ESG Rating Methodology



WaVeritas AG

1 November 2026

Table of contents

Introduction **3**

1 Organizational processes and policies **4**

1.1 Independence and objectivity 4

1.2 Preventing conflicts of interest 4

1.3 Preserving neutrality in ESG Ratings 5

1.4 Adequate resources 5

1.5 Good Governance: Policies, processes and transparency 5

1.6 Information security and record keeping 6

2 Methodology and transparency: **7**

2.1 The WaVeritas ESG Rating 7

2.2 Data input and sources 8

2.3 Processing and framework 9

2.3.1 Relevant process information 11

2.4 Quantitative Scoring and Interpretation 13

2.5 Annual Review and Materiality Assessment 15

3 Country rating **16**

3.1 Indicators 16

3.2 Data source 17

3.3 Score interpretation 17

Contact **18**

Disclaimer **18**

Introduction

This ESG Rating Methodology Document intends to inform about key parts of our commitment to transparency and integrity in evaluating Environmental, Social, and Governance factors. We recognise the importance of providing clear insights into our methodologies, data sources, and operational procedures to ensure the reliability of our ratings.

Our ESG Rating process aims to align with the best-practice recommendations published in "Code of Conduct for ESG Ratings and Data Products Providers", by ICMA and the Regulation on the transparency and integrity of ESG rating activities (2024/3005). By aligning with these standards, we aim to mitigate the risks of conflicts of interest and uphold the highest ethical standards in our ESG rating activities.

The document outlines the critical components of our rating process, including:

Organizational processes and policies: Our policies and processes are designed to safeguard the independence and impartiality of our ratings, including strict guidelines for managing potential conflicts and disclosures of any affiliations that may influence our assessments.

Methodology and transparency: Includes an overview of our rating process, from data collection and analysis to rating assignment and validation. Critical components and criteria are outlined and presented in this section.

Through the ESG Rating Process document, we reaffirm our commitment to promoting transparency, integrity, and trust in ESG rating activities. By adhering to regulatory standards and industry best practices, we strive to empower investors, companies, and other stakeholders to make informed decisions that drive positive environmental, social, and governance outcomes.

1 Organizational processes and policies

1.1 Independence and objectivity

The commitment to independence is funda-mental to maintaining the integrity and credibility of ratings, which serve as vital tools for our clients in evaluating companies' environmental, social, and governance performance.

To uphold this independence, our firm established stringent internal policies and procedures to mitigate potential conflicts of interest. These measures include strict guidelines for managing relationships with rated entities, ensuring transparency in the rating process, and implementing robust oversight mechanisms.

Employees must abide by our research Code of conduct, a core aspect of objectivity and independence in research work. Moreover, we foster a culture of impartiality among its analysts and staff, emphasising the importance of objective assessment based on rigorous research and data analysis. This ensures that ratings reflect an unbiased evaluation of a company's ESG performance, free from undue influence or bias. The ESG rating is a defined process and framework and cannot be changed outside the formal process. Employees cannot change assessments and the framework upon demand from external parties.

Our employees and directors do not offer or accept improper gifts or payments from clients and partners. No employee may offer or grant unauthorised benefits to others in connection with business activities - directly or indirectly - either as monetary payments or other benefits. At the same time, no employee may use his or her official position to solicit, accept, obtain or be promised advantages.

1.2 Preventing conflicts of interest

Our firm established internal procedures to identify and in case appropriately manage any existing or potential conflicts of interest that may compromise the independence and objectivity of ESG rating and data products providers' operations, as below:

a) Identifying Conflicts of Interest: Periodically, all existing and new business relationship are screened on a potential compromise of impartiality of our ESG ratings. This involves a thorough assessment of internal processes, client relationships, and other relevant factors to identify any situations where competing interests may arise.

b) Eliminating, Managing, Mitigating, and Disclosing Conflicts: Once identified, we will take appropriate steps to address conflicts of interest. This may involve out-right elimination of the conflict, such as terminating certain business relationships or refraining from engaging in activities that could create conflicts. Through the periodic and continuous review of operations, the implementation of policies and procedures we aim to prevent such

c) Influence on Opinions and Analyses: No director or employee provide services to companies or frameworks that are part of the ESG Rating Process. We acknowledge that conflicts of interest can potentially influence the opinions, analyses, and judgments of both the organization as a whole and the individuals involved in the decision-making process.

