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# ESG Ratings Disclosures

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## Introduction

This document provides the disclosures required under the EU Environmental, Social and Governance (ESG) Ratings Regulation<sup>1</sup> and Sustainable Finance Disclosure Regulation (SFDR) for marketing materials that reference ESG ratings produced or used by L&G – Asset Management (L&G). The information below outlines the methodologies behind the ESG ratings in scope, how data is sourced and processed, and the key limitations and assumptions associated with ESG data and models. For the purposes of this disclosure, ‘ESG rating’ refers to an opinion, a score or a combination of both, regarding an entity, a financial instrument, a financial product or an undertaking’s ESG profile or characteristics, or exposure to ESG risks, based on an established methodology and using a defined ranking system. These disclosures are intended to provide transparency in relation to ESG ratings produced or used by L&G in connection with marketing communications with clients and other third parties. They should be read together with the relevant product and methodology materials. Where an ESG rating is produced internally by L&G and used as part of a regulated financial product or service, these disclosures are intended to explain the relevant methodology, data sources, assumptions and limitations in a transparent manner. These disclosures do not, of themselves, change the legal or regulatory status of any rating, product or service.

## ESG Ratings Methodologies in Scope

The following L&G ESG ratings are used in our marketing materials. These methodologies differ in scope, structure and intended use, but all are designed to support investment decision making by providing structured assessments of sustainability related characteristics. Each link provides detailed information on the purpose, design and calculation of the relevant rating:

- [L&G Temperature Alignment Methodology](#)
- [L&G ESG Scores Methodology](#)
- [L&G Sovereign Risk Scores Methodology](#)
- [L&G SDG Scores Methodology](#)

## Limitations to Methodologies and Data

ESG Data may rely on assumptions, forecasts, calculations, views or opinions of L&G or third-party providers. These may be based on current market conditions or expectations of future events. Given the evolving nature of ESG data, models and methodologies and the inherent uncertainty in forward looking assessments L&G cannot guarantee that ESG Data is always accurate, complete or suitable for the needs of any specific client or investor. As a result, ESG ratings should be understood as outputs of a specific analytical framework rather than definitive statements of fact.

Any opinions, calculations or forecasts do not guarantee future outcomes. External factors and data limitations may lead to differences between actual and calculated figures. Such limitations may include but are not limited to:

- unaudited third-party data;
- reliance on publicly disclosed information from investee companies, which may vary in quality;
- proprietary research processes used by third-party providers; and/or
- gaps in data availability and/or coverage.

Where ESG Data is sourced from external providers, their liability for such data may be limited and subject to legal terms.

L&G reviews relevant ESG rating methodologies periodically and may also update them following material changes in data availability, market practice, regulatory requirements, scientific developments, product design, or

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<sup>1</sup> Regulation (EU) 2024/3005 of the European Parliament and of the Council on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities, and amending Regulations (EU) 2019/2088 and (EU) 2023/2859



internal validation findings. Methodology changes may result in changes to current or historical ratings and may affect comparability over time.

### **Interpretation of ESG Ratings**

Each ESG rating reflects the output of a specific methodology applied to a defined set of data, assumptions and indicators at a given point in time. An ESG rating does not constitute a recommendation to buy, sell, hold or otherwise invest in any security or product. Different methodologies may measure different concepts, including ESG profile, ESG characteristics, exposure to sustainability-related risks, or contribution/alignment to specified sustainability outcomes. Ratings produced under different methodologies are therefore not necessarily comparable.

### **Data Sources and Processing**

L&G acquires ESG raw data from a wide range of external ESG data providers, each selected for specific indicators and analytical purposes. For certain products, ESG data may also be supplied directly by index providers. Some of this raw data is used directly, while other elements are processed through L&G's proprietary models and methodologies to generate derived ESG information. References to "ESG Data" therefore include both third-party raw data and L&G derived data.

To ensure the quality and robustness of ESG Data, L&G regularly reviews the ESG data landscape and conducts due diligence on data suppliers. Assessment criteria include, but are not limited to, data coverage, accuracy, methodology transparency and timeliness.

Where possible, data ingestion into L&G's systems is automated and subject to contractual service level agreements when sourced externally. For critical business processes or where risk materiality is high, L&G applies additional data controls in line with its Data Management policies. ESG data that is modelled or derived internally is subject to L&G's Data Modelling Policy.

Third-party data suppliers may provide estimated ESG Data where reported data is unavailable. The proportion of estimated data varies depending on the provider, the specific data point and the product.

The ESG assessment does not use Principal Adverse Impact (PAI) statements under SFDR as a data source. However, ESG ratings produced by L&G may be used when preparing product level PAI disclosures under SFDR. Third-party providers may use information from corporate sustainability statements as part of their own data collection processes.

### **Conflict of Interest**

L&G maintains robust governance processes to identify, manage and mitigate potential conflicts of interest that may arise in the development, use or communication of ESG ratings. Further information on our approach to conflicts of interest can be found here: [Conflicts of Interest Policy](#)



### **Contact us**

For further information about L&G, please contact your usual L&G representative.

### **Key Risks**

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

### **Important information**

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