GIST IMPACT

Summary

Methodology

Climate Risk



Transition Risk - VaR

Get in Touch

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Key Features

A five-layer cascade from scenario transition shock to a single transition risk score

12 transition risk layers, each with documented drivers and named inputs

Three NGFS-aligned scenarios, modelled annually from 2025 to 2055

Every score traceable to the scenario, sector and company input behind it

Introduction

Transition risk is the financial exposure a company faces as the economy decarbonises. It arises from policy, technology, market and reputational responses to climate change rather than from the physical climate itself.

GIST Impact's **Transition Risk - VaR** methodology quantifies that exposure with a transparent, rules-based approach: scenario-driven transition shocks are passed through sector pathways to company-level exposure, restated as financial cost and normalised into a comparable score. The methodology delivers:

- **Scenario-based:** three NGFS-aligned pathways (Orderly, Disorderly, Hot House World), annually from 2025 to 2055.
- **Layer-level:** 12 transition risk layers across policy and legal, technology, market and reputation.
- **Quantified:** layer values in USD millions and a Transition Risk Score from 0 to 100.
- **Company to portfolio:** scored per company and aggregated by holding weight; asset-level and credit translation where data permit.

Transition and physical risk are assessed independently; physical hazard risk is covered by the Physical Risk - VaR methodology.



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Scope and Purpose

Regulation (EU) 2024/3005 on ESG rating activities requires providers to disclose methodologies, data sources, estimation techniques and limitations in a form that supports independent scrutiny. This document discloses the GIST Impact **Transition Risk Score** at that level: every layer has a stated purpose, named drivers and documented adjustments.

Core objective. For every company, year and scenario the methodology answers four questions: how exposed the company is to the low-carbon transition; which transmission channel drives that exposure; how the exposure evolves between 2025 and 2055; and how the company compares with peers on a common scale.

Scope at a Glance

Dimension	Coverage
Risk type	Climate transition risk across four drivers: policy and regulation, technology, market, reputation. Physical risk is assessed separately.
Entity level	Company level, aggregated to portfolio. Asset-level financial and credit translation where asset, financial-statement and loan data are available.
Scenarios	Orderly Transition, Disorderly Transition and Hot House World, calibrated to NGFS pathways.
Horizon	Annual, 2025 to 2055. The asset-level extension runs from 2020 to 2070.
Risk layers	12 transition risk layers: 11 financial layers in USD millions and one readiness composite on a 0 to 100 scale.
Uncertainty	Monte Carlo simulation, 500 iterations, normal or lognormal draws on scenario and sector parameters.
Primary output	Transition Risk Score from 0 to 100, with layer scores and layer values in USD millions.
Rating expression	Relative (layer scores normalised to a fixed reference maximum) and absolute (USD layer values; climate-adjusted PD, LGD and expected loss where the credit layer applies).
Analysis perspective	Forward-looking by scenario and horizon, with a backward-looking backtest against historical company data.
Scoring basis	Generic, rules-based formulae with no analyst opinion.

Entity disclosures under Directive 2013/34/EU, including CSRD and ESRS reports, are used as data sources; SFDR fund-level disclosures are not.

Governance and Independence

Scores are produced by a generic, rules-based formula set with no analyst opinion. The rated entity can access the underlying dataset at least two full working days before publication, solely to identify factual errors; feedback does not permit any change to methodology, assumptions or weights. The methodology and data are reviewed at least annually and on defined events — new or revised standards, material changes in sources or techniques, feedback, input taxonomy changes, identified errors and scope changes — under the Board-approved ESG Ratings & Methodologies Review Procedure.

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Methodology Foundations

The methodology adapts the risk concept used in climate risk assessment, in which risk emerges from the interaction of a shock, the exposure to it and the capacity to respond, and operationalises it for financial institutions, investors and corporates.

$$\text{Transition Risk} = \text{Transition Shock} \times \text{Exposure} \times \text{Adaptive Capacity}$$

- **Transition shock is the change in rules, prices, technology and markets imposed by a climate pathway: carbon prices, policy strictness, grid emission factors, stranding probabilities and discrete policy milestones, indexed by year and scenario.**
- **Exposure** is the part of the company the shock reaches: emissions, assets, revenue, workforce and debt, including the fossil fuel exposure of the fuel mix and the company's proximity to regulatory enforcement.
- **Adaptive capacity** is the company's readiness to absorb the shock: ESG performance, the timing of its net-zero commitment, innovation capacity and renewable energy share. Higher capacity lowers the cost in the relevant layers.

Four Drivers of Transition Risk

Driver	Description
Policy and regulatory	Carbon taxes, emissions trading, energy efficiency mandates and the EU Carbon Border Adjustment Mechanism raise costs for high-emission activities and create compliance obligations.
Technology	Clean energy, electric vehicles and carbon capture can disrupt existing business models and strand carbon-intensive assets.
Market	Shifting consumer preferences, investor expectations and capital reallocation alter revenue dynamics and financing conditions.
Reputation	Companies seen as slow to transition can lose brand value, customer loyalty and access to talent.

Scope note: the methodology covers transition risk only. Physical hazards are covered by the Physical Risk - VaR methodology and are not summed with the Transition Risk Score. Second-order value-chain and systemic effects are outside the score.



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Translation Pipeline

A nine-step cascade transforms scenario assumptions into company-level financial exposure and a normalised score, keeping full traceability from the transition shock to the published number.

Step	Description
1 — Scenario and transition shock	Three pathways translated into year-indexed carbon prices, policy strictness, grid emission factors, stranding probabilities and milestone events
2 — Sector pathway	Sector emissions intensity, energy mix, carbon price impact, adaptation and sector risk factors derived for each scenario
3 — Company data assembly	Company financial, emissions, asset, workforce and ESG data combined with sector parameters; missing values estimated and flagged
4 — Common adjustments	ESG score, transition progress, geographic factor, supply chain complexity, discounting, milestone shocks and stress multipliers
5 — Layer calculation	12 layers computed for each company, year and scenario with documented formulae
6 — Uncertainty	Monte Carlo simulation (500 draws) on carbon prices, policy strictness and sector factors
7 — Financial translation	Layer costs discounted to present value; where data permit, stressed EBITDA, CAPEX, cost of capital, stranding losses, PD, LGD and expected loss
8 — Normalisation and aggregation	Each layer normalised to 0 to 100 against a fixed reference maximum, weighted and summed into the Transition Risk Score
9 — Validation and disclosure	Backtest, sensitivity analysis and pathway audit checks; outputs, formulae and limitations disclosed

Core Assumptions

Assumption	Description
Scenario independence	Each scenario is modelled separately and is not probability-weighted; a score is meaningful only for its scenario and year.
Present-value cost	Layers are costs to the company, discounted to 2025 at sector-specific rates.
Static company profile	Company emissions, financials and asset data enter at reference-year values (2024 and 2025 annual reports).
Smooth parameter paths	Scenario parameters are interpolated between anchor years with a logistic curve; discrete policy events apply as milestone shocks.
Additive aggregation	Layers are combined as a weighted sum, with no interaction terms or correlation between layers.
Relative scoring	Layer scores are expressed against a fixed reference maximum; they rank companies on a common scale and are not absolute loss estimates.
Bounded inputs	Ratios are bounded to the range 0 to 1 and layer values are floored at zero before normalisation.

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Data Inputs and Sources

The model draws on company-level data and external reference datasets. The quality and granularity of company data are the primary determinants of output precision; estimated values are flagged in the dataset and distinguished from reported figures.

Company Input	Description
Scope 1, 2 and 3 emissions	Reported tCO2e where available; otherwise estimated from production volume, energy consumption and sector emission factors
Revenue, asset value, debt and equity	USD millions
Fuel mix and renewables	Shares of coal, gas and renewable fuel; renewable share and renewables capex
ESG score and net-zero year	Composite ESG score; year of the company's net-zero commitment
Innovation	R&D spend, patent filings and technology investment
Workforce, exports, market share	Headcount; export volume; share of the principal market
Location and supply chain	Company location and supply chain structure

Layer	Description	Sources
Financials	Revenue, debt, equity, capex and asset values, 2024 and 2025	Company annual reports
ESG and climate	ESG scores, emissions disclosures and climate commitments	CDP; company sustainability and CSRD/ESRS reports
Scenarios	Carbon prices, grid emission factors and policy strictness calibrated to NGFS pathways	NGFS Scenarios Portal; CMIP6; IPCC; IEA World Energy Outlook
Sector and country	Sector risk, regulatory cost and stranding factors; country resilience and adaptation capacity	IEA; Maplecroft; World Bank; ND-GAIN; IPCC
Hazards, location, supply chain	Physical risk factors for stranded asset risk; company location; supply chain node mapping	Maplecroft; S&P Global; Munich Re; public filings; Oxford Economics

Layer-specific inputs include NGFS carbon prices, the OECD Environmental Policy Stringency index, IEA and NGFS energy-mix and capacity data, Transition Pathway Initiative alignment data, ILOSTAT workforce profiles, the Climate Change Litigation Database, WTO trade agreement databases with CBAM sector information, and product and company sustainability scores (Howgood, Open Food Facts, MSCI or RepRisk).

