GLASS LEWIS

ESG Profile Methodology

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About Glass Lewis

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make informed decisions based on research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over $40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

Investors around the world depend on Glass Lewis' **Viewpoint** platform to manage their proxy voting, policy implementation, recordkeeping, and reporting. Our industry leading **Proxy Paper** product provides comprehensive environmental, social, and governance research and voting recommendations weeks ahead of voting deadlines. Public companies can also use our innovative **Report Feedback Statement** to deliver their opinion on our proxy research directly to the voting decision makers at every investor client in time for voting decisions to be made or changed.

The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

Join the Conversation

Glass Lewis is committed to ongoing engagement with all market participants.

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Summary of Changes

Changes to Coverage:

For 2025, Glass Lewis ESG Profile Pages will now be included for companies in the following indices: Euronext 150, Euronext 100, ATX, SBF 120, OMX Nordics 40.

We have removed the following indices from our coverage: AEX All Share Index, SMIM, CAC All-Tradable, Enternet PEA-PME 150 Index, Germany SDAX (Total Return).

For all indices included in ESG Profile Page coverage, please see page 6.

New Data Point: Supplier Code of Conduct

Beginning in 2025, the ESG Profile will include a data point indicating whether a company has adopted and disclosed a supplier code of conduct. We will generally answer this data point affirmatively if companies have explicitly outlined a code of conduct for suppliers that addresses issues including, but not limited to, safety practices, environmental compliance, and human rights-related considerations.

New Data Point: Human Rights Due Diligence Framework

The ESG Profile will now include a data point outlining whether a company has adopted and disclosed a human rights due diligence framework for companies within its supply chain. Glass Lewis will review a company's policies, sustainability reporting, code of conduct, supplier code of conduct, and website to determine whether companies have established due diligence process to monitor suppliers' adherence to human rights policies. We will answer affirmatively if companies explicitly disclose that they have a framework or process for assessing and ensuring supplier compliance with human rights-related policies and standards, including those related to ensuring the health and safety of workers and prohibitions on child labor throughout their supply chain. When such frameworks are clearly present and disclosed, this data point will be answered affirmatively. However, if companies only provide a broad discussion of human rights considerations or policies applicable to the companies in their supply chains without details of the framework used to assess human rights-related issues, this data point will be answered "no." Further, disclosure solely related to conflict minerals sourcing will not be counted for the purposes of this data point.

New Data Point- AI Policy:

Beginning in 2025, the ESG Profile will indicate whether companies have adopted a policy governing the use of Artificial Intelligence (AI) within their operations. We will generally answer this data point affirmatively in cases where companies have provided a clear description of established policies or ethical considerations that govern their organizations' use of AI. However, this data point will generally be answered "no" in instances where companies description of their use of AI does not include a clear description of any policies or standards that guide their use of this technology. This data point will only be captured for U.S. companies.

New Data Point- Climate Considerations in Financial Statements:

The Climate Risk Mitigation module has been updated to include a new data point outlining whether companies' financial statements clearly include consideration of climate risk. This data point will generally be answered affirmatively when companies explicitly state that their financial statements have been prepared using assumptions that account for climate or transition risks. We will also answer affirmatively if companies demonstrate climate considerations through stated assumptions or judgements, or if auditors considered climate-related issues within their review of the financial statements. However, this data point will not be answered affirmatively if the companies only acknowledge the financial impact of climate risk but do not explicitly incorporate these considerations into financial statements.

Expanded Data Point- Net Zero Targets:

Beginning in 2025, the Climate Risk Mitigation module will include more granularity concerning companies' net zero targets or ambitions. In instances where these companies have established a net zero target or ambition, the Climate Risk Mitigation module will provide details concerning whether these targets include Scope 1 and 2 and/or Scope 3 emissions. These data points will also include whether these net zero targets cover only a portion of these emissions.

Climate Reporting Frameworks:

We have expanded our consideration of climate reporting frameworks to include IFRS S2- Climate-related Disclosures and other regionally-specific climate-reporting frameworks when evaluating companies climate-related reporting. Although we had previously only considered reporting that was explicitly aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have now expanded all TCFD-related data points to also include IFRS S2 or regional reporting frameworks that are closely aligned with TCFD reporting standards.

Methodology

The Glass Lewis ESG Profile (ESG Profile) and its associated score (ESG Score) are designed to provide investors with a short-hand evaluation of companies' ESG policies, performance, and disclosures. The Glass Lewis ESG Score represents a company's alignment with a core set of ESG factors that we believe are most important to companies and their shareholders.

Information Collection

Glass Lewis collects the data that feeds into the ESG Profile from a number of places. Unless indicated otherwise, Glass Lewis analysts will generally compile a company's ESG Profile from their review of corporate filings, including proxy statements and annual reports, as well as sustainability reports, board charters, and company websites when filling out a company's ESG Profile. Glass Lewis will also refer to certain third-party websites and sources for certain data points such as the Transition Pathway Initiative (TPI) or the Sustainability Accounting Standards Board (SASB). These sources are included in the descriptions of the various data points in Annex – Data Points.

To promote its accuracy and timeliness for proxy voting, the information contained in a company's ESG Profile is collected by Glass Lewis analysts during the solicitation period (after the company has filed its proxy statement and approximately 20-30 days prior to the company's annual meeting). Any disclosures made by the company after the publication of our Proxy Paper research report (approximately 18-24 days prior to the company's shareholder meeting) may not be included in the ESG Profile unless we are notified of their existence. Accordingly, we strongly encourage companies to ensure that their disclosures are released in a timely manner, ideally at the same time or before the release of their proxy statement.

Coverage

The ESG Profile will be included in our Proxy Paper research of AGMs for roughly 5,500 global companies during the 2024 proxy season. Within our coverage are constituents of the following indices:

- S&P ASX 300
- ATX Prime
- BEL All-Share Index
- Brazil IBRX 50
- DAX 40
- S&P/TSX Composite
- Argentina Merval
- ATX
- ATX Prime
- BEL 20
- Brazil IBRX 50
- DAX
- Euronext 100
- Euronext 150
- FTSE 350 (Ex Investment Companies)
- FTSE MIB
- Hang Seng
- KOSPI 200
- Madrid Ibex 35
- MDAX
- NIFTY 50
- Nikkei 225
- OBX 20
- OMX Copenhagen 20
- OMX Nordics 40
- OMX Stockholm 30
- PSI-20
- Russell 3000
- S&P ASX 300
- S&P Europe 350

- S&P/NZX 50 (Price)
- S&P/TSX Composite
- SBF 120
- SMI
- SSE 180
- Topix 100
- WIG 20

In addition, the ESG Profile will be included for any company listed as a Climate Action 100+ focus list company, regardless of market or index. However, we will generally not be including ESG Profiles for the special or extraordinary shareholder meetings held by companies in the aforementioned indices.

Scoring

Companies' scores are dependent solely upon the data points displayed in their ESG Profile; no other factors will have a bearing on companies' module or overall scores. For a complete list of data points as well as their general impact on companies' scores, please see Annex – Data Points.

The scoring mechanism behind a company's ESG Score is dependent upon two components: the "points awarded" and the "total points possible." Certain data points will only increase a company's ESG Score (additive), and others will decrease a company's ESG Score (subtractive). In the latter case, these data points will not contribute to the total points possible and only serve to subtract from the points awarded.

