

rfu Sustainability Rating of Corporates

Methodology Description

July 2026



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I. Starting Points

The rfu Sustainability Rating of Corporates follows a holistic and responsibility-oriented concept of sustainability.

Corporate responsibility via product policy and handling of stakeholders as well as the environment

The object of the rfu Sustainability Rating of Corporates is to assess the sustainability performance of middle-sized and larger companies in all industries. Most of those are listed on a stock exchange.

As part of the rating, the pursuit of sustainability is considered the active responsibility of a company. The rfu Corporate Rating assesses which positive or negative contribution the analysed companies make; both via their products and services as well as through their handling of stakeholders and the natural environment. A perspective on ESG risks, which only looks at the impact on the company itself is not explicitly adopted. However, it often arises indirectly.

The rfu Corporate Rating tries to capture sustainability in all its breadth and depth

Sustainability is viewed holistically, i.e. in the ecological and social sense as well as – to some extent – in the sense of economic stability and governance, including the arising correlations. The holistic approach also means that the complete value chain upstream and downstream of a company is included from the product use to the end-of-life. The ratings are absolute and not on a best-in-class approach or any other relative perspective.

Over 20-year track record of the rfu Sustainability Rating Model of Corporates

The model can be traced back to the early 2000s when its basic structure was devised as part of a research project. Continuous optimisation during two decades of practical application have created a robust tool to externally assess corporate sustainability. In this period, adjustments of criteria and processes took place without changing the basic structure of the model. Historic results are comparable with current ratings. This long track record can e.g. be seen in the Austrian sustainability index VÖNIX. This index at the Vienna Stock Exchange “Wiener Börse”, has been compiled since 2005 based on the rfu Corporate Rating Model. The index shows a significant outperformance compared to the conventional benchmark.

II. Basic Structure of the Model

The rfu Corporate Rating comprises the social and environmental impact on all relevant stakeholders and over the entire life cycle of a product.

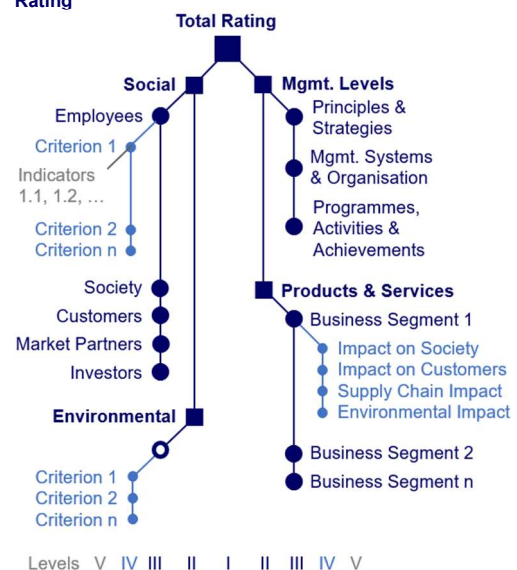
How can the sustainability of a company be depicted systemically?

The scientific concepts on which the rfu Sustainability Rating Model of Corporates is built, are the (1) Stakeholder Model as well as the (2) Concept of the Value Chain. While the first reflects the “How” of corporate actions, the latter looks at the “What” in the form of provided products and services.

Handling of the social stakeholders as well as the environment

The (1) Stakeholder Model contains all those stakeholders impacted by the actions of a company and which – in turn – also have influence on the success of a company. The rfu Corporate Rating Methodology aggregates these five social stakeholders: (i) Employees, (ii) Society, (iii) Customers, (iv) Market Partners (upstream and downstream value chain) and (v) Investors. As a further dimension (vi) Environment is introduced which reflects the impact of a company on the natural environment. In the figure on the right, this is represented by the left branch (levels II and III, respectively). Below that, are the attributed criteria (level IV) and indicators (level V).

Structure & Levels of the rfu Corporate Rating



Impact of the products and services from the raw material via the use up to the end of life

The management of the stakeholders and the natural environment is captured on the following levels of action: (i) Principles and Strategies, (ii) Management Systems and Organisation as well as (iii) concrete programmes, activities and results on the operative level. As a separate level (iv) products & services are also included.

