AlphaYoda

ESMA legal disclosures
ESG Controversies Insights™

Regulation (EU) 2024/3005

July 27th 2026

Version: V1

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Introduction

The EU ESG Ratings Regulation (Regulation (EU) 2024/3005), applicable since 2 July 2026, establishes a common regulatory framework for ESG rating providers within the European Union. The Regulation aims to enhance the integrity, transparency, comparability, governance and independence of ESG rating activities, while promoting investor protection and reducing the risk of greenwashing and other misleading sustainability-related information.

AlphaYoda is a French fintech company specializing in the real-time detection, assessment and monitoring of ESG risks and controversies. AlphaYoda welcomes the introduction of Regulation (EU) 2024/3005 as an important step towards strengthening the transparency, integrity and comparability of ESG ratings within the European Union.

Pursuant to Regulation (EU) 2024/3005, AlphaYoda qualifies as a small ESG rating provider and is therefore subject only to the provisions applicable to small providers, namely Article 15(1), (5) and (7), Articles 23 and 24, and Articles 32 to 37.

This document provides the regulatory disclosures applicable to **AlphaYoda ESG Controversies Insights™**.

AlphaYoda ESG Controversies Insights™ is an entity-level ESG rating, known as Entity Reputational Score, that assesses a company's exposure to ESG controversy risks arising from its operations, products, services, business relationships and governance practices.

The AlphaYoda ESG Controversies Insights™ rating falls within the scope of Article 3(1) of Regulation (EU) 2024/3005, as it provides a standardized opinion on a company's exposure to ESG risks through a documented methodology and a defined rating scale. As AlphaYoda develops and issues this rating on a professional basis, it qualifies as an ESG rating provider within the meaning of Article 3(4) of the Regulation.

This document sets out both the public disclosures required under Article 23 and Annex III, point 1, of Regulation (EU) 2024/3005, and the disclosures to users of ESG ratings and to rated items required under Article 24 and Annex III, point 2. The two sets of disclosures are presented together, and each section indicates the provisions it discharges.

The information required under Annex III, point 2, is made available on an ongoing basis to users of ESG ratings and to rated entities through its publication in this document on AlphaYoda's website. Where applicable, information specific to an individual ESG rating (including its unsolicited nature, the methodology version used and the date of its most recent update) is provided with each ESG rating distributed on the AlphaYoda platform.

1. Rating product disclosures

AlphaYoda ESG Controversies Insights™ is an entity-level ESG rating designed to assess a company's overall ESG controversy profile. It measures the severity and accountability of documented ESG controversies arising from the company's operations, products, services, business relationships and governance practices, and aggregates them into a single entity-level rating. The rating is intended to support financial institutions and other professional users in monitoring and comparing companies' ESG controversy profiles for investment analysis, due diligence and portfolio monitoring.

1.1. Risk, impact, materiality assessment

Regulation (EU) 2024/3005, Annex III, point 1(f); RTS (EU) 2026/871, Art. 3(1).

The AlphaYoda entity-level score, known as Entity Reputational Score, is a reputational exposure score. It measures a company's exposure to reputational risk arising from documented ESG controversies attributable to its own conduct across operations, products, services, business relationships and governance. It is incident-based and evidence-driven: the score depends solely on a company's own controversy track record and how it has managed those controversies over time, not on its policies, commitments or intentions.

a. Risks covered

The methodology does not assess financial materiality, i.e. the effects of ESG factors on the enterprise's financial performance, financial position, cash flows or enterprise value. Instead, it assesses the gravity of documented ESG controversies. The resulting entity-level rating provides an indicator of the company's exposure to ESG controversy-related reputational risk.

b. Impacts covered

The ESG Controversies Insights™ methodology produces two complementary ESG ratings: a controversy-level rating for each identified ESG controversy and an entity-level rating reflecting a company's overall exposure to ESG controversy-related reputational risk.

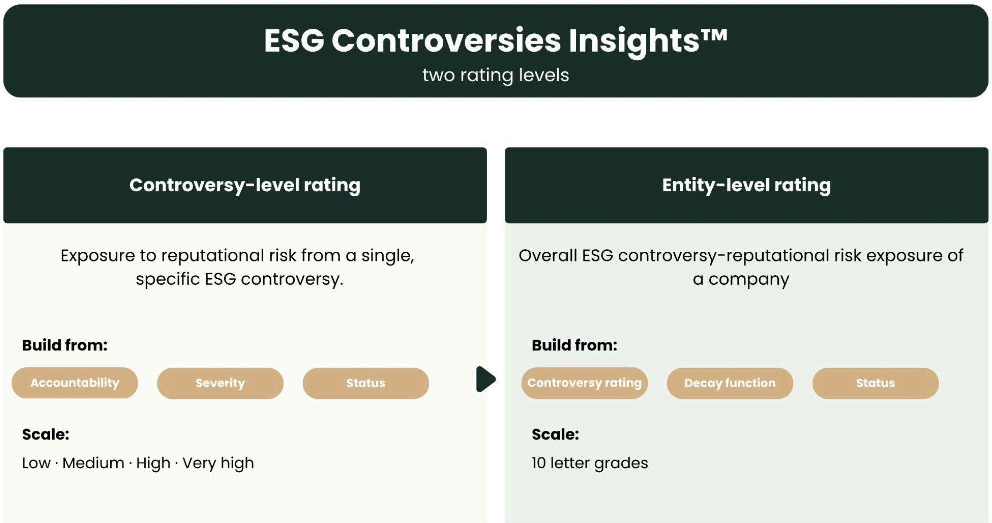


Figure 1: ESG Controversies Insights™ rating framework

Controversy level rating.

The rating is an impact-materiality assessment: its predominant variables, scope, irremediability and vulnerability, measure how gravely a controversy harms people and the environment, independently of any financial effect on the rated entity.

The controversy is then assessed using three independent variables:

- **Accountability** measures the degree of responsibility attributable to the entity for the controversy. It assesses the extent to which the entity caused, contributed to or is otherwise accountable for the documented impacts. Accountability is classified from *not applicable* or *unknown* through *accident*, *negligence* and *intent*, and is informed by the principles of Situational Crisis Communication Theory.
- **Severity** measures the intrinsic gravity of the actual or potential impacts arising from the controversy. It is assessed using four dimensions:

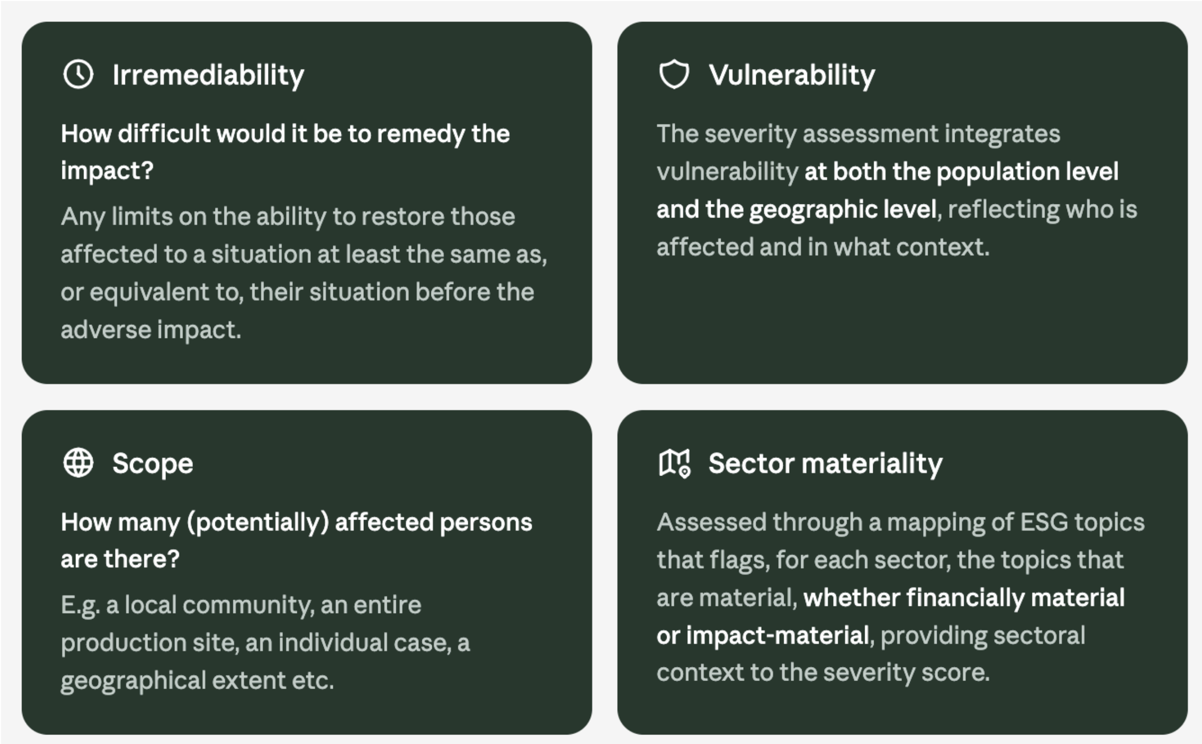


Figure 2: Severity score, dimensions of impact gravity

The severity score draws on CSRD requirements, and human rights due diligence frameworks, which converge on a key principle: not all impacts are equal, and severity must be assessed based on the nature, scale, and reversibility of harm.

Scope, irremediability and vulnerability receive equal and predominant weight because they determine the gravity of the impacts. Materiality is assigned a lower weighting to provide sectoral context without outweighing the seriousness of the harm.

- **Status** reflects the stage of the controversy at the date of assessment, based on publicly available information, indicating whether the controversy is ongoing, partially resolved or concluded.

The three variables are combined using a predefined methodological decision matrix rather than an arithmetic average. This approach preserves the intended relationship between the variables, prevents a low level of accountability from offsetting a highly severe controversy, and ensures that critical dimensions of harm are not diluted by less material factors. The resulting controversy score is expressed on a four-level qualitative scale: **Low, Medium, High** or **Very High**[1].

Entity level rating.

The entity-level rating provides a consolidated assessment of a company's overall ESG controversy profile. It is derived by aggregating all controversy-level ratings associated with the entity, taking into account the severity, accountability, status and temporal

[1] For further information on the controversy-level rating methodology and ranking system, see Section 2.1(f) - Ranking system.

evolution of each controversy. The resulting rating serves as an indicator of the company's exposure to ESG controversy-related reputational issues based exclusively on documented public information[2].

c. Double materiality: how risk and impact materiality are taken into account

The methodology is predominantly based on impact materiality. Its principal variables, scope, irremediability and vulnerability, measure the severity of adverse impacts on people and the environment. The methodology also includes a lower-weighted materiality criterion, which assesses whether the controversy topic is material to the entity's sector under the double materiality framework. This criterion provides sector context and does not assess the financial impact of the controversy on the rated entity.

1.2. Scope and factors

a. E, S and G coverage and aggregation

Regulation (EU) 2024/3005, Annex III, point 1(g), (h) and point 2(a)(ii), (iii); RTS (EU) 2026/871, Art. 3(2).

The **AlphaYoda ESG Controversies Insights™** methodology produces a single aggregated ESG rating covering environmental, social and governance factors. It assesses documented ESG controversies arising from a company's operations, products, services, business relationships and governance practices. The methodology does not assess a single E, S or G factor in isolation.

In accordance with Article 23(3) of Regulation (EU) 2024/3005, AlphaYoda relies on the derogation permitting the provision of a single aggregated ESG rating. The methodology does not calculate separate Environmental, Social or Governance pillar scores and does not assign predefined weights to the E, S or G categories of factors. Instead, it weights controversies rather than ESG pillars.

This reflects the nature of ESG controversies. A single controversy frequently spans several sustainability dimensions simultaneously, for example environmental damage, human rights impacts and governance failures. Separating such events into independent E, S and G pillar scores would require arbitrary allocations of impacts across pillars and would not faithfully represent the underlying controversy. Instead, each controversy is assessed holistically using a single methodology and classified under its primary ESG topic within the AlphaYoda taxonomy.

Accordingly, the entity-level rating is derived by aggregating all controversy-level ratings, irrespective of whether they relate to environmental, social or governance matters. The contribution of each ESG factor therefore depends entirely on the company's observed controversy profile rather than on predefined pillar weightings.

[2] For further information on the entity-level rating methodology and ranking system, see Section 2(f) - Ranking system.

The methodology does not rely on environmental, social or governance key performance indicators (KPIs). Instead, each controversy is assessed using the same controversy-level scoring framework based on its severity, accountability and status, before being aggregated into a single entity-level ESG rating.

Results per E, S and G category. The methodology does not produce results per E, S or G category: every controversy is assessed under the same variables and rules, and the entity-level score aggregates the resulting controversy scores irrespective of the factor concerned. Comparability of the E, S and G categories is ensured by this single assessment framework: identical facts yield identical results whether they concern environmental, social or governance matters. A decomposition of the entity-level score per category would require arbitrary allocations, as a single controversy frequently spans several sustainability dimensions, and would misrepresent the methodology.

b. Specific issues covered

Regulation (EU) 2024/3005, Annex III, point 1(i); RTS (EU) 2026/871, Art. 3(2).

The AlphaYoda ESG controversy taxonomy is structured around the European Sustainability Reporting Standards (ESRS). The ESRS were selected as the foundation of the taxonomy because they provide a publicly available, independently developed and internationally recognised framework for classifying sustainability matters, thereby avoiding reliance on a purely proprietary classification system and improving the interpretability and comparability of ESG controversy assessments.

The taxonomy comprises 111 ESG topics covering environmental, social and governance matters. Of these, 100 are directly aligned with ESRS topics or sub-topics, while the remaining 11 are additional governance topics introduced by AlphaYoda to provide more granular coverage of governance-related controversy types not explicitly distinguished within the ESRS framework.

Table 1: ESG Topics covered by the methodology

ESG factor	ESRS correspondence
Environmental	ESRS E1–E5
Social	ESRS S1–S4
Governance	ESRS G1 + additional governance and operational controversy topics

Use of the taxonomy.

Each controversy is classified under one or more ESG topics. Because a single controversy may involve several sustainability matters, multiple topics may be assigned to the same event.

Interoperability.

