



# Clarity AI - Global Norms Screening Methodology

## Methodology Document

Version 1, June 2026

## Version History

Methodology Name:	Global Norms Screening Methodology
Version Number:	1.0
Approval Date:	30 June 2026
Key Changes to Previous Version	Not applicable - Initial Version

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## Overview

The objective of the Global Norms Screening Methodology is to establish a robust, transparent, and criteria-driven framework for assessing corporate alignment with internationally recognized standards on sustainable business conduct. The methodology is grounded in granular evaluation criteria aligned with the specific expectations set out in:

- United Nations Global Compact (UNGC) Principles,
- OECD Guidelines for Multinational Enterprises (OECD), and
- United Nations Guiding Principles on Business and Human Rights (UNGP) Principles.

The assessment evaluates each company's controversial event against a defined set of parameters: the scale and scope of harm, the nature of the company's involvement, the origin of allegation, the status of any official investigation, and the company's response, to determine one of three outcomes:

- Violation,
- Watchlist, or
- No Violation.

This determination follows a sequential review process combining automated AI screening with independent expert verification and formal committee sign-off, ensuring that every confirmed violation is substantiated by publicly available evidence and correctly applied against the frameworks in scope.

The resulting ratings are designed to support financial market participants with an analytical input to inform their portfolio screening and exclusion practices. Specifically, they provide an input to support financial market participants' exclusion of entities reviewed as non-compliant in line with the EU Climate Transition Benchmarks (CTB) and EU Paris-Aligned Benchmarks (PAB). Furthermore, the methodology provides relevant data to assist financial market participants in the preparation of related SFDR reporting under Principal Adverse Impact indicator 10, and in preparing their disclosure of the share of investments tied to companies violating OECD Guidelines or UNGC Principles. The output of this methodology constitutes Clarity AI's opinion and does not represent a legal determination of regulatory compliance, which remains the responsibility of the financial market participant.

The key assumptions and structural limitations underlying this methodology are described within the Assumptions & Limitations section of this disclosure.

## Glossary of Terms

Term	Definition
<b>ESG Controversy</b>	A controversy is a publicly reported discrete event or allegation directly or indirectly linked to a company's activities, products, or business relationships, that indicates a negative impact on stakeholders, the environment, or society, or that may expose the company to financial, operational, legal, or reputational risks.
<b>Comprehensive Profile</b>	Clarity AI's standard profile reflects a broader interpretation of the norms; it covers all elements of the Targeted Profile while incorporating additional sustainability topics, grave violations with broad impacts, and cases of indirect corporate involvement.
<b>Targeted Profile</b>	Clarity AI's targeted profile focuses exclusively on violations of critical human rights and environmental norms featuring direct company involvement.
<b>Watchlist</b>	A classification assigned to companies flagged for potential violations of international norms or standards. Companies receive this flag when attributed controversy events meet all criteria for a Global Norms Violation, except that either the investigation remains ongoing to reach findings of wrongdoing, or the company has only recently (less than 1 year) completed a response involving mitigation and remediation measures. Companies on the watchlist are subject to ongoing monitoring pending further investigation or new developments.

## 1. Analytical Framework

### 1.1. Methodology Overview

The Global Norms Screening Methodology provides a rules-based, evidence-driven framework for determining whether a corporate entity is in violation of internationally recognized standards for responsible business conduct. Rather than producing qualitative ESG opinions, the methodology generates three ratings - **Violation, Watchlist, or No Violation** - applied consistently across all rated entities regardless of sector or geography.

The assessment is backward-looking, evaluating documented incidents of corporate non-compliance drawn from public media evidence. Each incident is analyzed against a **defined set of parameters** covering the scale and scope of harm, the nature of the company's involvement, the source of the allegation, the investigation status, and the company's response described in [Section 2.2](#).

Clarity AI applies two distinct profiles when screening companies against the UN Global Compact Principles, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights (UNGPs): a Comprehensive Profile, which serves as our baseline approach, and a Targeted Profile. This dual approach reflects the fact supervisory expectations might vary across and within EU jurisdictions, with some regulators applying an equal-treatment reading of all chapters and others signaling that certain breaches warrant greater weight than issues such as competition, taxation, or corruption.

- **Comprehensive profile**, captures direct and indirect company's exposure to an incident and a broad range of sustainability topics covered in the OECD Guidelines. This is Clarity AI's baseline approach.
- **Targeted profile**, focuses on critical environmental and human rights incidents with direct company involvement.

To ensure rigor and consistency, violation determinations follow a structured **three-tier review process**.

- 1) In the first tier, a global news database is automatically screened using Large Language Models (LLMs) to identify candidate violations, detecting controversial elements, attributing them to specific companies, classifying them against Global Norms topics, and assessing each of the parameters.
- 2) In the second tier, thematic experts conduct independent deep-dive investigations of each candidate, reviewing public sources beyond the primary news feed to validate or correct the automated output and the detailed rationale for each parameter value. A separate team of subject-matter experts then conducts a secondary review of these findings, with the authority to validate, amend, or override the previous conclusions. This separation of roles ensures that methodological consistency is enforced at multiple levels before a case advances.
- 3) In the third tier, a review group of senior managers and directors provides formal sign-off, confirming that the candidate meets all conditions specified in the methodology. Both committee members must reach consensus/ approving, rejecting, or requesting further review. All decisions are documented in a full audit trail and no violation is confirmed or published without completing all three tiers.