The product and service level in itself is depicted through the (2) Value Chain Concept devised by Michael E. Porter. In it, a product is viewed along all resources and steps in the process from the raw material, via pre-production to the final product including supporting processes such as logistics and distribution. To achieve a comprehensive assessment, the product use and end of life phase also have to be included. For a comprehensive assessment, the product use as well as the end-of-life phase have to be included. Figuratively, this can also be applied to services.

In the figure above the management levels as well as the product and service level are depicted as the right-hand branch (level II). Below that, again, the applied criteria (level IV) and indicators (level V) can be found. Each criterion is allocated to both branches and from this the total rating is derived (see figure).

III. Criteria, Weighting & Rating

Structured assessment of sustainability through a multitude of criteria with individual weighting and rating on a nine-tier scale.

Criteria for social stakeholders and environment as well as for management levels and products

Basic parameters determine the weighting of criteria

Scoring from +10 to -10 and transformation on an absolute 9 steps rating scale from A+ to C-

The rfu Corporate Sustainability Rating Model encompasses around 50 criteria which are operationalised through one to eight indicators each.

The figure shows, as examples, the criteria for the social stakeholders Employees and Customers. Each criterion also receives a secondary assignment to a management level or the products and services dimension.

The importance of each criterion varies from company to company. For example, a production company has a higher climate impact than a service provider. For a retailer at the end of the value chain, most social and environmental impacts are attributable to upstream production. For a B2C company the aspects of consumer protection are much more relevant than for a company with industrial clients etc.

The weighting structure down to the single criterion is therefore developed individually for each company. The relevant basic parameters are, in particular, (i) the product and industry structure, (ii) the geographic exposition, (iii) the position and the extent of scope in the value chain, as well as (iv) the extent of the B2B and B2C activities.

Each criterion is assessed on a scale from +10 to -10, as is the aggregation at Level III and Level II, as well as into an overall rating. This quantitative score is ultimately transformed into a rating on the nine-point scale from A+ to C-. In case of a restricted amount of data an indicative rating from a to c will be given.

This scale is identical in its characteristics and logic to those in all other rfu Rating Methodologies. This means, that findings are transferable between all rfu Rating Methodologies. For example, an rfu Sovereigns Sub-Rating is an input for the rating of a corporation operating in that country.

The rfu Rating Scale is absolute and not aligned with the best-in class approach. This means the entirety of the total ratings is distributed according to a profile similar to a bell curve.

Criteria of the rfu Corporate Rating
Example: Stakeholder Employees



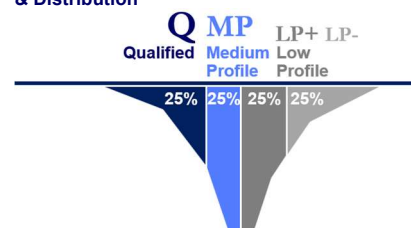
Example: Stakeholder Customers



Scoring & Rating Scale

+10	+8	+6	+4	+2	0	-2	-4	-6	-10
A+	A	A-	B+	B	B-	C+	C	C-	
a				b		c			
		ab		ba		bc			

Sustainability Categories & Distribution



The 4 rfu Sustainability Categories follow the distribution

The rfu Sustainability Categories are derived from the distribution of the results. They are as follows: (i) Qualified (Q) represents the best quarter of a universe of assessed companies, (ii) Medium Profile (MP) represents the second-best quarter, (iii) Low Profile (LP+) and (iv) LP- are made up of below-average companies. Depending on the individual threshold by the user, the sustainability category determines the investability.

The rfu Sector Structure contains Industry Groups, Industries, Sectors & Sub-Sectors

As described above, the product or industry structure of a company is an important factor for its sustainability impact. To ensure the highest possible level of precision, rfu research has developed its own sector classification system, the rfu Sector Structure. It is based on established industry classification systems but deviates from them where sustainability considerations require a more homogeneous and therefore distinct classification.