It is our general view that there are certain *fundamental factors* that contribute to a well-governed company that effectively manages environmental and social risks. Accordingly, when those fundamental factors are absent, companies' scores will be reduced via subtractive indicators. For example, in many cases, companies with inequitable voting rights will have points removed from their overall totals.

In cases where factors are generally considered to be a best practice, these *best practice factors* will add to companies' total points possible and may or may not contribute to the total points awarded (depending on the company's response). For example, given that board oversight of cyber security is more of an emerging practice, companies will be positively rewarded when such oversight is present. When such oversight is not present, the total points possible will increase, but the total points awarded to that company will neither increase nor decrease. When such oversight is present, both a company's total points possible and total points awarded will increase.

In some instances, data points can be either additive or subtractive depending upon the answer. For example, companies will receive more points as the level of gender diversity on their boards increases. However, in instances where a company's board has no gender diversity, the data point will become subtractive and will reduce a company's ESG Score.

When data points are not applicable in Glass Lewis' view, we will remove them from the calculation of both the points awarded and the total points possible to ensure a minimal impact on a company's ESG Score. For example, if a company does not have an SBTi-validated GHG target, subsequent data points concerning SBTi targets will be demarcated as "not applicable" and will not impact a company's ESG Score, either positively or negatively.

Industry and Geographic Considerations

A company's industry is not currently taken into account by the ESG Profile. Moreover, although there are some minor differences on the metrics that are displayed for U.S. and non-U.S. companies, the ESG Profile aims to display and score the issues that we believe are most important for all companies. For some companies, however, including those with an outsized risk resulting from their own GHG emissions or companies included in the Nature Action 100 focus list, we may include additional analysis and consideration on climate- or biodiversity-related issues. Please see the "ESG Profile Modules" section for more information.

The metrics chosen and displayed for companies in the ESG Profile are, in our view, broadly applicable and provide a comparable snapshot of how companies are governing, disclosing, and managing ESG-related matters. Although there are many industry-specific factors that play an important component in a company's overall risk assessment, we believe that the indicators currently included in the ESG Profile provide an overall assessment of how a company is managing and mitigating broad environmental and social risks.

In addition to our ESG Profile, Glass Lewis provides a thorough analysis of material ESG issues in our analysis of director elections, shareholder proposals and compensation proposals. We believe that this company-specific, materiality-focused analysis supplements the more universally applicable factors being considered in the ESG Profile.

Note on U.S. Companies

Several datapoints contained in the ESG Profile are only applicable to U.S. companies. These data points include whether companies have disclosed EEO-1 reports and their score on the CPA-Zicklin Index. These data points will not be displayed for non-U.S. companies and will not have any impact on ESG Scores for companies outside of the United States.

ESG Profile Modules

The ESG Profile has been broken down into a variety of modules, each of which will have its own score and each of which will contribute to a company's overall ESG Score. The total score awarded and total score possible for each module will be combined and compared to form a company's overall ESG Score. Accordingly, no one section will have significantly higher weighting for a given company.

Score Breakdown

The Score Breakdown module will only be included for companies that had an ESG Score displayed in their 2024 Proxy Paper, and is designed to demonstrate how the company's ESG Score compares to its previous score, as well as the scores generated for its industry and market peers. The Score Breakdown will display information based on the 2024 scores of all other companies in a company's SASB industry as well as all other companies listed in the company's country of trade that received an ESG Score in 2024. The company's relative position to its industry and market peers as well as the change in the company's ESG Score are for informational purposes only and will not have any bearing on the company's 2025 ESG Score.

Board Accountability

The Board Accountability module is designed to provide a picture of how well companies are governing environmental and social issues and to provide information concerning the mechanisms in place to ensure that shareholders are able to hold boards accountable. Many of these factors are strongly emphasized in Glass Lewis' benchmark policies, including the level of gender diversity on boards and the level of oversight afforded to ESG issues at the board level. This section will be displayed for all companies in our ESG Profile coverage universe.

ESG Transparency

The ESG Transparency module is designed to provide a snapshot of how well a company's sustainability disclosures align with best practice. This section will assess the comprehensiveness of a company's ESG reporting and evaluates how companies' reporting incorporates standardized and commonly used reporting frameworks, such as those established by the Global Reporting Initiative (GRI) or the Task Force on Climate-related Financial Disclosures (TCFD). This section will be displayed for all companies in our ESG Profile coverage universe.

ESG Targets and Alignment

The ESG Targets and Alignment module will evaluate what kind of policies companies have established with regard to their environmental and social initiatives. This module evaluates factors that are beyond a company's disclosures in order to determine how they are taking action on environmental and social issues. The data points contained within this module are, from Glass Lewis' perspective, universally applicable to all companies and provide a picture of the steps taken to manage and mitigate their adverse environmental and social impacts. This section will be displayed for all companies in our ESG Profile coverage universe.

Climate Risk Mitigation

The Climate Risk Mitigation module is designed to provide an overview of how companies are managing and mitigating climate-related risks. Although it is our view that climate change presents a risk for all companies, not all companies face such a risk on account of their own climate-related impacts. However, given the significant risk for companies whose operations contribute significantly to climate change, Glass Lewis will display data points and calculate scores for the Climate Risk Mitigation module for large-cap companies in SASB industries where GHG emissions represent a financially material topic.[1] This assessment may also be included on a case-by-case basis for companies with significant emissions or climate impacts.

When this module is not displayed, it will have no impact on the company's ESG Score.

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[1] Agricultural products, air freight & logistics, airlines, chemicals, coal operations, construction materials, containers & packaging, cruise lines, electric utilities & power generators, food retailers & distributors, health care distributors, iron & steel producers, marine transportation, meat, poultry & dairy, metals & mining, non-alcoholic beverages, oil & gas, pulp & paper products, rail transportation, road transportation, semiconductors, waste management.

Biodiversity Risk Mitigation

The Biodiversity Risk Mitigation module is designed to provide an overview of how companies are managing and mitigating biodiversity-related risks. This module will be displayed for companies identified by the Nature Action 100 focus list. These companies (which operate in the biotechnology and pharmaceuticals, chemicals, household and personal goods, consumer goods retail, food, forestry and packaging, and metals and mining industries) have been deemed as having a higher potential impact on nature and, thus, are systemically important in reversing nature loss. While issues related to biodiversity are relatively nascent and can be complex and wide-ranging, it is generally our view that companies with an outsized impact on nature should be responding to growing investor demand for additional transparency on this matter. However, given the relative novelty of some of the reporting frameworks and investor expectations on biodiversity, the disclosure and policies adopted by companies will not serve as subtractive indicators and affirmative answers will generally only serve to improve a company's ESG Score.

When this module is not displayed, it will have no impact on the company's ESG Score.

Data Reliability

To promote its accuracy and timeliness, the data included in the Glass Lewis ESG Profile is generally collected after a company releases its proxy statement or notice of meeting for its upcoming AGM. This information is also subject to the same robust processes and procedures used to promote the accuracy, quality, and timeliness of the other information in our Proxy Papers. For more information on these process and procedures, please see our website: https://www.glasslewis.com/wp-content/uploads/2016/08/Glass-Lewis-BPP-Statement.pdf

In addition, many of the data points are available for company validation via Glass Lewis' Issuer Data Report (IDR) program. For more information on this program, including how companies can register to receive an IDR, please visit our website: https://www.glasslewis.com/issuer-data-report/

FAQs

How is This Different Than Other ESG Profiles Included in Proxy Papers?

