

TextReveal® ESG Alerts: Controversy Exposure Score (CES) Rating Methodology

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INTRODUCTION

These public disclosures are made available free of charge in a dedicated section of SESAMm's website. In accordance with Article 23 of Regulation (EU) 2024/3005 (the "Regulation"), they are structured as specified by the Commission Delegated Regulation (EU) of 21 April 2026 supplementing the Regulation with regard to regulatory technical standards specifying the elements of ESG rating products to be disclosed to the public and to users, adopted by the European Commission as document C(2026) 2503 final (the "Disclosure RTS" or "RTS"). They will also be made accessible through the European Single Access Point (ESAP) via the relevant collection body, in accordance with Article 14(3) of the Regulation. In this document, references in the form "RTS Art." are to the Disclosure RTS; references to an "Article" or to "Annex III" without further specification are to the Regulation.

Scope of the regulated ESG rating: For the purposes of the Regulation, SESAMm considers that the only output of TextReveal® ESG Alerts that constitutes an ESG rating within the meaning of Article 3, point (1), of the Regulation is the Controversy Exposure Score (CES).

In SESAMm's assessment, the CES alone meets the three constitutive elements of that definition: (i) it is an aggregate score, both numerical (0 to 100) and categorical; (ii) it is produced according to an established methodology, set out in this document; and (iii) it is expressed through a defined ranking system of rating categories. Within the typology of Article 3 of the Regulation, the CES is an "ESG score" within the meaning of Article 3, point (3): it is produced by pre-established, rule-based algorithmic systems without substantial analytical input from rating analysts (see Section 2.5.2). The CES, like any ESG rating issued by SESAMm, represents SESAMm's own opinion (Article 15(11) of the Regulation).

The other content delivered through TextReveal® ESG Alerts, in particular the underlying controversy events, the Event Intensity, the ESG categories and sub-categories, the Natural Language Processing (NLP)-derived signals and the source materials, constitutes the data layer that supports that output.



The content is event-level data that does not, by itself, rank entities and does not, individually, constitute an ESG rating within the meaning of Article 3, point (1), of the Regulation.

SESAMm discloses the full processing pipeline in this document for transparency, and that transparency does not bring the underlying data layer within the scope of the regulated rating.



SECTION 1: RATING PRODUCT DISCLOSURES

Objective of the rating (Annex III, point 1(f)): The Controversy Exposure Score has a single, clearly defined objective: to measure an entity's exposure to ESG controversies, that is, to adverse events and conduct attributed to the entity as reported in public sources, on the impact-materiality dimension described in Sections 1.1 to 1.3.

1.1 Description of Risks Covered (RTS Art. 3(1)(a))

RTS Art. 3(1)(a) applies where a rating assesses risks in the sense of financial materiality, the "outside-in" effect of sustainability matters on the entity's own financial performance, position or cost of capital.

TextReveal® ESG Alerts does not assess financial materiality. It does not measure the financial effect of ESG matters on the rated entity, does not use the entity's financial data, does not value the entity financially, and does not produce a credit or market-risk rating. This point is therefore not applicable; the rating assesses impact materiality, as described in Section 1.2.

Note on terminology: the Controversy Exposure Score is used by investors, asset managers and risk teams as an input to their own ESG and reputational risk processes. That use does not make the CES a financial-materiality rating. It is an impact-materiality measure of an entity's exposure to ESG controversies, meaning adverse events and conduct attributed to the entity.

1.2 Description of Impacts Covered (RTS Art. 3(1)(b))

Impact materiality (Inside-Out) serves as the exclusive analytical lens of this methodology. The system isolates and scores the raw structural severity of an adverse event before any industry or corporate financial filters are applied.

This dimension measures the actual or potential negative footprint of an entity's activities on ecosystems and society using two structured physical lenses:

Lens A: Reversibility: The physical permanence of ecological degradation, human rights breaches, or governance failures.



Lens B: Corporate & Stakeholder Reach: The absolute physical, geographic, or human scale of the negative event.

1.3 Materiality Approach (double-materiality disclosure) (RTS Art. 3(1)(c) and (d))

TextReveal® ESG Alerts explicitly operates under a **single materiality (impact-only)** framework. In alignment with the disclosure requirements of Regulation (EU) 2024/3005 and RTS Art. 3, this product isolates and measures "inside-out" adverse impacts on sustainability factors and does not assess "outside-in" financial, credit, or legal risks to an entity's commercial value.

The following formal transparency measures are enforced:

- **Methodological governance:** This formal, regulatory methodology document serves as the primary disclosure mechanism, explicitly binding the product to an impact-only mandate and defining the structural exclusion of financial risk filters.
- **Analytical isolation:** The underlying scoring architecture is engineered to prevent data masking. The calculation evaluates controversies based strictly on physical gravity and corporate operational proximity, keeping the scoring entirely free from corporate financial capitalization data or sector-financial weighting.

1.4 Environmental, Social, and Governance Factors Aggregation (RTS Art. 3(2)(a))

In reliance on the derogation in Article 23(3) of Regulation (EU) 2024/3005, SESAMm provides a single aggregated ESG rating: the **Controversy Exposure Score (CES)**, rather than separate E, S and G ratings. The weighting treatment of the three overarching categories required, in connection with that derogation, by Annex III, point 1(h), is set out in Section 1.6.



Taxonomy and scope:

The TextReveal® ESG Alerts engine utilizes a proprietary controversy taxonomy consisting of 44 ESG sub-categories divided across three pillars:

- Environmental (13 sub-risks): Focused on ecological degradation and regulatory breaches.
- Social (16 sub-risks): Focused on violations of human and labor rights.
- Governance (15 sub-risks): Focused on ethical failures and systemic oversight risks

(see Annex 1 for full definitions).

SDG Event ingestion & scoping:

The TextReveal® ESG Alerts engine is architected to ingest and tag external web events relevant to the UN Sustainable Development Goals (SDGs). However, SESAMm does not score SDG alignment or positive contributions. SDG themes function purely as secondary thematic classification tags within the pipeline. The final mathematical score, the Controversy Exposure Score (CES), remains strictly a reflection of negative controversy risk events and adverse impacts.

1.5 Description of Specific Issues Covered (RTS Art. 3(2)(b))

The specific issues covered by the rating are the 44 ESG sub-risks listed and defined in Annex 1. Within the Governance pillar, SESAMm has integrated two universal safety-net categories engineered to capture material adverse impacts that are either procedural in nature or fall outside traditional thematic boundaries:

Legal and Investigative Exposure:

Captures any formal judicial or quasi-judicial action—such as lawsuits, criminal prosecutions, or subpoenas—where the specific underlying ESG theme may still be under investigation or where multiple pillars are involved. It serves as a Lead Indicator of risk.



Other Risks:

A 'catch-all' category for material adverse impacts on ecosystems, communities, or governance structures that fall outside the other defined thematic sub-categories, ensuring that unexpected negative external footprints are factored into the score.

These safety-net categories are continuously monitored for stability and consistency. The supporting distribution data is maintained internally and is available to ESMA on request.

1.6 Weighting of the Environmental, Social and Governance Categories (Annex III, point 1(h))

As required by Annex III, point 1(h), and in connection with the derogation in Article 23(3) relied on in Section 1.4, SESAMm discloses that the three overarching categories, Environmental, Social and Governance, are treated with equal standing, carrying no fixed or relative percentage coefficients.

Pillar aggregation methodology:

TextReveal® ESG Alerts does not apply linear percentage weights to the Environmental, Social, or Governance pillars, nor does it combine them via an arithmetic weighted average.

Traditional weighting frameworks are structurally excluded to eliminate "dilution bias" and "data masking"—common structural flaws where strong administrative compliance in one pillar mathematically conceals a catastrophic breach in another.

Instead, inter-pillar aggregation operates on a rule-based **maximum severity (worst-of) protocol**. The final entity score is dynamically driven by the maximum severity value, regardless of its pillar origin. This is designed so that if an entity triggers a critical infraction within an Environmental sub-risk, the impact remains fully exposed and cannot be watered down by stable metrics or absence of alerts within the Social or Governance pillars.

1.7 Topics Covered and Correspondence with the ESRs (Annex III, point 1(i))

In accordance with Annex III, point 1(i), of the Regulation, SESAMm explicitly notes that the 44 granular sub-risks within the TextReveal® ESG Alerts



taxonomy do not natively or fully correspond to the exact topics from the European Sustainability Reporting Standards (ESRS). However, they overlap to a degree and allow for effective cross-system comparison and data interoperability for EU institutional clients.

