HANDBOOK OF CGE ESG RATING

CGE
Sustainability
Evaluation Center

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1. Introduction

This document outlines the Environmental, Social, and Governance (ESG) Rating Methodology developed by **CGE Evaluation** in compliance with the guidelines set forth by the European Securities and Markets Authority (ESMA). The methodology is designed to provide transparent, consistent, and reliable ESG ratings that enable investors, regulators, and other stakeholders to assess the sustainability performance of companies and financial instruments.

1.1 Purpose and Scope

The primary objective of this methodology is to assess the ESG performance of entities based on a robust and standardized framework. The ratings are designed to support informed decision-making by investors, promote corporate sustainability and sustainable finance, and contribute to the United Nations Development Goals, the EU Green Deal and all relevant regulations, as well as improved taxonomies on sustainability issues. This document details the processes, criteria and governance mechanisms that underpin the ESG rating methodology, ensuring compliance with ESMA's transparency, accountability and reliability requirements.

1.2 Key Features of Methodology

- **Comprehensive Framework**: The methodology evaluates ESG factors across four pillars - Environmental, Social, Governance, and Monitoring and Reporting - using a combination of quantitative and qualitative data.
- **Data-Driven Approach**: Relies on verified data from multiple sources, including company disclosures, third-party databases, and proprietary research.
- **Transparency and Consistency**: Clear disclosure of rating criteria, weighting mechanisms, and scoring methodologies to ensure consistency and comparability across ratings.
- **Alignment with Global Standards**: Incorporates internationally recognized frameworks such as the Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), and Task Force on Climate-related Financial Disclosures (TCFD), IFRS ISSB1-2 (International Sustainability Reporting Standards), ESRS (EU Sustainability Reporting Standards), TSRS1-2 (Türkiye Sustainability Reporting Standards), IFC and CDP requirements.

1.3 Governance and Oversight

The development and implementation of this methodology are governed by a dedicated ESG Rating Committee, which ensures independence, objectivity, and adherence to best practices. Robust conflict-of-interest policies are in place to maintain the integrity of the ratings.

1.4 Compliance with ESMA Requirements

This methodology has been designed to meet ESMA's expectations for ESG rating providers, including:

- Clear disclosure of rating methodologies and processes.
- Regular updates and reviews to reflect evolving market practices and regulatory requirements.
- Mechanisms to address and mitigate potential conflicts of interest.

1.5 Conclusion

By providing a transparent and reliable ESG rating methodology, **CGE Evaluation** aims to contribute to the growth of sustainable finance and support stakeholders in making informed decisions that align with their sustainability goals. This document serves as a comprehensive guide to understanding the principles, processes, and governance behind our ESG ratings.

2 Introduction

2.1 Background on ESG Ratings

Environmental, Social, and Governance (ESG) ratings have emerged as a critical tool for investors, regulators, and other stakeholders to assess the sustainability performance of companies and financial instruments. These ratings provide insights into how well an organization manages its environmental impact, social responsibilities, and governance practices, which are increasingly recognized as key drivers of long-term value creation and risk management. As global markets shift toward sustainable finance, ESG ratings play a pivotal role in guiding capital allocation, enhancing transparency, and promoting accountability.

2.2 Importance of ESG Ratings in Sustainable Finance

The growing emphasis on sustainability has been driven by a combination of regulatory initiatives, investor demand, and societal expectations. The European Union's Sustainable Finance Action Plan, for instance, aims to redirect capital flows toward sustainable investments to support the transition to a low-carbon, resource-efficient economy. ESG ratings serve as a bridge between companies and investors by translating complex sustainability data into actionable insights, enabling stakeholders to make informed decisions that align with their environmental and social objectives.

2.3 Regulatory Context: ESMA's Role and Guidelines

The European Securities and Markets Authority (ESMA) has been at the forefront of ensuring the reliability, transparency, and consistency of ESG ratings. As part of its mandate to protect investors and maintain orderly markets, ESMA has established guidelines for ESG rating providers to enhance the quality and comparability of ratings. These guidelines emphasize the need for clear methodologies, robust governance, and effective conflict-of-interest management. By adhering to ESMA's requirements, ESG rating providers can build trust and credibility in the market, fostering greater adoption of sustainable finance practices.

2.4 Purpose of This Document

This document outlines the ESG Rating Methodology developed by **CGE Evaluation**, providing a detailed explanation of the processes, criteria, and governance mechanisms that underpin our ratings. The methodology is designed to meet the highest standards of transparency, consistency, and reliability, ensuring alignment with ESMA's guidelines and the broader objectives of sustainable finance. By offering a clear and comprehensive framework, we aim to support stakeholders in their efforts to integrate ESG considerations into their decision-making processes.

2.5 Structure of the Document

The remainder of this document is organized as follows:

- **Section 3** provides an overview of the ESG Rating Methodology, including its key components and alignment with international standards.
- **Section 4** details the governance and oversight mechanisms that ensure the integrity of the ratings.
- **Section 5** explains the data collection and validation processes.
- **Section 6** outlines the rating framework and criteria for Environmental, Social, and Governance factors.
- **Section 7** describes the rating calculation and aggregation processes.
- **Section 8** highlights our commitment to transparency and disclosure.
- **Section 9** discusses quality assurance and review processes.
- **Section 10** demonstrates compliance with ESMA requirements.

- **Section 11** includes case studies and examples to illustrate the application of the methodology.

By providing this comprehensive guide, we aim to enhance the understanding of our ESG Rating Methodology and its role in promoting sustainable finance.

3 Methodology Overview

The ESG Rating Methodology developed by **CGE Evaluation** is designed to provide a transparent, consistent, and reliable assessment of the Environmental, Social, and Governance (ESG) performance of companies and financial instruments. This methodology is grounded in a robust framework that integrates internationally recognized standards, best practices, and stakeholder expectations. Below is an overview of the key components and principles that underpin our approach.

3.1 Definition of ESG Factors

The methodology evaluates ESG performance across four core pillars:

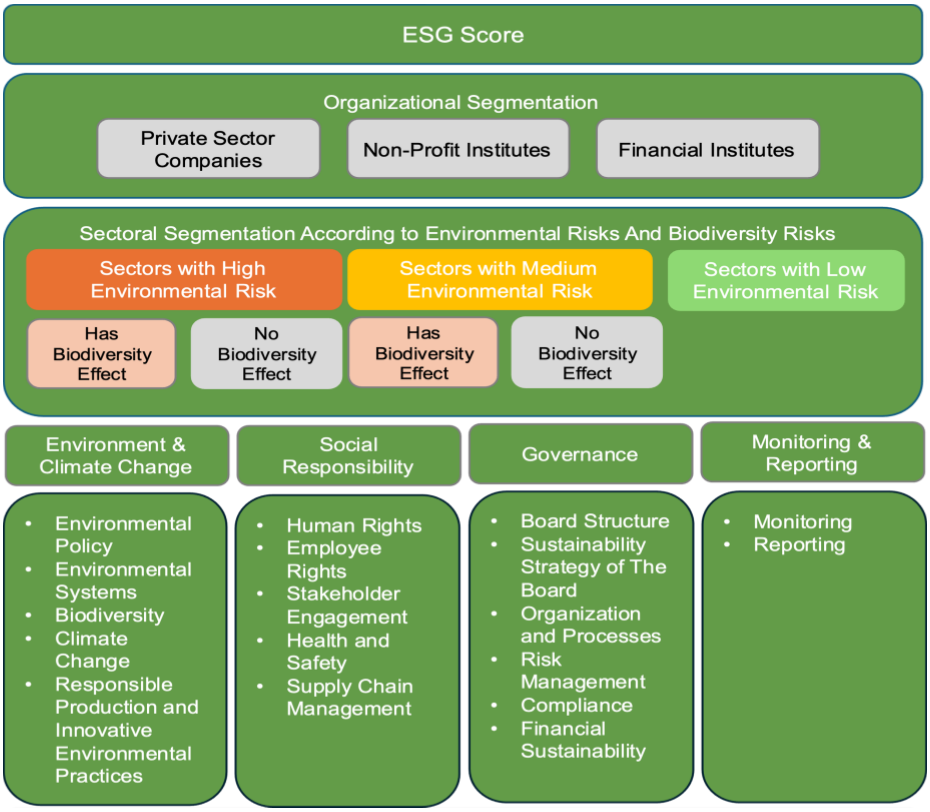


Figure 1CGE Evaluation ESG Performance Assessment Scope

- **Environmental (E)**: We examine what organizations do to minimize their environmental impact, manage climate risks, and whether they can prove that they are working towards a more environmentally friendly approach in the future. For example, the organization's carbon footprint, recycling activities and what they do to reduce waste, how they manage environmental impacts in the value chain, environmental policies, systems and certificates, climate action plans, etc. are evaluated. How much of the organization's operations' energy needs are provided by renewable energy sources, how waste is reduced with innovative technologies, etc. are also subjects of our evaluation.