The methodology applies broadly to private and public corporate entities across international markets. Ratings are updated monthly following scheduled data releases, and remain valid for the duration between two consecutive releases. A rating change between scheduled updates will only

occur if new entity-specific information becomes available or if there is a material change to the methodology.

## 1.2. Methodology Details

When an ESG controversy is identified, the framework translates the abstract expectations of international standards into a concrete assessment by evaluating each incident against a standardized set of parameters forming the acceptance criteria for the violation or watchlist logic presented in [Section 1.2.2](#) and [Section 1.2.3](#), respectively. Rather than relying on subjective judgment, these parameters define **specific evidentiary criteria that must be satisfied** before an incident can be classified as a violation of Global Norms.

The parameters relate to the nature of company involvement, the severity of harm, the available evidence and dates, and the company's response. The table below includes the full list of parameters; they were selected because, together, they capture the full analytical picture needed to make a rigorous and defensible determination of whether a company's involvement in an incident rises to the level of a Global Norms violation.

### 1.2.1. Parameters Assessment for Violations of Global Norms

Parameter	Sub-parameter	Definition & Rationale
<b>Global Norms Context</b>	UNGC Principle	United Nations Global Compact principle or principles related to the incident.
	OECD Chapter	OECD Guidelines for Multinational Enterprises chapter or chapters related to the incident.
	UNGP Principle	UN Guiding Principles on Business and Human Rights
<b>Available Evidence</b>	Initial Allegation Date	The date when the incident was first reported or became publicly known. This parameter is used to establish a four-month window during which companies are designated "Watchlist" rather than "Violation" to allow time for companies to investigate the allegations.
	Latest Evidence Date	Latest date of new evidence related to the incident. It is used to set a four-year expiration threshold after which violations are no longer tracked absent new evidence.

	Origin of Allegation	Classification of the origin of the allegation used as a proxy on reliability of the allegation.
	Investigation Status	Classification of the status of official investigations of the incident. It is used to distinguish between closed and ongoing investigations but also between official and non-official investigations.
<b>Company Actions</b>	Exposure Type	Classification of the nature of the company's involvement in the incident. It clarifies whether a company is directly involved or implicated through third parties.
	Scale of the Incident	Measure of the gravity and irreversibility of the harm produced by the incident. Used jointly with scope to assess the gravity and reach of harm in line with the UNGP framework to assess non-compliance.
	Scope of the Incident	Measure of the size and extent of harm produced by the incident. Used jointly with scale to assess the gravity and reach of harm in line with the UNGP framework to assess non-compliance.
	Company Response	Classification of the company's response or responses to its involvement and the allegations. This parameter is consistent with the 3rd pillar on remedy of the UNGPs, a company's response to an incident is a key factor in determining whether it constitutes a violation. Effective response requires both remediation, repairing the harm caused, and mitigation, taking concrete action to reduce the risk of recurrence.

This methodology employs a comprehensive suite of 21 distinct controversy metrics. These metrics provide the necessary classification structure to map identified incidents directly to internationally recognized standards including the UNGC Principles, OECD Guidelines for Multinational Enterprises, and UNGP Principles, detailed in the mapping frameworks in [Appendix B](#). Further details on the parameters values are presented in [Appendix A](#).

### 1.2.2. Violation logic

A Controversy is flagged as a Violation when all of the following conditions are met:

- It is mapped to at least one UNGC Principle, OECD Guideline chapter, or UNGP Principle
- The latest evidence date falls within the past four years
- The origin of allegation is Official, a Governmental Source, or an NGO
- The investigation status reflects confirmed findings of wrongdoing (official or other type) or an active appeal
- The company's response does not include Exit, Awaiting Company Response, or the combination of Remediation and Changes in Policies

The two profiles presented in [Section 1.1](#) diverge on the final two conditions:

- Under the **Targeted profile**, only direct company involvement qualifies, and the scale of harm must be Critical capturing the severe environmental and human rights related incidents.
- Under the **Comprehensive profile**, both direct and indirect involvement qualify, and the scale of harm must be either Critical or Grave combined with a scope of harm Extensive. Additionally, for indirect exposure cases, a company response of Changes in Policies alone is sufficient to prevent a Violation flag.

As previously introduced the Comprehensive Profile treats all UNGC Principles, OECD chapters, and UNGP provisions as equally relevant, flagging violations across the full range of covered conduct, and is used as the default given it offers maximum breadth of coverage. The Targeted Profile focuses on environmental and human rights breaches, applying a higher materiality threshold to other categories, and is offered for firms in jurisdictions where supervisors have signaled this grievous-harm focus. Rather than representing competing or inconsistent methodologies, the two profiles reflect two defensible positions given genuine divergence in supervisory practice, allowing users to adopt the baseline Comprehensive Profile, switch to the Targeted Profile where justified by their regulatory context, or run both in parallel to identify where interpretive choices are most consequential to their portfolio.

### 1.2.3. Watchlist logic

A controversy is placed on the Watchlist when it satisfies all Violation conditions with one exception: either the investigation is ongoing rather than closed with findings, or the company response meets the resolution threshold (Exit, Awaiting Company Response, or Remediation combined with Changes in Policies). The same profile-level distinctions between Targeted and Comprehensive apply.