Unlike the ESG profiles produced by some of Glass Lewis' data partners, including Sustainalytics and ESG Book, Glass Lewis controls the scoring, methodology, and analysis contained in the Glass Lewis ESG Profile. In addition, with some exceptions (outlined in Annex – Data Points), Glass Lewis analysts analyze and collect the data points displayed in companies' ESG Profiles. This information is sourced during the solicitation period, or roughly 30 days prior to a company's shareholder meeting. This information is updated annually, in alignment with a company's annual meeting cycle, and the underlying data is available to investor clients for use in their custom policies.

For more information on Sustainalytics, ESG Book, and Glass Lewis' other data strategic partnerships, please see here.

How Will Glass Lewis Use a Company's ESG Score?

The ESG Profile data points are not used in Glass Lewis' benchmark policy and a company's ESG Score will have no direct bearing on, nor will it be determinative of, any of Glass Lewis' recommendations. A number of the factors considered in producing the ESG Score, however, may also have a direct impact on Glass Lewis' benchmark recommendations. For example, depending on the market, insufficient gender diversity or a lack of board-level oversight of ESG issues can result in Glass Lewis recommending that shareholders vote against certain members of the board. These factors are clearly outlined in our regional benchmark voting guidelines, available on the Glass Lewis website. In addition, certain ESG Profile data points and the overall ESG Score are available to Glass Lewis clients and may be used by those clients in their custom voting policies.

Annex – Data Points

Below is a short description of the data points used within each module of the ESG Profile, as well as general information concerning the effect of these data points on a company's ESG Score.

Board Accountability Module

Average NED Tenure – Additive

This data point will display the average tenure for all non-executive directors. A company's score will improve when they have an average tenure of under ten years, and no credit will be given if the average tenure is over a decade.

Director Independence – Additive

This will be the same independence percentage that is displayed throughout our analysis. This is reflective of Glass Lewis' own independence standards, which can differ from regulatory or listing standards in the relevant jurisdiction. Please view Glass Lewis' market-specific voting guidelines for more details on these standards.

Regardless of the market, companies will not receive credit when their board has fewer than 66% independent directors. For controlled companies, credit will not be given if there are less than a majority of independent directors.

Inequitable Voting Rights – Subtractive

This data point will be displayed as "yes" when companies have a capital structure whereby certain shareholders' voting rights are not equal to their economic interest in the company. This will capture when companies have more than one class of shares, and one or more of those classes of shares has more voting rights than others.

Because inequitable voting rights can hinder common shareholders' ability to effect important changes at companies, maintaining a capital structure whereby voting rights are unequal will detract from a company's ESG Score.

Lowest Support for Directors in Prior Year – Subtractive

Directors generally receive very high levels of support. Although there may be many reasons for shareholder opposition to a director candidate, we believe that low support for directors can indicate significant shareholder concerns regarding a company's governance or financial performance. This data point will reflect the lowest percentage support received by a director at a company's last annual meeting. There will be no score reduction where this percentage is 90% or above, and scores will be gradually reduced for companies with lower vote results.

If no directors were up for election during the company's prior shareholder meeting, the company did not have a shareholder meeting in the prior year, the company has not disclosed its voting results, or Glass Lewis does not display previous vote results in our Proxy Paper research, this data point will be reflected as "N/A" and will not affect a company's ESG Score. This data point will also be listed as "N/A" when companies only have loyalty shares, which are common in several European markets.

Prior Year Say on Pay Support – Subtractive

Proposals regarding executive compensation generally receive very high levels of shareholder support. Although there may be many reasons for shareholder opposition to a compensation plan, we believe that low support for these proposals can indicate significant structural deficiencies, a disconnect between pay and performance, or can indicate significant shareholder concerns regarding a company’s operational or financial performance. This data point will reflect the percentage support received for the proposed remuneration plan at a company’s last annual meeting. There will be no score reduction where this percentage is 90% or above, and scores will be gradually reduced for companies with lower vote results.

For companies that had more than one compensation-related proposal on the ballot at their last annual meeting (e.g., UK companies with both a binding and advisory executive remuneration proposal), the lowest support will be displayed. If the company did not have a compensation-related proposal at its last annual meeting, the market in which the company is listed does not routinely seek shareholder approval on executive pay packages, or it did not disclose its vote results, this data point will be displayed as “N/A” and will not affect the company’s ESG Score.

Board Oversight of ESG – Subtractive

Glass Lewis makes a case-by-case determination as to whether companies have provided for board-level oversight of environmental and social issues. Glass Lewis is not prescriptive in this approach and will recognize a number of different leadership structures when determining whether such oversight is present. For example, oversight could be performed by a separate committee, combined into an existing key committee, or be undertaken by the entire board. When this oversight is not present, companies’ ESG Scores will be reduced.

When determining if such oversight is present, Glass Lewis will take a market-specific approach as outlined in Glass Lewis’ regional benchmark guidelines. For example, for U.S. companies, Glass Lewis will evaluate if oversight of ESG-related issues is contained in governing documents, such as board mandates or committee charters. However, in other markets, we will also consider the oversight outlined in documents such as proxy statements, annual reports, and sustainability reports. For more information on the regional distinctions in how this information will be collected, please view Glass Lewis’s benchmark policies, available at: www.glasslewis.com/voting-policies-2024/

In certain markets, including China and Korea, where companies’ disclosure regarding this matter is extremely uncommon, Glass Lewis may not evaluate whether there is oversight of environmental and social issues at the board level. In these instances, this data point will not impact a company’s ESG Score.

Board Oversight of Cyber – Additive

Glass Lewis makes a case-by-case determination as to whether companies have provided for board-level oversight of cyber issues. Glass Lewis is not prescriptive in this approach and will recognize a number of different leadership structures when determining whether such oversight is present. For example, oversight could be performed by a separate committee, combined into an existing key committee or be undertaken by the entire board. When determining if such oversight is present, Glass Lewis will review board and committee charters and mandates. When this oversight is present in those charters or governing documents, it will improve a company’s ESG Score.

However, in certain markets where two-tier board structures are common or oversight of this matter is extremely uncommon (including as Japan, China, Germany, and the Netherlands), Glass Lewis will generally not capture whether boards have oversight of these matters. In these instances, this data point will have no impact on a company's ESG Score.

Board Oversight of Human Capital Management– Additive

Glass Lewis makes a case-by-case determination as to whether companies have provided for board-level oversight of matters related to human capital management, including issues such as employee diversity, employee engagement and other related issues. Glass Lewis is not prescriptive in this approach and will recognize a number of different leadership structures when determining whether such oversight is present. For example, oversight could be performed by a separate committee, combined into an existing key committee, or be undertaken by the entire board. When determining if such oversight is present, Glass Lewis will review board and committee charters and mandates. When this oversight is present in those charters or governing documents, it will improve a company's ESG Score.

However, in certain markets where two-tier board structures are common or oversight of this matter is extremely uncommon (including as Japan, China, Germany, and the Netherlands), Glass Lewis will generally not capture whether boards have oversight of these matters. In these instances, this data point will have no impact on a company's ESG Score.