  Assesses a company's impact on the environment, including its management of climate change, resource use, pollution, and biodiversity.

The assessment areas are as follows:

- Environmental Policy
- Environmental Management System and Audits
- Biodiversity
- Climate Change
- Responsible Production and Innovative Environmental Practices.

- **Social (S)**: Evaluates a company's relationships with its employees, customers, suppliers, and communities, focusing on issues such as labor practices, diversity, human rights, and product responsibility.

  Evidence of the organization being evaluated regarding human rights, employee rights, what it does to increase diversity in the workplace, whether it treats its employees fairly, participatory management, the extent to which employees' views are listened to and taken into account in decision-making processes, and how employee safety and health issues are managed are also considered in the evaluation process.

  For example, the results of your activities (statistics, personnel profile data, etc.) to employ more women or people of different ethnic backgrounds are among the topics considered in this evaluation.

  Stakeholder engagement – Joint activities and events with scoring organizations, NGOs and institutional stakeholders are also considered in this context.

  Supply chain – How businesses address their supply chain is also important. Suppliers will also consider how ethical decisions are made throughout the supply and lifecycle of a product, including where it is sourced from and what conditions are required from suppliers.

  The assessment areas are as follows:

  - Human Rights
  - Employee Rights
  - Stakeholder Engagement
  - Health and Safety
  - Supply Chain Management
  - Corporate Social Responsibility

- **Governance (G)**: Examines a company's leadership, internal controls, and shareholder rights, with an emphasis on board structure, executive compensation, ethics, and anti-corruption practices.

  The extent to which organizations are managed in accordance with corporate governance principles is also one of the main issues taken into consideration in the scoring.

  The extent to which the board of directors is effective, its profile, duties and responsibilities, the extent to which it includes sustainability issues in corporate strategies and how it monitors them, whether it has oversight of ethical standards, the extent to which sustainability issues are associated with the organization and business processes, and how corporate risks are managed are among the assessment areas. Financial structure, access to green financing and financial sustainability are also addressed within this scope.

  The assessment areas are as follows:

  - Board of Directors

- Sustainability Strategy of the Board of Directors
- Organization and Processes
- Risk Management
- Compliance
- Financial Sustainability

- **Monitoring and Reporting (M)**: Assesses a company's capability to monitor and report plans, progress and achievements on ESG factors.

  The existence and effective implementation of the institution's internal audit and internal control systems and organization, and the implementation of independent auditing not only in financial matters but also in areas such as ethics, project and investment evaluation, sustainability, corporate governance, etc. are evaluated.

  Ensuring the traceability and auditability of activities carried out to prevent greenwashing is of great importance for investors, financiers and customers.

  - Monitoring
  - Reporting

3.2 Key Components of the ESG Rating Framework

The ESG Assessment and Rating Framework consists of the following key components:

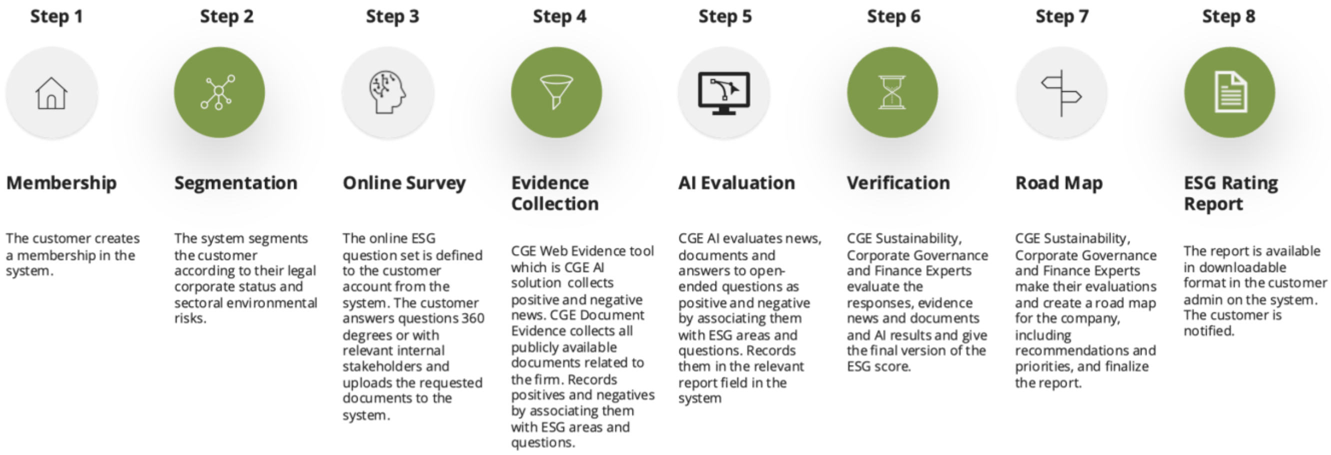


Figure 2 CGE Evaluation ESG Assessment/Rating Methodology

3.2.1 Data Collection and Validation

- Relies on a combination of primary data (e.g., company disclosures, surveys) and secondary data (e.g., third-party databases, media reports).

  The organization being evaluated ensures that documents, information and documents are uploaded to the system to verify the answers given at the end of each section.

  A news scan is initiated on social media and the internet about the organization in terms of sustainability-related keywords with the CGE Web Evidence™ tool and positive and negative news are collected.

  The collected evidence is evaluated by the system as positive and negative and the answers given are verified by correlating them with the questions.

All documents and documents publicly available on the internet are collected with the CGE Document Evidence™ tool,

The information evaluated by the system is added to the report as SWOT and associated with the scores.

- Includes rigorous validation processes to ensure data accuracy and reliability.

The evidence collected and the responses given by the institution being evaluated are evaluated by expert consultants on environment and climate change, social responsibility and governance, SWOT results are examined and updated if necessary, recommendations and priority actions are determined, and the final score is given.

The verified reports with evidence evaluation can be downloaded from the system by the customer within a maximum of 48 hours.

If necessary, the report is verified with field inspections, the results and recommendations are prepared and the report is presented to the customer for use in the system.

3.2.2 Rating Criteria and Indicators

- Defines specific metrics and indicators for each ESG pillar, tailored to industry-specific risks and opportunities.
- Uses a scoring system to quantify performance on each indicator.

3.2.3 Weighting and Aggregation

- Applies a weighted approach to reflect the relative importance of different ESG factors based on materiality and stakeholder impact.
- Aggregates scores across indicators to produce an overall ESG rating.

Weights are differentiated according to environmental risks on a 10-point scale based on the sector.

There are 4 weighted main sections, a rating structure that includes structured and weighted sections under each main section, and weighted questions under the sections.

