BNY | INVESTMENTS

# TRANSPARENCY REQUIREMENTS UNDER THE EU ESG RATINGS REGULATION

Date: 6 July 2026

## Regulatory Background

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 (the "**EU ESG Ratings Regulation**") establishes a framework designed to improve the transparency, integrity and comparability of ESG ratings used in the European Union.

The EU ESG Ratings Regulation also amends Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector ("**SFDR**"). In particular, it inserts a new Article 13(3) into SFDR. Article 13(3) SFDR requires certain information in relation to relevant ESG ratings included in marketing communications to be provided via a website.

BNY Mellon Fund Management (Luxembourg) S.A. ("**MFML**"), in its capacity as manager of BNY Mellon Global Funds, plc and BNY Mellon Liquidity Funds plc (the "**Funds**"), provides the information below for the purposes of Article 13(3) SFDR and the EU ESG Ratings Regulation.

## ESG Ratings Referenced

Marketing communications relating to one or more sub-funds of the Funds may, from time to time, refer to one or more of the following ESG ratings or sustainability-related assessments:

- Morningstar Sustainalytics ESG Risk Ratings.
- Sustainability-related assessments, scoring frameworks, ratings, research outputs or investment views developed and/or applied by investment managers appointed by MFML to manage the investment and reinvestment of the assets of any sub-funds or any part thereof, or by their affiliates, in each case where such assessments are used in the investment management of the relevant sub-fund.

Any such references may relate to the relevant sub-fund, its portfolio, particular underlying investments or the issuers of those investments, depending on the relevant marketing communication, investment strategy and methodology.

# Additional Information on the Methodologies Underlying the ESG Ratings

Additional information on the methodologies underlying the following ESG ratings can be found at the links provided below:

**Morningstar Sustainalytics ESG Risk Ratings:**

https://www.sustainalytics.com/morningstar-sustainalytics-ratings-transparency#regulatory-disclosures

**Insight PRIME Ratings:**

https://www.insightinvestment.com/investing-responsibly/eu-esg-ratings-regulation-disclosures/

Additional information on the methodologies underlying Newton's Sustainable Investment framework can be found at the end of this document.

# Nature of this Disclosure

This disclosure is provided for transparency purposes in connection with Article 13(3) SFDR and the EU ESG Ratings Regulation. References to ESG ratings or sustainability-related assessments in marketing communications should be read together with the relevant fund documentation and should not be relied upon in isolation when evaluating a sub-fund or making an investment decision.

# Updates

MFML may update this disclosure from time to time to reflect changes in applicable law, regulatory expectations, or the ESG ratings and sustainability-related assessments referenced in marketing communications relating to the Funds.

# Newton's Sustainable Investment framework

Newton Investment Management Limited ("Newton") has been appointed to manage the investment and reinvestment of the assets of certain sub-funds within BNY Mellon Global Funds, plc. Newton applies the Newton Sustainable Investment framework to the following sub-funds which promote environmental and/or social characteristics pursuant to Article 8 of SFDR:

- BNY Mellon Sustainable Global Equity Fund
- BNY Mellon Sustainable Global Multi-Asset Fund
- BNY Mellon Sustainable Global Dynamic Bond Fund

# Newton's Sustainable Classification – Excluding Sovereigns

## Rating Product Disclosures

The framework covers a broad range of environmental, social and governance risks and impacts through four defined proprietary sustainable investment themes. The risks and impacts include:

- Environmental: climate change, natural resource use and broader environmental harm.
- Social: human and economic development, wellbeing, and access to essential services such as healthcare.
- Governance: business conduct, operational practices and adherence to recognised sustainability standards.

It captures both negative impacts (e.g. environmental or social harm and poor practices, which may lead to exclusion) and positive impacts (e.g. companies contributing or aligning to sustainability outcomes through their activities).

Risk and impact materiality are taken into account according to the principle of double materiality, and rated items are assessed according to both the potential material impact on the value of the rated item as well as the consideration of the external impact that a rated item may have on the environment and/or society as part of the investment process (before investment and on an ongoing basis).