1.3 Preserving neutrality in ESG Ratings

We are dedicated to preserving the credibility of our ESG ratings and data products, ensuring that any current or potential business relationships involving us or our affiliates uphold the impartiality of the services delivered to entities and other parties. To achieve this objective, we employ a range of measures, including but not limited to the following considerations regarding relevant staff:

a. Our firm does not engage in investment management or trading activities
b. Our employees are prevented from engaging in any paid activity (such as consulting or else) with a rated entity or security
c. Our employees are prevented from engaging in securities or derivatives trading that could present inherent conflicts of interest with our ESG ratings and data products.
d. Employees are prohibited from owning financial instruments of any entity related to a rated entity, the ownership of which may cause or may be generally perceived as causing a conflict of interest other than holdings in diversified collective investment schemes.
e. We avoid compensating or evaluating staff based on the revenue generated from entities for which they provide ESG ratings and data products or with whom they regularly engage regarding such services.
f. Have had a recent employment, business or other relationship with the rated entity that may cause or may be generally perceived as causing a conflict of interest.

1.4 Adequate resources

We employ systems, resources, and procedures that are adequate and effective to comply with our obligations under the ESG Rating Process.

a) Technological infrastructure: We invested and maintain high quality technological infrastructure (Software, data storage, network system, information security system computers), data analytics capabilities to fulfill our mission. Our technological capabilities enable us to collect, analyze, and validate ESG data from diverse sources with rigorous precision, ensuring the integrity and quality of its ratings.
b) Human resources: Employees who are directly involved in the provision of ESG ratings, including analysts directly in-volved in the rating process have relevant knowledge, training and experience that is necessary for the performance of the duties and tasks assigned.

1.5 Good Governance: Policies, processes and transparency

The overarching “ESG Policy” and “Code of Conduct” build the foundation of our daily activities. Particular processes and functions are outlined in specific manuals.

For the ESG Rating activities, we established clear protocols for data collection, data sources, validation, and analysis. This involves identifying and accessing diverse sources of ESG data, including company disclosures, industry reports, regulatory filings, and other relevant sources.

We defined rigorous methodologies for evaluating ESG factors, considering industry-specific considerations and emerging sustainability trends. These method-ologies outline the criteria, metrics, and weighting systems used to assess the materiality and significance of various ESG issues. We prioritise transparency and disclosure in its rating process, clearly documenting methodologies, assumptions, and data sources used in its assessments.

Oversight: Senior staff members oversee the production of periodic ESG ratings and evaluate regularly the effectiveness of the procedures.

Complaints handling: Procedures are in place for receiving, investigating, and retaining records concerning complaints. The procedures shall ensure that complaints are investigated in a timely and fair manner and that the outcome of the investigation is communicated to the complainant within a reasonable period.

1.6 Information security and record keeping

All directors and employees are obligated to treat customer information as strictly confidential. We keep information secure and safe and protect client's privacy rights. We are determined to handle all data appropriately and with due care. We ensure that our employees/ or persons involved in ESG rating provisions take all reasonable measures to protect property and records in possession of the ESG rating provider from fraud, theft or misuse, taking into account the nature, scale and complexity of the ESG rating provider's business and the nature and range of ESG rating activities.