Questions are weighted between 1 and 10 according to their importance. Grading is done with scores between 1 and 5. A score of 1 indicates that the relevant question has been fully met, while a score of 5 indicates that the criterion that the question aims to measure has not been met at all and results in a score of 0.

There is a total weight score corresponding to a total of 168 questions. Each question has a weight score between 1 and 10. CGE calculates each topic based on its own number of questions and weight and the points assigned to that topic, and calculates the total score based on the sum of the marks received from the four main headings.

Basically, a safe and reliable evaluation and reporting infrastructure is provided with 527 generally close to a thousand rating metrics.

3.2.4 Benchmarking and Normalization

- Benchmarks companies against industry peers to ensure comparability.
- Normalizes scores to account for differences in company size, geography, and sector.

3.3 Alignment with International Standards

The methodology is aligned with globally recognized frameworks and standards, including:

- **Sustainability Accounting Standards Board (SASB)**: Ensures industry-specific materiality and relevance.
- **Global Reporting Initiative (GRI)**: Promotes comprehensive and consistent reporting on ESG issues.
- **Task Force on Climate-related Financial Disclosures (TCFD)**: Focuses on climate-related risks and opportunities.
- **United Nations Sustainable Development Goals (SDGs)**: Aligns with global sustainability targets.

3.4 Principles of Methodology

The ESG Rating Methodology is guided by the following principles:

- **Transparency**: Clear disclosure of criteria, processes, and assumptions to enable stakeholders to understand and trust the ratings.
- **Consistency**: Standardized approaches to ensure comparability across companies and sectors.
- **Double Materiality**: Materiality of ESG factors that are most relevant to a company's industry and business are considered according to double materiality approach externally and internally (IRO - Environmental Impact and Risks / Opportunities)
- **Dynamic Adaptation**: Regular updates to reflect evolving market practices, regulatory requirements, and stakeholder expectations.

3.5 Outputs of Methodology

The final output of the methodology is an ESG rating expressed on a predefined scale between 0 and 10 points.

The total score to be received in the sections varies depending on the sector and environmental risks and the question-subsection-section weights.

The total weights determined for each question constitute the subsection score, and the total of the scores formed in line with the subsection weights constitute the ESG score.

While each question, subsection, four main sections and ESG score are formed, the score to be received according to the weights and the score received are proportioned and the success rate is calculated. The evaluated organization sees both its score on a 10-point scale and the comparative success percentage according to the best score to be received in the report.

These rates are finalized as a result of the evaluation of expert consultants and verifications. Scores are also matched with letter scoring (A+, A, B+, B, C+, C, D+, D) in a way to ensure international standardization.

The rating is accompanied by a detailed report that provides:

- A breakdown of scores across Environmental, Social, and Governance pillars.
- Insights into strengths and areas for improvement.
- Peer comparisons and trend analysis.

Score	Success Rate	Letter Score	Definition
9-10	90% or above	A+	The 76%-100% range indicates high performance
7-8,99	85% to 89%	A	
	76% to 84%	A-	
	70% to 75%	B+	

Score	Success Rate	Letter Score	Definition
5-6,99	59% to 69% 50% to 58%	B B-	Achievement scores below 75% indicate a good level of proficiency, but room for improvement for excellent performance.
3-4,9	43% to 49% 36% to 42% 30% to 35%	C+ C C-	Success scores below 50% indicate that the level of proficiency is open to moderate improvement.
0-2,9	21% to 29% 10% to 20% 0% to 9%	D+ D D-	Success scores below 25% indicate that the level of proficiency is open to significant improvement.

Scores are displayed as heatmaps and graphs.

3.6 Value Chain ESG Assessment and Index

With the CGE Value Chain Index application, the sustainability performance of stakeholders in the value chain is also measured and reported.

Sector and scale-based indices will be formed in the index reports, and the current and yearly changing scores of all distributors/dealers/customers/suppliers etc. stakeholders evaluated on behalf of our customers. Their stakeholders can be followed together with their sectoral comparisons by year.

In the index application, organizations can monitor the sector-scale and company-based sustainability scores of their evaluated stakeholders in all sections and subheadings by year and follow their development in sustainability areas. At the same time, they can see the detailed report of the evaluated organizations and provide feedback for their stakeholders to take action in the areas open to improvement. On the other hand, the evaluated stakeholders can download their detailed reports and development suggestions from the system.

3.7 Conclusion

This methodology represents a comprehensive and forward-looking approach to assessing ESG performance. By integrating robust data, industry-specific criteria, and alignment with global standards, we aim to provide stakeholders with reliable and actionable insights to support sustainable decision-making.

4 Governance and Oversight

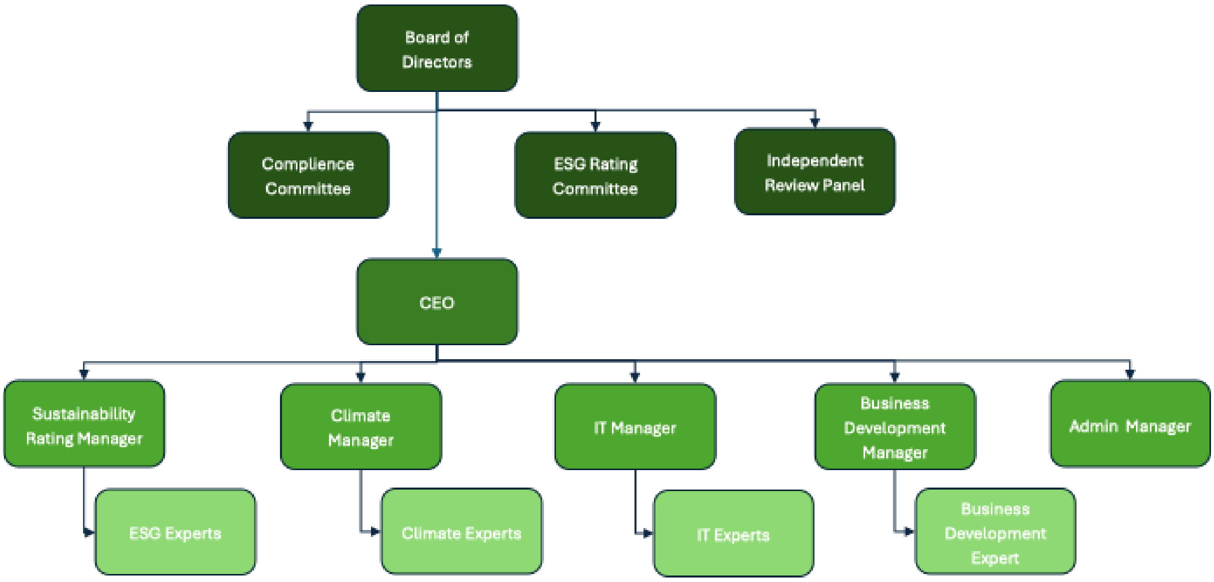
The governance and oversight framework for the ESG Rating Methodology is designed to ensure the integrity, independence, and reliability of the ratings. This section outlines the key components of the governance structure, including the roles and responsibilities of stakeholders, conflict-of-interest policies, and mechanisms for maintaining transparency and accountability.

4.1 Governance Structure

The governance structure for the ESG Rating Methodology is built on a multi-layered approach to ensure robust oversight and accountability. The key components include:

4.1.1 CGE Organizational Chart

The diagram below illustrates the CGE governance structure:



4.1.2 ESG Rating Committee

- The ESG Rating Committee is the primary governing body responsible for overseeing the development, implementation, and continuous improvement of the ESG Rating Methodology.
- The ESG Rating committee is chaired by a board member who is experienced ESG and consists of two independent experts with experience in finance and corporate governance on the advisory board; the ESG Rating director serves as the committee's secretary..
- Responsibilities include:
  - Approving the methodology and any significant updates.
  - Reviewing and resolving disputes or escalations related to ratings.
  - Ensuring alignment with regulatory requirements and industry best practices
  - Attending board meetings and informing the board about changes, compliance, and rating activities.
  - Providing official statements and representation on ESG Ratings.