Each rated item is assessed for its ability to either contribute or align to one or more proprietary sustainable investment themes, and the specific measures it can showcase to evidence in what ways it meets the definition to be considered as a 'Contributor' or an 'Aligner'. There are four sustainable investment themes that encompass aggregated ESG factors, namely, (1) combatting climate change, (2) responsible use of natural resources, (3) human and economic development, and (4) health & wellness.

The sustainable investment themes cover a range of environmental and societal problems/issues that are expected to be addressed through the application of the framework.

Specific issues including transition risks are taken into consideration as part of the assessment.

The framework is weighted according to financial materiality of E, S, and G factors for each industry and company. There is no set single numeric weighting formula for the framework. Different ESG issues receive different weights depending on relevance of the issue for that industry. These produce an overall sustainable classification. Because the weightings depend on industry, there is no fixed, universal weighting between E, S and G pillars; weighting varies by sector / sub-sector.

The E, S and G factors are organised into four proprietary sustainable investment themes, and cover the following topics:

1. Combatting climate change (climate adaptation; climate mitigation)
2. Responsible use of natural resources (resource protection; natural resource efficiency)
3. Human and economic development (human capital; safe societal & economic infrastructure)
4. Health and wellness

Whilst not explicitly mapped or aligned to the topics from the sustainability reporting standards developed pursuant to Article 29b of Directive 2013/34/EU, there is substantial overlap.

The framework is an absolute, rules-based suitability assessment rather than a relative ranking. Issuers are classified according to whether they meet defined criteria to be treated as Contributors or Aligners.

Accordingly, the output is a threshold-based classification and suitability determination rather than a peer-relative rating scale.

The framework does not explicitly assess alignment with the objectives of the Paris Agreement or other international agreements. However, it takes into account targets and objectives of the Paris Agreement through assessing corporate issuers' emissions profiles and whether they have credible, science-based targets to reduce emissions. In addition, internationally recognised sustainability principles applicable to businesses worldwide, such as the UN Global Compact and the UN Sustainable Development Goals, are referenced. Where practical and relevant, the methodology leverages the standards of SAB (Sustainability Accounting Standards Board (SASB) Standards). These international agreements inform the overall assessment of the sustainability profile of corporate issuers. In the case of the UN Global Compact, the framework excludes issuers that are deemed to violate its principles.

## General Methodological Disclosures

The rating methodology is referred to as the Newton Sustainable Investment framework.

The methodology combines two core components: sustainable investment restrictions, which define what cannot be held in sustainable portfolios, and sustainable classifications, which identify issuers that contribute to or align with one or more sustainable investment themes. Analytically, issuers are assessed against four sustainable investment themes and eight underlying sustainable activities, using predetermined metrics sourced from external third-party data vendors. These metrics cover data such as revenue contribution, expenditure, operational practices, as well as forward-looking commitments. The methodology focuses primarily on backward looking indicators of the sustainability profile of issuers, based on disclosed policies, practices and controversies, while incorporating forward looking elements where available (such as risk management and mitigation efforts).

The methodology described above is applicable to corporate issuers of securities that are assessed for suitability for inclusion in relevant sub-funds which promote environmental and/or social characteristics pursuant to Article 8 of SFDR managed by Newton (the "rated items").

The ratings are intended to reflect the sustainability profile associated with a rated item over a near- to medium-term investment horizon.

Newton maintains dedicated governance, processes, and oversight to ensure data quality and reliability:

- Oversight: A specialised Responsible Investment team reviews ESG data from third party providers, identifies data gaps or quality issues, and determines appropriate remediation actions.
- Supplementary data and research: Where gaps or inconsistencies arise, the team uses additional external sources and proprietary internal research to support informed decision making.
- Controlled data processing: Data is sourced directly from vendors, mapped via a security master, and integrated into a central research database feeding downstream systems, with oversight from both the Responsible Investment and technology teams.
- Active management judgement: Newton applies qualitative analysis and proprietary research to address limitations in coverage, consistency, or comparability of external data.
- Continuous improvement actions: These may include closing data gaps through additional inputs, engaging with companies to obtain enhanced disclosures, working with data providers to improve data quality, and participating in industry initiatives to strengthen data standards and availability.

