GLASS LEWIS

Climate Intelligence

Transition Assessment Methodology

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2 Table of Contents

3 Executive Summary

Climate change is causing structural economic transformations to the competitive landscape of all industries. As markets, policies, and technologies evolve, companies will face rising pressure to adapt their strategies and operations. For investors and other stakeholders, understanding which companies are well-positioned for this transition has become essential.

Glass Lewis Climate Intelligence is designed to meet this need. It offers a systematic, forward-looking approach to assessing how climate mitigation may affect a company's future financial performance, and to what degree the company is strategically and operationally prepared to respond.

Our goal is to provide insights that are clear, comparable, and grounded in what matters most to investors: value creation as economies reduce emissions.

1 Introduction

Climate change is driving an economic transformation that is altering the competitive landscape across the economy. Shifts in markets, policies, and technologies are prompting companies to adjust their strategies and operations. For investors, assessing which companies are effectively handling this transition is increasingly important.

The Climate Intelligence Transition Assessment methodology is designed to meet this need. It offers a systematic, forward-looking approach to answer the following question:

How well is the company strategically and operationally positioned to succeed in an economy that values the reduction of greenhouse gases?

Each evaluation assesses the strength of a company's climate strategy, including how well it identifies and integrates material risks and opportunities; and its execution capacity, or ability to implement a strategy effectively through investments, and operational alignment. Evaluations are grounded in financial materiality and tailored to company-specific dynamics, using a consistent model to enable meaningful comparisons across companies and industries.

1.1 Overview of the Model

The model designates companies based on their scores along the Strategy and Execution dimensions. In turn, dimensions are based on themes which are, in turn, based on indicators, and finally, subindicators.

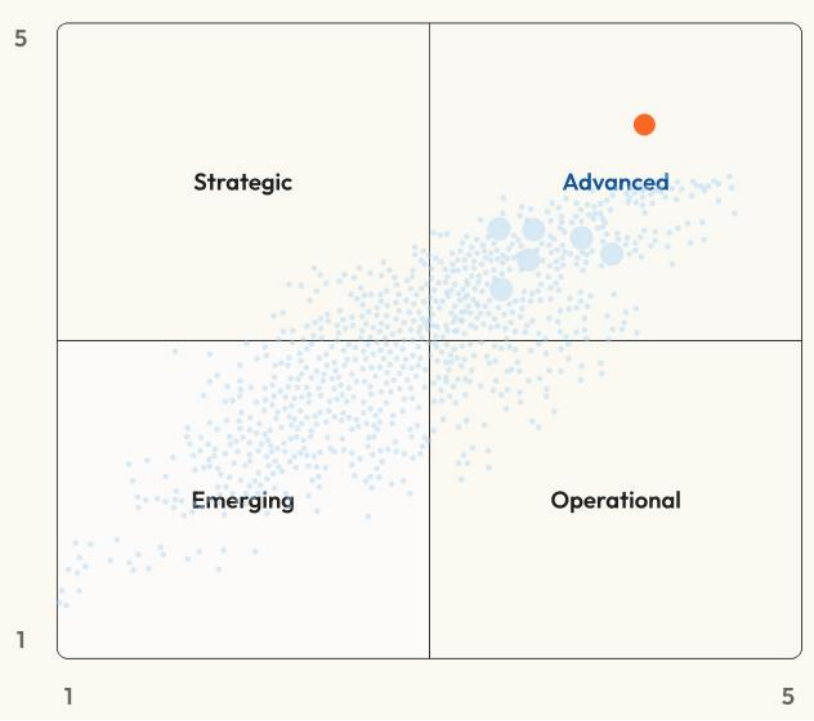


Figure 1. A visual representation of the top-level dimensions (Strategy and Execution) along with company's potential designation based on their scores along the two dimensions (Emerging, Strategic, Operational, Advanced).

The model is composed of:

a. **Top-level designation**
Each company is assigned a top-level designation in the form of the labels:

   a. Emerging

   b. Strategic – strong in Strategy

   c. Operational – strong in Execution

   d. Advanced – strong in both Strategy and Execution

This designation reflects its placement in a two-axis model assessing strategic alignment and ability to execute on climate commitments.

b. **Two dimensions**
Underlying the top-level designations we evaluate two core dimensions:

Strategy: assesses how companies identify financial goals, how they develop plans, and the quality of those plans.
Execution: assesses the company's internal/ external alignment, resource base, and financial progress.

c. **Assessment through themes and indicators**
Each dimension is broken down in themes, which are composed of multiple indicators representing essential components of climate readiness. Indicators evaluate generic corporate functions such as supply chain, capital allocation, governance, etc. All corporations have these functions. Indicators are all scored on 1-5 scales based on the internal logics of what it is they are designed to measure. Aggregations at the theme and dimension levels are weighted averages of indicator scores.

d. **Assessment through Business Activities**
While our methodology incorporates indicators of generic corporate functions that apply across all sectors, it is primarily structured around company- and subindustry-specific "Business Activities", or domains of corporate action that represent "what" companies do.

e. **Intersection of indicators and Business Activities**

Most indicators are evaluated multiple times per company, with a different score for each relevant Business Activity. These scores are weighted based on the Business Activity's financial materiality to determine an overall "indicator-level" score for that indicator.

For example, two Business Activities are Installing Solar in Manufacturing and Increasing Energy Efficiency. The methodology intersects these; for the indicator "Opportunity Identification and Capture," a company's score might include both their approach to identifying the opportunities related to Installing Solar in Manufacturing and to identifying the opportunities related to Increasing Energy Efficiency.

One consequence of this data structure is that Indicators and Business Activities are both co-equal building blocks for the evaluation. This is reflected in the assessment outputs, which are available for both Indicators (summarizing performance across business activities for a particular Indicator) and Business Activities (summarizing performance across indicators for a particular Business Activity).

f. **Evidence requirements**
Data are drawn from public disclosures, such as annual and sustainability reports, regulatory filings, and corporate policies.

1.2 Guiding Principles

Guiding Principles of the Climate Intelligence Transition Assessment methodology are:

1. Addressing needs for breadth and depth

This methodology combines two complementary approaches:

- *AI scalability* - produces reports for > 4,000 companies in a consistent manner that allows for comparison across > 140 subindustries.
- *Analyst experience*– adds sector expertise, understanding of disclosure bottlenecks, and the awareness of local business context.

This structure ensures broad comparability while enabling tailored assessments in high-impact cases.

2. Inclusion of opportunity *and* risk

The methodology incorporates both opportunity and risk signals within its model. Many existing models are risk centric. Our model explicitly evaluates:

- Strategic engagement with opportunities that are financially material within a transition context.
- Exposure to climate-related transition risks.

This design supports assessments aligned with medium-term financial performance.

3. Calibration to business realities

The evaluation does not impose a single transition pathway. Instead, it:

- Adapts scoring to subindustry, geography, and business model.
- Recognizes multiple valid transition strategies, at different paces.
- Assesses the quality of decisions made within the company's context.

The evaluation prioritizes realism, credibility, and relevance. It does not require companies to demonstrate alignment with specific climate targets or net-zero pathways. Instead, it assesses whether the company is strategically and operationally positioned to manage financial climate-related risks and opportunities.

The methodology assumes that executives understand their company best, and, therefore, does not pressure test the exact content of an executive decision. Rather, the methodology validates that executives have developed sound strategy *in the first place*. Sound strategies deal with financially material topics, are developed systematically, and are logically coherent. The Strategy indicators are designed to respect executive experience.

4. Insights for investors based on realistic business context

The methodology is structured to offer *investors* comparable insights to inform stewardship, research, and portfolio decision-making. It is designed to enable both universe-wide assessments as well as single company deep-dives.

5. A forward-looking methodology

The Glass Lewis Climate Transition Assessment is explicitly designed to be forward-looking. It does not dwell on past emissions performance or disclosure volume as proxies for climate readiness. Instead, it

evaluates whether a company is strategically and operationally prepared to navigate a changing economic environment shaped by climate transition.

Forward-looking elements include:

- Assessment of *Strategy* based on alignment with structural economic shifts, not historical commitments.
- Evaluation of *Execution* focused on future implementation potential, including resources, capabilities, and organizational decision-making.
- Calibration against subindustry-specific transition dynamics and evolving investor expectations.

This approach is designed to help users understand not where a company stands today, but how well-positioned it is for the future.

6. Transparent structure

The model applies a defined set of *Dimensions, Themes* and *Indicators*. Each evaluation:

- Is conducted using clearly defined scoring based on well-defined data.
- Supports interpretation by users across the capital markets.

The ability to trace data to evaluations reduces ambiguity and enhances confidence in use.

7. Alignment with standards, not dependency

The methodology is designed with frameworks in mind such as *TCFD/ IFRS S2*, ensuring familiarity and compatibility. However, it does not depend on full alignment with any one external standard. This independence allows the evaluation to remain forward-looking and adaptable to regulatory change.

8. Governance and ongoing adaptation

To maintain relevance, the methodology is reviewed periodically to reflect:

- Updates in climate science and economics.
- Changes in regulatory expectations.
- Evolving market norms and best practices.

All updates are documented and governed to preserve Methodological integrity and continuity over time.

1.3 Evidence base, Methodology Development and Validation

The methodology is evidence-based and was developed using established statistical and methodological practices. This section describes the scientific, technical, and sector-specific evidence on which the assessment system draws, the process used to identify and incorporate relevant scientific evidence, and the principles applied to test whether the system measures what it is intended to measure.

What the model is built on

The methodology draws on three sources of evidence:

- **Scientific research on company value:** The indicators are informed by relevant academic research in management, finance, and related fields on the factors that drive the creation, preservation, and erosion of enterprise value.
- **Technical and sector-specific evidence on how industries change:** The exposures defined for each sector reflect a structured review of how industries may evolve over the assessment horizon. Relevant sources may include academic literature, transition roadmaps, analyses published by public bodies and international organizations (including the International Energy Agency) and disclosures made by leading industry participants.
- **Statistical methods for consistent scoring and validation:** Indicator results are converted into comparable scores using documented scoring criteria, common scoring scales, and weights. The methodology is also tested using established statistical methods. In particular, exploratory factor analysis is used as an empirical check on whether groups of indicators reflect the intended underlying dimensions. The resulting factor loadings help assess the strength and direction of the relationship between individual indicators and those dimensions.

Relevant scientific evidence is identified through structured desk-based research, including reviews of academic literature, standards, and authoritative guidelines. Sources are assessed for credibility and relevance before determining whether they should inform the methodology. Where relevant scientific evidence is available and applicable, it is incorporated into the assessment system and referenced in the methodology documentation. Technical and sector-specific sources, including sector roadmaps and industry disclosures, may also be considered where appropriate.[1]

The methodology is informed by, but not dependent on, any single external framework, roadmap, or scientific standard. Where external evidence involves assumptions, uncertainties, or limitations, these are considered when determining how the evidence should inform the methodology. Further information is provided in the Regulatory Disclosures section under “Scientific basis of the methodology.”

How we built and tested it

In developing the framework, we applied a set of statistical and design practices covering theoretical coherence, empirical performance, and methodological transparency. We addressed the following areas:

- **Dimensional structure.** The model is organized into distinct high-level dimensions, each measured by a group of related indicators. We established a clear hierarchy, organizing specific indicators under

[1] Exploratory factor analysis tests whether indicators group into underlying dimensions. Factor loadings show how strongly each indicator relates to a factor. For example, strong loadings for Board Oversight, Strategy Development Process, Assumptions & Scenarios, and Executive Leadership may support their grouping under Strategy Governance. These are validation diagnostics, not final scoring weights unless explicitly used as such.

consistent themes and dimensions. Exploratory factor analysis was used as one empirical check on whether indicators group together in a manner consistent with the intended structure.