The rfu Sector Structure allows the categorisation of companies or business areas on four levels: (i) Industry Groups, (ii) Industries, (iii) Sector, (iv) Sub-Sector. The adjacent table shows the top two levels.

rfu Sector Structure Industry Groups (Level I) and Industries (Level II)	
ENERGY 0100 PRIMARY ENERGY 0200 SECONDARY ENERGY	
BASIC MATERIALS 0300 METALS & MINING 0400 PROCESSED MATERIALS 0500 FORESTRY & PAPER	
CONSTRUCTION & REAL ESTATE 0600 CONSTRUCTION 0700 REAL ESTATE	
INDUSTRIALS 0800 INDUSTRIAL GOODS 0900 CHEMICALS 1000 INDUSTRIAL & COMMERCIAL SERVICES 1100 ENVIRONM. PROTECTION	
TELECOMMUNICATIONS & IT 1200 TELECOMMUNICATIONS 1300 COMPUTERS 1400 SOFTWARE	
TRANSPORTATION 1500 TRANSPORTATION SERVICES 1600 VEHICLES	
CONSUMER GOODS & SERVICES 1700 CONSUMER GOODS 1800 FOOD & BEVERAGE 1900 CONSUMER SERVICES	
HEALTH CARE 2000 HEALTH CARE	
FINANCIALS 2100 FINANCIALS 2200 INVESTMENT COMPANIES	

IV. Exclusions

Requirements of important ESG labels contained in rfu Exclusion Standard. Other external or individual exclusions can be implemented.

What is fundamentally incompatible with the principles of sustainability?

As a convenient solution for users, the rfu Exclusion Standard covers common exclusion catalogues.

Additional standards to choose from and client-specific exclusions

Exclusion criteria cover business activities, technologies and corporate practices that are incompatible with the principles of sustainability. Sustainable investors and asset managers generally base their exclusion policies on established external standards and market conventions.

Therefore, rfu research has pooled requirements of important labels in the rfu Exclusion Standard. This covers (i) the Austrian Ecolabel for Sustainable Financial Products (UZ49), (ii) the FNG Label for sustainability funds and (iii) the ÖGUT Label for Austrian retirement funds (Vorsorge- and Pensionskassen). The rfu Exclusion Standard rids users of the time-consuming work of detailed operationalisation of these standards in databases.

However, other standards, e.g. for faith-based investors (such as the FinAnKo criteria, the Guidance of the German Bishops' Conference, Guideline for Ethically-Sustainable Investment in the German Protestant Church), climate benchmarks (e.g. Paris-aligned) and individual criteria catalogues of institutional investors can be implemented.

Criteria in the rfu Exclusion Standard

Defence

- Controversial and conventional weapons, weapon systems and core components
- Specific military material and services



Nuclear Energy

- Electricity from nuclear power plants (NPPs)
- NPP construction and specific core components and services



Fossil Energy

- Production of coal, crude oil and natural gas
- Refining of coal and crude oil
- Electricity from fossil fired power plants
- Pipelines and petrol stations
- Fossil fuels industry specific equipment and services



Tobacco and Spirits

- Production and sales of tobacco, tobacco products and specific substances
- Production and sales of spirits



Genome Technology

- Ethically and socially problematic human genome technology (e.g. embryonic stem cell research)
- Ethically and ecologically problematic genome technology in agriculture and animal husbandry



Gambling

- Gambling and betting games
- Gambling and betting games specific equipment and services



Major Human and Labour Rights Violations

- Expressed in international declarations such as ILO and in the principles 1 to 6 of the UNGC



Major Business Malpractices

- Such as corruption, bribery, money laundering, consumer fraud, etc. or according to principle 10 of the UNGC



Major Environmental Damages

- Major environmental damages such as ecocide, environmental disasters, animal cruelty, etc. or according to principles 7 to 9 of the UNGC



Thresholds

For all product related exclusions, tolerances exist, expressed as % of total revenue. Depending on the criterion, they range from 0% (controversial weapons) to 30% (fossil fuels industry equipment), but in most cases the threshold is defined as 5%.

