

Rating Product disclosures

Purpose of ratings

Carbon4 Finance is a data provider whose products consist of databases that include, where applicable, climate or biodiversity ratings, as well as numerous climate and biodiversity metrics. Carbon4 Finance does not market pure ESG rating products.

The information below pertains to the databases developed and marketed by Carbon4 Finance, which are grouped into three product families.

Carbon Impact Analytics (CIA)

This product family includes the following products: CIA Bottom-up, CIA Top-down, CIA Sovereigns, and CIA Climate Bonds

The CIA overall rating measures the contribution of an entity (company, financial institution or sovereign) or a financial instrument to the transition to a low-carbon economy. It assesses the efforts made by an entity (past, present, and future) to align with this transition. It is based on the concept of double materiality as defined by EFRAG (ESRS 1), with an emphasis on impact materiality (effects):

- Impact materiality (consequences), primary dimension: the CIA score measures the entity's (company, financial institution, or sovereign) current and potential impacts on the climate through the concept of contribution. This includes induced greenhouse gas (GHG) emissions (Scopes 1, 2, 3), emissions saved or avoided, and an analysis of the decarbonization trajectory. The methodology focuses on the most severe current impacts and the most significant potential impacts.
- Financial materiality (transition risks), indirect dimension: we assess the entity's strategic maturity and the transparency of its non-financial reporting; transition risks (regulations, new technologies, market developments, reputation) are measured indirectly. The CIA score serves as an indicator of exposure to climate transition risks: the greater an entity's contribution to the transition, the lower the probability that it will suffer the effects of the transition to a low-carbon economy.

The relationship works as follows: the contribution (impact materiality) serves as an indicator for transition risks (financial materiality). An entity that contributes positively to the transition is less likely to be affected by regulatory changes, technological disruptions, or adverse market developments. The methodology therefore assesses both dimensions.

Climate Risk Impact Screening (CRIS)

The objective of the CRIS product is to assess the physical climate risks of an entity (company, financial institution or sovereign) or a financial instrument arising from various climate hazards and aggravating factors.

The CRIS product focuses exclusively on financial materiality (the impact of climate on the company):

Risks: assessment of the physical risks to which an entity is exposed due to seven climate hazards (floods, heat waves, etc.)—whether acute or chronic—based on various forward-looking scenarios and time horizons and adjusted for location-specific aggravating factors.

Impacts: CRIS does not assess the entity's contribution to climate change (this impact is covered by the CIA product).

CRIS does not establish a measured direct causal link between the company's impacts and its own risks. Physical risk is treated as an externality to which the company is exposed due to global climate change, regardless of its own GHG emissions.

Biodiversity Impact Analytics powered by the Global Biodiversity Score (BIA-GBS)

This product family includes two offerings: BIA-GBS Dependencies, which includes ratings, and BIA-GBS Impact, which does not include ratings but provides biodiversity footprint metrics.

BIA-GBS Dependencies

The BIA-GBS Dependencies product primarily assesses risks related to the degradation of nature. It identifies the operational vulnerability of entities (companies, financial institutions, sovereigns) to the alteration or loss of vital ecosystem services (e.g., water supply, pollination, soil stabilization) necessary for the continuity of their operations.

The BIA-GBS products are structurally designed according to the principle of dual materiality:

- Financial materiality (from the outside in): covered by the BIA-GBS Dependencies product, it measures how the degradation of biodiversity and ecosystem services creates financial risks and disruptions in the value chain for the issuer.
- Impact materiality (from the inside out): covered by the BIA-GBS Impact product (via the MSA.km² metric), it measures the company's activities' footprint on ecosystems.

Combining these two dimensions enables financial actors to gain a holistic view of the interdependencies between financial portfolios and the biosphere.

Scope of the ratings

Carbon Impact Analytics (CIA)

This product family includes the following products: CIA Bottom-Up, CIA Top-Down, CIA Sovereigns, and CIA Climate Bonds

CIA products focus exclusively on the Environmental (E) pillar, and more specifically on the analysis of transition risks related to climate change.

Climate Risk Impact Screening (CRIS)

The CRIS product focuses exclusively on the Environmental (E) pillar, and more specifically on the analysis of physical risks related to climate change.