Issuer-Paid Data Inputs

Under the Issuer-paid model, GIST Impact provides analytics built from publicly available sources, supplemented where applicable by limited data provided by the client ('issuer') against pre-configured categories, solely to support the client's own independent assessment of risks and opportunities within its operations. The client may select from predefined analysis options, such as scenarios, time horizons or asset coverage; model weights, parameters and the methodology itself cannot be changed and are applied exactly as under the User-paid model. All resulting deliverables are clearly labelled as 'Issuer-paid' and disclose that they may differ from ratings issued under the 'User-paid' model. In the course of Issuer-paid engagements, GIST Impact does not advise any entity on how to improve the ESG rating issued to it under the User-paid model, nor on its public disclosures with a view to improving that rating.

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Data Inputs and Sources

Client Type	Client Data Configuration
Asset owners, asset managers and data stewards	Holdings and weights; internal sector or mandate taxonomy
Banks and credit institutions	Borrower and facility IDs, EAD and outstanding, collateral value, base PD, LGD and internal sector taxonomy
Corporates, directly or through consultants	Asset register with coordinates and type, asset value, headcount, emissions, fuel mix, net-zero commitment, segment revenue

Scenarios and Parameter Paths

The scenario module translates three climate pathways into the year-indexed parameters that every downstream step consumes. Pathways are calibrated to NGFS scenarios and run annually from 2025 to 2055.

Parameter	Hot House World	Orderly Transition	Disorderly Transition
Narrative	Minimal climate action; continued fossil reliance	Early, consistent policy; smooth shift to low carbon	Delayed action, then rapid and disruptive change from around 2030
Carbon pricing	Minimal or none	Gradual increase aligned with reduction targets	Sudden spikes after abrupt policy shifts
Transition speed	Slow (2020 to 2050)	Gradual (2020 to 2050)	Rapid (2025 to 2035)
Stranded assets	Fossil assets retain value	Gradual devaluation	Sudden, unanticipated devaluation
NGFS alignment	Hot House World (Current Policies)	Orderly (Net Zero 2050, Below 2°C)	Disorderly (Delayed Transition, Divergent Net Zero)
Climate pathway analogue	SSP5-8.5	SSP1-1.9 / SSP1-2.6	NGFS disorderly pathways
Stress treatment	None	None	Stress multipliers on selected layers

Parameters are anchored at selected years and interpolated annually so that none jumps artificially between years: adoption-type variables follow smooth S-curves, and Monte Carlo draws around each central value are lognormal for prices and tariffs and normal for policy strictness. Discrete policy milestones apply in each scenario's milestone years, and under Disorderly Transition stress multipliers apply to selected layers from the stress year onward.

For asset-level and credit use cases each technology node follows a pathway type over 2020 to 2070 — phase-out, near-zero, logistic substitution, limited retrofit or a policy shock at a stated year — across eleven supported NGFS, IPCC and IEA scenario identifiers.

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Sector Transition Pathway

The sector module measures how heavily the scenario shock falls on each sector and how well the sector can respond, before any company data is applied, through four lenses: carbon intensity, regulatory pressure, market exposure and technological vulnerability.

Scenario Carbon Price and Emissions Reduction

Taken from the scenario module for the chosen pathway

↓

Sector Emissions Intensity and Energy Mix

Intensity falls with the scenario's emissions reduction; renewable share lowers effective intensity

↓

Carbon Price Impact

Cost borne by the sector after the share it can pass on to customers

↓

Enabling and Mitigating Indices

Energy transition acceleration, technological innovation, policy support, adaptation capacity, sector GDP impact

↓

Sector Transition Risk Indicator

Burdens add and mitigants subtract; reported on a 0 to 100 index, with sector factors passed to the entity module

Pass-Through of Carbon Cost

The share of carbon cost a sector can pass on to customers varies widely: electricity, gas and transport providers can pass on most of it, manufacturing and water supply a majority, mining and construction about half or less, while agriculture and financial services can pass on little. Emissions intensity, carbon price impact and energy-mix dependence raise sector risk; adaptation, energy transition acceleration and sector GDP growth lower it.



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Entity Exposure

The entity module applies the scenario and sector parameters to each company's emissions, assets, revenue, workforce and debt, producing 12 layer values for every company, scenario and year. Costs are discounted to present value at a sector-specific rate; each layer is moderated by the company's own adaptation indicators.

Common Adjustment Factors

Factor	Description	Effect
ESG score	Weighted composite of environmental, governance and social performance	Stronger performance lowers cost
Transition progress	Proximity of the company's net-zero commitment year	An earlier commitment lowers exposure; no commitment gives no credit
Geographic factor	Proximity to regulatory enforcement	Closer proximity to enforcement raises exposure
Supply chain complexity	Complexity of the company's supply chain	More complex chains raise policy and carbon cost exposure
Fossil fuel exposure	Coal, gas and non-renewable share of the fuel mix	Raises stranding, market, workforce and consumer preference exposure
ESG sentiment	Market perception of the company's ESG standing	Higher ESG standing lowers market-facing cost

Emissions Estimation

Reported Scope 1, 2 and 3 emissions are used where available. Otherwise Scope 1 is estimated from production volume, sector emission factors and the fuel mix; Scope 2 from energy consumption and a scenario- and country-specific grid factor; Scope 3 from tiered supply chain factors. Estimates are flagged in the dataset.



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The 12 Transition Risk Layers

The layers follow the master list and are grouped by TCFD category. All layers except layer 7 are financial layers in USD millions; layer 7 (Transition readiness) is a readiness penalty on a 0 to 100 scale. Each reaches the company's financial statements through capital expenditure and operating cost. Formulae, coefficients and parameter values are held in the model specification and are available to the regulator on request.

#	Layer	TCFD Category	Description
1	Carbon price	Policy and Legal	Financial exposure to the implementation or increase of carbon pricing (e.g. carbon tax, ETS)
2	Policy stringency	Policy and Legal	Tightening climate and environmental regulations or emission limits
3	Stranded asset risk	Policy and Legal	Assets losing value due to climate policies or the low-carbon transition
4	Policy environment vulnerability	Policy and Legal	Sensitivity to national or regional shifts in environmental policy and governance
5	Electrification rate	Technology	Pace of transition from fossil-based systems to electricity-based technologies
6	Market volatility	Market	Instability from shifting investor sentiment or climate policy shocks
7	Transition readiness	Reputation	Ability to adapt to and benefit from the low-carbon transition
8	Tech adoption cost	Technology	Cost of adopting low-emission or climate-friendly technologies
9	Workforce transition	Reputation	Reskilling or employment displacement in carbon-intensive sectors
10	Regulatory compliance	Policy and Legal	Low alignment with existing or emerging climate-related regulations
11	Trade policy	Policy and Legal	Tariffs, border adjustments or trade barriers tied to environmental standards
12	Consumer preference	Market	Shifting demand toward sustainable or low-carbon products

ESRS alignment. The product sits within ESRS E1 Climate change: all 12 layers quantify the anticipated financial effects of transition risk (E1-9), mapping to the climate change mitigation and energy sub-sub-topics (ESRS 2023 AR 16). No layer maps to climate change adaptation, which the Physical Risk - VaR methodology addresses; ESRS social topics are not rated.



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Financial and Credit Translation

The financial module restates transition exposure in financial terms: discounted layer costs for every company and, where asset, financial-statement and loan data are available, stressed EBITDA, CAPEX and cost of capital, followed by climate-adjusted credit parameters.

Stranding is assessed for each asset as a bounded probability that reflects the economic and policy pressure on it, and expected stranding loss applies that probability to the asset's remaining value. Weaker revenue, margin and debt-servicing capacity then raise the probability of default (PD), and damaged collateral lowers recovery, raising the loss given default (LGD) on the exposure at default (EAD):

$$\text{Expected Loss} = \text{Probability of Default} \times \text{Loss Given Default} \times \text{Exposure at Default}$$

Baseline PD uses a structural asset-value (Merton-type) model and baseline LGD asset-class recovery values; both are independent of the scenarios. Stressed PD reflects the deterioration in debt-servicing capacity and transition-specific credit factors, and maps to rating bands as a migration signal. For MSME, unlisted and retail borrowers a simplified model applies.

