

Regulatory Information

For the purposes of Regulation (EU) 2024/3005 on the transparency and integrity of ESG rating activities, Refinitiv France SAS is the ESG Rating Provider responsible for the issuance of the relevant ESG ratings within the European Union. This document describes the methodology used for the production of ESG ratings and related products distributed globally under the LSEG brand. References to LSEG products, methodologies, governance frameworks and related disclosures reflect the global operating framework supporting those products and services. This methodology document forms part of the disclosure framework established to support compliance with the Regulation (EU) 2024/3005 and should be read together with the publicly available disclosure documents at: <https://www.lseg.com/en/data-analytics/sustainable-finance/regulatory-disclosures>.

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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.	The Sustainable Sovereign Risk Methodology (2SRM) has been built on the Sovereign Risk Monitor (SRM) to respond to increasing market maturity, customer needs and the World Bank and International Monetary Fund recommendations. 2SRM is a quantitative, relative and systematic approach, based on 36 indicators for 151 countries, divided into three pillars of sustainable sovereign risk assessment.	Executive Summary, page 3	
			(a) A description of the risks covered, where the ESG rating is assessing risks.	All indicators are combined at (i) a risk theme level and (ii) a pillar level to obtain an aggregated score, which is derived from advanced statistical and econometric techniques. Finally, the scores are aggregated from each pillar to obtain an aggregated ESG score. 2SRM focuses on financially material ESG metrics. It is thus best adapted for use as an input and as a complement to traditional macroeconomic and financial analysis to quantify and better assess portfolio risk-return profiles. Each pillar is structured around sub-pillars, which consist of several risk themes that include several indicators (see Figure 1). The Environmental Pillar, for example, is represented by three sub-pillars: Energy, Climate and Natural Capital.	Executive Summary, page 3	
			(b) A description of the impacts covered, where the ESG rating is assessing impacts.	In parallel, the model incorporates elements of impact materiality through the inclusion of indicators that capture observable environmental outcomes. These include, among others, measures of greenhouse gas emissions and implied temperature rise (capturing contributions to global climate change) and biodiversity loss, water stress and air pollution (capturing pressures on natural capital and ecosystems).	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.	The 2SRM methodology incorporates elements of the double materiality principle by recognising both the financial implications of ESG factors on sovereign risk and the real-world environmental and social impacts associated with sovereign activities and policies.	Executive Summary, page 3	
			(d) Where the ESG rating is based on other materiality dimensions, a description of those dimensions.	The 2SRM model is not based on any 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.	2SRM relies on the quantitative assessment of Environmental (E), Social (S) and Governance (G) pillars which characterise sovereign creditworthiness.	Executive Summary, page 3	
			(b) A description of the specific issues that the ESG rating covers.	The Energy sub-pillar is consequently made up of three risk themes: Energy Policy, Low-Carbon Energy and Energy Independence. The Energy Policy risk theme is composed of two indicators: Electricity Access and Energy Consumption. The quantity of indicators varies from one risk theme to another, but on average, they range between two and four.	Executive Summary, page 3	
	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 E, S and G pillars are equally weighted to provide the ESG risk score. This is to mitigate the risk that empirical econometric analysis tends to reduce the importance of the Environmental pillar. Environmental indicators are a priority for some investors and are increasingly relevant for sovereign risk in areas of the world more exposed to physical and/or transition risks due to climate change. Moreover, overall resource depletion ought to be accounted for as a set of weak signals, which are precursors for potential second-round effects in geopolitical and economic terms.	Sub-section 1.13 From pillars to an aggregated ESG risk score, page 9	
	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 indicators used are summarised in Sub-section 2.2 Indicators used. 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 2.2 Indicators used, page 17	
	Annex III 1.j		Information on whether the rating is expressed in absolute or relative value.	2SRM is a quantitative, relative and systematic approach, based on 36 indicators for 151 countries, divided into three pillars of sustainable sovereign risk assessment. LSEG calculates a score on a quarterly basis for each indicator, starting from 1999 until the end of the latest quarter. Each of the 36 indicators is the outcome of numerous adjustments – mostly systematic – based on public, private and proprietary data.	Executive Summary, page 3	
	Annex III 1.o, Annex III 1.p	Article 3(3)	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.			
			(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;	Indicator: NDC Implied Temperature Rise (ITR) Definition: The Implied temperature Rise (ITR) is an indicator providing an approximation of the global warming level (in 2100) if the whole world had the same carbon budget overshoot than a specific country. This overshoot of a country is defined as the gap between its 1.5°C consistent carbon budget and the carbon budget induced by its emission target (formalised in its Nationally Determined Contributions – NDC). The country for whom the 'NDC-based' projected emissions are below its 1.5°C-carbon budget is called 'undershoot', whereas it is called an 'overshoot' if its projected emissions are above its Paris-aligned carbon budget. To define the countries' carbon budget consistent with a 1.5°C objective (or 2°C), LSEG D&A developed the CLAIM methodology. It relies on a statistical approach that remains as neutral as possible, because the way to share the global carbon budget is a politically sensitive issue. CLAIM takes into account a lot of parameters that can be considered to reflect the climate profile of a country relatively to the other countries in this sharing perspective, such as the GDP, the energy intensity of the GDP, the carbon intensity of the energy mix, the past emissions, etc.	Sub-section 2.2 Indicators used, page 14	
		(b) Specify whether the rating is benchmarking commitments against the objectives of those agreements.				
		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;	2SRM is a quantitative, relative and systematic approach, based on 36 indicators for 151 countries, divided into three pillars of sustainable sovereign risk assessment. LSEG calculates a score on a quarterly basis for each indicator, starting from 1999 until the end of the latest quarter. Each of the 36 indicators is the outcome of numerous adjustments – mostly systematic – based on public, private and proprietary data.	Executive Summary, page 3		
		(b) a description of the types of rated items in relation to which the methodology referred to in point (a) applies				
		(c) the time horizon over which the ESG rating is considered valid, where applicable	The 2SRM inputs are gathered every January, April, July and October for the model's quarterly updates, therefore the ESG score is calculated per quarter, between refreshes.	Section 2 Data Collection Process, page 12		

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Basic Methodological Disclosures	Annex III.1.a	Article 4(1)	(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;	The methodology is subject to several data and modelling limitations that are actively mitigated through systematic controls embedded in the production process. Source coverage varies across indicators and time (particularly pre-2000 and for EMDEs), which may affect comparability; this is mitigated through structured imputation rules, income-group benchmarking and continuous data validation. Missing observations are filled using forward/backward filling, linear interpolation or income-group averages, with smoothing applied to reduce artefacts from imputation. Econometric steps (e.g., PLS weighting and smoothing techniques such as exponential filters) rely on statistical assumptions regarding linearity, stability and noise reduction, which may not fully capture structural breaks; these risks are mitigated by regular recalibration, validation against sovereign risk proxies and expert review. Income-group segmentation (AEs vs EMDEs) improves comparability but may introduce boundary effects or mask within-group heterogeneity; this is addressed through income-adjusted scores and periodic reassessment of grouping. Outliers and abrupt changes are controlled through winsorisation and quarterly monitoring thresholds, with flagged deviations investigated and documented through formal governance processes.	Sub-section 1.17 Limitations, assumptions and mitigation steps, page 10
			(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; 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	All indicators are combined at (i) a risk theme level and (ii) a pillar level to obtain an aggregated score, which is derived from advanced statistical and econometric techniques. Finally, the scores are aggregated from each pillar to obtain an aggregated ESG score, ranging from 0 to 100, where 0 means worst score and 100 means best score.	Executive Summary, page 3
			(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 1.1	Model Change Log - Version Control Table, page 2
	Annex III.1.b	Article 4(2)	The industry classification used. (a) The name of the issuing body for the industry classification used. (b) The name and version of the industry classification used. (c) Any publicly available link to the official documentation of the industry classification system, if available.	Industry classifications are not used.	N/A
	Annex III.1.c	Article 4(3)	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.	The 2SRM ingests data from several sources. These include proprietary data and public data. Both sets of data are handled by a data manager, who specialises in receiving, validating and storing all raw data. The data manager keeps a schedule of when all raw inputs are updated and when they should be validated. In this way, it is assured that each update of 2SRM has the latest available data and covers any major changes that happened between refreshes without any subjective intervention. The 2SRM inputs are gathered every January, April, July and October for the model's quarterly updates, therefore the ESG score is considered valid for a quarter, between refreshes. When datasets are updated, the manager goes through a validation process. They verify that all previously available data points are available or not, as for some countries or time periods, some data points are lost or added. This also includes the verification of null values. 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 2.2 Indicators used, page 14
			A description of the engagement process with rated items or issuers of these items, including how the input from such engagement is considered.	Refer to ESG Data Management Policy Statement available via LSEG's Regulatory Disclosures Website.	Refer to ESG Ratings Data Management Policy Statement document.
	Annex III.1.e	Article 4(4)	Information on whether and how the rating methodologies are based on scientific evidence Where applicable, describe the process for identifying relevant scientific evidence.	No AI was used in the data collection or rating process and the rating methodology is not based on scientific evidence	Section 2 Data Collection Process, page 12
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	Section 2 Data Collection Process, page 12	
Limitations in data sources, methodologies and information	Annex III 1.m, Annex III 1.q	Article 5	Any limitation in data sources and methodologies used for the construction of ESG ratings. Any limitation on the information available to ESG rating providers.		
			(a) the availability or consistency of data used in the rating process;	The methodology is subject to several data and modelling limitations that are actively mitigated through systematic controls embedded in the production process. Source coverage varies across indicators and time (particularly pre-2000 and for EMDEs), which may affect comparability; this is mitigated through structured imputation rules, income-group benchmarking and continuous data validation. Missing observations are filled using forward/backward filling, linear interpolation or income-group averages, with smoothing applied to reduce artefacts from imputation. Econometric steps (e.g., PLS weighting and smoothing techniques such as exponential filters) rely on statistical assumptions regarding linearity, stability and noise reduction, which may not fully capture structural breaks; these risks are mitigated by regular recalibration, validation against sovereign risk proxies and expert review. Income-group segmentation (AEs vs EMDEs) improves comparability but may introduce boundary effects or mask within-group heterogeneity; this is addressed through income-adjusted scores and periodic reassessment of grouping. Outliers and abrupt changes are controlled through winsorisation and quarterly monitoring thresholds, with flagged deviations investigated and documented through formal governance processes.	Sub-section 1.17 Limitations, assumptions and mitigation steps, page 10
			(b) the completeness, timeliness and accuracy of information;		
			(c) the use of assumptions, proxy reference points and data estimation.		

LSEG Sustainable Finance and Investment – Sovereign Sustainable Risk Monitor | Annex III.1 Disclosure Table Methodology: Sovereign Sustainable Risk Monitor | Version: 1.1 | Date: 01.07.2026 | Regulatory basis: Regulation (EU) 2024/3005, Annex III Point 1 — Public Disclosures Regulatory Information For the purposes of Regulation (EU) 2024/3005 on the transparency and integrity of ESG rating activities. Refinitiv France SAS is the ESG Rating Provider responsible for the issuance of the relevant ESG ratings within the European Union. This document describes the methodology used for the production of ESG ratings and related products distributed globally under the LSEG brand. References to LSEG products, methodologies, governance frameworks and related disclosures reflect the global operating framework supporting those products and services. This methodology document forms part of the disclosure framework established to support compliance with the Regulation (EU) 2024/3005 and should be read together with the publicly available disclosure documents at: <https://www.lseg.com/en/data-analytics/sustainable-finance/regulatory-disclosures>. The use of the LSEG brand in this document is for branding purposes only and does not affect, modify or supersede the identification of the ESG Rating Provider for the purposes of Regulation (EU) 2024/3005.

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.1.1	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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