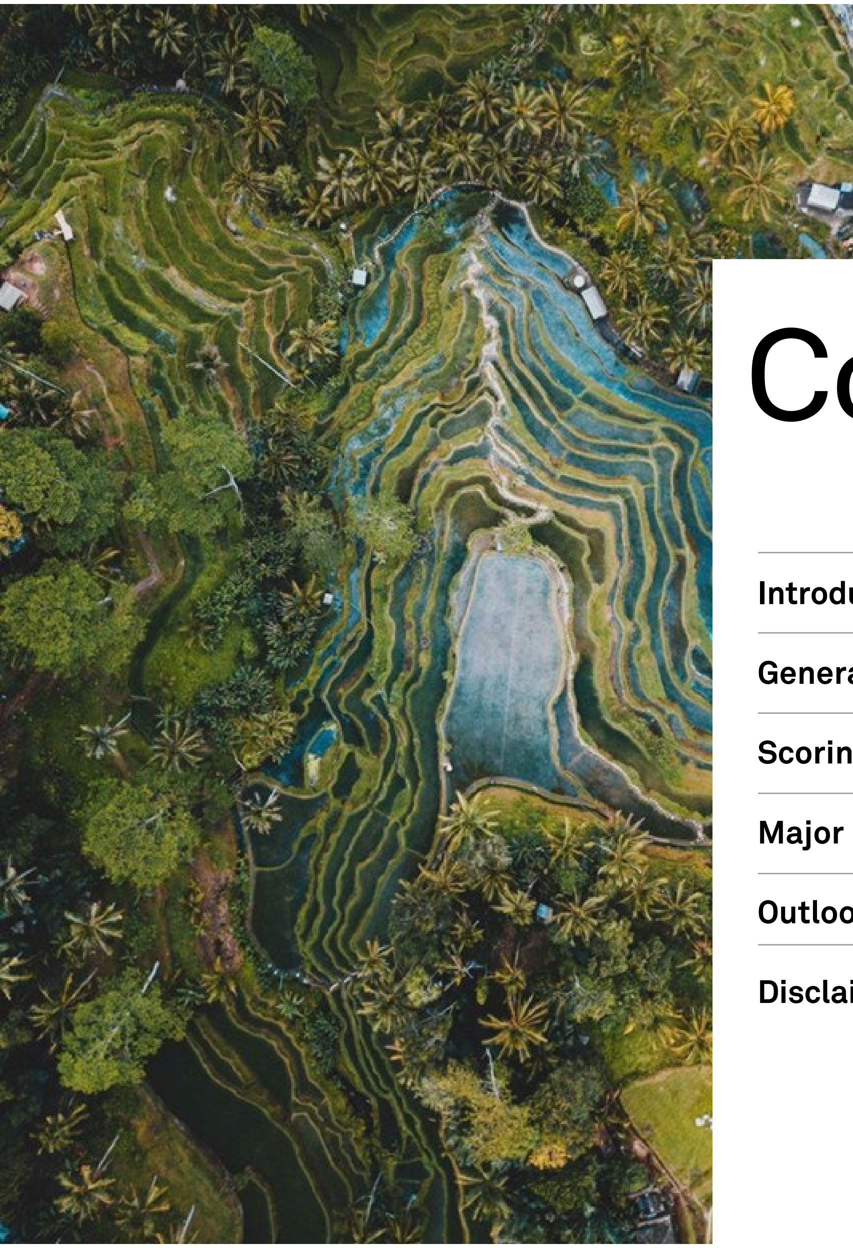
Sustainable1

Annual Scoring & Methodology Review

Corporate Sustainability Assessment 2024

S&P Global



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Introduction

Purpose of this document

We want to thank all participating companies and other stakeholders for contributing to the perpetual evolution of the CSA. The invaluable feedback and expert insights that we receive are essential to maintain a methodology that drives new thoughts about sustainability concepts and strategies to deliver real impact.

This document provides an overview of:

- Our approach and our procedures implemented to optimize our assessment methodology.
- A selection of major changes to CSA 2024.
- Explanations of the rationale behind the changes made.
- Observations on how companies performed on the new or updated topics.

As in previous years, you have access to a series of webcasts on the newly introduced questions. Our sustainability experts will discuss the findings and will answer questions from companies. Register or watch a replay of the 2024 CSA webcasts, including the 2024 CSA Methodology Updates webcast.

More information about the CSA methodology can be found on our website.

Methodology Review Approach

Annually, following the announcement of the CSA results of the previous year's assessment, the CSA is reviewed with two objectives in mind:

- **Capture emerging trends**: Adjustments are made to the questions and their relative weights to capture new sustainability trends and issues that are expected to have a significant impact on companies' competitive landscape. The annual update ensures that we focus on the relevant sustainability issues that present a significant impact on society or the environment and a significant impact on a company's value drivers, competitive position, and long-term shareholder value creation. As such, double materiality is considered as an integral part of the CSA methodology development process.
- **Remove questions that are no longer material**: We aim to reduce the overall number of questions in the questionnaire. We remove questions that are no longer of material significance to companies, or address topics that have become common practice and thus no longer distinguish leading companies. This has allowed us to introduce new general and industry-specific criteria. Thanks to these deletions and additions, we guarantee that our assessment raises the corporate sustainability bar and challenges companies in their thinking about long-term risks and opportunities.

Addressing the Reporting Burden

In dialogue with companies, we consistently hear about reporting fatigue – an issue that we take seriously and have been addressing for several years. Our continued efforts to reduce the burden on companies responding to the CSA incorporates various measures:

- We seek to avoid increasing the length of the questionnaire. Each year, we ensure that for newly added questions, we also delete questions that are no longer considered material and consolidate where appropriate (see Methodology Review Approach above).
- We focus on updating the CSA methodology to integrate existing data from other S&P methodologies.
- We focus on aligning our methodology with international reporting standards, including the GRI, CDP, ISSB and ESRS to ensure that companies do not need to report the same data in different ways for different audiences.
- We have clarified our approach to public supporting evidence and broken down our expectations around references and comments. Only documents that are truly relevant to the questions being asked are required.

In this spirit, this year we have deleted or simplified several questions. For example, under the Innovation Management criterion we have deleted the questions on 'R&D Spending', 'Open Innovation', 'Product Innovation', and 'Process Innovation'. The information collected for these questions did not establish reliable or significant differentiation between companies.

In another example under the Risk & Crisis Management criterion, Risk culture has been deleted as a standalone question and the relevant metrics of the question integrated in the updated question "Risk Management Processes" ("Risk Management" for non-listed companies).

This year CSA criteria were updated and renamed to align them with the subjects addressed in S&P Global industry materiality matrices. Resource The Efficiency & Circularity criterion was replaced with criteria focused on aspects such as "Energy", 'Packaging'. Some of the questions within the criterion were also moved to 'Product Stewardship' and 'Sustainable Raw Materials'. The 'Emissions' criterion was deleted and some of the questions moved to the new criterion 'Pollutants' and the existing 'Climate Strategy' criterion.

'Talent Attraction & Retention' criterion was merged with the 'Human Capital Development' criterion and renamed as 'Human Capital Management', 'Passenger Safety' is renamed 'Transportation Safety'', Access to Healthcare' renamed 'Contribution to Societal Healthcare', 'Customer Relationship Management' is renamed 'Customer Relations' and merged with the 'Marketing Practices', 'Content Responsibility and Moderation' criteria. The 'Social Impact on Communities', 'Social Integration and Regeneration' and 'Stakeholder Engagement' criteria were merged and renamed as 'Community Relations'.

Methodology Updates Summary

In CSA 2024 we continued to align our methodology not only with our own research on the most material topics, but also with internationally used sustainability reporting frameworks such as GRI, SASB, TNFD, TCFD and CDP. This helps to streamline the questionnaire, improve clarity and data consistency, and address the growing reporting burden faced by companies. We also introduced new questions to further challenge companies on emerging risks and opportunities. As shown in Table 1, the methodology across ten major methodology criteria were addressed. This led to 11 new and 10 updated questions overall.

In the **Governance & Economic dimension**, major updates centered around the themes Risk & Crisis Management, Innovation Management, Business Ethics & Sustainable Finance.

- The Risk & Crisis Management criterion has updates to the existing questions Risk Governance, Risk Management Processes and Risk Management (for non-listed companies) to reflect best practices related on implementation of the three lines of defense model as a risk governance framework.
- Under the Innovation Management criterion four questions on "R&D Spending", "Open Innovation", "Product Innovation" and Process Innovations" have been deleted. The criterion will remain for the Tobacco and some of the Healthcare industries. The question on R&D breakdown by Innovation Phase' also had an update and includes new datapoints related to the number of products in each of the distinct innovation phases. It was renamed 'Healthcare Clinical Pipeline'.
- In Business Ethics, a new question on 'Controversial Weapons' for the Aerospace & Defense industry was included to capture company level policies related to international treaties and coalitions on controversial weapons.
- In Sustainable Finance three existing questions were updated. 'Integration of ESG Criteria in Stock Exchanges' has been updated and renamed 'Sustainable Exchange Programs'. The new question reflects the latest updates in disclosure requirements and includes segments such as SME Listing (Small and Medium sized Enterprises), Sustainable Debt Listing and Voluntary carbon markets. 'ESG Products & Services for Stock Exchanges' and 'ESG Products & Services for Data Providers' have been merged into a single question titled 'Sustainable Indices.' It aims to capture information on the sustainable index offerings of companies.

In the **Environmental dimension**, major updates centered around the four themes Resource Efficiency & Circularity, Waste, Water, Sustainable Agricultural Practices.

- A new criterion named 'Energy' was created and questions on 'Energy Management Programs' introduced under the criterion. The question focuses on specific program requirements for topics related to energy efficiency.
- Under the Waste criterion a new question on "Waste Management Programs" was added, focusing on the actions companies are taking to address and minimize waste production within their operations.
- Under the Water criterion a new question "Water Efficiency Management Programs" was added, with requirements related to how a company manages water in its operations. The existing questions on 'Quantity & Quality Related Water Risks' and 'Water Related Regulatory Changes & Pricing Structure' were merged and renamed 'Water Risk Management Programs'. The updated question aims to capture the coverage of a company's risk assessment regarding dependencies on water resources and their impacts on local stakeholders and the environment. The question on 'Water Consumption' was simplified and two existing questions on 'Water Consumption' and 'Water Use' merged. The new question is applicable to all industries and aligned with the CDP.
- The existing criterion 'Sustainable Agricultural Practices' was renamed 'Sustainable Raw Materials' and new questions added on 'Raw Materials Policy', 'Raw Materials Programs', 'Plant & Animal-Derived Raw Materials', 'Plastic Raw Materials and Metal Raw Materials'.

In the **Social dimension** the updates are centered around two themes Passenger Safety and Stakeholder Engagement.

- The Passenger Safety criterion was renamed Transportation Safety. Two questions on 'Safety Management System' and 'Passenger Safety Disclosure' were merged and a new question on 'Passenger Fatalities' introduced under the criterion. The new question tracks information on the absolute number of passenger fatalities attributed to company operations.
- The Stakeholder Engagement criterion was also updated and integrated with a new criterion called 'Community Relations' with new and updated questions. A new question on 'Stakeholder Engagement Policy' was added and the Stakeholder Engagement Implementation' question replaced with a question on 'Stakeholder Engagement Programs.' The new and updated questions aim to capture the programs a company may have in place to ensure the views of its local stakeholders are considered and integrated in company decision-making.

The updated criteria are explained and outlined in more detail in the Major Methodology Updates section. They are also highlighted in red in Table 1.

Table 1: List of updated criteria of CSA 2024 by ESG dimension

Updated Criteria	Questions		Total
	New	Updated	
Governance & Economic Dimension			
Business Ethics	1	0	1
Risk & Crisis Management	0	3	3
Sustainable Finance	0	2	2
Innovation Management	0	1	1
Environmental Dimension			
Resource Efficiency and Circularity (Now Energy)	1	0	1
Waste	1	0	1
Water	1	2	3
Sustainable Agricultural Practices (Now Sustainable Raw Materials)	5	0	5
Social Dimension			
Passenger Safety (Now Transportation Safety)	1	1	2
Stakeholder Engagement (Now Community Relations)	1	1	2
Total	11	10	21

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General Guidance Updates

Clarified Expectations of Public Disclosure

Supporting documents are required for all questions. Over the past years, we have increased the number of questions requiring publicly available evidence. This answers investors' general demand for greater transparency and more readily available information. For public disclosure requirements the CSA has specific questions with one of two designations:

- **This question requires publicly available information:**

  Questions marked with this designation require publicly available information. If you include information (that is not publicly available) which our analysts cannot access in the public domain, we will not assess your response, and no points will be awarded for this question: our assessment of this question is based upon your public disclosure of the information requested. Publicly available information should be directly accessible through navigation from your company's own website or a related website (e.g., subsidiary, affiliate). As of 2022, information disclosed on a selected number of external websites is considered publicly available information (e.g., CDP submissions).

- **Additional credit will be granted for relevant publicly available evidence:**

  For questions marked with this designation, we ask for publicly available information, if available. We encourage you to provide evidence that is publicly available for these questions and will grant additional credit for relevant publicly available evidence provided. However, these questions do not require publicly available supporting evidence, and you are welcome to share non-public documents as references.

Our aim is that questions in the latter category ("where publicly available evidence grants additional credit") gradually shift towards the first category, requiring then public evidence. We see the Corporate Sustainability Assessment as a useful tool to promote corporate disclosure on underreported or emerging sustainability topics – to the benefit of companies' shareholders, investors, and other stakeholders. Over the years, we have received positive feedback from companies reaffirming this role. Over time, we plan to continually increase the scope of corporate sustainability disclosure.

Data Quality

Sustainability data is increasingly being used by investors to measure the impact of their investments. To provide meaningful sustainability data and enable better-informed investment decisions, data needs to be precise and comparable.

Therefore, we adapt our data definitions as global reporting measurement and reporting standards merge or evolve. We would like to remind companies that the quantitative data provided must meet the definitions given in the question information texts. Any deviations from these established definitions must be clearly explained in the comment field.

It remains essential that companies each year:

- consult the information texts, and
- read the question texts carefully to review what has changed from one year to the next.

Please make sure that:

- data is reported in the specified units given in the question, and
- any conversions to these units are performed correctly.

Reporting and collecting high-quality sustainability data is the critical first step towards ensuring that ESG information becomes more widely accepted and used by the investment community. If you have any inquiries or doubts regarding data operationalization, please do not hesitate to contact our dedicated helpline: csa@spglobal.com

Question Information Fields & the Company Comment Field

We regularly include individual text fields within the question layout to allow companies to provide explanations or descriptions if we require these to assess the data provided.

The information written in these fields should:

- relate specifically to the data reported,
- be in line with the exact question asked, and
- not be used to provide additional comments describing related initiatives, etc.

Furthermore, for comments left in the field available at the bottom of each question, please follow a few guiding principles for the main company comment field:

- providing explanatory comments should be the exception rather than the rule.
- additional comments should primarily be used to explain changes in data, calculation methodologies, or why a question does not apply to your business model. If the data provided does not fit the format of the question asked, you can use the comment field to explain how the data may differ, and
- be brief and to the point. Please ensure that the information provided specifically relates to the question and reported data.

The company comment section does not directly contribute to the final score of any given question unless a company fails to provide the information requested in the question layout itself and yet manages to provide that information in the company comment (thus resulting in our analysts using this additional information to give the company credit). Finally, long comments do not equal better scores.

Supporting Evidence, Documents, and References

Please ensure that the attached documents and public references (weblinks) are necessary and relevant for the analyst to understand your response to each question.

Please be as specific as possible in terms of the page number and sections of the relevant documents.

For questions where we do not explicitly require evidence, you may attach documents in the document library, but we do not guarantee we will review them.

Non-English Documents

We recognize that many CSA participants are based in non-English speaking countries, and often their base of operations may also be concentrated in these countries. Nevertheless, the official language of the CSA is English. Our ESG Research team is currently supported by a translation team for publicly available company documents. This approach shall be kept in the future. However, for non-public documents provided to support your CSA answers, we continue to rely on clear translations and summaries of foreign-language texts to verify your answers and supporting evidence provided, as stated in our Language Policy.

Holding Companies

Holding companies may be presented with challenges unique to their business model and segmentation, and it may be the case that ESG data consolidation is recommended. Irrespective of if ESG data consolidation takes place, holding companies should use their own information and references for Corporate Governance and Materiality, and any Group Policies also applicable to the holding's subsidiaries.

If the holding company's revenues stem almost entirely from a single subsidiary, data and references from the subsidiary can be used to answer the CSA, except for the questions outlined above. Throughout the questionnaire, coverage should be adjusted accordingly.

In the case that the holding company's revenue stems from several subsidiaries, there is no collective reporting and ESG data consolidation is not suitable, data and references from the most relevant subsidiary can be used to answer the CSA, except for the questions outlined above. Within the corresponding KPI questions the 'coverage' should be adjusted accordingly throughout the questionnaire, and the same subsidiary should be used.

In the case that the holding company's revenues stem from several subsidiaries, there is no collective reporting, but ESG data consolidation is suitable, data and references from the most relevant subsidiaries, up to four, can be used to answer the CSA, except for the questions outlined above. For questions where ESG data consolidation is not suitable (qualitative questions), information from a single subsidiary should be used. Throughout the questionnaire, coverage should be adjusted accordingly, and the same subsidiaries should be used throughout the questionnaire.

Non-Listed Companies

The CSA assesses the ESG performance of a large variety of companies including non-listed ones and companies of different sizes. Non-listed companies are often not able to provide public supporting documents.

The CSA allows non-listed companies to provide internal evidence for select questions under the criteria Corporate Governance, Risk & Crisis Management and Tax Strategy. The information for these companies is also supplemented from the internal S&P Global database.

However, the companies are required to report sufficient information on at-least 2 of the following criteria to become eligible for assessment: denominator information (e.g. revenue, employees, room nights, public or private information etc.) for at-least FY/FY-1 and FY-2 which is used as a normalization factor, information on board such as short bio, name and role of all board members, information related to social or environmental indicators. Companies that are unable to meet the minimum information requirement are not assessed in CSA.

03

Scoring Methodology Updates

The CSA uses the Global Industry Classification Standard (GICS) to determine a company's industry classification. The questionnaire is industry specific in that up to half of its questions are tailored to topics that are particularly relevant to specified industries covered by its criteria and questions. Every year question- and criterion-level weights are reviewed for all 62 industries covered. This enables the CSA to keep the focus on industry-specific material issues and capture industry heterogeneity. Topics covered are reviewed each year based on their relevance and materiality within each industry and prioritized according to the expected significance of their associated impact on society and the environment, as well as on corporate value drivers such as growth, profitability, capital efficiency, and risk.

In 2024, S&P Global Sustainable1 revisited its approach to materiality to develop industry-specific level matrices that include both the inward-facing perspective of enterprise value creation and the outward-facing perspective of impacts on society and the environment. This double materiality approach has resulted in 62 industry materiality matrices that are conducted on an ongoing basis and reviewed annually. The 62industry materiality matrices form the foundation of the weights of the CSA criteria. Their review triggers the annual updating of the criteria weights of each industry covered by the CSA.

Question Scoring

The maximum score for each question in the CSA is 100. The various answer options within a question are scored individually or in combination, with the total sum resulting in a maximum of 100 points.

Removing or adding options to a question may impact the weight of each question component and thus the overall scoring of the question. Therefore, it is important to carefully review each question every year, as elements may have been added or removed. Examples of the major changes to questions will be discussed in the section 'Major Methodology Updates'.

Criterion Scoring

Criteria scores are determined by a weighted sum of questions scores. As previously described, adding or removing questions within a criterion will modify the weight of individual questions, and therefore impact the criterion score. As a result, a criterion score may change even if the answers provided to the individual questions have not changed from one year to the next. This can be due to question deletions, additions, or to a modified scoring scheme at question level.