Financed Emissions and Alignment

Financed emissions attribute company emissions to a lender in proportion to its exposure. The alignment gap compares company emissions intensity with the sector pathway: below 1.0 the company is ahead of its pathway, near 1.0 aligned and above 1.0 misaligned. Portfolio PD, LGD, expected loss and financed emissions aggregate by sector, loan type, asset class, geography and scenario.



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Scoring and Aggregation

1	2	3	4
Normalise	**Weight**	**Aggregate**	**Roll Up**
Each layer scaled to 0 to 100 against a fixed reference maximum; negative values floored at zero	Normalised scores weighted by materiality; weights sum to 100%	Weighted scores summed into the Transition Risk Score, bounded between 0 and 100	Portfolio scores are holdings-weighted averages of company scores

The **fixed reference maximum** is taken across the rated universe, all three scenarios and all years, so scores are comparable across scenarios, years and portfolios; a score changes between releases only when the reference or the methodology changes. The reference is published with each annual methodology release. Readiness is already on a 0 to 100 scale and is not rescaled.

Layer Weighting

Tier	Layers	Rationale
High	1 Carbon price; 3 Stranded asset risk	Central financial transmission channels of the transition
Medium-High	2 Policy stringency; 12 Consumer preference	Major policy and market channels
Standard	4, 5, 6, 7, 8, 9, 10, 11	Specific or sector-dependent channels

A higher score means greater financial exposure to the low-carbon transition. A score is meaningful only for its scenario and year, and is relative to the reference maximum: read it with the USD layer values, which carry the absolute magnitude. Numeric weights are held in the model specification and are available to the regulator on request.



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Outputs

Layer-level and score-level outputs are published for every company, scenario and year, ordered by pipeline step so that each traces back to the step that produced it. Credit and asset-level outputs are published where the required inputs exist.

Category / Step	Examples	Analysis Level	Reporting Alignment
Scenario 1	Carbon price path; policy strictness; grid emission factor; milestone and stress multipliers	Scenario, year	NGFS; IFRS S2
Sector 2	Carbon price impact; sector transition risk index; adaptation score; ETA	Sector	NGFS; TCFD
Exposure 3	Transition progress; geographic factor; fossil fuel exposure; Scope 1, 2 and 3 emissions	Company	ESRS E1; IFRS S2
Layers 5–6	12 layer values per scenario, annual 2025 to 2055; Monte Carlo distribution	Company	TCFD; IFRS S2; ESRS E1
Financial and credit 7	Present-value cost; stressed EBITDA, CAPEX and WACC; climate-adjusted PD, LGD and expected loss	Asset, borrower	IFRS S2; Basel IRB; IFRS 9
Score 8	Layer scores 0 to 100; Transition Risk Score; portfolio score	Company, portfolio	EU Taxonomy; CSRD/ESRS
Alignment 7	Financed emissions; alignment gap to sector pathway	Loan, portfolio	NGFS; SBTi
Validation 9	Backtest; sensitivity to carbon price; pathway audit checks	Model	Regulation (EU) 2024/3005

Validation and Data Quality

Test	Description
Monte Carlo propagation	500 iterations; normal or lognormal draws on carbon prices, policy strictness, regulatory cost per tonne, CBAM tariffs and sector risk factors
Backtesting	Carbon price and stranded asset layers compared with historical company data
Sensitivity analysis	Carbon prices perturbed by ±10% to measure the effect on the Transition Risk Score
Pathway audit checks	Asset-level consistency with national plans to 2030 to 2032, net-zero consistency, monotonic intensity decline and adequate flexibility build-out

Data quality controls run across the nine-step pipeline: estimated values are flagged; inputs are bounded and layer values floored at zero; parameter paths are smoothed; the reference maximum is refreshed annually; NGFS and CMIP6 reference data are updated on new release; and every published number is traceable from scenario input to final score. Identified errors are a defined event-driven trigger for review under the ESG Ratings & Methodologies Review Procedure, and factual errors raised by a rated entity in the pre-publication window are reviewed and documented by the Oversight Function.

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Applications

The Transition Risk Score is built to be used inside existing risk, investment and reporting processes rather than alongside them.

For **investors and financial institutions**: portfolio screening, stress testing with the Disorderly pathway, layer-level drill-downs to frame engagement, and climate-adjusted PD, LGD and expected loss for lenders. For **corporates**: testing business-model resilience across the three pathways and identifying the largest cost drivers to direct decarbonisation investment.

The outputs support TCFD and IFRS S2, NGFS-aligned scenario analysis, the EU Taxonomy, SBTi target logic, and CSRD and ESRS E1 climate disclosures.

Considerations

Transition risk only: physical hazard risk is assessed independently under the Physical Risk - VaR methodology; the two are not summed.

Relative, scenario-conditional scores: scores indicate relative exposure, not absolute loss, and describe a pathway rather than a forecast.

Parameter uncertainty only: Monte Carlo sampling varies parameters within a fixed structure; model-structure uncertainty and correlation are not modelled.

Expert weights and proxies: the weights express judgement about materiality, and missing data are estimated and flagged; precision improves with company-reported data.

As such, GIST Impact makes every published number traceable from the scenario input to the final score, with calculation inputs, adjustment factors and score derivations available for audit.



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Appendix — ESMA Disclosure Checklist

Product / methodology name	Version	Date
Transition Risk - VaR	Version 1.0	22 October 2026

This checklist sets out the disclosures required under Article 23 and Annex III, point 1, and Article 24 and Annex III, point 2, of Regulation (EU) 2024/3005, as specified by Delegated Regulation (EU) 2026/871. Sections A to D follow the order prescribed in the Annex to the Delegated Regulation; Section E follows the order of Annex III, point 2.

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
Section A – Disclosures on the rating product (Annex III, point 1)				
A.1	Annex III 1(f) / Art. 3(1) Del. Reg.	Objective of the rating; whether it assesses risks, impacts, double materiality or other dimensions; in case of double materiality, the proportion of risk and impact materiality. Del. Reg.: (a) description of risks covered; (b) description of impacts covered; (c) how materiality of risks and impacts is considered under double materiality, where applicable; (d) description of other materiality dimensions, if any.	Risk only (single, financial materiality). Transition Risk - VaR measures the financial exposure of a company to climate transition risk – the exposure that arises as the economy decarbonises through policy, technology, market and reputational responses to climate change. Scenario-driven transition shocks (carbon prices, policy strictness, grid emission factors, stranding probabilities and milestone events) are passed through sector pathways to company-level exposure across 12 transition risk layers, restated as discounted financial cost in USD millions and normalised into a Transition Risk Score from 0 to 100; where asset, financial-statement and loan data are available, exposure is also translated into stressed financials and climate-adjusted PD, LGD and expected loss. Impacts: Not assessed – impact materiality is not assessed in this dataset. Double materiality: Not applicable – Transition Risk - VaR is not a double materiality assessment. Other dimensions: None. Physical hazard risk is outside scope and is assessed independently under the Physical Risk - VaR methodology; the two are not summed, and second-order value-chain and systemic effects are outside the score.	Methodology Document: p. 2 (Introduction); p. 3 (Scope and Purpose); p. 4 (Methodology Foundations – Scope note); p. 14 (Considerations)
A.2	Annex III 1(g) / Art. 3(2) Del. Reg.	Scope: single E, S or G factor, aggregated rating, or specific aspects (e.g. transition risks). Del. Reg.: (a) what is covered within E, S and G and which factors are aggregated, if any; (b) specific aspects covered.	Specific topic – climate transition risk within the 'E' pillar (single E factor, not an aggregated rating). Four transition drivers are covered – policy and regulation, technology, market and reputation – through 12 transition risk layers grouped by TCFD category (policy and legal, technology, market, reputation). Governance and social scores enter only as adjustment inputs through the composite ESG score and do not form separate S or G ratings. Coverage: company level, aggregated to portfolio by holding weight; asset-level financial and credit translation where asset, financial-statement and loan data are available; three NGFS-aligned scenarios modelled annually from 2025 to 2055 (asset-level extension 2020 to 2070).	Methodology Document: p. 3 (Scope and Purpose – Scope at a Glance); p. 4 (Methodology Foundations – Four Drivers of Transition Risk); p. 10 (The 12 Transition Risk Layers)