Compensation Linked to Environmental and Social (E&S) Metrics – Additive

This data point will only apply for companies that have a compensation-related proposal on the ballot of their current annual meeting. We will consider a link between E&S and compensation to be present if a company has developed quantifiable environmental or social metrics against which executives are measured, or when boards consider environmental or social factors when awarding compensation. We will consider this link to be present when companies have incorporated considerations relating to sustainability, broadly, in their executive compensation plans. These considerations include, but are not limited to, diversity, safety, stakeholder relations, environmental performance, or climate mitigation. If a company does not have a compensation proposal up for a vote at their shareholder meeting, this data point will be reflected as "N/A" and will not impact a company's ESG Score.

Although companies will not be penalized if they choose not to incorporate these metrics in their compensation plans, when we identify a link between compensation and environmental and social factors, it will improve a company's ESG Score.

Percent Gender Diversity – Additive or Subtractive

Glass Lewis will evaluate each board in order to determine if it is sufficiently gender diverse. When companies have no gender diversity on their board(s), their ESG Score will be negatively impacted. If the board has some level of gender diversity, the ESG Score will improve as the percentage of diversity increases, with the highest score provided to companies with 40%+ gender diverse directors. This figure will also include any non-binary directors, should they self-identify as such.

Diversity Disclosure Assessment (for U.S. Companies Only) – Additive

Glass Lewis' Diversity Disclosure Assessment evaluates U.S. companies' board diversity-related disclosures and policies. Specifically, the Diversity Disclosure Assessment will reflect: (i) the board's disclosure of its current percentage of racial/ethnic diversity; (ii) whether the board's definition of diversity explicitly includes gender and/or race/ethnicity; (iii) whether the board has adopted a policy requiring women and minorities to be included in the initial pool of candidates when selecting new director nominees (aka Rooney Rule); and (iv) board skills disclosure. For more information, please see Glass Lewis's Approach to Diversity Disclosure Ratings.

A more favorable Diversity Disclosure Assessment rating will increase a company's ESG Score. However, this data point will not display for or have any impact on the ESG Scores of companies outside of the United States or in cases where a Diversity Disclosure score is not included in the Glass Lewis analysis.

Annual Director Elections – Additive

Glass Lewis believes that annual director elections serve to promote better board accountability. A company's ESG Score will improve if they maintain a declassified board whereby every director is annually elected by shareholders.

For companies operating in markets where maintaining a staggered board or multi-year terms for directors is considered a best practice, this data point will not impact their ESG Scores. These markets include the Netherlands, Korea, Portugal, Israel, France, China, and Italy.

Failure to Respond to Shareholder Proposal (for U.S. Companies Only) – Subtractive

When a shareholder proposal receives support from a majority of votes cast (excluding abstentions and broker non-votes), many boards will engage with shareholders and take appropriate action in order to honor the will of their shareholders. In instances where a company has failed to implement or take appropriate action in response to a majority-supported shareholder proposal, their ESG Score will be negatively impacted.

Although shareholder proposals are common in other markets, this data point will currently only be reflected at U.S. companies and will not be displayed or impact the scores of companies outside of the United States.

Pay Ratio (for U.S. Companies Only) – No Impact

For U.S. companies, Glass Lewis will display the pay ratio disclosed in their most recent proxy statement. This data point reflects a company's self-disclosed ratio between the median employee and the CEO. This data point will not be displayed for companies outside of the United States and will be incorporated for reference only. Accordingly, this data point will have no bearing on any company's ESG Score.

ESG Transparency Module

Comprehensive Sustainability Reporting – Subtractive

Glass Lewis analysts will review the ESG-related disclosures companies provide on their websites, sustainability reports, and in official filings. Analysts will use their judgment in determining whether companies have provided sufficient reporting. They will make this determination based on regional regulations, market norms and standards, and best practices in the relevant jurisdiction.

Generally speaking, this data point will be answered affirmatively if a company has provided recent reporting on its environmental and social initiatives that goes beyond what is required by law and is sufficient to allow shareholders to understand a company's environmental and social initiatives and how it is managing attendant risks.

Because sustainability disclosure provides such an important window into how a company is managing and monitoring environmental and social issues, a company's ESG Score will be negatively impacted in instances where comprehensive sustainability reporting is not present.

GRI-Indicated Report – Additive

Glass Lewis will evaluate a company's sustainability reporting to determine if aligns with the Global Reporting Initiative (GRI) standards. When making this evaluation, analysts will look at a company's website, publicly available sustainability reporting and annual reports.

This data point will be answered affirmatively if a company provides a GRI index (whether contained within the report or separate from the report). When this index is not present or if a company only reports against a limited set of GRI standards, this data point will be answered "no." A company's ESG Score will be positively impacted if its reporting includes a GRI index. However, the absence of this framework will not negatively impact the company's ESG Score.

Reporting Assurance – Additive

Glass Lewis will evaluate a company's sustainability reporting to determine whether it is has been audited or assured by a third party. For the purposes of this data point, we will count any level of third-party assurance of any of its environmental and social data.

This data point will be indicated as "no" in instances where a company states that its data is verified, but does not provide any indication as to the identity of the third-party that provided the verification. Similarly, this data point will be answered as "no" in instances where companies only state that their environmental and social data has been compiled by a third-party. However, if a company states that data has been "audited" or "assured," regardless of disclosure of the party who provided the assurance, this data point will be answered affirmatively.

In making this determination, Glass Lewis will evaluate a company's website, publicly available sustainability and climate reporting, and annual reports. In instances where a company has received assurance, it will improve their ESG Score.

Reporting Aligns with TCFD/IFRS S2 – Additive

Glass Lewis will analyze a company's reporting to determine if they are reporting in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) or the International Financial Reporting Standards (IFRS) S2- Climate-related Disclosures. We will generally answer this question affirmatively if companies have provided a TCFD index, a climate report that is informed by the recommendations of the TCFD or IFRS S2, or if a company's broader sustainability report includes disclosures that are in alignment with the IFRS S2 or TCFD recommendations. This data point will also be answered affirmatively if companies report against other regionally-specific reporting requirements that are closely aligned with these frameworks, such as Australia's AASB S2 reporting standards.

This data point will be answered "no" in instances where a company merely states that its sustainability or climate reporting was "informed" by these standards or if it states that the reporting recommendations were "considered" when producing the report. Similarly, we will not count a company's publicly disclosed CDP report to constitute a TCFD-aligned report, nor will we answer this data point affirmatively if the company does not provide disclosure against all four pillars of the TCFD recommendations.

When determining whether or not a company's reporting aligns with IFRS S2 or the recommendations of the TCFD, Glass Lewis will evaluate a company's website, publicly available sustainability and climate reporting, and its annual reports. When such reporting is present, it will serve to improve a company's ESG Score.

Companies with a more significant climate impact will also be evaluated on the quality of their climate-related reporting. Please see "Quality of Climate Reporting" below for more information concerning this determination.

Reports to SASB – Additive

Glass Lewis believes that the reporting framework established under the Sustainability Accounting Standards Board (SASB) provides a set of clear, comparable and industry-specific metrics allowing companies to disclose and shareholders to understand the most financially material environmental and social issues.

Glass Lewis primarily obtains information concerning whether companies have reported to the SASB standards and to what extent that reporting is aligned with the SASB reporting framework from SASB. For a list of companies that provide SASB reporting or if companies would like to alert SASB about reporting they have recently produced, please visit the IFRS website.

Companies will be scored based on the level of reporting they have conducted, with partial credit being awarded to all companies recognized by SASB as having reported against their framework. Full credit will be given to companies that have reported against the full standard.

