# CLIMATE TRANSITION ASSESSMENT METHODOLOGY

EthiFinance Sustainability (EFS)
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# Content

Purpose of this methodology document 4
1. Rating Product Disclosures 4
1.1. Rating objective and materiality 4
1.1.1. Description of risks and impacts covered in the Climate Transition Assessment 4
1.1.2. Double materiality in the Climate Transition Assessment 4
1.2. Scope of the Climate Transition Assessment 5
1.3. Weightings and topics within the Climate Transition Assessment 6
1.4. Consideration of international frameworks in the Climate Transition Assessment 7
2. Basic Methodological Disclosures 9
2.1. Methodology of the Climate Transition Assessment 9
2.1.1. Coverage and time horizon of the Climate Transition Assessment 9
2.1.2. Supporting models and key rating assumptions 9
2.1.3. Measures and procedures to ensure the quality of data used 9
2.1.4. Structure of the Climate Transition Assessment 10
2.1.5. ESG management I: Pillars and topics 10
2.1.6. ESG management II: Indicators 11
2.1.7. Assessment area I: The scoring model 11
2.1.8. Assessment area II: Performance levels 11
2.1.9. Final Climate Transition Assessment score 12
2.1.10. Update of the methodology 13
2.2. Industry classification 13
2.3. Overview of data sources and dialogue process 13
2.3.1. Data sources 13
2.3.2. Interaction between the ESG Analysts and the rated entity 13
2.3.3. Process of the Climate Transition Assessment 14
2.4. Use of Scientific evidence and underlying assumptions 14
2.5. Use of AI in the Climate Transition Assessment 15
3. Limitations of the Climate Transition Assessment 16
3.1. Reliance on disclosed and self-reported data 16
3.2. Heterogeneity and comparability of climate disclosures 16
3.3. Forward-looking nature of transition assessments 16
3.4. Limitations related to Scope 3 emissions and data completeness 16
3.5. Timeliness and updates of information 16


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3.6. Methodological treatment of missing data and proportionality 17
4. Organisational disclosures 18
4.1. Ownership structure 18
4.2. Fees and business model 18
4.3. Conflict of interest 18
4.4. Additional regulatory provisions 18
4.4.1. Record-keeping 18
4.4.2. Complaint Handling Mechanism 18
Document Revision History 20
Disclaimer 21
Contact us 22


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# Purpose of this methodology document

This document is published in accordance with Article 23 of Regulation (EU) 2024/3005 of the European Parliament and of the Council on the transparency and integrity of ESG rating activities. It fulfils the requirement for ESG rating providers to make publicly available their methodologies, models and key rating assumptions.

This document outlines the methodology for the Climate Transition Assessment (hereinafter "CTA"), provided by EthiFinance Sustainability (hereinafter "EFS") to companies and institutions seeking an evaluation of their sustainability performance.

This document is updated and approved by EFS's Methodology Committee on an annual basis.

# 1. Rating Product Disclosures

## 1.1. Rating objective and materiality

### 1.1.1. Description of risks and impacts covered in the Climate Transition Assessment

The CTA methodology assesses climate transition-related risks through the evaluation of how a company is positioned to manage the shift towards a low-carbon economy. Covered risks include transition risks arising from regulatory and market changes linked to decarbonisation, risks linked to the inadequacy or absence of a credible transition plan, and risks stemming from the misalignment of the company's business model with a 1.5°C trajectory. Physical risks are also considered, to the extent that companies are expected to have analysed their exposure to them as part of their overall climate risk management. These risks are assessed across the four pillars of the CTA, Reporting, Targets, Strategy, and Governance & Progress, and vary depending on the sector-specific carbon profile and transition pathway of the company, as identified through the climate hotspot analysis.
*Annex III 1(f) / Art. 3(1)(a)*

The CTA methodology assesses climate-related impacts through the evaluation of a company's contribution to global GHG emissions and its efforts to reduce them in line with the Paris Agreement. Covered impacts include direct emissions (Scope 1), indirect emissions from energy consumption (Scope 2), and value chain emissions (Scope 3), with particular focus on the GHG Protocol categories identified as most material for each sub-sector, referred to as climate hotspots. The assessment also covers the impact of the company's business model and product portfolio on the broader climate transition, including whether the company is shifting away from carbon-intensive activities.
*Annex III 1(f) / Art. 3(1)(b)*

### 1.1.2. Double materiality in the Climate Transition Assessment

The CTA applies a climate-focused double materiality approach, exclusively applied to the climate dimension and not extending to other ESG topics. On the financial materiality side, it assesses how climate-related risks and the absence of a credible transition plan may affect the financial performance, operational resilience and long-term value of the rated entity. On the impact materiality side, it evaluates the contribution of the company's activities and business model to GHG emissions and global warming.

This climate-focused materiality is operationalised through the identification of climate hotspots for each of the 49 sub-sectors covered by EthiFinance's proprietary classification, aligned with recognised standards such as NACE and other established classification systems. For each sub-sector, the GHG Protocol categories that account for the majority of emissions are identified as hotspots, based on a comprehensive desk-based analysis drawing on recognised frameworks including SBTi sector standards, IEA Net Zero scenarios, CDP and the CREEM Project.

