

Regulatory Information

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Ref	Annex.	Article.	Requirement	Relevant / Disclosure	Methodology Reference (Section / Title & Page)
ESMA Reference:					
RTS on Article 23					
Rating Product Disclosures	Annex III 1.f	Article 3(1)	Information on the ESG rating's clearly defined objective and marking whether the rating is assessing risks, impacts, or both, according to the double materiality principle, or any other dimensions, and in the case of double materiality the proportion of the risk and impact materiality.	Climate Risk Assessment model quantifies the impact of climate change on sovereign risk by measuring how transition risks, physical risks and resilience collectively shape a country's risk profile.	Executive Summary, page 3
			(a) A description of the risks covered, where the ESG rating is assessing risks.	Climate risks can be defined across two main pillars: (1) Transition risks – the risk of economic dislocation and financial losses associated with the process of transitioning toward a low-carbon economy. (2) Physical risks – the potential economic and financial losses caused by climate-related hazards. To consider the overall sovereign climate risk, these must be offset by resilience – the preparedness and adaptive capacity of countries, as well as their level of political commitment, to manage the risks and challenges posed by the transition and physical risks. It is considered that transition risks and physical risks can be mitigated or exacerbated depending on countries' engagement and their position on various climate change issues.	Executive Summary, page 3
			(b) A description of the impacts covered, where the ESG rating is assessing impacts.	In parallel, impact materiality is addressed through indicators such as greenhouse gas emissions, implied temperature rise and ecosystem metrics, which measure countries' contribution to climate change and environmental degradation.	Executive Summary, page 3
			(c) Information on how the risk and impact materiality are taken into account according to the double materiality principle, where applicable.	These two dimensions are interlinked, as higher environmental impacts can increase future financial risks, while strong policies and resilience can mitigate both exposures, resulting in a more comprehensive and forward-looking assessment framework.	Executive Summary, page 3
			(d) Where the ESG rating is based on other materiality dimensions, a description of those dimensions.	The Climate Risk Assessment is not based on other materiality dimensions.	N/A
	Annex III 1.g	Article 3(2)	The ESG rating's scope, namely, whether it covers an individual E, S, or G factor or whether it is an aggregated rating aggregating E, S and G factors, or whether it covers specific issues such as transition risks.		
			(a) A description of what is covered under the E, S or G factors and which factors are aggregated, where applicable.	This dataset provides an up-to-date assessment of sovereign climate exposure by evaluating two core dimensions: climate-related risks (transition and physical) and resilience, reflecting countries' capacity to mitigate and adapt. It is therefore an environmental score, also covering transition risks	Sub-section 1.1 Climate Risk-Adjusted Enhanced Methodology - Overall Framework, page 5
			(b) A description of the specific issues that the ESG rating covers.	Transition Risk pillar: In the case of transition risks, consumption-based greenhouse gases (GHG) emissions (i.e., territorial plus imported, minus exported emissions) represent the most fitting measure for sovereign footprint as outlined by the Partnership for Carbon Accounting Financials (PCAF). The measure is adjusted to gross domestic product (GDP) per capita to provide a relative view, helping to more accurately represent an exposure to transition risks as it indicates whether countries are over-emitting or under-emitting GHG emissions relative to their level of development.	Section 1 Methodology Overview, page 5 Sub-section 1.3 Transition Risk Pillar, page 6 Sub-section 1.4 Physical Risk Pillar, page 6 Sub-section 1.5 Resilience Pillar, page 6
				The forward-looking KPI is represented by the Climate Liabilities Assessment Integrated Methodology (CLAIM) Implied Temperature Rise metric. This KPI assesses countries' implied global warming temperatures based on their national commitments to climate change mitigation, in line with their Nationally Determined Contributions (NDCs) submitted to the UNFCCC in the framework of the Paris Agreement. We use a temperature equation that reflects the scientific consensus on the relationship between GHG emissions and temperature dynamics, which provides an output measured in degrees Celsius.	
				Physical Risk pillar: There are six acute and chronic climate hazards that are considered when building physical risks scores: (i) heatwaves, (ii) droughts, (iii) water stress, (iv) riverine floods, (v) coastal floods and (vi) temperature. Such hazard scores are combined with broad sectoral vulnerability scores (Agriculture, Industry and Services) to calculate one aggregated historical risk score and one aggregated forward-looking risk score for each country. Historical exposure will indicate countries' exposure to harmful climate conditions while forward-looking exposure will shed light on countries' vulnerability to strong changes in climate conditions.	
Resilience pillar: Governments have an active role to play in adapting and mitigating climate risk. Their policies help determine the quality of governance, the degree of preparedness to climate risks, the resilience of infrastructure, economic productivity as well as the quality of human capital. These, in turn, can help determine whether a country is equipped to tackle climate change and attenuate its negative impacts. However, in the absence of sufficient natural capital, the outcomes of these policies cannot materialise. "Nature provides a vast range of services vital to humanity and our economies. They provide food and fresh water, protect us from disasters and disease and help sustain economic activity. Terrestrial and marine ecosystems, most importantly, regulate climate. They currently absorb roughly half of man-made carbon emissions."					
Annex III 1.h	N/A	In the case of an aggregated ESG rating, the weighting of the three overarching E, S and G categories of factors (for example 33 % for the E factor, 33 % for the S factor, 33 % for the G factor), and the explanation of the weighting method, including weight per individual E, S and G category.	The model does not calculate an aggregated ESG-type score across the three main pillars (physical risk, transition risk, resilience) and therefore no weighting scheme is applied.	N/A	
Annex III 1. i	N/A	Within the E, S or G factors, specification of the topics covered by the ESG rating, and whether they correspond to the topics from the sustainability reporting standards developed pursuant to Article 29b of Directive 2013/34/EU.	The data sources are not mapped against sustainability statements under the Corporate Sustainability Reporting Directive (CSRD) or from information disclosed under the Sustainable Finance Disclosure Regulation (SFDR), or EU Taxonomy.	Sub-section 2.1 Climate Pillars and Indicators, page 14	