Discloses EEO-1 Report (for U.S. Companies Only) – Additive

In recent years, there has been a push from investors for U.S. companies to disclose their EEO-1 reports. These reports are annually submitted to the Equal Employment Opportunity Commission and provide details concerning a company's workforce demographic information. Although these reports are submitted to the EEOC, they are not required to be made public. However, given that the information contained therein can provide shareholders with a comparable picture of the diversity within a given workforce, we generally believe that the disclosure of this report can benefit shareholders and allow them to track a company's progress on this issue over time.

Glass Lewis will affirmatively answer this data point in instances where companies provide disclosure of their most current EEO-1 report or in instances where the full extent of the information in their EEO-1 report is clearly contained on its website or within a broader sustainability or diversity report. In looking for this information, Glass Lewis will analyze a company's sustainability reports, website, and diversity and inclusion reports.

Companies that provide public disclosure of their EEO-1 report will receive full credit, though failing to provide such reporting will not negatively impact a company's ESG Score. Given this is a U.S.-specific report, this data point will currently only be reflected at U.S. companies and will not be displayed for or impact the scores of companies outside the United States.

Discloses Scope 1&2 Emissions – Additive

The ESG Profile will indicate whether or not companies have disclosed their Scope 1 and Scope 2 greenhouse gas (GHG) emissions. When making this determination, we will review a company's website, publicly available sustainability and climate reporting, and annual reports.

In order for this data point to be answered affirmatively, companies must provide explicit disclosure of their Scope 1 and 2 emissions (either separately or aggregated) and provide a numerical value for those emissions. We will accept references to a company's CDP report in place of a specific emissions figure if the company has provided a publicly available copy of this report on its website.

We will also evaluate if this emissions disclosure is reflective of most or all of the company's operations and may answer this data point as "no" if only a sub-section of a company's operations is accounted for. Disclosure of this information, whether or not it is required in the market in which the company operates, will increase a company's ESG Score.

Discloses Scope 3 Emissions – Additive

The ESG Profile will indicate whether or not companies have disclosed their Scope 3 GHG emissions. When making this determination, we will review a company's website, publicly available sustainability and climate reporting, and annual reports.

In order for this data point to be answered affirmatively, companies must provide explicit disclosure of their Scope 3 emissions and provide a numerical value for those emissions. We will accept references to a company's CDP report in place of a specific emissions figure if the company has provided a publicly available copy of this report on its website.

Because of the complexity in calculating Scope 3 emissions, we will generally answer this data point affirmatively if there is full or partial disclosure of this information. However, we will answer this data point as "no" in instances where companies only disclose Scope 3 Category 6 (or business travel) and/or Category 7 (or employee commuting) emissions. On a case-by-case basis, we may make exceptions for companies whose sole or primary source of Scope 3 emissions falls into these categories. An affirmative answer to this data point will increase a company's ESG Score.

CPA-Zicklin Score (for U.S. Companies Only) – No Impact

For U.S. companies, Glass Lewis will display the most recent score assigned to a company's political contributions disclosure by the CPA-Zicklin Index. This data point reflects the accessibility and transparency of the company's political spending. This data point will not be displayed for companies outside of the United States and will be used for reference only. Accordingly, this data point will have no bearing on any companies' ESG Score. If a company was not evaluated in the CPA-Zicklin index in the most recent year, this data point will be answered as "N/A".

ESG Targets and Alignment

Scope 1 and/or 2 GHG Emissions Reduction Target – Additive

The ESG Profile will indicate whether companies have set a meaningful GHG emissions reduction target for their Scope 1 and 2 emissions. In order for this data point to be answered affirmatively, the target can be either an intensity or absolute target and must cover the vast majority, if not all, of the company's operations (e.g., targets only covering a specific region, portion of operations, or location will generally not be counted). In addition, the target, which can encompass Scope 1 and/or 2 emissions, must also be forward-looking, measurable, and time-bound. However, we will consider companies with targets ending in the current year as having a GHG emissions reduction target. We will also consider companies' net zero targets or ambitions if the company has also indicated a target date for achieving net zero emissions, as well as a scope for those emissions reductions. In instances where companies state that they have already achieved carbon neutrality or a net zero target, this data point will generally be answered as "N/A" and will have no impact on a company's ESG Score.

Companies' renewable energy targets or energy reduction targets will not be counted nor will goals that have been attained ahead of schedule.

In order to determine if a company has established a goal, we will evaluate the disclosure provided by companies on their website, in publicly available sustainability and climate reporting, and annual reports. When these goals are present, companies' ESG Scores will increase. In instances where companies have already achieved a GHG emissions target during the current year, this data point will be answered as "N/A" and will have no impact on a company's ESG Score.

Scope 3 GHG Emissions Reduction Target – Additive

The ESG Profile will indicate whether companies have set a Scope 3 GHG emissions reduction target. In order for this data point to be answered affirmatively, the company will need to explicitly address that its goals are for a specific portion or all of its Scope 3 emissions. In addition, the target must also be forward-looking, measurable, and time-bound. However, we may consider companies with targets ending in the current year as having a GHG emissions reduction target. We will also consider companies' net zero targets or ambitions if the company has also indicated a target date for achieving net zero emissions as well as the scope of those emission reduction targets. In instances where companies state that they have already achieved carbon neutrality or a net zero target, this data point will generally be answered as "N/A" and will have no impact on a company's ESG Score.

For the purposes of this data point, targets that only entail requiring suppliers to set their own emissions reduction targets will not be counted, nor will goals that have been attained ahead of schedule. Further, this data point will be answered as "no" in instances where companies only disclose emissions targets for Scope 3 Category 6 (business travel) and/or Category 7 (employee commuting). However, on a case-by-case basis, we make exceptions for companies whose sole or primary source of Scope 3 emissions falls into these categories.

In order to determine if a company has established a Scope 3 emissions reduction goal, we will evaluate the disclosure provided by the company on its website, in publicly available sustainability and climate reporting, and annual reports. When this goal is present, companies' ESG Scores will increase. In instances where companies have already achieved a Scope 3 GHG emissions target within the current year, this data point will be answered as "N/A" and will have no impact on a company's ESG Score.

Net Zero Target – Additive

This data point will be answered affirmatively when companies have publicly stated a time-bound net zero goal, ambition, or target. This data point will also be answered affirmatively if a company has set a goal to be carbon-neutral by a specific date. In order to determine if a company has set this target, we will evaluate companies' websites, publicly available sustainability and climate reporting, and annual reports.

Establishing a net zero goal will generally serve to increase a company's ESG Score. In instances where a company has already achieved net zero emissions or carbon neutrality, and states its intention to remain as such, this data point will also be answered affirmatively and will generally serve to increase a company's ESG Score.

Reduction Target Certified by SBTi – Additive

This data point will be answered affirmatively when a company has set or has committed to setting a science-based emissions reduction target through the Science Based Targets Initiative (SBTi). It is our view that setting such a target provides some assurance to shareholders that a company's goal is rigorous and aligned with science.

Glass Lewis will establish whether companies have set a SBTi-certified target via the SBTi website. However, if a company that is not included on the SBTi website indicates that they are working with SBTi or have provided credible documentation showing that they are or have committed to engaging with STBi on their target setting, we may, on a case-by-case basis, answer this data point affirmatively, which will serve to increase a company's ESG Score. In addition, if SBTi's website reflects that a company has committed to setting a target, the ESG Profile will reflect that it has made such a commitment, which will similarly serve to increase a company's ESG Score.