4.1.3 Independent Review Panel

- An Independent Review Panel is established to provide external oversight and validation of the methodology and processes.
- Members include external experts, academics, and industry representatives who are not directly involved in the rating process.
- Responsibilities include:
  - Conducting periodic reviews of the methodology to ensure its relevance and effectiveness.
  - Providing recommendations for improvement based on emerging trends and stakeholder feedback.
  - Monitors adherence to regulatory requirements and internal policies, including conflict-of-interest management.

4.1.4 Complience Committee

- The compliance committee consists of a board member as chairperson and two independent experts with experience in internal auditing on the advisory board.
- **Responsibilities of The Complience Comittee**

- Monitoring, evaluating, and ensuring compliance with CGE Evaluation’s Ethical Principles, Personal Data Protection Law and the ICMA's ESG Rating and Data Provider Code of Conduct.
- Assuming compliance risks and ensuring necessary actions are taken.
- Monitoring compliance-related developments and legal changes and ensuring their integration into company practices and policies.
- Auditing compliance and proactively identifying potential risks, ensuring necessary actions are taken, and preventing the occurrence of risks.
- Evaluating feedback from internal and external sources regarding compliance and ensuring that necessary decisions and actions are taken to facilitate feedback.

4.1.5 Operational Teams Roles and Responsibilities

- **Duties of The General Manager**
  - Conducting periodic reviews of the methodology to ensure its relevance and effectiveness.
  - Providing recommendations for improvement based on emerging trends and stakeholder feedback.
  - Monitors adherence to regulatory requirements and internal policies, including conflict-of-interest management.
  - To ensure business processes and employee competency development and adaptation to change.
  - To ensure that performance, risks, and opportunities are managed, monitored, and reported.
- **Duties of The ESG Rating Manager**
  - To ensure that companies' ESG ratings are carried out in compliance with CGE policies and procedures, standards, and regulations.
  - To conduct evidence-based and objective evaluations of ESG assessments and reports, and to provide high-quality and reliable reports and value-added suggestions in line with CGE Evaluation’s policies and procedures.
  - To ensure that the necessary ESG data for evidence-based scoring is securely stored in the client admin panel.
  - To prevent activities that may lead to conflicts of interest.
  - To monitor developments in sustainability issues (corporate governance, social and economic) and ensure their inclusion in products and services.
  - To ensure that experts working on ESG scoring have up-to-date knowledge and develop their competencies.
  - To evaluate employee performance and motivate them for good performance.
  - To evaluate customer requests and demands, consider appropriate requests, and make decisions on requests falling within the committees' areas of responsibility and provide notification to the customer.
  - Retaining skilled employees, ensuring employee satisfaction and loyalty.

- **Duties of The Climate Manager**
  - CGE Carbonmeter aims to support customers on their decarbonization journey by measuring company and product carbon footprints based on evidence and in accordance with relevant standards, and by defining and reporting reduction targets and activities in line with the 2050 net-zero goal.
  - To ensure that companies' carbon footprints measurement are carried out in compliance with CGE policies and procedures, up to date international standards, and regulations.

- To ensure that the necessary Carbon calculation data for evidence-based scoring is securely stored in the client admin panel.
- To prevent activities that may lead to conflicts of interest.
- To monitor developments in decarbonization standards, regulations and parameters, and ensure their inclusion in products and services.
- To ensure that experts working on carbon measurement have up-to-date knowledge and develop their competencies.
- To evaluate employee performance and motivate them for good performance.
- To evaluate customer requests and demands, consider appropriate requests, and make decisions on requests falling within the committees' areas of responsibility and provide notification to the customer.
- Retaining skilled employees, ensuring employee satisfaction and loyalty.

- **Duties of The IT Manager**
  - To ensure the CGE Evaluation ESG platform operates in an up-to-date, reliable, and secure manner.
  - To ensure that data is protected on servers compliant with ISO 27001 information security standards.
  - To ensure that the platform and its ESG products are always up-to-date and operational, ready for use.
  - Working with ESG Rating and Climate executives to ensure data quality integration and develop methodologies.
  - To ensure that data is classified in a processable manner.
  - To ensure that experts working on IT issues have up-to-date knowledge and develop their competencies.
  - To evaluate employee performance and motivate them for good performance.
  - Retaining skilled employees, ensuring employee satisfaction and loyalty.

- **Duties of The Business Development Manager**
  - Creating marketing and sales plans
  - Conducting new customer interviews and managing customer relationships
  - Managing social media and the website.
  - To ensure that experts working on business development issues have up-to-date knowledge and develop their competencies.
  - To evaluate employee performance and motivate them for good performance.
  - Retaining skilled employees, ensuring employee satisfaction and loyalty.

- **Duties of The Admin Manager**
  - Managing the company's administrative and financial affairs. Ensuring that legal reporting is done accurately and on time.

- **Quality Assurance and Quality Management Team**
  - Product development and update needs are evaluated by a product development committee led by a board member specializing in ESG and Corporate Governance, and comprised of ESG rating, climate, and IT managers. The impact of regulatory and standard changes, and technological infrastructure changes on products is analyzed, and

development or update areas are identified if necessary. A development schedule, teams, and responsibilities are defined, and the process is initiated.
    - In the new product or technology development process, decisions regarding product or technology development are made considering market trends, customer expectations, changes in regulations and standards, and new regulations. Project teams and additional team needs are reviewed, and a project management sheet is created. The project budget, schedule, teams, responsibilities, critical control points, and test points are determined, and the process is initiated.
    - Update and new product/technology development projects are checked by the committee at key control and test points at the intervals specified in the project plan.

4.1.6 Conflict of Interest Policies

To maintain the independence and objectivity of the ESG ratings, robust conflict-of-interest policies are in place:

- **Disclosure Requirements**: All employees and committee members are required to disclose any potential conflicts of interest, including financial or personal relationships with rated entities.
- **Segregation of Duties**: Clear separation of roles between rating analysts, review teams, and business development to prevent undue influence.
- **Independent Oversight**: The Independent Review Panel monitors compliance with conflict-of-interest policies and investigates any reported issues.

4.1.7 Transparency and Accountability

Transparency and accountability are central to the governance framework:

- **Public Disclosure**: The methodology, governance structure, and conflict-of-interest policies are publicly disclosed to ensure transparency.
- **Stakeholder Feedback**: Mechanisms are in place to gather and address feedback from stakeholders, including rated entities and investors.
- **Periodic Audits**: Regular internal and external audits are conducted to assess compliance with governance policies and regulatory requirements.

4.1.8 Continuous Improvement

The governance framework is designed to evolve in response to changing market dynamics and stakeholder expectations:

- **Methodology Updates**: The ESG Rating Committee reviews and updates the methodology periodically to reflect emerging trends, regulatory changes, and stakeholder feedback.
- **Training and Development**: Ongoing training programs are provided to employees and committee members to ensure they remain informed about best practices and regulatory developments.

4.1.9 Conclusion

The governance and oversight framework ensures that the ESG Rating Methodology is applied consistently, transparently, and independently. By maintaining robust governance structures and processes, **CGE Evaluation** is committed to delivering reliable and credible ESG ratings that support informed decision-making and promote sustainable finance.

5 Data Collection and Sources

The accuracy and reliability of ESG ratings depend on the quality of the data used in the assessment process. This section outlines the data collection process, the types of data utilized, and the measures taken to ensure data integrity and relevance.