Weights

As part of our effort to increase transparency towards companies, S&P Global Sustainable1 publicly discloses the criteria weights for all industries on the CSA website. The weightings of both individual questions and criteria are subject to annual review. The review is based on the evolving material relevance of each topic to an industry, as well as related question introductions and deletions. As a result, criteria scores may change due to a modification in the underlying question weights. When introducing new criteria, S&P Global Sustainable1 aims to set low weights for such criteria in the initial years and increase adjust the weights progressively according to the materiality analysis as the industry gets used to report on the new topic This allows companies to adjust to the new concepts and improve their data collection and reporting systems in these areas.

Scoring Variations

Changes in scores can result from a change in the scoring approach, moving from "disclosure" scoring towards "performance" scoring.

- **Disclosure** scoring awards points for qualitative or quantitative information without placing any value judgment on the information. For example, if the CSA asks for the share of female managers, the score could be driven by the company's ability to report the number of women in management, indicating that the company is actively tracking this metric (disclosure).

- **Performance** scoring awards points for the value of the metric. In the previous example related to the share of female managers, the score would be driven by the actual number of female managers, measured against the total number of managers (performance). When introducing new questions that require quantitative metrics, the initial focus is typically on disclosure scoring, awarding points to companies that can disclose the relevant information. As data collection and reporting mature over time, performance scoring may be introduced to capture a trend or measure a company's performance relative to peers. This evolution over time and maturing of topics also reflect the dynamic nature of materiality.

Modelled Scores

As of 2023 an additional overlay has been introduced to integrate modelling into the S&P Global ESG Score. The scoring approach within the CSA allocates a '0' score to all questions where no information is disclosed to S&P Global, or where no information is found in the public domain. The outcome of this disclosure-based score is referred to as the S&P Global Corporate Sustainability Assessment (CSA) Score.

To provide a more complete and holistic assessment of a company's sustainability performance, modelling approaches based on imputation are applied and aggregated into the S&P Global ESG Score to address gaps in disclosure. The purpose of this modelling approach is to emulate the performance-based scoring that could have been applied if reported data were available.

For more information on the integration of modelling into the S&P Global ESG Scores please refer to the "S&P Global ESG Scores Methodology".

Public versus Non-Public Information

In several questions, we ask companies to provide documents to support their responses. Considering the growing demand for accountability and transparency, our methodology increasingly focuses on assessing publicly available information. Questions that require public information, or where more credit is awarded for public availability are clearly marked in the CSA.

There may also be questions where we do not require public information. Companies may instead provide internal documents to support and verify their answers.

Linear Peer Group Scoring versus Company Historical Performance

Whereas linear peer group performance scoring measures a company's performance relative to industry peers, a company's historical performance only considers the company's own absolute or relative progress over time.

Table 2 gives an overview of the different types of scoring used in the CSA. Please note that "transparency" and "performance" refer to the scoring approach used for that specific question. A specific question can include either transparency, performance, or a combination of both elements. Ultimately, one Total Sustainability Score is calculated, consisting of both transparency and performance components.

Table 2
Overview of Scoring Types

Scoring Type	Description	Sample Questions
Transparency	Public Disclosure	• Human Rights Commitment
	Availability of Qualitative or Quantitative information	• Largest Contributions & Expenditures
Performance	Scoring of Qualitative or Quantitative data based on pre-defined thresholds or expectations	• Board Structure • Human Rights Assessment
	Trends scoring on a company's own performance over time	• Human Capital Return on Investment
	Linear peer-group scoring	• Lost-Time Industry Frequency Rate • Employee Turnover Rate

Percentile Ranks

In addition to ESG Scores, companies receive a percentile ranking. As the CSA methodology is continuously evolving and question and criterion weightings may change over time, the percentile ranks are a useful tool to track performance against industry peers. It shows the relative performance of the company and indicates the share of companies with lower or equal ESG Scores at the relevant level. ESG Scores and percentile ranks are industry specific. For example, a company with a percentile rank of 95 in a specific criterion indicates that the company scores equal to or higher than 95% of the companies within its industry.

Scores and percentile ranks are provided at the question, criterion, dimension, and total ESG score level. Percentile ranks are calculated based on the CSA results for all companies that (will be) assessed in the relevant Base Year (April to March). As of September 2024, S&P Global ESG Scores are released daily. Therefore, S&P Global Sustainable1 is taking a new approach to the calculation of percentile ranks, using ESG Scores for the selected Base Year and if not yet available the previous Base Year.

To publish the ESG Scores as early as possible and still provide meaningful benchmarking, especially with regards to a company's percentile rank, a company's 2023 ESG Score (if available) is used as the best available estimate for the 2024 ESG Score if it is not yet available. Users need to keep in mind that the CSA methodology is updated annually and ESG Scores from different years are not fully comparable, especially at total or dimension level.

In the CSA portal, company users can identify the share of companies where a 2024 ESG Score is already available, and for which share of companies benchmarking statistics would still rely on 2023 ESG Scores.

04

Major Methodology Updates

Business Ethics

Business ethics are at the core of a well-functioning business. Ethical business practices encompass transparency and accountability and serve to build stakeholder trust, as well as to help companies navigate complex challenges and reduce legal or reputational risks. Ultimately, a commitment to ethics can support long-term success and create a positive corporate culture and loyalty among external stakeholders such as customers and investors. This criterion is applicable to all industries and focuses on the policies, processes, and systems companies have in place to ensure ethically sound decisions.

Criterion Update

The Business Ethics criterion has been expanded to include a new question on Controversial Weapons, which is relevant specifically to the Aerospace and Defense industry. The addition reflects growing concerns over the ethical implications of weapons considered controversial due to their severe humanitarian impacts.

Controversial Weapons

Controversial weapons pose substantial ethical considerations as these weapons often lead to dire humanitarian consequences, cause disproportionate harm, and remain a threat long after a conflict has been resolved.

This question aims to capture information on a company's stance regarding the prohibition of producing weapons and components of weapons or providing services to the defence industry in relation to controversial weapons. A weapon is controversial when it meets at least one of the following criteria: indiscriminate, i.e., it does not distinguish between military and civilian targets; disproportionate, i.e., it causes an inordinate amount of pain and suffering relative to the anticipated military advantage; or illegal, i.e., the production and use of the weapon is prohibited by international legal instruments.

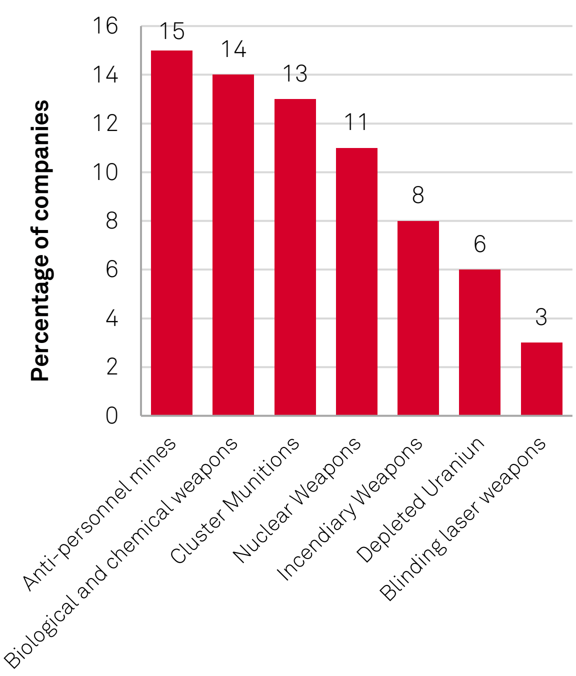
The weapons considered for this question are biological and chemical, anti-personnel mines, blinding laser weapons, incendiary weapons, depleted uranium, nuclear weapons, and cluster munitions. Companies must outline specific policies or stances for each weapon type as controversial weapons definitions differ, ensuring transparency for each weapon category.

Findings

The following findings in Figure 1 are based on feedback from 74 companies assessed by November 2024.

Figure 1 illustrates the percentage of companies in the Aerospace and Defense industry with policies prohibiting the production of weapons, components of weapons or services to the defense industries per controversial weapon type. In general, there is a rather low level of disclosure for all weapons categories: 15% of companies have prohibition stances on anti-personnel mines, 14% on biological and chemical weapons, 13% on cluster munitions, 11% on nuclear weapons, 6% on incendiary weapons, 6% on depleted uranium, and only 3% on blinding laser weapons. This is especially notable for incendiary weapons, depleted uranium, and blinding laser weapons, where coverage does not reach double-digit figures.

Figure 1
Percentage of companies disclosing its position on the prohibition of production of weapons, components of weapons or services to the defense industry concerning controversial weapons



Sustainable Finance

Financial institutions have an essential role to play in addressing sustainability challenges, facilitating the transition to a low-carbon economy, and driving capital flows towards sustainable development. Good performance in sustainable finance starts with comprehensive policies to identify and address environmental, social and governance risks in business activities. Accordingly, policies underpinning these activities are the focus of the first half of the criterion. The second half assesses the actual performance of companies in offering a range of sustainable products & services. These products and services are expected to be transparently described in public reporting.

Criterion Update

Stock exchanges and data providers play an important role in promoting sustainable investment by minimizing information asymmetry, offering platforms for sustainable finance, and encouraging transparency in corporate sustainability disclosures. To better reflect the range of information provided by these entities, CSA 2024 has implemented two significant changes to the Sustainable Finance criterion:

- The question Integration of ESG Criteria in Stock Exchanges has been updated and renamed 'Sustainable Exchange Programs.'
- The questions ESG Products & Services for Data Providers and ESG Products & Services for Stock Exchanges have been merged into a single question titled 'Sustainable Indices.'

These updates align with the latest guidelines and best practices from organizations such as the Sustainable Stock Exchange (SSE) Initiative and the Organization of Securities Commissions (IOSCO). Additionally, the changes streamline data collection while capturing essential metrics on the impact that data providers and stock exchanges have in disseminating sustainability-related information.

Sustainable Exchange Programs

This question aims to assess the sustainability initiatives that stock exchanges offer, and whether stock exchanges are aligned with leading industry initiatives that advance sustainability like the Sustainable Stock Exchanges (SSE) Initiative and the Net Zero Financial Service Providers Alliance. By leveraging their role in the market, stock exchanges can drive awareness among listed companies on sustainability issues. This can be done, for instance, through initiatives such as the offering of reporting guidance or disclosure training and/or advisory services to listed companies. In addition, stock exchanges provide new financial instruments (green bond listings, voluntary carbon markets platforms and sustainable derivatives) thereby developing new revenue streams and stimulating the path toward a sustainable economy. Stock exchanges also play a key role in driving improved sustainability integration for small and medium-sized enterprises (SMEs), through capacity building programs and improving access to capital through SME listing platforms.

This question applies to companies in the Diversified Financials industry that are active in stock or derivative exchanges.

Findings

The analysis provides an overview of companies' performance in the 'Sustainable Exchange Programs' question in 2024. The question targeted 337 Diversified Financial Services and Capital Markets (FBN) companies engaged in financial and data analytics, index licensing, and stock exchanges. Of these, 317 marked "Not applicable," while 19 companies were assessed.

Figure 2 shows a score average decrease, with an average score of 56, in comparison with previous cycle question 'Integration of ESG Criteria in Stock Exchanges', which had an average score of 68. A score drop was to be expected considering the updates implemented to this question in 2024 which expect companies to provide more specific information, in line with the latest industry recommendations and best practices.

Figure 2
Average score comparison between previous question and updated Sustainable Exchange Programs CSA 2024 question

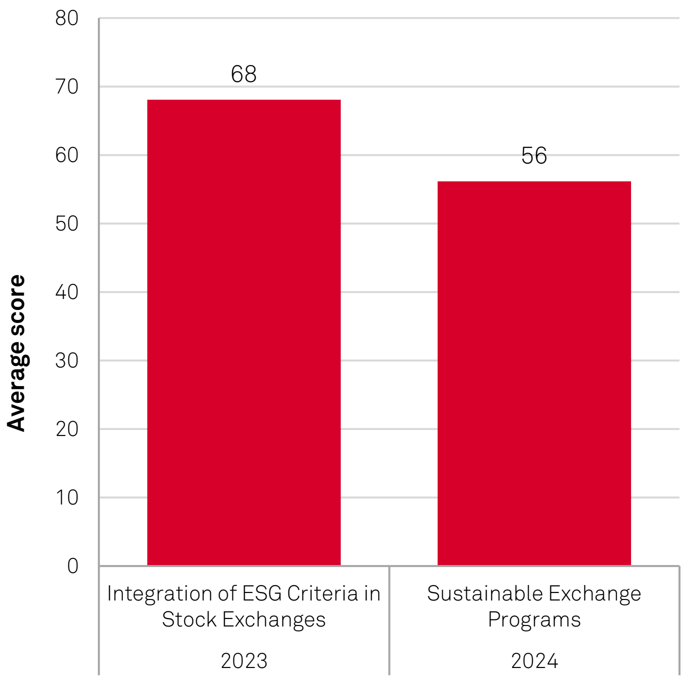


Figure 3 presents the average total scores of companies across different regions for the financial year 2024. Latin American companies lead with the highest average score of 74, followed by European companies with an average score of 6 9. Companies in the Asia Pacific region achieved an average score of 52, while those in North America recorded an average of 45 points.

Figure 3
Average score distribution by region

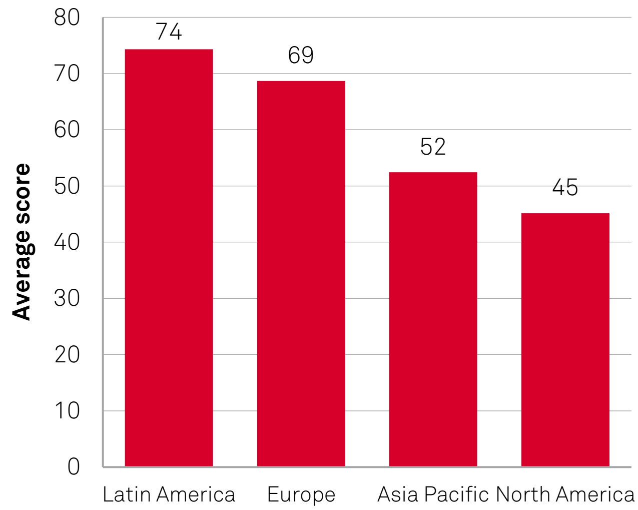


Figure 4 shows that according to the reported data, the 19 companies assessed have taken steps to enhance sustainability within their roles as stock or derivative exchanges. The most widely adopted initiative (15 out of 19 companies) is the implementation of reporting guidance for listed companies, offering clearer direction on the sustainability reporting frameworks that listed companies are expected to follow. Additionally, over half of the assessed companies (12 out of 19 companies) provide training sessions on sustainability topics, including climate-related information disclosure. Voluntary carbon markets are also offered by most of the companies, reflecting a broader commitment to environmental initiatives.

Figure 4
Distribution by percentage of exchanges that have or do not have sustainable initiatives

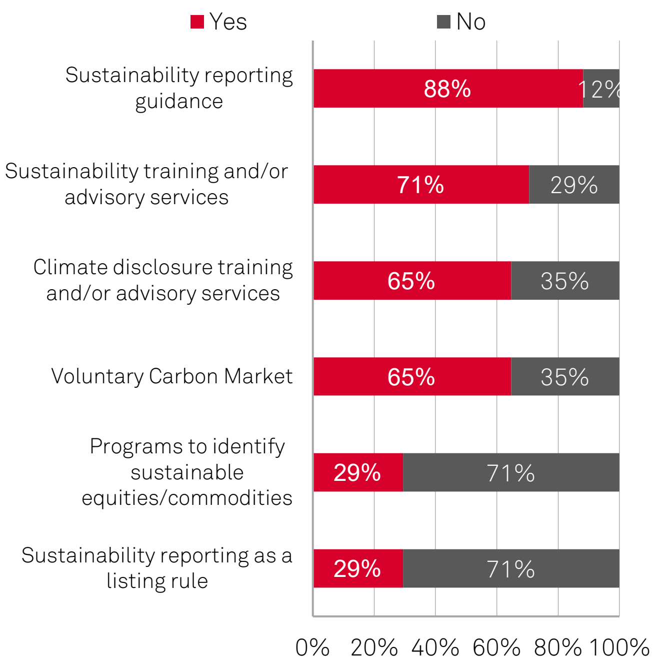
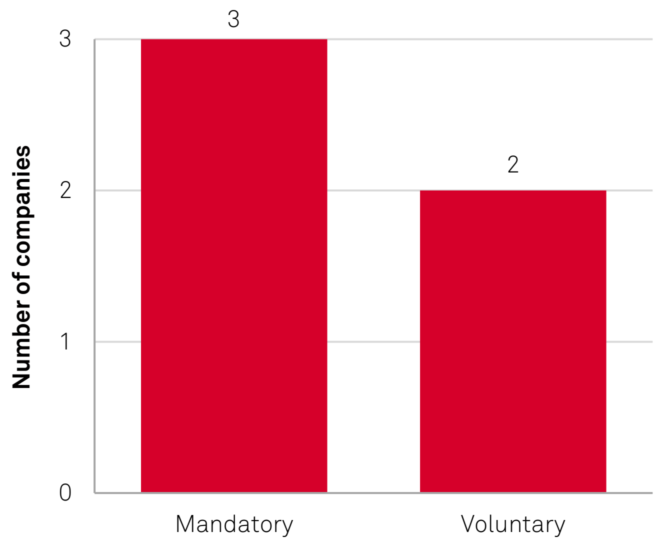


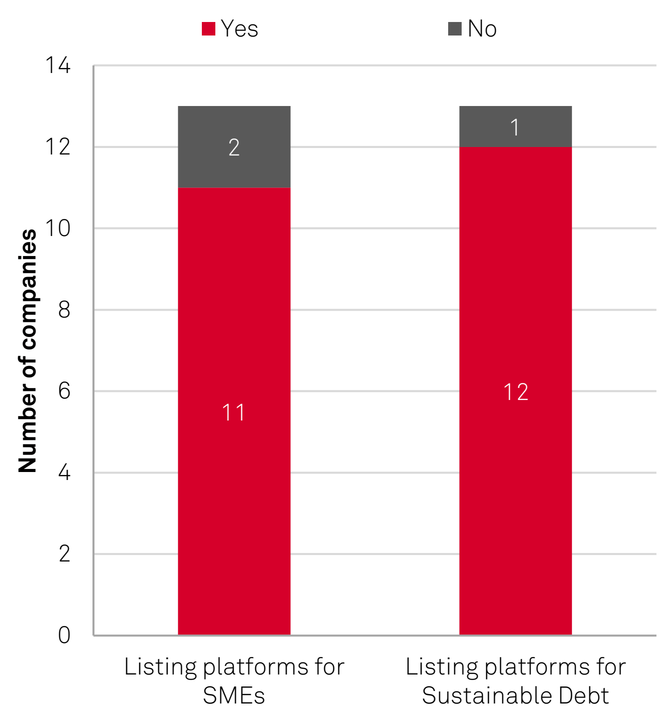
Figure 5 displays one of the initiatives with the lowest level of responses, namely exchanges having sustainability reporting requirements as a listing rule. Of five responding companies three have this as a mandatory requirement to be listed in their exchange and two have it as a voluntary requirement based on the 'comply or explain' principle. The other initiative with equally low response levels was programs to help identify sustainable equities or commodities. Five exchanges responded affirmatively that they offer programs to help identify sustainable equities/commodities, but only two of these five also disclosed the processes used to identify them.

Figure 5
Distribution of exchanges that have sustainability reporting as listing rule (mandatory or voluntary)



As depicted in Figure 6, most responding companies (13 of 19) operating in stock or derivative exchanges indicated that they provide dedicated listing platforms for Small and Medium-sized Enterprises (SMEs) as well as for sustainable debt instruments.

Figure 6
Distribution of exchanges offering listing platforms specifically for SMEs and sustainable debt instruments



Sustainable Indices

This question aims to determine which sustainability-related indices are offered by stock exchanges, data providers, or other financial institutions active in the index business. Sustainability-related indices are those whose securities have been selected or weighted following the consideration of sustainability factors. Sustainability-related indices may include environmental indices, social indices or ESG indices. More specifically, the question assesses themed offerings such as impact in dices, net-zero/Paris-aligned indices, climate transition indices, best-in-class indices, ESG integrated indices, and thematic indices under recognised sustainability themes such as renewable energy, social responsibility, and gender equality.