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
A.3	**Annex III 1(h)**	For aggregated ESG ratings: weighting of the E, S and G categories and explanation of the weighting method. If not aggregated: negative statement.	Not applicable – Transition Risk - VaR is not an aggregated ESG rating. It covers climate transition risk within the E pillar only, so no E, S and G category weighting is applied. The ESG score used as an adjustment input is a weighted composite of environmental, governance and social scores, and the 12 layer weights are described in Scoring and Aggregation (see E.2).	Methodology Document: p. 3 (Scope and Purpose); p. 9 (Entity Exposure – Common Adjustment Factors: ESG score); p. 12 (Scoring and Aggregation – Layer Weighting); p. 15 (Appendix – ESMA Disclosure Checklist, A.2)
A.4	**Annex III 1(i)**	Topics covered within E, S and G and whether they correspond to the topics of the sustainability reporting standards under Article 29b of Directive 2013/34/EU (ESRS).	Climate transition risk (E pillar). Topics covered: greenhouse gas emissions and carbon pricing, energy transition, policy and regulatory exposure, technology, market and reputational risk, trade policy and workforce transition, delivered through 12 layers – policy and legal: 1 carbon price, 2 policy stringency, 3 stranded asset risk, 4 policy environment vulnerability, 10 regulatory compliance, 11 trade policy; technology: 5 electrification rate, 8 tech adoption cost; market: 6 market volatility, 12 consumer preference; reputation: 7 transition readiness, 9 workforce transition. Correspondence to ESRS (Article 29b of Directive 2013/34/EU): all 12 layers fall within ESRS E1 (Climate change) – climate change mitigation (all layers) and energy (layers 3 and 5) – and quantify the anticipated financial effects of transition risk (ESRS E1-9). Individual layers also correspond to E1-6 GHG emissions (layer 1), E1-5 energy consumption and mix (layers 3 and 5), E1-1 transition plan, E1-4 targets and E1-8 internal carbon pricing (layer 7) and E1-3 actions and resources (layer 8). No layer maps to climate change adaptation, which is addressed by the Physical Risk - VaR methodology, and ESRS social topics are not rated. Transition Risk - VaR outputs are aligned with ESRS E1 and the scenario-based quantitative metrics and forward-looking projections support ESRS E1 climate disclosures.	Methodology Document: p. 10 (The 12 Transition Risk Layers – ESRS alignment); p. 13 (Outputs – Reporting Alignment); p. 14 (Applications – CSRD and ESRS)
A.5	**Annex III 1(j)**	Whether the rating is expressed in absolute or relative terms.	Both relative and absolute. Relative: layer scores and the Transition Risk Score are normalised to a 0 to 100 scale against a fixed reference maximum taken across the rated universe, all three scenarios and all years; a higher score indicates greater financial exposure, scores rank companies on a common scale and are not absolute loss estimates. Absolute: layer values in USD millions (present-value cost; layer 7 transition readiness is a 0 to 100 readiness composite) and, where the credit layer is applied, climate-adjusted PD, LGD and expected loss.	Methodology Document: p. 3 (Scope and Purpose – Rating expression); p. 5 (Core Assumptions – Relative scoring); p. 12 (Scoring and Aggregation)

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
A.6	**Annex III 1(o) / Art. 3(3) Del. Reg.**	If the E factor is covered: whether the rating considers the Paris Agreement or other relevant international agreements. Del. Reg.: (a) which agreements are considered, information to identify them, and why they are relevant; (b) whether alignment of commitments with these agreements is assessed.	Yes – the Transition Risk - VaR scenarios are calibrated to NGFS pathways. The Orderly Transition scenario (NGFS Net Zero 2050 and Below 2°C; SSP1-1.9 / SSP1-2.6 analogue) is consistent with NGFS orderly pathways and the Paris Agreement 1.5 to 2°C goals; Disorderly Transition (NGFS Delayed Transition and Divergent Net Zero) and Hot House World (NGFS Current Policies; SSP5-8.5 analogue) deviate from those goals by design as stress cases. Company commitments are considered through the net-zero commitment year (transition progress), where an earlier commitment lowers exposure and no commitment gives no credit; where loan data are available, an alignment gap compares company emissions intensity with the sector pathway (below 1.0 ahead of pathway, near 1.0 aligned, above 1.0 misaligned). Net-zero commitment years and transition progress are consistent with SBTi emissions-reduction target logic.	Methodology Document: p. 7 (Scenarios and Parameter Paths – NGFS alignment; climate pathway analogue); p. 9 (Entity Exposure – Transition progress); p. 11 (Financial and Credit Translation – Financed Emissions and Alignment); p. 14 (Applications – SBTi)
A.7	**Annex III 1(p) / Art. 3(3) Del. Reg.**	If the S and G factors are covered: whether the rating considers relevant international agreements. Same elements as A.6.	Not applicable – Transition Risk - VaR does not cover S or G factors as rated topics; governance and social scores enter only as adjustment inputs through the composite ESG score.	Methodology Document: p. 15 (Appendix – ESMA Disclosure Checklist, A.2)

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
Section B – General disclosures on methodologies (Annex III, point 1)				
B.1	**Annex III 1(a) / Art. 4(1) Del. Reg.**	Overview of methodologies and changes, whether backward- or forward-looking, time horizon. Del. Reg.: (a) name of the methodology; (b) types of rated items; (c) validity period of the rating, where applicable; (d) list and overview of relevant models and key assumptions, where applicable; (e) measures and procedures to ensure data quality and reliability; (f) ranking system: meaning of each rating category for absolute and relative values, interpretation, and for relative values the reference (sector, geography, peer group, other); (g) date of the most recent update and description of changes compared with the previous version.	(a) Name and version: Transition Risk - VaR (product category: Climate Risk), Version 1.0 – Summary Methodology; primary output: Transition Risk Score (0 to 100). (b) Rated items: companies, scored per company and aggregated to portfolio by holding weight; asset-level financial and credit translation (stressed financials, climate-adjusted PD, LGD and expected loss, financed emissions) where asset, financial-statement and loan data are available. Analysis perspective: both forward-looking and backward-looking – three NGFS-aligned scenarios (Orderly Transition, Disorderly Transition, Hot House World) are modelled annually, with a backtest of the carbon price and stranded asset layers against historical company data. Output is scenario-conditional and not probability-weighted; it is not a forecast of a given year. Time horizon: annual, 2025 to 2055 (asset-level extension 2020 to 2070). (c) Validity period: a score is meaningful only for its scenario and year (annual 2025 to 2055). The fixed reference maximum used for normalisation is refreshed annually and published with each annual methodology release; scores change between releases only when the reference or the methodology changes. Company inputs are reference-year values from the 2024 and 2025 annual reports. (d) Models and key assumptions: Transition Shock × Exposure × Adaptive Capacity approach implemented as a nine-step cascade: (1) scenario and transition shock – three pathways translated into year-indexed carbon prices, policy strictness, grid emission factors, stranding probabilities and milestone events; (2) sector pathway – sector emissions intensity, energy mix, carbon price impact net of pass-through, and enabling and mitigating indices; (3) company data assembly – missing values estimated and flagged; (4) common adjustments – ESG score, transition progress, geographic factor, supply chain complexity, fossil fuel exposure, discounting, milestone shocks and, under Disorderly Transition, stress multipliers; (5) 12 layers computed per company, year and scenario; (6) Monte Carlo simulation (500 draws, normal or lognormal) on carbon prices, policy strictness and sector factors; (7) financial translation – layer costs discounted to present value at sector-specific rates and, where data permit, stressed EBITDA, CAPEX, cost of capital, stranding losses and climate-adjusted PD, LGD and expected loss (Merton-type baseline PD); (8) normalisation to 0 to 100 against a fixed reference maximum, weighting by materiality ranking and additive aggregation; (9) validation – backtest, sensitivity analysis and pathway audit checks. Key assumptions: scenarios are modelled separately and not probability-weighted; static company profile; additive aggregation with no interaction or correlation between layers; relative scoring; bounded inputs; transition and physical risk assessed independently. See E.1. (e) Data quality and reliability: estimated values (including Scope 1, 2 and 3 emissions and missing financial or asset values) are flagged in the dataset and distinguished from reported figures; ratios are bounded to 0 to 1 and layer values are floored at zero before normalisation;	Methodology Document: p. 2 (Introduction); p. 3 (Scope and Purpose); p. 5 (Translation Pipeline); p. 5 (Core Assumptions); pp. 7-11 (scenario, sector, entity, financial and credit modules); p. 12 (Scoring and Aggregation); p. 13 (Validation and Data Quality); p. 14 (Considerations)