2 Methodology and transparency:

2.1 The WaVeritas ESG Rating

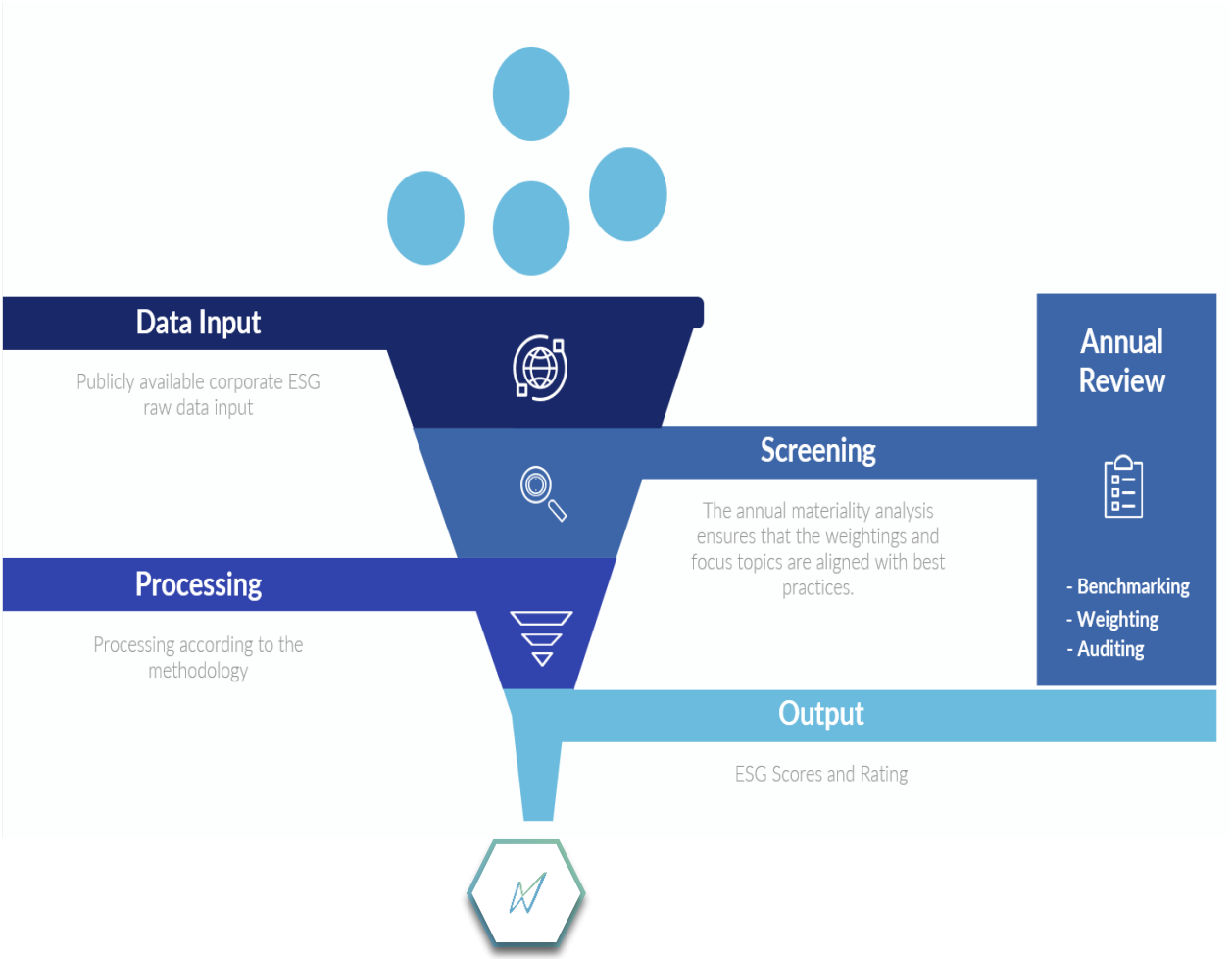
The WaVeritas Environmental, Social, and Governance (ESG) Rating provides a comparative view of a company's ESG performance against industry peers.

The ESG Rating is designed to monitor ESG performance efficiently, whether for individual companies, nations, or aggregated investment funds. The WaVeritas Rating excels in identifying and managing ESG risks and opportunities through a standardized, best-in-class approach.