This question applies to companies in the Diversified Financials industry that are involved in stock and derivative exchanges.

Findings

The following analysis provides an overview of companies' performance in the 'Sustainable Indices' question in 2024. The question targeted 337 Diversified Financial Services and Capital Markets (FBN) companies engaged in financial and data analytics, index licensing, and stock exchanges. Of these, 317 marked Not Applicable, while 20 companies were assessed. Six out of the 20 companies assessed indicated they do not offer sustainability-related indices.

Figure 7 shows a score decrease, with an average score of 16, in comparison with previous cycle question 'ESG Products & Services for Stock Exchanges' and 'ESG Products & Services for Data Providers' which had an average score of 27 and 20, respectively. A score drop was to be expected considering the methodological changes implemented in CSA 2024. ESG Products & Services for Data Providers and ESG Products & Services for Stock Exchanges were merged into the single question titled 'Sustainable Indices'.

Figure 7
Average score comparison between questions of CSA 2023 and the new Sustainable Indices question of CSA 2024

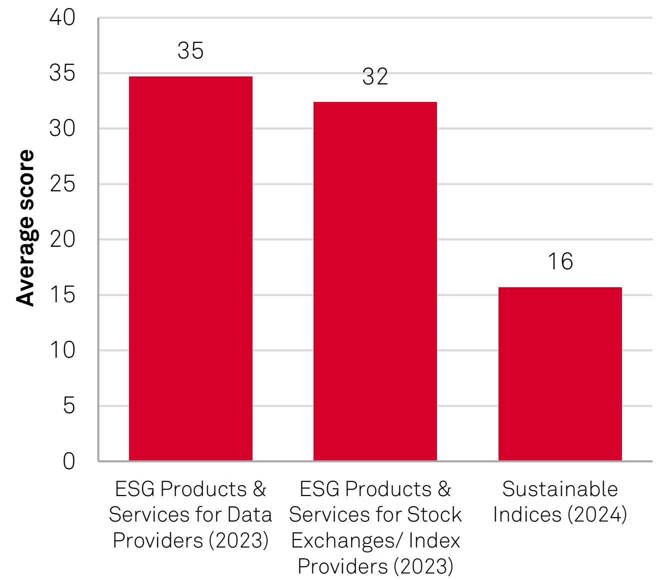


Figure 8 shows the total average score of companies in 2024 by region. Companies in North America tend to have a higher average score (average score = 21), followed by companies in Europe (average score = 17). Companies based in Latin America have an average score of 10 points, while companies in the Asia Pacific region scored 9 points on average.

Figure 8
Average score distribution by region

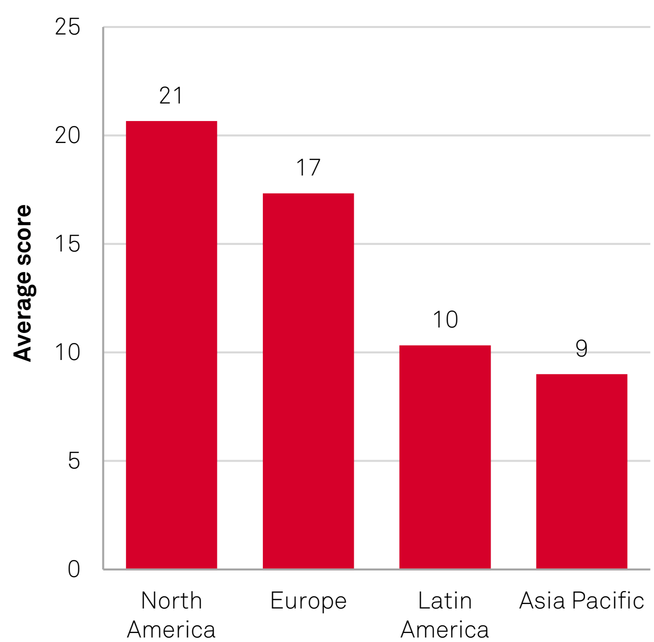
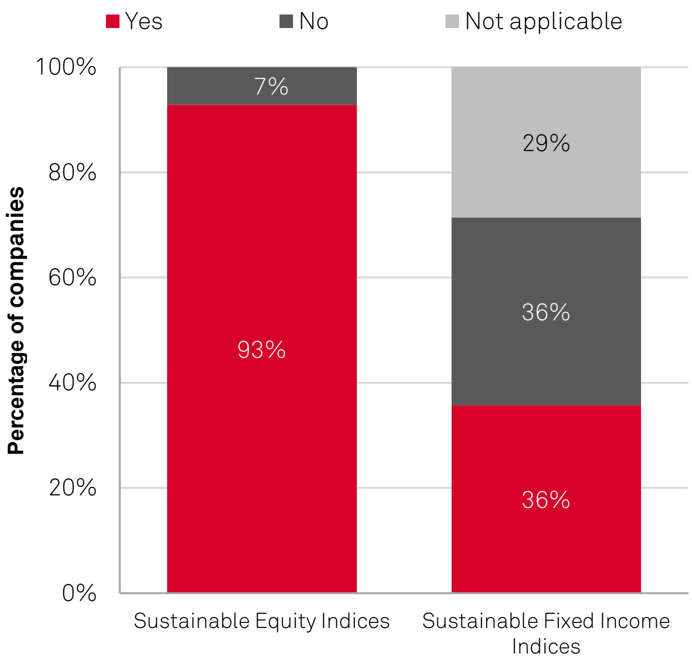


Figure 9 provides an overview of the information disclosed by companies on their sustainability-related indices, both in terms of asset class and index categories. Fourteen of the 20 companies assessed reported they offer sustainability-related indices. Thirteen out of the fourteen companies offering sustainable indices (93%) offered sustainable equity indices and five of them (36%) provided fixed income sustainability indices. Four of the fourteen companies (29%) indicated fixed income indices are not applicable to their activities.

Figure 9
Distribution of companies offering Equity or Fixed Income sustainability indexes



As per Figures 10 and 11, fourteen companies indicated that they offer some sort of sustainability index, with ESG-integrated and exclusion-based indices (only labelled as ESG Integration in the charts) the most offered category among both equity and fixed-income indices. This is likely because these products are easy to construct and considered as the first level of sustainable investing. ESG integration refers to the inclusion of ESG factors into investment analysis and negative screening refers to excluding entities that perform poorly on sustainability factors or that are involved in certain business practices.

Overall Figures 10 and 11 show that there is a stronger product offering in Equity than in Fixed Income, where none of the companies have Best in Class, Impact or Paris Aligned indices. The fixed income asset class is more complex than public equities, which makes implementation of sustainable investment practices more complex.

Figure 10
Distribution of existing Sustainable Equity Indices by category offered

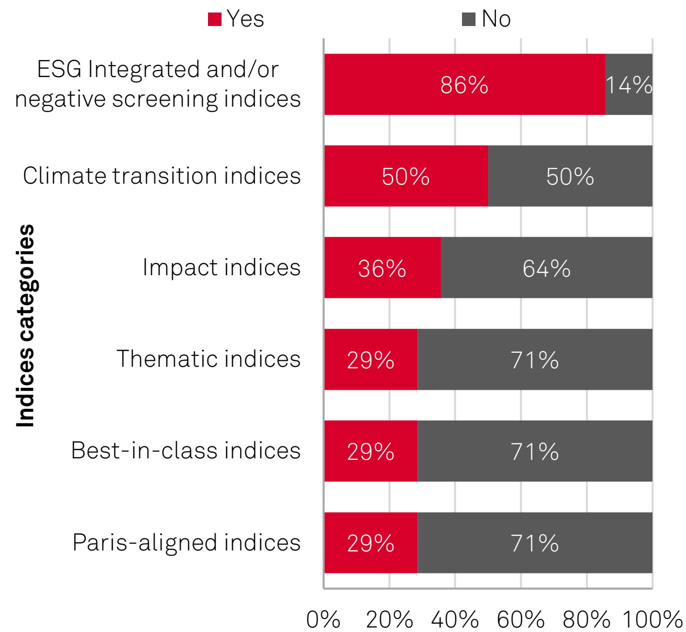
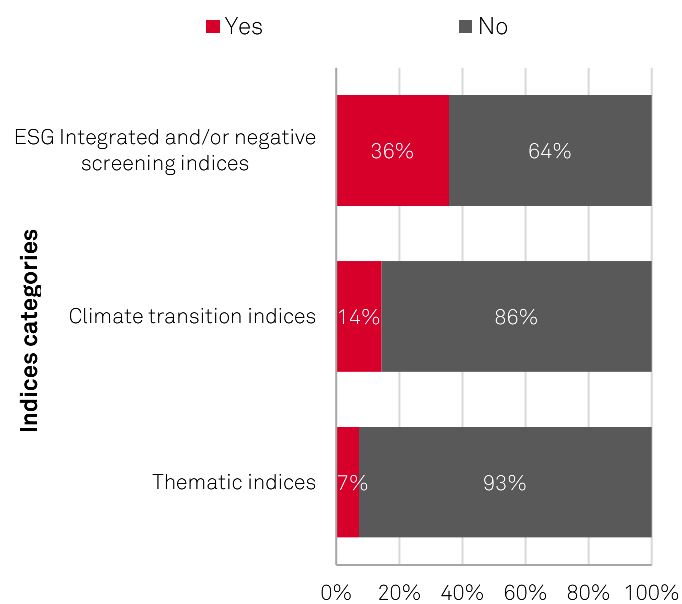


Figure 11
Distribution of existing Sustainable Fixed Income Indices by category offered



Risk & Crisis Management

Effective risk and crisis management is essential for ensuring an organization's resilience and long-term sustainability, particularly in an increasingly volatile and interconnected global environment. The rising frequency of geopolitical tensions, environmental disruptions and rapid regulatory shifts has underscored the need for robust risk oversight and frameworks to manage risks proactively. Risk frameworks should also encompass regular, structured risk reviews that consider emerging risks alongside traditional financial and operational risks. To address these demands, companies are expected to implement the 'Three Lines of Defense' model by integrating risk management into decision-making processes at all organizational levels while also having the effectiveness of their risk processes independently verified.

A key focus in this criterion is on building a strong risk culture across the organization. We assess how regularly and transparently companies review risk exposure and decide on mitigation actions based on risk appetite. Companies are expected to empower their employees and directors with training, provide financial incentives to foster proactive risk identification and management, and incorporate risk criteria into the development of products and services.

Criterion Update

The Risk & Crisis Management criterion was updated in 2024 to reflect best practices in a rapidly evolving business environment. Changes were made to the three questions 'Risk Governance', 'Risk Management Processes' and 'Risk Management' (for non-listed companies). These changes included the implementation of the Three Lines of Defense model as a best practice risk governance framework, as well as the integration of risk culture into the questions 'Risk Management Processes' and 'Risk Management'.

The 'Risk Governance' question layout was updated to incorporate the Three Lines of Defense model, aligning with the Committee of Sponsoring Organizations (COSO) and Institute of Internal Auditors standards to assess how effectively companies' boards and senior management implement, oversee, and account for risk management responsibilities across all industries.

The 'Risk Management Processes' question evaluates companies' practices by requiring public disclosure of their risk review processes, frequency of risk exposure assessments, audit practices for risk management systems, and strategies to foster an effective risk culture across the organization.

The 'Risk Management' question only applies to a small subset of non-listed companies, most of which have not been assessed as of the date of this publication.

Risk Governance

The Risk Governance question was updated in the 2024 CSA cycle to reflect best practices, notably by adopting the Three Lines of Defense model as a risk governance framework. This model was developed by COSO to bridge internal controls with business processes, enhancing the relationship between risk management and organizational operations. It is also upheld by the Institute of Internal Auditors as an approach for achieving effective internal control over sustainability reporting and a tool for defining risk management responsibilities and accountabilities. Under this framework, the first and second lines manage and monitor risk activities, while the third line functions independently, assessing the overall effectiveness of these processes.

Building on these standards, the aim of the question is to assess the effectiveness of a company's risk governance framework. It is essential that senior management and the board of directors are not only aware of risks but also actively involved in managing them. While the board of directors ultimately holds responsibility for risk management, senior management is tasked with translating the board's strategic direction into actionable policies and procedures, as well as effectively implementing, executing, and monitoring these policies.

This question was updated in 2024 cycle and applies to listed companies in all industries.

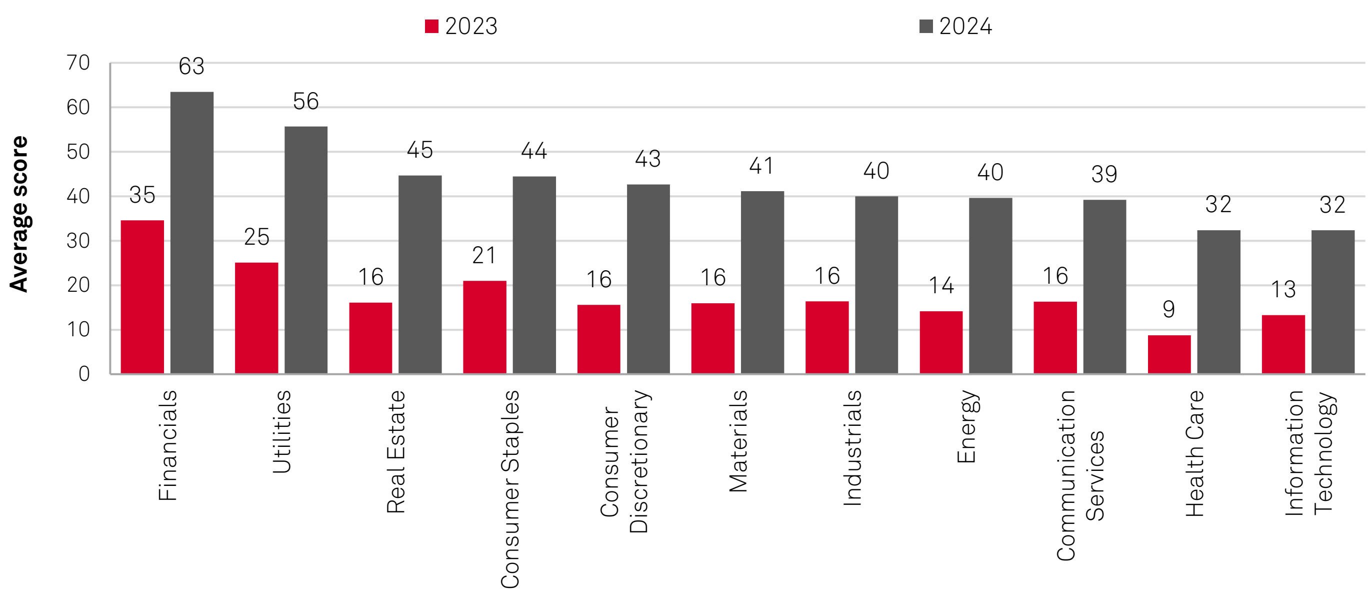
Findings

The following analysis provides an overview of companies' performance in the 'Risk Governance' question in 2024. The question collected information from 6'575 companies of the CSA universe.

The average score for Risk Governance in 2024 rose significantly to 43 points, compared to 18 points in 2023. This increase reflects the widespread adoption of the Three Lines of Defense model, a long-established risk management framework. Additionally, the simplification of the Risk Governance question – by shifting elements like board expertise in risk management and employee training to other questions – contributed to higher scores in 2024.

The findings in Figure 12 are based on feedback from 13'810 companies assessed in 2023 and 6'575 companies assessed in 2024. The 'Risk Governance' question changes have had a notable positive impact on scores across all sectors, reflecting a broader trend towards enhanced risk governance practices. The Financials and Utilities sectors continue to achieve the highest scores. For Financials, this is partly due to regulatory requirements such as the Basel Framework which mandates the implementation of the Three Lines of Defense model, contributing to more rigorous risk governance frameworks and disclosure standards. This aligns with these industries' long-standing exposure to regulatory scrutiny, fostering higher quality in risk governance.

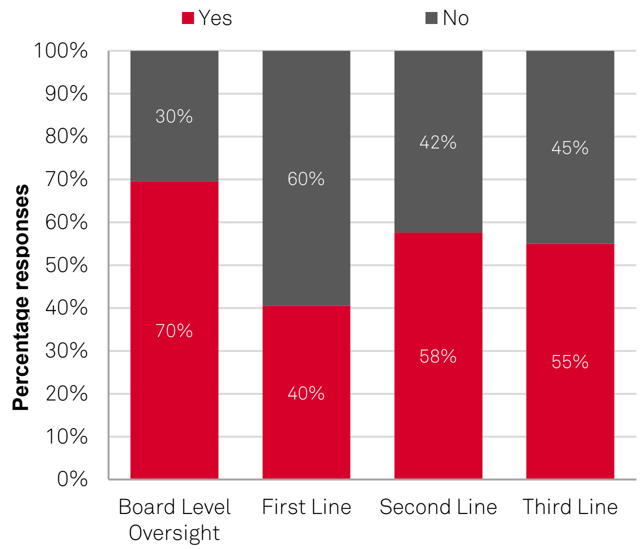
Figure 12
Average score for Risk Governance per sector



The findings in Figure 13 are based on feedback from 5'112 companies. The disclosure levels for Risk Governance show the distribution of risk oversight and operational risk management functions across the three lines of defense. Notably, 70% of companies have a board-level role or committee for risk oversight, underscoring the importance placed on risk governance at the highest level. However, only 40% of companies disclose a structured approach to risk management at the first line of defense, where front-line employees handle risk identification and ownership.

The lower disclosure level indicates a limited emphasis on operational risk ownership, potentially leaving a gap in proactive risk ownership at its origin. Disclosure increases at the second line of defense, with 58% of the companies reporting senior management's role in oversight and 55% at the third line, where independent audit units provide risk assurance. This pattern suggests that companies focus more on top-down oversight than embedding risk management at the operational level. Increasing risk ownership and fostering a more risk-aware culture across all levels would strengthen resilience.

Figure 13
Risk Governance framework by level applied



Risk Management Processes

The purpose of this question is to assess a company's risk management practices and strategies, essential for fostering an effective risk culture. Effective risk and crisis management are vital for long-term financial stability and adaptability. Implementing internal control processes ensures compliance with current regulations and positions a company to proactively refine these controls.

In 2024, the layout of this question was simplified, shifting from partially public disclosure to fully public. As a result, all relevant information must be available in the public domain to count toward scoring. Conducting robust risk assessments, including evaluating risk exposure and determining risk appetite, allows companies to respond strategically to events that may have a material impact.

Moreover, regular and frequent risk reviews and audits can enhance the effectiveness of risk management processes. To embed these practices into the wider organization, measures should be taken to educate and incentivize employees at all levels, thereby nurturing a strong and effective risk culture. Such an approach ensures risk management is not just a compliance exercise but a fundamental part of the company's operational mindset.

