

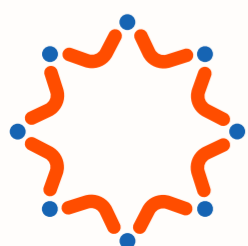
Transition Assessment Methodology Overview

Emil Moldovan

Head of Climate Science
emoldovan@glasslewis.com

Diederik Timmer

President
dtimmer@glasslewis.com



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Introduction

Why transition readiness matters

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.



Model Architecture

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, sub-indicators.

Designations

The assessment summarizes a company's transition readiness along two dimensions: Strategy and Execution. A company's placement across these two axes yields a top-level designation. Designations provide an at-a-glance interpretation of strengths: Strategic (strong planning), Operational (strong delivery), Advanced (strong in both), or Emerging (early-stage).

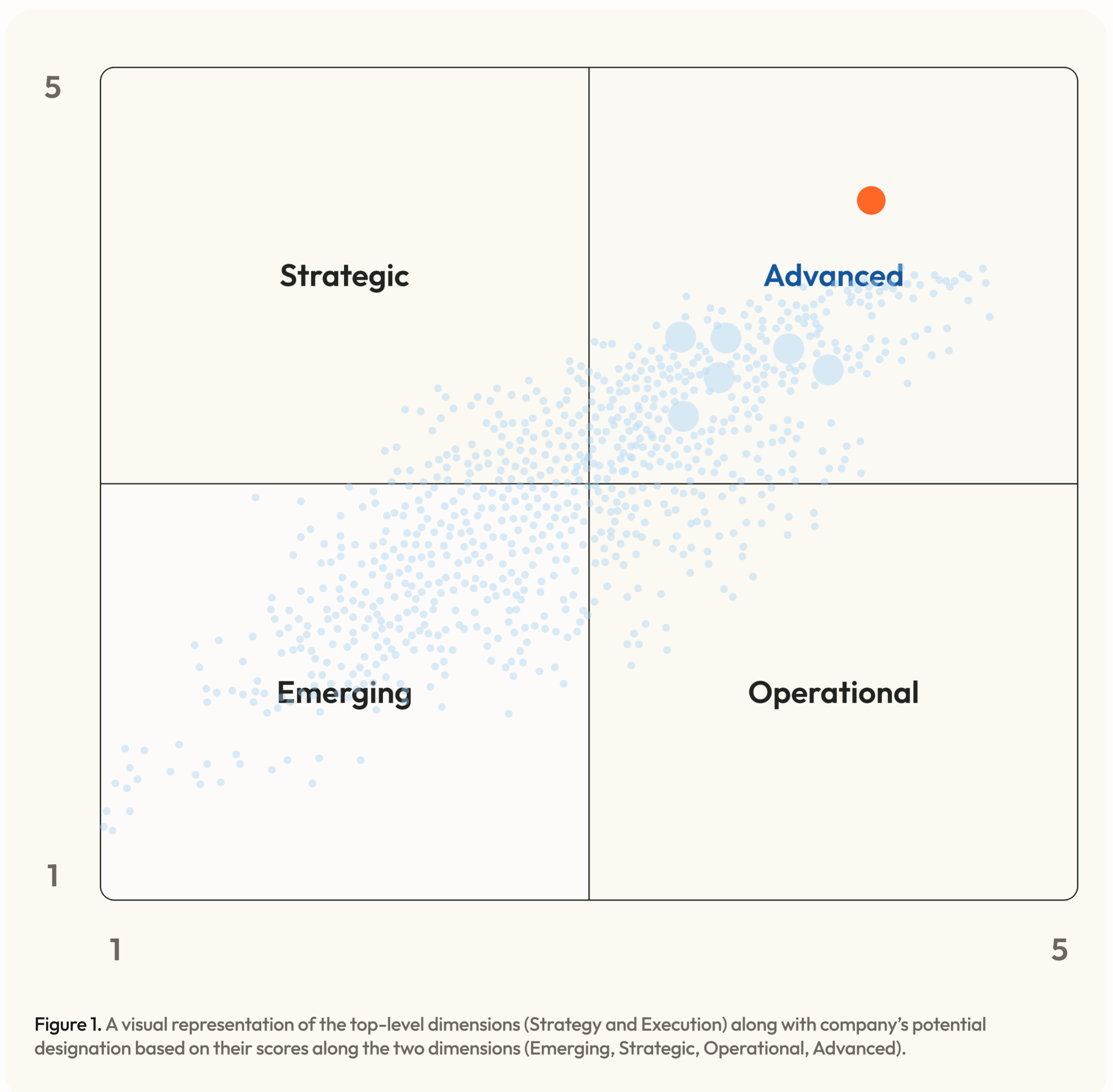


Figure 1. A visual representation of the top-level dimensions (Strategy and Execution) along with company's potential designation based on their scores along the two dimensions (Emerging, Strategic, Operational, Advanced).

Dimensions, themes, and indicators

Designations are based on the two dimensions, Strategy and Execution.

Strategy is composed of three themes; 1) the identification material opportunities and risks; 2) governance and strategy development process 3) the clarity and credibility of strategic direction.

Execution is also composed of three themes; 1) organizational alignment; 2) resources needed to deliver (talent, assets, supply chain, market traction, funding); 3) business value creation, that is, capital allocation and financial outcomes (revenue, cost, profitability).

Each theme is measured by multiple indicators. Indicators evaluate common corporate functions (e.g., governance, capital allocation, supply chain resilience) and are anchored in the specific transition-relevant activities that are financially material for the company.

The Climate Intelligence data product includes full indicator summaries and other indicator-level metrics. These can be used for detailed company evaluations, and custom aggregation beyond those proposed in this document.

The full indicator overview is as follows:

Dimension	Theme	Indicator
Strategy	Identification of Climate Opportunities & Risks	Opportunity Identification and Capture
		Risk Identification and 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
		Assets
		Supply Chain
		Market Traction
		Funding
	Business Value Creation	Resource Integration
		Capital Allocation
		Financial Outcomes

Strategy Dimension Themes:

The following describes each of the themes and mentions the indicators designed to measure them:

Identification of Climate Opportunities and 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 and Capture

Risk Identification and 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:

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

Suppliers

Market Traction

Funding

Resource Portfolio Alignment

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 Outcomes

Business activities

A central design choice is to evaluate companies through the lens of Business Activities: domains of corporate action that are financially material in a climate-mitigation context. Business Activities describe what a company does (or could do) as economies reduce emissions.