This section offers a comprehensive overview of the structure, methodology, and processes involved. It delves into the intricate details of our approach, providing insights into how we integrate specific criteria and standards to achieve our goals. Additionally, it highlights the key steps and procedures that ensure effectiveness and reliability.

2.2 Data input and sources

The systematic process begins with raw data input from corporate disclosures. The data enters the automated rating system where the data point is scored on each level according to the respective weights determined by the annual materiality review.



Solely raw data from publicly available, official, corporate disclosures are used. The following are our main sources of information:

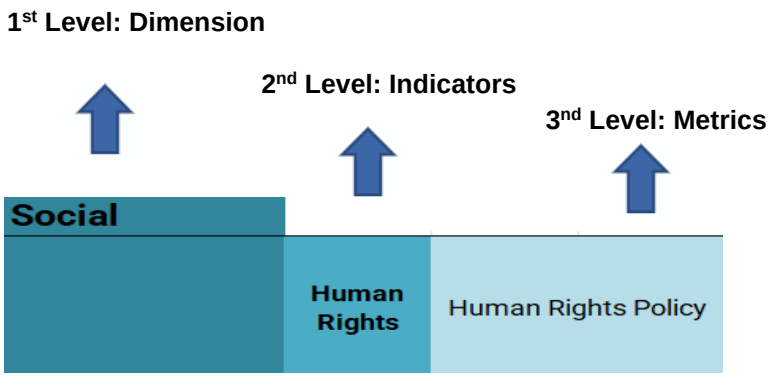
- Homepages
- Annual Reports
- Publicly available regulatory disclosures (e.g. 10-K)
- Publicly available investor presentations
- Emerging sources of CSRD data and machine readable non-financial disclosures

Further clarification on data source and handling:

- We do not use third-party data in our process.
- We do not include estimated data in our process and use only publicly available corporate disclosures.
- We do not use industry averages to compensate for any missing data.
- Certain corporations disclose only limited or no ESG information. In such case this may impact the ESG rating score and in certain cases a rating may not be possible in absence of minimal information.
- As we only work with publicly available data, no onsite visits or non-public data is used.

2.3 Processing and framework

The ESG raw data point is processed according to the materiality assessment in a standardised way. The rating framework is built on the following three levels:



- **1st Level: Dimensions**

  The three dimensions stand for the main categories of the ESG Rating "Environment", "Social" and "Governance".

- **2nd Level: Indicators**

  The indicator represents material ESG issues for a particular industry/company. This indicator may consist of several performance metrics. Specific indicators are industry-specific, while others are used in all industries. Common issues across E, S, and G dimensions selected across rating include but are not limited to those outlined in the below figure.



- **3rd Level: Metrics**

  An indicator (e.g. “Human Rights”) may comprise of several performance metrics. The metric represents a quantitative (e.g. GHG emissions) or qualitative (e.g. policy) performance datapoint.

Each metric, indicator and dimension has a particular weight according to their relevance for the respective industry. Each industry has a unique set of criteria and weighting to reflect industry-specific materiality. The weights are defined and reviewed annually as described in the annual review section. The overview below gives an indication on the full structure on indicator level. However, this overview is not conclusive and may change over time.

1st Dimension	2nd Indicators	3rd Metrics
3 Dimensions	**Key Criteria**	**Key Indicators**
Environment	Resource use	Total Energy Use
		Total Water Withdrawal
	Climate change	Total CO_2 equivalent emissions
	Waste management	Total waste generation
		Waste recycling ratio
		Water recycled
	Biodiversity	Biodiversity Impact Reduction
Social	Human right	Human right policy
		Fundamental Human Right ILO UN
	Health & Safety	Health & Safety Policy
		Total injury rate
		Total accidents
		Employee fatalities
		Total lost time injury rate
	Training	Average training hours
	Labour	Turnover of employees
		Net employment creation
Governance	Board structure	Independent board members
	Diverse	Board gender
	Skills & Experience	Board Specific Skills
	Governance efficiency	The average of board meeting attendance
	Stakeholder	Equal shareholder rights
		Sustainability Compensation Incentives
	Policy	Climate Change Commercial Risks Opportunities
		Policy Environmental Supply Chain
		Policy Supply Chain Health & Safety
		Resource Reduction Policy
	Product responsibility	Eco-Design Products
		Effective tax rate
	Research and development	R&D Expense
		Environmental R&D Expenditures
	Compliance	Self-Reported Environmental Fines

2.3.1 Relevant process information

To account and reflect ESG risks and opportunities holistically, a product impact and disclosure adjustment are systematically considered at the end of the calculation process.