V. Process, Sources & Documentation

Manual and AI-supported data input from corporate as well as third-party sources. Rating in an assessment tool & certified quality assurance.

Determination of basic parameters: e.g. product and industry mix

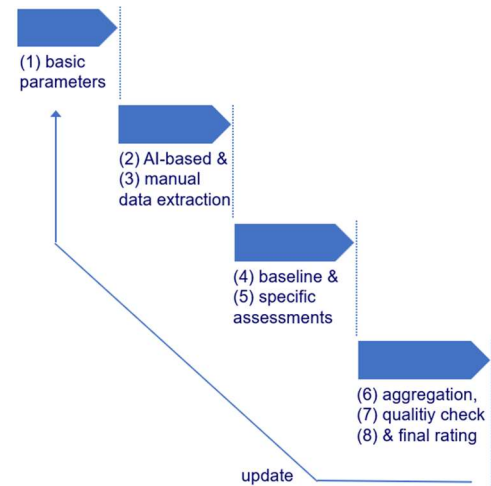
The process of analysing a company starts with (1) determining the basic parameters for the weighting structure on all levels (see Chapter III).

Data extraction via AI tool and manual research from a broad range of sources.

The next step is the (2) application of a proprietary AI-based tool to extract information from corporate documentation such as annual and sustainability reports. This information is then, following a manual quality assurance, transferred into the data pool.

There is also an additional (3) manual data collection. This primarily includes qualitative data as well as data from third-party sources such as media, NGOs or experts. If necessary, direct contact with a company – in the form of e.g. a questionnaire or interview – can be used for data collection.

Process of the rfu Corporate Rating



Automated basic rating with individual bonus points & deductions

For each criterion, (4) basic ratings are generated within the assessment tool based on historical, region- and sector-specific results. From these starting points, (5) company-specific characteristics are considered in the form of upward or downward adjustments. For this, the analysts are provided with reference values and detailed manuals.

Aggregation via several tiers to an overall rating

(6) As per the company-specific weighting structure the individual assessments are then automatically aggregated into an overall score or rating via the various levels (see Chapter II). Criteria with missing data are not considered in this process. With this approach, rfu research follows the principle of strictly differentiating between missing information and negative impact.

Quality check by a second analyst and – if necessary – escalation process

Next comes a (7) plausibility check of the results compared to the previous rating of a company as well as in the industry context. This is followed by a 4-eye control by a second analyst as an additional quality assurance measure. The second analyst's feedback goes back to the lead analyst and is incorporated into the (8) final rating. If significant discrepancies remain, the case is put forward for escalation. A final decision is made during one of the regular analysts' meetings.

Rating-Updates after 1 to 2 years, continuous checks of exclusion criteria

This analysis and rating process is done for each company, usually every year or at least every two years. The extent of the process might be reduced if there is little dynamic of change in a company. With exclusion criteria the risk of significant short-term changes is higher. Events such as ac-

QMS certified according to ISO9001 since 2019

Documentation of data and ratings as well as Rating Summaries and Reports

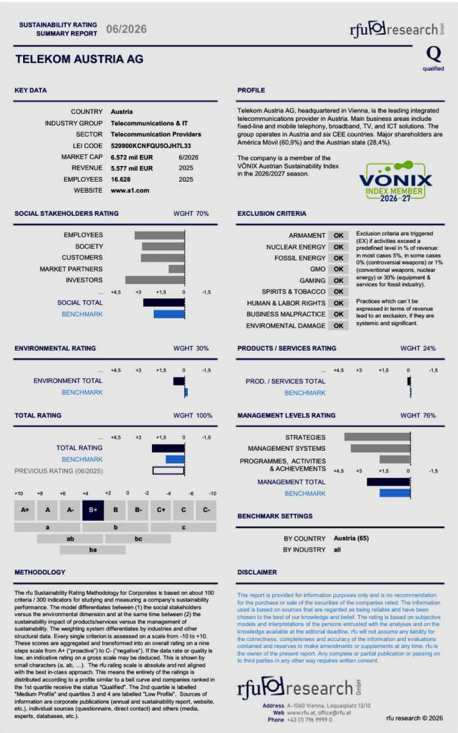
quisitions or the discontinuation of business areas, disruptive incidents or controversies can immediately lead to a change in the investability status of a company. Checks according to exclusion standards are therefore carried out continuously and are reported to the users in each quarter.