- **Comprehensive coverage.** The indicators within each dimension should span the relevant scope of what that dimension is intended to measure. We reviewed each level of the framework (indicators, scoring criteria, themes, and dimensions) to assess whether the model captures the relevant components of the intended assessment without unnecessary duplication
- **Indicator–dimension relationships.** Indicators should relate meaningfully to the dimensions they are intended to measure. We reviewed factor loadings and related diagnostic results to assess whether indicators display an appropriate relationship with their intended dimensions. These statistical checks were considered alongside methodological judgment and were not treated as a substitute for it.
- **Correlation between indicators.** Indicators within the same dimension should relate to one another in ways that are conceptually coherent, while avoiding excessive overlap. We examined correlations between indicators and the results of the exploratory factor analysis to identify relationships that were weaker, stronger, or less clearly differentiated than intended.
- **Measurement transparency.** Indicators should be understandable and interpretable. We designed indicator labels, scoring criteria, themes, and dimension labels so that a reader can understand what each component measures and how it contributes to the assessment.
- **Scoring reproducibility.** Independent assessors (whether human analysts or AI-based) should reach similar conclusions when applying the same criteria to the same evidence. We developed explicit scoring criteria and tested their application across raters to assess the consistency and reliability of the scoring process.

These principles are applied as part of the methodology development and review process.

2 Model Architecture

Company scoring starts at a detailed level, which is then summarized at higher, more abstract levels. Detailed measurements are both numerical (i.e., the company gets a score) and descriptive (i.e., why did the company get that score?). Therefore, more abstract measurements summarize both the scores (i.e., weighted averages) and the descriptions (i.e., a narrative summary of multiple scores). Moving from detailed to abstract, we have indicators, themes, and dimensions. Moreover, we assess Strategy and Execution Indicators through financially material, transition-relevant business activities, ensuring insights that reflect each company's true strategic and economic reality.

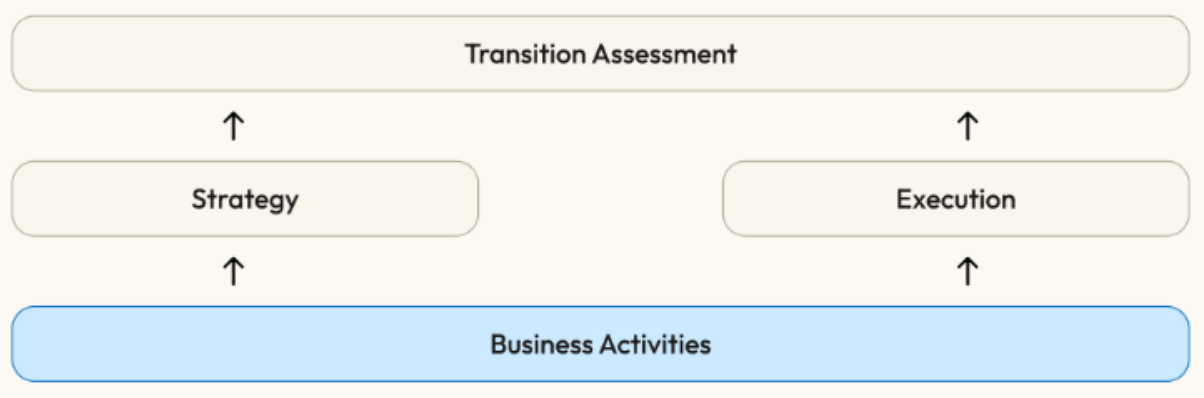


Figure 2. A visual representation of the Transition Assessment model representing the assessment of Strategy and Execution indicators anchored in Business Activities.

2.1 Dimensions

The Strategy dimension evaluates whether a company has demonstrated foresight in planning for climate-related activities that are financially material to its business. It focuses on the clarity, credibility, and relevance of the company's stated climate-related goals and plans. The assessment considers whether these Business Activities are treated as a core element of corporate strategy and whether the company has articulated a coherent approach that aligns with expected shifts in policy, market dynamics, and technological change.

The Execution dimension evaluates whether a company is operationally prepared to implement its climate-related strategy. It focuses on alignment, resources, and financial performance. The assessment considers whether the company has the internal capabilities to act on stated goals, including financial and organizational alignment. It is evidence-oriented and forward-looking, reflecting a company's ability to respond to transition dynamics through concrete actions and institutional readiness.

2.2 Themes, Indicators and Subindicators

The model is organized around a fixed set of themes that apply across all subindustries. These themes represent the key elements of a company's strategic and operational preparedness for climate-related

transition. Each theme is supported by multiple indicators, which are assessed for their financial materiality at the company level and, where relevant, for each of the company's Business Activities.

At a high level, themes represent a linear approach to developing a strategy and then executing it. To develop a strategy, companies first identify what is financially material to them. Boards deputize executives to engage the company to develop a strategy. The result is (hopefully) a rigorous operational plan. Executives then signal what the strategy is. They coordinate existing resources to execute the plan, or, if the resources do not exist, they develop them. In light of the resource needs, companies invest, and then reap the financial outcomes, whatever those may be.

The full indicator overview is as follows:

Dimension	Theme	Indicator
Strategy	Climate Opportunities & Risks	Opportunity Identification & Capture
		Risk Identification & Mitigation
	Strategy Governance	Board Oversight*
		Strategy Development Process*
		Assumptions & Scenarios*
		Executive Leadership*
	Strategic Direction	Pathway Prioritization
		Competitive Differentiation
		Plan Feasibility
		Alignment with Core Strategy
Execution	Organizational Alignment	Organizational Capacity*
		External Alignment*
	Resources	Talent*
		Core Assets
		Supply Chain
		Market Traction
		Funding
		Resource Integration
	Business Value Creation	Capital Allocation
		Financial Performance

**Starred indicators are only assessed once per company. Other indicators are assessed for each relevant Business Activity, with these scores aggregated.*

To support indicator measurements, indicators are assessed on different underlying considerations, called subindicators. These are internal measurements aimed at providing consistent and client ready analysis and scoring on the indicator level. Please refer to Annex 5 for the overview of subindicators used.

Strategy Indicators

This dimension assesses the company's vision and tactical priorities. The Strategy dimension has three themes: whether the company identifies financially material risks and opportunities; the governance process through which companies generate a strategy; and the quality of its strategic plans and direction.

The following describes each of these themes and mentions the indicators designed to measure them. Appendix 5 provides a definition of each indicator and a description of the meaning of each score on a 1-5 basis.

- **Climate Opportunities & Risks**
  Assesses whether the company demonstrates awareness of financially material climate-related opportunities and risks associated with its Business Activities. Identification is a foundational requirement for effective climate strategy and execution. The indicators that compose this theme are:

  Opportunity Identification & Capture

  Risk Identification & Mitigation

- **Strategy Governance**
  Assesses first if the board and executives have mandates aligned with climate-related Business Activities. Then, evaluates whether the company has established structured methods to assess, prioritize, and incorporate climate considerations into their strategy. Finally, evaluates executive mandates. The indicators that compose this theme are:

  Board Oversight

  Strategy Development Process

  Assumptions & Scenarios

  Executive Leadership

- **Strategic Direction**
  Assesses the coherence and credibility of the company's stated climate strategy. This includes whether the strategy is realistic, internally consistent, and based on a clear sequence of actions aligned with the company's broader business model and subindustry dynamics. The indicators that compose this theme are:

  Pathway Prioritization

  Competitive Differentiation

  Plan Feasibility

  Alignment with Core Strategy

Execution Dimension Themes:

The Execution dimension has three themes: the company's internal/external alignment; the sufficiency of its resources; and its ability to execute plans that deliver financial outcomes. These themes and relevant indicators are described below.

- **Organizational Alignment**
  Evaluates governance and internal accountability structures related to climate. This includes the allocation of responsibilities and oversight mechanisms to ensure climate is integrated into key decisions and performance management. The indicators that compose this theme are:

  Organizational Capacity

  External Alignment

- **Resources**
  Assesses whether the company has adequate resources to implement climate-related strategies. These are evaluated for each Business Activity in turn, as different Business Activities have different resourcing needs. The indicators that compose theme are:

  Talent

  Core Assets

  Supply Chain

  Market Traction

  Funding

  Resource Integration

- **Business Value Creation**
  Assesses capital volume allocated to climate-relevant Business Activities, along with intentionality of that investment. Assesses also the financial outcomes of corporate actions through its Business Activities, with a focus on revenue, value protection, and profitability. The indicators that compose this theme are:

  Capital Allocation

  Financial Performance

2.3 Indicator Scoring

In practice, while the themes above represent a linear movement from the identification of financially material topics to financial outcomes, indicator scoring is amenable to many company approaches, including the preference for non-linear, agile, or decentralized decision-making.

All measurements are done on a 1-5 scale. 1 is low/weak and 5 is high/strong. See Appendix 5 for a detailed breakdown of the scoring rubric for each indicator. Scoring criteria are designed to ensure consistency and comparability across subindustries and companies. Scoring is:

Structured to accommodate different strategic approaches
The scoring recognizes that credible climate preparedness may take different forms. Companies are assessed based on the quality and coherence of their response, not on alignment with specific terminology or external targets.

Faithful to business dynamics

Indicators are designed to reflect both how management approaches business decisions (inputs) and financial outcomes (outputs). The indicators represent a "logic" that gives companies multiple pathways to high scores.

Auditable

Scoring criteria are explicit about the economic or business realities a company may face at different levels of maturity, along with admissible evidence. Scoring criteria are designed with many criteria in mind including the need of objective criteria over subjective criteria (e.g., arbitrary thresholds), comparability to all subindustries and Business Activities, and sensitivity to disclosure realities while focusing primarily on business norms.

2.4 Business Activities

Although indicators reflect generic corporate functions that apply across all economies, our methodology does not take a generic approach to evaluating them across all companies. Instead, "Business Activities" structure how indicator scoring is applied to each company based on their subindustry and company-specific operations. Business Activities are domains of corporate action that represent "what" companies do.

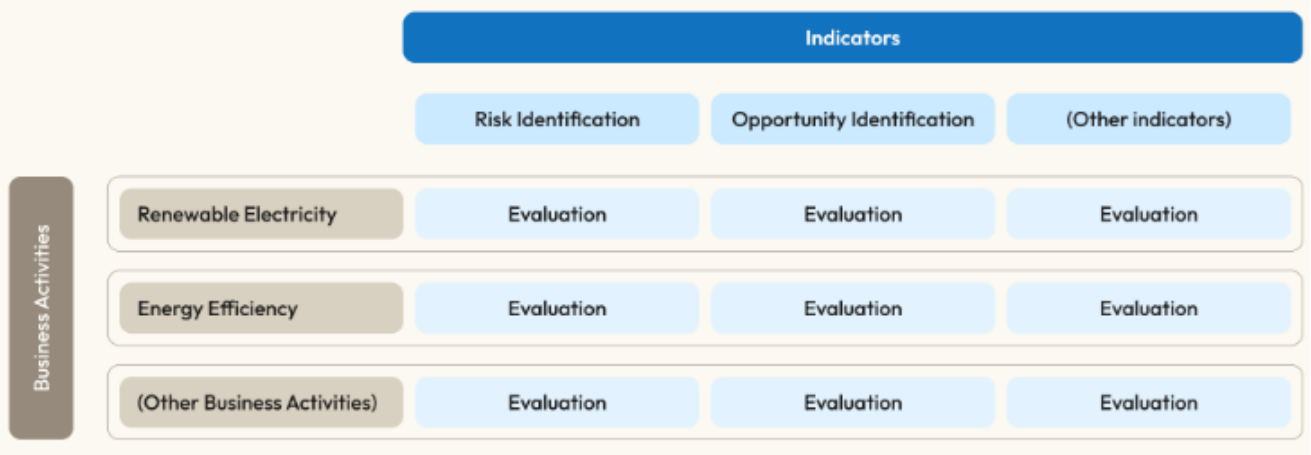


Figure 3. A visual representation of the evaluation performed at the intersection of Business Activities and indicators. Relevant indicators are evaluated for each Business Activity, and vice versa.