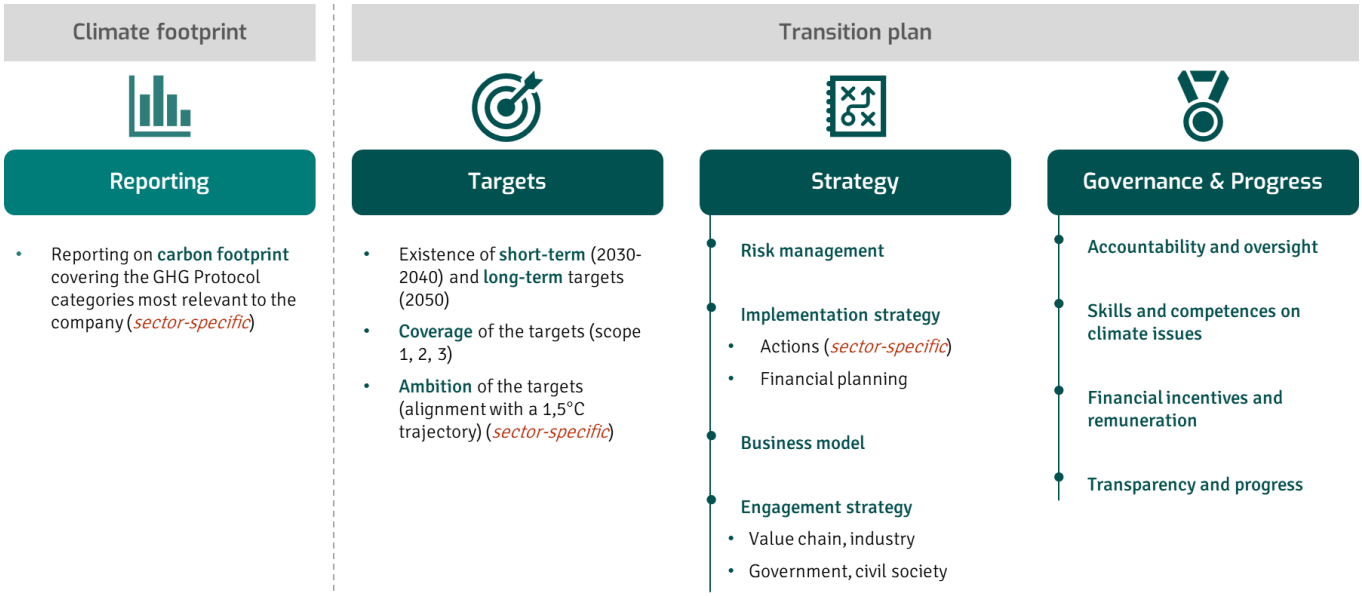
The resulting hotspot analysis calibrates the scoring model in three ways: it determines which GHG emissions categories a company is expected to report on, which reduction targets it is expected to set, and which strategic actions are considered most relevant to achieve decarbonisation. This ensures that companies are assessed against criteria that are genuinely material to their activities and sector, rather than against a uniform framework.
*Annex III 1(f) / Art. 3(1)(c)*

Dimensions of materiality other than those described above are not used in the Climate Transition Assessment.
*Annex III 1(f) / Art. 3(1)(d)*


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## 1.2. Scope of the Climate Transition Assessment

The Climate Transition Assessment (CTA) is based on a comprehensive evaluation of the rated entity's climate transition performance, focusing on its **greenhouse gas emissions profile** and its **ability to align with a low-carbon trajectory**.




It covers **key climate-related issues**, including greenhouse gas emissions measurement and disclosure, the definition and ambition of emissions reduction targets, the implementation of transition plans, the integration of climate considerations into business strategy and risk management, as well as governance mechanisms supporting climate-related decision-making and oversight.

The CTA evaluates different dimensions of climate transition, including the company's carbon footprint, strategic positioning, transition planning, governance structure and progress monitoring, with the objective of assessing **both the credibility and the robustness** of its transition pathway.

The CTA results in a composite score, based on the aggregation of pillar-level and topic-level assessments. This structure ensures transparency by providing both an overall assessment and visibility on the underlying components contributing to the final score.
*Annex III 1(g) /Art. 3(2)(a)*

The methodology applies exclusively to non-financial corporates **operating in "high climate impact sectors"**, as defined in Annex I of the Sustainable Finance Disclosure Regulation (SFDR).

EthiFinance structures the CTA around four analytical pillars, reflecting the key dimensions of climate transition:

- **Reporting:** Assesses the completeness, relevance and transparency of greenhouse gas emissions disclosure, including the coverage of Scope 1, 2 and 3 emissions and, where relevant, the identification of locked-in emissions.
- **Targets:** Evaluates the definition, scope and ambition of emissions reduction targets, including their alignment with a 1.5°C trajectory, their coverage of material emission sources, and the presence of third-party validation where applicable.
- **Strategy:** Examines the extent to which climate considerations are integrated into the company's business model, including mitigation actions, financial planning, stakeholder engagement and, where necessary, the adaptation of the business model to a low-carbon economy.
- **Governance & Progress:** Assesses the effectiveness of governance structures supporting the transition, including accountability, skills, incentives and the monitoring and disclosure of progress over time.

*Annex III 1(g) /Art. 3(2)(b)*


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## 1.3. Weightings and topics within the Climate Transition Assessment

The Climate Transition Assessment covers Environmental (E) and Governance (G) factors exclusively. Social (S) factors are not assessed within this framework. The weight attributed to each factor in the aggregation is therefore as follows:

| Factor | Weight in the overall CTA score |
|---|---|
| **Environmental (E): Reporting + Targets + Strategy pillars** | 75% |
| **Governance (G): Governance & Progress pillar** | 25% |
| **Social (S)** | 0%<br>Not covered within the CTA framework |

The four pillars, Reporting, Targets, Strategy, and Governance & Progress, are equally weighted at 25% each in the calculation of the overall CTA score.