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
			…logistic interpolation prevents abrupt year-to-year parameter jumps; validation combines Monte Carlo propagation, backtesting, ±10% carbon price sensitivity and pathway audit checks (Validation and Data Quality); and every published number is traceable from the scenario input through the intermediate layers to the final score, with calculation inputs, adjustment factors and score derivations available for audit. Company input data are subject to data quality procedures (Core Assumptions); the controls, the pipeline step each applies to and their frequency or basis are set out in Validation and Data Quality (see E.12). (f) Ranking system: the methodology defines no rating categories or grades. The Transition Risk Score and each layer score range from 0 to 100, with a higher score indicating greater financial exposure to the low-carbon transition; scores are relative to a fixed reference maximum taken across all companies, scenarios and years, and should be read together with the USD layer values. Credit-translation outputs map PD to rating bands as a credit migration signal (not an ESG rating category); the PD-to-rating-band mapping is indicative. (g) Date of most recent update and changes: Not applicable – Version 1.0 is the first release of the methodology, so there is no previous version against which changes are described. Supporting Policy Documents: (i) ESG Ratings & Methodologies Review Procedure; (ii) AI Usage Policy for ESG Rating Activities	
B.2	**Annex III 1(b) / Art. 4(2) Del. Reg.**	Industry classification used. Del. Reg.: (a) name of the issuing body; (b) name and version of the classification; (c) publicly accessible link to official documentation, where available.	GIST Impact uses a selection of industry classification systems depending on the dataset and use case; in every instance, the classification is clearly specified. These classification systems include the NACE Rev 2.1 activity-level classification (651 Level 4 activities rolling up to 22 Level 1 high-level sections), as well as a proprietary classification system comprising 57 sectors. GIST Impact provides crosswalks to other recognised classification systems such as ISIC or NAICS where required. Further information on NACE Rev 2.1 can be found here. Further information on the GIST Impact classification system can be found here.	Methodology Document and ESMA Disclosure Checklist

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
B.3	**Annex III 1(c) / Art. 4(3) Del. Reg.**	Overview of data sources, including whether data derive from sustainability statements under Directive 2013/34/EU or disclosures under Regulation (EU) 2019/2088, and whether sources are public or non-public; overview of data processes, estimation of missing input data and frequency of data updates. Del. Reg.: description of engagement with rated items or issuers and how input from that engagement is taken into account.	Directive 2013/34/EU: Yes, GIST Impact uses information disclosed under Directive 2013/34/EU of the European Parliament as amended by Directive 2022/2464 ("CSRD") as a data source for its ESG ratings. This includes a diverse range of publicly disclosed data sources including non-financial and sustainability reporting aligned with Directive 2013/34/EU, together with complementary voluntary frameworks. CSRD disclosures provide meaningful insight into entity-level sustainability governance, strategy, policies, targets and performance, as well as each entity's own assessment of its material impacts, risks and opportunities. GIST Impact integrates these inputs with other publicly available data sources to build a comprehensive view of corporate sustainability across environmental, social and governance dimensions. GIST Impact's methodology leverages non-financial reporting across all sectors aligned to Directive 2013/34/EU, enabling consistent assessment across investee and corporate portfolios regardless of financial services status. This approach ensures broad applicability and robustness across our ESG ratings products. Regulation (EU) 2019/2088: No. GIST Impact does not source information from SFDR reports under Regulation (EU) 2019/2088 (SFDR). SFDR disclosures operate at the fund level, which assess entities rather than funds. Our primary data sources are entity-level disclosures published directly by companies — including annual reports, sustainability reports (including those prepared under the Corporate Sustainability Reporting Directive (CSRD), Directive (EU) 2022/2464, and its underlying European Sustainability Reporting Standards (ESRS), where applicable), and financial reports. Where a portfolio or fund management company itself forms part of GIST Impact's rated universe, GIST Impact continues to rely on that entity's own sustainability or annual report rather than any SFDR disclosure it may separately produce or be subject to as a financial market participant.	Methodology document and ESMA Disclosure Checklist

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
B.4	Annex III 1(e) / Art. 4(4) Del. Reg.	Whether and to what extent the methodologies are based on scientific evidence. Del. Reg.: process for identifying relevant scientific evidence, where applicable.	Yes – the methodology is based on scientific and institutional evidence. The methodology adapts the risk concept used in climate risk assessment (transition shock × exposure × adaptive capacity) for financial institutions, investors and corporates. Scenario pathways draw on the NGFS Scenarios Portal, CMIP6 and IPCC scenario families and the IEA World Energy Outlook, with climate pathway analogues (SSP1-1.9 / SSP1-2.6 for Orderly Transition; SSP5-8.5 for Hot House World). Sector, country and hazard factors draw on IEA, Maplecroft, World Bank, ND-GAIN, IPCC, S&P Global and Munich Re; layer-specific sources include NGFS carbon price and capacity addition data, the OECD Environmental Policy Stringency index, Transition Pathway Initiative data, ILOSTAT and ILO labour profiles, the Climate Change Litigation Database and WTO trade agreement databases. The 12 layer weights express judgement about materiality (a materiality ranking) rather than an empirical estimate, and formulae, coefficients and numeric weights are held in the model specification and available to the regulator on request. The methodology is reviewed under the ESG Ratings & Methodologies Review Procedure (see E.5).	Methodology Document: p. 4 (Methodology Foundations); p. 6 (Data Inputs and Sources); p. 7 (Scenarios and Parameter Paths); p. 12 (Scoring and Aggregation – Layer Weighting); p. 14 (Considerations – Expert weights)
B.5	Annex III 1(k)	Use of artificial intelligence in data collection or rating, including current limitations and risks, where applicable. If no AI is used: negative statement.	Refer GIST Impact AI Usage Policy for ESG Rating Activities	Separate Policy Document

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
Section C – Limitations of data sources, methodologies and information (Annex III, point 1)				
C.1	**Annex III 1(m) / Art. 5 Del. Reg.**	Limitations of data sources and methodologies. Del. Reg.: limitations regarding (a) availability or coherence of data; (b) completeness, timeliness and accuracy of information; (c) inclusion of assumptions, proxies and data estimates.	(a) Availability/coherence: global sources underpin the methodology. Company inputs are taken from reference-year annual reports (2024 and 2025), CDP and company sustainability and CSRD/ESRS reports, and are held at reference-year values: no company-specific forward projections are made. Where reported emissions, financial or asset data are unavailable, estimates are used. Layer-specific sources vary in coverage and period (for example the OECD Environmental Policy Stringency index covers 40 territories for 2016 to 2020). Where the credit layer is applied, borrower and facility inputs (EAD and outstanding, collateral value, base PD, LGD) are client-supplied by banks and credit institutions, and baseline credit parameters otherwise rely on a structural (Merton-type) asset-value model and asset-class recovery values. (b) Completeness, timeliness and accuracy: the quality and granularity of company data are the primary determinants of output precision, and precision improves materially with company-reported data; Scope 3 estimates are the least certain. The asset-level and credit translation is calibrated to a power-sector reference implementation, and its use in other sectors and geographies requires sector-specific calibration; the PD-to-rating-band mapping is indicative. (c) Assumptions, proxies and estimates: fossil fuel exposure, electrification adoption, ESG sentiment, asset value shares and proximity to regulatory enforcement are represented by simplified proxies; the sector assignment drives many parameters and may differ from a company's industry classification; scenarios are not probability-weighted and scores are not forecasts; Monte Carlo sampling varies parameters within a fixed structure (model-structure uncertainty and correlation between parameters are not modelled); layers are combined additively with expert materiality weights; scores are relative, not absolute loss estimates; and second-order value-chain, contagion and systemic effects are outside the score.	Methodology Document: p. 14 (Considerations); p. 5 (Core Assumptions); p. 6 (Data Inputs and Sources); p. 9 (Entity Exposure – Emissions Estimation); p. 11 (Financial and Credit Translation)

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
C.2	**Annex III 1(q) / Art. 5 Del. Reg.**	Limitations of the information available to the ESG rating provider. Same elements (a) to (c) as C.1.	(a) Availability/coherence: company-level inputs depend on what companies report – emissions (Scope 1, 2 and 3), production volume, energy consumption, fuel mix, asset value, revenue, workforce, R&D and patent data, export volume, supply chain structure and net-zero commitment year – and are not uniformly available. Borrower and facility credit inputs (EAD and outstanding, collateral value, base PD and LGD) are provided by banks and credit institutions under the issuer-paid configuration. For MSME, unlisted and retail borrowers a simplified elasticity model applies, using sector-average cost structures and elasticities derived from listed peers. (b) Completeness, timeliness and accuracy: company data enter at reference-year values (2024 and 2025 annual reports) and are not updated within the modelled horizon; where reported data are missing, estimates are used and flagged, and Scope 3 estimates are the least certain; precision improves materially with company-reported data. (c) Assumptions, proxies and estimates: Scope 1 is estimated from production volume, sector emission factors and the fuel mix; Scope 2 from energy consumption and a scenario- and country-specific grid factor; Scope 3 from tiered supply chain factors; estimates are flagged in the dataset. Under issuer-paid engagements, client-supplied data are limited to pre-configured categories and the resulting deliverables are labelled 'Issuer-paid'.	Methodology Document: p. 6 (Data Inputs and Sources – Issuer-Paid Data Inputs); p. 9 (Entity Exposure – Emissions Estimation); p. 11 (Financial and Credit Translation); p. 14 (Considerations)
Section D – Disclosures on the organisation of the ESG rating provider (Annex III, point 1)				
D.1	**Annex III 1(d) / Art. 6(1) Del. Reg.**	Ownership structure of the applicant. Del. Reg.: chart of ownership links with all parent undertakings and subsidiaries, showing, where applicable, whether any of them carries out activities under Article 16(1) or provides other services under Article 16(6) of Regulation (EU) 2024/3005.	GIST Impact Netherlands B.V. will submit a detailed organisational ownership structure chart to ESMA. The chart will also be made available (upon request) via the GIST Impact website.	Separately provided to ESMA