While some indicators are scored agnostic of Business Activity, others are scored multiple times, one for each Business Activity. The reason for this is that the company's Strategy or Execution for each Business Activity is probably different.

A Business Activity is anything financially material that stems from the economics of climate mitigation. There are four types of Business Activities:

- **Producing** – this is a Business Activity in which a good or services is sold that reduces greenhouse gases. Examples include the manufacturing of a solar panel, the sale of a paper product produced through sustainable forestry or an energy efficiency widget for installation in factories. These events must be in the "physical" economy and relate to either reduced emissions or increased carbon drawdown. All other Business Activities below must relate to a Production Business Activity in some way.
- **Buying** – this is a Business Activity that is related to the purchasing of a good or service that reduces greenhouse gases. For example, a company buying low emissions electricity or low-emission refrigerants is performing this kind of Business Activity. Most Producer Business Activities will have analogous Buyer Business Activities.
- **Intermediating**– this is a Business Activity that does not directly reduce GHGs but establishes the infrastructure that may later allow a Producer/ Buyer pair to do so. For example, a Utility investing in its electrical grid is not necessarily reducing emissions through that event – but sets up the "hard" infrastructure that may allow for low-emissions electricity to be sold.
- **Enabling**– these are all other Business Activities that enable any of the previous Business Activities (Production, Buying, Intermediating) to operate. For example, Legal companies or Consultancies may monetize services that enable decarbonization infrastructure. As another example, software companies that digitalize hardware enable this type of Business Activity if that digitalization enables the reduction of emissions.

These definitions have several consequences:

- **Companies need not frame their Business Activities in terms of climate mitigation**.
    - For example, a manufacturing plant that describes an energy efficiency gain simply as a reduction in the Cost of Goods Sold may receive high scores in this methodology even if the company does not cite the reduction of greenhouse gases as a goal.
- **The means of monetizing a GHG reduction activity need not be related to the GHG reduction itself.**
    - For example, an electric truck buyer may pay a premium for its high-quality performance, rather than for its carbon profile. A company buying such a truck may receive high scores if its financial logic is clear.
- **A claim at sustainable behaviour that is not clearly aligned with any of the four types of Business Activities might not be included at all.**

Together, these consequences explain some of the difference between scores produced through this methodology and other methodologies. These consequences also set the stage for the data

operationalization explored below, such as higher reliance on reports certified by financial officers and lower reliance on sustainability reports.

The general principles by which Business Activities are defined, identified and weighted form part of this methodology. The specific Business Activity itself, the catalogue of activities and their subindustry mappings, are the more granular, regularly maintained layer beneath those principles. This allows it to be kept current with the evolving economics of climate mitigation without each routine update constituting a change to the methodology.

Business Activities are generated based on bottom-up, top-down, and lateral-out considerations.

- The bottom-up generation is a synthesis of documents from bank, NGO, industry group, academic, and leading company annual reports.
- The top-down generation supplements the bottom-up results based on a theoretical model of climate mitigation. The theoretical model models each subindustry's exposure to a lower-GHG economy along multiple axes. One axis is the company's role in GHG supply chains: as producers, consumers, intermediary or enablers of lower GHG products. Another axis is content area: energy, material efficiency, land use, etc.
- Lateral-out generation compares Business Activities across subindustries and generates more Business Activities based on cross-subindustry dynamics. For example, if a subindustry may produce a low-GHG product, it is important to consider which subindustries may buy it.

Appendix 6 provides an example of the Business Activities for a subindustry.

While indicators are normative assessments, Business Activities are not. That is, the methodology expects the company to address a Business Activity, but it does not have a pre-defined assumption about what a company is to do. So, for example, if a company does a rigorous financial evaluation of their supply chain vulnerabilities for renewable panel access and determines that their best course of action is to do nothing, the company may still earn top scores.

2.5 Business Activity Importance Weights

When indicators are evaluated at the Business Activity level, indicator-level scores are produced by a weighted average across Business Activities. Importance weights are based on the likelihood that they may impact company financial health, and the size of that impact. Importance weights are a direct function of these two. Both are defined on a 1-5 scale.

Business Activity Likelihood is a directional estimation and is estimated relative to a scenario. It is defined as:

- **5 – Almost certain** to impact company financial health in the scenario
- **4 – More likely** to impact than not
- **3 – Equal chances** to impact
- **2 – More likely not to impact** than to impact
- **1 – Almost certain to not impact** company financial health in the scenario

Likelihood and impact are estimated as conditional; first likelihood is evaluated and then, impact is defined as "If the event happens, what would be the impact?"

Business Activity Impact is influenced by standard Audit financial materiality designations. It is defined as:

- **5 – Critical Exposure**: Expected existential stakes (probability-weighted outcome threatens business model viability or establishes a stand-alone win).
- **4 – Major Exposure**: Expected strategic significance (probability-weighted outcome reshapes enterprise direction or capital allocation).
- **3 – Moderate Exposure**: Expected operational materiality (probability-weighted outcome visibly impacts earnings/resources).
- **2 – Limited Exposure**: Expected localized effect (probability-weighted outcome matters for processes or local ops but not enterprise-wide).
- **1 – Minimal Exposure**: Expected immateriality (probability-weighted outcome too small to influence financials or strategy).

Likelihood and impact are combined to produce an importance weight that is also on a 1-5 scale. This approach is analogous to the Expected Value framework: Expected Value = Probability * Value. Importance weights, likelihood and impact vary based on scenarios.

3 Model Application

The Model is applied, first, by specifying the future outlooks that a company may be subject to. Second, model application requires a detailed understanding of a company's financial exposure to climate mitigation, termed their "Business Activities." Third, a company's response to these exposure types is evaluated through Indicators. Finally, indicators are summarized to produce dimensional summaries. Each of these is described below.

3.1 Climate Scenarios

A "Scenario" is narrative description of a plausible future economic outlook. Scenarios are used to determine how climate mitigation may influence company business realities over the comping five to seven years. Their role in the methodology is to shape the weighting and scoring to reflect expected business realities, including by:

- Considering which financially material Business Activities are more likely to occur, and what their impact on company financial health may be.
- Evaluating the strength of the company's strategy development process

Scenarios are outlooks on a five to seven (5 to 7) year time horizon. This time horizon is selected to align with typical corporate strategy and capital allocation cycles. This window emphasizes medium-term actions over speculative long-term aspirations. This means, for example, that the mere presence of a company's 2050 Net Zero goals is not directly relevant to company's scores, unless those goals have clear financial consequences for capital allocation and profitability profile within the next seven years.

Scenarios are not predictions. They are macroeconomic narratives about potential futures written in sufficient detail to inform our evaluation of every Business Activity in every subindustry. The methodology employs two scenarios, Contested Transition and Entrenched Economies, described below. One of these two scenarios is applied to each company based on the country of their headquarters.

Scenario 1: Contested Transition

This business environment is defined by a non-linear but determined progression toward decarbonization, creating a landscape of significant green market opportunity and high policy risk. (This is not a "sustainability" scenario; this is closer to a SSP2 but varies in certain business dynamics).

- Key Corporate Opportunities:
  - Substantial returns are possible by leveraging green subsidies, favorable financing, and growing consumer demand for low-carbon solutions.
  - Market leadership can be established by developing and scaling clean technologies and services ahead of competitors.
- Key Corporate Risks:
  - Abrupt policy shifts can undermine the business case for medium-term, low-GHG capital investments.

- Companies face a rising cost of capital and declining market share for high-emission assets and products.

Scenario 2: Entrenched Economies

This business environment is defined by significant inertia supporting traditional, fossil-fuel-based economic models, where the viability of low-GHG investments is driven primarily by international market pressures and technology spillovers.

- Key Corporate Opportunities:
  - Adopting globally cost-competitive efficiencies, made viable by international market inertia, can enhance energy reliability and reduce operational costs.
  - Companies can align with national industrial strategies to capture powerful export opportunities and become global leaders in specific high-demand technologies.
- Key Corporate Risk:
  - Firms reliant on exports face significant market access risk from carbon border adjustments and international supply chain requirements.

Each of these scenarios is used to structure the use of Business Activities, the topic of the next section.

3.2 Identification of a Company's Business Activities

Business Activities structure how the indicator scoring works. This is done in several steps.

1. Companies are classified by subindustries to generate a candidate set of Business Activities.
2. The candidate set of Business Activities is refined.
   - Steps are taken to ensure that all companies have at least two Business Activities.
3. The company is allocated to a scenario.
4. Based on its scenario, importance weights are selected for each Business Activity.
5. The importance weights of a company's Business Activities are summated to determine the materiality of climate mitigation to its financial outcomes.

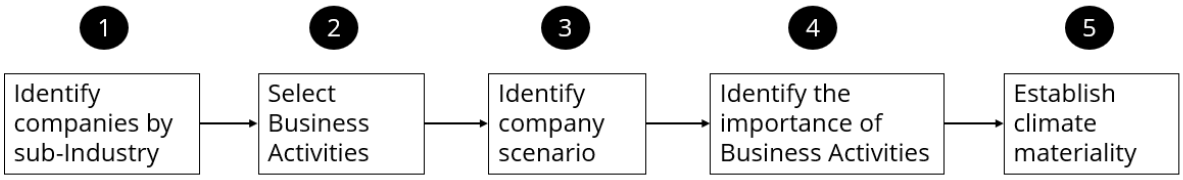


Figure 4. The flow through which a company's Business Activities are identified.

The steps are the following:

Step 1 - Classify companies by subindustry

Classify companies by subindustry to identify candidate Business Activities.

Classify companies by subindustry to identify candidate Business Activities The starting place for company analysis is to identify its subindustry (see section 5.3 for more information about the industry classification system). Each company is assigned one of 140 primary subindustries. This allocates a default set of Business Activities to the company based on its subindustry. At the end of the analysis, company scores are interpreted in relation to peer groups and subindustry-specific assumptions.

> ***Example:*** *A company is classified in the Electrical Utilities subindustry, and therefore, the Business Activities standard to that subindustry become its candidate Business Activities.*

Step 2 - Refine Business Activities

Select Business Activities that best represent the company.

Every subindustry includes a small number of Business Activities that all companies are expected to address. However, no company is a perfect reflection of its subindustry. For this reason, we review each company's business and operations to determine which of the candidate Business Activities are appropriate to apply.

- **Subtraction of Business Activities**. Companies might not engage in all Business Activities standard to their subindustry. To establish whether a Business Activity applies to a company or not, a first initial pass is done to evaluate whether the company explicitly states that the Business Activity is financially material to it and/ or has significant plans for it.
- **Addition of Business Activities from non-default subindustries**. Some companies engage in climate-related Business Activities that are not standard to their subindustry. This may happen as companies diversify their revenue streams.

This process generates a list of company-specific Business Activities.

> ***Example:*** *An Engineering company enters the Wind Turbines business and decides to start selling electricity. Therefore, it is now engaging in Business Activities traditionally reserved for Electrical Utilities.*

Step 3 - Identify scoring criteria and weighting

Determine which scenario is most likely to happen to a company (based on the country of its headquarters) and use the scenario to determine importance weights of Business Activities.

Companies are then allocated to a scenario based on the country of their headquarters. These scenarios inform indicator and Business Activity weighting, evaluation criteria, and the interpretation of company disclosures.

> ***Example:*** *In the Building Materials subindustry, a cement company has its headquarters in France. Therefore, it is classified in a scenario that is more likely to apply to France; as a result, its plan*

addressing thermal energy efficiency is considered more important for profitability than carbon capture because, under this scenario, medium-term carbon capture is unlikely to generate revenue or cost reductions at scale.

Step 4 - Establish climate materiality

Use importance weights to establish the materiality of climate mitigation to a company's financial health.

Businesses Activities are used to determine how financially material climate mitigation is to the company overall.