To facilitate interoperability with widely used sustainability frameworks, each topic is mapped to the:

- European Sustainability Reporting Standards (ESRS);
- UNEP FI Impact Radar;
- Sustainable Development Goals (SDGs);
- Global Reporting Initiative (GRI);
- Sustainable Finance Disclosure Regulation (SFDR); and
- Sustainability Accounting Standards Board (SASB).

Governance and review.

The taxonomy and its mappings are reviewed at least annually and may also be updated on an ad hoc basis when required. Reviews may be triggered by:

- amendments to the ESRS or CSRD framework;
- changes to other reference frameworks used for mapping (e.g. GRI, SASB or the SDGs);
- new European sustainability legislation; or
- the emergence of new controversy types that are not adequately captured by the existing taxonomy.

1.3. International agreements

Regulation (EU) 2024/3005, Annex III, point 1(o), (p) and point 2(a)(viii); RTS (EU) 2026/871, Art. 3(3).

a. Paris Agreement and other international agreements considered

Paris agreement and other international agreements (E factor).
The AlphaYoda ESG rating does not assess a company's alignment with the objectives or targets of the Paris Agreement, the EU Taxonomy Regulation (EU) 2020/852, or any other international agreement. Although the rating covers environmental controversies, it measures only the severity of documented adverse environmental impacts and the company's accountability for those impacts. It assesses business conduct rather than climate transition strategies, emissions trajectories, Taxonomy alignment or other measures of alignment with international sustainability objectives.

Other international agreements (S and G factors).
These international instruments, including the Universal Declaration of Human Rights (UDHR), the UN Global Compact, the UN Guiding Principles on Business and Human Rights (UNGPs), the International Labour Organization (ILO) Conventions and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, serve three

methodological purposes. First, they provide the normative basis for determining whether documented conduct constitutes a responsible business conduct issue. Second, they inform the ESG topics covered by the methodology. Third, they inform the assessment of controversy severity, particularly through the evaluation of stakeholder vulnerability and the irremediability of adverse impacts.

b. Alignment against those agreements

An alignment assessment evaluates whether a company's commitments or targets are consistent with the objectives of an international agreement (e.g. the Paris Agreement).

By contrast, the AlphaYoda ESG rating does not measure alignment. It assesses the severity of documented ESG controversies, using internationally recognised standards as the normative basis for identifying adverse impacts and assessing their severity and the company's accountability.

2. General methodological disclosures

2.1. Overview of the methodology and changes

Regulation (EU) 2024/3005, Annex III, point 1(a); RTS (EU) 2026/871, Art. 4(1).

a. Title of the methodology

AlphaYoda Controversy Score Methodology V1.

b. Type of rated items

AlphaYoda ESG Controversies Insights™ rates companies (legal persons), whether publicly listed or privately held, across all sectors and jurisdictions.

c. Time horizon over which the score is valid

Regulation (EU) 2024/3005, Annex III, point 1(a), point 2(f); RTS (EU) 2026/871, Art. 4(1).

The ESG rating is a backward-looking, evidence-based assessment of documented ESG controversies. Rather than being valid for a fixed period, it remains current by incorporating the most recent publicly available information and is updated whenever new information becomes available.

The ESG rating is updated through two mechanisms:

Event-driven updates.
The rating is updated whenever new material public information affecting a controversy is identified through the event-driven update process. Such information is assessed in accordance with the published methodology. If the assessment changes one or more scored attributes (such as accountability, topics, severity or resolution status), the

affected controversy- and entity-level ratings are updated without undue delay; otherwise, the existing ratings remain unchanged.

Periodic updates.
In the absence of new developments, the rating is reviewed and refreshed on a regular basis, by default every three months, to align with standard reporting cycles.

Evolution of controversy weights.
The contribution of each controversy to the overall ESG rating changes over time. Once a controversy is resolved, its weight gradually decreases according to a logarithmic decay function calibrated to its severity and resolution status. This reflects the principle that the impact of resolved controversies generally diminishes over time while potentially remaining material for the most severe cases. Unresolved controversies retain their full weight until they are resolved.

Rating validity.
The ESG rating has no fixed validity period. It remains the current assessment until it is superseded by either a qualifying event-driven update or the next scheduled periodic update.

d. Supporting models and key assumptions

AlphaYoda's ESG ratings are produced through a **three-stage pipeline that transforms publicly available information into entity-level scores.** Each stage relies on its own supporting models and rests on its own key assumptions.

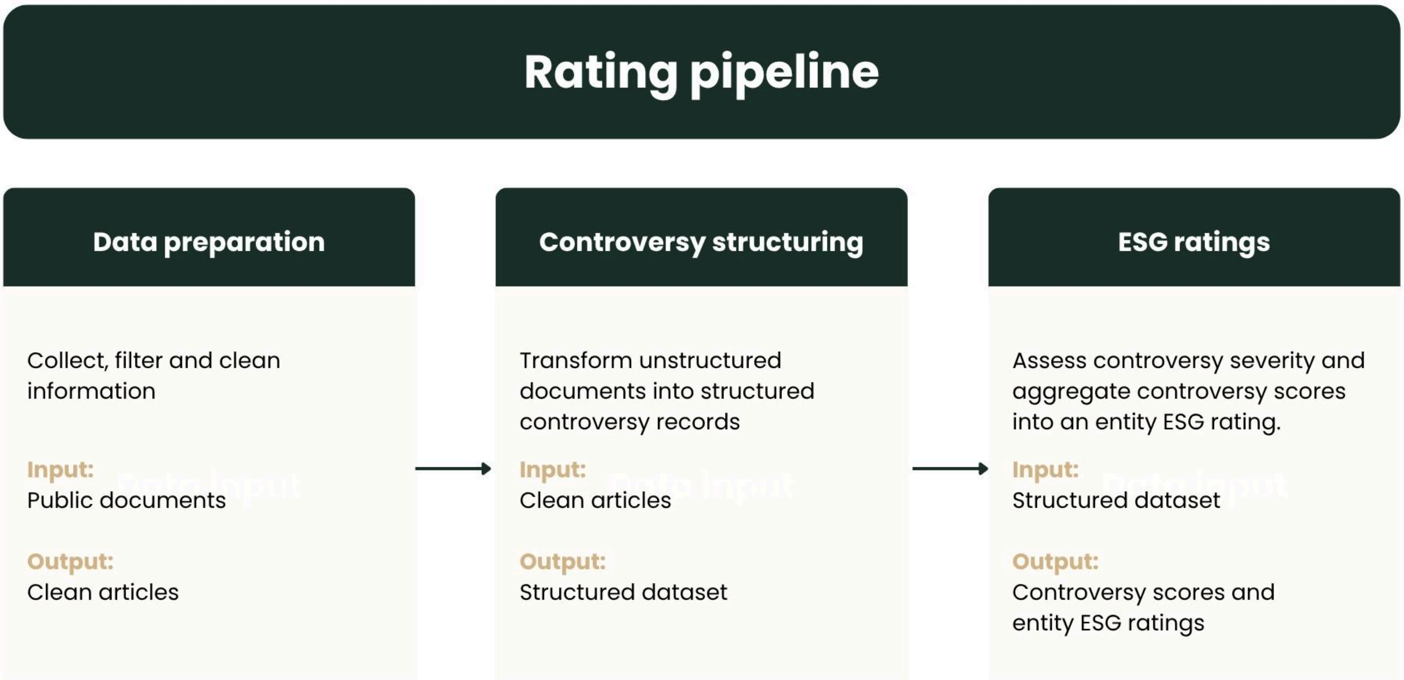


Figure 3: AlphaYoda ESG rating process

Supporting model.