The thematic overlap allows users to compare our controversy alerts against the primary ESRS pillars as follows:

Environmental dimensions (ESRS E1-E5): Our environmental sub-risks monitor negative impacts that map closely to Climate Change (E1), Atmospheric/Water/Soil Pollution (E2 & E3), Biodiversity degradation (E4), and Resource/Waste management (E5).

Social dimensions (ESRS S1-S4): Our social sub-risks cover human-centric impacts tracking incidents related to Own Workforce (S1), Workers in the Value Chain (S2), Affected Communities and Indigenous Rights (S3), and Consumers and End-Users or Product Safety (S4).

Governance dimensions (ESRS G1): Our governance sub-risks capture systemic events relating to corporate Business Conduct, directly focusing on anti-corruption, bribery, tax strategies, and financial crime prevention.

1.8 Expression of the Rating in Absolute Value (Annex III, point 1(j))

The CES is expressed in absolute value. The ranking system, the rating categories and their interpretation, including the meaning of each category in absolute terms, are set out in Section 2.5. This cross-reference is made in accordance with RTS Art. 2(2), which permits cross-referencing within the disclosure while preserving the prescribed order of presentation.

1.9 Alignment with International Agreements (RTS Art. 3(3))

The TextReveal® ESG Alerts taxonomy was engineered with global normative standards as its baseline; SESAMm's ESG sub-risks function as direct indicators of potential non-compliance with international law and voluntary codes of conduct (see Annex 2):

UN Global Compact (UNGC): Identifying potential breaches of the Ten Principles regarding Human Rights, Labour, Environment, and Anti-Corruption.



OECD Guidelines for Multinational Enterprises: Capturing adverse impacts related to Disclosure, Human Rights, and Consumer Interests.

ILO Core Conventions: Monitoring violations related to child labor, forced labor, and the right to collective bargaining.

EU Taxonomy & SFDR (Principal Adverse Impacts): Intermediary indicator for financial market participants to identify through their own logic "Do No Significant Harm" (DNSH) violations based on the data.

UN Guiding Principles on Business and Human Rights (UNGPs): Identifying raw adverse impacts and potential human rights infractions across operations and value chains.

Operational Exclusions & Clarifications:

Paris Agreement pathway: While SESAMm detects climate-related controversies (e.g., greenwashing, emissions-related litigation), the score is not an assessment of a company's alignment with Paris Agreement temperature pathways or Net-Zero targets. More generally, the CES does not assess the alignment of an entity's commitments against the targets or objectives of the Paris Agreement or of any other international agreement referred to above (RTS Art. 3(3)(b)).

Operational Boundary Clarification:

While the TextReveal® ESG Alerts taxonomy covers these thematic boundaries to assist clients with comparative regulatory workflows, SESAMm monitors external stakeholder and media signals to identify real-world events indicating direct non-compliance and does not perform corporate compliance auditing or verify corporate self-reported data discrepancies. These frameworks are used strictly as interpretive references to determine the gravity of a breach.



SECTION 2: GENERAL METHODOLOGICAL DISCLOSURES

2.1 Rating Methodology Title & Rated Item Types (RTS Art. 4(1)(a) & (b))

Methodology title: TextReveal® ESG Alerts: Controversy Exposure Score (CES)
Rating Methodology

Scope of rated items:

The methodology is applied globally across a universe of millions of entities, categorized into the following formal typology:

- **Listed corporations:** Publicly traded equities across all global exchanges.
- **Private entities and corporate suppliers:** Private equity-backed companies, large corporate suppliers, and SMEs across international procurement and business networks, enabling value-chain screening.
- **Infrastructure:** Project-finance developments, physical assets, utilities, and localized municipal works.
- **State-owned entities:** Government-backed commercial enterprises, sovereign wealth operations, and state-controlled corporations.
- **Sovereigns and public-sector entities:** sovereign states, sub-national governments (regions, provinces or states), and municipalities and other local authorities.

2.2 Time Horizon of Validity & Temporal Nature (RTS Art. 4(1)(c); Annex III, point 1(a))

The final, regulated **Controversy Exposure Score (CES)** evaluates controversy exposures across a sliding historical baseline window of **24 months**. Events within this time horizon are updated dynamically every 24 hours as new information modifies risk weights.

Once an alert event surpasses the 24-month look-back boundary, it no longer contributes to the active CES, unless active ongoing litigation re-triggers a dynamic status modifier.



2.2.1 Disclosure on the Backward-Looking Nature of the Rating (Annex III, point 1(a))

SESAMm explicitly declares that TextReveal® ESG Alerts is a **strictly backward-looking, empirical monitoring product**. The core analytical engine does not generate forward-looking projections, predictive modeling, or transition pathway forecasts (such as future net-zero target alignments or projected temperature pathways). Instead, the Controversy Exposure Score (CES) serves as a real-time, ex-post metric reflecting reported adverse impacts, operational deviations, and sustainability controversies that have already materialized or are currently ongoing within the public domain.

2.3 Supporting Models and Key Rating Assumptions (RTS Art. 4(1)(d))

TextReveal® ESG Alerts converts unstructured textual data into the Controversy Exposure Score through a modular, sequential pipeline, with traceability from document ingestion to the final score.

More granular information on each module and its validation approach is provided to users and rated items, and the full supporting detail is available to ESMA on request.

A. Entity and Theme Extraction

Documents are attributed to the relevant monitored entity and screened for ESG relevance against SESAMm's multilingual ESG and SDG taxonomy. A source-reliability signal prioritises higher-quality sources.

Key assumption: entity attribution depends on the accuracy and completeness of the reference information maintained for each monitored entity.

B. ESG Relevance Filtering Model

Filtering and machine-learning classification retain ESG-relevant documents and remove low-quality, non-editorial or duplicate content.

Key assumption: filtering precedes scoring, so document volumes at this stage are structurally higher than in the final output.



C. Clustering, Articles to Events to Cases

To remove "media echo," where a single real-world incident generates many redundant articles, related documents are grouped into Events, and related Events into Cases, so that a controversy unfolding over time is tracked as one continuous Case rather than many separate items.

Key assumption: each Event belongs to one Case and one monitored entity; groupings are updated as new information arrives.

D. Annotation and ESG Validation

A validation step confirms that each candidate event is a genuine ESG controversy concerning the monitored entity and confirms its classification, acting as a control against false positives before events enter the score.

Key assumption: the validation step reduces, but does not wholly eliminate, false positives; residual model limitations are described in Section 5.2.

E. Sentiment and Volume Signals

Sentiment contributes to relevance filtering. The level of media coverage contributes to the Event Intensity and the CES, normalised so that coverage is comparable across entities with different media profiles.

Key assumption: media volume is a proxy for the salience of a controversy, not a direct measure of its severity; severity is determined by the severity and responsibility assessment (Section 2.5.1), not by volume.

2.4 Data Quality, Reliability, and Verification Procedures (RTS Art. 4(1)(e))

2.4.1 Data Provenance and Input Layer Architecture

Data provenance: TextReveal® ESG Alerts relies on formalised data ingestion from licensed and public sources rather than ad-hoc gathering. Incoming content benefits from upstream source-verification by the providers, with permanent identifiers and clean metadata, and is normalised into an immutable raw store, preserving a permanent audit trail of the original signals before any processing.



Automated quality measures: SESAMm applies screening and removal of low-quality and AI-generated or synthetic content, and the de-duplication of repetitive coverage. The inherent limitations of these measures, including media-coverage bias and residual synthetic-content risk, are described in Section 3.

Verification and correction: SESAMm operates a dual-layer human verification process. At the first layer, a dedicated Research & Analytics (R&A) quality-assurance team reviews data accuracy, both reactively, when an issue is raised regarding case relevance, scoring or sub-risk classification, and proactively, through the review of generated ESG alerts. Where an issue is verified, the correction, such as a corrected entity attribution, a corrected sub-risk tag, or the removal of an irrelevant event, is applied at source, logged, and the affected scores are recomputed on the standard daily cycle. Where a challenge is not upheld, the requester is given written notification. At the second layer, complex cases, structural root-cause issues, and changes that require updating the underlying models are escalated to the Methodology Lead.

Monitoring and remediation: data streams are continuously monitored and any required remediation is executed through a documented workflow. SESAMm maintains documented internal procedures for data-quality monitoring and for the review and correction of ratings; the detailed scope and frequency of these controls are provided to users and rated items and are available to ESMA on request.