> ***Example:*** *A Restaurants company does not consider climate mitigation to be particularly relevant to its food operations. However, it has significant Real Estate holdings and has started investing significantly in its energy efficiency. This increases that company's climate mitigation materiality. Because it has several other moderate importance Business Activities, climate change is deemed only moderately important to it.*

3.3 Indicator Level Scoring

While certain indicators are only evaluated once per company, most are evaluated multiple times per company, with a different score for each relevant Business Activity.

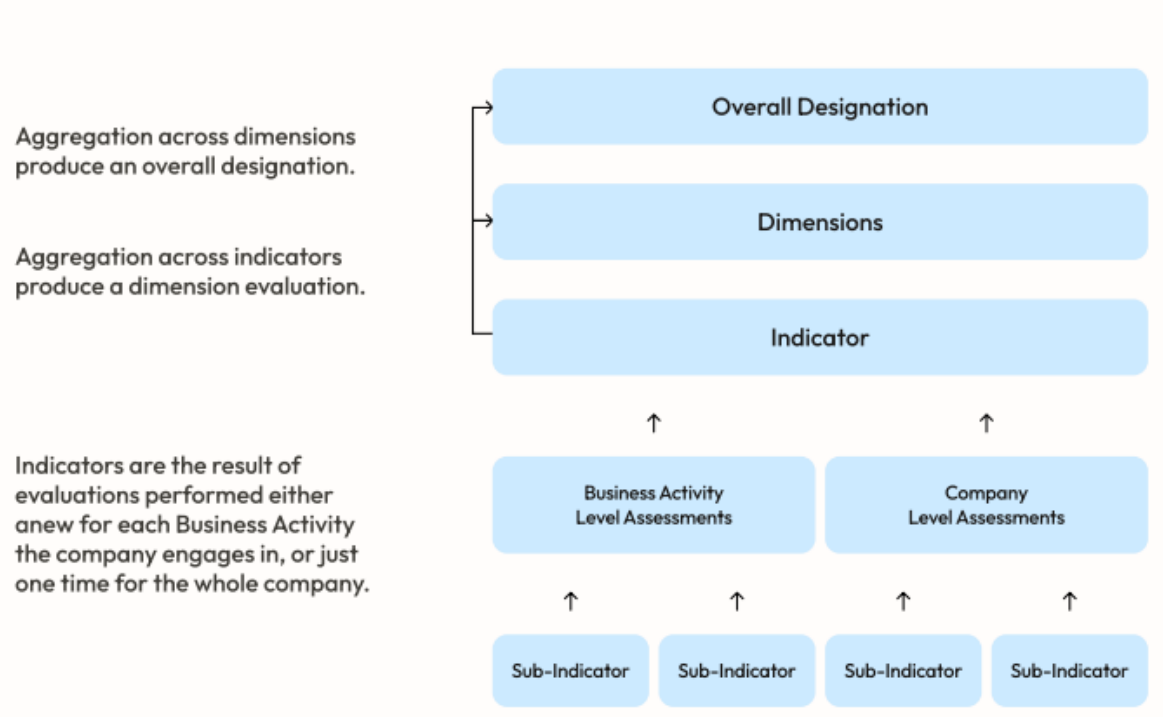
- Where an indicator is only evaluated once, that represents the only score for the indicator.
- Where multiple Business Activities are evaluated, the indicator-level score comprises a weighted aggregate of the scores for each Business Activity.

> ***Example****: A solar company's Business Activities include "Renewable Electricity Installation" and "Grid Modernization". Each relevant indicator (Risks Evaluated, Asset Base, Financial Outcomes etc) is evaluated multiple times, once in relation to Renewable Electricity Installation, once in relation to Grid Modernization, and once in relation to each other Business Activity the company is engaged in.*

3.4 Score Aggregation Logic

Scores are aggregated across all indicators. Each aggregation is both quantitative and qualitative. Quantitative aggregation refers to how numerical indicator-level scores are brought together to produce higher-order designations. Qualitative aggregation refers to natural language summaries of the rationale produced to explain indicator scores.

There are several levels of aggregation:



Aggregating Across Business Activities

If an indicator is evaluated at the Business Activity level, Business Activity importance weights are used to determine the indicator-level score using the following formula:

$$Indicator - level\ Score = \frac{\Sigma(\boldsymbol{Business\ Activity\ Score}\ (for\ that\ indicator) x\ BA\ Weight)}{\Sigma(BA\ Weights)}$$

These indicator-level scores are then aggregated, along with the scores for indicators that are not evaluated at the Business Activity level, in the following step.

Aggregating Across Indicators

Once indicator-level scores are established, they are aggregated further to produce higher level summaries (including themes and dimensions) as follows:

Two example indicator scores and their aggregation	**Example Score** (on a 1-5 scale)	**Example Rationale**	**Example Indicator Weight** (on a 0-1 scale)
Risk Identification & Mitigation	4.6	The company identified risks well for all Business Activities but only identified mitigation plans for some.	0.15
Strategy Development Process	2.8	The company has a formal strategy development process, but its format is opaque and it is not clear which stakeholders are involved.	0.10
Other indicators not represented.			
Aggregation (quantitative and qualitative)	((4.6x.15) +(2.8x.1)) /(.15+.1)= 3.88 ~ 3.9	The company identified risks well but does not have executive mandates associated with those risks.	

The **final designation** (Emerging, Operational, Strategic, Advanced) is determined based on quantitative positioning along the Strategy and Execution dimensions. This is based on a weighted average, across scored indicators. Dimension scores (for Strategy and Execution) are calculated as weighted averages of underlying indicator-level scores like so:

$$Dimension\ Score = \frac{\Sigma(\boldsymbol{Indicator - Level\ Score}\ x\ Indicator\ Weight)}{\Sigma(Indicator\ Weights)}$$

4 Production Systems

This section details the production system for generating company analyses. The process applies the model outlined previously to ensure score accuracy and actionable insights.

4.1 Coverage Universe

The company universe is the list of companies for which reports are produced.

- **Scope:** The universe is restricted to large cap, publicly traded global companies. This includes both developed economies and emerging markets. A focus on public equity defines the scope of financial materiality (e.g., excluding venture-style speculative investments) and informs the identification of relevant Business Activities.
- **Heterogeneity:** The global nature of the universe exposes firms to diverse regulatory regimes, demand drivers, and competitive landscapes. This is essential for identifying company-specific Business Activities and local scenario constraints.

4.2 The Role of Analysts and Technologies

The production system relies on a hybrid model of human analysts and artificial intelligence (AI) agents: analysts provide subject-matter expertise and oversight; AI provides scaled execution of analyst-defined rules. Most AI agents are large language models (LLMs), though the system also uses other machine-learning and automation agents.

The role of analysts. Analysts generate the knowledge inputs and reasoning guidance the system runs on, including subindustry-specific Business Activities and indicator inputs; they design and supervise the system architecture; and they provide review at different points in the research process, such as document collection, scoring, and the writing of analyses and summaries.

The role of AI. Within boundaries set by analysts, AI acquires and classifies public corporate disclosures, extracts data from them, applies the methodology's scoring rules to that evidence to produce scores and rationales, maintains an auditable citation trail from source data through to the final summaries, and drafts those summaries from the scored results. The AI applies the methodology; it does not generate conclusions of its own.

A fuller description of how AI is used, together with its limitations, risks, and the governance controls applied to it, is provided in Section 5.5.

4.3 Data used

All evaluations are grounded in public, company-disclosed data. The table below summarises the principal information types and their role; a fuller account of sources, processes, assurance, update frequency and quality controls is provided in Section 5.4.

Information Types	Example data from the public domain	How data this is used
Annual Reports (ARs)	10-K; Annual Information Form; Annual Securities Report; Universal Registration Document	All indicators are grounded in ARs; for those sub-indicators that only allow CFO-signed-off information, the AR may be the only input
Climate-related reports	Sustainability reports (may be part of the AR); climate reports; emissions disclosures; environmental policies	Provides supplemental information beyond the AR for financially material Business Activities as defined in the AR
Investor strategy exposition	Investor Day presentations; earning call transcripts; proxy statements	Provides details for the business model and operational focus areas
Topical disclosures	governance charters; supply chain policies	Often used per-indicator, e.g., Governance Charters used in the Board Oversight indicator
Other	Other regulatory filings (e.g., 8k); news briefings; bond documents; audit reports	Supplements the AR and climate reports

4.4 Score Accuracy and Validation

Score accuracy rests on three things: validation that the model measures what it is intended to measure, the AI guardrails and governance described in Section 5.5, and the data-quality controls described in Section 5.4. This section covers the first; the other two are cross-referenced rather than repeated.

Validating the model: The model was developed using empirically grounded steps so that its measurements meet econometric best practice alongside investor and issuer needs, including the structural checks described in Section 1.3. Company evaluations are then validated on a rolling basis to confirm that scoring criteria apply consistently across subindustries and that scoring is systematic, reliable, and unbiased. Because many components are common across companies, a structural issue identified in one case is examined across others, lowering the chance that the same issue recurs elsewhere.

Validating the scoring: Scoring reproducibility is tested by comparing how independent assessors, human or AI, score the same evidence against the same criteria; explicit scoring criteria are the basis for that consistency. Where the model relies on AI to apply those criteria, the guardrails that keep its output faithful to the methodology, and the three-level human governance that reviews it, are set out in Section 5.5. Where accuracy depends on the underlying data, the quality controls and the remediation process for correcting errors, individually or systematically, are set out in Section 5.4.

5 Regulatory Disclosures

This section provides the disclosures required by Annex III of Regulation (EU) 2024/3005 (the "ESG Rating Regulation"), as specified by the Commission Delegated Regulation containing the regulatory technical standards (the "RTS").

5.1 Regulatory status of the product

The Climate Intelligence Transition Assessment is an ESG rating within the meaning of Article 3, point (1), of Regulation (EU) 2024/3005. This section provides disclosures required under this regulation.

Classifying the product as in scope does not change what it is or how it should be used. Each assessment represents the opinion of Glass Lewis at its date of issuance, formed by applying this methodology to publicly available information; it does not represent a statement of fact. It is a forward-looking assessment of climate-transition positioning with a financial materiality lens, not a measure of a company's overall sustainability, not a measure of environmental impact, and not investment advice.

5.2 Objective, scope and materiality basis

Objective

The product assesses whether a company is strategically and operationally positioned to preserve and create enterprise value as economies increasingly value the reduction of greenhouse gas emissions over the assessment horizon. The assessment considers the potential financial implications of a company's exposure to, and response to, climate-mitigation dynamics.

Rated items and coverage

The methodology applies to large-cap, publicly traded companies within the covered universe. It is not designed for, and is generally not applied to, other entities relevant for investors, including sovereigns or sub-sovereigns, commodities, and funds.

Materiality basis

The product is a single materiality assessment, focused on financial materiality. It evaluates how climate-transition dynamics may affect the company's financial outcomes. It does not assess the company's impact on the environment or society and is therefore not a double-materiality assessment. Environmental or social impacts are relevant only where they themselves change the company's financial outlook in the assessment horizon. Because the basis is financial materiality, exposure is recognised only where it is financially meaningful relative to the company's normal operations.

Scope and topics

The product is not an aggregated E/S/G assessment. Accordingly, there is no E/S/G category weighting and no per-category result to present. It addresses a specific issue within the environmental factor: a company's positioning for the economics of climate mitigation, expressed through the two dimensions of Strategy and

Execution. Other environmental matters (for example physical or transition-adaptation risk, water or biodiversity) and social or governance matters are considered only where they bear directly on that objective. For example, whether a board has the expertise to oversee the company's material climate-mitigation activities.

The product evaluates exposure to economic trends associated with the reduction of greenhouse gas emissions (for example electrification and electric-vehicle adoption, renewable electricity generation, energy efficiency, and regenerative agriculture) and the company's relationship to those trends. For example, whether it produces, purchases, indirectly supplies, or enables the relevant goods and services. This set of exposures was not designed to map to any external taxonomy and does not purport to correspond to specific ESRS topics; where ESRS-reported information is relevant, it is used as one input among several.