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	Annex III 1. j	N/A	Information on whether the rating is expressed in absolute or relative value.	The Climate Risk-Adjusted Methodology is a unique quantitative, relative and systematic approach, based on 15 indicators for 50+ countries, divided into the three pillars of climate risk assessment presented above.	Executive Summary, page 4
	Annex III 1.o, Annex III 1.p	Article 3(3)	<p>If an ESG rating of a rated item covers the E factor, information on whether that rating takes into account the targets and objectives of the Paris Agreement or any other relevant international agreements.</p> <p>(a) Include an indication of whether the rating takes into account the targets and objectives of the Paris Agreement and which other international agreements are taken into account, with reference to basic identifying information on these agreements together with an explanation of their relevance to the rating;</p> <p>(b) Specify whether the rating is benchmarking commitments against the objectives of those agreements.</p>	The forward-looking KPI is represented by the Climate Liabilities Assessment Integrated Methodology (CLAIM) Implied Temperature Rise metric. This KPI assesses countries' implied global warming temperatures based on their national commitments to climate change mitigation, in line with their Nationally Determined Contributions (NDCs) submitted to the UNFCCC in the framework of the Paris Agreement. We use a temperature equation that reflects the scientific consensus on the relationship between GHG emissions and temperature dynamics, which provides an output measured in degrees Celsius.	Sub-section 1.3 Transition Risk Pillar, page 6
Basic Methodological Disclosures	Annex III.1.a	Article 4(1)	An overview of the rating methodologies used and changes thereto, including whether analysis is backward-looking or forward-looking and the time horizon covered.		
			(a) the title of the rating methodology used;	The Climate Risk-Adjusted Enhanced Methodology assesses 15 indicators, or KPIs, from 2001 to the latest yearly available data across three pillars for 50+ countries. Figure 1 provides a brief overview of the enhanced methodology	Section 1 Methodology Overview, page 5
			(b) a description of the types of rated items in relation to which the methodology referred to in point (a) applies	The Climate Risk-Adjusted model quantifies the impact of climate change on sovereign risk by measuring how transition risks, physical risks and resilience collectively shape a country's risk profile.	Executive Summary, page 4
			(c) the time horizon over which the ESG rating is considered valid, where applicable	The underlying input data is updated annually, before the refresh, therefore the scores are considered valid for a period of one year between updates. Once the model output is produced, the inputs and outputs become read-only so that we ensure traceability and transparency of the scores whenever they might be requested.	Sub-Section 2.1 Climate Pillars and Indicators, pag
			(d) a list and overview of the relevant supporting models and key rating assumptions, where applicable; information on measures and procedures to ensure the quality and reliability of data used;	Details of the methodology and underlying assumptions are provided in Section 1 Methodology Overview, and Table 2. Climate Risk-Adjusted Enhanced Methodology climate pillars and indicators within Sub-section 2.1 Climate Pillars and Indicators. Limitations, assumptions and mitigation steps are noted within Sub-section 1.14 Limitations, assumptions and mitigation steps. Data quality checks performed over input data are summarised within Figure 4 in Sub-section 2.1 Climate Pillars and Indicators.	Section 1 Methodology Overview, page 5 Sub-Section 2.1 Climate Pillars and Indicators, pages 11-15 Sub-section 1.14 Limitations, assumptions and mitigation steps, page 9
			(e) a description of the defined ranking system of rating categories used, with reference to:		
	i. the meaning of each rating category for absolute and relative values and how the ranking system should be interpreted;	Raw data inputs for a total of 15 indicators, from year 2001 until today, are statistically transformed into scores. In this way, all 50+ countries can be compared fairly. Indicator scores range between 0 and 1, where higher scores signify better resilience, less risk and in turn, better performance. Within each climate risk pillar and resilience sub-pillar, the underlying indicators are equally weighted to produce aggregated climate risk and resilience pillar scores (i.e., Transition Risk, Physical Risk, Resilience).	Sub-Section 2.1 Climate Pillars and Indicators, page 14		
	ii. in the case of relative values, an explanation as to whether they are relative to a specific industry, geographical area, peer groups or other comparative references and their respective description				
	(f) the dates of the most recent update of the methodology and a description of the changes introduced to the previous version.	Effective Date 1st July 2026; Version 1.0	Model Change Log - Version Control Table, page 2		
		Annex III.1.b	Article 4(2)	<p>The industry classification used.</p> <p>(a) The name of the issuing body for the industry classification used.</p> <p>(b) The name and version of the industry classification used.</p> <p>(c) Any publicly available link to the official documentation of the industry classification system, if available.</p>	Industry classification not used.
	Annex III.1.c	Article 4(3)	<p>An overview of data sources, including whether data is sourced from sustainability statements required under Directive 2013/34/EU or from information disclosed under Regulation (EU) 2019/2088 and whether sources are public or non-public, and an overview of data processes, estimation of input data in case of unavailability and frequency of data updates.</p> <p>(a) An overview of data sources, including whether data is sourced from sustainability statements, and whether sources are public or non-public; overview of data processes, estimation of input data in case of unavailability and frequency of data updates.</p> <p>(b) A description of the engagement process with rated items or issuers of these items, including how the input from such engagement is considered.</p>	<p>A summary of indicators per Climate pillar, and the relevant sources are detailed within Table 2. Climate Risk-Adjusted Enhanced Methodology climate pillars and indicators in Sub-section 2.1 Climate Pillars and Indicators.</p> <p>Refer to ESG Data Management Policy Statement available via LSEG's Regulatory Disclosures Website.</p>	<p>Sub-section 2.1 Climate Pillars and Indicators, page 11</p> <p>Refer to ESG Ratings Data Management Policy Statement document.</p>
	Annex III.1.e	Article 4(4)	<p>Information on whether and how the rating methodologies are based on scientific evidence</p> <p>Where applicable, describe the process for identifying relevant scientific evidence.</p>	No AI was used in the data collection or rating process and the rating methodology is not based on scientific evidence	Sub-section 2.1 Climate Pillars and Indicators, page 11
	Annex III.1.k	N/A	Where applicable, reference to the use of artificial intelligence in the data collection or rating process including information about current limitations and risks of using artificial intelligence.	No AI was used in the data collection or rating process and the rating methodology is not based on scientific evidence	Sub-section 2.1 Climate Pillars and Indicators, page 11
Limitations in data			<p>Any limitation in data sources and methodologies used for the construction of ESG ratings.</p> <p>Any limitation on the information available to ESG rating providers.</p>		