The framework is an absolute, rules-based suitability assessment rather than a relative ranking. Issuers are classified according to whether they meet defined criteria to be treated as Contributors or Aligners. A Contributor is an issuer whose core business activities directly contribute to sustainable outcomes per the four proprietary sustainable investment themes, with a meaningful portion of their revenues, expenditure, or investment (at least 30%) aligned to those outcomes. An Aligner is an issuer that does not primarily provide sustainability solutions but demonstrates strong environmental and/or social practices across its operations and value chain, aligned to one or more sustainable investment themes. Their alignment to the sustainable investment themes is evidenced through meeting predefined thresholds and metrics on material ESG factors, rather than through direct revenue contribution to sustainable activities.

Accordingly, the output is a threshold-based classification and suitability determination rather than a peer-relative rating scale.

The rating methodology was last updated in December 2024. This update included the introduction of the four sustainable investment themes as described above and the quantitative metrics that underpin these themes.

Where there are data gaps, Newton may engage with companies (the "rated items") to obtain data. This data is then taken into account as part of the overall assessment of the rated item's sustainability profile in line with the methodology described above.

Artificial intelligence may be used to support data collection and other aspects of the sustainable investment process; however, the overall assessment and ultimate classification of issuers under the framework remains subject to human judgement.

The limitations and risks of using artificial intelligence include:

- Data quality risk: outputs depend on underlying data, which may be incomplete, inconsistent or outdated.
- Interpretation risk: models may misclassify or oversimplify sustainability characteristics.
- Bias and coverage gaps: results may reflect data biases or fail to capture emerging ESG risks.

## Limitations in data sources, methodologies and information

The data underpinning the framework is subject to a number of inherent limitations relating to both availability and consistency:

- Incomplete data coverage: ESG data is not universally available across all issuers, with certain data points either missing or only partially disclosed, often due to reliance on voluntary corporate reporting.
- Inconsistent methodologies across providers: The same datapoint may vary between third party data providers as a result of differing collection methods, estimation techniques, and definitions, reducing comparability.
- Lack of standardisation: The absence of globally agreed standards for environmental and social data limits the ability to ensure consistent measurement, verification, and comparability across sources.
- Variable quality and reliability: Data may exhibit uneven quality, with gaps or inconsistencies that require supplementation through additional external sources or internal proprietary research.
- Subjectivity in interpretation: Qualitative assessments and proprietary methodologies may lead to different conclusions compared to those of other market participants or data providers.

The information used in the framework may be subject to limitations in completeness, timeliness and accuracy. ESG data is often reliant on voluntary company disclosures, which may be incomplete or not updated on a timely basis. In addition, data provided by third party vendors may involve estimations or differing methodologies, which can affect accuracy and consistency.

The framework may involve the use of assumptions, proxy reference points and data estimations, which introduce inherent limitations. In the absence of complete or directly reported data, estimates or proxies may be applied, which may not fully reflect the underlying reality or may differ depending on the methodology used.

## Organisational Disclosures

Newton Investment Management Limited is a wholly owned subsidiary of Newton Management Limited, which is ultimately a wholly owned subsidiary of The Bank of New York Mellon Corporation.

Newton is or may be involved in other financial, investment and professional activities which may on occasion cause conflicts of interest with the management of the sub-funds. These activities may include managing or advising other funds, purchases and sales of securities, banking and investment management services, brokerage services, valuation of unlisted securities (in circumstances in which fees payable to the entity valuing such securities may increase as the value of assets increases) and serving as directors, officers, advisers or agents of other funds or companies, including funds or companies in which the Company may invest. In particular, it is envisaged that Newton may: a) be involved in advising or managing other investment funds which have similar or overlapping investment objectives to the sub-funds; and/or b) be involved in procuring or providing valuations of some or all of the assets of a sub-fund, its fees being linked directly to the valuation of a sub-fund's assets. Newton will use its reasonable endeavours to ensure

that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly.

# Newton's Sustainable Classification – Sovereigns

## Rating Product Disclosures

The framework covers ESG risks and impacts at a sovereign (country) level through a structured assessment across four key dimensions of sustainability:

- Environmental risks and impacts: These include climate change, physical climate risk, environmental vulnerability, natural resource use, emissions, biodiversity loss and the transition to net zero.
- Social risks and impacts: These focus on human capital and societal outcomes such as education, healthcare, employment, inequality, quality of life and broader social stability, recognising their impact on economic resilience and development
- Governance risks and impacts: These include political stability, government effectiveness, institutional strength, regulatory quality, corruption, rule of law and broader governance practices that influence long term sustainability and risk.
- Economic sustainability considerations: The framework also captures economic risks linked to investment capacity, fiscal strength, and economic structure, which underpin a country's ability to deliver environmental and social outcomes.