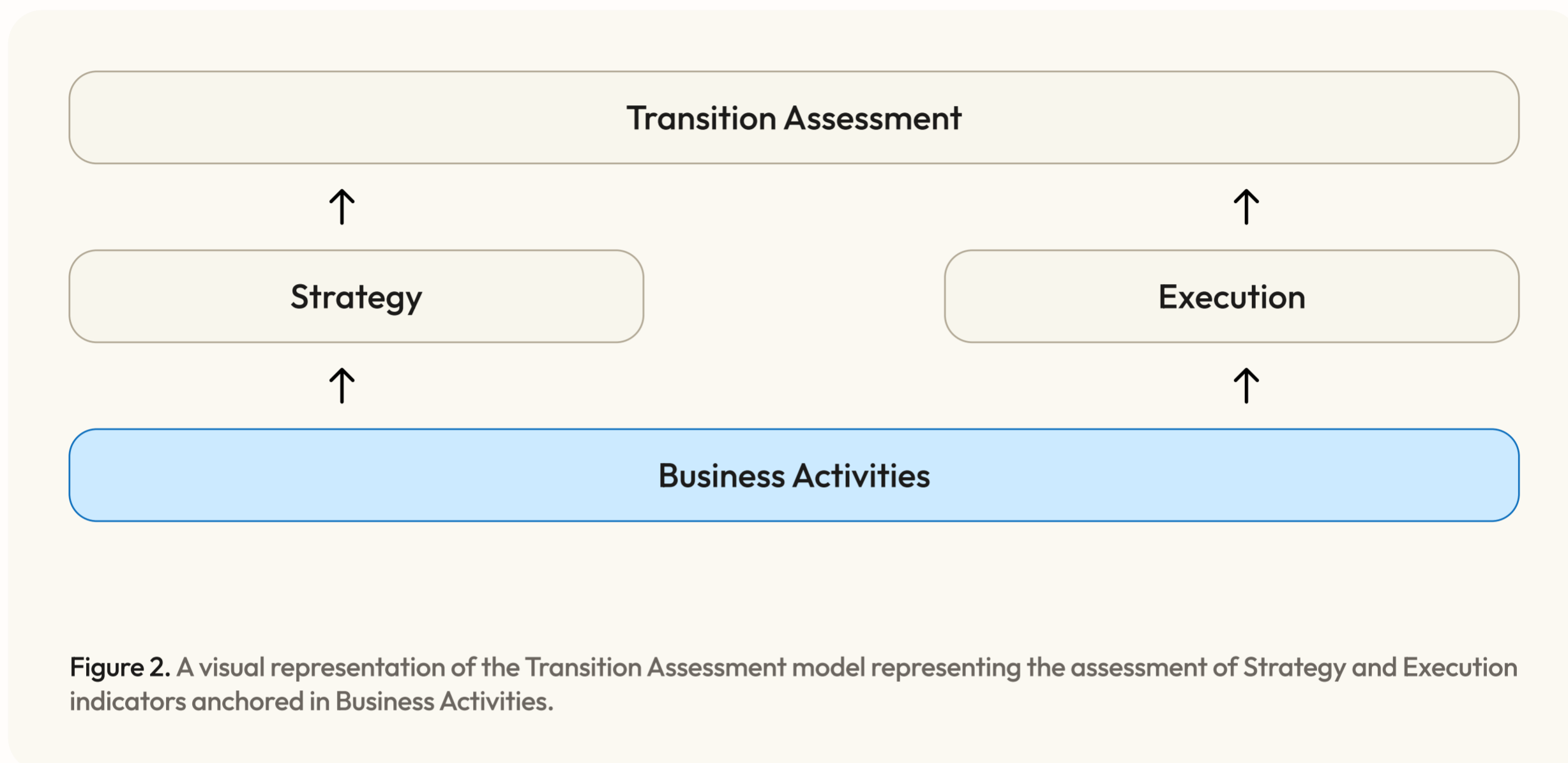


Figure 2. A visual representation of the Transition Assessment model representing the assessment of Strategy and Execution indicators anchored in Business Activities.

The methodology assumes that each company is engaged in a unique set of Business Activities that pertain to climate mitigation. Sector archetypes are only imperfect approximations of how management understand the unique risk/ opportunity landscape that the company is subject to. Therefore, while the methodology articulates a list of viable Business Activities that companies may be evaluated on, the first step of an evaluation is to determine the company's financially material Business Activities, be they traditionally associated with their industry or perhaps related to other industries that the company is opening ventures into.

There are four types of Business Activities based on the degree of a company's exposure to greenhouse gas emissions:

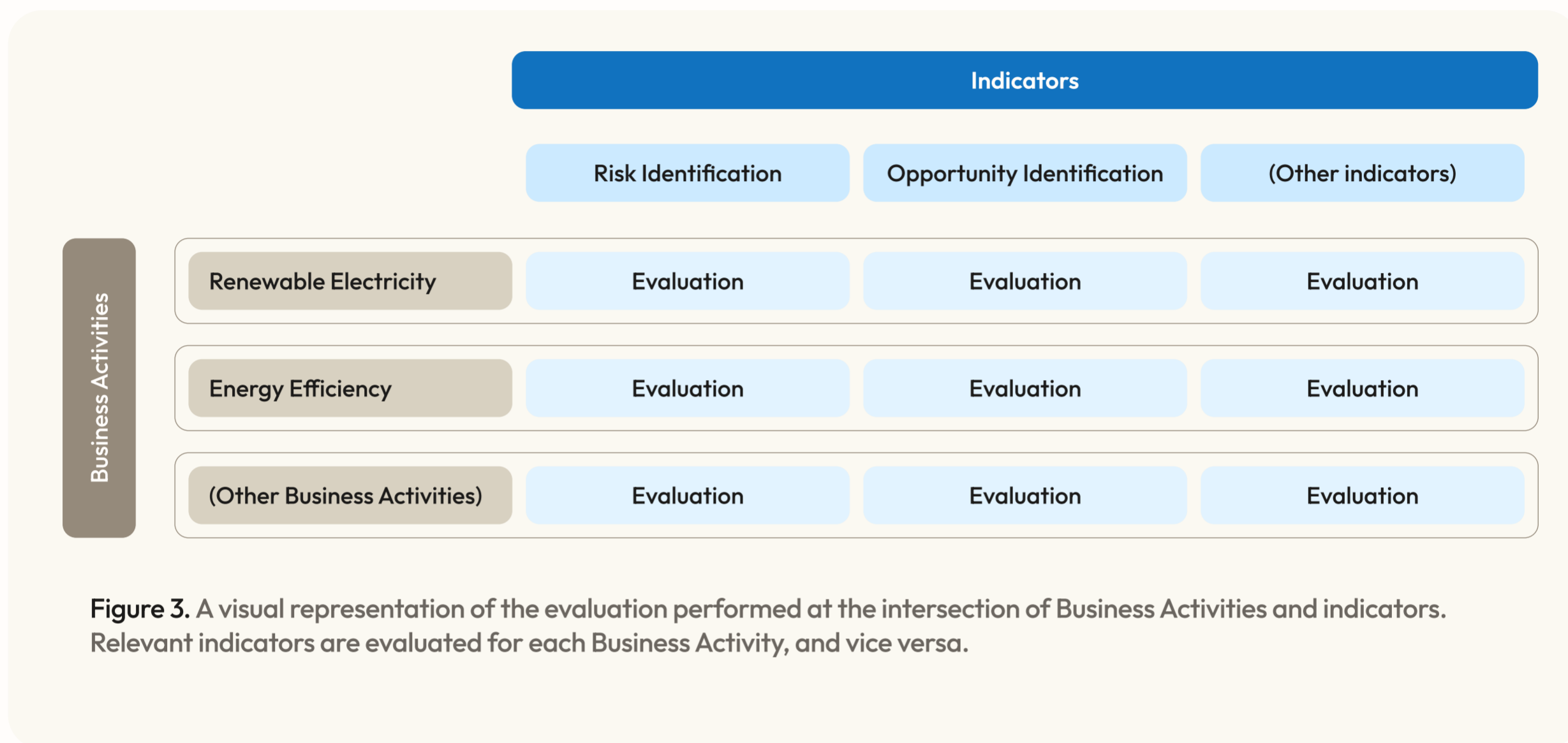
Production: the Business Activity involves selling a good or service that reduces greenhouse gases (e.g., manufacturing solar panels, delivering energy-efficiency retrofits).

Buying: the Business Activity involves purchasing inputs that reduce greenhouse gases (e.g., low-emission electricity, low-emission refrigerants).

Intermediating: the Business Activity involves building or operating infrastructure that enables decarbonization (e.g., grid modernization that supports low-emission power).

Enabling: the Business Activity involves providing services or products that enable the above (e.g., legal, consulting, or software that supports decarbonization activities).

Indicators and Business Activities are the two basic units of the assessment, and neither is a subset of the other. Indicators capture how a company performs on a given corporate function regardless of which specific activities are involved. Business Activities capture what the company is actually doing in climate-relevant domains — for example, buying low-emission electricity or installing energy-efficient equipment. Most indicators are evaluated separately for each of the company's relevant Business Activities. This means a score for, say, Capital Allocation is not a single company-wide judgment; it reflects how the company is allocating capital across each relevant Business Activity.



Not every Business Activity has the same financial relevance for every company. Where indicators are assessed at the Business Activity level, the methodology applies an importance weight to reflect (1) how likely the activity is to affect the company under the relevant scenario and (2) the expected scale of financial impact if it does. This likelihood-and-impact approach mirrors an expected-value mindset: activities with higher probability and/or higher stakes carry more weight in the overall assessment.

Importantly, the methodology is not prescriptive about what a company must do within a Business Activity. A company can score well if it demonstrates that it has evaluated the financial logic, risks, and options rigorously — even if it chooses to delay, sequence, or deprioritize certain actions.

Scoring and interpretation: what results mean in practice

All indicators use a standardized five-point scale. Scores are designed to be consistent and comparable across sub-industries while accommodating different credible strategies. Thus the exact meaning of a score differs from indicator to indicator, a general interpretation of the scores is:

Score of 1: weak or missing evidence; limited readiness.