2.4.2 Model Validation and Recalibration

SESAMm validates the behaviour of the regulated output rather than adjusting individual ratings. The Controversy Exposure Score is monitored for stability, including that the 0-100 ranking bands continue to discriminate effectively, and its calibration is re-evaluated where monitoring or the annual review (Article 15(8)) indicates the need. Any resulting change is governed by the revision process in Section 5.3. The calibration parameters and supporting records are maintained internally in accordance with the record-keeping requirements of the Regulation and are available to ESMA on request.



2.5 Ranking System and Interpretation of Rating Categories (RTS Art. 4(1)(f))

The TextReveal® ESG Alerts ecosystem operates on a clear distinction between intermediate data tracking metrics and final regulated rating outputs:

Event Intensity (scale 1–5): An intermediate, unregulated event and case-level data feature representing the physical gravity of an isolated ESG controversy adjusted for corporate operational proximity.

Controversy Exposure Score (CES) (scale 0–100) [*Regulation (EU) 2024/3005 Annex III, point 1(j)*]: The regulated entity rating. In accordance with Annex III, point 1(j), of the Regulation, the CES is expressed exclusively as an absolute ranking system (not a relative, peer-group-dependent, or sector-normalized score). It measures an entity's exposure to its highest-impact controversies over up to 24 months, where each event's impact combines its severity, its media salience (rebased against the entity's own historical coverage) and a time-decay factor. Because rating boundaries are mathematically invariant and are not normalized against trailing market averages or peer standard deviations, the exposure profile is insulated from industry peer dilution. To ensure consistent interpretation, in line with the methodology requirements of Article 15(7) and (8) of the Regulation, the continuous 0-100 score is interpreted through five pre-determined categorical ranking bands:

CES Score Range	Risk Category	Methodological Interpretation
0 - 20	Very Low Risk	Negligible or minor isolated anomalies; absence of structural or severe controversies.
> 20 - 40	Low Risk	Limited local exposure; remediable or procedural non-compliance events.
> 40 - 60	Medium Risk	Moderate local or regional impacts; active or recurring low-magnitude controversies.
> 60 - 80	High Risk	Extensive regional or widespread stakeholder impacts; material un-remedied violations.
> 80 - 100	Very High Risk	Critical, irreversible systemic or catastrophic impacts; severe direct breaches of international law.



As the CES is a continuous score, band boundaries are applied as follows: Very Low Risk covers scores up to and including 20, and each subsequent band covers scores above its lower bound and up to and including its upper bound (for example, a score above 20 and up to 40 falls in the Low Risk band).

2.5.1 Event Intensity

Event Intensity is an intermediate, unregulated event- and case-level feature, expressed on a continuous 1.00 to 5.00 scale, representing the severity of an individual ESG controversy adjusted for the rated entity's responsibility. It is an input to the regulated Controversy Exposure Score (Section 2.5.4), not a rating in itself. On the client dashboard, API and feeds it is displayed as a rounded integer (1 to 5) for readability, while the underlying continuous value drives the CES.

Event Intensity is produced by supervised machine-learning models trained on large annotated datasets of ESG controversies. The models are validated before deployment and monitored thereafter through the quality-assurance process (Section 2.4) and review of the CES output; their known limitations are described in Section 5.2. Each dimension is assessed holistically, not as a deterministic checklist, and two assessments of the same event may differ.

The Event Intensity is built in two stages:

Structured severity

The severity of the event is assessed along two axes, each scored on a four-level scale:

Lens A, **Reversibility**, the permanence of the adverse impact:

Level 4, Irreversible (for example fatalities or permanent ecosystem damage)

Level 3, Long-term (systemic harm requiring multi-year recovery)

Level 2, Short-term (remediable within a normal reporting cycle)

Level 1, Procedural (technical non-compliance or projected risk)

Lens B, **Corporate & Stakeholder Reach**, the scale of the adverse impact:

Level 4, Widespread (systemic or national-level impact)

Level 3, Extensive (significant regional impact)

Level 2, Limited (localised impact)

Level 1, Internal or minor (impact confined to the entity's own facility)



The two axes are combined through a structured-severity mapping that yields a continuous severity value. Two principles govern that mapping, in line with the UN Guiding Principles approach to identifying severe adverse impacts: permanence of harm takes priority over breadth, so an irreversible impact weighs more heavily than a widespread but remediable one; and severe, irreversible events are designed not to fall into low-severity tiers even where their reach is limited, so that isolated but grave events remain visible. Certain aggravating factors, such as impacts on indigenous communities or strictly protected areas, increase the assessed severity.

Company responsibility:

The structured severity is then adjusted for the entity's role in the event, scored from direct involvement (the impact is caused by the entity's own operations, products or decisions) to indirect involvement (the impact arises through the entity's value chain, business relationships, or enabling finance or infrastructure). Combining severity with responsibility produces the final 1 to 5 Event Intensity.

At both stages the models output continuous values, and the methodology uses continuous interpolation rather than rigid categorical rounding, so that small differences in the inputs do not cause artificial jumps in the result.

Key assumptions: severity is determined by the reversibility and reach assessment, not by media volume; and the models classify events from qualitative textual evidence rather than estimating or substituting missing numerical values (see Section 3.3). The detailed scoring structure, including the underlying severity and intensity matrices and their parameters, is provided to users and rated items, and the full supporting detail is available to ESMA on request.

2.5.2 System Governance Rules

The scoring logic is centrally controlled and applied uniformly across the platform. It cannot be manually overridden or adjusted at the individual-entity level by analysts, which prevents subjective drift and removes the ability to manually set or override the score of any specific entity. The corresponding conflict-of-interest safeguards are described in Section 4.3. Because no rating analyst intervenes in the determination of an individual CES, the record-keeping requirements of the Regulation concerning the persons involved in a rating (Annex II) are met at the methodology level, through the identity of the persons



who develop and approve the rule-based methodology, rather than per individual rating; where a correction is subsequently applied to an entity's underlying data, the person who applied it is logged (Section 2.4).

2.5.3 Statistical Validation and Matrix Justification

To satisfy the methodology requirements of Article 15(7) and (8) of the Regulation, the severity scale has been backtested against a historical event database of more than 500,000 unique events to confirm that it discriminates effectively, separating low-level media noise from material adverse impacts and avoiding score clustering. The supporting distribution analysis is maintained internally and available to ESMA on request.

2.5.4 Regulated Score Aggregation Protocol (0-100 CES)

Individual un-regulated Event Intensity values serve as the direct baseline computing inputs for the final, regulated **Controversy Exposure Score (CES)**.

The CES (Controversy Exposure score) is a proprietary SESAMm score designed to track the level of exposure to ESG controversies through time.

It is based entirely on three factors:

Intensity: the severity of the controversy, taken from the Event Intensity (Section 2.5.1).

Volume: the level of news republication associated with the event, normalised against the entity's own media baseline so that coverage is comparable across entities of different profiles.

Novelty: a time-decay factor that reduces the weight of a controversy as it ages.

The CES helps asset managers and ESG risk teams:

- Conduct quick risk assessments
- Track ESG controversy exposure trends
- Compare controversy exposure across entities and over time

Aggregation is computed for each entity in three steps:

First, a daily raw score is computed for each active event from its intensity, volume and novelty.



Second, the entity's daily score is the maximum across its active events; this worst-of aggregation is deliberate, by taking the single highest active event score the CES applies an unweighted, maximum-severity architecture across E, S and G, so a severe controversy in one pillar is never diluted by the absence of issues in another (Section 1.6).

Third, the daily score is smoothed before delivery: after a new high the CES holds for a short period, then decays gradually in the absence of new information, returning to zero over two years if no further controversies are detected.

The more granular description of the three factors and of the smoothing is provided to users and rated items, and the full supporting detail is available to ESMA on request.

2.6 Date of Most Recent Update (RTS Art. 4(1)(g))

Current methodology version: v1.0

Effective date: 2 July 2026

Changes introduced: First version published

2.7 Industry Classification System Used (RTS Art. 4(2))

Because TextReveal® ESG Alerts functions as a controversy detection engine, industry sector baselines are excluded from the core scoring pipeline. This structural choice eliminates "sector-dilution biases" and is designed so that a company's negative footprint is measured on its absolute severity, rather than being soft-graded against peer averages.