Product Impact & Disclosure Review

Certain products or services are prone to elevated, systematic ESG risks, while others are better aligned with environmental long-term trends or social norms. For example, renewable energy production is well aligned with many climate strategies as it supports the reduction of GHG emissions and the transition to a sustainable energy system. On the other hand, coal-based energy is less relevant in energy transition scenarios due to high carbon emissions.

The disclosure adjustment aims to counter the information bias and reward companies that disclose non-financial metrics diligently. The score is a mathematical overlay that does not have a significant impact on the total score. ESG data availability is a challenge in general.

Only published ESG data metrics can be processed and compared and thus the effect of missing datapoint may be significant in some cases.

No Financial Risk Rating

Our ESG rating provides a systematic view on an item's stand towards environmental, social and governance topics. The rating does explicitly not indicate any financial risk or potential.

AI functions

Our rating system does not include processes -part that are conducted by AI. Certain raw data searches are supported by AI.

Consideration of timelines

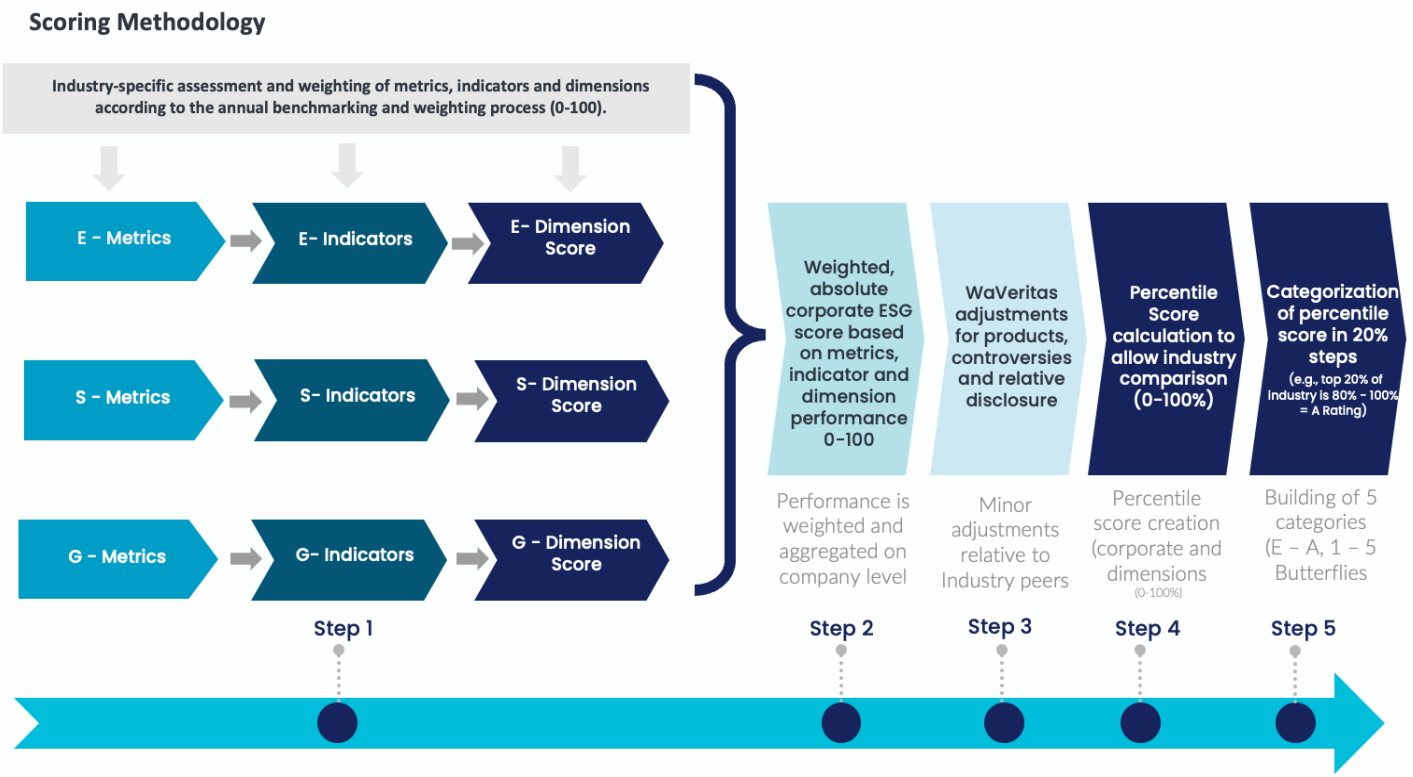
The ESG rating is backward-looking and may cover a period of 1 day or longer.