## 2. Rating Product Specifics

### 2.1. Materiality Objectives & Dimensions

The rating's objective is to provide an evidence-based screening mechanism that identifies corporate non-compliance with international standards, serving use cases such as investment exclusions and mandatory regulatory reporting. The methodology supports both an impact and a financial materiality assessment under the **double materiality principle**.

Violation determinations are fundamentally grounded in impact evidence, explicitly measuring the scale and scope of real-world negative impacts that corporate activities inflict on environmental, social, and labor dimensions. Concurrently, global norms violations inherently carry a financial materiality dimension as they can impact companies through reputational, operational, legal, or other financial risks.

## 2.2. Factor Scope & Specific Issues

The rating provides a comprehensive evaluation of whether a company has violated global norms for sustainable business conduct, covering environmental, social, labor, and governance factors. A violation is typically linked to one factor, but in some instances the same incident can violate principles across multiple dimensions.

- **Environmental Factor (E):** Covers corporate adherence to a precautionary approach to environmental challenges and the promotion of broader environmental responsibility.
- **Social Factor (S):** Encompasses human rights protections, the prevention of complicity in abuses, the elimination of forced or child labor, and the eradication of workplace discrimination.
- **Governance Factor (G):** Focuses on business conduct, anti-corruption, and anti-bribery parameters.

A mapping between the EU Reporting Standards across E, S, and G factors and the OECD chapters, UNGC and UNGP principles that constitute the basis of the global norms assessed under this rating is included in [Appendix B](#).

## 2.3. Weighting & Aggregation Logic

Because this rating represents a rules-based compliance screen, it does not aggregate numerical scores or assign explicit statistical percentage weights across individual E, S, and G categories. Instead, it uses a deterministic rules-based approach where parameters like scale, scope, exposure type, and company response are filtered to immediately establish a "Violation" or "No violation" status under the Targeted and Comprehensive profile or solely the Comprehensive profile. This aggregation logic is presented for the violation or watchlist logic presented in [Section 1.2.2](#) and [Section 1.2.3](#)

## 2.4. Alignment with EU Reporting Standards

The specific sustainability topics covered within the E, S, and G factors correspond directly to the sustainability reporting standards established under Article 29b of Directive 2013/34/EU (CSRD). The mapping of the methodology's coverage to explicit CSRD topics is detailed below:

CSRD Topic	Methodology Component Alignment
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Climate Change	Evaluated via UNGC Principles 7 and 8, and OECD Chapter VI (Environment) regarding environmental challenges and responsibility.
Water & Marine Resources	Evaluated via UNGC Principles 7 and 8, and OECD Chapter VI (Environment) regarding physical environmental impacts.
Circular Economy	Evaluated via UNGC Principles 7 and 8, and OECD Chapter VI (Environment) regarding operational resource responsibility.
Pollution	Evaluated via UNGC Principles 7 and 8, and OECD Chapter VI (Environment) regarding material environmental damage.
Biodiversity	Evaluated via UNGC Principles 7 and 8, and OECD Chapter VI (Environment) regarding ecosystem impacts.
Equal Opportunity	Evaluated via UNGC Principle 6 and OECD Chapter V regarding the elimination of workplace discrimination.
Working Conditions	Evaluated via UNGC Principles 4 and 5, and OECD Chapter V regarding forced labor, child labor, and basic employment rights.
Labor Relations	Evaluated via UNGC Principle 3 and OECD Chapter V regarding collective bargaining and freedom of association.
Human Rights	Evaluated via UNGC Principles 1 and 2, OECD Chapter IV, and UNGP Principles 11–13 regarding fundamental freedoms and community impacts.
Business Conduct	Evaluated via UNGC Principle 10 and OECD Chapter VII regarding anti-corruption, corporate ethics, and anti-bribery.
Science, Technology, and Innovation	Evaluated via cross-reference with OECD Chapter IX guidelines.
Consumers Interests	Evaluated via cross-reference with OECD Chapter VIII guidelines.
Competition	Evaluated via cross-reference with OECD Chapter X guidelines.
Taxation	Evaluated via cross-reference with OECD Chapter XI guidelines.

The percentage of taxonomy alignment calculated under Regulation (EU) 2020/852 is not considered or utilized for scoring within this methodology. The framework operates independently of Taxonomy capital expenditure or revenue alignment, focusing strictly on behavioral breaches of international conduct standards.

## 2.5. Assessment Model

The framework utilizes an **absolute scoring model**. Ratings are expressed as categorical values ("Violation", "Watchlist", or "No Violation") based on whether a company's corporate conduct breaches predefined, objective thresholds. The aggregation logic is detailed in [Section 1.2.2](#). These scoring rules are applied uniformly across all companies in the universe, meaning performance is

measured against fixed international requirements rather than relative to industry or geographic peer benchmarks.

Furthermore, the methodology applies uniformly across all industries; no industry-specific standards or adjustments are used.