Risk and impact materiality are taken into account according to the principle of double materiality, and rated items are assessed according to both the potential material impact on the value of the rated item as well as the consideration of the external impact that a rated item may have on the environment and/or society as part of the investment process (before investment and on an ongoing basis).

The framework covers all E, S, and G factors through a structured set of underlying indicators, organised into four pillars ("capitals") and aggregated into composite outputs.

ESG factors covered:

- Environmental (E) factors: These include climate change and transition risks, physical climate risk and vulnerability, greenhouse gas emissions, renewable energy usage, biodiversity and ecosystem vitality, water stress, deforestation, and broader environmental health indicators.
- Social (S) factors: These include human capital and societal outcomes such as education, healthcare, employment, inequality, poverty/undernourishment, internet access, crime rates and overall quality of life.
- Governance (G) factors: These include political stability, regulatory quality, government effectiveness, rule of law, corruption, accountability, institutional strength and broader governance practices.

Aggregation of ESG factors:

The framework is an aggregated ESG rating, combining E, S and G factors through multiple stages:

- Individual ESG indicators are grouped into the four capitals: Economic, Natural (E), Human (S), and Institutional (G).
- Indicators are aggregated into pillar level (capital) scores using weighted averages.
- These pillar scores are then further aggregated into two composite outputs:
    - a Sovereign Sustainability Score (current sustainability quality), and
    - a Sovereign Sustainability Momentum (direction of change over time).
- Finally, score and momentum are combined into a single investment suitability matrix.

Specific issues including transition risks are taken into consideration as part of the assessment.

Each score and momentum output is built from the same KPIs and the same indicator and pillar weights. For the Sustainable Sovereign Score, each indicator is percentiled and combined using weighted averages to create pillar-level fundamental scores, which are then percentiled into relative pillar scores. These pillar scores are then aggregated using weighted averages to create a final fundamental score, which is percentiled again into the overall relative score. For the Sustainable Sovereign Momentum, indicator-level

slopes over up to six years are calculated, aggregated through weighted averages at pillar level, and then aggregated again into final country momentum. Final results are categorised into Strong/Average/Weak for score and Positive/Stable/Negative for momentum and combined in the matrix.

The framework covers the following topics:

- Environmental (E): factors related to a country's natural resources, environmental impact and climate risks, including greenhouse gas emissions, renewable energy use, deforestation, ecosystem vitality, and water stress, as well as broader climate vulnerability and physical risk considerations.
- Social (S): factors relating to human capital and societal outcomes, including health, education, employment, inequality and quality of life, as well as indicators such as nutrition, healthcare expenditure, internet access and crime rates.
- Governance (G): the quality and effectiveness of institutions, including political stability, government effectiveness, regulatory quality, rule of law, corruption levels, and accountability, reflecting the overall governance framework within which economic and social policies operate.

Whilst not explicitly mapped or aligned to the topics from the sustainability reporting standards developed pursuant to Article 29b of Directive 2013/34/EU, there is substantial overlap.

The framework uses both relative and absolute-style elements, but the primary output is relative as issuers (countries) are ranked against each other. Final ratings are expressed categorically as Strong/Average/Weak and Positive/Stable/Negative, which are then translated into suitable, further research, or not suitable outcomes in the final matrix.

The framework does not incorporate international agreements as standalone quantitative factors within the model; however, it does take such agreements into account through qualitative review and indicator design, where relevant to sovereign sustainability assessment.

Broader international environmental and social commitments (including climate accords, human rights conventions or sustainability-related agreements) are considered as part of the rating methodology.

## General Methodological Disclosures

The rating methodology is referred to as the Newton Sustainable Investment framework.