5.1 Types of Data

The ESG Rating Methodology relies on a combination of **quantitative** and **qualitative** data to assess the Environmental, Social, and Governance (ESG) performance of companies. The data is categorized as follows:

5.1.1 Quantitative Data

- Numerical data that can be measured and compared, such as:
  - Greenhouse gas (GHG) emissions.
  - Energy and water usage.
  - Waste reduction data.
  - Recycling rates.
  - Employee turnover rates.
  - Work accident rates.
  - Board diversity statistics.
- Used to provide objective metrics for scoring and benchmarking.

5.1.2 Qualitative Data

- Descriptive data that provides context and insights, such as:
  - Company policies and procedures on environmental sustainability, climate change and biodiversity.
  - Labor practices and human rights policies and commitments.
  - Governance structures and ethical guidelines.
- Used to evaluate the robustness of a company's ESG strategies and practices.

5.2 Data Sources

Data is collected from a variety of sources to ensure comprehensiveness and reliability. The primary sources include:

5.2.1 Company Disclosures

- Publicly available reports, such as sustainability reports, annual reports, and regulatory filings.
- Collecting positive and negative news about the organization evaluated with CGE web evidence from the internet.
- Direct submissions from companies through surveys or questionnaires.

5.2.2 Third-Party Databases

- Reputable external databases that provide ESG-related data, such as:
  - Carbon Disclosure Project (CDP).
  - Bloomberg ESG Data
  - Science Based Target Initiative (SBTI)
  - Other national and international indexes.
- Industry-specific databases that offer sector-relevant metrics.

5.2.3 Government and Regulatory Sources

- Data from government agencies, regulatory bodies, and international organizations, such as:

- Local Statistical Institutions
- Local Social Security Institutions
- Other relevant national and international Institutes
- Organization for Economic Co-operation and Development (OECD)
- International Labor Organization (ILO).
- European Environment Agency (EEA).

5.2.4 Media and News Outlets

- News articles, press releases, and other media sources to capture real-time developments and controversies related to ESG issues.

5.2.5 Stakeholder Feedback

- Input from stakeholders, including investors, NGOs, and industry experts, to provide additional context and validation.

5.3 Data Collection Process

The data collection process is structured to ensure consistency, accuracy, and relevance:

5.3.1 Data Identification

- Identify relevant data points based on the ESG criteria and industry-specific materiality.

5.3.2 Data Gathering

- Collect data from the aforementioned sources using a combination of automated tools and manual research.

5.3.3 Data Validation

- Verify the accuracy and reliability of data through cross-referencing with multiple sources.
- Conduct quality checks to identify and resolve inconsistencies or errors.

5.3.4 Data Normalization

- Standardize data to account for differences in reporting formats, units, and scales.
- Adjust for company size, geography, and sector to ensure comparability.

5.4 Ensuring Data Quality

To maintain the highest standards of data quality, the following measures are implemented:

5.4.1 Robust Verification Processes

- Data is verified through multiple sources and cross-checked for consistency.
- Discrepancies are flagged and resolved through further investigation.

5.4.2 Regular Updates

- Data is updated periodically to reflect the latest information and ensure relevance.
- Real-time monitoring is conducted for critical ESG issues, such as controversies or regulatory changes.

5.4.3 Stakeholder Engagement

- Companies are given the opportunity to review and validate their data before finalizing the ratings.
- Feedback from stakeholders is incorporated to improve data accuracy and relevance.

5.4.4 Transparency

- The sources and types of data used in the rating process are disclosed to stakeholders to ensure transparency and build trust.

5.5 Conclusion

The data collection and sourcing process is a cornerstone of ESG Rating Methodology. By leveraging a diverse range of data sources and implementing rigorous validation and quality assurance processes, **CGE Evaluation** ensures that the ESG ratings are accurate, reliable, and actionable. This commitment to data integrity supports informed decision-making and promotes sustainable finance.

6 Rating Framework and Criteria

The ESG Rating Framework is designed to evaluate the Environmental, Social, and Governance (ESG) performance of companies in a structured, transparent, and consistent manner. This section provides an overview of the framework, including the key criteria, metrics, and weighting methodology used to assess each ESG pillar.

6.1 Framework Overview

The ESG Rating Framework is organized into three core pillars—Environmental (E), Social (S), Governance (G), and Monitoring and Reporting (M)—each of which is further divided into specific themes and indicators. The framework is tailored to reflect industry-specific risks and opportunities, ensuring that the ratings are relevant and material to the companies being assessed.

6.2 Environmental (E) Criteria

The Environmental pillar evaluates a company's impact on the natural environment and its efforts to manage environmental risks. Key themes and indicators include:

6.2.1 Environmental Policy

- Comprehensive and effectively implemented environmental policy
- Effective management of environmental risks and identification of responsibilities
- Review of environmental policy and practice and sharing with stakeholders

6.2.2 Environmental Management System and Audits

- A defined environmental management system, including procedures, performance indicators and organization for managing the organization's environmental impacts and risks
- Certification and regular auditing of the environmental management system (ISO 14000 or equivalent)
- Senior management responsibility for environmental issues and internal audits

6.2.3 Pollution and Biodiversity

- Air and water pollution levels.
- Chemical and hazardous waste management.
- Efforts to protect biodiversity and natural habitats.
- Water consumption and efficiency.
- Waste generation and recycling rates.

6.2.4 Climate Change

- Greenhouse gas (GHG) emissions (Scope 1, 2, and 3).
- Carbon intensity and reduction targets.

- Use of renewable energy sources.
- Energy consumption and efficiency.

6.2.5 Responsible Production and Innovative Environmental Practices

- Monitoring innovations and practices in green production and sustainable production and implementing them when appropriate
- Renewable energy applications
- National and international projects and funds on innovative technologies and digital transformation

Weighting: The Environmental pillar typically accounts for 30% of the overall ESG rating, with specific weightings assigned to each theme based on materiality.

6.3 Social (S) Criteria

The Social pillar assesses a company's relationships with its employees, customers, suppliers, and communities. Key themes and indicators include:

6.3.1 Human Rights

- Adherence to international labor standards.
- Efforts to prevent child labor and forced labor.
- Supply chain labor practices.

6.3.2 Labor Practices

- Employee turnover and satisfaction rates.
- Diversity, equity, and inclusion (DEI) metrics.
- Health and safety performance.

6.3.3 Community Engagement

- Corporate social responsibility (CSR) initiatives.
- Community development programs.
- Philanthropic activities.
    - Other national and international indexes.
- Defined occupational health and safety policy of the organization in compliance with the legislation
- Certified occupational health and safety system and regular inspection
- Monitoring of OHS related risks by the senior management and taking necessary measures

6.3.4 Supply Chain Management

- Supply chain management policy, including code of ethics, human rights, employee rights, environmental impact, GHG emissions
- Auditing, supporting and selecting suppliers in line with supply chain management policy

6.3.5 Corporate Social Responsibility

- Corporate social responsibility policy of the organization defined and shared with stakeholders
- Global compact membership and regular publication of corporate social responsibility report
- Product safety and quality standards.
- Customer privacy and data protection.
- Ethical marketing practices

Weighting: The Social pillar typically accounts for 25% of the overall ESG rating, with specific weightings assigned to each theme based on materiality.

6.4 Governance (G) Criteria

The Governance pillar evaluates a company's leadership, internal controls, and ethical practices. Key themes and indicators include:

6.4.1 Board Structure

- Board diversity and independence.
- Executive compensation alignment with performance.
- Succession planning and leadership development.

6.4.2 The Board's Sustainability Strategy

- strategic plan made with the participation of senior management and all management teams and shared with relevant stakeholders
- evaluating the performance of the organization in comparison with the strategic plan and including sustainability issues
- Alignment of environmental, occupational safety, social responsibility, supply chain and human resources policies with the strategic vision

6.4.3 Organization and Processes

- Sustainability related committee, organizational ownership and responsibility to carry out operational activities and structuring processes
- Alignment and integration of sustainable-related activities and indicators with all organizational processes
- Shareholder engagement and voting rights.