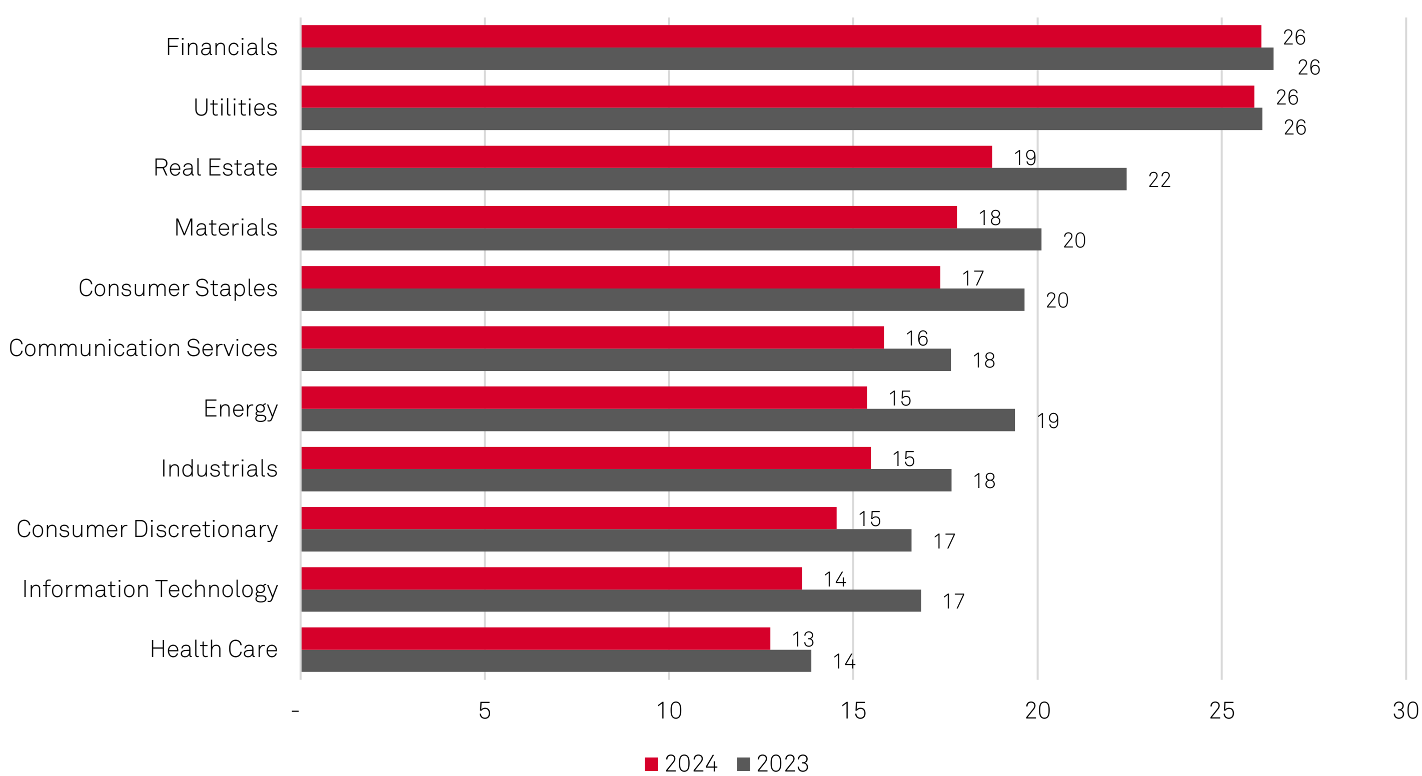
The question was updated in 2024 and applies to listed companies of all industries.

Findings

The following analysis provides an overview of companies' performance in the 'Risk Management Processes' question in 2024. The question was responded to by 6'575 companies of the CSA universe in 2024 and 13'707 companies in 2023.

Figure 14 shows the average scores for Risk Management Processes by sector for 2023 and 2024. It reveals that while some companies in every industry achieve top scores of 100%, average scores remain modest. Most sectors score 26% or below. This discrepancy between leading companies and sector averages suggests that while a few companies have adopted best-in-class risk management practices, the majority still need to strengthen their frameworks. Financials and Utilities stand out with relatively stable and higher-than-average scores, reflecting these sectors' established focus on risk governance, likely driven by regulatory frameworks for Financials and stringent oversight in Utilities. However, even within these sectors, the average scores are not particularly high. Evidently only a select few companies are consistently meeting best-practice standards.

Figure 14
Average score for Risk Management Processes by sector



Most companies demonstrate some transparency in mitigation and audit processes but lack comprehensive public disclosure of their overall risk tolerance and proactive initiatives to manage risk. If expanded, these areas could strengthen organizational resilience and boost stakeholder confidence.

Figure 15 shows that while 33% of companies disclose specific risk mitigation actions and 21% conduct internal audits, fewer publicly outline their risk profiles. Only 20% describe risk exposure and 12% specify risk appetite. External audits are even less common, at just 4%, suggesting a preference for internal validation over third-party assurance.

Efforts to cultivate a strong risk culture are similarly limited. Only 13% of companies provide risk management training organization-wide, and just 6% offer financial incentives tied to risk metrics. Additionally, risk integration into product development (7%) and regular risk education for non-executive directors (5%) are rare, indicating gaps in embedding risk awareness across both daily operations and leadership.

Figure 15
Percentage of companies implementing Risk Management Processes

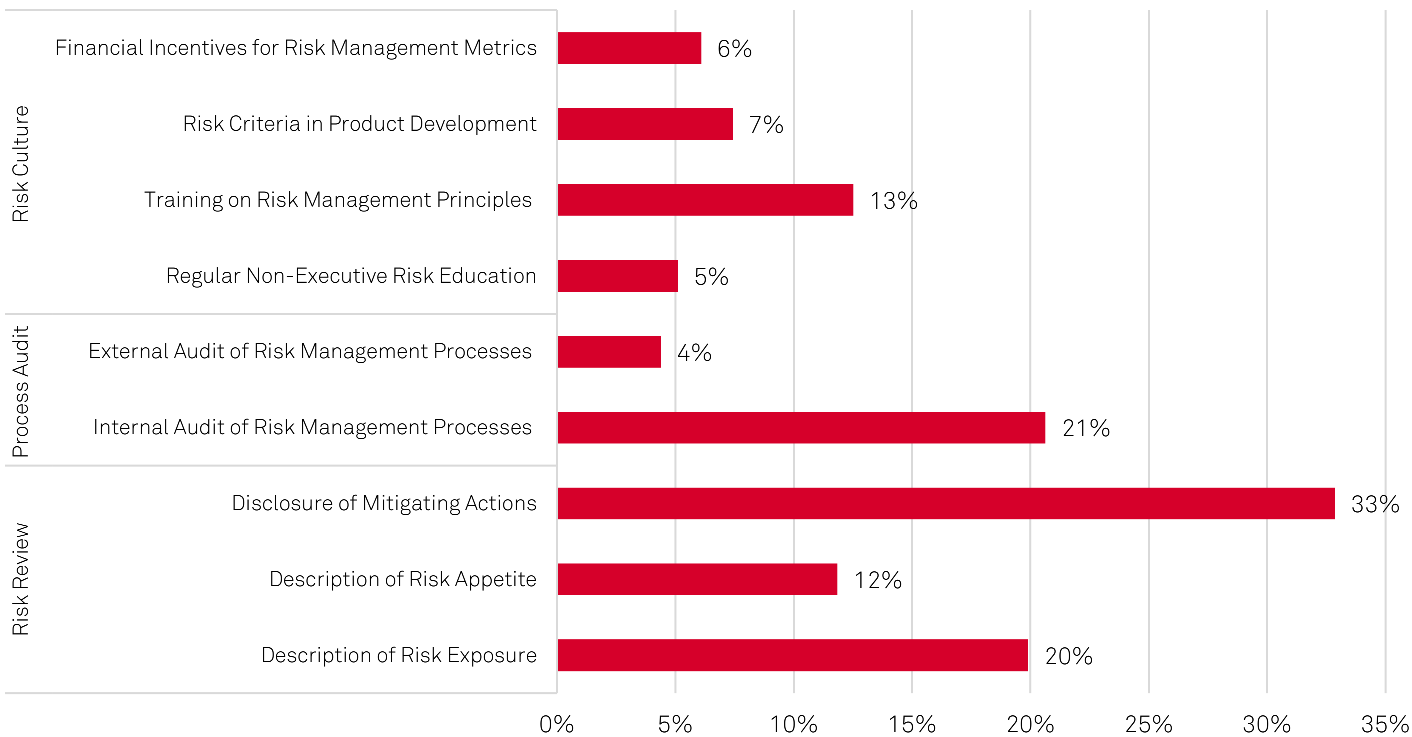
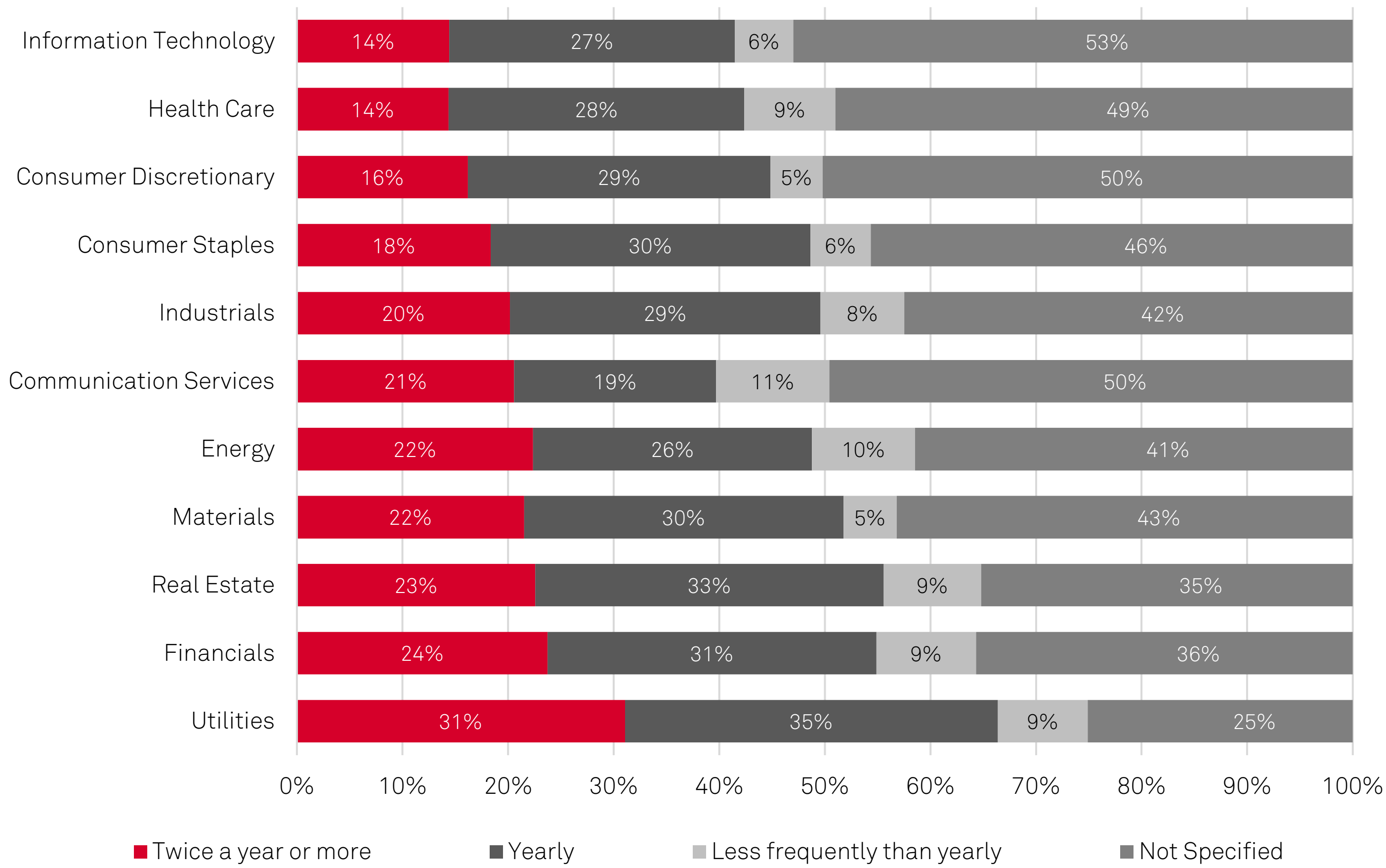


Figure 16 highlights the frequency of risk review processes across sectors, revealing varying levels of commitment to regular assessments. The Utilities sector leads, with most companies conducting risk reviews at least annually and many doing so twice a year or more. This reflects regulatory demands and prioritization of stability considerations. In contrast, Communication Services and Information Technology have a higher proportion of companies that do not specify a review frequency or conduct reviews less than annually, suggesting room for improvement. Overall, all sectors could demonstrate more proactive and regular risk assessments.

Figure 16
Risk Review Frequency by sector



Innovation Management

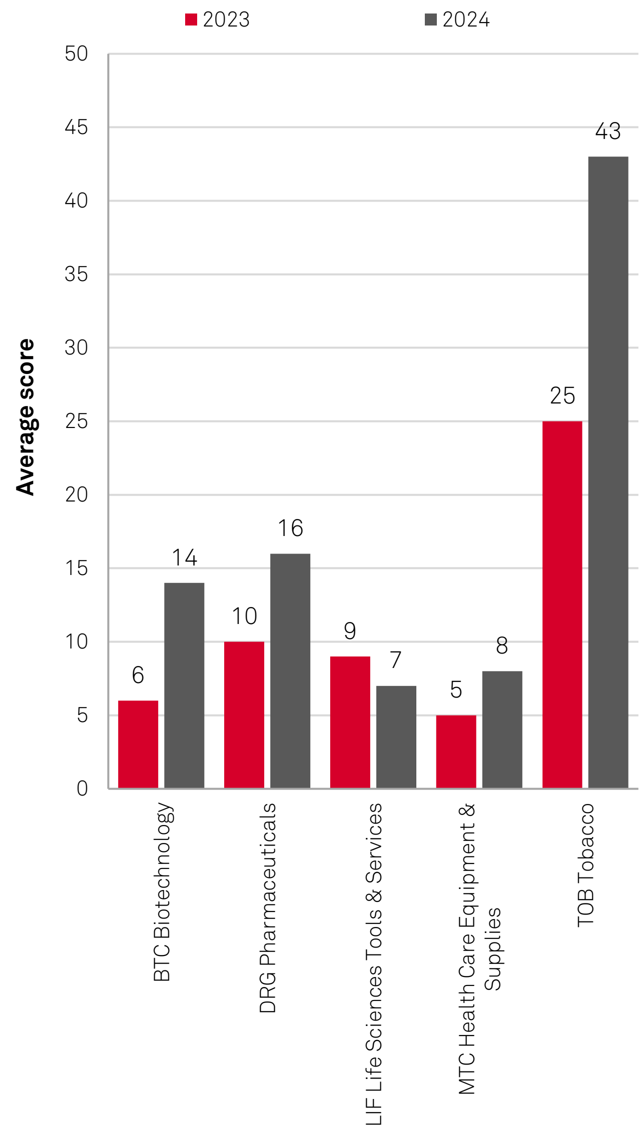
Securing a strong innovation pipeline is a top priority among company executives. Companies utilize innovation as a driver for differentiation in areas such as product and service offerings, as well as delivering value through optimizing processes and organizational changes. Innovation is also critical for defining new solutions to public health problems. This criterion addresses innovation drivers within businesses from the biotechnology, pharmaceutical, medical device, laboratory, and tobacco industries. This is done by examining metrics such as product innovation launches, the condition of a company's clinical pipeline, and innovation towards reduced-risk tobacco products.

Criterion Update

The Innovation Management criterion underwent key updates in 2024. The CSA focus was sharpened to capture and analyze the sustainable impact of driving innovation across several criteria within the questionnaire. This resulted in streamlining the question set specifically for companies from the Healthcare sector and the Tobacco industry. It implied keeping the core topics related to the state of their product innovation pipeline or the share of tobacco alternative and reduced-risk products. While historically these aspects were analyzed using private disclosure, the update introduced additional credit for reporting select aspects of the revamped "Healthcare Clinical Pipeline" question in the public domain. The question responds to the need for transparency in research and development data analysis, following good practices expected by leading regulatory agencies.

The scores in figure 17 are based on feedback from 1'233 companies assessed in 2023 and 580 companies assessed by November 2024. As shown in Figure 17, four out of the five covered industries had an upward change in their average score. With the narrower focus of the criterion, companies were able to provide information of greater quality and transparency. The Tobacco industry focus has shifted to alternative and reduced-risk products. Consequently, the industry score directly reflects the outcomes of innovation aimed at reducing health risks.

Figure 17
Average score for Innovation Management 2023 vs 2024, by industry



Healthcare Clinical Pipeline

Increased transparency in the field of research and development outputs enables better-informed decision-making by investors. The question expects healthcare companies to report on pre-clinical, clinical, and launch innovation stages. The refreshed layout allows participants to further break their clinical research innovation stage into Phase I, II, and III. Overall, the Healthcare Clinical Pipeline question ensures better coverage of the medical product development process roadmaps shared by both the Global Healthcare Network and regional regulatory agencies.

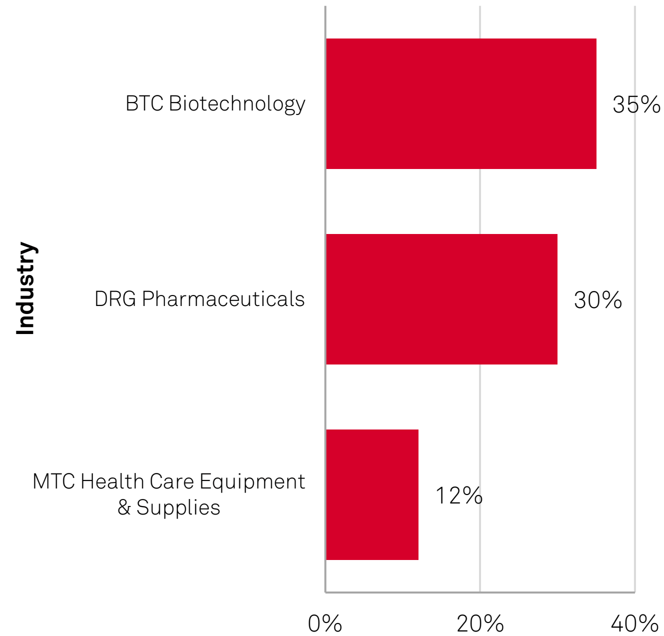
This question applies to the BTC, DRG and MTC industries.

Findings

The following findings in figure 18 are based on feedback from 187 companies assessed by November 2024.

Figure 18 shows that 35% of companies from the Biotechnology industry and 30% of companies from the Pharmaceuticals industry publicly report the number of projects in pre-clinical, clinical research, and launch stages. One potential reason for this is the growing recognition of the value of transparency in the pipeline data, which fosters confidence among investors and regulators and demonstrates a company's R&D capabilities. It suggests a shift away from the historic approach to preserving a company's competitive advantage through gatekeeping such information. The relatively lower public reporting rate within the Health Care Equipment & Supplies industry can potentially be explained by less standardized regulatory frameworks, which often vary based on a product's type and risk profile.

Figure 18
Percentage of companies publicly disclosing the number of projects in pre-clinical, clinical, and launch stages, by industry



Waste & Pollutants

Pollution and waste represent one of the key planetary crises the world currently faces. Embracing circularity and zero waste approaches continue to be fundamental to corporate strategies and business models necessary to address this crisis. From design and planning to end of life, the proper treatment of waste can enhance a company's competitiveness through reduced costs and environmental liabilities. Additionally, integrating programs within a company's operations to reduce waste minimizes negative impacts while seeking advantageous business opportunities. Moreover, measuring the waste generated and recycled allows companies to track progress, set meaningful targets, prepare for future regulation and address stakeholder expectations. The Waste & Pollutants criterion examines whether companies align with best practices and assesses data against industry expectations.

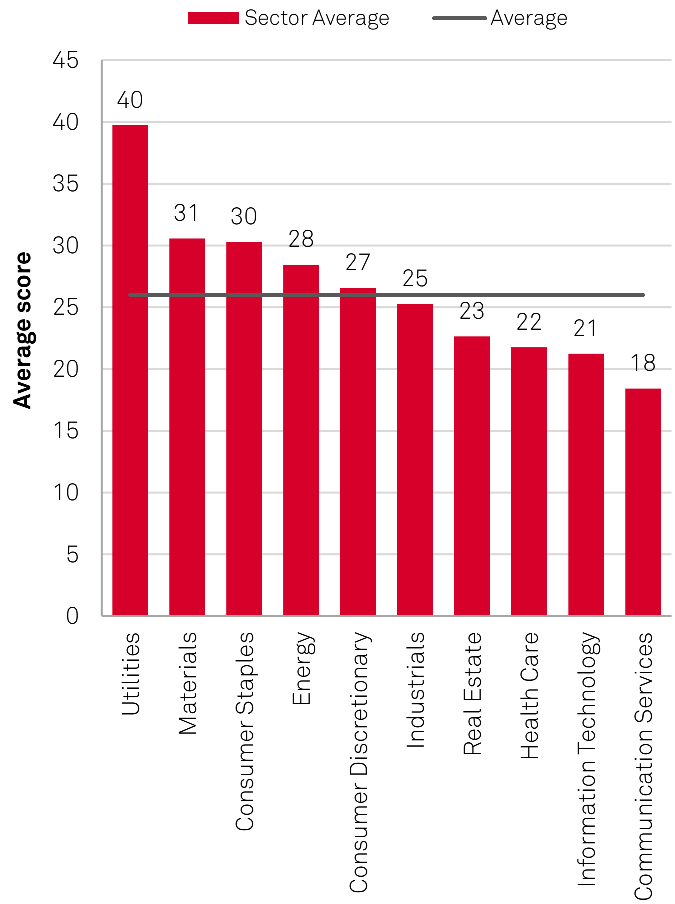
Criterion Update

The Waste criterion underwent reorganization to simplify the questionnaire and was renamed Waste & Pollutants for the 2024 cycle. The criterion was expanded from twelve to twenty-four questions with emissions and industry-specific topics being added.