The rating relies on the following supporting models and systems.

Stage	Supporting model	Purpose
Data preparation	Source filtering	Screens collected documents using predefined quality criteria, retaining relevant news sources while excluding blacklisted, satirical and other non-eligible sources.
	Deduplication model	Identifies and groups duplicate or near-duplicate articles reporting the same event, retaining a single representative document for subsequent processing.
	Source quality model	Evaluates the relative quality of each article using source reliability indicators and selects the most representative article within each duplicate group.
Controversy structuring	Article and event clustering model	Groups semantically similar articles into events and related events into controversy cycles using semantic similarity and temporal proximity.
	Company matching model	Associates documents with the correct rated entity using entity matching followed by language-model disambiguation for ambiguous company names.
	Controversy detection model	Determines whether an event constitutes a controversy and whether the rated entity is responsible based on predefined controversy criteria.
	Qualification model	Extracts and classifies the controversy's structured attributes, including topics, event type, stakeholders, accountability and geographic scope, using language models and rule-based classification.
ESG ratings	Controversy-scoring mapping model	Combines the three core variables, accountability, severity and resolution status[3], into a controversy-level result through a predefined rules-based mapping (not a simple average), preventing low values on one variable from mechanically offsetting severe values on another.
	Severity aggregation model	Combines the severity sub-variables into a single severity assessment: scope, irremediability and vulnerability carry predominant and equal weight; materiality enters at reduced weight (one-third of the materiality term).

[3] For further details, see Section 1.1(b), Impacts covered.

Entity-level aggregation model	Aggregates a company's decayed controversy scores over the applicable observation window into a single 0–100 score, expressed as an AAA–D grade.
Geographical -vulnerability model	Assigns a country–topic vulnerability level from a proprietary database built on 30+ internationally recognised sources covering 193 states and all taxonomy topics, with defined proxy and estimation rules for missing data.

Key assumptions.

Stage	Key assumption
Data preparation	• Publicly available information provides a sufficient basis for identifying and characterising controversies. • The rating covers only controversies reported in the public news sources AlphaYoda monitors; the absence of a rating does not mean the absence of a controversy. • Source reliability and editorial neutrality can be reasonably assessed from source characteristics, and are taken into account when selecting the article used to represent a controversy. • Identifies and groups duplicate or near-duplicate articles reporting the same event, retaining a single representative document for subsequent processing.
Data structuring	• Semantically similar documents referring to the same company and occurring within a relevant timeframe relate to the same underlying event. • The structured attributes extracted from public information accurately characterise the controversy for rating purposes. • The scored attributes (topic, event type, stakeholders, accountability) can be reliably inferred by model against fixed, versioned taxonomies, rather than hand-coded. • All processing is normalised to English; non-English facts are machine-translated, which may introduce loss.
ESG ratings	• Severity is driven by the gravity of the impact itself (scope, irremediability, vulnerability predominant); sector materiality only contextualises it, at a lower weight.

- Potential impacts are assessed on the same basis as actual impacts, with no separate likelihood variable, a deliberately conservative choice.

- Where several countries are affected, the highest applicable vulnerability level is retained; where the location is unidentified, the entity's headquarters country is used as a proxy.

- The score is derived through a predefined mapping rather than an arithmetic average, so a low accountability cannot offset a severe impact.

- Accountability is assumed 'unknown' until the evidence supports a higher level, rather than being inferred.

- The effect of a resolved controversy is assumed to diminish logarithmically, steepest initial decline, flattening over time, small residual for severe cases, while ongoing controversies are assumed to retain full weight until resolved.

e. Measures ensuring data quality and reliability

Regulation (EU) 2024/3005, Annex III, point 2(b)(iv); RTS (EU) 2026/871, Art. 4(1).

The three stages described above incorporate controls designed to ensure the quality and reliability of source data, the reliability of automated processing and the quality and consistency of the resulting ESG ratings.

Data preparation: ensuring the quality and reliability of source data.

- **Source eligibility:** Information is collected exclusively from eligible public news sources. Non-news, blacklisted, satirical and unreliable sources are excluded.
- **Deduplication**: Duplicate and near-duplicate articles are grouped so that the same event is represented only once.
- **Source reliability;** Each source carries a trust score, so that source reliability is assessed and taken into account in selecting the article used to represent a controversy.

Controversy structuring: quality and reliability of automated processing.

- **Event grouping:** documents are grouped into events using both semantic similarity and temporal proximity. Requiring both signals reduces the risk of incorrectly grouping unrelated documents.
- **Company association:** events are attributed only after a disambiguation step confirms that they relate to the correct company where entities share the same or similar names.
- **Controversy identification:** articles and events pass through successive classification stages before being recognised as controversies. Initial candidates are first screened at article level and then re-assessed at consolidated event level using predefined criteria supervised by AlphaYoda's methodology experts.
- **Structured classification:** topics, event types, stakeholders and accountability are assigned using version-controlled taxonomies and version-controlled inference prompts to ensure consistent and reproducible classifications.
- **Sources:** All sources underlying a controversy are retained and remain available, ensuring each rating is traceable back to the documents it rests on.

Quality assurance is performed at two levels:

- **Continuous review.** The pipeline automatically flags borderline cases for review by AlphaYoda's methodology experts. These cases are confirmed or re-evaluated based on the available evidence and context. Where necessary, decisions are validated by multiple reviewers, and corrections are reflected in the platform without delay.
- **Periodic performance evaluation.** On a monthly basis, the methodology is evaluated against human-annotated reference datasets, which are continuously enriched with previously identified edge cases. Classification performance is measured using precision and recall to monitor and improve the quality of the system.

All quality assurance decisions are documented, retained and incorporated into the human-annotated reference datasets used for future model training, validation and methodology improvements.

ESG rating: ensuring rating quality and consistency.

- **Regular quality monitoring**: representative samples of rated controversies are reviewed on a regular basis to verify the consistency and accuracy of the ratings.
- **Quality measurement**: rating quality is monitored using predefined quality metrics to identify potential deviations or areas for improvement.
- **Expert review**: ratings identified as borderline or potentially inconsistent are escalated to AlphaYoda's methodology experts for confirmation or re-evaluation.

Remediation.

Where a quality issue is identified, through automated controls, expert review, periodic evaluation or a reported factual error, it is escalated to AlphaYoda's methodology experts. The affected records are reviewed against the underlying public sources and the applicable methodology. Where an issue is confirmed, corrections are implemented without undue delay, propagated to all affected controversy, and entity-level ratings, documented in the quality assurance records and incorporated into the reference datasets used for future validation, model improvement and methodology development.

f. Ranking system

Regulation (EU) 2024/3005, Annex III, point 1(j); RTS (EU) 2026/871, Art. 4(1).