The methodology combines two core components: sustainable investment restrictions, which define what cannot be held in sustainable portfolios, and sustainable classifications, which identify issuers that contribute to or align with one or more sustainable investment themes. Analytically, issuers are assessed against four sustainable investment themes and eight underlying sustainable activities, using predetermined metrics sourced from external third-party data vendors. These metrics cover data such as revenue contribution, expenditure, operational practices, as well as forward-looking commitments. The methodology focuses primarily on backward looking indicators of the sustainability profile of issuers, based on disclosed policies, practices and controversies, while incorporating forward looking elements where available (such as risk management and mitigation efforts).

The methodology referred to above applicable to sovereign issuers of securities that are assessed for suitability for inclusion in relevant sub-funds managed by Newton (the "rated items").

The ratings are intended to reflect the sustainability profile associated with a rated item over a near- to medium-term investment horizon.

Newton maintains dedicated governance, processes, and oversight to ensure data quality and reliability:

- Oversight: A specialised Responsible Investment team reviews ESG data from third party providers, identifies data gaps or quality issues, and determines appropriate remediation actions.
- Supplementary data and research: Where gaps or inconsistencies arise, the team uses additional external sources and proprietary internal research to support informed decision making.
- Active management judgement: Newton applies qualitative analysis and proprietary research to address limitations in coverage, consistency, or comparability of external data.
- Continuous improvement actions: These may include closing data gaps through additional inputs, working with data providers to improve data quality, and participating in industry initiatives to strengthen data standards and availability.

The framework uses both relative and absolute-style elements, but the primary rating output for the Sustainable Score is relative as issuers (countries) are ranked against each other. The score is based on percentile rankings across countries, while the Sustainable Momentum is based on fundamental trend analysis of indicator changes over time. Final ratings are expressed categorically as Strong/Average/Weak and Positive/Stable/Negative, which are then translated into suitable, further research, or not suitable outcomes in the final matrix.

Newton does not typically engage with sovereign issuers.

Artificial intelligence may be used to support data collection and other aspects of the sustainable investment process; however, the overall assessment and ultimate classification of issuers under the framework remains subject to human judgement.

The limitations and risks of using artificial intelligence include:

- Data quality risk: outputs depend on underlying data, which may be incomplete, inconsistent or outdated.
- Interpretation risk: models may misclassify or oversimplify sustainability characteristics.
- Bias and coverage gaps: results may reflect data biases or fail to capture emerging ESG risks.

## Limitations in data sources, methodologies and information

The data underpinning the framework is subject to a number of inherent limitations relating to both availability and consistency:

- Incomplete data coverage: ESG data is not universally available across all issuers, with certain data points either missing or only partially disclosed, often due to reliance on voluntary corporate reporting.
- Inconsistent methodologies across providers: The same datapoint may vary between third party data providers as a result of differing collection methods, estimation techniques, and definitions, reducing comparability.
- Lack of standardisation: The absence of globally agreed standards for environmental and social data limits the ability to ensure consistent measurement, verification, and comparability across sources.
- Variable quality and reliability: Data may exhibit uneven quality, with gaps or inconsistencies that require supplementation through additional external sources or internal proprietary research.
- Subjectivity in interpretation: Qualitative assessments and proprietary methodologies may lead to different conclusions compared to those of other market participants or data providers.

To mitigate these limitations, Newton supplements external data with proprietary research, applies expert judgement, and seeks to enhance data coverage through engagement with providers; however, such limitations remain an inherent feature of ESG data used in rating processes.

The information used in the framework may be subject to limitations in completeness, timeliness and accuracy. ESG data may be incomplete or not updated on a timely basis. In addition, data provided by third party vendors may involve estimations or differing methodologies, which can affect accuracy and consistency.

The rating process may involve the use of assumptions, proxy reference points and data estimations, which introduce inherent limitations. In the absence of complete or directly reported data, estimates or proxies may be applied, which may not fully reflect the underlying reality or may differ depending on the methodology used.

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officers, advisers or agents of other funds or companies, including funds or companies in which the Company may invest. In particular, it is envisaged that Newton may: a) be involved in advising or managing other investment funds which have similar or overlapping investment objectives to the sub-funds; and/or b) be involved in procuring or providing valuations of some or all of the assets of a sub-fund, its fees being linked directly to the valuation of a sub-fund's assets. Newton will use its reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly.