

**Regulatory Information**

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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:

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Ref	Annex.	Article.	Requirement	Relevant / Disclosure	Methodology Reference (Section / Title & Page)
<b>ESMA Reference:</b>					
<b>RTS on Article 23</b>					
	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.	Management Quality Scores assess the quality of companies' governance and management of their GHG emissions and of the risks and opportunities related to the low-carbon transition.	Section 1, Management Quality Framework, page 4 Section 2, Scores Overview, page 5
			(a) A description of the risks covered, where the ESG rating is assessing risks.	As a climate-transition framework, the Transition Pathway Initiative ('TPI') MQ model (driven by Environmental pillar only) is used to assess climate-related financial risk. The principle of double materiality does not apply to TPI MQ scores. The model addresses the opportunity to climate – the transition side of climate risk.	Section 1, Management Quality Framework, page 4 Section 2, Scores Overview, page 5
			(b) A description of the impacts covered, where the ESG rating is assessing impacts.	Up to 23 specific MQ indicators are used to map companies from Level 0 to Level 5. The assessment is based on publicly available data obtained from corporate disclosures such as Annual reports or Integrated Reporting, Corporate Sustainability Reports, press releases, corporate websites and CDP (a.k.a. Carbon Disclosure Project, an independent environmental disclosure system) data. It is designed to provide analysis on absolute impact/scores of companies' preparedness for the transition to a low-carbon economy, thus supporting efforts to address climate change.	Section 1, Management Quality Framework, page 4 Section 2, Scores Overview, page 5
			(c) Information on how the risk and impact materiality are taken into account according to the double materiality principle, where applicable.	The MQ Scores are driven by metrics identifying a company's governance and practices for carbon management and indicating its climate change policies, the extent of disclosures on emissions, whether the company has allocated Board responsibility for climate change, and the extent of its transition planning.	Section 1, Management Quality Framework, page 4 Section 2, Scores Overview, page 5
			(d) Where the ESG rating is based on other materiality dimensions, a description of those dimensions.	The Management Quality methodology has been developed by academics at the London School of Economics – Grantham Research Institute on Climate Change and the Environment through an iterative process of research, testing and review. More details about this process can be found on the TPI website: <a href="https://www.transitionpathwayinitiative.org/">https://www.transitionpathwayinitiative.org/</a>	Section 1, Management Quality Framework, page 4 Section 2, Scores Overview, page 5
Rating Product Disclosures	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.	The 23 MQ indicators are linked to a comprehensive set of Climate disclosure data metrics which are detailed in the subsequent section.	Section 3, MQ Indicators Assessment Methodology, pages 5-8
			(a) A description of what is covered under the E, S or G factors and which factors are aggregated, where applicable.	If a company does not acknowledge climate change as a significant issue for the business, it is placed on Level 0. However, if it does acknowledge climate change as a business issue, its Level will be determined by the following questions.	Section 3, MQ Indicators Assessment Methodology, pages 5-8
			(b) A description of the specific issues that the ESG rating covers.	A description of what is covered under the E factor can be found in steps 1 to 23 from MQ Score Calculation Methodology.	Section 3, MQ Indicators Assessment Methodology, pages 5-8
	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.	N/A - TPI does not represent an aggregated ESG rating. TPI MQ scores do not take Governance and Social factors into consideration.	Section 1, Management Quality Framework, page 4 Appendix 1 & 2, pages 16-22
	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 23 indicators used to assess a company's MQ level are linked to a comprehensive set of Climate disclosure data metrics which are detailed in the subsequent section. If a company does not acknowledge climate change as a significant issue for the business, it is placed on Level 0. However, if it does acknowledge climate change as a business issue, its Level will be determined by the following questions. Refer to Appendix 1 for associated data metrics to each MQ indicator and achieve the levels and Appendix 2 for detailed description of the data metrics.	Section 1, Management Quality Framework, page 4 Appendix 1 & 2, pages 16-22
	Annex III 1. j	N/A	Information on whether the rating is expressed in absolute or relative value.	The TPI MQ score is designed to provide analysis on absolute impact/scores of companies' preparedness for the transition to a low-carbon economy, thus supporting efforts to address climate change.	Section 1, Management Quality Framework, page 4 Section 3, MQ Indicators Assessment Methodology, pages 5-8
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.	Management Quality Scores assess the quality of companies' governance and management of their GHG emissions and of the risks and opportunities related to the low-carbon transition. As a climate-transition framework, the TPI MQ model (driven by Environmental pillar only) is used to assess climate-related financial risk. The model addresses the impact of company to climate – the transition side of climate risk in assessing the extent to which the company's policies, commitments, targets, and disclosed actions are aligned with the objectives of international agreements on environmental efforts such as the Paris Agreement (2015). The Paris Agreement's objectives, such as limiting global temperature increase to well below 2°C and pursuing efforts to limit it to 1.5°C, are relevant as benchmarks for evaluating climate related transition preparedness and environmental sustainability.	Section 2, Scores Overview, page 4 Section 3, MQ Indicators Methodology, pages 4-8 Appendix 1 & 2, pages 16-22	
		(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;		Section 2, Scores Overview, page 4 Section 3, MQ Indicators Methodology, pages 4-8 Appendix 1 & 2, pages 16-22	
			(b) Specify whether the rating is benchmarking commitments against the objectives of those agreements.		Section 2, Scores Overview, page 4 Section 3, MQ Indicators Methodology, pages 4-8 Appendix 1 & 2, pages 16-22
			An overview of the rating methodologies used and changes thereto, including whether analysis is backward-looking or forward-looking and the time horizon covered.	Management Quality Scores assess the quality of companies' governance and management of their GHG emissions and of the risks and opportunities related to the low-carbon transition.	
			(a) the title of the rating methodology used;	As a climate-transition framework, the TPI MQ model (driven by Environmental pillar only) is used to assess climate-related financial risk. The principle of double materiality does not apply to TPI MQ scores. The model addresses the impact of company to climate – the transition side of climate risk.	