Historically, the CSA lacked program-specific questions on operational eco-efficiency topics, such as waste, water and energy. The Waste & Pollutants criterion focused on waste data collection and measurement for most industries. Waste Management Programs was introduced in the 2024 CSA to identify if measures have been adopted to address and minimize waste production within a company's own operations. This adds a responsibility component to the criterion and requires evidence demonstrating that implementation programs exist, rather than just policy commitments.

The scores in Figure 19 are based on feedback from 5'651 companies assessed by November 2024. Figure 19 displays the scores on the criterion across all sectors with an average score of 26. The Utilities sector scores the highest on average, outperforming other sectors by nine points or more. Communication Services performs the lowest, with an average score of 18. The remaining sectors all score on average between 21 and 31 points.

Figure 19
Average score on Waste & Pollutants across all sectors



Waste Management Programs

In alignment with best practices, companies can implement programs to focus its operations on reducing waste generation. These may include performing waste audits, creating action plans, introducing quantified targets, investing in innovation, providing employees with training, integrating recycling programs and certifying waste diversion from landfill rates. Firms that embed these measures across operations are better positioned to improve environmental performance, reduce risks and increase opportunities.

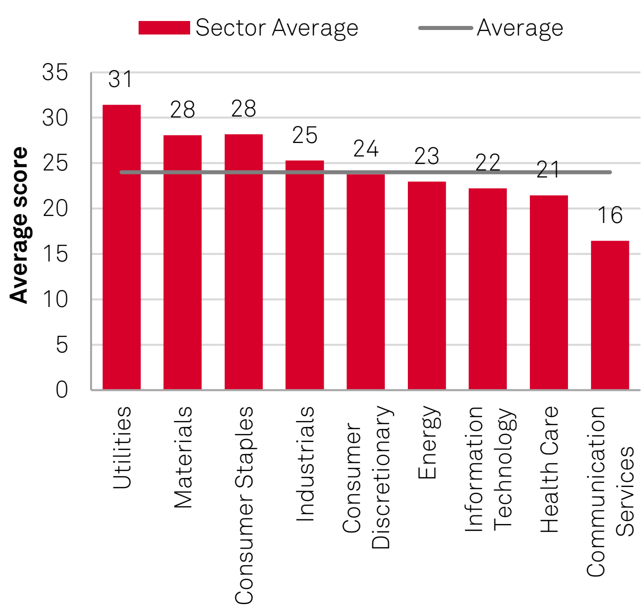
The new question applies to 54 out of 62 industries of the CSA.

Findings

The following findings in Figures 20 to 22 are based on feedback from 4'986 companies assessed by November 2024.

As this question requires public information, companies without any programs discussed publicly received a score of zero. Thirty-five percent of assessed companies did not have public information available on this topic. Overall, 65% of assessed companies disclosed this information publicly and scored an average of 24 points across all sectors. As seen in Figure 20, the Utilities sector saw the highest average score and Communication Services scored the lowest. This meets expectations as resource-intensive sectors generally have the highest impact on waste generation and are expected to establish efforts to mitigate and reduce it. Less resource intensive sectors with business models generating less waste typically have less robust management systems on waste.

Figure 20
Average score on Waste Management Programs by sector



As seen in Figure 21, Latin America and Africa – both regions representing the smallest number of assessed companies – have the highest average scores across all regions, 31 and 30 respectively. Of the 37 African companies assessed, 84% disclosed publicly on at least one program. The regions of Asia Pacific, Europe and North America all saw average scores between 20 and 27. Although all regions saw average scores within a range of 11 points, these findings differ from general expectations. Typically, Europe and North America perform higher because of facing increased stakeholder expectations in public disclosure. These results suggest that companies across all regions are transparently disclosing measures that have been adopted to reduce waste generation in their operations.

Figure 21
Average score for Waste Management Programs by region

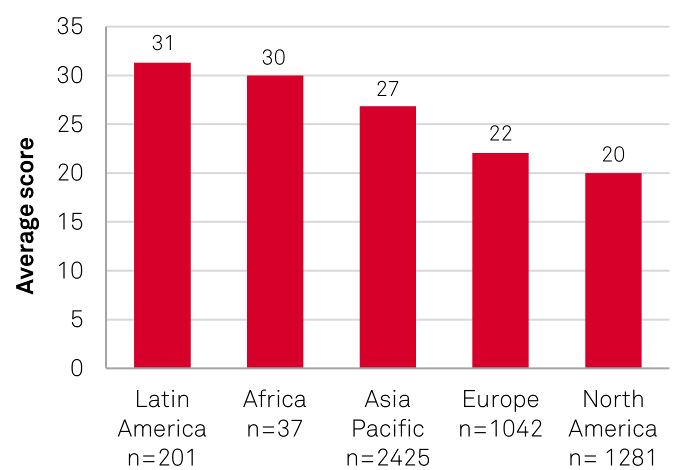
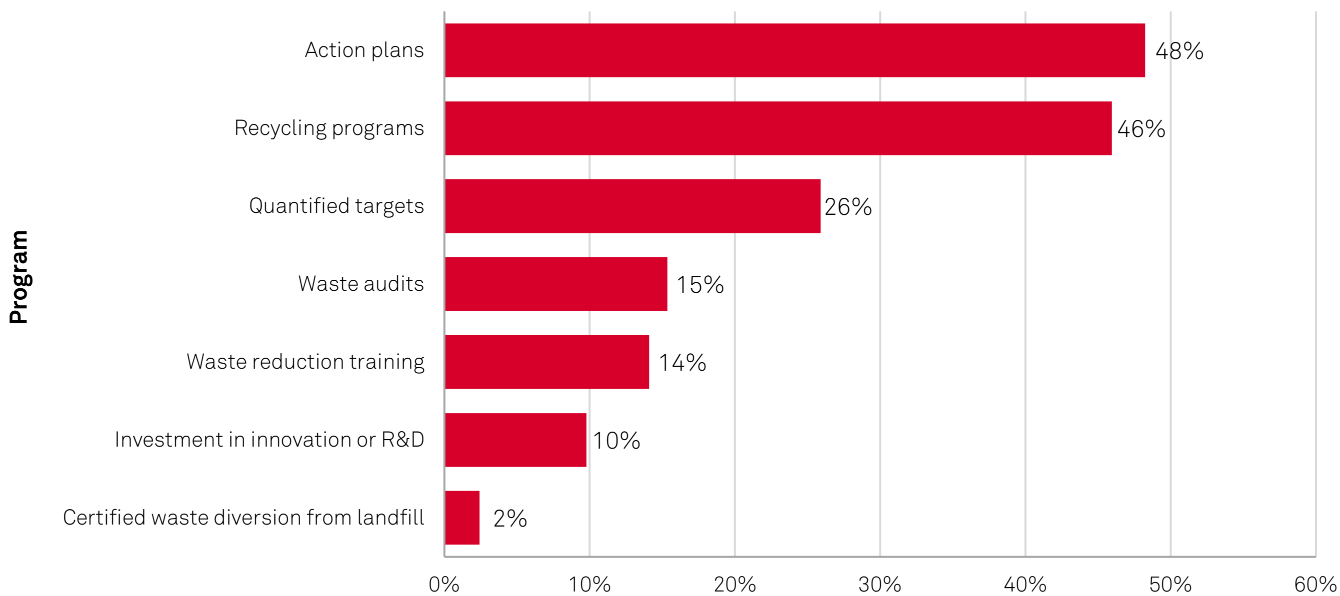


Figure 22 highlights that the most frequently integrated measure was the use of action plans, with 48% of the assessed companies publicly reporting this information. Notably, 46% of companies use recycling programs in their own operations. Just around a quarter of all companies set quantified targets on waste, whether it be on specific aspects or on waste generation in general. Around 15% disclose information on both waste audits and waste reduction training. Ten percent of companies report investments in innovation or R&D, depending on their business model. Only a few companies (121) report having waste diversion from landfill certifications issued by an independent accredited body.

Figure 22
Share of companies with specific Waste Programs



Energy

Producing more with less is essential for many industries affected by the increasing scarcity of natural resources. Resource efficiency can enhance companies' competitiveness through reduced costs and environmental liabilities. It can also mean companies are better prepared for future environmental regulations. This includes increasing expectations of energy efficiency, energy costs as well as the educational challenge of ensuring users do not simply use more energy efficient technologies more intensively. The focus of this criterion is to identify trends related to companies' energy consumption and management across business operations.

Criterion Update

Questions related to energy consumption and management previously fell under the Resource Efficiency and Circularity criterion. The reason for this update is to focus more specifically on energy as a critical resource, while other resources are addressed mostly under Sustainable Raw Materials and circularity aspects under Product Stewardship.

Reducing environmental impacts and improving energy efficiency is important for companies of all sizes. It can enhance companies' competitiveness through reduced costs and environmental liabilities as well as new income opportunities. The question was introduced to identify the set of actions implemented by companies to ensure reliable energy management programs. These aim to continually improve energy performance and the way businesses manage the use of energy.

All types of companies in the relevant industries, whether listed or non-listed and larger or smaller, can be expected to provide some information regarding their energy management systems. It is common for even smaller companies to have an environmental management policy and commit to improving performance even if they do not monitor and report other metrics such as quantitative emission data.

Energy Management Programs

Energy management programs are implemented by companies to optimize their energy performance through a systematic process of ongoing improvement. By increasing energy efficiency businesses strengthen their competitiveness and profitability thanks to cutting energy-related costs. It also supports the achievement of climate change mitigation targets by reducing greenhouse gas emissions generated due to energy consumption.

This new question applies to 58 out of 62 industries of the CSA.

Findings

The following findings in figures 23 and 24 are based on feedback from 5'651 companies assessed by November 2024.

As this question requires publicly available information, companies without any programs discussed publicly received a score of zero. Figure 23 shows the average score for the question Energy Management Programs by sector. The score is medium for all industries, demonstrating that all companies are implementing programs to improve their energy performance. The best performers are Real Estate companies (47), followed by Consumer Staples (46), Materials (45) and Utilities (45). Meanwhile, the lower score is for Health Care (33) and Communication Services industry (31).

Figure 23
Average score for Energy Management Programs by sector

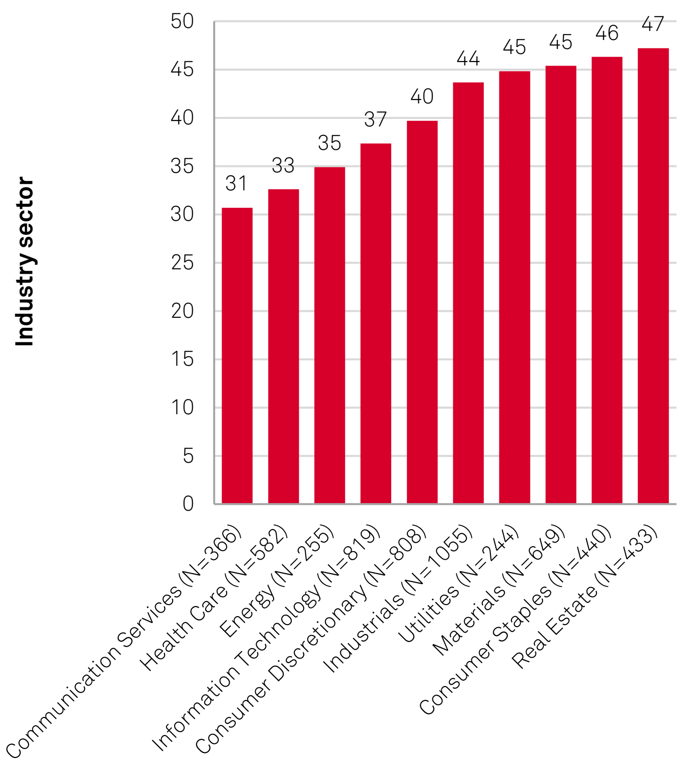
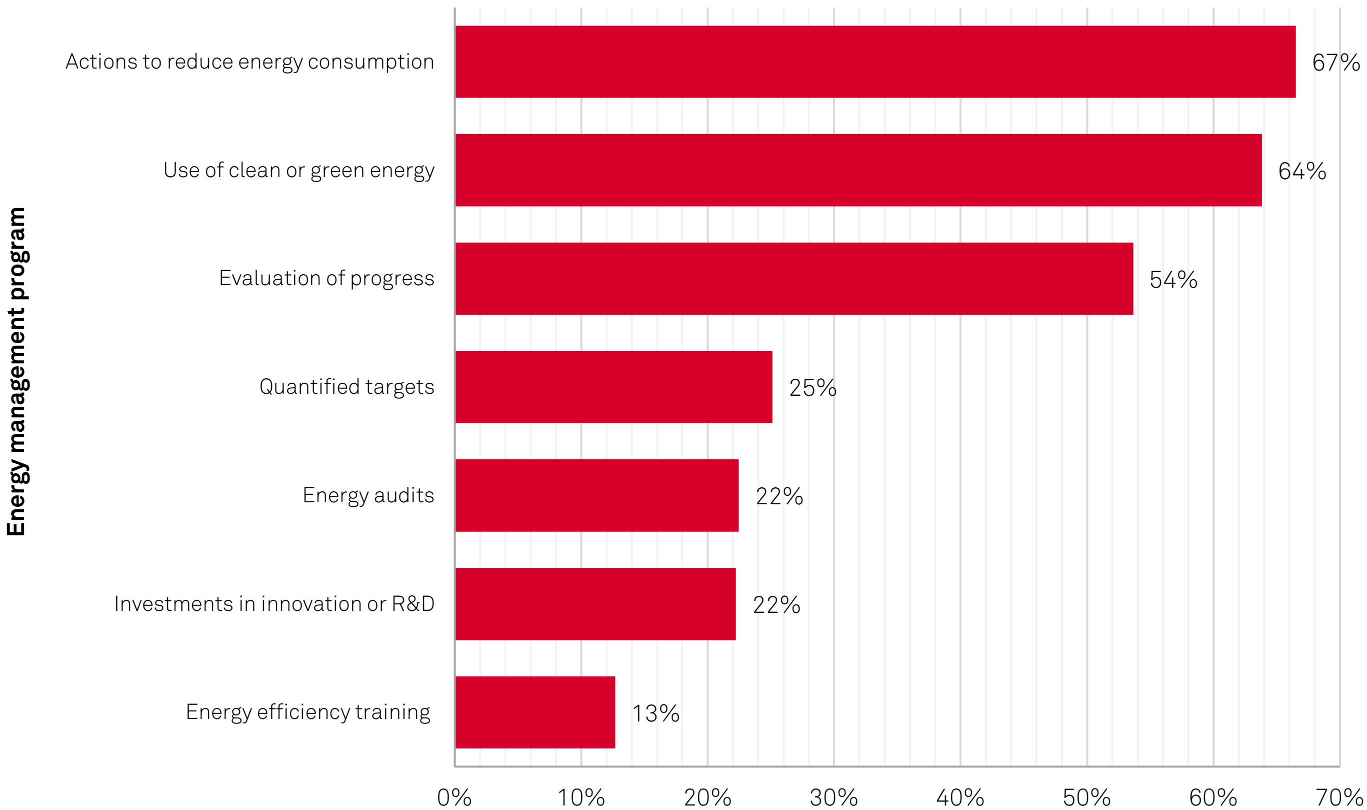


Figure 24 shows the percentage of companies that are publicly reporting the implementation of energy management programs. Overall, the data shows that 67% of companies are implementing measures to reduce the amount of energy used, 64% of them are using clean or renewable energy in their operations and 54% of them are evaluating its progress in reducing energy consumption year over year. However, only around 25% of them are setting energy reduction targets and 22% of them are conducting energy audits. Lack of assessments to identify opportunities where energy efficiency measures can be found can lead to an increase in energy consumption by facilities, processes, systems, or equipment that is inefficient.

Figure 24
Percentage of companies implementing Energy Management Programs



Sustainable Raw Materials

Raw materials are essential in producing a wide range of goods for various industries worldwide. Factors such as population growth, urbanization, industrialization, and new technologies contribute to the increasing demand for raw materials in the production of food, consumer products, machines, and infrastructure. Good performance in sustainable raw materials begins with well-developed policies so companies are choosing raw materials that minimize adverse sustainability impacts. Additionally, having programs to ensure these policies are implemented is crucial. The criterion also evaluates how companies perform in using sustainable raw materials. The CSA expects products to be transparently described, with the values and percentage of material used that is recycled.

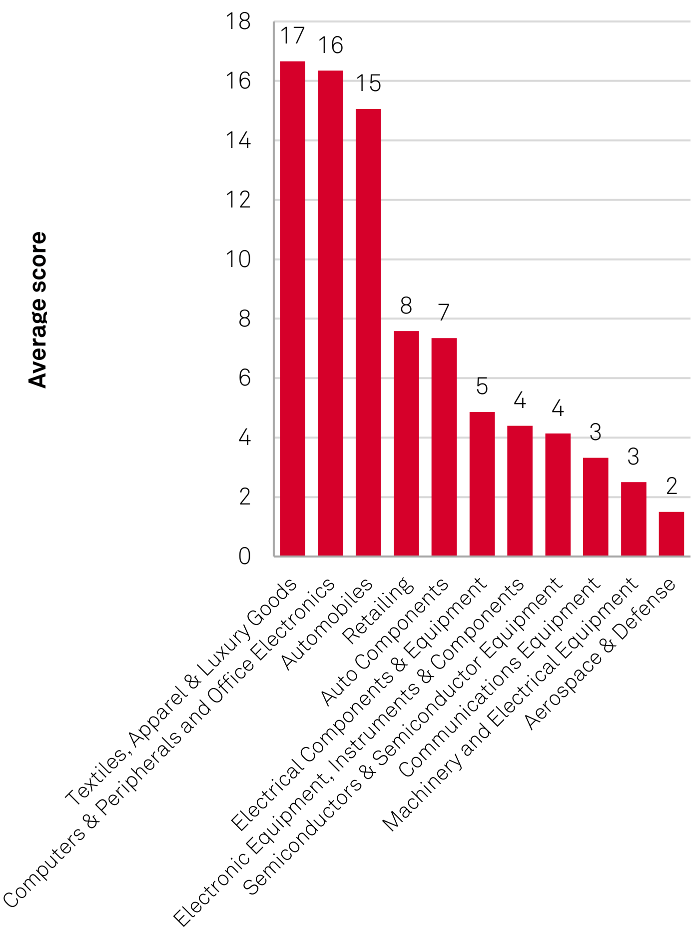
Companies and organizations that critically depend on raw materials are exposed to numerous environmental, social, and governance risks. In agriculture, the industrialized production of agricultural commodities puts high pressure on the ecosystem and requires substantial resources. The sustainability of global fishery resources has declined from 90% in 1974 to 64.6% in 2019. Between 2015 and 2019, at least 100 million hectares of healthy and productive land were lost every year. In the textiles, apparel, and luxury goods industries, approximately 38% of industry-wide 2.1 billion tons of GHG emissions came from material production, along with significant impacts on water pollution, soil erosion, landfill waste and salient human rights risks. Several key raw materials for the automotive and electronics industries are considered conflict minerals (tin, tantalum, tungsten and gold). Other materials are highly associated with child labor, forced labor, corruption, high $CO2$ emissions, and environmental damage from hazardous materials or chemicals. A growing number of companies are also experiencing operational disruptions, public scrutiny, investor interest, new regulatory requirements, and judicial actions related to the sustainability impacts of the raw materials used in their value-creation processes.