6.4.4 Risk Management

- Identification and mitigation of ESG risks.
- Crisis management and business continuity plans.
- Cybersecurity and data protection measures.

6.4.5 Ethics and Compliance

- Anti-corruption policies and practices.
- Whistleblower protection mechanisms.
- Compliance with legal and regulatory requirements.
- Transparency in financial reporting.

6.4.6 Financial Sustainability

- Identification and regular monitoring of key indicators of financial sustainability
- Timely identification of adverse developments that may occur in financial indicators and taking effective measures to eliminate risks

Weighting: The Governance pillar typically accounts for 25% of the overall ESG rating, with specific weightings assigned to each theme based on materiality.

6.5 Monitoring and Reporting (M) Criteria

The Monitoring and Reporting pillar evaluates a company's capacity to plan and to execute ESG related topics and actions in a timely and effective manner include:

6.5.1 Monitoring:

- Effective internal control and audit mechanism, reporting of results, initiation of corrective and preventive actions

- Senior management reviews internal control and audit reports and takes action when necessary

6.5.2 Reporting

- Sharing policies in key areas such as environment, occupational safety, social responsibility, quality supply management chain with relevant stakeholders
- Preparing and sharing the annual report, including sustainability issues appropriately in the annual report

Weighting: The Monitoring and Reporting pillar typically accounts for 20% of the overall ESG rating, with specific weightings assigned to each theme based on materiality.

6.6 Scoring Methodology

Each indicator within the Environmental, Social, and Governance pillars is scored on a predefined scale (from 0 to 1). The scoring process involves:

6.6.1 Data Analysis

- Quantitative data is analyzed using standardized metrics and benchmarks.
- Qualitative data is assessed based on the robustness of policies, practices, and disclosures.

6.6.2 Weighting and Aggregation

- Scores for individual indicators are weighted based on their materiality and relevance to the industry.
- Weighted scores are aggregated to produce sub-scores for each theme and pillar.

6.6.3 Normalization

- Scores are normalized to account for differences in company size, geography, and sector.
- Normalization ensures comparability across companies and industries.

6.7 Final Rating Calculation

The final ESG rating is calculated by aggregating the weighted scores for the Environmental, Social, and Governance pillars. The rating is presented on a predefined scale (Score: 0 – 10, Success Rate: 0% to 100%, and Letter Score: D- to A+) and is accompanied by a detailed report that provides:

- A breakdown of scores across each pillar and theme.
- Insights into strengths and areas for improvement.
- Peer comparisons and trend analysis.

6.8 Conclusion

The ESG Rating Framework provides a comprehensive and transparent approach to assessing the sustainability performance of companies. By leveraging industry-specific criteria, robust data, and a structured scoring methodology, **CGE Evaluation** delivers reliable and actionable ESG ratings that support informed decision-making and promote sustainable finance.

7 Rating Calculation and Aggregation

The calculation and aggregation of ESG ratings are critical steps in ensuring that the final ratings are accurate, consistent, and meaningful. This section outlines the methodology used to transform raw data into a comprehensive ESG rating, including scoring, weighting, normalization, and aggregation processes.

7.1 Scoring Methodology

Each Environmental, Social, and Governance (ESG) indicator is scored based on predefined criteria and benchmarks. The scoring process involves the following steps:

7.1.1 Indicator Scoring

- **Quantitative Indicators**: Numerical data (e.g., GHG emissions, energy usage) is scored using standardized metrics and thresholds. For example:
  - A company's GHG emissions might be scored on a scale of 0 to 10, with lower emissions resulting in higher scores.
- **Qualitative Indicators**: Descriptive data (e.g., policies, practices) is assessed based on the robustness and implementation of the measures. For example:
  - A company with a comprehensive diversity policy might receive a higher score than one with limited or no policy.
  - Reviewing minutes of meetings, records and documents of incidents, communications with clients and institutions on sampling basis assures robustness and implementation

7.1.2 Scoring Scale

- Scores are assigned on a predefined scale (0 to 1), where higher scores indicate better performance. (survey responses are scored automatically by the system)
- The scale is designed to provide granularity and differentiation between companies.

7.2 Weighting of Indicators

To reflect the relative importance of different ESG factors, each indicator is assigned a weight based on its materiality and relevance to the industry. The weighting process involves:

7.2.1 Materiality Assessment

- Conducting a materiality analysis to identify the most significant ESG issues for each industry.
- Engaging with stakeholders, including investors, companies, and industry experts, to validate the materiality of indicators.

7.2.2 Weight Assignment

- Assigning weights to each indicator within the Environmental, Social, and Governance pillars.
- Weights are expressed as percentages, with the total weight for each pillar summing to 100%.

Example:

For example, in sectors with low environmental risk, Corporate Governance has **3**, Environment **2**, Social **3** weights, Monitoring and Reporting has **2** weights, and the total ESG score is **10**. It will be similar in a 100-point scoring.

The distribution of weights to reach the environmental weight score of **2** is exemplified as follows:
Total Weight **2** out of **10**

- Environmental Policy: **0.72**
- Environmental Management Systems and Audits: **0.56**
- Climate Change: **0.36**
- Production/Service and Innovative Environmental Practices: **0.36** and total score is **2**

As a second example, this structure has a weight of Corporate Governance **2.5**, Environment **3**, Social **2.5** and Monitoring and Reporting **2 in sectors with high environmental risk and biodiversity risk,** and the total ESG score is **10**.

The distribution of weights in the environmental dimension is as follows:

- Environmental policy: **0.80**
- Environmental Management Systems and Audits: **1.16**
- Climate Change: **0.48**
- Production/Service and Innovative Environmental Practices: **0.16**
- Biodiversity: has a weight of **0.40** and the total score is **3**.

7.3 Normalization

To ensure comparability across companies of different sizes, geographies, and sectors, scores are normalized using the following approach:

7.3.1 Benchmarking

- Comparing a company's performance against industry peers or sector-specific benchmarks.
- Adjusting scores to account for differences in scale, such as revenue or employee count.

7.3.2 Standardization

- Converting raw scores into a standardized scale (indicator score: 0 – 1) to facilitate aggregation and comparison.
- Applying statistical techniques, such as z-score normalization, to ensure consistency.

7.4 Aggregation Process

The final ESG rating is calculated by aggregating the weighted scores for each pillar and indicator. The aggregation process involves:

7.4.1 Overall ESG Score

- Combining the pillar-level scores using their respective weights to produce the overall ESG score for **high environmental risk and biodiversity risks is 10.**
- Example: Overall ESG Score = (Environmental Score × 0,3) + (Social Score × 0,25) + (Governance Score × 0,25) + (Monitoring and Reporting Score x 0,2)

7.5 Quality Assurance

To ensure the accuracy and reliability of the rating calculation and aggregation process, the following quality assurance measures are implemented:

7.5.1 Internal Review

- Conducting peer reviews and cross-checks to validate scores and weights.
- Resolving discrepancies through further analysis and stakeholder consultation.

7.5.2 External Validation

- Engaging independent experts or third-party auditors to review the methodology and results.
- Incorporating feedback from rated companies and investors to improve the process.

7.6 Transparency

- Disclosing the scoring, weighting, and aggregation methodology to stakeholders.
- Providing detailed reports that explain the rationale behind the final ratings.

7.7 Conclusion

The rating calculation and aggregation process is designed to produce ESG ratings that are transparent, consistent, and reliable. By leveraging structured methodology, robust data, and rigorous quality assurance measures, **CGE Evaluation** ensures that the ESG ratings provide meaningful insights to support sustainable decision-making.