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Basic Methodological Disclosures	Annex III.1.a	Article 4(1)	(b) a description of the types of rated items in relation to which the methodology referred to in point (a) applies	The assessment is based on publicly available data obtained from corporate disclosures such as Annual reports or Integrated Reporting, Corporate Sustainability Reports, press releases, corporate websites and CDP (a.k.a. Carbon Disclosure Project, an independent environmental disclosure system) data. Scores are calculated on an annual basis, reflecting the latest available disclosures and updates in company practices. It is designed to provide analysis on absolute impact/scores of companies' preparedness for the transition to a low-carbon economy, thus supporting efforts to address climate change.  The MQ Scores are driven by metrics identifying a company's governance and practices for carbon management and indicating its climate change policies, the extent of disclosures on emissions, whether the company has allocated Board responsibility for climate change, and the extent of its transition planning.  The Management Quality methodology has been developed by academics at the London School of Economics – Grantham Research Institute on Climate Change and the Environment through an iterative process of research, testing and review. More details about this process can be found on the TPI website: <a href="https://www.transitionpathwayinitiative.org/">https://www.transitionpathwayinitiative.org/</a>	Section 2, Scores Overview, page 4 Section 3, MQ Indicators Methodology, pages 4-8 Appendix 1 & 2, pages 16-22	
			(c) the time horizon over which the ESG rating is considered valid, where applicable			
			(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;			
			(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			
			(f) the dates of the most recent update of the methodology and a description of the changes introduced to the previous version.			
	Annex III.1.b	Article 4(2)	The industry classification used.	Issuing body: LSEG Name and version of Industry Classification used: Industry Classification Benchmark (ICB)   LSEG Link to the official documentation: <a href="#">Industry Classification Benchmark (ICB)   LSEG</a>	Model Change Log - Version Control Table, page 2	
			(a) The name of the issuing body for the industry classification used.			
			(b) The name and version of the industry classification used.			
Annex III.1.c	Article 4(3)	(c) Any publicly available link to the official documentation of the industry classification system, if available.	LSEG has a global team of over 600 content research specialists responsible for collecting and maintaining ESG and sustainability-related data. Within this organisation, more than 100 specialists focus on Climate Data (CD), supporting the production of climate-related datasets and scores, including TPI Management Quality Scores. This represents one of the biggest collection operations teams in the industry. With local language expertise and operating from different locations across the globe, we process a range of publicly available sources with the aim of providing up-to-date, objective and comprehensive coverage. The MQ Score algorithm incorporates 50+ carefully selected climate data metrics from a vast repository of over 400 measures. Each data measure undergoes a careful process to standardise the information, ensuring it's comparable across the entire range of companies in our Climate data universe.  Data for the model is obtained from corporate reports such as Annual or Integrated Reporting, specific Corporate Sustainability Reports including information reported under CSRD, press releases, corporate websites and CDP (f.k.a. Carbon Disclosure Project) data. The model does not consider disclosure frameworks reported under EU Taxonomy and/or SFDR. Estimated data or non-public information is not used in the assessment nor are TPI MQ scores based on scientific evidence. If data is not publicly available/reported the rated entity will be negatively impacted on its final TPI MQ score.  AI (NLP/ML) is used in a semi-automated manner at the data collection stage, which provides recommendations. However, all outputs are subject to data specialist review and validation before data is entered into the collection system. There is no data specialist discretion, all reviews are based on the policy and rules defined for collection of each data metric. There is no straight through processing (STP) for ESG data collection using AI.  The SFI tool provides recommended extract from public disclosures relevant to a given data metric, with a human reviewer making the final selection. The score calculation/rating process is algorithmic and does not use AI. The methodology is also not based on external scientific models or assumptions but relies on structured assessment of disclosed information.  MQ indicators prioritise data publicly disclosed by companies. Where such disclosures are not available, information is sourced from CDP (f.k.a. Carbon Disclosure Project) reports accessed by LSEG Data & Analytics customers via LSEG Products. CDP data is updated annually in Q4 and is incorporated into TPI MQ scores only where company-reported data is unavailable  Each company is contacted individually to check that all relevant publicly available information has been identified by LSEG. No privately submitted information is accepted, all data used by LSEG has to be substantiated with a public disclosure. This encourages transparency through the disclosure of ESG information and benefits the wider market.  The database is updated on a continuous basis – aligned with corporate reporting patterns – and data is refreshed on products every week, including the recalculation of the Management Quality scores. In most cases, reported Climate data is updated once a year in line with companies' own disclosure	Section 5, Data Collection Process, pages 10-11		
		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.				
		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 <a href="#">ESG Data Management Policy Statement available via LSEG's Regulatory Disclosures Website</a>	Refer to <b>ESG Ratings Data Management Policy Statement</b> document.
		Information on whether and how the rating methodologies are based on scientific evidence			Scores are not based on scientific evidence.	Section 5, Data Collection Process, pages 10-11
Annex III.1.e	Article 4(4)	Where applicable, describe the process for identifying relevant scientific evidence.				