Score of 2: early-stage; partial structures or plans.

Score of 3: credible and complete approach, but not differentiated.

Score of 4: strong, well-integrated approach supported by evidence.

Score of 5: leading practice; embedded, repeatable, and strategically advantaged.

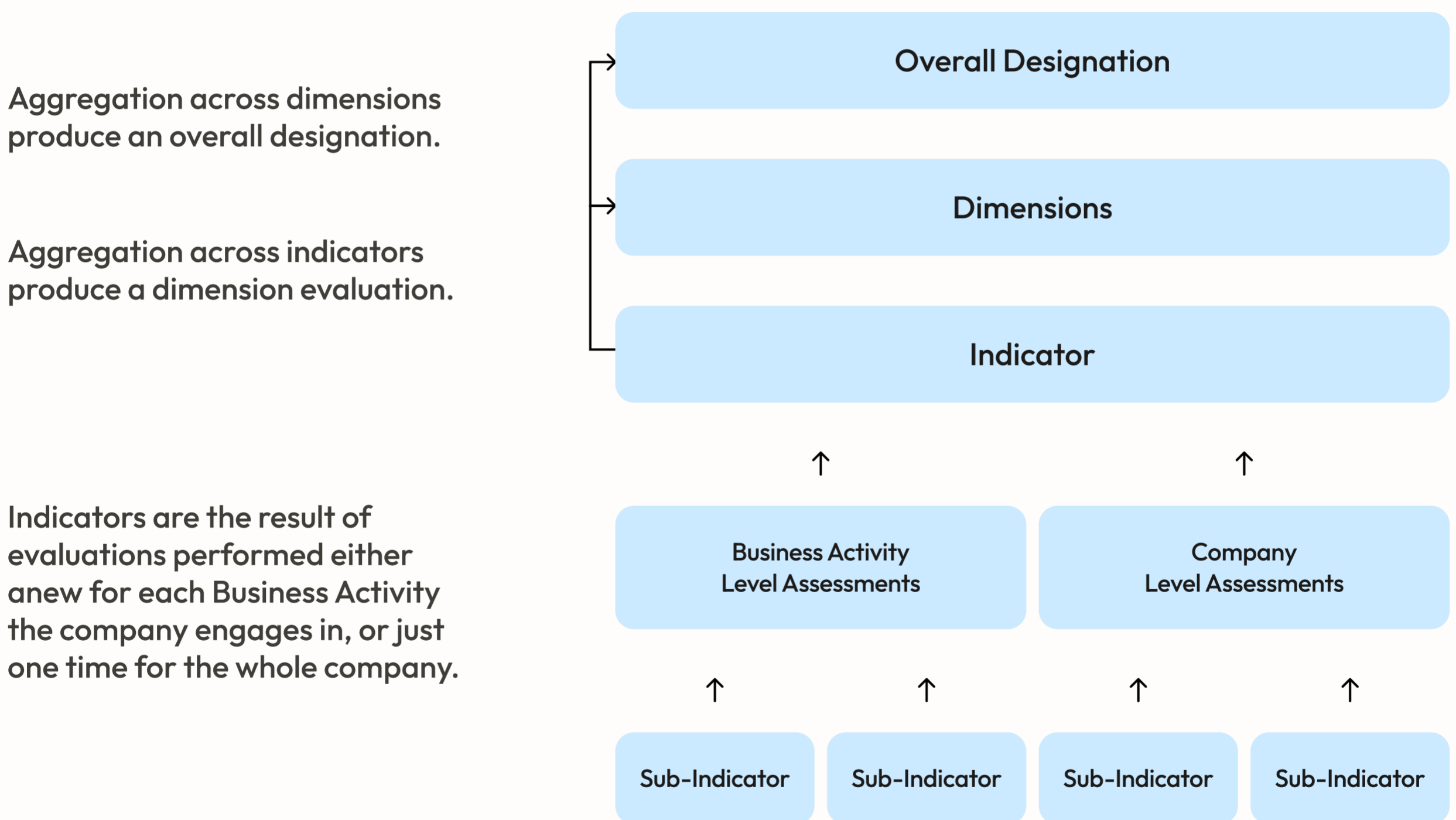


Figure 4. The levels at which aggregations are performed, rolling up (from Business Activities and Sub indicators) all the way up to Overall Designations.