8 Transparency and Disclosure

Transparency and disclosure are fundamental principles of the ESG Rating Methodology developed by **CGE Evaluation**. By providing clear and accessible information about the methodology, processes, and results, we aim to build trust with stakeholders and ensure the credibility of our ESG ratings. This section outlines our commitment to transparency and the measures taken to disclose relevant information.

8.1 Commitment to Transparency

Transparency is essential for ensuring that stakeholders, including investors, companies, and regulators, can understand and trust the ESG ratings. Our commitment to transparency is reflected in the following principles:

- **Openness**: Providing clear and comprehensive information about the methodology, criteria, and processes.
- **Accessibility**: Making disclosures readily available to all stakeholders through public channels.
- **Accountability**: Ensuring that the methodology and results are subject to review and validation by independent parties.

8.2 Disclosure of Methodology

To ensure transparency, the following aspects of the ESG Rating Methodology are disclosed to stakeholders:

8.2.1 Methodology Document

- A detailed document outlining the ESG Rating Methodology, including the framework, criteria, and scoring process, is made publicly available.
- The document is regularly updated to reflect changes and improvements to the methodology.

8.2.2 Criteria and Indicators

- The specific Environmental, Social, and Governance (ESG) criteria and indicators used in the rating process are disclosed.
- Weightings assigned to each criterion and indicator are explained, along with the rationale for their selection.

8.2.3 Data Sources

- The types of data used (quantitative and qualitative) and the sources of data (e.g., company disclosures, third-party databases) are clearly identified.
- Any limitations or assumptions related to data collection and validation are disclosed.

8.2.4 Scoring and Aggregation

- The scoring methodology, including the scale and benchmarks used, is explained in detail.
- The process for aggregating scores and calculating the final ESG rating is transparently described.

8.3 Public Availability of Rating Criteria

To ensure accessibility, the following measures are taken to make the rating criteria and results available to stakeholders:

8.3.1 Public Website

- A dedicated section on **CGE Evaluation's** website provides access to the ESG Rating Methodology, criteria, and related documents.
- The website also includes FAQs, case studies, and examples to help stakeholders understand the methodology.

8.3.2 Rating Reports

- Detailed reports for each rated company are published to relevant stakeholders, providing a breakdown of scores across the Environmental, Social, and Governance pillars.
- Reports include insights into strengths, areas for improvement, and peer comparisons.

8.3.3 Stakeholder Engagement

- Regular webinars, workshops, and consultations are conducted to engage with stakeholders and explain the methodology.
- Feedback from stakeholders is actively sought and incorporated into the methodology and disclosure practices.

8.4 Explanation of Rating Changes and Updates

To maintain transparency and accountability, the following measures are taken to explain changes to ratings and methodology:

8.4.1 Rating Change Notifications

- Companies and stakeholders are notified of any changes to their ESG ratings, along with a detailed explanation of the reasons for the change.
- Notifications include information on updated data, changes in methodology, or other relevant factors.

8.4.2 Methodology Updates

- Any updates or revisions to the ESG Rating Methodology are communicated to stakeholders in advance.
- The rationale for changes, including feedback from stakeholders and emerging trends, is clearly explained.

8.4.3 Version Control

- A version control system is used to track changes to the methodology and ensure that stakeholders have access to the most current version.
- Previous versions of the methodology are archived and made available for reference.

8.5 Handling of Confidential Information

While transparency is a priority, the following measures are taken to protect confidential information:

8.5.1 Data Privacy

- Confidential or proprietary information provided by companies is handled in accordance with data privacy regulations and internal policies.
- Only aggregated or anonymized data is disclosed in public reports.

8.5.2 Non-Disclosure Agreements (NDAs)

- Where necessary, NDAs are signed with companies to protect sensitive information while still allowing for transparency in the rating process.

8.6 Conclusion

Transparency and disclosure are at the core of **CGE Evaluation's** ESG Rating Methodology. By providing clear, accessible, and comprehensive information about the methodology, criteria, and results, we aim to build trust with stakeholders and support informed decision-making in sustainable finance.

9 Quality Assurance and Review

The Quality Assurance and Review process is a critical component of the ESG Rating Methodology, ensuring that the ratings are accurate, consistent, and reliable. This section outlines the measures taken to maintain the highest standards of quality, including internal controls, periodic reviews, and stakeholder engagement.

9.1 Internal Quality Control Processes

To ensure the integrity of the ESG ratings, robust internal quality control processes are implemented at every stage of the rating process. These processes include:

9.1.1 Data Validation

- All data used in the rating process is subject to rigorous validation to ensure accuracy and reliability.
- Data is cross-checked against multiple sources, and discrepancies are resolved through further investigation.

9.1.2 Peer Review

- Ratings are reviewed by a team of independent analysts to ensure consistency and objectivity.
- Peer reviews involve cross-checking scores, weights, and calculations to identify and correct errors.

9.1.3 Methodology Adherence

- Analysts are required to adhere strictly to the ESG Rating Methodology, including the criteria, scoring, and aggregation processes.
- Regular training sessions are conducted to ensure that analysts are familiar with the methodology and any updates.

9.1.4 Error Detection and Correction

- A systematic process is in place to detect and correct errors in the rating process.
- Errors are logged, investigated, and resolved, with corrective actions taken to prevent recurrence.

9.2 Periodic Review and Updates

The ESG Rating Methodology is subject to periodic review and updates to ensure its relevance and effectiveness. The review process includes:

9.2.1 Methodology Reviews

- The ESG Rating Methodology is reviewed annually to assess its alignment with industry best practices, regulatory requirements, and stakeholder expectations.
- Reviews are conducted by the **ESG Rating Committee**, with input from external experts and stakeholders.

9.2.2 Indicator Updates

- The criteria and indicators used in the rating process are updated to reflect emerging trends, new regulations, and changes in materiality.
- Updates are communicated to stakeholders, and the rationale for changes is clearly explained.

9.2.3 Benchmarking and Calibration

- The methodology is benchmarked against other leading ESG rating frameworks to ensure consistency and comparability.
- Calibration exercises are conducted to align scores with industry standards and stakeholder expectations.

9.3 Stakeholder Feedback Mechanisms

Stakeholder feedback is an integral part of the quality assurance process, providing valuable insights for improving the methodology and ratings. The feedback mechanisms include:

9.3.1 Company Engagement

- Companies are given the opportunity to review and provide feedback on their ESG ratings before they are finalized.
- Feedback is considered in the final rating decision, and any necessary adjustments are made.

9.3.2 Investor Consultation

- Regular consultations are held with investors to gather feedback on the methodology and ratings.
- Investor input is used to refine the criteria, weights, and scoring processes.

9.3.3 Public Comment Periods

- Proposed changes to the methodology are subject to public comment periods, allowing stakeholders to provide input.
- Feedback from public consultations is carefully considered and incorporated into the final methodology.

9.4 Independent Audits and Validation

To ensure the credibility of the ESG ratings, independent audits and validation processes are conducted:

9.4.1 Third-Party Audits

- Independent third-party auditors are engaged to review the ESG Rating Methodology and processes.
- Audit findings are used to identify areas for improvement and enhance the quality of the ratings.

9.4.2 External Validation

- The methodology and ratings are validated by external experts, including academics, industry professionals, and regulatory bodies.
- Validation ensures that the ratings are aligned with best practices and regulatory requirements.

9.5 Continuous Improvement

The Quality Assurance and Review process is designed to support continuous improvement of the ESG Rating Methodology. Key initiatives include:

9.5.1 Training and Development

- Ongoing training programs are provided to analysts and reviewers to ensure they are up-to-date with the latest developments in ESG and sustainable finance.
- Training includes workshops, seminars, and certification programs.

9.5.2 Innovation and Research

- Research initiatives are conducted to explore new data sources, methodologies, and technologies for enhancing the ESG ratings.
- Innovations are tested and implemented to improve the accuracy and relevance of the ratings.