ESG Controversies Insights™ produces two distinct ratings: a **controversy-level rating**, which assesses the intrinsic risk of a single identified ESG controversy, and an **entity-level rating**, which aggregates a company's controversies into an overall measure of its ESG controversy-risk exposure.

The two ratings use different scales, described separately below.

Controversy-level rating.

Rating scale : The controversy rating is expressed on a four-level ordinal qualitative scale, **low, medium, high, very high** ordered by increasing risk, such that a higher level denotes greater risk.

The rating measures the intrinsic level of reputational exposure generated by a single, specifically identified ESG controversy. It is produced by a rules-based mapping of three variables : the degree of accountability attributable to the company, the severity of the actual or potential impacts, and the resolution status of the controversy, rather than by a simple average of sub-criteria[4].

[4] For further details, see Section 1 (*Rating Product Disclosures*), under *Impacts Covered*.

Table 2: Controversy rating scale definitions

Scale	Definition
Low	Low attributable responsibility and/or low-severity, largely reversible impacts; typically minor incidents.
Medium	Moderate exposure: partial attributable responsibility with impacts of intermediate scale and reversibility.
High	Significant exposure: material attributable responsibility combined with severe or difficult-to-remediate impacts.
Very high	Critical exposure: high attributable responsibility combined with severe, wide-scope and/or irremediable harm.

Absolute or relative : In accordance with Annex III, point (j), the ESG rating is an absolute rating. Each controversy is assessed solely on its own documented facts, independently of the company's overall ESG profile and without ranking against, or normalisation to, any peer group, sector or benchmark distribution. Identical facts yield an identical rating for any company; the scale is therefore comparable across companies, sectors and geographies without being a relative measure.

Entity-level rating.

Rating scale : The Entity Reputational Score expressed on a 0–100 numerical scale, converted into ten letter grades from AAA to D. The scale is inverse: a lower numerical score denotes higher risk exposure, and AAA denotes the lowest risk.

The rating measures a company's aggregate exposure to ESG controversy risk, derived exclusively from the company's own documented controversies, and their management (resolution status), with the weight of resolved controversies decaying over time.

Table 3: Entity rating scale definitions

Grade	Score	Exposure profile
AAA	90–100	**Low exposure** Low frequency of controversies, predominantly low severity, and/or consistent remediation with documented resolution outcomes.
AA	80–89	
A	70–79	**Moderate exposure** Controversies present but generally contained or progressing toward resolution.
BBB	60–69	
BB	50–59	**Elevated exposure** Recurring or unresolved controversies of meaningful severity.
B	40–49	
CCC	30–39	
CC	20–29	**High to critical exposure** At the lower bound (D), multiple severe controversies with prolonged stakeholder impacts and no evidence of remediation.
C	10–19	
D	0–9	

Absolute or relative : In accordance with Annex III, point (j), the entity rating is an absolute measure of risk.

The score for each company depends solely on its own controversy track record and management response; it is computed from that company's own controversy scores, with no normalisation to, or ranking against, any peer group, sector or benchmark distribution. The rating supports comparison across companies because it is constructed identically and independently for each entity.

g. Date of the last methodology update and description of the changes introduced

July 2026: Initial publication of the methodology.

No changes have been introduced since publication.

2.2. Industry classification

Regulation (EU) 2024/3005, Annex III, point 1(b); RTS (EU) 2026/871, Art. 4(2).

a. Issuing body of the classification

AlphaYoda uses two industry classification systems.

AlphaYoda uses the **Industry Classification Benchmark (ICB)** developed by FTSE Russell to classify rated companies according to their primary economic activity. The ICB taxonomy is structured hierarchically into 11 Industries, 20 Supersectors, 45 Sectors, and 173 Subsectors.

AlphaYoda additionally uses the NACE classification (Statistical Classification of Economic Activities in the European Community), issued by Eurostat (European Commission), for alignment with the sustainability-reporting framework. It is a four-level hierarchical system that breaks down the entire economy from broad activity sectors down to specific work types using a combination of letters and numbers.

b. Name and version of the classification

The methodology uses the **ICB, Version 5.0 (March 2026),** for industry classification and the **NACE, Revision 2.1** adopted by the European Commission in October 2022, which is the version applicable to European statistics for economic activities carried out from 2025 onward.

c. Link to the official documentation

- Official documentation is available on the FTSE Russell website: Industry Classification Benchmark (ICB).
- Official documentation is available on the Eurostat website: Vue d'ensemble - NACE Rév. 2.1 - Eurostat

2.3. Data sources and engagement process

Data sources.

Regulation (EU) 2024/3005, Annex III, point 1(c); RTS (EU) 2026/871, Art. 4(3).

The ESG rating is based exclusively on publicly available information. Data sources include international, national, regional and local news media, specialist publications, regulatory and supervisory authorities, courts and legal proceedings, government publications, international organisations, NGOs, company disclosures and official company communications, and publicly available research and expert reports.

AlphaYoda does not use confidential, non-public or privileged information in the rating process.

Where relevant, publicly available sustainability statements prepared under Directive 2013/34/EU (CSRD/ESRS) and other corporate disclosures may be used as supporting contextual information. The methodology does not rely on information disclosed under Regulation (EU) 2019/2088 (SFDR) as an input for determining ESG ratings.

Public information sources are monitored and processed on a continuous basis. New eligible public documents are collected, filtered, deduplicated and incorporated into the structured controversy dataset at least every 24 hours. Structured attributes, including the company, controversy topic, stakeholders, accountability and geographic scope, are extracted and validated before being used in the rating methodology.

Where newly collected information gives rise to a qualifying controversy or materially changes an existing controversy, it is assessed through the event-driven update process described in Section 2.1(c) – *Time horizon over which the score is valid.*

The methodology seeks to minimise the use of estimated data. Where required because information is unavailable, predefined estimation rules or proxy reference points are applied consistently and documented within the methodology. For further details, see Section 3 – *Limitations in data sources, methodologies and information*, subsection *(c) Use of assumptions, proxy reference points and data estimation*.

Engagement process with rated items.
Regulation (EU) 2024/3005, Annex III, point 2(c), (d); RTS (EU) 2026/871, Art. 4(3).

All ESG ratings issued by AlphaYoda are unsolicited. Rated entities do not commission or pay for the production of an ESG rating, and they do not participate in the rating process.

As a small ESG rating provider operating under the temporary regime established by Article 5 of Regulation (EU) 2024/3005, AlphaYoda is subject *within Article 15, only to paragraphs (1), (5) and (7)* of the Regulation and is therefore not subject to the prior notification requirement set out in Article 15(12). Accordingly, rated entities and related third parties are not informed in advance that they will be rated. They do not participate in the rating process, and AlphaYoda does not request or rely on access to management, confidential, non-public or privileged information, or internal documents of rated entities or related third parties. ESG ratings are based exclusively on publicly available information.

Following publication, rated entities may report suspected factual errors through AlphaYoda's documented factual error process (regulation@alphayoda.com). All submissions are reviewed by AlphaYoda's methodology experts against the underlying public sources and the applicable methodology. Where a factual error is confirmed, the rating is corrected without undue delay and the changes are reflected on the platform.