Industry Classification System

WaVeritas maintains a proprietary industry classification system over twelve sectors.

2.4 Quantitative Scoring and Interpretation

This diagram below describes and shows how scores are calculated from start (raw data input) to the weighing and scoring according to the materiality framework.



ESG Overall Score is a relative sum of the category weights, which vary per industry for the 'Environmental', 'Social' and Governance" categories.

The final absolute ESG Score is transformed into a percentile score to facilitate the industry view and best-in-class comparison.

The percentile scores are then categorised into five (05) pillars: A-E or 1-5 butterflies for better reference.

The result of the systematic calculation process is presented as percentile score to facilitate a best-in-class (industry) comparison. The percentile scores are categorized into five rating categories:

ESG Percentile Rating Score	ESG Rating
80 – 100	A
60 – 79	B
40 – 59	C
20 – 39	D
0 – 19	E

Functional interpretation

	ESG Company and E, S, G Dimension Percentile Score	ESG Rating	Butterflies
Example	89%	A	
Mode	percentile score	letter	figure or number
Interpretation	The company performed better than 89% of the industry peers overall or in a particular dimension in case of dimension scores.	ESG Rating of a company based on the percentile rating. -> >80% = A	Rating expressed in number of butterflies -> A = 5 butterflies

Interpretation in the context of sustainability

A	The company demonstrates superior ESG performance compared to industry peers. The company reports transparently and manages risk/opportunities actively.
B	Above industry-average ESG performance. Relevant policies are in place and efforts to align with potential opportunities have been made. Improvement needed.
C	An average score shows that the company did not report on relevant figures, performance metrics are improvable, and more effort is need to manage ESG risks successfully.
D	The D rating implies elevated ESG risk. The company does not demonstrate adequate measures to manage material ESG risks and is though vulnerable to negative impacts.
E	The lowest rating reveals high ESG risk. The company is not transparent with its practices and lacks basic polices and management processes to tackle material challenges.

2.5 Annual Review and Materiality Assessment

Materiality Assessment

The annual materiality assessment aims to review the weights of all dimensions, indicators, and metrics. The weights on each level shall reflect the relevance or materiality of a particular aspect. As a broad example, the Environmental dimension carries more weight for an energy company than for a consulting firm. This is because the environmental performance of an energy company significantly impacts its current and future standing. In contrast, for a consulting firm, Governance and Social aspects are more relevant due to the nature of its business. The weighting is done independently. However, during the annual review, available third-party data and references are considered and used as benchmarking tool. This reference may include information from industry associations such as PRI or GRI, purchased third-party information or publicly available information.

Indicator review

Another aspect of the annual review process is to update indicators and metrics. Potential additions or removals of indicators are discussed.

While the rating includes indicators such as climate change it does not consider specific targets of the Paris agreement or other international agreements.