Expression of results

Results are expressed in absolute terms on a 1–5 scale. Each company is assessed on its own merits against fixed criteria rather than ranked against other companies: a score of 1 reflects an absence of meaningful preparation for a given exposure, and a score of 5 reflects a leading practice approach. Scores are accompanied by the top-level designation (Emerging, Strategic, Operational, Advanced). Because results are absolute, no peer-group, industry or geographic comparison set is needed to interpret them, although results remain interpretable alongside subindustry context.

5.3 Methodology overview and scientific basis

Overview and time horizon

The methodology assesses how well a company is strategically and operationally positioned to preserve and create value as economies act to reduce greenhouse gas emissions. As set out in Sections 1–3, it proceeds by identifying the company's financially material exposures to climate mitigation; evaluating its response to each exposure against a fixed set of indicators using defined 1–5 scoring criteria; aggregating those indicator scores into the Strategy and Execution dimensions; and assigning a top-level designation. The analysis is forward-looking over a five to seven-year horizon, chosen to align with corporate strategy and capital-allocation cycles; historical information is used as evidence of present capability and intent. The methodology is titled the Climate Intelligence Transition Assessment Methodology and applies to large-cap, publicly traded companies in the covered universe. The version number, date of the most recent update, and a description of any changes from the previous version are recorded in the Version section at the end of this document.

Industry classification

Companies are classified using the Global Industry Classification Standard (GICS), issued by MSCI and S&P Global Inc. and publicly documented by those bodies. We use the latest version of this standard, with sub-industry definitions of March 2023.[2]

[2] For more information, see https://www.spglobal.com/spdji/en/landing/topic/gics/

Classification provides the starting set of exposures considered. Since material climate-mitigation exposures are not confined to a company's primary classification, exposures associated with other subindustries are also considered where a company operates across sectors. Classification is an input to, not a constraint on, the analysis.

Key indicators and weighting

Because the product covers a single environmental issue, indicators are not organised per E/S/G factor. The full indicator set and the scoring rubrics are set out in Appendix 5, organised under the Strategy and Execution dimensions. Two weighting steps produce dimension scores: indicator scores assessed per exposure are first combined across exposures using exposure-level importance weights (a function of the likelihood and the financial-impact magnitude of each exposure); the resulting indicator scores are then combined into themes and dimensions using fixed indicator weights that reflect each indicator's contribution to measuring the dimension. The aggregation formulas are set out in section 3.4.

Scientific basis of the methodology

The methodology draws on three sources of evidence, described in full in *section* 1.3:

- **Scientific research on company value**: academic research in management, finance and related fields on the drivers of enterprise value, which grounds the indicators.
- **Technical and sector-specific evidence on how industries change**: a structured review of how industries may evolve over the assessment horizon, drawing on academic literature, transition roadmaps, analyses from public bodies and international organizations (including the International Energy Agency), and disclosures of leading industry participants, which informs how exposures are defined for each sector.
- **Statistical methods for consistent scoring and validation**: documented scoring criteria, common scales and weights make company-level results comparable, and established statistical methods (including exploratory factor analysis as a validation diagnostic) test whether indicators reflect their intended dimensions.

Relevant scientific evidence is identified through structured desk-based research, and sources are assessed for credibility and relevance before they inform the methodology. The principal working assumptions are set out in Appendix 1. The methodology is informed by, but not dependent on, any single external framework or scientific standard.

Paris Agreement, other international agreements, and EU-Taxonomy alignment

The product covers the environmental factor. It uses Paris-Agreement-aligned transition scenarios as one of several reference points for characterising likely sector dynamics (demand shifts, regulatory trajectories, technology adoption). Company scores are not conditioned on whether a company has adopted Paris-aligned targets, and the product does not assess the alignment of a company's commitments against the objectives of the Paris Agreement. Where indicators assess transition planning, they evaluate the quality of the company's analysis, not adherence to any particular decarbonisation trajectory. The product does not produce a social- or governance-factor rating, so the corresponding S/G item does not apply. The product

also does not measure, and is not designed to correlate with, the percentage of EU-Taxonomy alignment under Regulation (EU) 2020/852; it does not apply taxonomy technical screening criteria or make alignment determinations, and no alignment correlation is asserted or implied.

5.4 Data sources and data processes

Sources

All inputs are public and company-sourced: annual reports and equivalent regulated filings; sustainability, climate and emissions disclosures; topical policies and charters; investor communications (investor-day materials, earnings-call transcripts); AGM and proxy materials; public financing documents; and auditor statements. No non-public, confidential or privileged information is used; accordingly the requirement to describe methods for collecting non-public data does not arise. Information disclosed under Regulation (EU) 2019/2088 (SFDR) and sustainability statements prepared under Directive 2013/34/EU, including the European Sustainability Reporting Standards (ESRS), are used where publicly available and relevant to a specific exposure or indicator. Such disclosures are neither necessary nor sufficient for a strong assessment.

Assurance and transition plans

Inputs vary in whether they have been subject to external assurance. The methodology does not require that an input be assured, but greater confidence is placed in audited disclosures (for example, the annual report). Where companies disclose transition-plan information under ESRS, that information is used as one input to the relevant exposures and indicators; it is not treated as determinative and is reviewed alongside other public sources.

Processes, estimation and update frequency

Data processes comprise classification of acquired documents by type; extraction of content into queryable stores; retrieval during evaluation; storage of results; and delivery to client channels. Input data are not estimated where unavailable, and industry-average estimation techniques are not used; an indicator that cannot be supported by evidence is treated as unevidenced rather than inferred. Assessments are produced on a scheduled basis; before each cycle, reasonable efforts are made to gather newly available public information, the most recent document of each type is used, and inputs older than five years are not used. Historical results from a prior cycle are retained as published; a new assessment supersedes the prior one on publication, and previously published assessments are not retrospectively restated except to correct material factual errors. The date of the most recent data update is recorded with each published assessment.

Quality controls and remediation

Data quality is managed through controls applied during production: classification and extraction checks, deterministic quality-assurance checks that the defined steps have been followed, and expert review of data sufficiency and coverage, weighted toward the companies and indicators where climate mitigation is most financially material. Issues identified in review are corrected directly where they affect a single assessment and are routed, through an internal severity-based tracking process, to a systematic fix where they affect many companies. Controls are applied each production cycle.

5.5 Use of artificial intelligence

Glass Lewis has implemented a Hybrid AI model, meaning that all AI/LLM modules are governed by expert-produced guidance and methodology, translated into knowledge representations, sets of logical rules, and instructions that run and direct the machine-learning modules. Different types of artificial intelligence are used at different stages of the Climate Intelligence research process:

- AI is part of the document-classification system, helping acquire and categorise different types of publicly available corporate disclosure;
- AI is used for data extraction from documents (paragraphs, tables, graphs);
- AI (a multi-agent architecture) is used to run multi-step reasoning chains, producing scores and explanations/assessments;
- AI is used to summarise different assessments (at sub-indicator, business-activity, indicator, and rating levels) into an overall analysis and a company-level rating.

The principal AI-related risk is inherent in the probabilistic nature of artificial intelligence approaches such as large language models: because such systems work by estimating the most likely output rather than computing a fixed, certain result, they can produce inferential errors, such as misreading a source or drawing an unsupported conclusion.

This risk is mitigated in three ways. First, through clear guidelines and boundaries: the work is divided among specialised AI components, each assigned a narrow, well-defined task and given specific, interpretable instructions. For example, the AI used to run multi-step reasoning chains is governed by rules and instructions derived directly from the solution methodology, is instructed on what data it may use, and is given the valid output format.

Second, by limiting the tasks delegated to inferential AI in favour of deterministic processing where possible, such as score calculations and aggregations.

Third, through a Human-Centric AI governance system, which operates on three levels:

- Human-in-the-Loop: every high-stakes datapoint or insight requires an analyst, methodologist, or expert to approve it before it reaches clients;
- Human-on-the-Loop: AI-powered dataflows and data transformations are overseen at the level of streams of data, and if anomalies or drifts are detected, the process and outputs can be calibrated, amended, or overwritten by data stewards, experts, or methodologists;
- Human-in-Command: data stewards, methodologists, experts, AI architects, or analysts decide whether a particular AI-powered data-transformation architecture is fit for its purpose, and may stop the AI process and run an alternative way of analysing data and delivering insights.

5.6 Limitations

Data source limitations: The product relies only on publicly sourced information. As a result, where management does not correctly represent its situation, the product has no means to independently validate

that. The product also sources data only in English, and although sourcing uses both automated crawlers and third-party data vendors, some publicly available information will still not be collected. Because the product draws on periodic corporate disclosures and is produced on a scheduled cycle, there is also a lag between a development at a company and the point at which it is reflected in an assessment, and different inputs may relate to different reporting periods.

Several steps reduce these limitations. Coverage is widened by combining automated crawling with third-party sourcing, and reviewed periodically by experts to identify systematic gaps. Rather than taking any single disclosure at face value, the methodology checks whether the picture a company presents holds together across its different disclosure channels, for example whether the strategy described in its annual report is consistent with what it tells investors, reports in its sustainability disclosures, and states in its filings; inconsistencies are a signal that a claim needs closer scrutiny. Production is also subject to the human review described under section 5.5. Finally, companies are notified of their evaluations and can provide feedback: where a company identifies a factual error, or a relevant public source that was not captured, this is addressed through the process described under section 5.8.

Assumptions, proxies, and estimation: Where data is unavailable, the product does not estimate it: an indicator that lacks supporting evidence is treated as unevidenced rather than inferred. Scenario narratives are used to frame the business conditions a company may face, but they are not predictions of those conditions.

Methodology limitations: Anyone using the product for goals outside those it is designed for is not guaranteed to find it useful. In particular:

- It is not a proxy for sustainability. A company engaging in certain unsustainable activities may nevertheless receive top scores, if those activities are unlikely to affect its financial health.
- It is not designed to evaluate non-publicly-traded companies, such as private companies, municipalities, commodities, or index funds.
- It provides a directional view of the likelihood that a company will be financially healthy. It therefore does not produce an exact Value-at-Risk metric; an outlook on the company's overall financial health (a company may execute well on a climate-related activity the product evaluates, yet still fail on other, more financially important attributes unrelated to climate mitigation); an exact forecast of a specific financial measure such as EBITDA; or a prediction of the company's fair value or future stock price.

Users may combine the product with other information, not produced by Glass Lewis, for those purposes.

Finally, the assessment is unlikely to capture every detail of a company's context, including nuances of its business model. While serious effort was made to recognise the many viable, cross-sectoral financial pathways available, the unique circumstances of every company may not be perfectly reflected.

These limitations are addressed chiefly through clarity about what the product is: the methodology is explicit about the product's objective, transparent about its components, and consistent in using language aligned with that objective, so that users can judge where the product is and is not suited to their purpose.

5.7 Governance and revision of methodologies

The methodology is reviewed at least annually, taking into account relevant regulatory, scientific, and market developments affecting the economics of climate mitigation, in the EU and internationally. A review does not necessarily result in a change: a revision is made only where the review concludes that one is warranted against the criteria below.

A revision is considered where it would improve the validity of the assessment (a more rigorous measurement of what an indicator is intended to capture), keep the assessment current with the evolving economics of climate mitigation, or improve its usefulness, timeliness, efficiency, or operational resilience. A review follows a defined sequence: review of the existing approach, including the dimensions, themes, and indicators set out in Section 2 and their application in Section 3; determination of whether a change is needed against these criteria; testing; and, where a change is adopted, application and publication. Where a review concerns the evidence underlying the methodology, it draws on the scientific basis described in Section 1.3.

Where appropriate to the change in question, the firm consults relevant stakeholders when developing material changes, drawing on its network of investment professionals and independent subject-matter experts, and on factual feedback from users and from companies about the information used in their assessments.