9.5.3 Stakeholder Collaboration

- Collaboration with stakeholders, including companies, investors, and regulators, is encouraged to share best practices and drive continuous improvement.
- Joint initiatives and partnerships are established to advance the field of ESG ratings.

9.6 Conclusion

The Quality Assurance and Review process ensures that the ESG Rating Methodology is applied consistently, transparently, and reliably. By implementing robust internal controls, engaging with stakeholders, and conducting independent audits**, CGE Evaluation** is committed to delivering high-quality ESG ratings that support informed decision-making and promote sustainable finance.

10 Complaints Handling

CGE Evaluation is committed to maintaining the highest standards of integrity, transparency, and accountability in the provision of ESG ratings. As part of this commitment, we have established a robust complaint handling process to address concerns raised by stakeholders, including companies, investors, and other interested parties. This section outlines the procedures for submitting, investigating, and resolving complaints related to our ESG ratings.

10.1 Purpose of the Complaints Handling Process

The complaints handling process is designed to:

- Provide a clear and accessible mechanism for stakeholders to raise concerns.
- Ensure that complaints are addressed promptly, fairly, and transparently.
- Identify opportunities for improving the ESG Rating Methodology and processes.

10.2 Submitting a Complaint

Stakeholders may submit a complaint if they believe there has been an error, inconsistency, or unfairness in the ESG rating process or results. Complaints can be submitted through the following channels:

10.2.1 Online Form

- A dedicated contact form is available on **CGE Evaluation**'s website, allowing stakeholders to submit their concerns electronically.

10.2.2 Email

- Complaints can be sent via email to a designated contacts handling email address (complaints@cgeevaluation.com).

10.2.3 Postal Mail

- Written complaints can be mailed to the ESG Rating Team at CGE Evaluation's headquarters.

10.2.4 Phone

- Stakeholders can call a dedicated contacts +90 216 369 86 64 to discuss their concerns with an available ESG Rating contact

10.3 Complaints Handling Process

The complaints handling process involves the following steps:

10.3.1 Receipt and Acknowledgment

- Upon receiving a complaint, the recipient ESG Rating Team will acknowledge receipt within 5 business days.
- The acknowledgment will include a reference number for tracking purposes and an estimated timeline for resolution.

10.3.2 Initial Assessment

- The complaint will be assessed to determine its validity and scope.
- If additional information is required, the complainant will be contacted for clarification.

10.3.3 Investigation

- The ESG Rating Team will conduct a thorough investigation, which may include:
- Reviewing the relevant ESG rating and supporting documentation.
- Consulting with the analysts and reviewers involved in the rating process.
- Engaging independent experts, if necessary, to provide an objective assessment.

10.3.4 Resolution

- Based on the findings of the investigation, the ESG Rating Team will determine the appropriate resolution, which may include:
- Correcting any errors in the rating.
- Providing a detailed explanation of the rating process and outcome.
- Making recommendations for improving the methodology or processes.
- The complainant will be informed of the resolution and the rationale behind it.

10.3.5 Escalation

- If the complainant is not satisfied with the resolution, they may escalate the complaint to the ESG Rating Committee for further review.
- The ESG Rating Committee will conduct an independent assessment and provide a final decision.

10.3.6 Timelines

- **Initial Acknowledgment**: Within **5 business days** of receiving the complaint.
- **Investigation and Resolution**: Within **10 business days** of acknowledging the complaint.
- **Escalation Review**: Within **15 business days** of receiving the escalation request.

10.4 Transparency and Reporting

To ensure transparency and accountability, the following measures are implemented:

10.4.1 Public Disclosure

- The complaints handling process is publicly disclosed on CGE Evaluation’s website, along with contact details for submitting complaints.

10.4.2 Annual Reporting

- An annual report on complaints received, investigated, and resolved is published, providing insights into common issues and trends.
- The report includes anonymized case studies and recommendations for improving the ESG Rating Methodology and processes.

10.4.3 Stakeholder Feedback

- Feedback from complainants is actively sought and incorporated into the continuous improvement of the complaints handling process.

10.5 Conclusion

The complaints handling process is an integral part of CGE Evaluation's commitment to transparency, accountability, and continuous improvement. By providing a clear and accessible mechanism for addressing concerns, we aim to build trust with stakeholders and ensure the integrity of our ESG ratings.

11 Compliance with ESMA Requirements

The ESG Rating Methodology developed by **CGE Evaluation** is designed to align with the guidelines and expectations set by the European Securities and Markets Authority (ESMA) for ESG rating providers. This section outlines the measures taken to ensure compliance with ESMA's requirements, including transparency, consistency, reliability, and conflict-of-interest management.

11.1 Adherence to ESMA's Guidelines

ESMA has established guidelines to ensure that ESG ratings are transparent, consistent, and reliable, thereby promoting trust and confidence in the market. The following measures demonstrate our compliance with ESMA's requirements:

11.1.1 Transparency

- **Methodology Disclosure**: The ESG Rating Methodology, including the criteria, indicators, and scoring processes, is publicly disclosed on **CGE Evaluation's** website.
- **Rating Reports**: Detailed reports for each rated company are published, providing a breakdown of scores and the rationale behind the ratings.
- **Updates and Changes**: Any updates or changes to the methodology are communicated to stakeholders in advance, with clear explanations of the rationale.

11.1.2 Consistency

- **Standardized Processes**: The rating process is standardized to ensure consistency across companies and sectors.
- **Benchmarking**: Scores are benchmarked against industry peers and normalized to account for differences in size, geography, and sector.
- **Internal Reviews**: Regular internal reviews and peer checks are conducted to ensure consistency in the application of the methodology.

11.1.3 Reliability

- **Data Quality**: Robust data validation and verification processes are in place to ensure the accuracy and reliability of the data used in the ratings.
- **Quality Assurance**: A comprehensive quality assurance framework, including internal controls and independent audits, is implemented to maintain the integrity of the ratings.
- **Stakeholder Feedback**: Feedback from stakeholders, including companies and investors, is actively sought and incorporated to improve the reliability of the ratings.

11.2 Conflict of Interest Management

ESMA emphasizes the importance of managing conflicts of interest to ensure the independence and objectivity of ESG ratings. The following measures are in place to address potential conflicts:

11.2.1 Conflict of Interest Policies

- **Disclosure Requirements**: All employees and committee members are required to disclose any potential conflicts of interest, including financial or personal relationships with rated entities.

- **Segregation of Duties**: Clear separation of roles between rating analysts, review teams, and business development to prevent undue influence.
- **Independent Oversight**: An Independent Review Panel monitors compliance with conflict-of-interest policies and investigates any reported issues.

11.2.2 Transparency

- **Public Disclosure**: Conflict-of-interest policies and procedures are publicly disclosed to ensure transparency.
- **Stakeholder Communication**: Stakeholders are informed of any potential conflicts and the measures taken to mitigate them.

11.3 Reporting and Disclosure Obligations

To comply with ESMA's reporting and disclosure requirements, the following measures are implemented:

11.3.1 Regular Reporting

- **Periodic Reports**: Regular reports on the application of the ESG Rating Methodology, including any updates or changes, are published.
- **Audit Reports**: Independent audit reports on the methodology and processes are made available to stakeholders.

11.3.2 Stakeholder Engagement

- **Consultations**: Regular consultations with stakeholders, including companies, investors, and regulators, are conducted to gather feedback and address concerns.
- **Public Comment Periods**: Proposed changes to the methodology are subject to public comment periods, allowing stakeholders to provide input.

11.4 Conclusion

The ESG Rating Methodology developed by **CGE Evaluation** is fully aligned with ESMA's guidelines and expectations for ESG rating providers. By ensuring transparency, consistency, reliability, and effective conflict-of-interest management, we are committed to delivering high-quality ESG ratings that support informed decision-making and promote sustainable finance.

12 Contact Information

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