For companies in industries that do not currently have a pathway established by SBTi (e.g., oil and gas companies), this data point will be answered as "N/A" and it will have no impact on a company's ESG Score. However, companies in these industries may receive credit if they have indicated that they are working with SBTi or have committed to setting a SBTi-certified target when the appropriate pathway is available.

SBTi Long-Term Target – No Impact

The ESG Profile will display SBTi's long-term temperature alignment when companies have established an SBTi-certified long-term target. SBTi considers long-term targets as those set by no later than 2050 (or 2040 for companies in the power sector). These long-term targets address the degree of emissions reductions required to reach net zero according to SBTi's Corporate Net-Zero Standard criteria, which is based on a temperature rise of 1.5°C. As such, companies with approved long-term targets receive a temperature alignment of 1.5°C.

Glass Lewis obtains this temperature alignment information directly from SBTi. In instances where companies have adopted an SBTi target, but have not established a long-term target according to this framework, this data point will be answered as "N/A." Similarly, when companies have not established any SBTi-certified targets, this data point will also be answered as "N/A."

Because this data point only serves to provide context in instances where companies have adopted SBTi targets, it will not impact a company's overall ESG Score.

SBTi Near-Term Target – No Impact

The ESG Profile will display SBTi's near-term temperature alignment when companies have established an SBTi-certified near-term target. SBTi considers near-term targets to be those that address emissions within the next 5 to 10 years. SBTi rates submitted near-term Scope 1 and 2 targets (Scope 3 category 11 emissions are included for auto manufacturers) based on their alignment with the goals of the Paris Agreement using a temperature scale of 1.5°C, well-below 2°C, and 2°C.

Glass Lewis obtains this information directly from SBTi. In instances where companies have indicated their intentions to develop and submit such targets within 24 months, we will answer this data point as "committed". In instances where companies have adopted an SBTi target, but have not established a near-term target according to this framework, this data point will be answered as "N/A." Similarly, when companies have not established any SBTi-certified targets, this data point will also be answered as "N/A."

Because this data point only serves to provide context in instances where companies have adopted SBTi targets, it will not impact a company's overall ESG Score.

SBTi Net Zero Target – No Impact

SBTi-certified net zero targets require the validation of both near- and long-term emissions reduction targets. In instances where companies have established such a target, the ESG Profile will display the target year for SBTi-certified net zero targets.

Glass Lewis obtains this information directly from SBTi. In instances where companies have indicated their intentions to develop and submit targets within 24 months, we will answer this data point as "committed." In instances where companies have adopted an SBTi target, but have not established a net zero target according to this framework, this data point will be answered as "N/A." Similarly, when companies have not established any SBTi-certified targets, this data point will also be answered as "N/A."

Because this data point only serves to provide context in instances where companies have adopted SBTi targets, it will not impact a company's overall ESG Score.

UNGC Participant or Signatory – Additive

The ESG Profile will indicate whether companies have committed to be a participant or a signatory in the United Nations Global Compact (UNGC), a pact that encourages companies to adopt sustainable and socially responsible policies and to report on their implementation.

This information will be sourced via the UNGC website and will positively impact companies' ESG Scores if they are either a participant or a signatory to the UNGC.

Supplier Code of Conduct – Subtractive

The ESG Profile will indicate whether companies have established a code of conduct for their suppliers and/or vendors. We will generally answer this data point affirmatively if companies have explicitly outlined a code of conduct for suppliers that addresses issues including, but not limited to, safety practices, environmental compliance, and human rights-related considerations.

When answering this data point, we will evaluate stand-alone codes of conduct, as well as those incorporated within websites, sustainability reports, annual reports, or other governing documents. When a supplier code of conduct is not present, a company's ESG Score will be negatively impacted.

Discloses Human Rights Due Diligence Framework – Additive

Glass Lewis will review a company's policies, sustainability reporting, code of conduct, supplier code of conduct, and website to determine whether companies have established due diligence process to monitor suppliers' adherence to human rights policies. We will answer affirmatively if companies explicitly disclose that they have a framework or process for assessing and ensuring supplier compliance with human rights-related policies and standards, including those related to ensuring the health and safety of workers and prohibitions on child labor throughout their supply chain. When such frameworks are clearly present and disclosed, this data point will be answered affirmatively. However, if companies only provide a broad discussion of human rights considerations or policies applicable to the companies in their supply chains without details of the framework used to assess human rights-related issues, this data point will be answered "no." Further, disclosure solely related to conflict minerals sourcing will not be counted for the purposes of this data point.

When companies have clearly established and disclosed a human rights due diligence framework, it will positively impact their ESG Score. However, the absence of such disclosure will not detract from their ESG Score.

Human Rights Policy – Subtractive

The ESG Profile will specify whether companies have established a policy governing their treatment of or commitments to human rights. We will generally answer this data point affirmatively if companies have explicitly outlined their commitments or policies regarding the protection and promotion of human rights. We take a broad interpretation of these commitments and policies and will answer affirmatively if they apply issues such as occupational health and safety, child labor, and discrimination, or other material human rights considerations for companies. However, this data point will not be answered affirmatively if the human rights policies adopted by the company only apply to its suppliers.

We will look for stand-alone policies, as well as the clear outlining of policies on websites, in sustainability or annual reports. When such a policy is not present, a company's ESG Score will be negatively impacted.

Human Rights Policy Aligns with ILO, UNGP, or UDHR – Additive

Glass Lewis will review a company's policies, sustainability reporting, code of conduct, and website to determine whether companies indicate that their human rights policies are aligned with standards set by the International Labour Organization (ILO), the United Nations Guiding Principles on Business and Human Rights (UNGP), or the Universal Declaration of Human Rights (UDHR). When a company indicates that its policy is aligned with one of these standards, it will serve to increase a company's ESG Score.

This indicator will be answered affirmatively when companies explicitly indicate the alignment between their own policy and that of the ILO, UNGP, and/or UDHR. However, it will not be answered affirmatively if the only reference to these standards is with regard to a company's policies for its suppliers or if the company only discloses alignment to limited aspects of these standards.

Biodiversity Policy – Additive

The ESG Profile will indicate whether companies have adopted a policy with regard to their biodiversity impacts or commitments. We will generally answer this data point affirmatively if companies have provided an explicit description of corporate actions, commitments or policies concerning how they ensure the protection, conservation or sustainable use of biologically diverse ecosystems and habitats.

This information will be primarily sourced via companies' most recent responses to the CDP and will positively impact companies' ESG Scores if it is indicated that such a policy is currently in effect.

AI Policy (U.S. Companies Only) – Additive

The ESG Profile will indicate whether companies have adopted a policy regarding their management of Artificial Intelligence (AI) technologies. Glass Lewis will generally answer this data point affirmatively if companies have provided an explicit description of corporate actions and policies aimed at addressing opportunities and risks related to AI. However, this data point will not be answered affirmatively if the company only acknowledges the impacts of AI but does not provide a policy for managing these impacts.

When answering this data point, Glass Lewis will consider stand-alone policies, as well as the clear outlining of policies on websites, in sustainability or annual reports. When an AI policy has been established, it will positively impact companies' ESG Scores. However, this data point will currently only be collected for U.S. companies and will not be displayed or impact the scores of companies outside of the United States.