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
D.2	**Annex III 1(l) / Art. 6(2) Del. Reg.**	General information on fee criteria and business/payment model. Del. Reg.: (a) how fee criteria ensure fair, reasonable, transparent and non-discriminatory fees (Article 27); (b) subscription, issuer-pays, combined or other model; (c) description of the business model and share of total annual turnover from each model; (d) where applicable, how fees for non-ESG-rating services affect ESG rating fees, with a description of those services.	Fees for ESG rating services are determined based on transparent criteria, including data scope, coverage, and service level, and are entirely independent of rating outcomes. All ESG rating products are offered exclusively either on (i) a User-paid subscription basis or (ii) an Issuer-paid model. Clients — such as investors, asset managers, or corporates — engage GIST Impact through subscription or contractual arrangements under which no fee is linked to, or contingent upon, the outcome or content of any ESG rating; GIST Impact has also established a dedicated Pricing Policy (publicly available on the GIST Impact website). ESG Ratings and data products are determined solely through the consistent application of defined methodologies, and are never affected by existing or potential business relationships with rated entities, including where GIST Impact also delivers direct data and analytics services to corporates and investors: where such clients also sit within their rated universe, this engagement is operationally and methodologically independent, and does not influence, inform, or modify our rules-based scoring for any product (under the Issuer-paid model). GIST Impact does not enter into contingent fee arrangements tied to ESG rating outcomes, and its compensation structures are fully independent of the assigned ratings. All fees charged to clients are fair, transparent, and non-discriminatory.	Separate Policy document

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
D.3	**Annex III 1(n) / Art. 6(3) Del. Reg.**	Main risks of conflicts of interest and mitigating measures. Del. Reg.: areas of activities, services or organisational structures posing the greatest risk of conflicts of interest.	GIST Impact has adopted a Group-level Conflict of Interest Policy for ESG Rating Activities (the "COI Policy") that establishes the governance framework, principles, and procedures for the identification, prevention, management, and mitigation of conflicts of interest arising in connection with ESG Rating activities conducted by GIST Impact Netherlands B.V. The COI Policy is adopted at Group level and applies to GIST Advisory Switzerland S.A., including its UK branch, and its subsidiaries, including GIST Impact Netherlands B.V. and GIST Advisory Private Limited (collectively, "GIST Impact"), to the extent that any such entity, function, or individual supports, participates in, or may otherwise influence ESG Rating activities conducted by GIST Impact Netherlands B.V. GIST Impact has established internal policies and procedures to ensure our independence and mitigate potential conflicts of interest that may arise from our ownership structure or group-level interests, as well as from any parties or rated entities that may influence our rating activities. We ensure the independence of our rating activities, including from political and economic constraints. GIST Impact's ESG Rating activities operate according to a rules-based methodology grounded in data and science. GIST Impact operates two business models, namely (i) a User-paid model and (ii) an Issuer-paid model. Under the User-paid model, which generates the majority of its revenue, ESG ratings and analytics built from publicly available sources are delivered on a subscription basis. Under the Issuer-paid model, GIST Impact charges rated entities fees for ESG analytics built from publicly available sources; where applicable, these are supplemented by limited data provided by that entity, solely to support the entity's own independent assessment of risks and opportunities within its operations. These analytics are data products only. In the course of Issuer-paid engagements, GIST Impact does not advise any entity on how to improve the ESG rating issued to it under the User-paid model, or on its public disclosures with a view to improving that ESG rating. Issuer-paid activities are kept separate from User-paid ESG rating activities, and information generated through Issuer-paid engagements is not used as an input to, and does not inform, the datasets, methodologies, or ratings provided under the User-paid model. Where clients of GIST Impact's data or analytics services also sit within its rated universe, such engagement is operationally and methodologically independent and does not influence ESG Ratings. Across both models, GIST Impact does not enter into contingent fee arrangements tied to rating outcomes, its compensation structures are independent of the ratings assigned, and all fees are fair, transparent, and non-discriminatory.	Separate Policy document

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
			…The COI Policy is designed to ensure that ESG Rating activities are conducted in accordance with the general principles set out in Article 15 of Regulation (EU) 2024/3005, including the principles of independence, integrity, transparency, and impartiality in the provision of ESG Ratings. The Policy forms part of the broader governance framework applicable to GIST Impact Netherlands B.V. and is intended to safeguard the independence, objectivity, integrity, and impartiality of its ESG Rating activities and to ensure that potential and actual conflicts of interest are appropriately identified, assessed, managed, and mitigated. The Conflict-of-Interest Policy for ESG Rating Activities is publicly available on the GIST Impact website.	
Section E – Disclosures to users, rated items and issuers (Annex III, point 2; Article 24)				
E.1	**Annex III 2(a)(i)**	Scientific evidence and assumptions on which the ratings are based, where applicable.	See B.4 and B.1. Key assumptions: each scenario is modelled separately and is not probability-weighted, so a score is meaningful only for its scenario and year; layers are costs to the company, discounted to 2025 at sector-specific rates; company emissions, financials and asset data are held at reference-year values (static company profile); scenario parameters are interpolated between anchor years with a logistic curve, with discrete policy events applied as milestone shocks; layers are combined as an additive weighted sum with no interaction or correlation terms; layer scores are expressed against a fixed reference maximum (relative scoring); carbon prices, policy strictness, regulatory costs, CBAM and trade tariffs and several sector factors are drawn stochastically (500 iterations); ratios are bounded to 0 to 1 and layer values are floored at zero before normalisation; under Disorderly Transition, stress multipliers apply to selected layers from the stress year; sectors pass through part of the carbon cost to customers, and the sector bears the remainder; layer weights express judgement about materiality; baseline credit parameters are independent of the climate scenarios; and transition and physical risk are assessed independently.	Methodology Document: p. 5 (Core Assumptions); p. 7 (Scenarios and Parameter Paths); p. 8 (Sector Transition Pathway – Pass-Through of Carbon Cost); p. 11 (Financial and Credit Translation); p. 12 (Scoring and Aggregation); p. 14 (Considerations)

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
E.2	Annex III 2(a)(ii)	Key performance indicators per E, S and G factor and weighting method.	E only (climate transition risk). KPIs: Transition Risk Score (0 to 100) per company, scenario and year, and portfolio score (holdings-weighted average of company scores); 12 layer scores (0 to 100) and layer values (USD millions; layer 7 on a 0 to 100 readiness scale) – 1 carbon price, 2 policy stringency, 3 stranded asset risk, 4 policy environment vulnerability, 5 electrification rate, 6 market volatility, 7 transition readiness, 8 tech adoption cost, 9 workforce transition, 10 regulatory compliance, 11 trade policy, 12 consumer preference. Supporting outputs by pipeline step: scenario (carbon price path, policy strictness, grid emission factor, milestone and stress multipliers); sector (carbon price impact, sector transition risk index, adaptation score, energy transition acceleration); exposure (transition progress, geographic factor, fossil fuel exposure, Scope 1, 2 and 3 emissions); uncertainty (distribution of layer values across Monte Carlo draws); financial (present-value cost, stressed EBITDA, CAPEX and WACC, expected stranding loss, impairment); credit (climate-adjusted PD and LGD, expected loss, covenant breach, rating migration); alignment (financed emissions, alignment gap to sector pathway); and validation (backtest results, sensitivity to carbon price, pathway audit checks). Weighting method: layer scores are weighted by materiality and summed; weights are expressed so that they sum to 100% and rest on a materiality ranking – High: 1 carbon price and 3 stranded asset risk; Medium-High: 2 policy stringency and 12 consumer preference; Standard: 4 policy environment vulnerability, 5 electrification rate, 6 market volatility, 7 transition readiness, 8 tech adoption cost, 9 workforce transition, 10 regulatory compliance and 11 trade policy (transition readiness is counted once). Numeric weights are held in the model specification and are available to the regulator on request. No E/S/G weighting is applied.	Methodology Document: p. 10 (The 12 Transition Risk Layers); p. 12 (Scoring and Aggregation); p. 13 (Outputs); p. 16 (Appendix – ESMA Disclosure Checklist, A.3)
E.3	Annex III 2(a)(iii)	For aggregated ratings: result for each E, S and G category in a form ensuring comparability. If not aggregated: negative statement.	Not applicable – Transition Risk - VaR is not an aggregated ESG rating; it covers climate transition risk within the E pillar only.	Methodology Document: p. 15 (Appendix – ESMA Disclosure Checklist, A.2)