Within the Governance & Progress pillar, themes are not equally weighted. The "Transparency and progress" theme carries a weight of 50%, reflecting its importance in assessing the monitoring and disclosure of transition progress. The three remaining themes (Accountability and oversight, Skills development, Financial incentives and remuneration) are each weighted at 16.67%.

Within the Strategy pillar, the four underlying themes (Risk management, Implementation strategy, Business model, Engagement strategy) are equally weighted at 25% each.

Within the Reporting and Targets pillars, each pillar consists of a single theme, assessed through its constituent indicators with equal weighting.

*Annex III 1(h)*

| CTA pillar / topic | Short definition | Corresponding ESRS standard(s) | Relevant ESRS sections / datapoints |
|---|---|---|---|
| **Reporting** | Disclosure of greenhouse gas emissions and carbon footprint, including Scope 1, 2 and 3 coverage, and locked-in emissions where relevant | ESRS E1 | E1-6 Gross GHG emissions (Scope 1, 2, 3) — E1-1 §16(d) Locked-in GHG emissions |
| **Targets** | Definition, scope and ambition of climate targets aligned with a 1.5°C pathway | ESRS E1 | E1-4 Targets related to climate change mitigation and adaptation |
| **Strategy – Risk management** | Integration of climate risks into the company's overall risk management framework | ESRS E1 / ESRS 2 | E1-2 Policies related to climate change — E1-9 Anticipated financial effects from material physical and transition risks — ESRS 2 SBM-3 Material impacts, risks and opportunities |
| **Strategy – Implementation strategy** | Actions and measures implemented to reduce GHG emissions and deliver the transition plan, including CapEx and OpEx allocation | ESRS E1 | E1-3 Actions and resources related to climate change policies |


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| | | | |
|---|---|---|---|
| **Strategy – Business model** | Alignment of the company's business model with climate transition objectives | ESRS 2 / ESRS E1 | ESRS 2 SBM-1 Strategy and business model — E1-1 Transition plan |
| **Strategy – Engagement strategy** | Engagement with value chain stakeholders on climate-related issues | ESRS E1 / ESRS 2 | E1-1 Transition plan — ESRS 2 SBM-2 Stakeholder interests and views |
| **Governance & Progress – Accountability and oversight** | Allocation of climate responsibilities within governance structures | ESRS 2 | ESRS 2 GOV-1 Governance structure — ESRS 2 GOV-2 Roles and responsibilities |
| **Governance & Progress – Skills development** | Availability of internal expertise to manage climate issues | ESRS 2 | ESRS 2 GOV-3 Skills and expertise of governance bodies |
| **Governance & Progress – Financial incentives and remuneration** | Integration of climate objectives into remuneration policies | ESRS 2 | ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes |
| **Governance & Progress – Transparency and progress** | Monitoring and disclosure of progress against climate targets | ESRS E1 / ESRS 2 | E1-5 Metrics related to climate performance — E1-4 Targets — ESRS 2 MDR-M Metrics — ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets |

*Annex III 1(a) / Article 4(1)(f)(i) and (ii)*

## 1.4. Consideration of international frameworks in the Climate Transition Assessment

The Climate Transition Assessment (CTA) takes into account the **objectives and principles of the Paris Agreement**, as well as key international frameworks related to climate transition planning, through the use of structured indicators assessing the company's climate strategy, targets and transition plan.

Within the CTA framework, alignment with the **Paris Agreement** is primarily reflected through the assessment of:

- The measurement and disclosure of greenhouse gas emissions;
- The definition and ambition of climate targets;
- And their consistency with a 1.5°C trajectory, in line with internationally recognised climate pathways.

In addition, the methodology integrates reference frameworks used by financial market participants to assess climate transition strategies, notably:

- The **Glasgow Financial Alliance for Net Zero** (GFANZ) framework, which provides guidance on the key components of credible net-zero transition plans;
- The **Net Zero Investment Framework** (NZIF) developed by the Institutional Investors Group on Climate Change (IIGCC), which supports investors in assessing alignment with net-zero objectives.

These frameworks are incorporated through systematic mappings with the CTA pillars, ensuring consistency between EthiFinance's assessment and widely recognised market standards. In particular:

- **CTA Reporting and Targets pillars** are aligned with **GFANZ and NZIF requirements** on metrics, targets and disclosures;


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- **CTA Strategy pillar** reflects implementation, business model alignment and stakeholder engagement dimensions;
- **CTA Governance & Progress pillar** captures governance structures, accountability, incentives and monitoring mechanisms.

The CTA does not perform a direct quantitative verification of alignment with the objectives of the Paris Agreement or other international frameworks. Instead, it assesses the **credibility, completeness and consistency** of the company's transition strategy in light of these reference frameworks.

International frameworks are therefore considered holistically, as benchmarks informing the design of indicators and the evaluation of transition plans, rather than as standalone alignment tests.
*Annex III 1(o) and (p) / Article 3(3)(a) and (b)*


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# 2. Basic Methodological Disclosures

## 2.1. Methodology of the Climate Transition Assessment

*Annex III 1(a) / Article 4(1)(a)*

### 2.1.1. Coverage and time horizon of the Climate Transition Assessment

This methodology applies to non-financial companies **operating in "high climate impact sectors"**, as defined in Annex I of the Sustainable Finance Disclosure Regulation (SFDR). These sectors include, among others, agriculture, manufacturing, energy, transport, construction and real estate.
*Annex III 1(a) / Article 4(1)(b)*

The Climate Transition Assessment is a backward-looking assessment, based on the most recent available reporting year. The evaluation is conducted **on an annual basis**, and each CTA score reflects the company's climate transition performance at a specific point in time.