For portfolio screening, thematic mapping and peer analysis, the platform maps each entity to standard industry classifications. For the purposes of the RTS Art. 4(2) disclosure, the primary classification used is set out below, with the secondary classifications also cross-referenced:

A. Primary Disclosure Classification Standard

Framework name and version: International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4.

Official issuing body: United Nations Statistics Division (UNSD).

Official documentation link:

<https://unstats.un.org/unsd/classifications/Econ/isic>



Methodological application: Functioning as the most highly populated cross-referential data point within our entity ingestion layer, ISIC Rev. 4 serves as the primary metadata classification layer in the client dashboard application and API, allowing users to filter impact alerts without altering underlying Event Intensity or CES calculations.

B. Secondary Cross-Referenced Frameworks

For seamless interoperability across global institutional workflows, the TextReveal® ESG Alerts ingestion layer maps entities against the following secondary taxonomies via cross-referential data tables:

NACE Rev. 2: Issued by Eurostat (Statistical Office of the European Union), ensuring complete structural alignment with EU-native reporting mandates.

US SIC (1972 & 1987 editions): Issued by the United States Office of Management and Budget (OMB), facilitating deep legacy screening for North American portfolios.

2.8 Data Sources and Engagement (Annex III, point 1(c); RTS Art. 4(3))

2.8.1 Data Sources Overview (Annex III, point 1(c))

SESAMm's ESG ratings are produced exclusively from public and licensed public-domain information. The input layer comprises more than 30 billion documents, including content from licensed global news syndicates, public web and media feeds, NGO websites and publications, and public regulatory and judicial filings, together with entity-reference registries used for entity resolution. SESAMm uses no non-public, private, confidential or insider data as an input to the determination of any rating. SESAMm does not draw data from sustainability statements required under Directive 2013/34/EU (as amended by the CSRD, Directive (EU) 2022/2464), or from information disclosed under Regulation (EU) 2019/2088 (SFDR).

The methodology does not rely on the estimation of input data, on industry averages, or on proxy data values.

Source data is continuously ingested and recomputed on a daily cycle.



2.8.2 Engagement Process with Rated Entities (Annex III, points 1(c) and 2(c); RTS Art. 4(3); Article 15(12))

SESAMm's ratings are unsolicited and produced from public sources, so the rated entity does not take part in producing its rating. Engagement nonetheless occurs at two points: before first issuance, through the notification window described below (Article 15(12)); and on an ongoing basis after publication, through the access SESAMm provides to each rated entity, where the entity can raise factual errors, challenge specific cases, and ask methodology or regulatory questions. Engagement is conducted remotely; SESAMm does not perform on-site reviews or visits of rated entities.

Notification: Before a rated entity's score is first made available to users, SESAMm notifies the entity at least two full working days in advance, by electronic means where it holds contact details, enabling the entity to access its Controversy Exposure Score and the related information referred to under "Access" below, free of charge and on a non-commercial basis.

Access: A rated entity can access its own data free of charge and on a non-commercial basis, either through the information provided in its notification or by requesting access through the form on SESAMm's public methodology page. On request, SESAMm makes available the entity's current Controversy Exposure Score, the industry classification used, the overview of data sources, the position on the use of estimation and industry averages (none), and the date of the last update of the underlying data.

Raising a concern: A rated entity can review its data using the feedback mechanism SESAMm provides with its access, flag a factual error, challenge a specific case, or raise a methodology or regulatory question.

How input is taken into account: Factual errors and case challenges are reviewed through the quality-assurance process described in Section 2.4. Where a verified factual error is identified, for example a misattributed entity or a misclassification, the correction is applied at source and the score is recomputed within the standard daily cycle (Section 2.2). SESAMm relies on publicly available information and reports the existence of controversies in the public domain; it does not independently verify the underlying allegations. Disagreement with the methodology, or with an assessment correctly applied to accurate underlying facts, is logged but does not change the score.



Methodology and regulatory questions are answered with reference to the published methodology and do not, by themselves, alter a rating. The detailed review-and-correction procedure is maintained internally and is available to ESMA on request.

2.9 Use of Scientific Evidence (Annex III, point 1(e); RTS Art. 4(4))

SESAMm's methodology is not based on primary scientific evidence. It identifies and scores real-world ESG controversies reported in public sources, and is grounded in international normative frameworks and standards (the UN Global Compact, the OECD Guidelines, the ILO core conventions, the UN Guiding Principles, and the EU Taxonomy / SFDR principal-adverse-impact indicators). Where recognised ecological or intergovernmental benchmarks inform the calibration of environmental severity, they are identified through SESAMm's methodology development and annual review process. SESAMm does not rely on, and therefore does not maintain a separate selection process for, primary scientific studies.

2.10 Use of Artificial Intelligence (Annex III, point 1(k))

The TextReveal® ESG Alerts pipeline uses natural-language-processing and machine-learning models, including large language models, in the collection and classification of source documents and in the validation of controversy events. The principal current limitations and risks of this use, together with the safeguards applied, are described in Section 5.2.



SECTION 3: LIMITATIONS IN DATA SOURCES, METHODOLOGIES AND INFORMATION

This section discharges both Annex III, point 1(m) (limitations in the data sources and methodologies used) and point 1(q) (limitations on the information available to SESAMm), which the Disclosure RTS addresses together under Article 5(a) to (c). Limitations arising from the statistical and algorithmic models themselves are described in Section 5.2.

3.1 Availability or Consistency of Data (RTS Art. 5(a))

The Controversy Exposure Score (CES) delivered by TextReveal® ESG Alerts is derived entirely from media and web-sourced textual data processed through a pipeline that runs daily. The methodology therefore inherits a set of structural limitations tied to the nature, availability, and consistency of that data. These limitations are disclosed in full below.

Media coverage density:

Publicly available news and web content is not distributed uniformly across the rated universe: larger or higher-profile entities generate more coverage than smaller or private ones. The CES volume component partially offsets this by rebasing each event against the entity's own historical media baseline rather than absolute volume. For entities with a persistently low baseline the effect is limited, and underrepresentation in the underlying data remains a disclosed limitation of the rating.

Linguistic coverage constraints:

The TextReveal® ESG Alerts pipeline supports a broad but finite set of languages. A share of global media production falls outside this scope, so entities whose ESG-relevant coverage is generated primarily in unsupported languages may be subject to incomplete controversy detection, which can lead to underestimation of their CES.



Source quality and bias:

The web contains a growing volume of algorithmically generated and low-quality content. TextReveal® ESG Alerts addresses this through an Article Reliability Score, (ARS), which discriminates between credible and low-quality sources at the event level. However, the ARS threshold is calibrated heuristically and may not uniformly detect all forms of synthetically generated or low-credibility content.

Media coverage reflects editorial, campaign and NGO attention, which can over- or under-represent particular issues, sectors or regions independently of the underlying conduct.

Access to sources:

SESAMm's coverage is limited to the public and licensed sources it ingests. Controversies reported only in sources to which SESAMm does not have access, including certain paywalled or restricted-access publications, may not be detected, or may be detected later than those in accessible media.

3.2 Completeness, Timeliness, and Accuracy of Information (RTS Art. 5(b))

This subsection addresses the extent to which the information underpinning the CES can be considered complete, timely, and accurate at the point of delivery to users.

Completeness:

The CES reflects content that has passed SESAMm's filtering chain, so it measures deduplicated, ESG-relevant news coverage rather than all published material. Same-day near-duplicate articles are collapsed to avoid event inflation; articles judged insufficiently ESG-relevant are excluded, which may occasionally drop genuine but marginal content. These are deliberate trade-offs between completeness and signal quality.

Timeliness:

The CES is produced on a daily cycle, so it reflects events that have completed the pipeline as at the latest run, with no intra-day update. Multi-day developments such as investigations or litigation are incorporated progressively as new articles are ingested.



Accuracy:

Because the CES is produced by automated models, it carries a residual risk of error: an event may be wrongly attributed to an entity, mis-categorised, or assigned a severity that does not match every observer's assessment. SESAMm mitigates this with a language-model false-positive filter before an event is surfaced and with the dual-layer quality-assurance process (Section 2.4), through which residual errors are corrected and fed back, but it cannot guarantee that every event is classified or scored without error.

The CES reflects controversies as reported in public sources, which may include allegations that are unverified or not yet adjudicated. It records the existence and salience of such reporting and is not a determination of legal liability or of wrongdoing by the entity.

