

S&P Global Sustainable1

Trucost Sovereign Carbon Exposure Dataset

Notice of Methodology Enhancements

May 2024

The Trucost Sovereign Carbon Exposure dataset allows investors to understand the carbon exposure linked to their investments in sovereign bonds, compare performance against a benchmark and report in line with voluntary and mandatory reporting requirements.

The dataset can be leveraged to compare the performance of countries to one another and to global carbon intensity and socio-economic scenarios to tilt portfolios to favor lower carbon economies.

The dataset is updated annually, and this process includes an update to all country reference information included in the methodology, and a series of ad-hoc methodology enhancements that improve the quality of the assessment offered in the dataset. This notice describes the methodology enhancements that are currently under review and that S&P Global Sustainable1 intends to incorporate in Q3 2024, with expected release in July 2024. The methodology updates contained in this notice are currently under review and may be subject to change. The purpose of this notification is to ensure we maintain transparency in our methodological process and decisions with the market. The full release will be accompanied by a detailed methodology report describing the data sources, methods and assumptions used in the analysis, and a release note describing the impact of the methodology changes on the dataset.

Methodology Enhancements under Review

The following table describes the methodology enhancements that are under review and being considered for the Q3 2024 Trucost Sovereign Carbon Exposure Dataset release, the expected impact on the dataset, and the intended benefit of these enhancements for clients. The enhancements described below may be subject to change and the related expected impact may also differ from what has been described below as these updates are yet to be implemented and are under review.

Enhancement Name	Enhancement Description	Client Benefit	Expected Impact on Dataset
Inclusion of the ClimateWatch Territorial Emissions dataset	ClimateWatch provides historical territorial GHG emissions data for 195 countries, including Land Use, Land-Use Change and Forestry (LULUCF) estimates, which were previously estimated by S1.	Additional data source, which includes estimates of LULUCF GHG emissions, previously missing from the original source (PIK)	A new alternative data source provides additional transparency and options to client. New LULUCF data source will result in large changes in data for a number of countries, in particular for recent years.
Sunsetting of EORA Input-Output model	EORA was used in conjunction with WIOD to estimate countries emissions. Using more recent socio-economic data as well, EORA is replaced and the model relies solely on WIOD, simplifying the model used.	Model simplification allows easier interpretation/explanation of data. Use of current socio-economic data as proxies improves timeliness of	Trade-related data for most countries will likely change significantly.

		estimates and reduces model divergences.	
New PCAF-related columns	Addition of new columns to provide information on which KBA and/or PA scope1, 2 and 3 estimates in line with PCAF recommendations.	Better data interoperability with PCAF framework. Simplification of workflow.	New output columns providing additional information.
New Socio-Economic source: GIA to replace EIU	Switch of the Economist Intelligence Unit data to GIA (S&G MI official source)	Preserve consistency with other SPGI data and platform	Some countries socio-economic data will change, including for historical years.

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