While the assessment focuses on a single reporting year, the methodology may take into account historical data from up to three consecutive years, where relevant. This is notably the case for indicators assessing trends, the consistency of emissions trajectories, or the credibility of transition pathways over time.

The CTA is **updated annually** following the publication of new disclosures. Between two assessment cycles, the rating may be revised in the event of material changes.

The CTA results are published and associated with a specific reference year, ensuring full transparency on the time scope of the assessment.
*Annex III 1(a) / Article 4(1)(c)*

### 2.1.2. Supporting models and key rating assumptions

The Climate Transition Assessment is based on **a structured analytical framework** combining indicator-based assessment, defined scoring rules and sector-specific reference benchmarks to evaluate the climate transition performance of the rated entity.

The methodology does not rely on black-box quantitative models or automated decision-making systems. Instead, scores are derived through a **transparent and rule-based aggregation process**, supported by clearly defined evaluation criteria applied to each indicator.

The CTA integrates several key analytical components, including:

- The assessment of greenhouse gas emissions and carbon footprint;
- The evaluation of climate targets and their alignment with a 1.5°C trajectory;
- The analysis of transition strategies and implementation measures;
- And the review of governance structures supporting the transition.

These elements are assessed against recognised **international and sectoral reference frameworks**, including the Paris Agreement pathways and market standards such as GFANZ and IIGCC, which inform the definition of indicators and expectations.

Key methodological assumptions include the use of **disclosed data as a proxy** for the company's climate management maturity, the relevance of sector-specific transition pathways, and the assessment of transition credibility based on the consistency between targets, strategy and implementation.
*Annex III 1(a) / Article 4(1)(d)*

### 2.1.3. Measures and procedures to ensure the quality of data used

The Climate Transition Assessment is based on documented and traceable information. For non-solicited ratings, the assessment relies exclusively **on publicly available sources**, including company reports, sustainability reports, websites, regulatory disclosures, public databases and other verifiable public information.


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All data collected is centralised in the EthiFinance platform, with associated sources, comments and time scope. Data collection is performed according to the methodological rules defined for each indicator and subject to several layers of quality control.

Quality checks include **automated controls embedded in the platform**, review by a Data Analyst different from the one who collected the data, in line with the **four-eyes principle**. These controls are designed to identify missing data, abnormal variations, inconsistencies between years, or potential misinterpretations of source documents.

Where an anomaly is flagged, the Data Analyst **must verify the underlying source**, confirm or amend the data point, and document the review outcome in the relevant comment field. Progression to the next workflow stage is conditional upon the resolution and documentation of all required checks.
*Annex III 1(a) / Article 4(1)(e)*

### 2.1.4. Structure of the Climate Transition Assessment

The Climate Transition Assessment (CTA) is structured around four pillars:

- Reporting;
- Targets;
- Strategy;
- Governance & Progress.

Each pillar **is weighted equally**, and the overall CTA score corresponds to the average of the four pillar scores, based on a transparent and rule-based aggregation framework.

The CTA score is expressed on a **quantitative scale from 0 to 100**, where 100 represents the highest level of climate transition performance.

The scoring model may incorporate specific adjustments, notably for companies operating **in hard-to-abate industries** and for electricity generation companies.

In addition to the numerical score, the CTA includes a **conversion into performance levels** (Elementary, Beginner, Intermediate, Advanced), based on predefined thresholds and minimum requirements across each pillar. These safeguards ensure that the overall assessment reflects a balanced performance across all dimensions of the climate transition.
*Annex III 1(a) / Article 4(1)(f)(i) and (ii)*

### 2.1.5. ESG management I: Pillars and topics

The Climate Transition Assessment is based on a structured framework **composed of four pillars**: Reporting, Targets, Strategy, and Governance & Progress. Each pillar assesses a key dimension of the company's climate transition and is designed to evaluate the completeness, credibility and implementation of its transition pathway.

- The **Reporting pillar** assesses the relevance and completeness of greenhouse gas emissions disclosure, including coverage of Scope 1, 2 and 3 emissions and, where relevant, the identification of locked-in emissions.
- The **Targets pillar** evaluates the definition, scope and ambition of emissions reduction targets, including their alignment with a 1.5°C trajectory, their coverage of material emissions sources, and the use of recognised validation frameworks where applicable.
- The **Strategy pillar** assesses the company's ability to implement its transition plan, including mitigation actions, financial planning, stakeholder engagement and, where necessary, the adaptation of the business model to a low-carbon economy.
- The **Governance & Progress** pillar examines the effectiveness of governance mechanisms supporting the transition, including accountability, skills, incentives and the monitoring and transparency of progress over time.

Each pillar is composed of predefined themes and indicators, allowing for a consistent and comparable assessment across sectors.


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### 2.1.6. ESG management II: Indicators

The CTA relies on a set of **quantitative and qualitative indicators** covering all dimensions of climate transition. These indicators form the basis of the scoring model and enable the evaluation of disclosure, targets, implementation measures and governance frameworks.

Each indicator is scored on a scale from 0 to 100 based on predefined criteria. Indicators are **equally weighted** within each theme, and themes are aggregated within each pillar according to defined weighting rules.

The scoring model distinguishes between different types of companies:

- For **large companies**, scoring expectations are higher, particularly regarding quantitative targets, validation mechanisms and detailed disclosures;
- For **small and medium-sized companies**, certain indicators are treated as bonuses or assessed with adjusted thresholds, ensuring proportionality in the evaluation.

Indicators may therefore be assessed under different scoring logics depending on company size, while ensuring consistency across the rating universe.

### 2.1.7. Assessment area I: The scoring model

The CTA scoring model is based on a structured and transparent aggregation framework, combining indicator-level, theme-level and pillar-level assessments.