3.3 Treatment of Incomplete or Ambiguous Information (RTS Art. 5(c))

No proxies, estimation or industry averages:

Where direct coverage of an entity is limited or absent, SESAMm does not substitute proxy data, sector benchmarks or third-party estimates. The CES is built only from controversies; absent new confirmed controversies it follows its time-decay. This conservative approach avoids introducing unverified information, but means that for low-visibility entities a low or decaying CES may reflect limited coverage rather than the absence of risk. An absence of detected coverage is treated as an absence of new material controversy, not as an absence of data; for low-visibility entities this may understate actual exposure.

The CES measures exposure to negative ESG controversies only. It does not assess positive ESG performance or improvements; a low score reflects the absence of detected controversies, not an endorsement of the entity's ESG profile.

Ambiguous attribution:

Where an article cannot be confidently attributed to a single entity, SESAMm uses entity identifiers and contextual signals to resolve it; where confidence is insufficient the article may not be attributed, which can result in a missed event.

Developing events:

Event intensity reflects the information available at the time of assessment; as an event develops, its representation is updated on subsequent runs.



SECTION 4: ORGANISATIONAL DISCLOSURES

4.1 Corporate Structure and Ownership Links (RTS Art. 6(1))

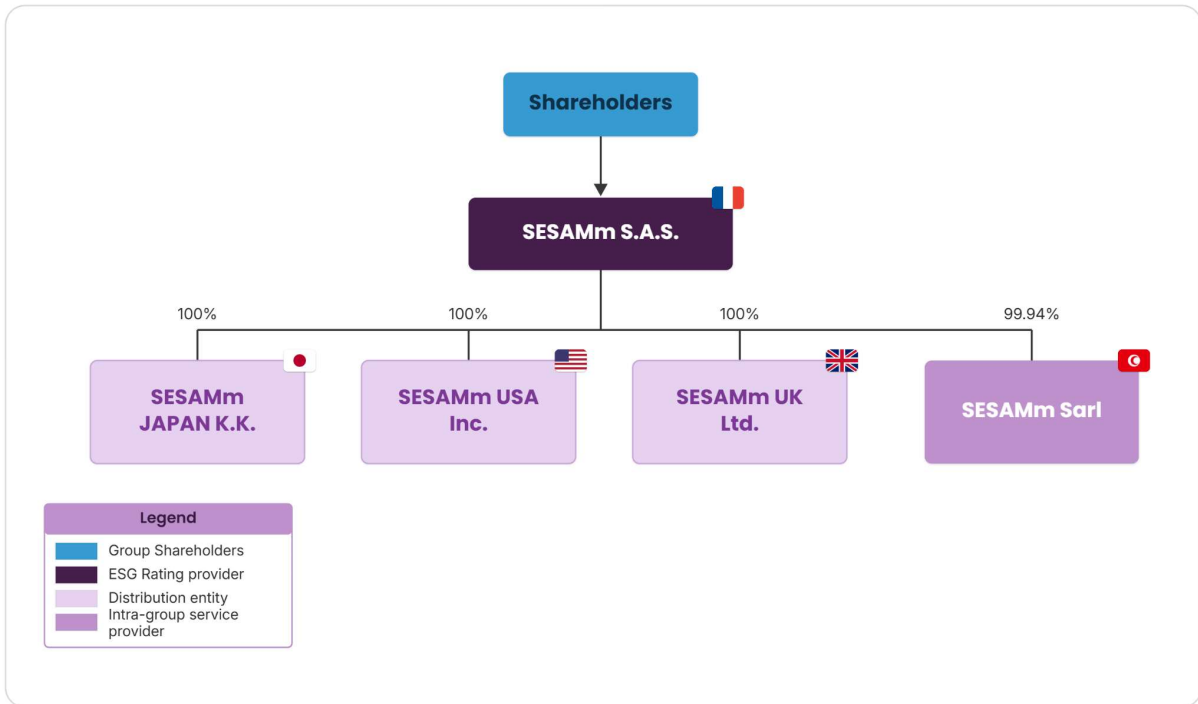
SESAMm SAS is the ESG rating provider (production entity). SESAMm USA Inc., SESAMm UK Ltd., SESAMm Japan K.K. are distribution and sales entities only, with no local rating production. The Tunis subsidiary (SESAMm Sarl) is an intra-group service provider (quality assessments and company requests, no independent rating output).

None of the entities shown performs any of the activities listed in Article 16(1), and SESAMm does not provide any other service that would create a conflict of interest within its ESG rating activities within the meaning of Article 16(6) of Regulation (EU) 2024/3005.

SESAMm SAS maintains an organizational chart mapping links between parent undertakings and subsidiaries. None of our corporate entities engage in conflicting commercial activities under Article 16(1) or 16(6) of Regulation (EU) 2024/3005 (such as consulting services, credit ratings, benchmarks, investment services, statutory audit and sustainability assurance, or banking, insurance or reinsurance activities), eliminating structural bias risks. This statement concerns the entities within the SESAMm group. Potential conflicts arising from SESAMm's shareholders and their portfolios are addressed separately in Section 4.3.

SESAMm S.A.S. is the group parent. Its share capital is held by its founders and by a group of financial investors, comprising venture capital and private equity funds and bank-affiliated investment vehicles. No single shareholder controls SESAMm S.A.S. The chart below illustrates the ownership links between SESAMm S.A.S. and its subsidiaries.





No entity within the group performs any of the activities listed in Article 16(1) of Regulation (EU) 2024/3005, or provides any other service creating a risk of conflict of interest within SESAMm's ESG rating activities within the meaning of Article 16(6), as confirmed by self-assessment dated 12 June 2026.

4.2 Fee-Setting Criteria and Revenue Models (RTS Art. 6(2))

Fee criteria:

SESAMm's fees are fair, reasonable, transparent and non-discriminatory, in line with Article 27 of the Regulation. TextReveal® ESG Alerts is licensed on a subscription basis, priced on objective parameters, such as the number of users, the number of monitored entities, and the modules selected. Fees do not depend on the Controversy Exposure Score assigned to any entity, so commercial terms have no influence on rating outcomes.

Payment model:

SESAMm operates solely on a subscription-paid model and does not operate an issuer-paid model. Rated entities are not charged for being rated. Clients may request custom monitoring universes, which only define the set of entities a client follows and do not constitute a solicited rating. All (100%) ESG-rating-related revenue is derived from the subscription model.



Bundled product:

The regulated rating (the CES) is delivered as one component of the broader TextReveal® ESG Alerts subscription, which also includes unregulated data and workflow features, and fees are set at the subscription level rather than for the CES alone. The share of subscription revenue attributable to the regulated rating, and the basis for determining it, are documented and made available to ESMA for the applicable supervisory-fee calculation. The unregulated data and workflow features included in the subscription are the only services provided alongside the regulated rating; the fees attributable to those features are set on the same objective parameters and have no influence on the determination of the fees relating to the regulated rating (RTS Art. 6(2)(d)).

4.3 Risk Areas for Conflicts of Interest (Annex III, point 1(n); RTS Art. 6(3))

SESAMm operates a documented conflict-of-interest framework (Article 25(6)) under the authority of a Compliance Officer, who performs the permanent, independent and effective oversight function required by Article 15(10) of Regulation (EU) 2024/3005. The Compliance Officer maintains the central Conflict-of-Interest Register, reviews and clears or escalates flagged cases, and reports to the Supervisory Board, to which the compliance function reports independently of SESAMm's commercial and operational lines. The framework and its supporting policies are reviewed at least annually (Article 25(7)).

In accordance with the Regulation, SESAMm identifies the following areas as the principal sources of actual or potential conflicts of interest:

Ownership and investor relationships: SESAMm's share capital is held in part by financial-sector investors, including asset managers and bank-affiliated venture funds. Those investors, their affiliates, or companies held within their portfolios may fall within SESAMm's rated universe, creating a potential incentive to influence the ratings of such entities.

Payment and business model: SESAMm operates solely on a subscription-paid model. Commercial relationships with subscribers could in principle create pressure on rating outcomes.



Personal interests of staff: Personal securities holdings, trading activity, and outside business activities of persons involved in the rating process could conflict with the impartiality of ratings.

Multi-activity staff: Persons who contribute to both rating and non-rating functions could allow commercial considerations or sensitive information to influence the rating process.

SESAMm applies the following measures and safeguards to prevent and mitigate these conflicts:

Automated, rule-based scoring: The Controversy Exposure Score is produced by a deterministic, rule-based engine. Analysts cannot manually adjust an individual entity's exposure score, and the scoring matrices are hard-coded in the production core, structurally removing the ability to manually set or override a specific entity's score.