Criterion Update

The 'Sustainable Agriculture Practices' criterion was updated in 2024 and merged with new questions on Sustainable Raw Materials. The criterion was therefore updated and renamed 'Sustainable Raw Materials'. Within the new criterion there are five new questions introduced for 2024. These are Raw Materials Policy, Raw Materials Programs, Plant and Animal-Derived Raw Materials, Plastic Raw Materials and Metal Raw Materials.

The scores in Figure 25 are based on feedback from 1'295 companies assessed by November 2024. It shows the average score achieved by each new industry in the Sustainable Raw Materials criterion. The Textiles, Apparel and Luxury goods industry achieved the highest average score, closely followed by the Computers & Peripherals and Office Electronics and Retailing industries. Whereas the Aerospace and Defense industry obtained the lowest score. Whilst all scores for the new questions in this criterion were very low, plant and animal-derived textile materials was one of the questions with the highest average score, reflecting that the retailing and textiles industries are beginning to acknowledge the importance of reporting on the use of sustainable raw materials in delivering their products. The questions on programs and policies on raw materials also displayed among the highest average scores, whereas the plastic and metal raw material questions had the lowest average scores. Thus, indicating that whilst the theoretical basis and ways to implement these policies may exist, the disclosure of the raw materials used lags.

Figure 25
Average score by industry (new industries)



Raw Materials Policy

Human activities are increasing pressure on ecosystems and the services provided by nature. The scale of industrial production puts a special responsibility on the shoulders of business, as well as an opportunity to enable positive economies of scale while delivering on consumers' needs and wants. This points to opportunities to drive positive change for the environment and communities worldwide. It is crucial for companies to establish comprehensive policies to help preserve and sustainably use the raw materials we all depend on.

This question examines how companies are actively committing to using raw materials in a sustainable manner. It assesses whether companies select raw materials that minimize negative impacts, avoid operating in areas with globally or nationally significant biodiversity sites, and commit to using more third-party certified and recycled materials.

The question was introduced in CSA 2024 and applies to 11 industries: ARO, ATX, AUT, CMT, ELQ, IEQ, ITC, RTS, SEM, TEX and THQ.

Findings

The following findings in figures 26 - 27 are based on feedback from 1'289 companies assessed by November 2024.

Figure 26 shows that for the question on raw materials policy, the Computers & Peripherals and Office Electronics industry obtained the highest average score, closely followed by the Automobiles industry. Conversely, the Machinery and Electrical Equipment and Aerospace & Defense industries scored the lowest in this question. Across all industries the highest average score obtained was only 17, demonstrating a strong need for companies to improve disclosure of their raw materials policies.

The question assesses what aspects or components are covered by a company policy. As seen in figure 27, the aspect that is covered most by policies is minimizing the negative sustainability impacts of raw materials. Increasing the use of recycled raw materials is also an aspect that is included in over half of companies' raw materials policies. Whereas only 28% of policies disclose a commitment to avoid raw materials from sites containing globally or nationally important biodiversity sites.

Figure 26
Average score for Raw Materials Policy by industry

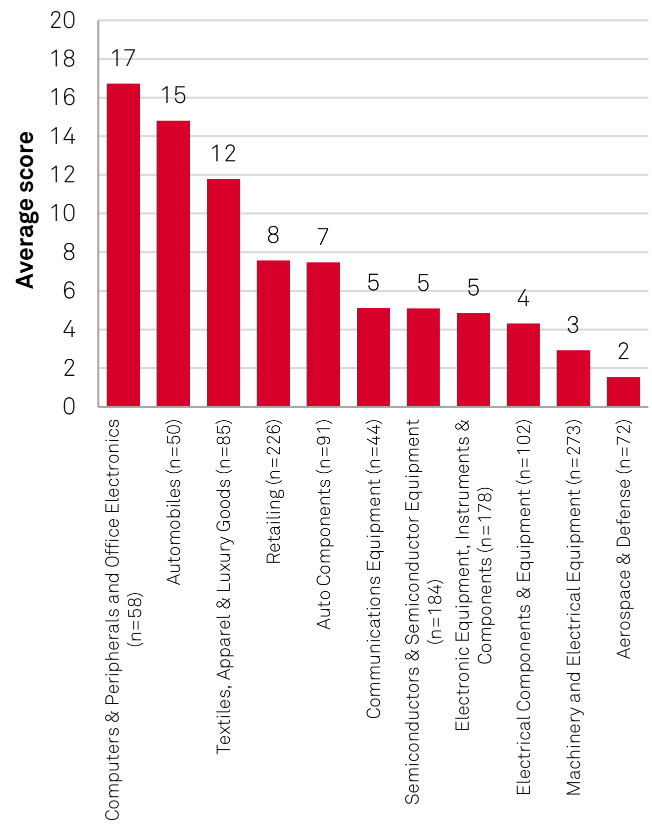
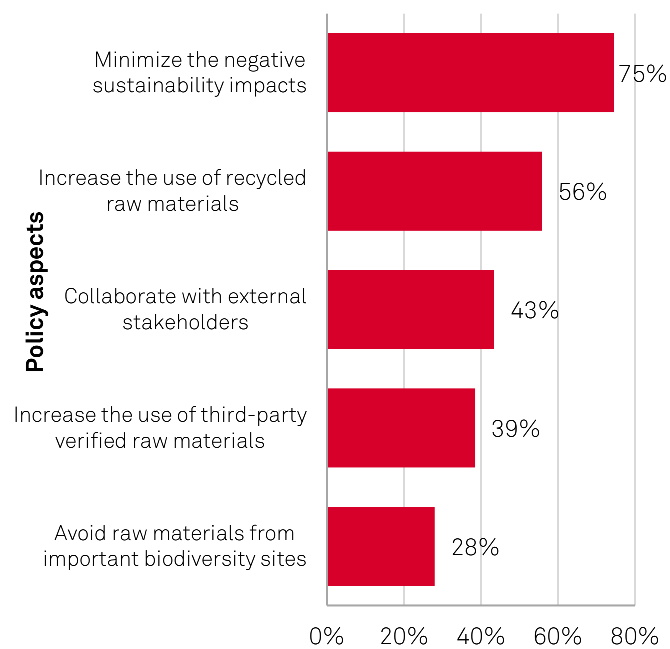


Figure 27
Percentage of companies with a Raw Materials Policy featuring relevant components



Raw Materials Programs

The sourcing of raw materials incorporates the risks of every process involved in their extraction or production to every company where these substances are present across the supply chain. The development and implementation of sound Raw Materials Programs, therefore, allows organizations to take ownership of their responsibilities on how raw materials are produced or extracted at their origin site. This approach mitigates negative impacts and enhances positive contributions resulting from the company's activities on both the environment and society. The question evaluates whether companies have programs in place to ensure the effective execution of sustainable raw materials strategy, ensuring that their operational demands align with recognized environmental, social and governance requirements.

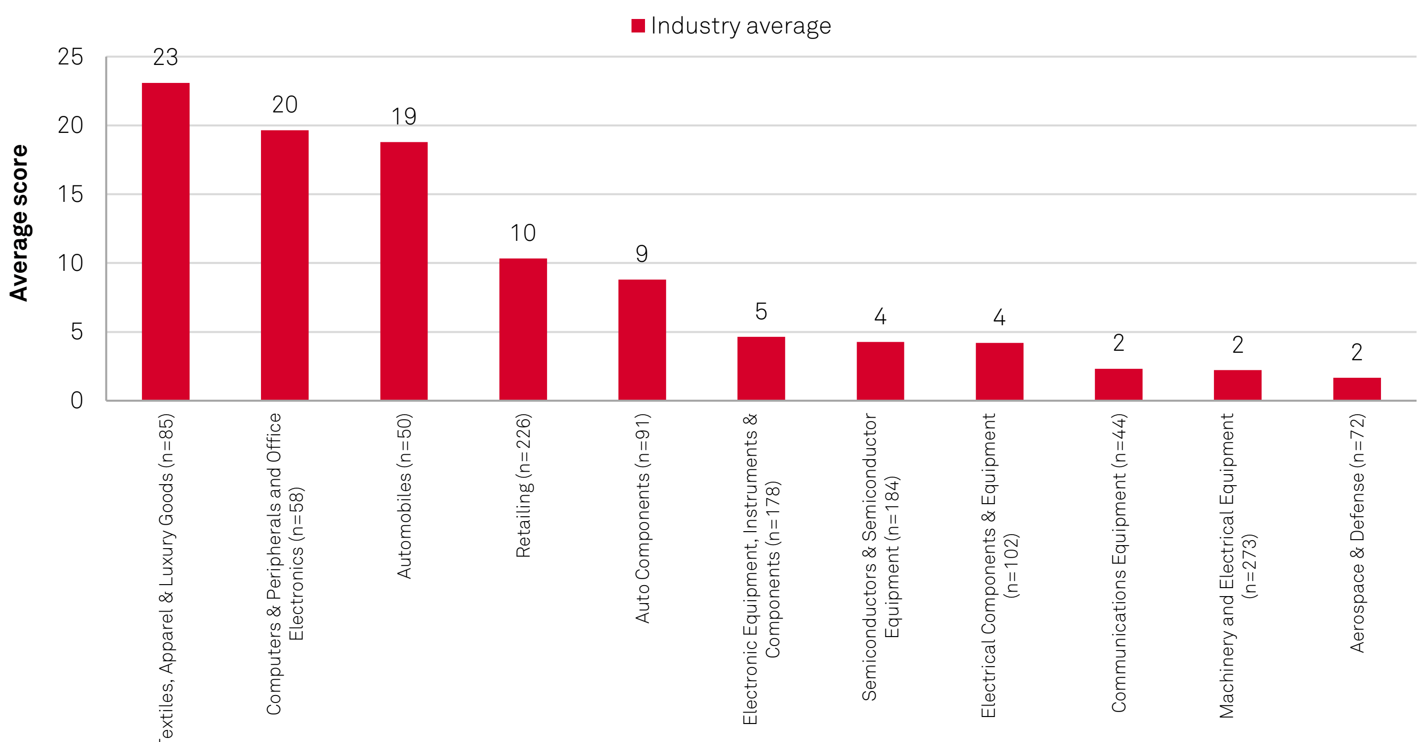
This question was introduced in CSA 2024 and applies to 11 out of 62 industries.

Findings

The following findings in Figure 28 are based on feedback from 1'363 companies assessed by November 2024.

Figure 28 illustrates the average scores across all sectors regarding the Raw Materials Programs question. Notably, the Textiles, Apparel and Luxury Goods industries generated the highest average scores in 2024. This could be attributed to the industry's significant amount of GHG emissions emitted during material production. Nonetheless, the relatively low average scores across the board highlight the overall potential for improvement for all industries.

Figure 28
Average score by industry for Raw Materials Programs

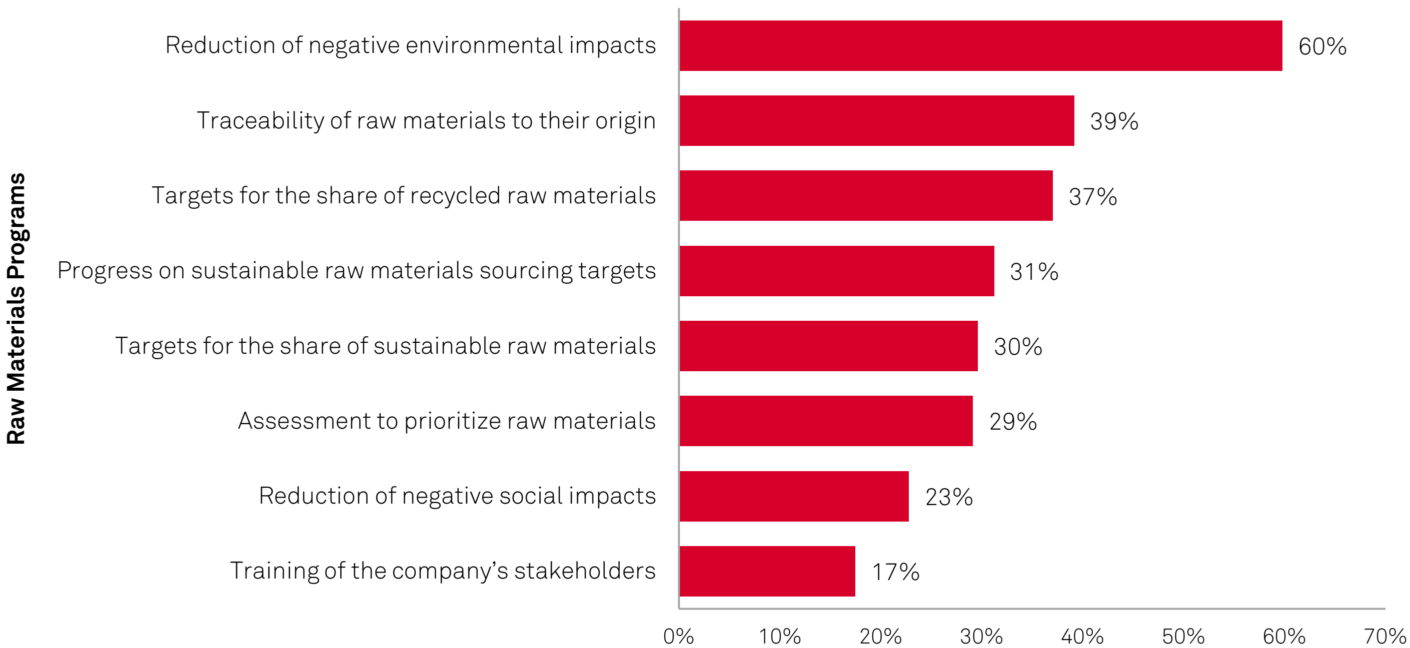


The following findings in Figure 29 are based on feedback from 189 companies with raw material programs out of 1'228 companies assessed by November 2024.

Among the companies assessed in CSA 2024, only 17% publicly reported on one or more measures related to their sustainable raw material programs. Figure 29 displays how 60% of the companies with established sustainable raw material programs have adopted measures aimed at mitigating the negative environmental impacts associated with raw material production. This is significant given that raw material production can adversely affect natural resources, including water, soil, and air quality, in addition to contributing to biodiversity degradation. On the other hand, less than a quarter of reporting companies have programs in place to minimize the negative social impacts of raw material production, such as issues impacting workers' labor rights and the rights of communities.

Additionally, at 17%, the share of companies reporting on measures to train internal stakeholders on their roles related to sustainable raw materials use is the lowest among all programs. This aspect is particularly important as it can often influence the achievement of the company's sustainable raw materials goals.

Figure 29
Percentage of companies with Raw Materials Programs featuring specific aspects



Plant & Animal-Derived Textile Materials

The Textiles, Apparel and Luxury Goods, and Retail industries are among the most polluting worldwide, and at their current pace projected to consume an even larger share of the world's carbon budget by 2050. This new question for 2024 focuses on key performance indicators of plant and animal-derived raw materials in the Textiles, Apparel and Luxury Goods, and Retail industries, including the volume of materials used, certification of third-party standards, and volume of recycled materials.

This question was newly introduced in the CSA 2024 and applies to 2 industries (RTS and TEX).

Findings

The following findings in Figure 30 - 31 are based on feedback from 311 companies assessed by November 2024.

As seen in Figure 30, the Textiles, Apparel and Luxury Goods industry achieves a significantly higher average score in this question compared to the Retailing industry. The number of Retailing companies asked this question is considerably higher than companies in the Textiles, Apparel and Luxury Goods companies. This underlines the improvement needed in reporting on usage of plant and animal-derived materials by the Retailing industry.

Figure 30
Average scores for Plant & Animal-Derived Textile Materials by industry

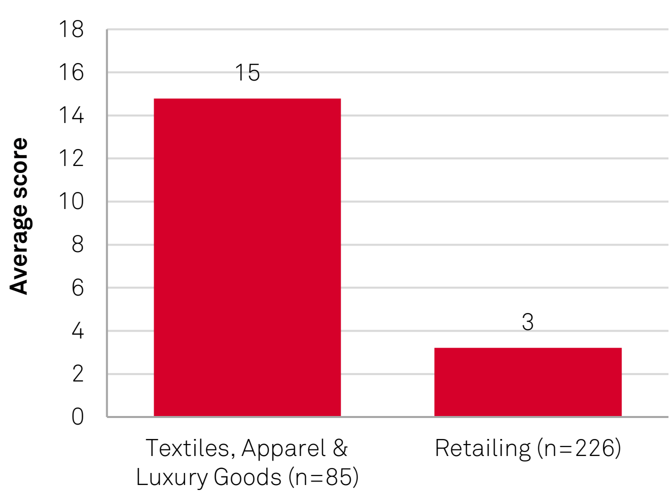
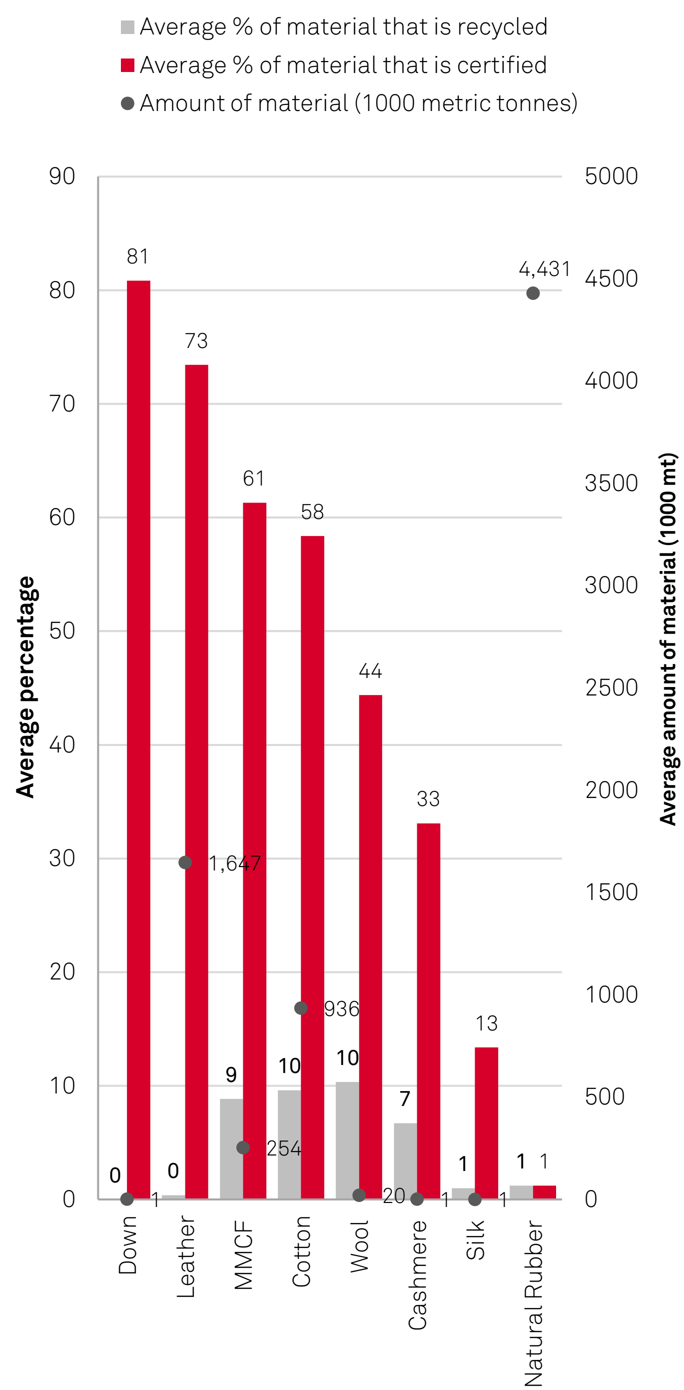


Figure 31 illustrates that the majority of down (feathers), leather, human-made cellulosics (MMCF) and cotton materials used are certified by a third-party (environmental or social) standard, with natural rubber and silk showing rather low certification rates. On the other hand, a very small share of materials used comes from recycled sources. The maximum average across all materials is 10% for cotton and wool. This highlights that there is considerable potential for companies to increase their use of materials that come from recycled sources.

Figure 31 also shows that on average natural rubber has the highest reported amount of material used. It is also the material that has the lowest percentage of recycled materials used and lowest percentage of material that has been certified. This signals the need for greater accountability on how rubber materials are sourced.