The engagement process is strictly limited to verifying the factual basis of the rating. It does not permit rated entities or related third parties to influence the methodology, the scoring criteria or their independent application, all of which remain under AlphaYoda's sole editorial and analytical responsibility. AlphaYoda does not conduct on-site reviews or visits of rated entities as part of its ESG rating process.

2.4. Scientific evidence

Regulation (EU) 2024/3005, Annex III, point 1(e) and point 2(a)(i); RTS (EU) 2026/871, Art. 4(4).

Scientific evidence is used only where it provides an established theoretical or empirical basis for a methodological component of the ESG rating methodology. AlphaYoda identifies relevant scientific evidence through a targeted review of peer-reviewed academic literature in disciplines directly related to the methodological question under consideration (e.g. crisis communication, corporate reputation, business conduct, financial markets and responsible business conduct). Publications are selected based on their relevance to the methodological component, scientific quality, and acceptance within the academic literature.

Scientific evidence is relied upon on a limited and targeted basis. The accountability variable is theoretically grounded in peer-reviewed research on Situational Crisis Communication Theory (SCCT) (Coombs, 2007).

The assumptions on which the ratings are based are set out in *Section 2.1(d) – Supporting Models and Key Assumptions.*

2.5. Use of artificial intelligence

Regulation (EU) 2024/3005, Annex III, point 1(k) and point 2(e).

AlphaYoda uses artificial intelligence to support specific stages of the rating process by transforming unstructured public information into structured factual data. AI assists with information extraction, organisation and classification but does not assign ESG ratings or make rating decisions. The final rating is calculated exclusively using AlphaYoda's documented, rule-based methodology.

AI is used for the following tasks:

- Event detection and company association: Large Language Models (LLMs), Named Entity Recognition (NER) and semantic similarity models identify corporate events, generate factual summaries, group related documents referring to the same event, and associate events with the relevant company.
- Controversy identification: AI classifies whether a corporate event meets AlphaYoda's documented definition of an ESG controversy and whether sufficient evidence exists for further assessment.
- Factual information extraction: For validated controversies, AI extracts and structures the information required by the methodology, including dates, locations, affected stakeholders, ESG topics, company responses, accountability indicators and other factual attributes.

Artificial intelligence is not used to determine controversy severity, assign responsibility, apply methodological weightings, or calculate the final ESG controversy rating. These assessments are performed exclusively through AlphaYoda's predefined scoring methodology and rule-based aggregation process.

For further details on AI and model limitations, see Section 3 – *Limitations in Data Sources, Methodologies and Information* and Section 5.2 – *Potential Shortcomings of Statistical or Algorithmic Systems*.

3. Limitations in data sources, methodologies and information

Regulation (EU) 2024/3005, Annex III, point 1(m), (q) and point 2(b)(ii), (v); RTS (EU) 2026/871, Art. 5.

a. Availability or consistency of the data used in the rating process

Access and availability of information.

The methodology relies exclusively on publicly available information collected from eligible news sources and other publicly accessible documents. Accordingly, a controversy that is not reported in the sources monitored by AlphaYoda cannot be detected or rated. The absence of a rating should therefore not be interpreted as evidence that no controversy exists.

Language coverage is finite.

The methodology relies on multilingual monitoring of publicly available sources. However, the availability of relevant information differs across languages and jurisdictions. Where ESG-related reporting is primarily published in languages or media ecosystems with more limited coverage, controversy detection may be less complete, potentially leading to an underrepresentation of controversy exposure.

Size bias.

This is a structural property of the detection mechanism: because detection depends on public reporting, and reporting volume rises with company size, larger and more visible companies generate more controversy signals. Smaller companies may therefore accumulate undetected issues, producing systematic under-estimation of their exposure rather than a true clean record. AlphaYoda mitigates this limitation by monitoring local, regional and specialist publications in addition to major international media. Nevertheless, differences in public visibility between companies cannot be fully eliminated.

Geographic bias.[5]

The detection of ESG controversies depends on the availability of publicly reported information and is therefore subject to structural geographic and linguistic biases. Companies operating in countries or languages with limited media coverage may be less likely to have controversies identified than companies operating in regions with mature and highly accessible news ecosystems.

AlphaYoda mitigates this limitation by continuously expanding its multilingual coverage and monitoring both international media and local and regional news sources, including smaller publications that are often underrepresented in commercial datasets. While these measures significantly improve global coverage, they cannot fully offset structural disparities in the availability and visibility of public information across jurisdictions. In addition, AlphaYoda has developed an Opacity score, which measures the degree to which an entity's controversy risk may be structurally under-observed due to limited public disclosure and the transparency of its operating environment. This indicator helps identify situations where a low level of detected controversies may reflect limited information availability rather than a genuinely lower level of ESG risk.

b. Completeness, timeliness and accuracy of the information

Completeness.

No single source gives the full picture; multiple sources are aggregated per event, but exhaustive coverage cannot be guaranteed. Absence in the dataset does not prove absence in reality.

Timeliness.

A controversy's public record evolves over time. Public sources are monitored every 24 hours, and ratings are updated when material new information becomes available.

Accuracy.

Public sources vary in reliability. The information environment includes fake, fabricated, satirical and deliberately manipulated content, as well as rumour that appears credible simply because many outlets repeat it.

AlphaYoda applies several controls to improve the reliability and quality of the information used in the rating process:

Source eligibility: Information is collected only from publicly available sources that meet predefined eligibility criteria. Sources identified as fake, satirical or otherwise unreliable are excluded, while eligible sources are assigned a trust score based on predefined quality criteria before being used in the rating process.

Source quality and trust scoring: All eligible sources are evaluated using a documented trust scoring framework based on factors such as editorial standards, institutional

[5] Barkemeyer, R., Revelli, C., & Douaud, A. (2023). Selection bias in ESG controversies as a risk for sustainable investors. Journal of Cleaner Production, 405, 137035. https://doi.org/10.1016/j.jclepro.2023.137035

credibility, historical reliability and independent third-party credibility assessments, complemented by internal review where appropriate.

Source diversification: Controversies are reconstructed using a broad range of source types, including international, national and local news media, NGOs, regulatory authorities, courts and official communications, to reduce dependence on any single source or editorial perspective.

De-duplication: Duplicate and near-duplicate publications are consolidated before analysis to prevent repeated reporting of the same event from artificially increasing the perceived significance of a controversy.

c. Use of assumptions, proxy reference points and data estimation

Geographic vulnerability estimation.
Where a direct country-level indicator for the geographic vulnerability component is unavailable, the methodology applies predefined proxy reference points or correlation-based estimation using conceptually related indicators or countries with comparable structural characteristics. These estimation rules are documented and applied consistently.

Geographic scope estimation.
Where the precise geographical extent of a controversy cannot be established from the available evidence, the methodology applies predefined estimation rules to determine the most appropriate geographic scope. For example, where individual affected sites cannot be reliably identified but the controversy clearly concerns operations within a single country, the geographic scope is conservatively classified at the national level.

Conservative treatment of incomplete information.
Where the available evidence is insufficient to determine a controversy attribute with confidence, the methodology applies predefined conservative assumptions rather than inferring a more severe outcome. For example, company accountability remains classified as **Unknown** until sufficient evidence supports attribution to another accountability category. The same conservative approach applies to other qualitative attributes, including severity, affected stakeholders and ESG topic classification.