Separation of commercial and rating-involved staff: Persons directly involved in the rating process are organisationally separated from commercial, sales and account-management functions, with information barriers between them, in line with the separation requirements of Article 16 of the Regulation.

Remuneration safeguards: Under SESAMm's Remuneration Policy adopted pursuant to Article 26(1)(c), the remuneration of rating-involved staff and of the Compliance Officer is not linked to revenue generated from any subscriber or rated entity, to any rating outcome, to the volume of ratings produced, or to the closing of any commercial contract.

Personal trading and outside activities: A Trading Policy Addendum with a Restricted List, and an Outside Business Activities Policy adopted pursuant to Article 17(3) and Article 26(1)(d) respectively, require rating-involved staff to disclose and obtain prior clearance for personal investments and outside activities involving Restricted List entities or competitors.

Annual self-declarations: Persons directly involved in the assessment of rated items submit an annual self-declaration confirming the absence of personal conflicts of interest and their compliance with SESAMm's personal-trading, Restricted List and outside-activity rules, in line with Articles 17 and 26 of the Regulation.



No conflicting activities: SESAMm does not provide consulting, audit, credit-rating, benchmark, investment, banking, insurance or reinsurance services to rated items or subscribers, and therefore does not carry the conflicts of interest associated with the activities referred to in Article 16(1) and 16(6) of the Regulation.

Whistleblowing channel: A confidential whistleblowing channel established under Article 17(6) allows internal and external stakeholders to report suspected conflicts of interest or threats to methodology integrity without fear of retaliation.

Where a conflict of interest cannot be adequately prevented or mitigated, the Compliance Officer escalates the matter to the Supervisory Board, which may require additional measures, the recusal of the persons concerned, or, where necessary, cessation of the relationship or activity giving rise to the conflict. SESAMm discloses all actual and potential conflicts of interest, including those arising from its ownership or control, to ESMA in accordance with Article 25(5) of the Regulation.



SECTION 5: SPECIFIC METHODOLOGICAL DISCLOSURES & REVISIONS

5.1 Methods for Non-Public Data Collection (RTS Art. 7(1))

TextReveal® ESG Alerts does not use any non-public, private, confidential or insider data as an input to the determination of any rating. All inputs are public or licensed public-domain sources: licensed news aggregators, public web and media sources, publicly available NGO research, judicial dockets and regulatory filings, and third-party entity-reference data used for entity resolution. No non-public data-collection methods therefore apply.

The source data is not subject to third-party assurance engagement. SESAMm does not use data derived from sustainability statements prepared under Articles 19a or 29b of Directive 2013/34/EU, company transition-plan data from such statements, or disclosures made under Regulation (EU) 2020/852 (EU Taxonomy) or Regulation (EU) 2019/2088 (SFDR), and it uses no estimation, industry averages or proxy values (Annex III, point 2(b)(i) and (ii); see Section 2.8.1). The limitations of relying on public sources are described in Section 3.

5.2 Shortcomings of Statistical or Algorithmic Systems (RTS Art. 7(2))

A. Core Algorithmic and Model Shortcomings

The TextReveal® ESG Alerts pipeline transforms unstructured media content into a regulated ESG rating (the CES) through a sequential Artificial Intelligence (AI) pipeline. This architecture enables global monitoring at scale, but statistical, semantic and machine-learning models carry inherent structural limitations. In compliance with RTS Art. 7(2), SESAMm discloses the following technical limitations and potential failure points.

1. LLM Hallucination and Contextual Drift

Because autoregressive language models generate outputs based on probabilistic distributions rather than deterministic logic, they carry a structural risk of hallucination. This can manifest as misinterpreting hypothetical, counterfactual or historical content in an article as an active, ongoing controversy, or generating false-positive entity-controversy links. These risks are



mitigated through the quality-assurance process described in Section 2.4, and recurring misclassification patterns are fed back into the training corpus.

2. ESG Prefiltering Decision Boundary

Before the annotation step, machine-learning models remove articles judged insufficiently ESG-relevant. They are tuned to exclude an article only with high confidence, but no classifier achieves perfect recall, so a residual share of genuine but marginal ESG content may be excluded. As a result, events at the lower boundary of ESG materiality are less consistently captured than clearly severe controversies.

3. Hierarchical Clustering and Embedding Distortion

The pipeline groups articles into events and events into cases. This process is subject to two known failure modes. Over-aggregation occurs when two distinct incidents are sufficiently similar to be merged into a single event or case, artificially suppressing the distinct event count. Fragmentation occurs when a single prolonged controversy, such as an initial allegation, a regulatory investigation and a final judgment, generates coverage whose framing evolves over time, causing the engine to split one continuous crisis into disconnected items and distorting time-decay calculations. Both failure modes are monitored by the R&A quality-assurance team and corrected through the established review process.

4. Variable NLP Accuracy Across Supported Languages

The pipeline processes content across multiple languages. NLP model accuracy varies depending on language resource availability and syntactic complexity. For lower-resource languages or content with highly idiomatic phrasing, subtle shifts in tone, irony or localised regulatory terminology can introduce parsing or categorisation errors before data normalisation occurs, affecting the reliability of ESG relevance filtering and thematic classification in those languages.

5. Media Coverage and Data Sparsity Bias

The pipeline requires an active media signal, so coverage is uneven across the universe and an absence of detected events may reflect a data gap rather than the absence of controversy. This data-availability limitation is described in Section 3.1.



B. Systematic Engineering Safeguards and Mitigation Protocols

To contain the risks described above and protect the integrity of the regulated Controversy Exposure Score, the production pipeline applies the following safeguards.

1. Entity-Relative Volume Rebasing

The CES volume component never uses raw article counts. It rebases each event's coverage against the entity's own historical media baseline (Section 2.5.4), so scores reflect relative salience rather than absolute volume. This dampens media-echo effects for high-coverage entities while preserving sensitivity to genuine spikes for low-coverage ones.

2. Semantic Approximation for Incomplete Quantitative Data

The Event Intensity models perform a semantic approximation based on the linguistic gravity and geographical descriptors present in the reporting. This is a classification of qualitative textual evidence into severity tiers using a predefined inference library of contextual triggers. It does not estimate, infer or substitute numerical values. The residual uncertainty at the boundaries between severity tiers is a disclosed structural feature of the methodology.

3. Dual-Layer Human Quality-Assurance

Where an issue is identified by the R&A quality-assurance team's review or raised through the feedback process, it is logged in the Internal Data Discrepancy Log and assessed (Layer 1, Section 2.4.1). Complex thematic routing and edge cases are escalated to the Methodology Lead (Layer 2), who may update the training corpus and correct downstream model behaviour. This human-in-the-loop process aims to identify and correct systematic model errors and to reduce their recurrence.

C. Pre-deployment Testing and Validation

Before a material change to the methodology is deployed, SESAMm backtests the proposed change against a historical event database to measure its impact on the CES, has a representative sample of the most affected entities reviewed by the Research & Analytics team, and requires sign-off by the Methodology Lead, recorded in the change file.



Non-material changes follow a lighter review. This procedure supports the rigour and validation capability of the methodology (Article 15(7) and (8)) and forms part of the impact-assessment process described in Section 5.3.

The quantitative indicator and threshold used to classify and assess changes are maintained internally (Article 15(13)).

5.3 Process for Revising Data and Methodologies (RTS Art. 8(1) to (3))

Frequency and triggers: SESAMm conducts a formal methodology review at least annually (Article 15(8)). A revision cycle may also be opened at any time on any of the following triggers: a regulatory change, a significant model drift detected, a recurring and severe accuracy issue flagged by R&A quality-assurance, a material change at the data-supplier tier (onboarding or termination of a major upstream source, or a material change to its scope), or stakeholder feedback of sufficient weight, such as recurring, validated rated-entity challenges with a significant impact on the CES across a larger number of rated entities, or a supervisory query.

Impact assessment: Before a material change takes effect, SESAMm runs the proposed change against a representative regression sample, quantifies the magnitude of rating changes, and documents the drivers of the largest changes. A summary is published at the level of detail needed for informed rated-entity and subscriber review. The detailed output is retained internally for ESMA inspection.