Figure 31
The majority of materials used is certified, whereas most materials used is not recycled



Plastic Raw Materials

Due to its versatility, plastic is crucial for various industry applications, from packaging to manufacturing and construction to consumer goods. However, its persistence poses many challenges to the environment and human health. Integrating recycling plastics across the product portfolio is essential for mitigating many environmental and social challenges. This question assesses the scale of plastic material used across a company products portfolio and its ability to integrate recycled sources.

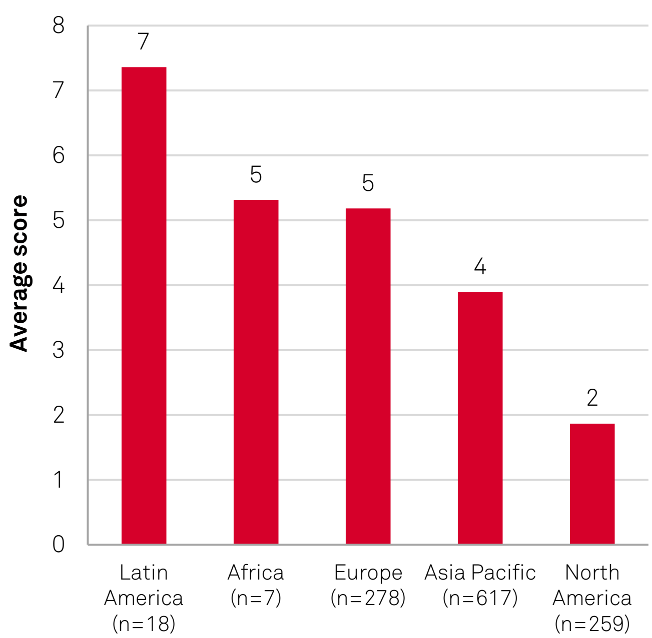
The question was introduced in CSA 2024 and applies to 10 out of 62 industries.

Findings

The following findings in figure 32 are based on feedback from 1'179 companies assessed by November 2024.

The United Nations Environment Programme (UNEP) estimates that 400 million metric tons of plastic waste are produced annually, with only about 10% of it being recycled. This exacerbates waste issues, especially in countries lacking adequate recycling infrastructure. The low average scores across all regions highlights a lack of disclosure for both the volume of plastic materials used by companies and the proportion that is recyclable. As shown in Figure 32, companies based in Latin America demonstrate the highest overall average score. Interestingly, companies in Africa and Europe follow closely behind with joint average scores of five.

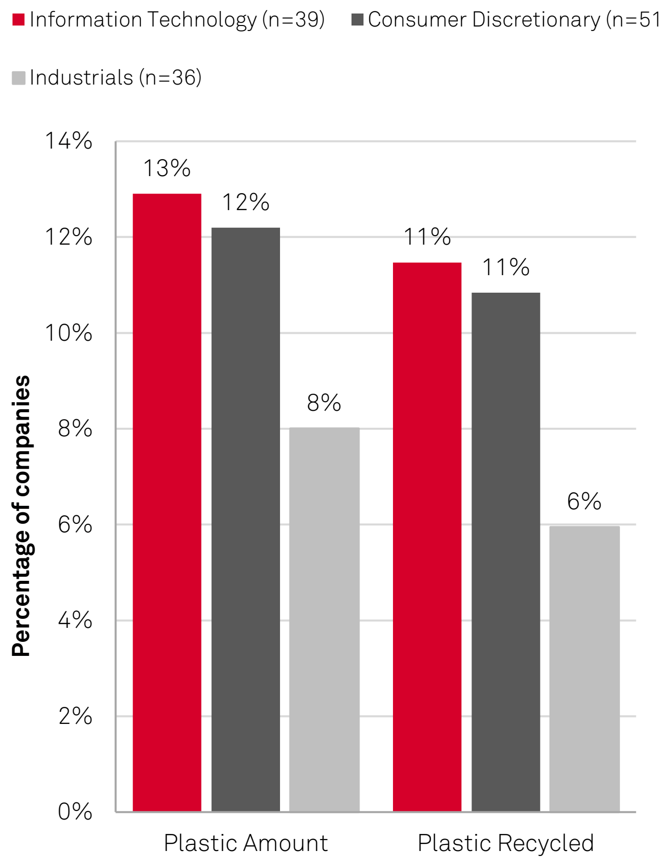
Figure 32
Average score distribution by region for Plastic Raw Materials



The findings in Figure 33 are based on feedback from 126 out of 1'085 companies reporting on their plastic raw material amounts, assessed by November 2024.

This question applies to sectors involved in the design and/or manufacturing of products that contain thermoplastic materials. Figure 33 displays the percentage of companies within such sectors that disclose the amount of plastic raw materials used in their products, as well as the proportion of those materials that are recycled. The Information Technology sector shows the highest percentage of both the reported plastic materials in products and the share of materials derived from recycled plastic. The Consumer Discretionary sector also demonstrates a comparatively high level of disclosure, while the Industrials sector (comprising Aerospace & Defense, Electrical Components and Machinery industries) is lagging.

Figure 33
Percentage of companies accross sectors reporting on their plastic raw material amounts and recycling rates



Metal Raw Materials

Metals are crucial in manufacturing, supporting industrial growth, decarbonization of transport, and clean energy advancements. Transitioning from hydrocarbons to clean technologies is essential for reaching net-zero goals. The International Energy Agency (IEA) has noted that since 2010, the average amount of minerals needed for new power generation has increased by 50%. This came as renewables dominated new investments. For instance, an onshore wind farm uses nine times more metal than a gas-fired plant, and electric vehicles require six times more minerals than traditional cars.

This rising demand exposes companies to environmental and social risks tied to metal production, including pollution, child labor, biodiversity loss, and high carbon emissions. The "Material Change Report" (2018) highlights that metals vital to electronics and automotive sectors are particularly linked to these issues.

This question assesses both the volume of metals used and the companies' capacity to integrate recycled materials, addressing the strain on resources and promoting sustainable practices.

The question was introduced in CSA 2024 and applies to 9 industries: ARO, ATX, AUT, CMT, ELQ, IEQ, ITC, SEM and THQ.

Findings

The following findings in figure 34 are based on feedback from 1'052 companies assessed by November 2024.

Figure 34 reveals the average scores based on different levels of metal reliance across industries, with Automobiles displaying the highest scores, emphasizing the critical role of metals in vehicle manufacturing, particularly for EV batteries. Electrical Components and Computers & Peripherals also demonstrate relatively high scores due to metal needs for wiring, semiconductors, and structural components. Auto Components and Machinery show moderate performance, while Aerospace & Defense and Communications Equipment show very low scores. The low scores across all industries indicates that systematic monitoring and transparent reporting of raw materials purchased is not common across production industries. These findings underscore the need for more transparency on sourcing risks of high-dependency sectors to detect and mitigate supply chain vulnerabilities.

Figure 34
Average score for Metal Raw Materials by industry

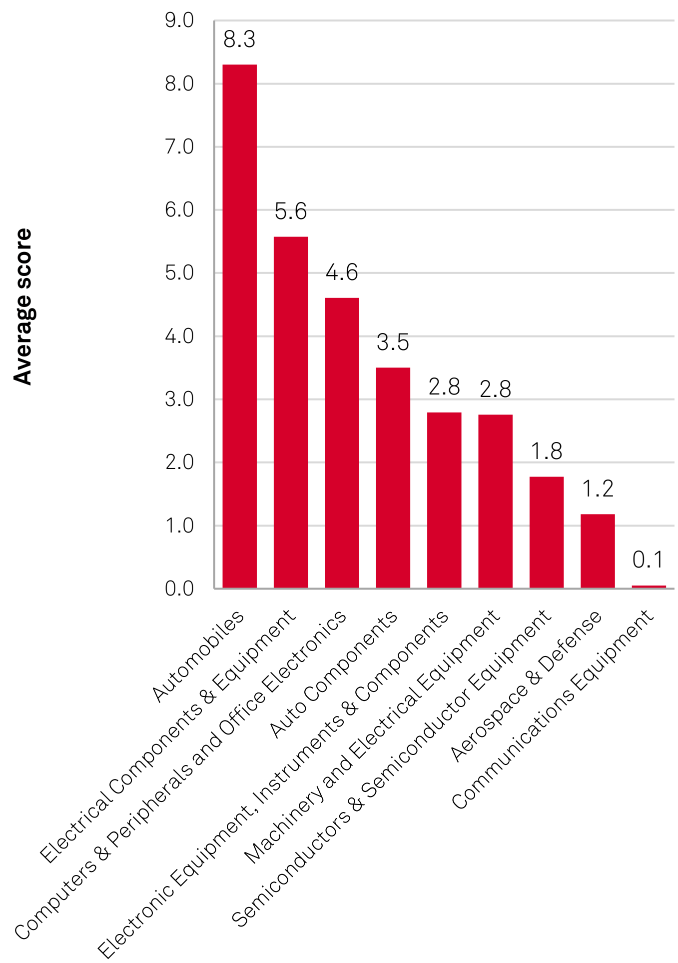
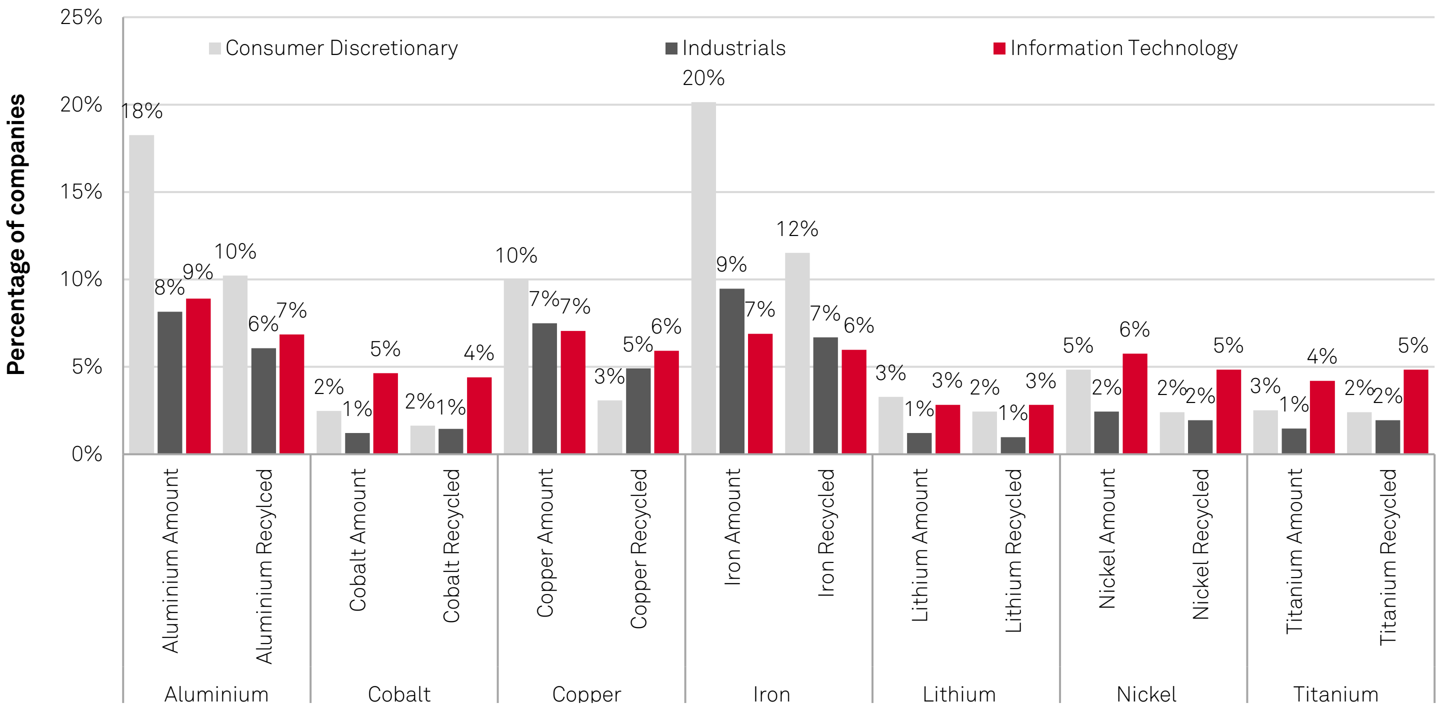


Figure 35 shows the percentage of companies within each industry disclosing their metal raw materials and the percentage recycled. Consumer Discretionary industries have the highest disclosure rates across several metals, with 18.2% of companies reporting on aluminum, 20.1% on iron and 10.0% on copper, and over half of them providing data on recycled content of these materials. This indicates the sector's commitment to enhancing transparency in material usage and prioritizing recycling efforts. Information Technology has comparably high reporting for transition metals like cobalt, copper, lithium, and nickel, with around five percent of companies disclosing the amounts of these metals used and how much of that is recycled. Industrials industries have moderate reporting across all materials, suggesting potential for growth in transparency on the metals used in their products and how much of that is recycled. The data underscores opportunities to improve sustainability and reduce waste through increased tracking and recycling of raw materials across sectors.

Figure 35
Percentage of companies by sector reporting on their raw materials amounts and/or the percentage recycled



Water

Increasing water stress and scarcity poses a risk to most sectors. Considering water consumption and exposure to water risks along the value chain of business operations can enhance companies' competitiveness by reducing likely costs and environmental liabilities. New regulations related to water consumption may have direct impact on a company's operations. Water stress may also offer new opportunities in the field of alternative or more water efficient technologies. Companies able to display more efficient and sustainable water use based on appropriate water management programs may well have a competitive advantage in comparison with peers of their industry. This criterion seeks to assess water consumption trends and strategies implemented to adapt and mitigate emerging water risks.

Criterion update

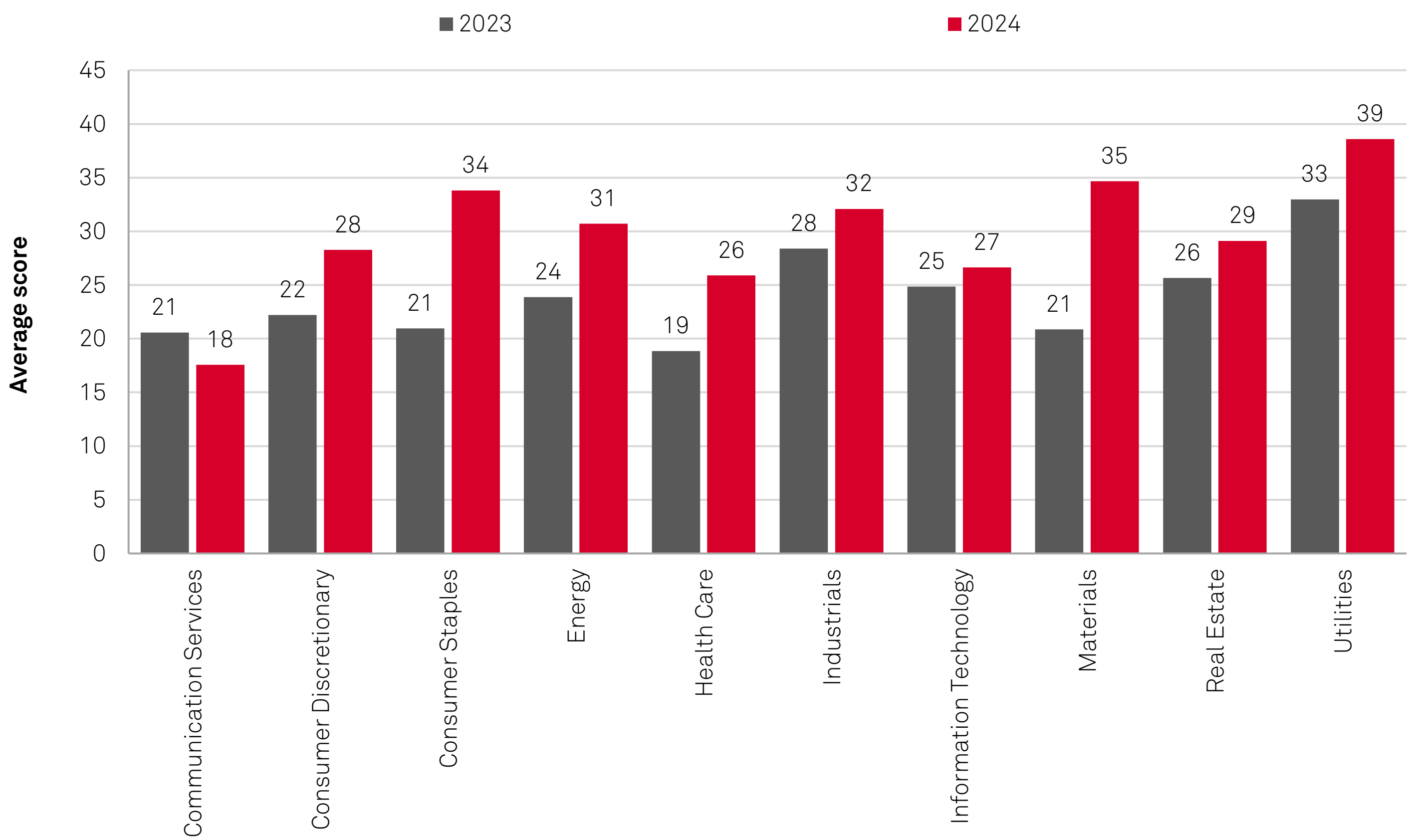
Three questions were added or updated. Firstly, a new question on 'Water Efficiency Management Programs' was introduced. Secondly, two existing questions on 'Quantity & Quality-Related Water Risks' and 'Water-Related Regulatory Changes & Pricing Structure' were merged. Thirdly, the existing questions on 'Water Consumption' and 'Water Use' were merged and simplified.

Findings

The findings in Figure 36 are based on feedback from 13'007 companies in 2023 and 6'698 companies assessed by November 2024.

Figure 36 shows the difference between 2023 and 2024 average criterion scores by sector Scores increased for most sectors, with Communication Services the only one where the average score decreased compared to last year's assessment. More significant increases are observed in Health Care, Consumer Staples and Materials.

Figure 36
Average score for Water by sector and year



Water Efficiency Management Programs

Prior to the new question on 'Water Efficiency Management Programs', the CSA did not contain program questions for certain topics related to operational eco-efficiency. The CSA already distinguished the leading companies in environmental management with the Environmental Policy & Management Systems question. Yet the new question, alongside the newly introduced Energy and Waste program questions, provides a clear picture of how companies are taking their first steps in water performance. The question was defined to apply to most GICS industries.

Reducing environmental impacts and improving water efficiency management is important for companies of all sizes. Companies that have adopted corporate environmental guidelines and standards as a management tool are more likely to improve their environmental performance. Moreover, public information about how programs are implemented helps to improve performance and becomes a strong tool for creating accountability.

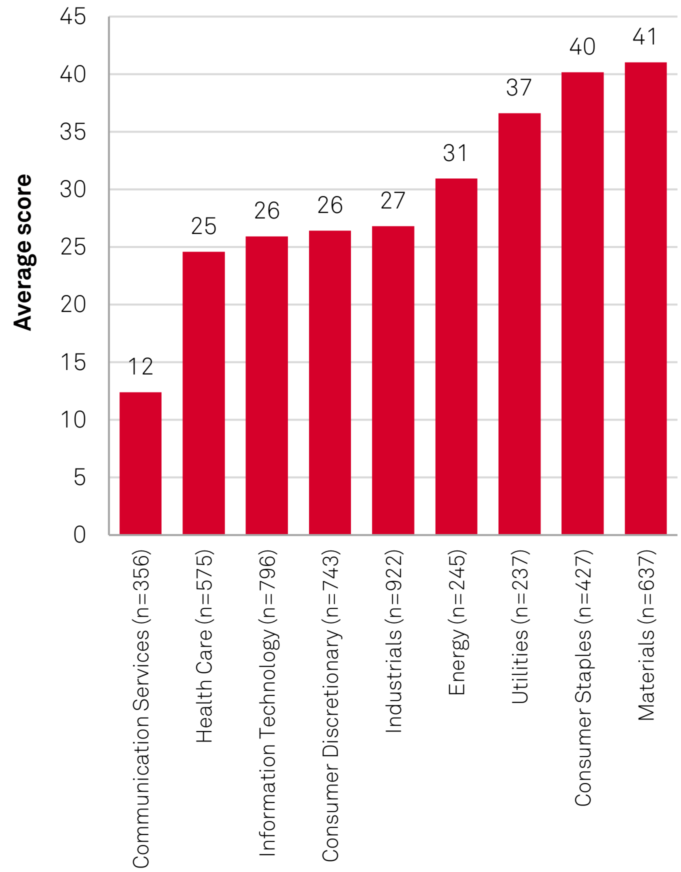
The new question applies to 54 out of 62 industries of the CSA.