Implementation

Scenarios: structured, plausible economic contexts

Scenarios are used to ground the assessment in realistic transition dynamics over a 5-7 year horizon. They are not forecasts; they are internally consistent narratives that help determine which Business Activities are likely to matter and how companies should reasonably plan.

Companies are allocated to the more probable of two of the following scenarios:

- **Contested Transition:** a non-linear but determined move toward decarbonization with meaningful green-market upside and policy volatility. Opportunities from subsidies, financing, and demand shifts; risks from abrupt policy changes and higher cost of capital for high-emission assets.
- **Entrenched Economies:** strong inertia supporting traditional economic models; low-GHG investments are driven by global market pressures and technology spillovers. Opportunities from cost-competitive efficiencies and export positioning; risks from carbon border adjustments and supply-chain requirements for exporters.

How a company is evaluated: step-by-step process

The model is applied consistently across companies, while allowing for sub-industry and company-specific differences in exposure and strategy.

Step 1 — Classify the company by sub-industry

Each company is mapped to a primary sub-industry from a standardized set. This provides a starting list of candidate Business Activities and peer context.

Step 2 — Select the company's Business Activities.

The candidate list is refined to reflect the company's actual business model. Activities may be removed if not relevant and added if the company participates in transition-relevant domains outside its default sub-industry.

Step 3 — Assign a scenario context.

Companies are associated with the scenario most applicable to their headquarters geography. The scenario informs which Business Activities are most important and how disclosures are interpreted.

Step 4 — Weight Business Activities by importance.

Business Activity importance weights (likelihood and impact) are selected for the relevant scenario and used to prioritize the assessment.

Step 5 — Score indicators and aggregate results.

Indicators are scored on a 1-5 scale based on evidence. Scores are aggregated into themes, then dimensions, and finally into a top-level designation based on position across Strategy and Execution. Some indicators are scored once at the company level (e.g., organizational capacity). Others are scored separately for each relevant Business Activity (e.g., market traction for a specific low-GHG product line), then weighted and aggregated.

Coverage

Assessments cover large-cap, publicly traded companies across both developed and emerging markets. The global nature of the universe means companies are evaluated in the context of the regulatory regimes, demand conditions, and competitive dynamics specific to their markets.

Data sources

All evaluations are grounded in company-disclosed data.

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

Analyst and AI roles

Assessments are produced through a hybrid model combining human analysts and artificial intelligence agents, each handling what they do best. Analysts are responsible for the knowledge that drives the system: they define the Business Activity frameworks, specify the sub-industry context, design the scoring logic, and review outputs. AI agents handle execution at scale, categorizing and ingesting company documents, extracting relevant data, applying analyst-defined scoring criteria, and drafting written rationales.

AI agents in this system act as reasoners, not content generators: they apply analyst-vetted rules to company-disclosed data rather than generating independent judgments.

Quality and validation

Score accuracy is managed at several levels.

First, the model itself was developed using empirically grounded methods to ensure the measurement structure is sound and consistent.

Second, proactive guardrails are built into the production system: AI agents are specialized and modular so each has a narrow, well-defined task; and explicit human-designed reasoning rules govern how ambiguous data situations are handled.

Third, analysts conduct reactive reviews of produced reports, validating indicators and high-level conclusions before output is finalized.

Fourth, automated Q/A is run on all company reports to ensure that analysis intentions and structuring is properly maintained.

Limitations and proper use

The assessment is based on public information; limited disclosure can constrain the ability to recognize strong internal action. Scenario assignment is a structured simplification; companies with highly globalized operations may face transition dynamics not fully captured by headquarters location alone. Results should be interpreted as forward-looking readiness signals, not as guarantees of future financial performance.

Disclaimer: This overview is provided for informational purposes only and does not constitute investment or legal advice.

Appendix: 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.

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.

Methodology

The step-by-step application of the model. It includes identifying Business Activities, selecting relevant indicators, assigning weights, and scoring company performance.

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 sub-indicators, therefore, scoring criteria apply to sub indicators.

Sub-Indicator

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.

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.

Data models and Evaluation Outputs

Calibration

The adjustment of scoring distributions to support consistency and comparability across sub-industries 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.