## 2.6. International Frameworks or Standards

The methodology explicitly takes into account and directly assesses corporate alignment against multiple prominent international environmental, social, and governance agreements. The foundational standards embedded within the framework include:

- The United Nations Global Compact (UNGC) Principles 1 to 10: Setting the baseline requirements for human rights, labor, environment, and anti-corruption.
- The OECD Guidelines for Multinational Enterprises: Articulating comprehensive government-backed recommendations for responsible business conduct across global operations.
- The UN Guiding Principles on Business and Human Rights (UNGPs): Providing the global standard for preventing and addressing human rights risks linked to business activity.

The relevance of these agreements is directly linked to EU sustainable finance regulations; compliance with them is required under SFDR Mandatory Principle Adverse Impact (PAI) 10 indicators and serves as a mandatory exclusion criterion for EU Paris-Aligned Benchmarks (PAB) and EU Climate Transition Benchmarks (CTB) under Commission Delegated Regulation (EU) 2020/1818. The rating does not evaluate the forward-looking alignment of corporate commitments; instead, it actively evaluates real-world behavioral compliance and flags substantiated breaches of these international standards.

## 2.7. Scientific Evidence

We prioritise aligning our methodology and selecting metrics in accordance with science-based standards. Where such scientific standards are lacking, we rely on recognised industry standards and best practices wherever possible. Any gaps or ambiguities in standards are addressed on the basis of scientific findings from reputable publications.

# 3. Data Sourcing & Quality

## 3.1. Data Sourcing

The primary data points utilized in this methodology are not derived from corporate sustainability statements prepared under Directive 2013/34/EU or disclosures filed under the SFDR and EU Taxonomy regulations. Instead, the data is sourced entirely from public domain information provided by a specialist news provider, LexisNexis, which captures mediatized ESG controversy incidents globally.

The core external dataset consists of our provider global news stream with public media source materials. The methodology does not ingest, evaluate, or score corporate transition plans within its analytical pipeline.

### **3.2. Data Quality & Reliability**

Clarity AI operates a structured data validation and quality control framework applied at each stage of the data ingestion, processing, and release process. The validation process is reviewed and updated at least annually.

Prior to each data release, the dedicated Raw Data Team performs a systematic validation of the candidate raw data dataset proposed for release (CAS). The validation covers all metrics in scope for the release. The following checks are applied:

- Coverage checks: unexpected losses in metric, provider, or entity coverage relative to the prior release are investigated. Losses affecting priority metrics are treated as release blockers;
- Absolute value change checks: individual data point values are compared between the candidate release and the version in production. Unexpected deviations are flagged for review;

Data points that fail validation checks are removed from the dataset. All blocked data points are documented and tracked in a separate repository. Data is updated through full releases, which follow the complete validation process described in Section .

### **3.3. Data Revision Policy**

The data revision is conducted through the continuous, automated ingestion of news signals from Clarity AI's news provider source set, where articles are screened by NLP models on an ongoing basis and attributed to specific companies as new evidence is identified. All flagged cases — both Violations and Watchlist, remain active until their designated expiration and are subject to two complementary review cycles.

Monitoring is conducted through two complementary review cycles. First, a monthly automated re-assessment ingests and screens news signals from Clarity AI's news provider set using NLP models, integrating new evidence and triggering a tiered review process whenever parameter shifts indicate a potential reclassification — such as the assignment of a new Violation, a change to Watchlist or No Violation status, or an update to existing parameters. This is complemented by a targeted quarterly review consisting of manual searches by thematic experts designed to identify any updates that may have been missed in the automated monthly cycle.

### 3.4. Missing Data & Estimations

Because the framework monitors the specific occurrence of verified controversy incidents, statistical estimation models and industry averages are not employed to substitute or fill missing corporate data. If no media-reported controversy is identified for an entity, it is processed under the absolute rule as having "No violation". Gaps in coverage caused by low media visibility are treated as an inherent limitation of a media-based approach rather than being managed through statistical proxies.

### 3.5. Handling of Major New Information

The valid time horizon of the rating is defined as the time between Clarity AI monthly data releases. Please note that our ratings are rules-based, rather than analyst-driven assessments. They are updated and made available to users at regular intervals through the Clarity AI platform, following the monthly data releases process and calendar. A Global Norms rating is updated when new media information triggers a change in the parameters that define the status of a case (Violation, Watchlist or No Violation), as described in [Section 1.2](#).

## 4. Artificial Intelligence (AI) Usage

### 4.1. Methodology Implementation

Clarity AI integrates AI at the outset of the Global Norms assessment process, before any human review takes place. The pipeline begins with controversies screening: a specialized AI and natural language processing system continuously ingests news from a global provider and processes high volumes of articles through a sequence of models that identify controversial events, attribute them to specific companies, classify them against Global Norms topics, and assess the relevant parameters. Large language models further support the filtering of borderline content and the evaluation of data quality. This automated screening stage produces a set of candidate cases that meet the initial criteria for potential Global Norms relevance. These candidates are then surfaced to the human review process described in [Section 1.1](#).

AI is not deployed as an autonomous decision-maker; it does not independently define or modify rating methodologies. All methodology design, regulatory interpretation, and final deployment decisions remain the sole responsibility of our engineers and methodology owners, governed by established review protocols.

The integration of AI into methodology implementation introduces specific risks, including potential misinterpretation of requirements, subtle calculation errors, or the creation of technical debt through unmaintainable logic. Furthermore, there is a risk of over-reliance leading to insufficient independent validation or reduced traceability if implementation decisions are not rigorously

documented and peer-reviewed. These implementation risks are systematically mitigated through our standard software development lifecycle (SDLC) and rigorous engineering controls.