Before a material change is adopted, its expected effect is assessed at the level of the affected population rather than a single case. Because many components of the framework, such as indicator criteria, are common across companies, a change to one of them can affect the whole universe; we examine the resulting distribution of scores across the universe and within sectors, and check for unintended effects on companies the change was not designed to address.

A change is treated as material where it meaningfully changes scoring outcomes, rather than only their narrative description, and arises from a change in the indicators or in the way indicators and exposures are combined. Routine refinements that do not meaningfully change outcomes, including minor wording changes to a rubric, or the routine updating of the exposure (Business Activity) layer beneath the methodology, are not, by themselves, material methodology changes.

Each scoring update is published together with a defined set of score-change fields that show whether, and why, a company's assessment has moved since the previous update. These fields comprise the previous overall assessment, the direction of any change in it (upgrade, downgrade, or no change), and a score change reason identifying the driver of the change. The reason categories include material methodology updates, new company disclosure, and corrections arising from company feedback. Together, these fields let a user see, for any given update, whether an assessment has changed and what drove it, distinguishing a change resulting from a material methodology update from one resulting from new information about a company or from a correction to the information previously used.

Each methodology version carries a version number and the date of its most recent revision, recorded in the Version section at the end of this document.

5.8 Engagement, unsolicited status, and major new information

The product is produced from public information and is not based on issuer engagement; no on-site reviews or visits are performed. Each assessment is produced on an unsolicited basis: the company is not required to participate, and the product does not rely on access to management or to non-public internal documents. Assessments are not contingent on issuer participation or consent. The unsolicited basis of the assessments is disclosed to clients and rated companies.

Companies are notified of their assessment and are given an opportunity to submit factual corrections to the information used. Where a single point is shown to be factually wrong, it is corrected for that company; where the feedback indicates a systematic issue, for example a data-coverage gap or a public source not captured, it is considered across all affected companies. Corrections made in response to such feedback are reflected in the score-change fields published with the affected assessment (see Section 5.7).

Assessments are produced on a scheduled basis rather than in response to individual events. Before each scheduled cycle, reasonable efforts are made to incorporate public information that has become available since the previous cycle. Where major new public information changes a company's assessment, that change is disclosed with the rating through the score-change fields described in Section 5.7.

6 Appendix 1: Methodological Assumptions

We made several assumptions, including the following:

#	Methodological Assumption	Description
1	Climate transition dynamics can be modelled using scenario analysis	Future regulatory, technological, and market environments can be captured through structured, plausible scenarios that support evaluation.
2	Financial materiality is a useful lens for assessing climate readiness	Evaluating only those activities with financial consequences (revenue, cost, risk, capital allocation, operations, resource base, etc.) provides decision-relevant view of how companies address climate mitigation.
3	Business Activities can be meaningfully evaluated using likelihood and impact	Importance scores based on likelihood x financial impact are valid for prioritizing and weighting evaluation criteria.
4	Subindustry and geography shape the financial materiality of indicators	Business Activity relevance and weightings must be adapted by subindustry and region to reflect varying exposure to climate transition forces.
5	Execution requires resource alignment across multiple categories	Effective implementation depends on alignment of internal resources such as capital, talent, technology, and governance – tied together with coherent financial logic.
6	Historical actions are indications that help predict future capabilities	Past climate-related investments, revenue, and cost savings can serve as valid signals of future execution success.
7	Publicly available information self-reported by companies is useful for scoring company readiness	Material insights can be derived from public disclosures without requiring proprietary or confidential company data.
8	A 1–5 scale provides sufficient granularity and comparability	Company performance can be scored consistently and comparably across contexts using a standardized 5-point scale.

Appendix 2: Regulatory Context for Climate Intelligence

Institutional investors in Europe operate across multiple sustainability-related regimes that shape how they apply sustainability considerations in investment decisions, portfolio monitoring, stewardship, and client reporting. Climate Intelligence is intended as a research and analytical input to support transition risk and opportunity assessment, ongoing monitoring, and stewardship prioritization. It is designed to complement investors' existing reporting and governance processes rather than replace investor-specific compliance analysis. Table 1 summarizes the most relevant EU frameworks and intended product use in this context.

Regulation (type)	Purpose and investor relevance	Product fit
SFDR (investor disclosure)	Transparency on how sustainability risks are integrated and, where relevant, how products describe sustainability characteristics or objectives. Investors need consistent, decision-useful evidence to support internal governance, monitoring, and reporting.	Provides forward-looking transition readiness signals (Strategy and Execution) that can be used as research evidence for investment rationale, ongoing monitoring, and stewardship documentation. It is not designed as a PAI datapoint service and is not intended to populate SFDR PAI templates. Outputs are provided with documented methodology, versioning and evidence traceability to support internal review and audit trails.
EU Taxonomy Regulation (classification and disclosure architecture)	Common reference framework for environmentally sustainable activities used in mandates, reporting, and as a market reference point when assessing sustainability positioning.	Supports a granular, activity-informed view of transition positioning and can be used alongside taxonomy-related information. The rating does not apply taxonomy technical screening criteria and does not make taxonomy alignment determinations.
CSRD and ESRS (issuer reporting and data supply)	Standardised issuer sustainability reporting under ESRS improves comparability and auditability. ESRS includes climate transition plan disclosures, which can enhance the availability of structured transition	Ingests CSRD and ESRS disclosures, including transition plan-related content, where available. Remains usable where disclosures are delayed or out of scope by relying on observable Strategy and Execution evidence, with transparent

	information for in-scope companies. Omnibus-related simplification creates uncertainty around scope, timing, and coverage, affecting near-term data availability for some issuers.	provenance and confidence signals to help clients manage coverage variability.
EU AI Act (technology governance)	EU framework for trustworthy AI. Reinforces expectations for documentation, controls, and oversight where AI-enabled analytics are used in investment processes.	Where AI is used in the workflow, the product supports traceability and oversight through documented processes, quality checks, and explainability of key drivers, enabling integration into clients' governance expectations.

This overview focuses on SFDR, EU Taxonomy, CSRD/ESRS and the EU AI Act because these regimes most directly affect (i) investor disclosure and substantiation needs, (ii) issuer data availability relevant to transition assessments, and (iii) governance expectations for ratings and AI-enabled analytics used by institutional investors.

7 Appendix 3: Comparison with Other Climate Approaches

The Transition Assessment methodology is inspired by several climate mitigation approaches.

7.1 Comparison with Other models

There are important similarities as well as differences in both content and process between the Transition Assessment methodology and other models. These differences reflect our distinct focus on financial materiality, coverage, and comparability.

Task Force on Climate-related Financial Disclosures (TCFD)/ International Financial Reporting Standards (IFRS) S2

Key Similarities

Similar to TCFD/ IFRS S2, our model centres financial materiality of climate mitigation, allows for sector-to-sector differences, and centers management's voice in framing issues.

Content Differences

Our model incorporates an assessment of current organizational resources and provides a normative financial evaluation using a 1 to 5 scale. Scores reflect alignment with financially prudent management.

Process Differences

Unlike TCFD/ IFRS S2, which centers on voluntary and company-led disclosure, our evaluations are initiated independently. We assess companies whether or not they produce climate reports and may evaluate information the company does not classify as climate-relevant.

Science Based Targets initiative (SBTi)

Key Similarities

Like SBTI, we concern ourselves with company emission reduction trajectories, contrasting company-level with sector-level dynamics.

Content Differences

Our methodology focuses on financially material activities that are expected to have medium-term financial consequences. This differs from SBTi's focus on long-term decarbonization, agnostic of the financial plausibility of the pathway. Further, our approach considers secondary company exposures to climate mitigation dynamics, including avoided emissions and the impact of non-carbon commodity prices (such as copper) that will be influenced by climate mitigation.

Process Differences

SBTi applies a normative model based on predefined emissions pathways. In contrast, our approach centers on subindustry-specific Business Activities and their medium-term financial implications.

Carbon Disclosure Project (CDP)

Key Similarities

Like CDP, we assume company greenhouse gas footprint is a significant factor shaping company financial risks.

Content Differences

Traditionally, CDP focuses on carbon intensity of revenue and Scope 1, 2, and 3 emissions reporting. While this data serves as a valuable input for our evaluations, it is only one of many bases for our scoring.

Process Differences

CDP centers voluntary disclosures. Many of our evaluations are conducted independently of company participation.

Transition Pathway Initiative (TPI)

Key Similarities

Like the TPI, we sequence scores in a maturity model, with lower scores reflecting lower transition readiness. Similarity, we holistically consider both internal (e.g., governance) and external (e.g., business context) factors.

Content Differences

Our evaluation offers additional granularity, including a detailed assessment of how individual Business Activities are addressed within corporate strategy.

Process Differences

TPI prioritizes high-emitting subindustries. Our model is designed for application across all subindustries.

Net Zero Investing Framework (NZIF)

Key similarities

Acknowledges sectoral differences in decarbonization pathways on a mid-term time horizon that combines high level planning with disciplined execution.

Content differences

Unlike the NZIF, this methodology does not assume that companies are on a Net Zero pathway. Further, this methodology rewards companies for pursuing financial outcomes that stem from climate mitigation economics even if their carbon footprint does not change at all.

Process differences

This methodology is agnostic about how information is used – in portfolio structuring or engagement.

7.2 Comparison with Existing Scenarios

Although the Transition Assessment model scenarios are unique, they are inspired by publicly available scenarios developed by authoritative institutions, with a focus on the Network for Greening the Financial System (NGFS) and Shared Socioeconomic Pathways (SSPs):

- NGFS scenarios are used to define plausible policy, market, and technology trajectories under varying levels of climate ambition.
- SSPs are used to incorporate broader economic and social context, including inequality, governance, and regional divergence in transition readiness.

We started by considering the NGFS because they are tailored to financial system needs and centre dynamics in economic control, such as policy and technological development. However, we had to move beyond NGFS because while it is particularly useful in evaluating macroprudential risk, it is insufficient for equity evaluations that also have an opportunity framing. We also expanded it by considering other PESTEL forces (Political, Economic, Social, Technological, Environmental, and Legal).

Still, we believe that in many parts of the world the NGFS scenarios that are most plausible are "Divergent Net Zero" combined with "Delayed Transition." These are most plausible given historical and recent techno-economic developments. We combine these to produce the starting points for the scenarios we use. One characteristic of Divergent Net Zero is that it assumes regional variation. Therefore, to produce country-specific variation in trajectories, we sampled additional detail from two of the SSPs:

- SSP2 ("Middle of the Road") represents incremental progress under moderate inequality and policy strength.
- SSP4 ("Inequality") highlights diverging capacity and access to climate solutions across regions and subindustries.

Across subindustries, the scenarios we produce assume differing levels of:

- Increased policy activity targeting emissions-intensive subindustries, though the pace and scope vary by geography.
- Rising capital costs for high-carbon infrastructure and processes.
- Shifting demand toward lower-emission alternatives, driven by regulation, procurement preferences, investor pressures, and consumer behaviour.
- Acceleration of innovation in enabling technologies, such as electrification, storage, and efficiency systems.
- Gradual increase of financial requirements related to climate risks and opportunities.

7.3 Comparison with Approaches Outside Climate Mitigation

Some aspects of our model are informed by strategic and operational approaches not originally designed for climate. These influences help support the structure, focus on financial performance, realism, and competitive positioning.

- **Company resources**
  We assess the company's resource that may support climate strategy, inspired by the Resource-Based View and McKinsey's Three Horizons of Growth model.
- **Planning process**
  We evaluate the structure and rigor of planning processes, informed by the Balanced Scorecard model.
- **Opportunity and risk valuation**
  We include both upside and downside financial exposure, influenced by the VRIO model and Return on Sustainability Investment (ROSI) approach.
- **Competitive positioning**
  We assess whether climate plans provide a business advantage, drawing from the BCG Strategy Palette.
- **Plan realism**
  We credit strategies that are feasible and sequenced, in line with principles from the OKR (Objectives and Key Results) model.