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
E.4	**Annex III 2(a)(iv) / Art. 7(2) Del. Reg.**	Deficiencies in the methodologies and remedial measures. Del. Reg.: deficiencies related to the use of pre-determined statistical or algorithmic systems.	Deficiencies: (i) transition risk only – physical hazard risk is assessed independently under the Physical Risk - VaR methodology and the two are not summed; (ii) relative scoring – layer scores indicate relative exposure against a fixed reference maximum, not an absolute loss estimate; (iii) parameter uncertainty only – Monte Carlo sampling varies parameters within a fixed structure, and model-structure uncertainty and correlation between parameters are not modelled; (iv) expert weights – the 12 layer weights express judgement about materiality; (v) scenario-conditional output – scores are not forecasts and carry no scenario probabilities; (vi) static company profile – company emissions, financials and assets are held at reference-year values and no company-specific forward projections are made; (vii) simplified proxies – fossil fuel exposure, electrification adoption, ESG sentiment, asset value shares and proximity to regulatory enforcement are represented by simplified proxies; (viii) the sector assignment drives many parameters and may differ from a company's industry classification; (ix) estimates are used where data are missing, and Scope 3 estimates are the least certain; (x) second-order value-chain, contagion and systemic effects are outside the score; (xi) the asset-level and credit translation is calibrated to a power-sector reference implementation and its use in other sectors and geographies requires sector-specific calibration, and the PD-to-rating-band mapping is indicative; (xii) the score is a rules-based risk measure, not a credit rating and not investment advice. Algorithmic/statistical: Transition Risk - VaR applies pre-determined, rules-based formulae with no analyst opinion – scenario parameters interpolated with logistic curves, Monte Carlo simulation (500 iterations; normal or lognormal draws) on scenario and sector parameters, sector-specific discounting, an additive weighted sum of normalised layer scores, a fixed reference maximum for normalisation, a Merton-type structural model for baseline PD, and PD and LGD stress through sector-specific elasticities with caps. Layers are combined with no interaction or correlation terms, and 500 iterations are used per sampled parameter. Formulae, coefficients and parameter values are held in the model specification and available to the regulator on request. Remedial measures: documented measures are (i) validation through Monte Carlo propagation, backtesting of the carbon price and stranded asset layers against historical company data, ±10% carbon price sensitivity testing and pathway audit checks on the asset-level layer; (ii) bounded inputs, floors at zero and logistic interpolation to avoid implausible values and jumps; (iii) stress multipliers under Disorderly Transition to show tail outcomes; (iv) a fixed reference maximum refreshed annually and published with each annual methodology release; (v) traceability of every published number from scenario input to final score, with calculation inputs, adjustment factors and score derivations available for audit; (vi) explicit disclosure of limitations and guidance to read scores with the USD layer values; and (vii) estimates flagged in the dataset.	Methodology Document: p. 14 (Considerations); p. 13 (Validation and Data Quality); p. 5 (Core Assumptions); p. 11 (Financial and Credit Translation); p. 12 (Scoring and Aggregation)

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
E.5	**Annex III 2(a)(v) / Art. 8(1) Del. Reg.**	Methodology review policies. Del. Reg.: (a) review process and frequency; (b) conditions triggering a review; (c) stakeholder consultation during reviews, where applicable; (d) process for assessing the impact of revisions on ratings; (e) criteria for a material change.	GIST Impact reviews its ESG Rating methodologies on an ongoing basis, and at least annually, to ensure that they remain accurate, relevant, robust, and aligned with applicable regulatory requirements and evolving market standards. GIST Impact has established a dedicated Board-approved ESG Ratings & Methodologies Review Procedure, which sets out the governance framework and processes for the review, assessment, and, where appropriate, revision of its ESG Rating methodologies. The ESG Ratings & Methodologies Review Procedure is publicly available on the GIST Impact website.	Separate Policy Document
E.6	**Annex III 2(a)(vi)**	Where a rating is up- or downgraded due to material changes in methodology, models, key assumptions or data sources (including estimates): reasons and impact. Rating-specific.	Not applicable for this release – Version 1.0 is the first release of the methodology, so no outputs have been revised due to material changes in methodology, models, key assumptions or data sources. Transition Risk - VaR does not define rating categories (see A.5 and B.1(f)). Scores change between annual releases only when the fixed reference maximum or the methodology changes, and the reference is published with each annual methodology release; where future material changes in methodology, models, key assumptions or data sources materially change results, GIST Impact will disclose the reasons and impact under the ESG Ratings & Methodologies Review Procedure (see E.5).	Methodology Document: p. 12 (Scoring and Aggregation – fixed reference maximum); p. 13 (Outputs); Separate Policy Document (ESG Ratings & Methodologies Review Procedure)
E.7	**Annex III 2(a)(vii) / Art. 8(2) Del. Reg.**	Date of last revision of the methodology. Del. Reg.: version number of the methodology. (Cross-reference: B.1(g))	Methodology version: Version 1.0 (first release). Date of last revision: Not applicable – Version 1.0 is the first release. See B.1(g).	Methodology Document: p. 2 (Introduction)
E.8	**Annex III 2(a)(viii)**	If the E factor is covered: whether and to what extent the rating correlates with the percentage of taxonomy alignment under Regulation (EU) 2020/852 or is aligned with other international agreements, and explanation of material deviations. (Cross-reference: A.6)	No – the methodology does not measure the percentage of EU Taxonomy alignment under Regulation (EU) 2020/852, and no correlation analysis between the Transition Risk Score and Taxonomy alignment is documented. The methodology states that transition progress and renewable share inputs reflect the focus on sustainable activities, that the trade policy layer (including CBAM) supports EU regulatory alignment, and lists the EU Taxonomy among the reporting alignments for score outputs. On other international agreements see A.6 (NGFS-aligned scenarios; Paris Agreement 1.5 to 2°C goals for Orderly Transition; SBTi target logic).	Methodology Document: p. 13 (Outputs – Reporting Alignment); p. 14 (Applications – EU Taxonomy; SBTi); p. 17 (Appendix – ESMA Disclosure Checklist, A.6)

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
E.9	**Annex III 2(b)(i) / Art. 7(1) Del. Reg.**	A more detailed explanation of data sources used, including whether public or non-public, whether subject to assurance engagement, and whether derived from the sustainability reporting standards developed pursuant to Articles 19a and 29b of Directive 2013/34/EU concerning sustainable economic activities and disclosure of information pursuant to Regulation (EU) 2020/852 and Regulation (EU) 2019/2088, including whether and how information on companies' transition plans derived from such sustainability reporting standards is used. Del. Reg.: methods used to collect any non-public data.	See response to B3 above. To add, GIST Impact's ESG Ratings Products draw on publicly available data sources, including corporate disclosures (annual reports, sustainability/ESRS reports, regulatory filings), government and multilateral databases, other public datasets, and third-party specialised data vendors via contractual arrangements. The specific data sources relied upon for a given ESG Rating Product are identified in the applicable Methodology documents. Where actual, reported, or verified data is unavailable or incomplete, GIST Impact applies documented estimation techniques to fill data gaps. Any such estimation is clearly flagged as such within the underlying dataset and Methodology documentation, distinguishing estimated values from disclosed or verified figures. Data quality is governed through a combination of automated and manual controls, including source validation, completeness checks, outlier detection, and periodic review of data providers and input taxonomies, as set out in GIST Impact's internal data quality assurance procedures. Access to underlying data is restricted on a role-based basis and subject to audit trails. Update frequency is governed by GIST Impact's ESG Ratings & Methodologies Review Procedure (publicly available on the GIST Impact website), under which data and methodologies are reviewed on both annual and/or periodic event-driven basis (as required) — including in response to new or revised regulatory standards, material developments in data sources or analytical techniques, material feedback from rated entities, clients, or regulators, changes to data providers or input taxonomies, identified errors, or changes to product scope — with methodology reviews conducted at least annually in line with Regulation (EU) 2024/3005.	Methodology Document and ESMA Disclosure Checklist
E.10	**Annex III 2(b)(ii)**	Use of estimates and sector averages, where applicable, and explanation of the underlying methodology.	Yes. Estimates are used where company data are not reported: Scope 1 emissions are estimated from production volume, sector emission factors and the fuel mix; Scope 2 from energy consumption and a scenario- and country-specific grid factor; Scope 3 from tiered supply chain factors; and missing financial, asset, workforce and ESG values are estimated and flagged in the dataset. Sector parameters: each company is assigned to a sector, which sets sector-level factors (for example regulatory cost, stranding probability, volatility, technology and transition cost, workforce, consumer preference and discount rate) and emissions intensity and energy mix; for MSME, unlisted and retail borrowers, sector-average cost structures and elasticities derived from listed peers are used; asset-level stranding uses simplified asset value shares as a proxy.	Methodology Document: p. 5 (Translation Pipeline – step 3); p. 6 (Data Inputs and Sources); p. 8 (Sector Transition Pathway); p. 9 (Entity Exposure – Emissions Estimation); p. 11 (Financial and Credit Translation – MSME, unlisted and retail borrowers); p. 14 (Considerations – Expert weights and proxies)