- **Human Accountability and Review:** All AI-assisted implementations are fully owned and validated by Clarity AI engineers. AI tools are prohibited from approving code or deploying changes. Every methodology-related code change undergoes mandatory peer review to ensure correctness against approved requirements, architectural consistency, and data integrity.
- **Testing and Validation:** AI-assisted code must adhere to a comprehensive testing pyramid, including unit tests for specific calculations, integration tests for data pipelines, and regression tests to ensure historical stability. Deterministic logic is validated against predefined test cases and controlled datasets to confirm the implementation aligns with the intended methodology behavior.
- **Good Engineering Practices:** We apply standardized MLOps and engineering safeguards, such as version control, continuous integration, and static analysis. By enforcing small, reviewable pull requests and clear ownership of code changes, we maintain high standards of transparency and allow for the rapid rollback of production changes if anomalies are detected.
- **Traceability and Governance:** Every technical implementation is transparently linked back to its underlying methodology documentation and acceptance criteria. AI-generated suggestions are only promoted if they are traceable to approved inputs, ensuring that AI remains a constrained tool within our broader methodology governance framework.

## 5. Assumptions & Limitations

### 5.1. Key Assumptions

**Framework Implementation:** the methodology for identifying and flagging Global Norms violations is inherently limited by the frameworks' lack of specific definitions, including the absence of a clear definition of a violation, timelines for assessing corporate remediation, or the implications of legal findings. To manage this, industry standards and market research were leveraged to fill in the gaps and develop a comprehensive yet practical tool for identifying violations.

**Source Credibility:** It is assumed that the origin of allegation is a proxy to differentiate between reliable evidence and unsubstantiated public allegations.

**Human Override Efficacy:** It is assumed that human subject-matter experts conducting Tier 2 and Tier 3 human-in-the-loop reviews can reliably identify and eliminate AI-generated hallucinations, misclassifications, and calculation errors.

## 5.2. Limitations in Data Sources

**Source Bias:** The analytical models depend heavily on news article clustering via Clarity AI's news provider, which introduces a systemic reliance on mediatized events and risks excluding alternative operational viewpoints such as NGO reports or court cases not covered by the media.

**Source Coverage Inequality:** Global media exposure is non-uniform across market capitalization lines. Larger, high-profile companies face intensive media focus, whereas smaller or less prominent entities are under-reported.

**Temporal Latency:** There is an unavoidable time lag between the real-world occurrence of a controversy, its indexing in media databases, and its eventual processing by the AI pipeline and the 3 Tier Review. The current temporal lag is estimated at approximately one month.

## 5.3. Limitations in Methodologies and Models

**Information Loss via Pre-processing:** Due to Large Language Model context window boundaries, high-volume controversy incidents cannot be processed in their entirety. The system relies on filtered samples and aggregated summaries, creating a limited risk that nuanced details present in the original articles may be lost before the Agent performs its analysis. This risk is considered minimal, as the filtering and aggregation process is designed to prioritize the most relevant information, and outputs remain subject to human verification before publishing. Furthermore, the pipeline incorporates supplementary article retrieval for select complex tasks (e.g., scope determination) to further mitigate this risk.

**Algorithmic and Generative AI Constraints:** The specialized automated models are subject to generative risks, including baseline misclassification of parameters values and hallucinations. These risks require mitigation through continuous monitoring and manual human verification before publishing which is currently in place. In addition, severity assessment is decomposed into focused task-optimized subtasks rather than a single generative step, with final Global Norms alerts derived through deterministic aggregation of the resulting scores, ensuring outputs remain anchored to the methodology regardless of individual model variance.

**False Negative Monitoring:** Given the volume of news processed, it is not feasible to systematically track all possible false negatives. However, the risk is mitigated through targeted quarterly monitoring, which conducts manual searches on active Violations cases to ensure no significant events or developments are overlooked.

## 6. Methodology Governance

Clarity AI maintains a robust methodology governance framework designed to ensure that all rating methodologies remain independent, rigorous, systematic, and impartial. To uphold these core principles, Clarity AI subjects its methodologies to a structured development, review, and approval

process overseen by dedicated internal governance bodies, in line with our ESG Ratings Governance Policy.

### **Process and Frequency for Revising Methodologies**

Methodologies are reviewed on a regular basis and at least annually to verify that they remain fit for purpose, aligned with emerging regulatory requirements, and reflective of market trends. The revision process follows a systematic approach divided into three core phases: Preparation, Development & Testing, and Review & Approval.

The Review & Approval Phase includes a formal peer review and mandatory final approval by the Methodology Committee before any update can be deployed.

Clarity AI is committed to transparent communication to users and rated entities, and makes information about its methodologies publicly available. The Chief Research Officer (CRO) oversees that methodology-related documentation intended for disclosure meets external transparency requirements.

Clarity AI does not run market consultations in respect to its methodologies, however once the methodologies are disclosed users, rated entities and other stakeholders may submit their feedback in respect thereof via the existing communication channels.