Each indicator is assigned a score on a scale from 0 to 100, **based on the data collected** through the questionnaire and predefined evaluation criteria. Within each theme, all indicators are equally weighted.

Themes are then aggregated into pillar scores, and the overall CTA score corresponds to **the average of the four pillar scores**, each pillar being equally weighted.

The aggregation structure is therefore as follows:

- A **theme score** corresponds to the average of its underlying indicators;
- A **pillar score** corresponds to the weighted average of its themes;
- The **overall CTA score** corresponds to the average of the four pillar scores.

Within the **Governance & Progress pillar**, the theme "Transparency and progress" is given a higher weight (50%), reflecting its importance in assessing the monitoring and disclosure of transition progress.

The scoring model may incorporate specific adjustments, in particular:

- Higher expectations for companies **operating in hard-to-abate sectors**, reflecting the greater structural challenges associated with decarbonisation;
- Specific treatment for companies already aligned with advanced decarbonisation pathways, notably **electricity producers**.

In addition, the scoring model integrates a **size-differentiated approach**, whereby certain indicators may be assessed with adjusted thresholds or treated as bonus indicators for smaller companies, ensuring proportionality of the assessment.

### 2.1.8. Assessment area II: Performance levels

In addition to the numerical score, the CTA includes a classification into **four climate transition performance levels**, which provide a simplified interpretation of the company's transition maturity:

- **Elementary:** the company has not formalised a climate transition plan or strategy, or provides very limited climate-related disclosures.
- **Beginner:** the company has initiated a transition approach, has identified key climate issues, and has implemented some actions, but the strategy remains partial or insufficiently structured.
- **Intermediate:** the company has defined a structured transition plan, including quantified targets and an identified action plan, and has started implementing it.


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- **Advanced:** the company has a comprehensive and fully operational transition plan, supported by robust governance, credible targets aligned with climate objectives, and transparent monitoring of progress over time.

Additional criteria may apply to specific sectors. For example, in the case of electricity producers, performance levels are also conditional **upon the share of electricity generated from renewable sources**.

To reach each performance level, companies must achieve the following minimum overall scores:

- **Beginner:** ≥ 25/100
- **Intermediate:** ≥ 50/100
- **Advanced:** ≥ 75/100

For the **Intermediate** and **Advanced levels**, additional safeguards are applied to ensure a balanced performance across all four pillars. Minimum pillar-level thresholds must be met:

| | |
|---|---|
| Intermediate level: | • **Reporting pillar**: ≥ 25<br>• **Targets pillar:** ≥ 18<br>• **Strategy pillar:** ≥ 38<br>• **Governance & Progress pillar:** ≥ 35 |
| Advanced level: | • **All four pillars:** ≥ 60 |

If one of these thresholds is not met, the company is **downgraded to the next lower performance level**, regardless of its overall score.

These safeguards ensure that the CTA reflects a **consistent and credible level of transition maturity** across all dimensions, rather than compensating weak performance in one pillar with strong performance in another.

### 2.1.9. Final Climate Transition Assessment score

The final CTA score is calculated based on the aggregation of the four pillar scores (Reporting, Targets, Strategy, Governance & Progress).

The overall CTA score is then used to determine the climate transition performance level, based on predefined thresholds and pillar-level safeguards.

The result is therefore expressed as follows:

| Total CTA score | Performance level |
|---|---|
| 58/100 | • Intermediate *(if Reporting ≥ 25 , Targets ≥ 18, Strategy ≥ 38 and Governance & Progress ≥ 35)*<br>• Beginner otherwise |

The CTA score is expressed on a **quantitative scale from 0 to 100**, where higher scores indicate stronger climate transition performance and lower scores reflect limited or insufficient transition planning, weak implementation or lack of disclosure.

The CTA score is derived through a **multi-step aggregation process**, whereby indicator-level scores are consolidated into theme scores, then into pillar scores, and ultimately into an overall score. Each of the four pillars (Reporting, Targets, Strategy, Governance & Progress) is equally weighted in the calculation of the final score, ensuring a balanced assessment across all dimensions of the climate transition.

Within this framework, indicators are evaluated based **on predefined criteria** and aggregated using **a transparent and rule-based methodology**. While the aggregation model allows for a structured consolidation of results across pillars, additional safeguards are applied to ensure that strong performance in one dimension does not fully compensate for weaknesses in others at the stage of performance level classification.


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The CTA score constitutes an absolute measure, based on predefined methodological thresholds and criteria, and does not rely on relative comparison with peers, sectors or geographies.

In addition to the numerical score, the CTA includes a **classification into climate transition performance levels** (Elementary, Beginner, Intermediate, Advanced), which provide a simplified interpretation of the company's transition maturity. These levels are determined based on both overall score thresholds and minimum performance requirements at pillar level.
*Annex III 1(a) / Article 4(1)(f)*

### 2.1.10. Update of the methodology

The CTA methodology is reviewed at least annually by the **EthiFinance Sustainability Methodology Committee**. This review ensures that the methodology remains aligned with regulatory developments, market practices, scientific knowledge and stakeholder expectations.

Any material change to the methodology, including changes to indicators, scoring rules, weightings, thresholds is subject to internal review, impact assessment and formal approval by the Methodology Committee before implementation.

Where required, EFS conducts stakeholder consultation and notifies ESMA prior to implementing material methodological changes, in accordance with Article 23 of Regulation (EU) 2024/3005. Non-material changes, such as editorial clarifications or non-scoring contextual updates, are documented in the **revision history of this document**.