8 Appendix 4: Glossary of Terms

This glossary defines key terms used in the Transition Assessment methodology. Terms are grouped by topic and listed alphabetically within each section to support clarity and consistent application.

8.1 Structure and Methodology

Dimension
One of two areas evaluated: Strategy or Execution. Strategy assesses planning and foresight. Execution assesses organizational ability to deliver.

Indicator

Areas of evaluation reflecting generic corporate functions that are essential components of climate readiness. Indicators can be evaluated once, covering the whole company, or multiple times, once for each relevant Business Activity.

Indicator-level score
A scored measure of company performance against each indicator. Indicators are evaluated on 1-5 scales.

Indicator weighting
The relative importance of each indicator in the evaluation. Weights are based on how well the indicators represent the dimensions they are designed to measure, that is, either Strategy or Execution.

Model
The structured system used to evaluate companies. It includes two dimensions; each composed of themes and then indicators.

Scoring criteria
A standardized 1 to 5 scale used for scoring indicators. Scores reflect alignment with best practice and strength of supporting evidence. Indicator scores are produced from subindicators, therefore, scoring criteria apply to sub indicators.

Subindicator

A consideration used to produce an indicator score. These differ from indicator to indicator; therefore, comparisons at the indicator level are more comparable across companies.

Theme
A set of related indicators grouped under a single conceptual focus within a dimension.

8.2 Business Activities and Climate Economics

Business Activity
A domain of corporate action related to the financial consequences of climate mitigation. The methodology is

not prescriptive about what a company does to address each Business Activity, as long as it addresses it in some way.

Financial materiality
The degree to which a company's Business Activities expose it to climate-related financial consequences.

Impact
The expected magnitude of financial effect associated with a Business Activity. Impact is scored from 1 (minimal exposure) to 5 (critical exposure).

Importance weight
A calculated measure combining likelihood and impact. Importance weights are used to evaluate the relative importance of Business Activities for any one company.

Likelihood
The estimated probability that a specific Business Activity will impact a company's financial standing. Likelihood is scored from 1 (very unlikely) to 5 (very likely).

Opportunity
A potential positive financial effect related to climate mitigation or transition dynamics.

Risk
A potential negative financial effect related to climate mitigation or transition dynamics.

Scenario
An internally consistent narrative describing possible future conditions relevant to climate mitigation. Scenarios are used to determine the likelihood that a Business Activity will financially impact a company, and the potential scale of that impact.

Time horizon
The period during which Business Activities are expected to have financially material effects. The default time horizon is five to seven years.

8.3 Data models and Evaluation Outputs

Calibration
The adjustment of scoring distributions to support consistency and comparability across subindustries and delivery models.

Disclosure mapping
The process of aligning specific company disclosures to the indicators and considerations in the model.

Quality control
Internal review procedures designed to ensure consistency, accuracy, and Methodological adherence in scoring.

9 Appendix 5: Indicators and Scoring Rubrics

The following provides a working definition for each indicator, along with a summarization about how to interpret the scoring rubric. Some indicators are scored at the Business Activity level (i.e., once for each Business Activity the company may engage in), and some at a higher level, for example, just once for the company. The indicator definitions describe the level at which they are measured. Subindicators are internal measurements aimed at providing consistent and client ready analysis and scoring on the indicator level

9.1 Strategy Themes and Indicators

Theme	Indicator title	Indicator definition	Rubric Interpretation	Subindicators Included
Climate Opportunities & Risks	Opportunity Identification & Capture	Measures how the company identifies climate transition-related opportunities explicitly tied to a relevant Business Activity, including the opportunity context, its potential financial impact on the company, and potential options to capture it.	1: No acknowledgment of climate-related opportunities. 2: Peripheral awareness; no analysis or articulation of impacts. 3: Opportunities are identified and linked to business activities. 4: Financial impacts are analysed and inform decisions. 5: A defined strategy actively pursues and maximizes opportunity realization.	Identification of Opportunity Context Identification of Opportunity Financial Impact Identification of Opportunity Capture Option Set
Climate Opportunities & Risks	Risk Identification & Mitigation	Measures how the company identifies climate transition-related risks explicitly tied to a relevant Business Activity, including the risk context, its potential financial impact on the company, and potential options to capture it.	1: No acknowledgment of climate-related risks. 2: Peripheral awareness; no clear analysis of impacts. 3: Risks are formally identified and linked to business activities. 4: Financial implications are analysed and inform planning. 5: Risk mitigation strategies are defined and implemented to reduce exposure or likelihood.	Identification of Risk Context Identification of Risk Financial Impact Identification of Risk Mitigation Option Set
Strategy Governance	Board Oversight	Evaluates board structures and expertise, and whether there are indications that directors actively deliberate climate strategy; cite specific activity-level decisions where applicable.	1: No structures or expertise for climate oversight. 2: Generic oversight without relevant expertise. 3: Either a committee mandate or directors with relevant expertise. 4: Committee or board has explicit climate mandate and current expertise. 5: Multiple directors with deep expertise and active oversight of strategy and risk.	Board Structure - Financial Governance of Climate Trends Board Function - Evidence of Deliberation on Business Activities

Strategy Governance	Strategy Development Process	Assesses whether a formalized, cross-functional process uses appropriate inputs to produce financial targets, action plans, and capital plans—showing effects on at least one Business Activity.	1: No defined process for climate-related strategy. 2: Ad hoc process with limited application. 3: Formalized and standardized process informed by scenarios or frameworks. 4: Structured, multi-stage process with diverse analyses and integration into planning. 5: Process is embedded in financial decision-making, linking analysis directly to capital allocation and performance.	Structure and Formalization of the Strategic Planning Process Integration of External Expertise and Authoritative Tools Cross-Functional Participation in Strategy Development
Strategy Governance	Assumptions & Scenarios	Evaluates the quality and consistency of forward assumptions and scenario use, and how these inputs drive choices, budgets, and targets—demonstrably informing at least one Business Activity decision. Scenario assumptions are tailored to geographies, and reflect both macroeconomic and subindustry specific future outlooks.	1: No explicit assumptions underlying strategy. 2: Assumptions are vague, qualitative, or inconsistent. 3: Quantitative assumptions exist but are simplistic or weakly connected to strategy. 4: Assumptions are quantitative, credible, sourced externally, and directly inform strategy for at least one business activity. 5: Assumptions are deeply integrated into financial planning and investment decisions across business activities.	Assumption Alignment Assumptions Process
Strategy Governance	Executive Leadership	Assesses whether executives own delivery of at least one Business Activities, and have incentives linked to at least one Business Activity outcomes (or to financial metrics materially driven by them).	1: No evidence of executive responsibility for activities. 2: Peripheral responsibility or generic references. 3: Formal assignment with authority and relevant experience. 4: C-suite leaders accountable, with incentives tied to activity outcomes. 5: CEO or top executives directly drive climate-related activities as strategic priorities.	Narrative Mandate Financial Compensation and Incentives

Strategic Direction	Pathway Prioritization	Assesses how the company selects and sequences pathways, preserves option value, and sets signposts and trade-offs—making clear how pivots would be funded and how choices affect each Business Activity.	1: Single path with no alternatives. 2: Multiple actions pursued without prioritization or options. 3: Primary path plus defined alternatives with triggers or capacity. 4: Alternatives evaluated with quantified trade-offs, staged investments, and clear signposts. 5: Demonstrated pivots and reallocations across business activities, showing a learning feedback loop	Strategic Alternatives and Option Value Management Rationale for Selected Pathways
Strategic Direction	Competitive Differentiation	Questions whether each Business Activity is intentionally different from peer strategy and delivers a defensible edge in terms of capability, cost, revenue, business model, etc.	1: No differentiation; approach indistinguishable from peers. 2: Claimed difference without credible supporting action. 3: Tangible investments to build unique positioning. 4: External proof of advantage, such as anchor contracts, pricing power, or awards. 5: Durable moat; company shapes standards or market rules to reinforce advantage.	Differentiation - Narrative Differentiation - Financial Model
Strategic Direction	Plan Feasibility	Tests whether the plan for each Business Activity is buildable, for example, through the inclusion of phased milestones, prerequisites, mapped dependencies, risk mitigations, contingency paths, and feedback loops.	1: No ordered plan or milestones. 2: High-level phases without clear sequencing or dependencies. 3: Sequenced milestones with prerequisites identified. 4: Dependencies mapped, decision gates established, contingencies resourced. 5: Integrated multi-workstream plan with tested alternatives and pivot triggers.	Execution Structuring Dependency Awareness Contingency Planning
Strategic Direction	Alignment with Core Strategy	Evaluates whether each Business Activity is embedded in core business strategy with clear financial drivers, as opposed to living in a siloed sustainability department.	1: Plans contradict the company's overall strategy. 2: Climate-related activities are disconnected from core goals. 3: Activities are acknowledged but treated as parallel or ancillary. 4: Clear alignment in core disclosures; activities support strategic priorities. 5: Climate-related activities are central value drivers shaping corporate decisions.	Alignment with Core Strategy

9.2 Execution Themes and indicators

Theme	Indicator title	Indicator definition	Rubric Interpretation	Subindicators Included
Organizational Alignment	Organizational Capacity	Evaluates whether the company is capable of complex multi-year deliveries. Evidence includes deliberate structuring of roles, cross-functional integration mechanisms, and a demonstrable track record of delivering complex transitions.	1: No ownership, structure, or delivery capacity for climate-related activities. 2: Basic roles or teams exist but act independently and lack coordination. 3: Defined structures support at least one activity; early integration and results visible. 4: Coordinated systems and feedback mechanisms enable sustained delivery across activities. 5: Proven, repeatable transformation capability embedded across the organization.	Deliberate Structuring of Organization Operational Integration Processes Demonstrated Capacity for Complex Deliveries
Organizational Alignment	External Alignment	This indicator assesses how the company's observable external activities, spanning policy advocacy, industry memberships, and brand communications align with and begin to actualize its stated strategic goals.	1: Actions actively oppose climate-related activities. 2: Positions unclear or contradictory. 3: Mixed actions with inconsistencies outweighing support. 4: Consistent supportive actions without external validation. 5: Verified impact or recognized leadership in shaping climate-aligned markets.	External Group Alignment Brand and Communications on Execution Priorities
Resources	Talent	Assesses the company's talent in general, and as related to at least one Business Activity. It considers the strength of existing capabilities, the quality of forward-looking plans for acquiring or developing talent, and the concrete initiatives taken to build pipelines, upskill employees, or secure specialized expertise.	1: No evidence of relevant talent or skills. 2: Limited capability, early reliance on contractors or generic claims. 3: Established operations with specialized expertise emerging. 4: Proven internal capability with dedicated teams or proprietary skills. 5: Demonstrated mastery with systemic capability and unique, hard-to-replicate expertise.	Talent - Present Talent - Future Plan Talent - Actions to Grow

Resources	Core Assets	Evaluates the maturity of the company's asset base that underpins each Business Activity. It examines current ownership or control of relevant assets (physical, intellectual, contractual, capabilities, etc.), the company's plans for developing or expanding these assets, and the actions being taken to invest in or enhance the portfolio.	1: No dedicated assets for climate-related activities. 2: Initial investments or pilots, not yet operational. 3: Assets enable limited operations but with clear structural gaps. 4: Full asset base supports commercial operations at competitive scale. 5: Integrated, self-sufficient asset base that creates durable market leadership.	Current Assets Future Asset Growth Plan Actions Taken to Develop Assets
Resources	Supply Chain	Assesses the strength of supplier relationships critical to each business Activity. It captures the stability of the current base, the sophistication of plans to mitigate supply chain risks as they pertain to a given Business Activity, and the initiatives undertaken to strengthen, co-develop, or integrate supplier capabilities.	1: Material disruptions or highly fragile supply relationships. 2: Significant risks with limited mitigation; transactional relationships. 3: Stable relationships support operations but lack strategic depth. 4: Strong, integrated supply arrangements or partnerships supporting climate-related activities. 5: Deep, resilient value chain with co-development or vertical integration as a core advantage.	Supply Chain Resilience Approach to Develop Supplier Relationships Actions Taken to Develop Relationships
Resources	Market Traction	Evaluates demand for each Business Activity. It looks at the strength of the current customer base, the credibility of commercialization roadmaps to secure long-term demand, and the actions taken to create markets, win contracts, or build durable buyer ecosystems.	1: No evidence of demand; underperformance in core channels. 2: Weak or stagnant customer base; limited signals of interest. 3: Stable customer base with evidence of pilots or early sales. 4: Strong sales track record or market share with validated growth. 5: Leading market position with durable buyer relationships and repeatable success.	Demand Validation Current Commercialization Plan Market and Demand Creation