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	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.	AI (NLP/ML) is used in a semi-automated manner at the data collection stage, which provides recommendations. However, all outputs are subject to data specialist review and validation before data is entered into the collection system. There is no analyst discretion, all reviews are based on the policy and rules defined for collection of each data metric. There is no straight through processing (STP) for ESG data collection using AI. The SFI tool provides recommended extract from public disclosures relevant to a given data metric, with a human reviewer making the final selection. The score calculation/rating process is algorithmic and does not use AI. The methodology is also not based on external scientific models or assumptions but relies on structured assessment of disclosed information.	Section 5, Data Collection Process, pages 10-11
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.	ESG rating providers, including LSEG, are inherently limited to information that is publicly available or otherwise accessible within the constraints of their data collection frameworks. As a result, certain relevant company information may not be captured where it is not disclosed publicly, is disclosed in non-standard formats, or is not readily identifiable through systematic collection processes. LSEG mitigates this limitation by applying a structured and transparent data sourcing methodology focused on publicly substantiated disclosures, supported by broad source coverage and specialist-driven review processes. In addition, companies are contacted to confirm that all relevant publicly available information has been considered, which enhances the completeness of the dataset while maintaining consistency and objectivity.	Section 6, sub-section 6.2, Data Limitations, page 12
			(a) the availability or consistency of data used in the rating process;	The TPI MQ score relies on the availability of publicly disclosed information, which may vary significantly across companies, sectors, and jurisdictions. Differences in reporting practices, regulatory requirements, and levels of disclosure maturity can result in incomplete, inconsistent, or non-comparable data inputs. LSEG mitigates these challenges through a standardised data collection and processing framework, including the use of defined indicator criteria, data normalisation procedures, and quality control processes. In addition, where relevant disclosures are not available, this is systematically reflected in the scoring methodology, ensuring consistent treatment across the coverage universe.	
			(b) the completeness, timeliness and accuracy of information;	The TPI MQ score is dependent on the timing and completeness of publicly disclosed company information, which is driven by corporate reporting cycles. As a result, there may be a delay between changes in a company's practices and their reflection in the model outputs, and assessments may only be updated once relevant disclosures are published. LSEG mitigates this through a structured monitoring and collection process, whereby defined company disclosures are tracked and incorporated once released. Scores are updated when a sufficiently complete set of relevant information is available, ensuring consistent application of the methodology across the coverage universe.	
			(c) the use of assumptions, proxy reference points and data estimation.	The TPI MQ score does not use assumptions, proxy reference points or data estimation in the scoring process: where relevant company disclosure is not available, it is not estimated or proxied, and the indicator is assessed in line with the published methodology.	
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.i	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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