The research processes at rfu research are subject to a quality management system certified according to ISO 9001. Corresponding process descriptions, quality indicators and continuous improvement processes (CIP) exist. At the methodology level, this includes the ongoing collection of experiences and feedback and regular optimisation of the methodology. Here, however, the principle of continuity is paramount and historical rating time series can claim comparability.

The internal documentation includes the complete data sets for levels I to V, consisting of raw data, scores, ratings and weightings. Brief descriptions for external users can be found in Rating Summaries. In-depth information and interpretation is included in comprehensive Ratings Reports which are created on demand.



Rating Summary



VI. Regulatory Disclosure

As a micro ESG Rating Provider rfu research falls under EU Regulation 2024/3005 article 5, supervised by ESMA.

General information

As a micro ESG Rating Provider rfu research falls under EU Regulation 2024/3005 article 5, supervised by European Securities and Markets Authority (ESMA).

rfu research developed the Sustainability Rating Methodologies for the following asset classes: (i) Corporates, (ii) Sovereigns & Sub-Sovereigns, (iii) Commodities and (iv) Portfolios.

The rfu Sustainability Rating Methodologies are based on the “three pillar model” of sustainability, consisting of ecological, social and economic dimensions. As for “governance”, it is an overarching theme within the rfu Sustainability Methodologies, not to be separated from the other pillars.

Reviews of methodologies

While some of these methodologies are undergoing a revision at a regular two-year interval, some are reviewed and updated when necessary. There are regular reviews in place with feedback from analysts as well as outside stakeholders and based on regulatory and other external inputs. If a review shows that changes are necessary, a new version of the methodology is drawn up and published online on www.rfu.at.

The name and number of the latest version can be found in the appendix of each rating methodology document.

The rfu Sustainability Rating Methodologies have been tried and some of them have been tested for over two decades. They have been applied a few thousand times. Where applicable, they are based on scientific models from the fields of social, economic and ecological sciences, ethics, etc.

For the specific scientific basis for this methodology see Chapter II.

The mathematical structure behind the rfu Sustainability Rating Methodologies is based on our proprietary design. It has been reviewed and optimised over the last years. Any identified or potential shortcomings are addressed by various lines of defence such as four-eye controls, regular feedback sessions as well as a certified quality management.

Quality Management

The robust quality management system for the rfu Sustainability Ratings has been certified under ISO 9001. The processes have been certified under this label since 2019 and are audited externally on an annual basis by Quality Austria.

Basic assumptions

The holistic rating approach applied by rfu research is focused on impacts that the respective entity or item is causing. In addition, some criteria can have also the characteristics of economic risk indicators. In this regard rfu research’s robust and holistic approach follows a double materiality perspective and differs from pure ESG risk ratings.

Ratings

The industry classification used by rfu research is derived from established sector structures and further adapted by rfu research. Sovereign issuers are classified according to their economic development status.

For details on the rfu Sector Structure see Chapter III of the rfu Corporate Rating Methodology.

The rfu Sustainability Methodologies are covering a multitude of external standards. Current regulatory developments are observed and taken into consideration.

The ratings issued by rfu research are focused on an entity's or item's current status. If relevant the short-term past and future prospects are included in the analysis.

In most cases, the ratings are considered valid for a two-year period, if no significant changes occur in the interval.