Materiality criteria: A change is material by default where it affects the aggregate scoring (CES) formula, the ranking bands, the data-source framework (the categories or types of sources relied on, or the onboarding or termination of a major upstream supplier), the pillar treatment, or the published engagement and correction process. A change is non-material by default where it concerns parameter tuning, minor bug fixes, infrastructure with no effect on outputs, editorial corrections, the routine addition or removal of individual sources within the existing data-source framework, additions or refinements to the sub-risk taxonomy, or intermediate signals (Event Intensity, model retraining, source-reliability scoring, and sub-risk classification). Materiality is assessed at the published output layer, that is the CES or any other aggregated published score.



A change to an intermediate signal is reclassified as material only where, measured on the regression sample, the magnitude of the resulting change to the Controversy Exposure Score and the rating classifications it produces exceeds the threshold defined in SESAMm's internal revision procedure. Where that occurs, it is added to the public Change Log (Annex 3) with an impact summary.

Stakeholder consultation: Material changes are subject to the consultation procedure in Section 5.4. Non-material changes that affect the published output are recorded in the Change Log only; changes with no effect on the published output are recorded internally and do not appear in the public Change Log.

Governance and approval: Revisions follow a defined internal procedure with clear ownership and independent sign-off by the Compliance Officer before approval on behalf of SESAMm. Approval is given at the methodology level and never involves an adjustment to an individual entity's rating. The full governance and oversight arrangements are documented internally and available to ESMA on request.

Data revision: Underlying data is updated continuously. Where historical data is revised, corrections are applied at source and the affected scores are recomputed on the standard cycle, with the review and correction controls in Section 2.4 maintaining the accuracy and consistency of the data revision process.

Versioning: Each methodology version carries a version number and a last-revision date (Section 2.6). Changes that affect the published rating are recorded in the public Change Log, which identifies whether each is material or non-material; changes with no effect on outputs are tracked internally only. The full version history is retained internally for the applicable regulatory retention period.



5.4 Stakeholder Consultation Procedures (RTS Art. 8(1)(c))

Before a material change to this methodology takes effect, SESAMm gives advance notice on its public methodology page and opens a feedback window for users, market participants and rated entities (regulatory@sesamm.com). A shorter notice period may apply to lower-impact changes or in exceptional circumstances, with the rationale recorded in the Change Log. The change log is maintained as Annex 3 and made available to users alongside each publication update. The standard notice period and the detailed consultation procedure are set out in the version provided to users and rated items.

5.5 Unsolicited Ratings (Annex III, point 2(d))

SESAMm's ESG ratings are issued on an unsolicited basis. Rated items are informed only through the notification process, do not commission the rating, and do not participate in its production. SESAMm has no access to the management or to non-public internal documents of rated items. Ratings are produced exclusively from public and licensed public-domain sources. A rated item may inspect its controversy profile and contest factual inaccuracies through the process described in Section 2.8. In addition, the unsolicited status of the rating, together with the information required by Annex III, point 2(d), is presented prominently on the rated-entity and client dashboards and in the documentation for the API through which the Controversy Exposure Score is delivered.

5.6 Per-factor information (Annex III, points 2(a)(ii) and (iii))

Although the regulated rating is a single aggregated score, SESAMm makes the Environmental, Social and Governance breakdown available to users of ESG ratings and to rated items. In the rated-entity portal, SESAMm provides the full list of underlying controversy events classified by E, S and G category and sub-category, each with its Event Intensity. SESAMm also displays, per category, the maximum Event Intensity recorded over the assessment window. These are data features derived from the underlying events and are not separate E, S or G ratings. These per-category controversy events and their Event Intensity values, together with the maximum Event Intensity recorded per E, S and G category, are the relevant indicators provided per factor (Annex III, point 2(a)(ii)). As set out in Section 1.6, the E, S and G categories are treated with equal standing and no pillar-level weighting coefficient is applied.



METHODOLOGICAL GLOSSARY

The following definitions are utilized throughout this framework:

Name	Meaning
Entity	Any monitored unit of analysis within the TextReveal® ESG Alerts ecosystem, including Corporations (Public/Private), Infrastructure Projects , Municipalities , Sovereign Nations , and Geographic Regions .
Pillar	The three primary thematic domains of sustainability: Environmental (E) , Social (S) , and Governance (G) .
Sub-Risk Category	A granular thematic classification (e.g., Water Pollution or Modern Slavery) within a Pillar. SESAMm monitors 44 distinct sub-risks .
Alert / Event	A specific, AI-detected occurrence of an adverse ESG controversy linked to an Entity, extracted from millions of unstructured textual sources.
Event Intensity	A continuous numerical score ranging from 1.00 to 5.00 representing the impact magnitude of an ESG event. The engine utilizes a structured severity-and-responsibility assessment to establish a discrete baseline anchor, where continuous values are interpolated, to reduce rounding errors. <i>The score is visually rounded to discrete integers (1-5) on the client dashboard interface to optimize readability.</i>
CES (Controversy Exposure Score)	An aggregated 0 to 100 score of an entity's exposure to negative ESG controversies over a rolling 24-month window, derived from the severity of detected controversies (Event Intensity), the associated media volume, and time-decay, and aggregated on a worst-of (maximum-severity) basis across the E, S and G pillars. It is an absolute score, not normalised against industry peers.
ESG Taxonomy	The proprietary hierarchical structure used by SESAMm to map real-world news evidence to international regulatory frameworks (e.g., SFDR, CSRD, UNGC).



Annex 1: SESAMm Sub-Risk Definitions

1. SESAMm Environmental sub-risks and definitions

Atmospheric Pollution	Non-compliance or violation of laws/regulations and industry standards, leading to significant air pollution and inadvertent greenhouse gases emissions.
Climate Change	Misconduct in the company's climate change approach, such as inadequate climate initiatives, non-adherence to climate goals/policies, and deceptive green practices.
Biodiversity and Ecosystems	Actions causing harm to wildlife and plant species (including endangered species), and detrimental effects on natural ecosystems.
Land and Soil Pollution	Soil degradation and contamination.
Water Pollution	Effluent discharges and water releases.
Animal Welfare	Violations related to the welfare of animals, including abusive treatment.
Water Consumption	Excessive water consumption, over-exploitation, or inefficient utilization.
Food Waste	Irresponsible disposal or discarding of edible food at retail and consumer levels.
Other Pollutions	Other pollution, including dust, noise, odor or visual that can be harmful to people and biodiversity.
Energy and Natural Resources Management	Excessive consumption, over-exploitation, or inefficient utilization of energy and/or natural resources (excluding water).
Waste Management	Improper acquisition, handling, conveyance, or disposal of materials resulting in environmental contamination, health hazards, or compromising the overall security and well-being in an area.
Environmental Misreporting	Inaccurate or deceptive information concerning its environmental performance.
Industrial Accidents and Physical Risk	Incidents caused by the company's operations resulting in environmental or structural damage, including industrial accidents, as well as operational failures or secondary environmental hazards triggered by the entity's inadequate adaptation to extreme weather events (such as floods, droughts, or wildfires).



2. SESAMm Social sub-risks and definitions

Right to Property	Land ownership disputes, such as large-scale acquisitions and forced evictions.
Rights of Indigenous Communities	Adverse effects on the livelihoods or rights of protected or Indigenous communities, encompassing participation rights and control over cultural heritage.
Fundamental Human Rights	Any act or neglect harming human rights, across civil, political, economic, social or cultural.
Violation of Human Rights in Conflict or High Risk Zones	Negative human rights impacts by companies in conflict zones or high-risk areas, where risks of violence or serious abuses are elevated due to factors like political instability, institutional weaknesses, or widespread violence.
Diversity and Inclusion (Beyond the Workplace)	Unfair or prejudicial treatment, discrimination against individuals or groups based on race, color, sex, language, religion, political opinion, nationality, social origin, property, birth status, disability, age, marital or family status, sexual orientation, gender identity, health status, place of residence, economic or social situation.
Workplace Diversity and Inclusion	Discrimination against workers based on race, age, sexual orientation or other characteristics, encompassing both sexual and non-sexual forms of harassment.
Freedom of Association and Collective Bargaining	Infringement on workers' rights to organize and engage in collective bargaining, whether through formal unions or informal groups.
Child Labor	Working activities that endangers children's mental, physical, social or moral well-being and/or disrupts their education.
Forced Labor	Forced labor, where individuals work under threat of penalty, coercion or more subtle means like debt manipulation, identity document retention or threats of reporting to immigration authorities (i.e modern slavery).
Community Health and Safety	Adverse effects on the well-being and safety of communities, clients, customers, or other non-complicit stakeholders, including diseases and deaths linked to corporate activities or related disasters.
Working Conditions	Incidents involving poor labor relations or inadequate employment conditions, including strikes, protests, or communication breakdowns with employees, as well as insufficient social protection or failure to uphold fair workplace standards.
Fair Wages and Compensation	Incidents where a company fails to provide workers with legal minimum wages, living wages, or fair compensation for their work, including cases of wage theft, unpaid overtime, excessive deductions, or inequitable pay practices.
Social Misreporting	The company disseminates false or misleading information related to social data, such as fatality numbers or incidents of discrimination/harassment.
Customer Relations	Disputes or misconduct affecting customers, including misuse of personal data, deceptive practices, or poor complaint handling – excluding product safety issues.
Product Safety	Incidents where a company's products or services cause or risk causing harm to consumers due to design flaws, manufacturing defects, contamination, misleading safety claims, or failure to conduct recalls or comply with safety standards.
Occupational Health and Safety	Endangering employee well-being, such as illnesses or fatalities resulting from company operations or disasters and safety incidents due to inadequate training or maintenance measures.