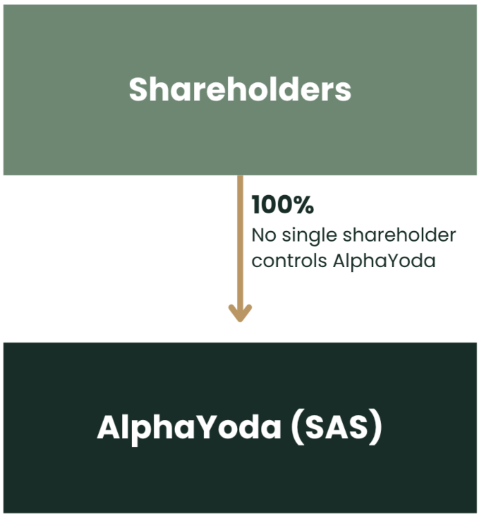
No use of industry averages.
The methodology does not use industry averages to estimate missing values. Where information is unavailable, the predefined estimation rules, proxy reference points and conservative assumptions described above are applied instead of substituting sector-average values.

4. Organisational disclosures

4.1. Ownership structure

Regulation (EU) 2024/3005, Annex III, point 1(d); RTS (EU) 2026/871, Art. 6(1).

AlphaYoda is a *société par actions simplifiée* (SAS) incorporated in Metz (France). Its share capital is held by its founders and by a group of private investors. No single shareholder controls AlphaYoda.



AlphaYoda has no parent undertaking and no subsidiaries. Accordingly, no entity within its ownership structure performs any of the activities listed in Article 16(1) or other services referred to in Article 16(6) of Regulation (EU) 2024/3005.

4.2. Fees and business model

Regulation (EU) 2024/3005, Annex III, point 1(l); RTS (EU) 2026/871, Art. 6(2).

a. Fee criteria

AlphaYoda is committed to ensuring the independence, integrity and objectivity of its ESG rating activities. In accordance with Article 27 of the Regulation, fees for ESG ratings are fair, reasonable, transparent and non-discriminatory. Subscription fees are determined using objective, predefined commercial criteria, including the number of users, the scope of entity coverage and the products or modules selected. Fees are never linked to the outcome or content of an ESG rating and therefore cannot influence the rating process.

The principles set out below give effect to this commitment:

Table 4: AlphaYoda pricing principles

Pricing principle	Application
Fairness	Pricing is determined using the same objective and documented commercial criteria for all clients. Differences in price reflect only differences in the scope of services or other predefined commercial criteria.
Reasonableness	Prices reflect both the value provided to clients and AlphaYoda's costs of delivering the service, taking into account comparable market offerings.
Transparency	The pricing methodology, including the parameters used to determine fees, is documented. AlphaYoda can explain the basis of its pricing to clients upon request.
Non-discrimination	Prices are determined solely by objective commercial criteria, such as the scope of services, coverage, usage, service level and contractual terms. Comparable clients purchasing comparable services are offered comparable pricing.
Traceability	Commercial proposals, pricing decisions and approved deviations from standard pricing are documented and retained to ensure a complete audit trail.
Independence from ESG ratings	Prices, discounts and other commercial terms are determined independently of the content, outcome or evolution of any ESG rating. No commercial advantage is linked to a rating result.
Separation of business models	User-paid and issuer-paid activities are managed as separate business lines. Their pricing, commercial decisions and revenues are tracked independently.

b. Business model

Table 5: AlphaYoda business models and current revenue distribution

Business model	Description	Current significance
User-paid (Investors segment)	Subscription fees are paid by investors and other professional users who access AlphaYoda's ESG ratings and related products for investment decisions, portfolio analysis and other professional purposes.	Primary business model.
Issuer-paid (Companies segment)	Subscription fees are paid by rated entities seeking access to AlphaYoda's ESG rating services. The methodology, rating process and governance are identical to those applied under the user-paid model.	Currently represents **less than 2%** of AlphaYoda's annual revenue.

Subscribers may select the entities they wish to monitor. This only determines the coverage of the subscription and does not affect the methodology, the rating process or the resulting ESG ratings. Such requests are not considered solicited ESG ratings.

c. Revenue by business model

AlphaYoda's ratings are sold on a subscription basis, priced on the objective parameters described above (user base, entity universe monitored and modules activated).

Over 98% of the revenue tied to its regulated ESG rating activity comes from the user-paid model, and under 2% from the issuer-paid model.

d. Other services and fee independence

In addition to its ESG rating activities, AlphaYoda offers AlphaYoda ESG Financial Impact™ as a separate, unregulated data analytics product. Fees for this product are determined independently, on the same category of objective parameters used for the subscription products (such as the number of users, the number of monitored entities and the modules selected), and are not bundled with, nor contingent upon, the regulated ESG rating.

As a result, the fees charged for AlphaYoda ESG Financial Impact™ play no part in setting the fees for the regulated ESG rating, and no advantage on either offering is conditioned on the other (RTS Art. 6(2)(d)).

Where a subscription includes both regulated ESG rating activities and unregulated products, AlphaYoda allocates the corresponding revenue between the two using a documented methodology.

e. Governance

The Chief Executive Officer, Axel Bonaldo, is responsible for approving and overseeing this pricing policy. The policy is reviewed at least annually, and whenever necessary, to ensure that it remains consistent with AlphaYoda's cost structure, commercial strategy and applicable regulatory requirements. All records relating to the pricing policy and its application are retained in accordance with AlphaYoda's record retention policy.

4.3. Conflict of interest

Regulation (EU) 2024/3005, Annex III, point 1(n); RTS (EU) 2026/871, Art. 6(3).

AlphaYoda has established a governance framework to identify, prevent, manage and monitor conflicts of interest that may affect the independence or accuracy of its ESG rating activities. Oversight of this framework is the responsibility of the Chief Compliance Officer, who supervises the implementation of the Company's independence and due diligence policies, reviews actual and potential conflicts of interest, determines appropriate mitigation measures, and maintains the relevant registers.

As a small ESG rating provider subject to the transitional regime under Regulation (EU) 2024/3005, AlphaYoda has adopted dedicated policies pursuant to Article 15(1) and Article 15(5) of the Regulation. The Independence Policy implements Article 15(1) by ensuring that ESG rating activities remain independent from political and economic influences or constraints. The Internal Due Diligence Policy implements Article 15(5) by establishing governance, procedures and controls to ensure that the Company's business interests do not impair the independence or accuracy of its ESG rating activities. The principal sources of potential conflicts of interest and the corresponding mitigation measures are summarised below.

Ownership structure: As previously mentioned, AlphaYoda's shareholders do not include any rated entity, issuer of rated items or other person whose ownership interest could give rise to a conflict of interest with the ESG rating activity. No shareholder exercises control or undue influence over the preparation, methodology or outcome of ESG ratings.

Mitigation: No shareholder is a rated entity, an issuer of rated items, or otherwise has an ownership interest giving rise to a conflict of interest. Shareholders do not participate in, direct or influence the methodology, analytical process or individual ESG ratings.

Issuer-paid or client relationships: A paying client or rated entity could seek preferential treatment or influence rating outcomes.