### **Conditions for Determining a Revision**

Clarity AI has established specific conditions that trigger an official review and potential material modification of its rating methodologies. A review is initiated when there are updates to external sustainability standards or regulatory frameworks that directly impact the assessment criteria. It can also be driven by the availability of new or improved data sources, or conversely, by modifications, additions, or the discontinuation of data from third-party providers. Furthermore, enhancements to internal quantitative engines or underlying assessment models necessitate a review. Lastly, the governance framework mandates that formal complaints or external stakeholder feedback are reviewed by the Methodology Committee to determine if specific methodological adjustments are required.

### **Assessing Rating Impact**

To prevent arbitrary adjustments, changes to existing methodologies are implemented via new or adapted algorithms and are automatically applied across the entire rated sample. When a methodology modification is deemed material, Clarity AI mandates that a comprehensive impact assessment be conducted prior to the scheduled data release. This ensures that any subsequent rating shifts are fully traceable to verifiable data processing or predefined methodological adjustments rather than qualitative overrides. Information about material changes to the methodologies is made available to users and rated entities, accompanied by a clear explanation of the change's motivation and its expected impact analysis.

### **Engagement Process**

The methodology is applied to the assessed universe on an unsolicited basis, relying exclusively on publicly available information. Rated items do not participate in the assessment process. Once the rating is issued, rated entities can access Clarity AI's platform for free to review it, including the underlying data used to calculate the rating, and to submit complaints in case there are any errors.

## Appendix

### Appendix A: Parameters Values and Details

Sub-dimension	Sub-dimension definition	Possible values
<b>UNGC Principles</b>	<i>United Nations Global Compact principle or principles related to the incident. Values are NOT mutually exclusive.</i>	<b>Principle number and name</b>
<b>OECD Guidelines</b>	<i>OECD guidelines chapter or chapters related to the incident. Values are NOT mutually exclusive.</i>	<b>Chapter number and name</b>
<b>UNGP Principles</b>	<i>UN Guiding Principles on Business and Human Rights or principles related to the incident. Values are NOT mutually exclusive.</i>	<b>Principle number and name</b>
<b>Initial allegation date</b>	<i>The date when the incident was first reported or became publicly known. If unavailable, publication date of first article providing evidence.</i>	<b>YYYY-MM-DD</b>
<b>Latest evidence date</b>	<i>Latest date of new evidence related to the incident. If unavailable, publication date of latest article with new evidence.</i>	<b>YYYY-MM-DD</b>
<b>Origin of allegation</b>	<i>Classification of the origin of the allegations, based on the source. Values are mutually exclusive.</i>	<b>Official</b>
		<b>Governmental Source</b>
		<b>NGOs</b>
		<b>Other sources</b>
<b>Investigation status</b>	<i>Status of investigations related to the incident. Official investigations: formal processes by a public authority. Other types: NGO reports, academic studies, internal investigations. Values are mutually exclusive.</i>	<b>Other type of investigation closed with findings of wrongdoing</b>
		<b>Official investigation ongoing</b>
		<b>Official investigation closed with findings of wrongdoing</b>
		<b>Appeal</b>
		<b>Official investigation closed with no findings of wrongdoing</b>
<b>Exposure type</b>	<i>Captures the nature of the company's involvement in the incident. Values are mutually exclusive.</i>	<b>Direct</b>
		<b>Indirect</b>

Sub-dimension	Sub-dimension definition	Possible values
		Inconclusive
<b>Scale</b>	<i>Measure of the gravity and irreversibility of the harm produced by the incident. Values are mutually exclusive.</i>	Critical Grave Moderate
<b>Scope</b>	<i>Measure of the size and extent of harm produced by the incident. Used jointly with Scale to assess gravity. Values are mutually exclusive.</i>	Extensive Significant Limited Not available
<b>Response</b>	<i>Variable encoding the company's response. Values are NOT mutually exclusive except: 'No response' and 'Awaiting company response' are exclusive (if selected, no other value applies).</i>	No response Awaiting company response Denial Action: Other Action: Exit Action: Remediation efforts Action: Changes in policies or processes

## Appendix B: Global Norms Framework mapping

The framework maps 21 controversy metrics across the granular topics established within the following international frameworks:

**Table:** Mapping of UNGC Principles to Clarity AI Controversy Categories

UNGC Principles	Controversies Metrics
<b>Human Rights (Social Pillar)</b>	
<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights</p> <p><b>Principle 2:</b> Make sure that they are not complicit in human rights abuses</p>	<ul style="list-style-type: none"> <li>● Workforce Human Rights</li> <li>● Supply Chain Human Rights</li> <li>● Workforce Relations and Disputes</li> <li>● Supply Chain Labor Relations</li> <li>● Community &amp; Human Rights</li> <li>● Product Health and Safety</li> </ul>
<b>Labor (Social Pillar)</b>	
<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <p><b>Principle 4:</b> The elimination of all forms of forced and compulsory labor</p> <p><b>Principle 5:</b> The effective abolition of child labor</p> <p><b>Principle 6:</b> The elimination of discrimination in respect of employment and occupation</p>	<ul style="list-style-type: none"> <li>● Workforce Health and Safety</li> <li>● Supply Chain Labor Relations</li> <li>● Workforce Relations and Disputes</li> <li>● Workforce Human Rights</li> <li>● Supply Chain Human Rights</li> </ul>
<b>Environment</b>	
<p><b>Principle 7:</b> Businesses should support a</p>	<ul style="list-style-type: none"> <li>● Water Use</li> </ul>