In all rfu Sustainability Models, the individual criteria are assessed on a scale between -10 to +10. Their specific weighting is then included in an overall score. The features of the criteria will, over several levels, be aggregated to one overall rating on a nine-part scale from A+ ("proactive") to C- ("negative"). In case of a restricted amount of data a so-called indicative rating from a to c will be given. The rfu Rating Scale is absolute and not aligned with the best-in-class approach. This means the entirety of the rfu Corporate and Sovereigns ratings is distributed according to a profile similar to a bell curve.

For details see Chapter III.

All ratings issued by rfu research are reflecting the opinion of rfu research.

The rating is based on subjective models and interpretations of the analyst entrusted. The rating is no recommendation for the purchase or sale of the securities of the rated items or entities.

Under the current regulation, rfu research is required to request that rated entities and users publish a link to the rfu research Rating Methodologies alongside rfu Sustainability Ratings they are making publicly available

Data

For the rfu Sustainability Ratings the following publicly available data is used: published by the analysed entity (especially in sustainability and annual reports), other publicly available data published e.g. by the media, academics, international organisations, NGOs, industry associations etc. In some cases, rfu research additionally gathers information directly from the analysed entities, e.g. via questionnaires or interviews.

Industry and regional averages are sometimes applied as a basic value which is then adjusted to mirror the individual specifics of a rated entity or item.

For more specifics see Chapter V.

In the course of each rating, the most current data for each entity or item is used. If necessary historical data used is being revised.

The majority of the data is collected from reliable sources (see above). Certain and qualitative information in particular is subject to a plausibility check by the analysts during each rating. Unreliable information or data proven to

be wrong is not used in the analysis. In the case of insufficient data the entity or item receives a “No Rating”.

Data quality as well as assessments of entities or items are subject to a four-eye principle. The second person involved in the rating process is subject to the same confidentiality requirements as the rating analyst.

As part of our regular inter-rating-cycle exclusion checks we are looking whether rated entities are in breach of any exclusion criteria. An irregular rating update would occur, if there is new information with potentially significant positive or negative impact on the rating.

Artificial Intelligence

The use of artificial intelligence (AI) at rfu research will always be strictly confined and limited to data extraction. All rfu Sustainability Rating Methodologies will remain based on the principle of an analyst’s assessment.

To ensure the data extraction is limited to reliable sources, rfu research has developed its own proprietary AI data extraction tool. It does not generate new information but strictly identifies and extracts data contained within the source materials, thereby eliminating the risk of hallucination.

The rfu AI system has been custom-developed for this purpose and operates autonomously on user-uploaded documents only. To further mitigate residual risks and ensure data reliability, a secondary quality control mechanism is implemented in the form of a confidence level indicator. If the confidence level falls below a predefined threshold, the extracted data must be reviewed, validated and if necessary corrected manually by the analyst. The rfu AI system does not influence analytical judgments or rating outcomes.

Current limitations and risks associated with the use of AI include potential misinterpretation of complex or ambiguous disclosures and variability in document formatting. These risks are mitigated through the described confidence threshold mechanism and mandatory human verification.

Conflicts of Interest

rfu research is carefully considering and monitoring conflicts of interest among its analysts. On an annual basis, each analyst has to sign a statement confirming that any potential conflicts of interest have been disclosed.

rfu research has registered as a micro ESG Rating Provider under EU Regulation 2024/3005 Article 5 and supervised by the European Securities and Markets Authority (ESMA).

VII. About rfu research

Austria's specialist for sustainable investment with a focus on niche asset classes and market segments.

rfu research specialises
in the assessment of
niche asset classes

rfu research, based in Vienna and founded in 1997, is Austria's specialist for sustainable investment. With an experienced team of 13 employees, we support institutional clients in the development and implementation of sustainability-oriented investment strategies.

A particular focus of our work is the coverage of asset classes and market segments for which there has previously been no or only insufficient coverage with sustainability research.

Imprint

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Appendix

Version History

Version 1.1	July 2026 (Regular update and inclusion of regulatory disclosure chapter)
Version 1.0	July 2025 (major modification of former versions – dating back to 2009)