Mitigation: Fees are independent of rating outcomes. No client may negotiate or influence a rating. Only factual errors may be corrected through a documented correction process.

Commercial activities: Commercial interests or client relationships could influence rating methodologies or individual ESG ratings.

Mitigation: Commercial and rating functions are separated. Commercial staff have no authority to modify methodologies, models, data sources or ratings. Any attempt to influence a rating for commercial reasons is documented, refused and reported to the Chief Compliance Officer.

Methodology and model development: Commercial or external interests could influence methodological changes.

Mitigation: All methodological changes require documented justification, independent review, approval by the ESG Research & Methodology function, oversight by the Chief Compliance Officer, version control and full traceability.

Personal interests of employees: Financial, personal or professional relationships with rated entities.

Mitigation: Annual conflict of interest declarations, ad hoc updates, mandatory recusal where independence could reasonably be questioned, and oversight by the Chief Compliance Officer.

5. Specific methodological disclosures

5.1. Collection of non-public data

Regulation (EU) 2024/3005, Annex III, point 2(b)(i); RTS (EU) 2026/871, Art. 7(1).

AlphaYoda's ESG ratings are based exclusively on publicly available information. AlphaYoda does not collect or use non-public data in the production of its ESG ratings.

Public vs. non-public data.
AlphaYoda's ESG ratings are based exclusively on publicly available information. Sources include international, national and local news media, NGO reports, court decisions and legal proceedings, company press releases and official corporate communications, regulatory and supervisory authorities, government and public authorities, international organisations, and expert reports and research publications. AlphaYoda does not collect or use non-public, confidential or privileged information in the production of its ESG ratings.

Assurance.
AlphaYoda does not commission or perform an external assurance engagement over the public information used in its ESG ratings. Where possible, AlphaYoda cross-checks information across multiple public sources before it is used in the rating process.

Use of sustainability reporting disclosures.
AlphaYoda's ESG ratings are event- and conduct-based and are not constructed from sustainability statements prepared under Articles 19a or 29b of Directive 2013/34/EU (including ESRS disclosures), nor from disclosures made under Regulation (EU) 2020/852 (Taxonomy Regulation) or Regulation (EU) 2019/2088 (SFDR). Where such disclosures are publicly available, they may be considered as one source of factual information alongside other public sources. They are neither mandatory inputs nor primary determinants of the ESG rating.

Transition plans.
AlphaYoda does not use companies' transition plans, emissions trajectories or other forward-looking climate commitments as inputs to its ESG ratings. Where publicly available, such information may be reviewed solely to provide factual context for a controversy but does not influence the assessment or rating outcome.

5.2. Any potential shortcomings relating to the use of pre-established statistical or algorithmic systems or models in ESG measures.

Regulation (EU) 2024/3005, Annex III, point 2(a)(iv); RTS (EU) 2026/871, Art. 7(2).

Statistical and algorithmic systems are used to support certain stages of the ESG rating process. Their use is subject to inherent limitations, which are identified, monitored and mitigated through documented methodological controls and quality assurance procedures.

Machine translation: Automated translation may lose linguistic nuances or context, particularly for idiomatic expressions or complex legal terminology.

Entity association: Companies with similar or identical names may be incorrectly associated with an event.

Document clustering: Semantically similar but unrelated events may be grouped together, or related events may be split into separate clusters.

Controversy identification: Ambiguous reporting may lead to uncertainty as to whether an event constitutes an ESG controversy.

Attribute classification: Automated classification of topics, stakeholders or accountability may be affected by incomplete or ambiguous information.

6. Revision of data and methodologies

Regulation (EU) 2024/3005, Annex III, point 2(a)(v); RTS (EU) 2026/871, Art. 8(1).

6.1. Methodology review and change management

AlphaYoda reviews its rating methodology **at least annually** and whenever significant developments may affect the relevance, robustness or reliability of the methodology. Such developments may include regulatory changes, improvements to the underlying data model, enhancements to the scoring methodology, or evidence identified through internal quality assurance.

Methodology revisions are documented, version-controlled and approved by the ESG Research & Methodology function prior to implementation. Each new version includes a summary of the changes introduced and the date from which the revised methodology becomes effective.

a. Conditions that determine the need for a revision

A methodology review may be initiated when one or more of the following circumstances arise:

- changes in applicable laws, regulations or recognised international standards;
- identification of methodological limitations or inconsistencies through quality assurance activities;
- significant improvements to AlphaYoda's data collection, taxonomy or analytical models;
- recurring feedback received from clients or other relevant stakeholders;
- internal research demonstrating that methodological improvements would enhance the quality, consistency or transparency of the ratings.

b. Stakeholder consultation during revision

Where appropriate, AlphaYoda may consider feedback received from clients, subject matter experts, academic research or regulatory developments during the methodology review process. Such feedback is advisory only. All methodological decisions remain independent and are taken exclusively by AlphaYoda. Where a revision would materially affect published ratings, affected clients are informed.

c. Assessing the impact of a revision on existing ratings

Before a revised methodology is applied, AlphaYoda assesses its impact on existing ratings through the following steps:

- apply the revised methodology to a representative sample of existing ratings;
- compare the previous and revised ratings;
- measure the effect, including: the percentage of ratings changed; the average magnitude of change; the sectors most affected; and whether any issuers move to a different rating category;
- determine, on that basis, whether the revision is significant enough to warrant client communication and/or an update of published ratings.

The results of this assessment are retained and made available to clients on request.

Where a revision materially changes published ratings, affected clients, including where relevant at portfolio level, are notified of the change. AlphaYoda retains a history of scores so that previous and revised ratings can be compared, and provides this history to clients on request.

d. Criteria for what constitutes a material change to a methodology

A methodology change is considered material where it is reasonably expected to affect the outcome, interpretation or comparability of ESG ratings. This may include, for example, changes to the scoring or aggregation rules, the severity, accountability or status assessment framework, the topic taxonomy, or the data sources used in the rating process. Changes that do not affect rating outcomes, such as editorial, formatting or clarifying amendments, are considered non-material.

6.2. Version number of the methodology

Regulation (EU) 2024/3005, Annex III, point 2(a)(vii); RTS (EU) 2026/871, Art. 8(2).

The current methodology version is **V1.**

Each published methodology carries a version number and date. AlphaYoda maintains a change log recording, for each version, the date of the change and a description of the changes introduced relative to the previous version. The methodology version applicable to a given rating is recorded with that rating.

6.3. Data revision and quality assurance

Regulation (EU) 2024/3005, Annex III, point 2(b)(iii); RTS (EU) 2026/871, Art. 8(3).

When data or data processing are revised, AlphaYoda applies the following controls to ensure that revisions are accurate, consistent and traceable:

Version control.
All data revisions are documented, dated and version-controlled so that changes can be traced and previous versions can be retrieved where necessary.

Pre-deployment validation.
Before a revised data process is deployed, its outputs are tested on a representative sample of existing records to confirm that the revision performs as intended and does not introduce unintended effects.

Quality assurance.
Significant revisions are subject to an additional review before becoming effective to ensure that the revision has been correctly applied and documented.

Retention of historical versions.
Previous versions of data and ratings are retained to enable comparison, support the investigation of discrepancies and ensure the traceability of revisions over time.

Contacts

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