UNGC Principles	Controversies Metrics
<p>precautionary approach to environmental challenges</p> <p><b>Principle 8:</b> Undertake initiatives to promote greater environmental responsibility</p> <p><b>Principle 9:</b> Encourage the development and diffusion of environmentally friendly technologies.</p>	<ul style="list-style-type: none"> <li>● Environmental Impact Management</li> <li>● Climate Change Impact</li> <li>● Land Use and Biodiversity</li> <li>● Waste</li> <li>● Pollution &amp; Hazardous Waste</li> </ul>
<b>Anti-corruption (Governance Pillar)</b>	
<p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery</p>	<ul style="list-style-type: none"> <li>● Bribery and Corruption</li> </ul>

**Table:** Mapping of OECD Guidelines to Clarity AI Controversy Categories

OECD Guidelines	Controversies Metric(s)
<b>IV. Human Rights (Social Pillar)</b>	
<ul style="list-style-type: none"> <li>● Enterprises should respect internationally recognised human rights and avoid infringing on them. They should carry out human rights due diligence to identify, prevent, mitigate and address adverse impacts.</li> <li>● Enterprises should respect human rights in all contexts, including conflict-affected areas. They should avoid contributing to gross human rights abuses and conduct enhanced due diligence.</li> <li>● Enterprises should respect internationally recognised human rights and avoid infringing on them. They should carry out human rights due diligence to identify, prevent, mitigate and address</li> </ul>	<ul style="list-style-type: none"> <li>● Community &amp; Human Rights</li> <li>● Discrimination</li> <li>● Supply Chain Labor Relations</li> <li>● Product Health and Safety</li> </ul>

OECD Guidelines	Controversies Metric(s)
<p>adverse impacts.</p> <ul style="list-style-type: none"> <li>Enterprises should ensure that the development and use of science, technology and data respect human rights, including privacy and freedoms of expression, assembly and association. They should conduct risk-based due diligence on adverse impacts associated with technology use.</li> <li>Enterprises may affect a broad range of human rights and should conduct due diligence with special attention to vulnerable groups; they must engage with and remediate impacts affecting vulnerable populations.</li> <li>Enterprises should avoid causing or contributing to human rights impacts and address impacts directly linked to their operations, products or services through business relationships. They should use human rights due diligence across supply chains.</li> <li>Enterprises affect a broad range of human rights, including those of vulnerable and local communities and must conduct due diligence, engage stakeholders and remediate impacts.</li> <li>Enterprises should pay special attention to the rights of Indigenous Peoples and other vulnerable groups. They should respect relevant international instruments and apply due diligence to prevent adverse impacts.</li> </ul>	
<b>V. Employment and industrial relations</b>	
<ul style="list-style-type: none"> <li>Enterprises should respect internationally recognised human rights and avoid infringing on them. They should carry out human rights due diligence to identify, prevent, mitigate and address adverse impacts.</li> <li>Enterprises should respect labour standards and conduct due diligence on employment impacts.</li> </ul>	<ul style="list-style-type: none"> <li>Workforce Health and Safety</li> <li>Discrimination</li> <li>Supply Chain Labor Relations</li> <li>Workforce Health and Safety</li> </ul>

OECD Guidelines	Controversies Metric(s)
<p>They should ensure no unlawful employment practices occur in their operations or business relationships.</p> <ul style="list-style-type: none"> <li>● Enterprises should respect internationally recognised human rights and avoid infringing on them. They should carry out human rights due diligence to identify, prevent, mitigate and address adverse impacts.</li> <li>● Enterprises should respect labour standards and conduct due diligence on employment impacts. They should ensure no unlawful employment practices occur in their operations or business relationships.</li> <li>● Enterprises should avoid unlawful employment practices and respect internationally recognised labour rights. They should use due diligence to prevent forced or compulsory labour in operations and supply chains.</li> <li>● Enterprises should avoid causing or contributing to adverse impacts on physical security. They should use due diligence and remediation processes to address such harms.</li> <li>● Enterprises should respect labour standards, promote fair working conditions, and support social dialogue. They should ensure employment practices comply with applicable labour rights.</li> <li>● Enterprises should respect workers' rights to form and join trade unions and to engage in collective bargaining and should avoid unlawful interference with these rights.</li> <li>● Enterprises should maintain occupational health and safety systems and avoid employment practices that put workers at risk. They should integrate risk-based due diligence into labour practices.</li> <li>● Enterprises should avoid discrimination and respect equal treatment in employment. They should conduct due diligence to manage labour-related</li> </ul>	<ul style="list-style-type: none"> <li>● Workforce Human Rights</li> <li>● Supply Chain Human Rights</li> </ul>