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
E.11	Annex III 2(b)(iii) / Art. 8(3) Del. Reg.	Principles for data updates and revision of historical data; date of last data update (rating-specific). Del. Reg.: measures ensuring accuracy and consistency of the data revision process.	Principles: methodology and data are reviewed at least annually, plus event-driven reviews, under the ESG Ratings & Methodologies Review Procedure (see E.5); model output is produced in annual steps from 2025 to 2055 for each of the three scenarios; company input data are reference-year values from the 2024 and 2025 annual reports and are held static across the modelled horizon; scenario reference data (NGFS, CMIP6) are updated on each new release; and the fixed reference maximum used for normalisation is refreshed annually and published with each annual methodology release. Changes between releases are attributable to the reference maximum or the methodology: scores change between releases only when one of these changes. Accuracy and consistency: the same fixed reference maximum is applied across all companies, scenarios and years within a release; every published number is traceable from scenario input to final score, with calculation inputs, adjustment factors and score derivations available for audit; and rated entities can access the underlying dataset at least two full working days before publication, solely to identify factual errors (see E.14). Revision of historical data follows the ESG Ratings & Methodologies Review Procedure (see E.5). Date of last data update: NA	Methodology Document: p. 3 (Scope and Purpose – Governance and Independence); p. 12 (Scoring and Aggregation – fixed reference maximum); p. 13 (Validation and Data Quality); p. 14 (Considerations); Separate Policy Document
E.12	Annex III 2(b)(iv)	Data quality controls, their frequency and the remediation process in case of issues.	Controls (Validation and Data Quality): data quality is governed by controls built into the nine-step pipeline: (i) estimated values (including Scope 1, 2 and 3 emissions and missing financial, asset, workforce and ESG values) are flagged in the dataset and distinguished from reported figures; (ii) ratios are bounded to 0 to 1 and layer values are floored at zero before normalisation; (iii) logistic interpolation prevents abrupt year-to-year parameter jumps; (iv) Monte Carlo simulation (500 draws) propagates parameter uncertainty; (v) validation by backtesting of the carbon price and stranded asset layers against historical company data, ±10% carbon price sensitivity testing and pathway audit checks on the asset-level layer; (vi) a fixed reference maximum for normalisation; and (vii) traceability of every published number from scenario input to final score, with calculation inputs, adjustment factors and score derivations available for audit. Frequency: estimate flags apply wherever an estimate is used; the reference maximum is refreshed annually; scenario reference data are updated on each new release; company input data are taken at the reference year; and the methodology and data are reviewed at least annually plus on defined events (see E.5). Remediation: identified errors are a defined event-driven trigger for review of the methodology and data under the ESG Ratings & Methodologies Review Procedure (see E.5); factual errors identified by the rated entity in the pre-publication dataset access are reviewed and any resulting actions are documented by the Oversight Function.	Methodology Document: p. 3 (Scope and Purpose – Governance and Independence); p. 9 (Entity Exposure – Emissions Estimation); p. 12 (Scoring and Aggregation – fixed reference maximum); p. 13 (Validation and Data Quality); p. 14 (Considerations); p. 31 (Appendix – ESMA Disclosure Checklist, E.11); Separate Policy Document

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
E.13	Annex III 2(b)(v)	Steps taken to address limitations of data sources, where applicable. (Cross-reference: C.1, C.2)	See C.1 and C.2. Documented steps include: using reported emissions, financial and asset data where available and estimating only where they are not, with estimates flagged in the dataset; estimating Scope 1, 2 and 3 emissions from production volume, energy consumption and tiered supply chain factors; accepting additional client data inputs against pre-configured categories under the issuer-paid model (asset register, emissions, fuel mix, net-zero commitment, segment revenue; for banks, borrower and facility data, EAD, collateral value, base PD and LGD); bounding inputs and flooring layer values at zero; propagating parameter uncertainty through Monte Carlo simulation; testing the dependence of scores on carbon price assumptions (±10% sensitivity) and backtesting selected layers; applying stress multipliers under Disorderly Transition to show tail outcomes; refreshing the reference maximum annually; making detailed specifications available to the regulator on request; and stating limitations explicitly alongside guidance on reading scores with USD layer values.	Methodology Document: p. 14 (Considerations); p. 13 (Validation and Data Quality); p. 9 (Entity Exposure – Emissions Estimation); p. 6 (Data Inputs and Sources – Issuer-Paid Data Inputs); p. 12 (Scoring and Aggregation); p. 7 (Scenarios and Parameter Paths – stress treatment)
E.14	Annex III 2(c)	Engagement with rated items or issuers, including whether on-site inspections or visits were carried out and their frequency, where applicable.	In accordance with Article 15(12) of Regulation (EU) 2024/3005, GIST Impact operates a pre-issuance notification process, providing the rated entity access to the dataset underlying their ESG rating at least two full working days prior to publication, for the limited purpose of identifying factual errors. Upon request and free of charge, GIST Impact will provide, along with the underlying dataset, the industry classification applied, data sources used, data processing methodology (including any estimation techniques), and update frequency — solely to allow correction of factual errors. Feedback is reviewed and any resulting actions documented by the Oversight Function; such engagement is strictly limited to factual accuracy and does not permit rated entities to influence GIST Impact's methodologies, assumptions, weighting, or rating outcomes, consistent with GIST Impact's Conflict of Interest Policy for ESG Rating Activities (publicly available on the GIST Impact website). GIST Impact does not provide rated entities access to the ESG rating it plans on distributing.	Separate Policy Document

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Appendix — ESMA Disclosure Checklist (continued)

Ref.	Criterion (Annex III / Del. Reg. reference)	Required content	GIST Impact response	Reference (Methodology Document Section or Page Number)
E.15	Annex III 2(d)	For unsolicited ratings: clearly visible notice in the rating, including whether the rated item or a related third party was informed in advance, whether it participated in the rating process, and whether the provider had access to management and relevant internal documents. Rating-specific.	See above response. To add, For unsolicited assessments, GIST Impact's ESG assessments are based on rule-based methodologies that primarily use publicly available company data, estimation models, and scientifically supported models. GIST Impact does not have Rating Analysts engaging directly with rated entities for the purpose of influencing or determining individual ESG assessments. Accordingly, the methodologies do not rely on data obtained through direct engagement with rated entities, nor are the rules-based methodologies adapted or modified to change the assessment of an individual company. GIST Impact may also be directly engaged by corporates and investors to undertake bespoke analysis or data provision services for their own specific purposes. Such direct engagement work is operationally and methodologically independent from GIST Impact's rules-based ESG assessments. Analysis, data, or intelligence generated through direct engagement with a corporate or investor client is not integrated into GIST Impact's underlying databases, nor does it inform, modify, or influence the rules-based assessments applied to that entity or any other entity within GIST Impact's products. The separation of these engagement streams ensures that direct work with clients does not compromise the integrity or consistency of GIST Impact's rules-based methodology across its products.	Refer Conflict of Interest Policy for ESG Rating Activities
E.16	Annex III 2(e)	Explanation of the AI methodology used in data collection or the rating process, where applicable. (Cross-reference: B.5)	Refer GIST Impact AI Usage Policy for ESG Rating Activity	Separate Policy Document
E.17	Annex III 2(f)	Where important new information on a rated item may affect the rating: how it has been taken into account and whether the rating has been amended. Rating-specific.	Refer response to E5 and the ESG Ratings & Methodologies Review Procedure	Separate Policy Document

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