Climate Risk Mitigation

TPI Management Quality Score – Additive or Subtractive

For companies with a Climate Risk Mitigation module, the ESG Profile will display the Management Quality Score developed by the Transition Pathway Initiative (TPI). This score represents the quality of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition. Out of a total possible score of 5, companies may receive a 0 or 1, which indicates that TPI has found that these companies are "unaware of climate change as a business issue" or "acknowledging climate change as a business issue," respectively. Scores below 2 will negatively impact a company's ESG Score, while scores of 2 and above will have a positive impact.

In instances where the assessment date of a company's Management Score is before January 1, 2024, this indicator will be marked as "N/A." Similarly, if a company is not covered by the TPI tool, the indicator will also be marked "N/A." In both instances, this will have no impact on a company's ESG Score. If a company has more than one score, with separate scores given to different aspects of their operations (e.g., a company is rated both for coal mining and diversified mining), analysts will determine which score, in their judgment, is most indicative of a company's overall operations or which analysis has more complete or current information and display the corresponding score.

For more information on TPI and the methodology employed in determining these scores, please see the TPI website: https://www.transitionpathwayinitiative.org/methodology

TPI Carbon Performance Score – Additive or Subtractive

For companies with a Climate Risk Mitigation module, the ESG Profile will display the Carbon Performance Score developed by the TPI. This score represents how companies' carbon performance, now and in the future, might compare to the international targets and national pledges made as part of the Paris Agreement. In instances where companies are assessed as having "no or unsuitable disclosure," their ESG Scores will be negatively impacted. In all other instances, companies' ESG Scores will improve depending on how closely aligned their carbon performance is with a below 2-degree scenario.

In instances where the assessment date of a company's Carbon Performance is before January 1, 2024, this indicator will be marked as "N/A." Similarly, if a company's carbon performance is not covered by the TPI tool, the indicator will be marked "N/A." In both instances, this will have no impact on a company's ESG Score. If a company has more than one score, with separate scores given to different aspects of their operations (e.g., a company may be rated both for coal mining and for diversified mining), analysts will determine which score is most indicative of a company's overall operations or which analysis has more complete or current information and display the corresponding score.

For more information on TPI and the methodology employed in determining these scores, please see the TPI website: https://www.transitionpathwayinitiative.org/methodology

Climate Lobbying Statement – Additive

For companies where a Climate Risk module is displayed, Glass Lewis will review the company's website, climate reporting and sustainability reporting to determine if the company has developed and disclosed any policies or statements concerning how it is aligning its lobbying and/or political spending, especially with respect to its trade association memberships, with its climate change mitigation goals.

Glass Lewis will generally answer this data point affirmatively if companies have provided specific disclosure that details how they are engaging with trade associations on issues related to climate change or when companies address climate considerations in their lobbying disclosures. When such disclosure is present, it will serve to enhance a company's ESG Score.

Board Oversight of Climate – Additive or Subtractive

Glass Lewis makes a case-by-case determination as to whether, in its judgment, companies have provided for board-level oversight of climate-related issues. Glass Lewis is not prescriptive in this approach and will recognize a number of different leadership structures when determining whether such oversight is present. For example, oversight could be performed by a separate committee, combined into an existing key committee or be undertaken by the entire board. When determining if such oversight is present, Glass Lewis will review proxy statements, annual reports, and board charters. When this oversight is not present, companies' ESG Scores will be reduced and when it is present, their ESG Scores will increase.

In certain markets, including Japan, Korea and China, where two-tier board structures are commonplace and oversight is often performed by members of the management board as opposed to the non-executive directors, Glass Lewis may not evaluate whether there is oversight of climate-related issues at the board level. In these instances, this data point will display as "N/A" and will not impact a company's ESG score.

Compensation Linked to Climate – Additive

This data point will only apply for companies that have a compensation-related proposal on the ballot of their annual meeting. We will consider a link between climate and compensation to be present if a company has developed quantifiable climate-related metrics against which executives are measured, or when the company has disclosed that its board considers climate-related matters when awarding compensation. We will consider this link to be present when companies have incorporated considerations relating to climate, broadly, in their executive compensation plans. These considerations include, but are not limited to, GHG emissions reductions, climate goals and targets, climate reporting, or a company's carbon footprint.

Although companies will not be penalized if they choose to not incorporate these metrics in their compensation plans, when we identify a link between compensation and climate, it will improve a company's ESG Score. If a company does not have a compensation proposal up for a vote at their meeting this data point will be reflected as "N/A" and will not impact a company's ESG Score.

Discloses Results of Scenario Analysis – Additive

Glass Lewis will evaluate companies' climate reporting to determine if they have provided information concerning how their operations would fare under a variety of climate-related scenarios. When making this determination, Glass Lewis will look for details concerning the scenario(s) employed as well as the outcomes of the analysis.

When such disclosure is present, the ESG Profile will display whether any of the scenarios were reflective of a below 2-degree scenario, such as the Sustainable Development Scenario (SDS) or the Net Zero Emissions by 2050 Scenario (NZE). When companies have constructed their own scenarios using an amalgamation of different scenarios or a variety of their own assumptions, we will evaluate any attendant disclosure to determine if these scenarios would constitute a below 2-degree scenario.

When companies have provided disclosure concerning their scenario analyses, it will positively impact their ESG Score. However, the absence of such disclosure will not detract from their ESG Score.

Quality of Climate Reporting – Additive or Subtractive

The ESG Profile will determine the quality of a company's climate reporting by assessing a number of different factors. When reviewing a company's TCFD, IFRS S2, or climate report, we will make an assessment of the following: (i) if a company's reporting clearly outlines the four pillars of the TCFD; (ii) if the company clearly discusses the board's role in overseeing issues related to climate change; (iii) if the company provides details concerning any scenario analysis performed by the company and how that analysis informs its strategy; (iv) if the company provides details concerning its capital expenditures in the context of its corporate strategy; and (v) if the company outlines and provides details concerning its GHG emissions reduction targets.

When conducting this analysis, Glass Lewis will only look a company's most recent climate or TCFD report (or any report where the company states it is following the recommendations of the TCFD, IFRS S2, or equivalent). Companies that do not provide a climate-specific report but do provide a separate index referencing various documents will generally receive a "poor" quality assessment. In addition, when fewer than three of the above-listed factors are present, the company's reporting will also be assessed as "poor." The more features a company includes in its reporting, the more favorable its reporting quality assessment will be. A company will only receive an "excellent" assessment if all of the above criteria are present.

If a company does not provide TCFD or IFRS S2 (or equivalent) reporting, this indicator will appear as "no disclosure" and the company's ESG Score will be negatively impacted. If a company has provided such reporting in some form, its score will be progressively improved based on the assessment level (e.g., an "excellent" assessment will have a more significant positive impact on a company's ESG Score than receiving a "good" or "fair" assessment).

Just Transition Disclosure- Additive

Glass Lewis will closely review companies' disclosure in order to evaluate to what extent they are addressing the stakeholder and workforce impacts of a carbon transition. Although several frameworks have been developed concerning the disclosure of this issue, Glass Lewis will generally answer this data point as "yes" when companies have provided any meaningful and clearly delineated disclosure concerning how a company is responding to the social impact of its climate change strategy on workers and communities.