The rating does not claim to be based on scientific evidence.

Benchmark and best practice alignment

Ultimately, a comprehensive review of the process is conducted. The latest regulatory and best-practice guidelines are incorporated to ensure a high degree of alignment with regulatory standards and best practices. A dedicated compliance work stream meticulously documents and ensures alignment at a granular criteria level. Key reference frameworks include the evolving EU ESG Rating Compliance Regulation and the IOSCO Best Practice Standard for ESG Ratings.

3 Country rating

The Country ESG Rating represents a comparative, quantitative view of a nation's stand towards selected and weighted ESG indicators.

The country rating was developed to provide clients with a standardized view on a country's ESG performance based on selected social, environmental and governance related macro indicators. The quantitative rating is based on a proprietary methodology which equally weights the three dimensions "Environment", "Social", "Governance". The same methodology applies to all nations.

3.1 Indicators

Environment

1. Access to electricity (% of population)
2. Adjusted savings: natural resources depletion (% of GNI)
3. Adjusted savings: net forest depletion (% of GNI)
4. Mammal species, threatened
5. People using safely managed drinking water services (% of population)
6. PM2.5 air pollution, mean annual exposure (micrograms per cubic meter)
7. Terrestrial and marine protected areas (% of total territorial area)

Governance

8. Control of Corruption: Estimate
9. Ease of doing business index (1=most business-friendly regulations)
10. GDP growth (annual %)
11. Government Effectiveness: Estimate
12. Regulatory Quality: Estimate
13. Research and development expenditure (% of GDP)
14. Rule of Law: Estimate
15. Scientific and technical journal articles
16. Strength of legal rights index (0=weak to 12=strong)
17. Voice and Accountability: Estimate
18. Income share held by lowest 20%

Social

19. Individuals using the Internet (% of population)
20. Labor force participation rate, total (% of total population ages 15-64) (modelled ILO estimate)
21. Life expectancy at birth, total (years)
22. Literacy rate, adult total (% of people ages 15 and above)
23. Mortality rate, under-5 (per 1,000 live births)
24. Net migration
25. People using safely managed sanitation services (% of population)
26. Poverty headcount ratio at national poverty lines (% of population)
27. Prevalence of undernourishment (% of population)
28. Proportion of seats held by women in national parliaments (%)
29. Unemployment, total (% of total labour force) (modelled ILO estimate)
30. Patent applications, residents
31. Political Stability and Absence of Violence/Terrorism: Estimate
32. Fertility rate, total (births per woman)
33. Government expenditure on education, total (% of government expenditure)

3.2 Data source

All raw data is obtained from the World Bank Database:

https://databank.worldbank.org/source/environment-social-and-governance-(esg)-data

3.3 Score interpretation

The result of the systematic calculation process is presented as percentile score. The percentile scores are categorized into five rating categories A – E (Same as with the corporate score)

Contact

WaVeritas AG
Stadel 15
9496 Balzers
Fürstentum Liechtenstein

info@waveritas.com

Disclaimer

All information contained in this brochure is strictly for information purpose only and should not be considered as professional advice, as an offer, as a solicitation or replacement for a personal consultancy. People accessing this brochure should be aware that the authors take on no responsibility for country specific restrictions, legal environments, or regulations respective the published information on this brochure. The application of local regulation and laws are part of the duties of every person itself.

Loss or damage of any kind, including direct, indirect, or consequential damages, which may be incurred through the use this information is expressly disclaimed. Neither employees, nor directors, business partner nor the company itself assume any liabilities in respect of any non-conformance on this brochure. The authors give no warranty that information published in this document is always complete or applicable for all persons.

The WaVeritas ESG Ratings are solely used in connection with a more comprehensive, individualized ESG research offering for clients. The WaVeritas ESG rating constitutes in no way an investment recommendation.

All information published in this brochure is the propriety of WaVeritas AG. Any unauthorised disclosure, distribution, copying, storage or use of this information or any attachment is strictly prohibited and may be unlawful.