The latest methodology update was conducted and finalised in June 2026 and approved by the EthiFinance Sustainability Methodology Committee on June 26, 2026.
*Annex III 1(a) / Article 4 (1)(g)*

## 2.2. Industry classification

EFS uses its own industry classification system for rated entities. This classification system is based on existing classifications like the Statistical classification of economic activities in the European Community (NACE Rev. 2) and other professionally recognized classification standards.
*Annex III 1(b) / Article 4(2)*

## 2.3. Overview of data sources and dialogue process

### 2.3.1. Data sources

To ensure comprehensive coverage of the CTA framework, the Climate Transition Assessment relies on a structured set of documentary evidence, based primarily on publicly available sources.

EthiFinance collects and analyses a wide range of information, including:

- Company publications (annual reports, sustainability reports, corporate websites);
- Regulatory disclosures (e.g. CSRD/ESRS climate-related requirements, SFDR, EU Taxonomy where applicable);
- Publicly disclosed policies and commitments (e.g. SBTi validation);
- External public databases and benchmarks (e.g. Climate Watch, ENCORE)

The assessment is based exclusively on publicly available information.

Data are collected primarily for the **most recent reporting year**, which constitutes the reference period for the assessment. The CTA **is updated annually** based on the most recent available disclosures. Historical data are not systematically revised and are only updated where necessary to reflect significant changes in scope.
*Annex III 1(c) / Article 4(3)*

### 2.3.2. Interaction between the ESG Analysts and the rated entity

The interaction between EFS and the rated entity is structured **around two key phases**: pre-notification, notification. All communications **are conducted via email** using publicly available contact details (e.g. functional mailboxes or named contacts identified through public sources), and are systematically logged to ensure full traceability.


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Prior to first publication, EFS initiates a pre-notification phase, during which the issuer is informed that it has entered the rating coverage and granted access to the underlying data. This phase opens a 48-hour factual error correction window.

Issuers may only submit corrections or clarifications based on publicly available information. All issuer feedback is subject to ESG Analyst review and is incorporated only where it complies with methodological requirements and is supported by verifiable evidence. The preliminary rating remains strictly confidential until official publication.

Upon each publication or update, EthiFinance sends a notification to the rated entity informing it that a rating has been published or updated. All notifications are fully logged to ensure traceability. Any further requests must be submitted through the formal complaint handling mechanism.

*Annex III 1(c) / Article 4(3)*

### 2.3.3. Process of the Climate Transition Assessment

The assessment process applied to CTA is summarised as follows (a more detailed and separate process document is available separately):

1. **Data collection:** The Data Analyst collects publicly available information in accordance with the Climate Transition Assessment framework, records all answers in the questionnaire with supporting sources and rationale, and updates the workflow to confirm completion of the Data Collection step.
2. **Quality checks:** Automated validation controls, an internal quality review by a different Data Analyst, in line with the four-eyes principle, is performed to ensure data accuracy, consistency and robustness.
3. **Calculation of the CTA score:** Aggregation of indicator scores into topic and pillar scores, and calculation of the core CTA score.
4. **Pre-notification:** Once quality checks are completed, the pre-notification is triggered once upon entry into coverage to inform the issuer that it has been included in the CTA universe and to share the underlying data used in the assessment. This notification opens a 48-hour factual-error correction window prior to publication.
5. **Publication and notification:** The CTA results are published on the ESG Ratings Platform. Upon each new publication or update, a notification is sent to the issuer to inform it that a CTA has been published for its entity. All notifications are fully logged to ensure traceability.
6. After that, any further objections must be handled through the formal Complaint Handling Mechanism.

*Annex III 1(c) / Art. 4(3)*

## 2.4. Use of Scientific evidence and underlying assumptions

The Climate Transition Assessment methodology is based on a combination of recognised scientific evidence, international standards and sector-specific analytical references, ensuring **the robustness and credibility** of the assessment framework.

Scientific foundations are primarily integrated through the design of indicators, the definition of transition expectations and the calibration of scoring criteria, in particular with regard to **alignment with 1.5°C climate scenarios**. The methodology draws extensively on authoritative climate-related standards and frameworks, including the GHG Protocol, the Science Based Targets initiative (SBTi), the International Energy Agency (IEA) scenarios, and the Task Force on Climate-related Financial Disclosures (TCFD).

In addition, the CTA incorporates **market-recognised transition frameworks**, such as the GFANZ guidance on net-zero transition plans, the Net Zero Investment Framework (IIGCC), and the Transition Plan Taskforce (TPT) recommendations. These frameworks are used to define the **key components of credible transition plans**, including targets, implementation strategies, governance and monitoring mechanisms.

The methodology also relies on **sector-specific technical references** and **scientific datasets**, including Climate Action 100+, CRREM (for real estate), ADEME carbon databases, and multiple sectoral guidance publications (e.g. energy, industry, transport, agriculture). These sources ensure that sector-specific climate risks, decarbonisation pathways and transition levers are appropriately reflected in the assessment.


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EFS also leverages internal expertise and proprietary databases, including its CTA indicator repository and sector-level analyses, **complemented by external expertise** (e.g. ClimAct) to refine the identification of climate hotspots, transition pathways and sector-specific benchmarks.

The identification and integration of scientific evidence follow a **structured and ongoing review process**, whereby EFS periodically analyses regulatory developments, scientific publications, sector studies and market practices to assess their relevance for indicator design and methodological assumptions.

During the assessment process, Data Analysts rely primarily on **public disclosures** provided by companies, including sustainability reports, climate transition plans and third-party validated commitments, as the supporting evidence for scoring individual indicators.

