage their workforce, communities, customers, and broader stakeholders to create sustainable long-term value. The methodology encompasses five core areas: human capital management, community impact, product and service responsibility, labor relations and human rights, and societal contribution and stakeholder engagement.

The assessment emphasizes workforce health and safety, diversity, equity, inclusion, professional development, and retention as foundations of organizational resilience. It also evaluates how companies contribute to community development, safeguard cultural heritage, and deliver products and services that are safe, accessible, and socially beneficial. Labor standards, supply chain practices, and human rights due diligence are integral to ensuring ethical operations, while transparency, compliance with social regulations, and alignment with the UN Sustainable Development Goals reflect accountability to society at large.

Organizations that exhibit strong governance, transparent disclosure, and tangible social outcomes are evaluated more positively. High performance in the social pillar reflects not only effective stakeholder management but also reinforces long-term resilience, competitiveness, and social license to operate.

HUMAN CAPITAL MANAGEMENT

The assessment of Human Capital Management within the ISG framework evaluates how organizations manage workforce well-being, development, and equity as key drivers of long-term sustainability. It emphasizes five dimensions: health and safety, training and development, diversity and inclusion, gender pay gap, and employee satisfaction and retention.

Health and safety are assessed through compliance, risk controls, and initiatives that promote both physical and mental well-being. Training and development evaluate investments in upskilling, leadership development, and career progression. Diversity and inclusion consider equitable hiring, representation, and workplace culture, while the gender pay gap dimension emphasizes transparency, regular pay equity audits, and corrective actions. Employee satisfaction and retention are measured through engagement surveys, turnover rates, and initiatives that foster loyalty and professional growth.

Companies that embed strong practices across these areas are assessed more positively, as they demonstrate commitment to employee welfare, equity, and long-term value creation, while building resilient and sustainable workforces.

COMMUNITY IMPACT

The assessment of Community Impact within the ISG framework evaluates how organizations contribute to the well-being and development of the communities in which they operate. It evaluates three dimensions: local economic development, infrastructure and social services support, and cultural preservation and respect.

Local economic development evaluates whether companies generate positive spillovers through local hiring, supply chain integration, and support for small and medium enterprises. Infrastructure and social services support evaluate contributions to education, healthcare, housing, and other community needs, either directly or through partnerships. Cultural preservation and respect measure how organizations engage with and protect local traditions, heritage, and indigenous rights, ensuring that operations are inclusive and socially responsible.

Organizations that demonstrate structured community engagement, transparent reporting, and measurable positive outcomes are assessed more positively, as they align business success with long-term social sustainability and community resilience.

PRODUCT AND SERVICE RESPONSIBILITY

The assessment of Product and Service Responsibility evaluates how organizations ensure their offerings are safe, ethical, accessible, and socially beneficial. It encompasses four dimensions: product safety and quality, accessibility and affordability, marketing ethics and transparency, and innovation for social benefit.

Product safety and quality focus on compliance with standards, quality assurance systems, and continuous monitoring to protect consumers. Accessibility and affordability assess whether essential products and services are available to diverse and underserved groups at fair prices. Marketing ethics and transparency consider truthful communication, responsible advertising, and avoidance of harmful or misleading practices. Innovation for social benefit evaluates how organizations develop solutions that address societal needs such as health, education, or inclusion.

Companies that embed responsibility across these areas and demonstrate transparency, accountability, and consumer focus are assessed more favorably, as they align business success with long-term social value and stakeholder trust.

LABOR RELATIONS & HUMAN RIGHTS

The assessment of Labor Relations and Human Rights within the ISG framework evaluates how organizations uphold fair labor practices and protect fundamental rights across their operations and supply chains. It emphasizes three dimensions: labor standards compliance, supply chain labor practices, and human rights due diligence.

Labor standards compliance assesses adherence to international conventions and local laws on wages, working hours, freedom of association, and non-discrimination. Supply chain labor practices assess whether companies monitor and enforce ethical standards among suppliers, addressing risks such as child labor, forced labor, and unsafe working conditions. Human rights due diligence evaluates policies, risk assessments, and grievance mechanisms that identify, prevent, and remediate adverse human rights impacts.

Organizations that demonstrate strong governance, transparent reporting, and proactive measures across these dimensions are assessed more positively, as they reduce social risks, strengthen worker protections, and uphold global human rights commitments.

SOCIETAL CONTRIBUTION AND STAKEHOLDERS' RELATIONS

The assessment of Societal Contribution and Stakeholder Relations evaluates how organizations align their operations with broader societal goals, manage stakeholder expectations, and contribute to sustainable development. It covers five dimensions: contribution to the UN Sustainable Development Goals (UNSDGs), community impact programs, ESG transparency, compliance with social regulations, and customer complaint resolution.

Contribution to UNSDGs evaluates how business strategies and initiatives support global sustainability priorities. Community impact programs evaluate structured efforts in areas such as education, healthcare, and social inclusion. ESG transparency evaluates the clarity and reliability of social disclosures, while social regulations compliance measures adherence to labor, consumer protection, and other relevant laws. Customer complaint resolution emphasizes accessible, fair, and timely grievance mechanisms that build trust and accountability.

Organizations that demonstrate structured programs, transparent engagement, and measurable positive outcomes across these areas are assessed more positively, as they strengthen social license to operate and align business success with long-term societal well-being.

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THE SCORING FRAMEWORK

Social Performance Rating

Rating Scale	Definition
SR 1	Very strong Social Responsibility
SR 2	Strong Social Responsibility
SR 3	Satisfactory Social Responsibility
SR 4	Adequate Social Responsibility
SR 5	Weak Social Responsibility

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CHINA CHENGXIN INTERNATIONAL CREDIT RATING COMPANY LIMITED CCXI was founded in Oct. 1992 as the first nation-wide credit rating agency in China. It was approved by the head office of the Peoples Bank of China. With the largest business operations and the best quality of services, CCX enjoys the highest reputation of credit rating services in the inter-bank market and the stock exchange market. Its subsidiary, China Chengxin (Asia Pacific) Credit Ratings Company Limited, received the Type 10 License (Providing Credit Rating Services) from Hong Kong Securities and Futures Commission on 28 June 2012 to provide credit rating services in overseas markets. CCXI has regional offices located in Beijing, Shanghai, Shenzhen, Wuhan and Hong Kong and employs over 600 analysts.



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VIS Credit Rating Company Limited (VIS) has been operating in Pakistan since 1997.

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