3. SESAMm Governance sub-risks and definitions

Accounting and Securities Frauds	Publishing inaccurate or deceptive financial data to shareholders, investors, auditors, or regulatory bodies. This extends to deceitful activities in stock or commodities markets, including false information dissemination, stock manipulation and insider trading designed to influence investor decisions.
Anti-competitive Practices	Unethical market practices, including collusion, fake transactions, monopolization, and price fixing, aimed at manipulating markets.
Tax Strategy	Tax avoidance which involves employing legal methods to minimize tax obligations, or/and tax evasion which entails unlawfully reducing taxes through deception and fraudulent practices.
Corruption and Bribery	Practices involving the exchange of valuable items to sway or reward individuals in positions of power, whether to coerce specific actions or acknowledge past favors.
Money Laundering	Concealing the illicit origin of money, derived from activities such as drug trafficking, corruption, embezzlement or gambling by transforming it into seemingly legitimate funds.
Terrorism Financing	The act of soliciting, collecting, or providing funds with the intention of supporting terrorist acts or organizations.
Fraud	Intentional deception perpetrated by an organization to unlawfully obtain property or services from another party, resulting in harm.
Embezzlement	Misappropriation of assets by an individual entrusted with them, such as the unauthorized use of funds for personal gain.
Data Privacy and Cyber Security	Breach of privacy, encompassing the unauthorized disclosure of personal information due to internal mishaps or external threats. This category also includes instances of cybersecurity lapses.
Executive Pay	Controversies or concerns surrounding the compensation packages and remuneration practices of top-level executives within organizations, often including aspects such as excessive compensation, lack of transparency, widening internal wealth gaps, or misalignment with sustainability objectives and broader stakeholder interests.
Marketing and Communication	Manipulating customers through misleading tactics to drive sales, often by misrepresenting products or services. This encompasses misleading advertisements, discriminatory marketing, false health claims and using ambiguous language to exaggerate product benefits.
Board of Directors and Senior Management	Instances where the highest levels of corporate governance and executive leadership exhibit shortcomings or lapses in their responsibilities, resulting in adverse outcomes for the organization.
Supply Chain	Misconduct associated with a company's sourcing practices, such as negligence or unethical behavior in procuring materials or services.
Legal and Investigative Exposure	Serves as a lead indicator of severe underlying sustainability impacts, capturing early signs of systemic operational misconduct before specific thematic boundaries are fully adjudicated.
Other Risks	The Other Risks category captures any additional material adverse impacts on ecosystems, communities, or governance structures that fall outside the other defined thematic sub-categories.



Annex 2: Sub-Risk & International Framework Alignment Matrix

This matrix shows the indicative alignment between SESAMm's sub-risk categories and the principles underlying the referenced international frameworks (UNGC, ILO, OECD, UNGPs) and the SFDR principal-adverse-impact indicators. It is provided to illustrate the normative grounding of the taxonomy. A mark indicates that the sub-risk category is conceptually mapped to, and serves as an indicator of potential non-compliance with, the relevant framework. It is not a legal determination that any rated entity has complied with, or breached, any framework, standard or obligation, and it does not constitute legal, regulatory or compliance advice. The frameworks themselves remain the authoritative source of their own requirements.

ENVIRONMENTAL (13)					
SESAMm Sub-Risk Category	UNGC	ILO	OECD	UNGPs	SFDR (PAI)
Atmospheric Pollution	✓		✓		✓
Climate Change	✓		✓		✓
Biodiversity and Ecosystems	✓		✓		✓
Land and Soil Pollution	✓		✓		✓
Water Pollution	✓		✓		✓
Animal Welfare			✓		
Water Consumption	✓		✓		✓
Food Waste	✓		✓		
Other Pollutions	✓		✓		
Energy and Natural Resources Management	✓		✓		✓
Waste Management	✓		✓		✓
Environmental Misreporting	✓		✓		
Industrial Accidents and Physical Risk	✓		✓		



SOCIAL (16)

SESAMm Sub-Risk Category	UNGC	ILO	OECD	UNGPs	SFDR (PAI)
Right to Property	✓		✓	✓	
Rights of Indigenous Communities	✓	✓	✓	✓	✓
Fundamental Human Rights	✓		✓	✓	✓
Violation of Human Rights in Conflict or High Risk Zones	✓		✓	✓	
Diversity and Inclusion (Beyond the Workplace)	✓		✓	✓	
Workplace Diversity and Inclusion	✓	✓	✓	✓	✓
Freedom of Association and Coll. Bargaining	✓	✓	✓	✓	✓
Child Labor	✓	✓	✓	✓	✓
Forced Labor	✓	✓	✓	✓	✓
Community Health and Safety	✓		✓	✓	
Working Conditions		✓	✓	✓	
Fair Wages and Compensation		✓	✓	✓	✓
Social Misreporting	✓		✓		
Customer Relations			✓		
Product Safety			✓		
Occupational Health and Safety		✓	✓	✓	



GOVERNANCE (15)

SESAMm Sub-Risk Category	UNGC	ILO	OECD	UNGPs	SFDR (PAI)
Accounting and Securities Frauds	✓		✓		
Anti-competitive Practices			✓		
Tax Strategy			✓		
Corruption and Bribery	✓		✓		
Money Laundering	✓		✓		
Terrorism Financing	✓		✓		
Fraud	✓		✓		
Embezzlement	✓		✓		
Data Privacy and Cyber Security			✓		
Executive Pay			✓		
Marketing and Communication			✓		
Board of Directors and Senior Management			✓		
Supply Chain	✓	✓	✓	✓	✓
Legal and Investigative Exposure*					
Other Risks					



UNGC (UN Global Compact): SESAMm sub-risks map to the ten principles, specifically capturing breaches of human rights, labor standards, environment, and anti-corruption.

ILO (International Labour Organization): Specifically aligned with the Fundamental Principles and Rights at Work for all labor-related sub-risks.

OECD (Guidelines for Multinational Enterprises): Integrated across all pillars, providing the baseline for taxation, competition, and consumer interests.

UNGPs (UN Guiding Principles): Used to assess corporate due diligence and adverse impacts on human rights and communities.

SFDR (Sustainable Finance Disclosure Regulation): Mapping to Principal Adverse Impact (PAI) indicators, facilitating DNSH (Do No Significant Harm) assessments.

** The categories 'Legal and Investigative Exposure' and 'Other Risks' are deliberately excluded from specific thematic framework alignment (UNGC, ILO, OECD, etc.). These sub-risks serve as methodological safety nets to capture material negative impacts that are either procedural in nature (e.g., ongoing judicial proceedings where the specific ESG breach is not yet categorized) or emerging events that fall outside current international nomenclature.*



Annex 3: Change Log

The following table records every published version of the TextReveal® ESG Alerts: Controversy Exposure Score (CES) Rating Methodology and the changes introduced. Material changes and Non-Material changes are both recorded. The table is updated at each new publication and is made available to users.

Version	Effective date	Change type (Material / Non-material)	Summary of changes	Affected sections	Internal approval
v1.0	2 July 2026	Material (initial baseline)	Initial release of the regulated TextReveal® ESG Alerts Methodology in accordance with Regulation (EU) 2024/3005, applying from 2 July 2026. Sets out the CES, the sub-risk taxonomy, the dual-layer verification, and the methodology governance framework.	All sections	Supervisory Board