OECD Guidelines	Controversies Metric(s)
impacts.	
<b>VI. Environment (Environmental Pillar)</b>	
<ul style="list-style-type: none"> <li>● Enterprises should protect and conserve biodiversity, ecosystems and ecosystem services. They should apply environmental risk-based due diligence.</li> <li>● Enterprises should prevent, reduce and control environmental impacts and manage natural resources sustainably. They should protect ecosystems and biodiversity.</li> <li>● Enterprises should prevent, reduce and control pollution affecting marine ecosystems and manage environmental risks.</li> <li>● Enterprises should manage waste responsibly, prevent pollution and promote circular resource use.</li> <li>● Enterprises should prevent and manage risks of spills and accidents that damage ecosystems.</li> <li>● Enterprises should prevent, reduce and control emissions to air, water and land.</li> <li>● Enterprises should manage hazardous chemicals and substances and minimise associated risks.</li> <li>● Enterprises should contribute to climate mitigation and adaptation, reduce emissions and improve energy performance.</li> <li>● "Enterprises should prevent, reduce and control pollution and manage waste safely.</li> <li>● Enterprises should minimise waste generation and improve material efficiency.</li> <li>● Enterprises should use water sustainably and prevent pollution of water resources.</li> </ul>	<ul style="list-style-type: none"> <li>● Water Use</li> <li>● Environmental Impact Management</li> <li>● Climate Change Impact</li> <li>● Land Use and Biodiversity</li> <li>● Pollution &amp; Hazardous Waste</li> <li>● Waste</li> </ul>

OECD Guidelines	Controversies Metric(s)
<ul style="list-style-type: none"> <li>Enterprises should apply environmental due diligence throughout the value chain to prevent and manage environmental impacts.</li> </ul>	
<b>VII. Combating bribery and other forms of corruption (Governance Pillar)</b>	
<ul style="list-style-type: none"> <li>Enterprises should not offer, promise, give or demand bribes and should implement compliance systems to prevent corruption.</li> <li>Enterprises should prevent and detect corrupt practices and strengthen internal controls.</li> <li>Enterprises should prevent and detect corrupt or fraudulent practices and strengthen compliance and internal controls.</li> <li>Enterprises should address improper financial practices through strong controls and transparency.</li> </ul>	<ul style="list-style-type: none"> <li>Bribery and Corruption</li> <li>Business Ethics</li> <li>Accounting and Taxation</li> </ul>
<b>VIII. Consumers' interests (Social Pillar)</b>	
<ul style="list-style-type: none"> <li>Enterprises should protect consumer privacy and ensure secure handling of personal data.</li> <li>Enterprises should ensure that goods and services meet safety standards.</li> <li>Enterprises should ensure products meet health and safety standards.</li> <li>Enterprises should ensure products do not pose unreasonable risks to consumer safety.</li> <li>Enterprises should act in accordance with fair business, marketing and advertising practices and ensure transparent, accurate and adequate information to consumers.</li> <li>Enterprises should avoid deceptive, misleading,</li> </ul>	<ul style="list-style-type: none"> <li>Marketing &amp; Sales Practices</li> <li>Product Health and Safety</li> <li>Data Privacy and Security</li> <li>Product Health and Safety</li> </ul>

OECD Guidelines	Controversies Metric(s)
<p>fraudulent or unfair commercial practices.</p> <ul style="list-style-type: none"> <li>• Enterprises should provide accurate information and avoid deceptive or fraudulent practices.</li> <li>• Enterprises should respect fair business, marketing and advertising practices.</li> <li>• Enterprises should act in accordance with fair business, marketing and advertising practices and ensure transparent, accurate and adequate information to consumers.</li> <li>• Enterprises should avoid deceptive, misleading or fraudulent marketing and ensure transparent and accurate product representation.</li> </ul>	
<b>X. Competition (Governance Pillar)</b>	
<ul style="list-style-type: none"> <li>• Enterprises should comply with competition laws and avoid anti-competitive agreements or abuse of dominance.</li> </ul>	<ul style="list-style-type: none"> <li>• Anticompetitive Practices</li> </ul>
<b>XI. Taxation (Governance Pillar)</b>	
<ul style="list-style-type: none"> <li>• Enterprises should comply not just with the letter but also the spirit of applicable tax laws. They are expected to make timely tax payments, adopt strong tax governance, and manage tax risks, including financial, regulatory, and reputational risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting and Taxation</li> </ul>

**Table:** Mapping of UNGP Principles to Clarity AI Controversy Categories

UNGC Principles	Controversies Metric(s)
<b>Principle 11: Human Rights (Social Pillar)</b>	
<p>Businesses must respect human rights, meaning they should avoid infringing on rights and address adverse impacts.</p>	<ul style="list-style-type: none"> <li>● Community &amp; Human Rights</li> <li>● Workforce Human Rights</li> <li>● Supply Chain Human Rights</li> <li>● Sanctions</li> <li>● Nuclear and Controversial Weapons</li> <li>● Product Health and Safety</li> </ul>
<b>Principle 12: Human Rights and Labor Rights (Social Pillar)</b>	
<p>Businesses have the responsibility to adhere to internationally recognized human rights (International Bill of Human Rights, ILO Declaration).</p>	<ul style="list-style-type: none"> <li>● Community &amp; Human Rights</li> <li>● Workforce Human Rights</li> <li>● Supply Chain Human Rights</li> <li>● Product Health and Safety</li> <li>● Workforce Health and Safety</li> </ul>
<b>Principle 13: Human Rights Operations (Social Pillar)</b>	
<p>Businesses must avoid causing/contributing to impacts and mitigating impacts directly linked to operations.</p>	<ul style="list-style-type: none"> <li>● Supply Chain Human Rights</li> <li>● Product Health and Safety</li> <li>● Community &amp; Human Rights</li> <li>● Business Ethics</li> </ul>

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