Biodiversity Impact Analytics powered by the Global Biodiversity Score (BIA-GBS)

BIA-GBS Dependencies

The BIA-GBS Dependencies product focuses exclusively on the Environmental (E) pillar, and more specifically on the analysis of dependencies on ecosystem services (biodiversity).

BIA-GBS Impact

The BIA – GBS Impact product focuses exclusively on the Environmental (E) pillar, and more specifically on the analysis of biodiversity-related impacts. This product does not include ratings, but metrics related to biodiversity footprint measurement.

Topics covered by the ratings

Within the Environmental (E) factor, the themes covered by our ratings are:

- Climate transition risks
- Physical climate risks
- Biodiversity and dependence on ecosystem services

These themes correspond to the themes covered by the sustainability disclosure standards developed pursuant to Article 29b of Directive 2013/34/EU, as follows:

- ESRS 1: Climate Change (Maximum or significant coverage through our GHG inventory methodologies, transition plans, alignment with 2°C trajectories, and quantification of physical risks based on IPCC scenarios).
- ESRS 4: Biodiversity (Maximum or significant coverage dedicated to mapping the value chain's dependence on ecosystem services).

In addition, Carbon4 Finance's data products cover complementary topics that address some of the following standards:

- ESRS 2: Pollution and ESRS 5: Circular Economy
- ESRS 3: Water and Marine Resources

Rating scale

For climate transition risk assessment products (CIA product family), the final rating falls within predefined fixed ranges from 1 (highest rating) to 15 (lowest rating), making each score inherently understandable and comparable. Ratings are expressed as absolute values relative to a common benchmark, through cross-sector calibration.

The CRIS (physical climate risks) product expresses its ratings as relative values on a scale ranging from 1 to 99.

The BIA-GBS Dependencies product (biodiversity – dependencies on ecosystem services) expresses its ratings as absolute values on a scale ranging from 0% to 100%.

References to international agreements

Carbon Impact Analytics (CIA)

CIA products systematically use the targets and objectives of the Paris Agreement as their exclusive reference framework.

For each rating product, the assessment of the alignment of entities' or projects' commitments with the Paris Agreement's objectives is structured as follows:

- For the CIA Bottom-up and CIA Top-down products, the rating assesses the alignment of issuers' economic and emissions trajectories by comparing them to sector-specific decarbonization scenarios

- for the CIA Sovereigns product, the assessment focuses on the compliance with and implementation progress of the formal commitments made by countries through their Nationally Determined Contributions (NDCs)
- For the Climate Bonds product, the rating assesses the alignment of project financing with the Paris Agreement's objectives through the Climate Bond Initiative's strict sectoral and technical criteria, which ensure that funds are directed toward activities compatible with a $\leq 2^{\circ}\text{C}$ scenario.

Climate Risk Impact Screening (CRIS)

Article 7 of the Paris Agreement establishes adaptation to climate change and the reduction of vulnerability as absolute global priorities. Our CRIS methodology directly addresses this challenge by translating climate projections into vulnerability and risk scores for the rated entities and financial assets.

Biodiversity Impact Analytics powered by the Global Biodiversity Score (BIA-GBS)

This product family includes two offerings: BIA-GBS Dependencies, which includes ratings, and BIA-GBS Impact, which does not include ratings but provides biodiversity footprint metrics.

The BIA-GBS Dependencies product assesses the entities' dependencies on ecosystem services to meet the objectives of the Kunming-Montreal Global Biodiversity Framework (GBF). The assessment of dependencies aligns directly with GBF Objective B (maintaining nature's contributions to people) as well as Target 15, which requires companies to assess and disclose their dependencies on biodiversity.

The product assesses risk exposure and the assessed entity's alignment with natural capital resilience objectives by calculating two specific indicators:

- the average dependency score: This measures the overall dependency of the company's direct operations and upstream value chain on all ecosystem services.
- the critical dependency score: This precisely identifies the portion of the value chain that is dependent on at least one ecosystem service and its degree of dependency or substitutability.

By quantifying these dependencies, the rating makes it possible to assess whether the company's activities and commitments incorporate risk management—an essential

condition for aligning with the international goal of maintaining ecosystem functions over the long term.

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