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Limitations in data sources, methodologies and information	Annex III 1.m, Annex III 1.q	Article 5	(a) the availability or consistency of data used in the rating process;	The methodology faces challenges related to data gaps, the use of imputed or proxy values, relative rather than absolute scoring, and uncertainty in forward-looking assumptions. Statistical adjustments such as smoothing and winsorisation help improve stability but may reduce sensitivity to extreme outcomes. As summarized in Table 1, these limitations are mitigated through standardized methodologies, multiple data sources, transparent documentation, regular validation and calibration, and ongoing monitoring, although some residual uncertainty remains unavoidable.	Sub-section 1.14 Limitations, assumptions and mitigation steps, pages 10-11
			(b) the completeness, timeliness and accuracy of information;		
			(c) the use of assumptions, proxy reference points and data estimation.		
Organisational	Annex III.1.d	Article 6(1)	The ownership structure of the ESG rating provider.	Refer to ESG Ratings Organisational Structure Statement available via LSEG's Regulatory Disclosures Website.	Refer to ESG Ratings Organisational Structure Statement document.
	Annex III.1.l	Article 6(2)	General information on criteria used for establishing fees charged to clients, specifying the various elements taken into consideration, and general information on the business/payment model.	Refer to ESG Ratings Pricing Framework available via LSEG's Regulatory Disclosures Website.	Refer to ESG Ratings Pricing Framework document.
	Annex III.1.n	Article 6(3)	The main risks of conflicts of interest and the steps taken to mitigate them.	Refer to Conflicts of Interest Policy Statement available via LSEG's Regulatory Disclosures Website.	Refer to Conflicts of Interest Policy Statement document.

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