Resources	Funding	Assesses the company's financial readiness to support each Business Activity. It considers the stability of its current financial position, the sophistication of long-term financing strategies, and the concrete actions taken to secure and deploy capital for execution.	1: Acute distress preventing strategic investment. 2: Constrained financial flexibility. 3: Stable finances but no explicit linkage to climate-related activities. 4: Strong position with explicit linkage or dedicated funding. 5: Significant, sustained financial readiness with earmarked capital or vehicles for climate strategy.	Funding Current Approach to Securing Capital Actions Taken to Secure Capital
Resources	Resource Integration	This indicator integrates the outputs of the resource-specific indicators (Talent, Assets, Suppliers, Market Traction, and Funding). It evaluates whether the company orchestrates these distinct resources into a coordinated, strategically aligned whole that supports the development and scaling of each Business Activity.	1: Fragmented; no clear resource alignment. 2: Basic resources in place but disconnected. 3: Multiple resource types developed but operating in silos. 4: Coordinated resources clearly aligned behind at least one activity. 5: Fully integrated resource system repeatedly enabling execution across activities.	Evaluation of Other Resources Resource Integration Narrative
Business Value Creation	Capital Allocation	Evaluates the scale and focus of capital deployed to each Business Activity, and whether the portfolio narrative is evidenced by budgets, projects, or transactions.	1 No evidence of investment. 2: General claims about planned spending with no specifics. 3: Initial financial commitments or pilots linked to climate-related activities. 4: Significant capital allocation supported by rationale and operational examples. 5: Climate-related activities are top strategic investment pillars with sustained financial backing.	Investment Scale - From Direct Mentions Investment Rationale

Business Value Creation	Financial Performance	The indicator reflects the degree to which financial outcomes demonstrate value creation and reinforce enterprise strategy. To do so, it assesses whether each Business Activity can deliver sustained financial performance. It considers revenue generation, cost, risk reduction, and license to operate, and overall profitability, evaluating if these effects are material, intentional, and repeatable.	1: No evidence of financial outcomes; activities generate losses or unverified claims. 2: Early or isolated financial benefits without coherent linkage to business performance. 3: Demonstrated positive results in revenue, cost, or efficiency for at least one activity; limited scale or consistency. 4: Clear, material contribution to financial performance; outcomes tracked and integrated into planning or reporting. 5: Sustained, enterprise-level financial outcomes showing that climate-related activities are a core, repeatable source of value creation.	Revenue: Financial Scale Revenue: Scale of Enabling Deployments Revenue: Depth of Strategic Reasoning Cost and Resilience: Financial Scale Cost and Resilience: Efficiency - Resilience - License to Operate Cost and Resilience: Depth of Strategic Reasoning Profitability: Actual Profitability to Date Profitability: Depth of Strategic Reasoning

10 Appendix 6: Example Business Activities Profile

10.1 Example: Electrical Utilities

This is an excerpt from our Financial Impact Heatmap. The table below illustrates selected Business Activities in the Electrical Utilities subindustry, along with importance weights. Each of the >140 subindustries in the methodology has its own importance weights.

Business Activity	Business Activity Definition	Importance: Contested Transition Scenario	Importance: Entrenched Economies Scenario
Renewable Expansion	Renewable Expansion encompasses the development, construction, and operation of wind, solar, hydro, and geothermal energy generation facilities, including resource assessment, land acquisition, permitting, equipment procurement, installation, grid integration, and ongoing maintenance to diversify generation portfolios away from traditional sources.	5.00	3.50
Transition Energies	Transition Energies involves investing in and operating intermediate energy solutions that bridge between fossil fuels and full decarbonization, including natural gas infrastructure, carbon capture technologies, blue hydrogen production, and other lower-carbon alternatives that maintain system reliability while reducing emissions.	2.83	3.50
Asset Retirement	Asset Retirement comprises the complex processes of decommissioning outdated or uneconomic generation facilities, including financial planning for closure costs, environmental remediation, workforce transitions, dismantling infrastructure, site rehabilitation, regulatory compliance, and managing ongoing liabilities from legacy assets.	5.00	2.50
Flexible Generation & Storage	Flexible Generation & Storage involves developing and operating technologies that can rapidly adjust electricity output to balance supply and demand, including battery systems, pumped hydro storage, gas peaker plants, demand response programs, and grid-scale storage facilities that provide system flexibility and stability.	5.00	3.50
Grid Modernization	Grid Modernization encompasses upgrading and digitizing electricity transmission and distribution infrastructure through advanced communication networks, smart metering, automated switching, predictive maintenance, enhanced cybersecurity protocols, grid hardening against extreme events, and creating bidirectional power flow capabilities.	5.00	4.17
Electrification	Electrification involves facilitating and supporting the conversion of energy end-uses from fossil fuels to electricity across transportation, buildings, and industrial processes, including infrastructure development for electric vehicles, heat pump adoption, electric industrial heating, and coordinating increased load with generation capacity.	5.00	2.33
Retail Services	Retail Services comprises customer-facing business operations including electricity provision, billing, energy management tools, energy efficiency services, distributed energy resource integration, customer education, tariff design, demand management programs, and developing value-added services beyond basic electricity supply.	4.17	1.50

11 Appendix 7: Frequently Asked Questions (FAQ)

11.1 Methodology and Philosophy

What is the goal of the Glass Lewis Climate Transition Assessment?
To evaluate whether a company is strategically and operationally likely to be financially healthy as global economies as reduce their emission intensity. The evaluation identifies material opportunities and risks and assesses the credibility of the company's response through its Strategy and Execution.

What makes this methodology different from traditional ESG or climate ratings?
It is forward-looking, grounded in subindustry-specific financial materiality, and focused on real-world business implications. Unlike ESG ratings, which often emphasize disclosure quantity, we assess whether the company's actions are credible, realistic, and aligned with medium-term value creation.

Why does the evaluation prioritize financial materiality?
We assess what matters most to a company's ability to create and preserve enterprise value in a climate-constrained future. Company-specific materiality ensures that the evaluation is tailored to real economic exposure.

Why use the two dimensions of Strategy and Execution?
Strong climate performance requires both a compelling plan (Strategy) and the ability to deliver (Execution). Strategy assesses ambition, integration, and forward planning. Execution assesses investment, resources, and financial outcomes.

Does the evaluation consider both risks and opportunities?
Yes. We look at how well companies identify both transition risks and emerging opportunities, such as new technologies, low-emission products, or changing customer demand.

Is alignment with net-zero targets required to score well?
No. While credible net-zero targets may support a strong score, we focus on the substance behind any goal, whether it is integrated into strategy, supported by actions, and backed by evidence. The methodology does not explicitly require Net Zero goals, nor does it value Net Zero goals on their own without sound financial logic.

Why not focus primarily on emissions data?
Emissions data reflects historical output and is often incomplete. Our focus is forward-looking: Is the company ready to compete in a decarbonizing world? The methodology does not explicitly evaluate a carbon footprint, however, if climate mitigation may be financially more material for companies with higher carbon footprints if those have clear cost or revenue potentials. Additionally, many financial consequences related to

climate mitigation may not relate to a company's carbon footprint, for example, if the company has net new products that capitalize on GHG reduction macroeconomics.

What types of climate risks are evaluated?
We consider regulatory, market, reputational, and technological risks. The evaluation considers how companies assess, plan and execute plans for these exposures.

Are physical risks included in the assessment?
Only sometimes, and not explicitly. Companies are evaluated on whether they have identified and planned for physical climate risks that may affect their operations, supply chains, or customer base. Insofar as these are pertinent to a company's climate mitigation strategy, physical risks are considered indirectly.

What about biodiversity risk?
Similar answer to the above, in "physical risk."

11.2 Evaluation Structure and Scoring

How is the evaluation structured?
The dimensions Strategy and Execution are broken into themes, which are further broken into indicators. Each indicator is scored from 1 to 5 and weighted based on subindustry relevance.

How are final scores calculated?
Dimension scores are calculated weighted average across two axes: Business Activities and Indicators. First, weighted averages across Business Activities are applied to produce scores at the indicator level. Then, a second average across indicators is applied to produce scores for higher level aggregations, including the dimension level.

What determines the weights for indicators?
Weights are based in the potential impact of a Business Activity on a company's financial health, and on the likelihood that Business Activity will have an impact at all. Both of these vary by scenario, and are combined into a single "weigh" variable.

Are all companies scored using the same indicators?
All indicators are consistent across subindustries.

What is the scoring range for indicators, themes, and dimensions?
Scores range from 1 (very weak) to 5 (very strong). A score of 3 reflects a credible and complete but not differentiated approach.

Can strong performance in one area offset weakness in another?
To an extent. The weighted scoring system gives more importance to key indicators. High scores on less material indicators cannot compensate for weakness in core areas such as Capital Allocation.

Are scores comparable across subindustries?
Yes, though contextual interpretation is key. A 4.0 in a Banking subindustry reflects different underlying Business Activities than a 4.0 in a Chemicals subindustry, but both indicate strong subindustry-relative performance.

How do you handle conglomerates or diversified companies?
We assess every company the climate-related Business Activities that relate to it, some of which are tagged to its "default" sector, and some of which relate to other secondary sectors it may participate in.

11.3 Evaluation Process and Inputs

What sources do you use for the evaluation?
We rely on public disclosures including annual reports, 10-Ks, sustainability reports, climate disclosures (e.g., TCFD), earnings calls, investor presentations, and regulatory filings.

How do you weigh the credibility of disclosures?
We weigh disclosures with sign-off from financial officers more than sustainability reports, unless those also have financial officer signoffs.

What if a company is taking strong action but hasn't disclosed it?
Limited disclosure will likely lower the score.

How do Artificial Intelligence (AI) agents and Analyst work together to produce the final result?
Human analysts produce the background knowledge the AIs have access to, design the reasoning rules the AIs employ, and evaluate many of the outputs by hand. The AIs coordinate company data, apply the reasoning rules to perform evaluations, write rationales, and aggregate.

How do you ensure consistency across evaluations?
We use standardized scoring criteria, cross-analyst calibration, and internal review processes to maintain scoring consistency across companies and subindustries.

How often are evaluations updated?
At least annually.

11.4 Relevance

How does this differ from emissions-based assessments?
We focus on preparedness, not footprint. A company with high emissions but a credible, well-executed transition strategy can receive a strong score, while a low-emitting company with no forward plan may score poorly.

How does the evaluation identify companies with credible plans?
We assess whether plans are backed by investment, linked to operational actions, and sequenced in realistic steps. We also evaluate assumptions, scenario analysis, and learning from past results.

Does the model reward innovation and competitive positioning?
Yes. We recognize companies that view climate as a strategic opportunity and integrate it into their product development, market positioning, and medium-term growth plans.

What data points can companies review?
Each company receives a detailed report, including overall Strategy and Execution scores, theme and indicator-level results, and a summary of key findings and opportunities for improvement.

12 Change log

Version	Date	Summary of change	Material?	Effect on outputs
2026.1	9 Apr 2026	Initial published methodology.	—	—
2026.2	16 Jun 2026	Added Annex III regulatory disclosures (Section 5); clarified Business Activity taxonomy as a layer below the methodology; consolidated AI disclosure.	No	No change to scoring logic or outputs.

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