The CTA framework is subject to **regular review by the Methodology Committee**, ensuring that scientific, regulatory and market developments are appropriately integrated over time.
*Annex III 1(e) / Art. 4(4)*

## 2.5. Use of AI in the Climate Transition Assessment

At present, EFS does not use Artificial Intelligence (AI) systems to produce or determine Climate Transition Assessment. The scoring of indicators, interpretation of data and final rating decisions are carried out exclusively by ESG Analysts.

AI technologies may be used on a limited basis to support certain operational tasks, such as data pre-processing, identification of relevant public information, or preliminary structuring of content.

However, any output generated by AI systems is systematically reviewed, validated or rewritten by ESG and Data Analysts, and is only used where the underlying sources can be verified. AI outputs are never used as a standalone source of information and do not influence scoring, weighting, materiality assessments or final rating outcomes.

EthiFinance ensures that the use of AI remains strictly limited to efficiency and support functions, under full human supervision. The use of AI technologies is governed by an internal Policy for responsible and ethical use of AI, and any evolution in the use of AI within the CTA process will be disclosed accordingly.
*Annex III 1(k)*


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# 3. Limitations of the Climate Transition Assessment

In the context of climate disclosure requirements, the quality of a Climate Transition Assessment (CTA) depends largely on the availability, reliability and comparability of climate-related information. As the assessment relies primarily on publicly disclosed data, several structural limitations must be taken into account when interpreting the results.

## 3.1. Reliance on disclosed and self-reported data

The CTA relies primarily on public disclosures provided by the rated entity, including sustainability reports, climate transition plans and third-party commitments. The assessment is therefore directly dependent on the availability, completeness and quality of such information.

As most climate data are self-reported and not systematically verified by third parties, EthiFinance does not independently audit company-level data. However, the methodology rewards disclosures subject to external validation (e.g. SBTi or third-party assurance), and ESG and Data Analysts apply cross-sector consistency checks to identify potential inconsistencies or anomalies.

Where information is not disclosed, this is reflected in the scoring rather than compensated through estimation.
*Annex III 1 (m) and (q) / Article 5(a) and (b)*

## 3.2. Heterogeneity and comparability of climate disclosures

Climate reporting practices **vary significantly across companies, sectors and geographies**. Key metrics—such as Scope 3 emissions, capital expenditure alignment or transition plan components—may be calculated using different methodologies or scopes, limiting strict comparability.

In addition, companies **outside the scope of European regulatory frameworks** (e.g. CSRD) may disclose less comprehensive information. These differences may affect the comparability of assessments across companies.

The CTA partially mitigates this limitation through a sector-specific approach, aligning expectations with sectoral climate hotspots and reporting maturity.
*Annex III 1 (m) and (q) / Article 5(a)*

## 3.3. Forward-looking nature of transition assessments

The CTA evaluates the **quality and credibility of transition plans** as disclosed at the time of assessment. It does not predict future emissions trajectories or guarantee that commitments will be achieved. The assessment therefore **reflects the robustness** of a company's stated objectives, governance framework and implementation strategy, rather than the certainty of future outcomes.

*Annex III 1 (m) and (q) / Article 5(a)*

## 3.4. Limitations related to Scope 3 emissions and data completeness

The disclosure of Scope 3 emissions remains **less standardised and less complete than Scope 1 and 2 reporting**, particularly for upstream and downstream value chain categories. Where Scope 3 data is absent or incomplete, this is reflected in the scoring through the relevant indicators. No proxy or estimation is used to compensate for missing data.
*Annex III 1 (m) and (q) / Article 5(a) and (c)*

## 3.5. Timeliness and updates of information

The CTA is based on the **most recent publicly available disclosures at the time of assessment**. As a result, very recent developments—such as newly announced targets or updated transition strategies—may not be fully captured until the next assessment cycle. This time lag reflects the dependency on formal disclosure cycles and may limit the immediacy of the assessment.
*Annex III 1 (m) and (q) / Article 5(b)*


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## 3.6. Methodological treatment of missing data and proportionality

The CTA **does not use estimated data** for indicators contributing directly to the score. Missing information is addressed through predefined methodological rules:

- For **larger companies**, the absence of disclosure on material indicators may negatively affect the score;
- For **smaller companies**, a size-differentiated approach applies, whereby certain indicators are treated as bonuses or assessed with adjusted thresholds.

This approach ensures proportionality while maintaining consistency across the rating universe. No qualitative judgement is applied by ESG and Data Analysts regarding the reasons for non-disclosure.
*Annex III 1(m) and (q) / Article 5(c)*


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# 4. Organisational disclosures

## 4.1. Ownership structure

EthiFinance Sustainability SAS is wholly owned subsidiary of EthiFinance SAS. EthiFinance Group ownership structure can be found here https://www.ethifinance.com/regulatory-esg/

EthiFinance Sustainability SAS acts as the service provider, while EthiFinance SAS acts as the distributor of the services.
*Annex III 1(d) / Article 6 (1)(a)*

## 4.2. Fees and business model

Information on the criteria used by EFS to establish fees for ESG rating services, including the elements taken into account, the applicable business and payment models, and the principles ensuring that such fees are fair, reasonable, transparent and non-discriminatory, is set out in EFS's Pricing Policy.

The Pricing Policy also provides an overview of EFS's business model(s), including the nature of the remuneration structure applied, as well as the treatment of services other than ESG rating activities, where relevant. EFS Pricing Policy can be found here https://www.ethifinance.com/regulatory-esg/

*Annex III 1(l) / Article 6 (2)(a-d)*

## 4.3. Conflict of interest

EFS has implemented a comprehensive framework through a Conflict of Interest Policy to identify, prevent and manage conflicts of interest, ensuring the independence, integrity and objectivity of all activities, in accordance with Regulation (EU) 2024/3005 on ESG ratings activities and its delegated regulation.