When companies provide disclosure concerning their Just Transition plans, it will positively impact their ESG Score. However, the absence of such disclosure will not detract from their ESG Score

Interim GHG Emissions Reduction Target- Additive

Glass Lewis will closely review companies' climate-related disclosures in order to assess whether companies have set interim emissions reduction targets as a part of their long-term emissions reduction strategy. We will generally answer this data point affirmatively in instances when companies explicitly disclose a measurable interim emissions reduction target that culminates in or before 2035 alongside a longer-term GHG reduction target. This target can be either intensity-based or absolute, and can address any significant Scope 1, 2 or 3 emissions. We may consider targets ending in the current year as an interim target if the company also has a longer-term GHG reduction target. However, renewable energy targets, energy reduction targets, and previously completed emissions reduction targets will not be considered as interim targets.

When we have established that an interim emissions reduction target is present, it will serve to increase a company's ESG Score.

Net Zero Target- Scope 1&2 Emissions – Additive and Subtractive

For companies with an expanded climate assessment, we will indicate the types of emissions covered by this target. When companies have clearly indicated that Scope 1 and/or 2 emissions are fully covered by its net zero target or ambition, this data point will be answered affirmatively. In instances where only certain categories or aspects of their operations are covered by their net zero target, this data point will be answered as "partial."

If companies state that they maintain a net zero target, but do not provide details on the types of emissions covered by this target, this data point will be answered as "insufficient disclosure," and it will serve to decrease a company's ESG Score.

When it is clearly established that a company's net zero target fully or partially covers its Scope 1 and/or 2 emissions, it will serve to enhance a company's ESG Score, with additional credit given to targets that fully cover these emissions. If no net zero target exists, this data point will be answered as "no" and it will have no effect on the ESG Score.

Net Zero Target- Scope 3 Emissions - Additive

For companies with an expanded climate assessment, we will indicate the types of emissions covered by this target. When companies have clearly indicated that Scope 3 emissions are fully covered by its net zero target or ambition, this data point will be answered affirmatively. In instances where only certain Scope 3 categories, this data point will be answered as “partial.” However, if these emissions reduction targets or ambitions only comprise Scope 3 Category 6 (business travel) and/or Category 7 (employee commuting), this data point will be answered as “N/A.” However, on a case-by-case basis, we make exceptions for companies whose sole or primary source of Scope 3 emissions falls into these categories.

If companies state that they maintain a net zero target, but do not provide details on the types of emissions covered by this target, this data point will be answered as “insufficient disclosure,” and it will serve to decrease a company’s ESG Score.

When it is clearly established that a company’s net zero target fully or partially covers its Scope 1 and/or 2 emissions, it will serve to enhance a company’s ESG Score, with additional credit given to targets that fully cover these emissions. If no net zero target exists, this data point will be answered as “no” and it will have no effect on the ESG Score.

Climate Risk in Financial Statements – Additive

Glass Lewis will closely review companies’ financial statements in order to evaluate whether they clearly include consideration of climate risk. This data point will generally be answered affirmatively when companies explicitly state that their financial statements have been prepared using assumptions that account for climate or transition risks. We will also answer affirmatively if companies demonstrate climate considerations through stated assumptions or judgements, or if auditors considered climate-related issues within their review of the financial statements. However, this data point will not be answered affirmatively if the companies only acknowledge the financial impact of climate risk but do not explicitly incorporate these considerations into financial statements.

When this data point is answered affirmatively, it will serve to increase companies’ ESG Scores. However, the absence of such disclosure will not negatively impact their ESG Scores.

Biodiversity Risk Mitigation

Board Oversight of Biodiversity – Additive

Glass Lewis makes a case-by-case determination as to whether, in its judgment, companies have provided for board-level oversight of biodiversity-related issues. Glass Lewis is not prescriptive in this approach and will recognize a number of different leadership structures when determining whether such oversight is present. For example, oversight could be performed by a separate committee, combined into an existing key committee or be undertaken by the entire board. When determining if such oversight is present, Glass Lewis will review proxy statements, annual reports and board charters. Generally speaking, we will count the oversight of issues such as water management, deforestation or land use, among other things, as oversight of biodiversity-related issues. When such oversight is present, companies’ ESG Scores will increase.

In certain markets, including Japan, Korea and China, where two-tier board structures are commonplace and oversight is often performed by members of the management board as opposed to the non-executive directors, Glass Lewis may not evaluate whether there is oversight of biodiversity-related issues at the board level. In these instances, this data point will display as “N/A” and will not impact a company’s ESG score.

Has Deforestation Policy - Additive

The ESG Profile will assess whether companies have implemented a policy related to deforestation issues and commitments. Generally, this data point is answered affirmatively if companies have clearly outlined their actions, commitments, or policies aimed at protecting, conserving, or sustainably managing forested land and related resources.

When answering this data point, we will look for stand-alone policies, as well as the clear outlining of policies on websites, in sustainability or annual reports. When such a policy is present, a company’s ESG Score will increase.

Has Water Policy - Additive

For companies with a Biodiversity Risk Mitigation module, the ESG Profile will assess whether companies have established a policy concerning their water-related impacts or commitments. We will generally answer this data point affirmatively if companies have presented a clear description of their corporate initiatives, commitments, or policies directed at ensuring the responsible use, conservation, and sustainable management of water resources.

When answering this data point, we will look for stand-alone policies, as well as the clear outlining of policies on websites, in sustainability or annual reports. When such a policy is present, a company’s ESG Score will increase.

Has Biodiversity-Related Target(s) - Additive

For companies with a Biodiversity Risk Mitigation module, the ESG Profile will indicate if companies have established and disclosed biodiversity-related targets. Specifically, this data point will be answered affirmatively if a company has adopted one or more time-bound, measurable, and forward-looking targets related to any biodiversity issue, including those aimed at reducing or ending deforestation, mitigating water use or impacts, and conserving land area within a specified timeframe. We will consider companies with targets ending in the current year as having a biodiversity target.

In order to determine if a company has established a target, we will evaluate the disclosure provided by companies on their website, in publicly available sustainability, climate, and annual reports, and in relevant corporate policies. When targets are present, companies’ ESG Scores will increase.

Forest 500 Score – No Impact

The ESG Profile will display the score assigned to the company by Global Canopy’s Forest 500 company assessment. The Forest 500 assesses 350 companies and 150 financial institutions with the highest exposure to tropical deforestation risk based on their impacts and implementation of commitments to address deforestation and associated human rights effects on a scale of 0 to 100. For additional information concerning this scoring, including information regarding the scoring methodology, please see the Forest 500 website.

Glass Lewis obtains these scores directly from the Forest 500 database. This data point will be used for reference only and will have no bearing on any companies' ESG Score. If a company is not evaluated by the Forest 500, this data point will be answered as "N/A".

TNFD Reporting - Additive

Glass Lewis will carefully evaluate whether companies have provided reporting on or have publicly disclosed their intention to align or engage with the Taskforce on Nature-related Financial Disclosure (TNFD) framework in future reporting disclosures. We will generally answer this data point affirmatively if companies have clearly stated an objective to comply with the reporting requirements of TNFD. This data point will also be answered affirmatively if companies have already disclosed TNFD-based reporting or if they indicate that they actively participated in TNFD's pilot program. This data point will be answered as "no" in instances where companies only acknowledge TNFD but make no commitment to report against the framework.

When determining whether a company is planning for TNFD reporting, Glass Lewis will evaluate a company's website, publicly available sustainability and climate reporting, and its annual reports. When such reporting is present, it will serve to improve a company's ESG Score.

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