EFS Conflict of Interest Policy can be found here https://www.ethifinance.com/regulatory-esg/
*Annex III 1(n) / Article 6(3)*

## 4.4. Additional regulatory provisions

### 4.4.1. Record-keeping

EFS maintains comprehensive records relating to its CTA activities in accordance with applicable regulatory requirements and its internal Record-Keeping Policy.

Such records include, inter alia, the information forming the basis of CTA decisions—such as issuer information (whether publicly available or non-public, provided directly by the Issuer), internal analyses, working papers, and relevant internal and external communications—as well as documentation evidencing governance and decision-making processes, including approval committee minutes.

EFS also maintains records of the procedures and measures implemented to ensure compliance with the applicable regulatory framework. All records are retained and stored in accordance with regulatory requirements and EFS's internal policies.

### 4.4.2. Complaint Handling Mechanism

EthiFinance has established a formal complaint handling mechanism applicable to all rated entities and users of the CTA, in accordance with Regulation (EU) 2024/3005 and ESMA Regulatory Technical Standards on complaint handling.

Under the Feedback and Complaint Handling mechanism, users, rated items and issuers of rated items may submit complaints regarding:

- Sources of data used, including alleged factual errors or inaccuracies;
- Application of the rating methodology to a specific CTA; or
- Whether the CTA appropriately reflects the characteristics of the rated item or its issuer.


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Complaints must be submitted through the specific form in EthiFinance. EFS Feedback and Complaint Handling Policy and form can be found https://www.ethifinance.com/complaints/


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# Document Revision History

| Document version | Document code | Approval Date | Approved by | Summary of changes |
|---|---|---|---|---|
| V1.0 | EFS_0200 | 26/06/2026 | Methodology Committee | Initial version developed to ensure compliance with Annex III of Regulation (EU) 2024/3005 and the related Delegated Act. Based on EthiFinance CTA Methodology dated 13 March 2025. |
| V.1.1 | EFS_0200 | 21/10/2026 | Chief Sustainability Officer | Minor editorial changes to harmonise role and job title terminology across EFS methodological documentation. No changes were made to the underlying methodology. |


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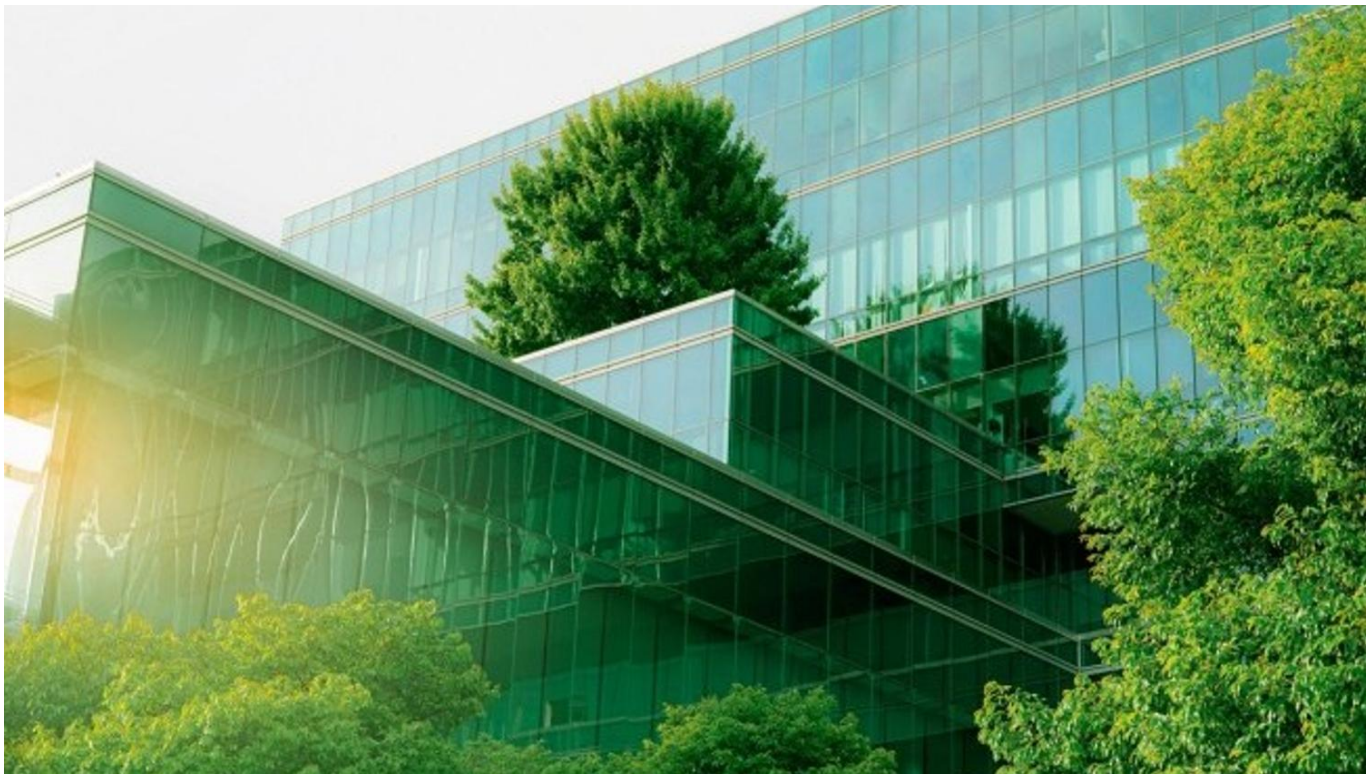
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