Findings

The following findings in Figures 37 - 39 are based on feedback from 4'938 companies assessed by November 2024.

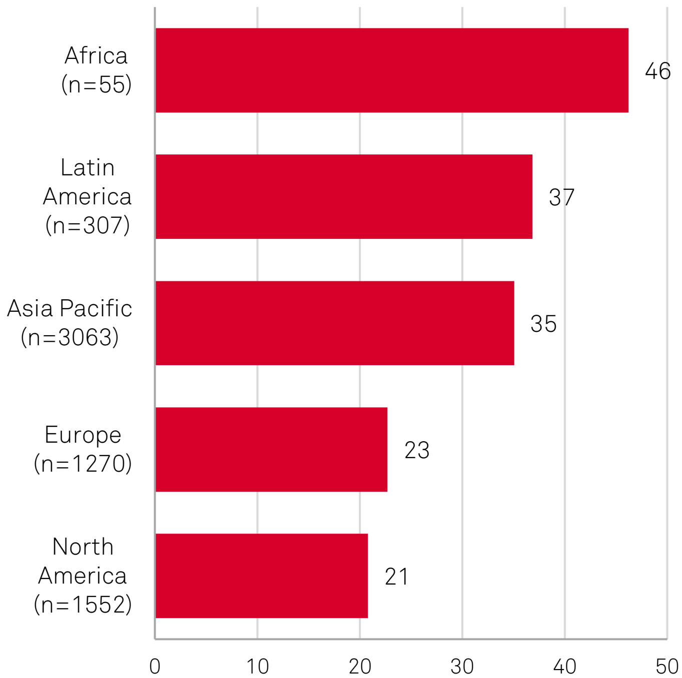
Figure 37 shows the average score of the new 'Water Efficiency Management Programs' question per sector. It can be observed that average scores for the Utilities, Consumer Staples and Materials sectors tend to be higher, likely because they are water intensive industries. On the other hand, the presence of water related programs is especially low in sectors such as Communication Services as the water consumption in this sector has less relevance than in other sectors. Overall, the relatively low average scores suggest that it is not yet common practice for companies to report publicly and comprehensively on the water-related programs.

Figure 37
Average score for the new Water Efficiency Management Programs question by sector



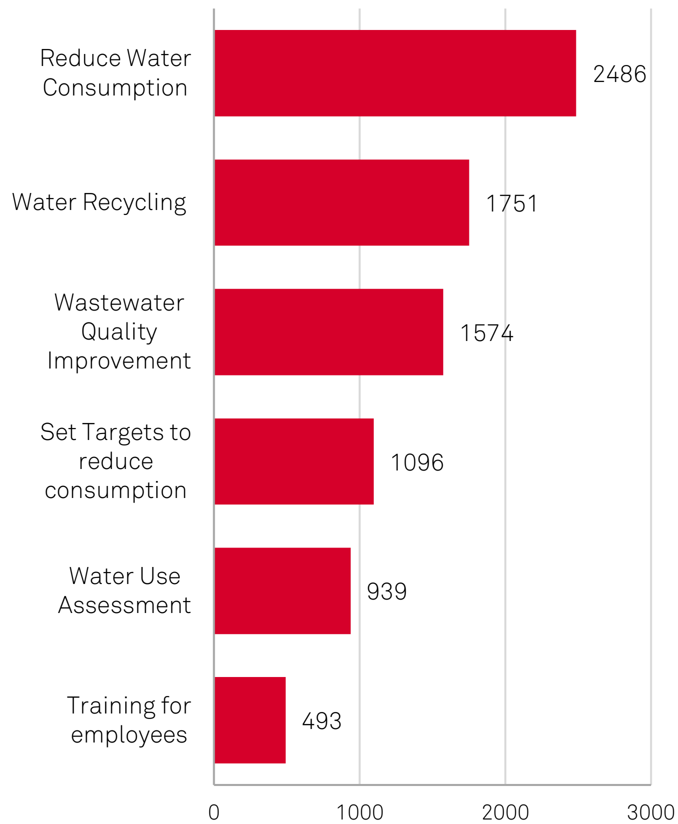
Not only the consumption of water but also water stress and scarcity affect the company decision to implement water efficiency management programs. Figure 38 shows that the presence of these programs differs depending on the region where the company is located. Companies from regions like North America and Europe score lower than companies from Africa or Latin America. The likely reason for this is that historically they appeared to face less water stress and scarcity, and therefore consider water-related programs less important in their reporting.

Figure 38
Average score of Water Efficiency Management Programs question by region



The new question also provides insight into the type of programs implemented across all industries. Figure 39 shows the number of companies reporting each type of program. Programs with the objective to reduce water consumption are the most common, followed by wastewater quality improvement programs and water recycling with similar numbers. This means that companies are more focusing on reducing their exposure to water scarcity through quantity management, thus reducing their dependency on water. Training programs with a focus on water efficiency are the least common type of program implemented.

Figure 39
Number of companies with Water Efficiency Management Programs in place



Water Risk Management Programs

Risks related to the quality and quantity of available water have grown in importance for companies' operations. In this question, we assess how companies manage quantity and quality-related water risks based on impacts and dependencies relevant to their operations.

Potential regulatory changes, changes in price structure (water tariffs, withdrawal restrictions, etc.) and impacts on local stakeholders may impose additional risks to companies' operations. With this question, we assess how companies manage these risks and dependencies.

The objective of the question update was making it less complex for the companies to answer. 'Quantity & Quality-Related Water Risks' and 'Water-Related Regulatory Changes & Pricing Structure' were merged and renamed 'Water Risk Management Programs'. Additionally, this question allows us to understand whether companies' risk assessment covers their dependencies on water resources, as well as their impacts on local stakeholders and the environment. It also provides information about whether the risk assessment is limited to the company's operations or if it includes its value chains. While this question does not require publicly available information, reporting these measures publicly may secure additional points for companies.

The Water Risk Management Programs question applies to 14 out of 62 industries of the CSA.

Findings

The following findings in Figures 40 – 42 are based on feedback from 1'190 companies assessed by November 2024.

As shown in Figure 40, the scores obtained for this question are low compared to the rest of the questions under the water criterion. Most companies scored between 10 and 30 points. Scores changed differently depending on the sector, but the total score average of the question remained low. The total average score has increased by three points compared to last year. Most of the companies are not reporting measures implemented to mitigate water-related risks, yet some companies achieved scores between 70 and 100 points.

Figure 40
Average score for Water Risk Management Programs by sector and year

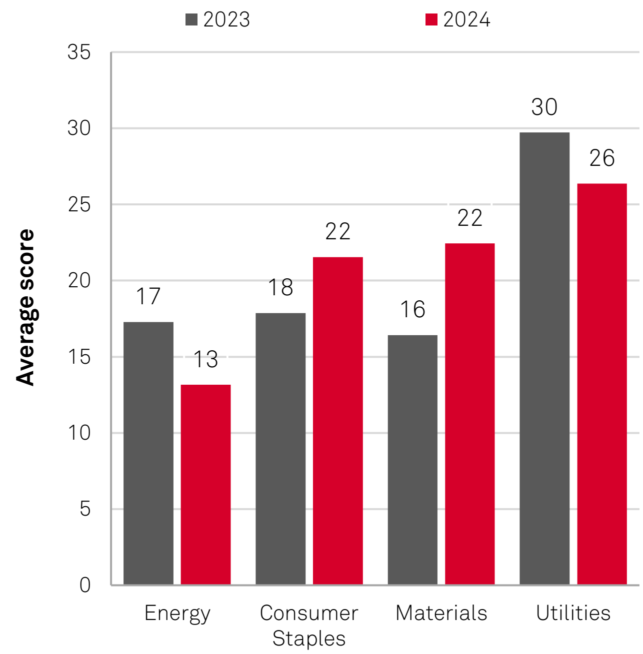


Figure 41 shows the distribution of the measures taken related to the mitigation of water risks and the companies reporting the measures taken. Overall, impact-related risks seem to be more likely to be assessed by companies than dependency-related risks. Out of the different measures, water quantity risk assessment and risks from local stakeholders are measures that the companies take into consideration more frequently. Risks from water quality or regulatory changes are less frequently considered.

Figure 41
Number of companies by water risk type assessed

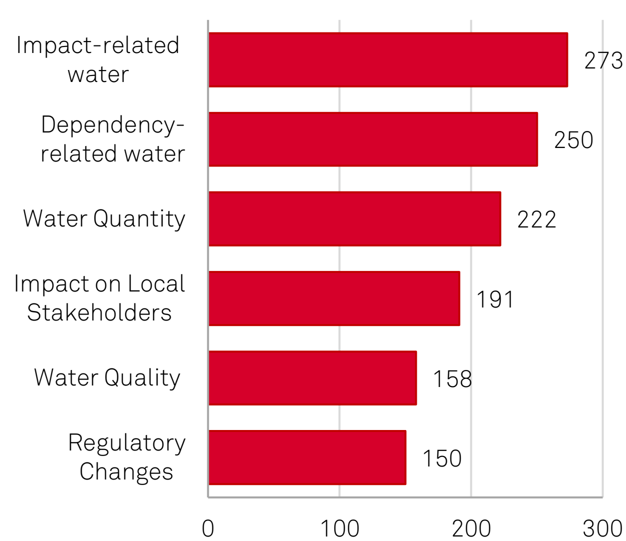
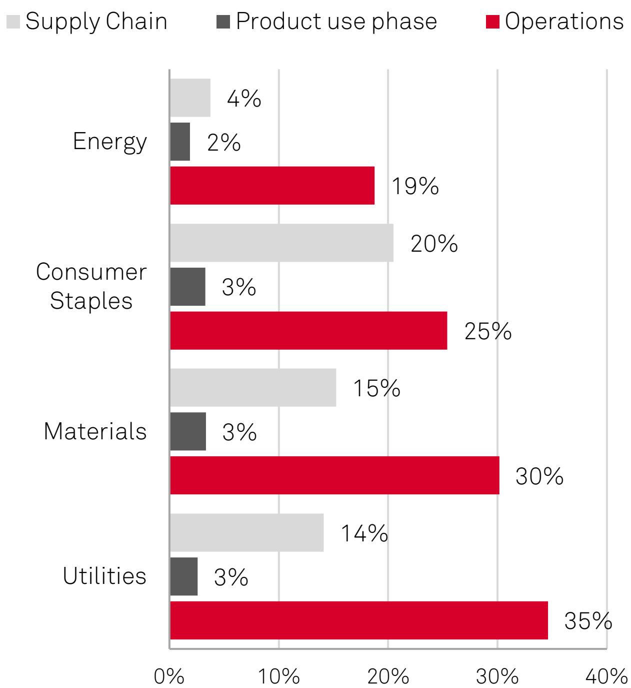


Figure 42 shows the percentage of companies reporting value chain stages covered by the water-related risks measures. Companies in the Energy, Materials and Utilities sectors are primarily considering their own operations, while the Consumer Staples sector more often considers water risks of its suppliers. Across the sectors, water risks related to products are not yet common to be part of company's risk assessment.

Figure 42
Percentage of companies with Water Risk Management Programs for each scope



Water Consumption

Considering water withdrawal, consumption and discharge practices can enhance companies' competitiveness and reduce potential liabilities. It can ensure companies are better prepared for future environmental regulations, including economic and marked-based instruments.

The objective of this change was to simplify the question by merging the Water Consumption and Water Use questions. The question Water Use was removed, and all industries had to answer the new simplified Water Consumption question.

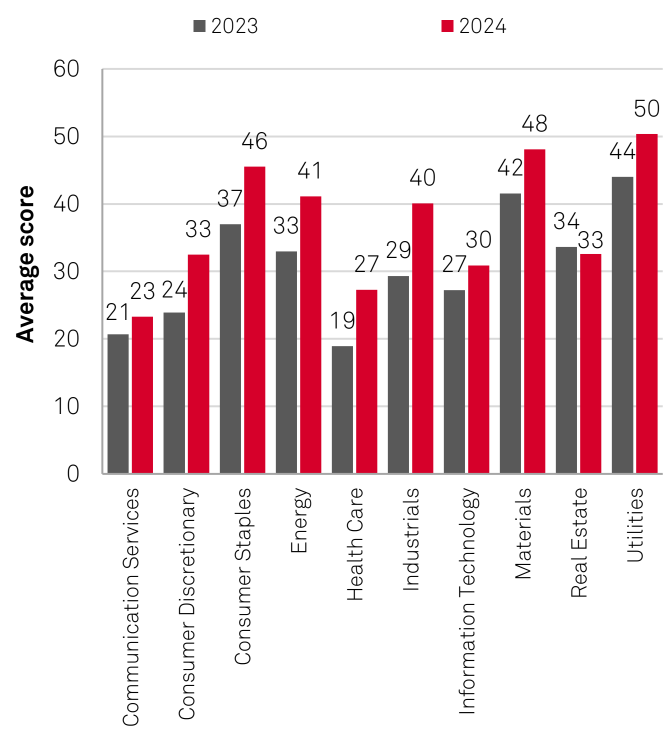
The Water Consumption question applies to all industries in the CSA.

Findings

The findings in figure 43 are based on feedback from 11'938 companies in 2023 and 6'477 companies assessed by November 2024.

As shown in Figure 43 the question update led to a slight increase in scores for all sectors except Real Estate. Furthermore, water intensive sectors such as Materials, Utilities or Consumer Staples scored consistently higher.

Figure 43
Average score by sector and year



Community Relations

A more active civil society and their easier access to information has increased awareness of the societal impact of corporate activities, including on local communities. New communication technologies and social media have improved stakeholders' ability to connect, share information and coordinate, increasing the impact that local stakeholders can have on companies. These circumstances call for implementing policies and programs that adequately address the quality of local stakeholder engagement. Adequate and meaningful community relations can differ considerably between industries. CSA questions applying to extractive industries, often operating in remote areas, focus on direct interaction with local communities; those applying to production industries include additional local stakeholders such as NGOs, local authorities, or the media; and those applying to real estate industries focus on the broader societal challenge of social integration. This accommodates the reality that different industries have their unique priority stakeholder groups, locally and beyond.

Criterion update

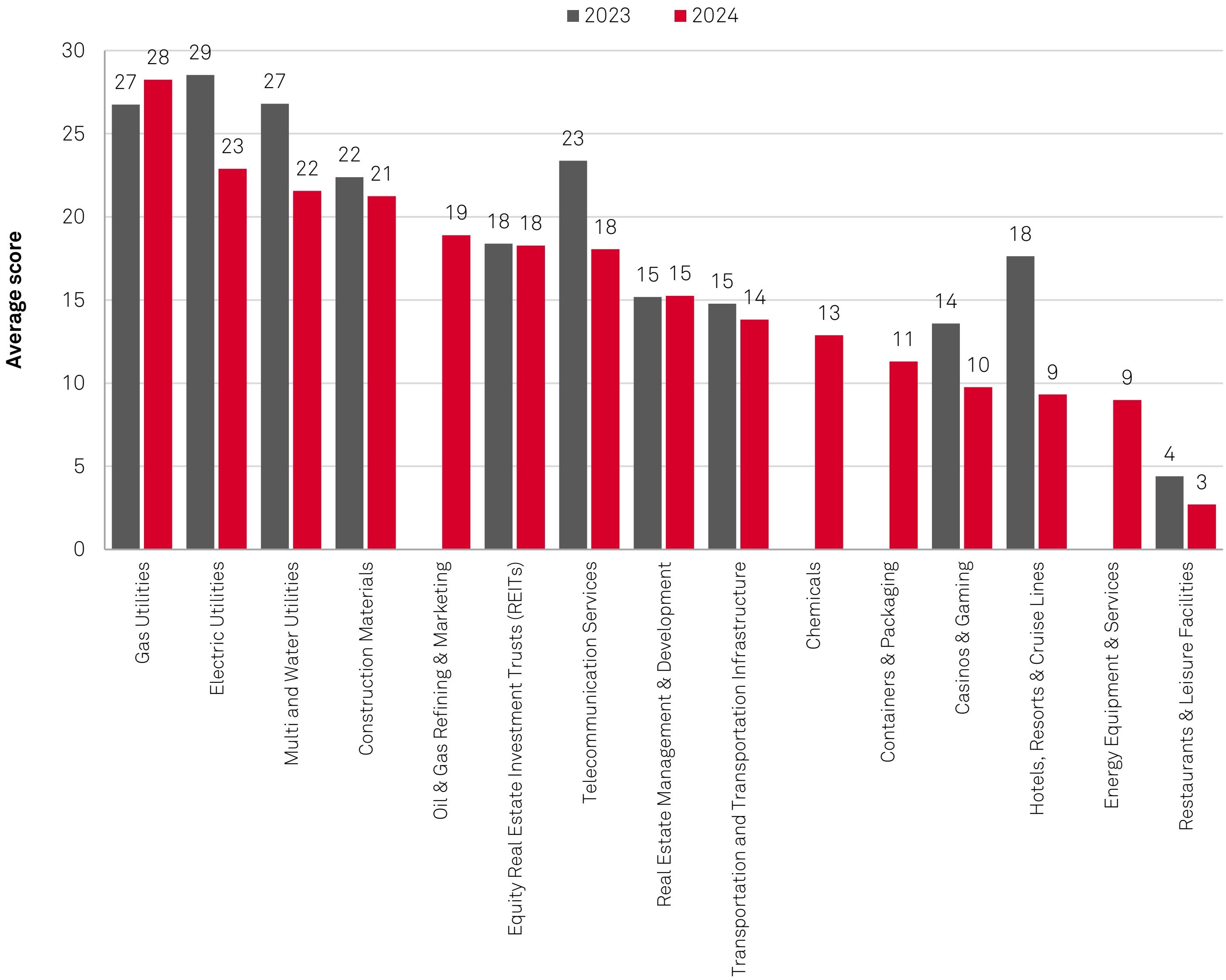
Updated in 2024, the Community Relations criterion was revised with the merger of questions on Stakeholder Engagement and Social Impacts on Communities. A new question on Stakeholder Engagement Policy was also introduced, and the Stakeholder Engagement Program question updated to replace the question on Stakeholder Engagement Implementation. The new and updated questions reflect some aspects of the original questions assessed in 2023 under the criterion of Stakeholder Engagement. They have been reformulated to capture the most useful data from companies while also addressing the most relevant aspects related to their local stakeholder engagement activities.

The industry coverage for this criterion has been updated with four new industries based on their impact on local stakeholders. These industries are OGR, OIE, CHM, and CTR. This further improves the coverage of the CSA assessment of community impacts. Additionally, the data requirements for these questions have been updated to require public disclosure of the information reported. Notably, the Community Relations criterion focuses on local stakeholder groups such as communities, authorities, media, associations, and nongovernmental organizations, who are not covered in other general or industry-specific parts of the CSA.

The findings in Figure 44 are based on feedback from 2’532 companies assessed in 2023 and 1’630 companies assessed by November 2024. It highlights the average industry scores for the Stakeholder Engagement criterion in 2023 and 2024. The OGR, CHM, CTR, and OIE Industries have been added to the criterion as of CSA 2024, which means they do not have scores for 2023. In 2023, the assessment focused on implementing operational stakeholder engagement responsibilities. In 2024, the questions focused more on specific policy elements and stakeholder engagement programs.

Additionally, in 2024 the questions require public disclosure. This may explain the general score decreases observed for most industries. Companies of the Utilities industries - electricity, water and gas - scored higher on average for both 2023 and 2024, followed by industries such as Construction Materials and Telecommunication Services. For the newly added industries, the OGR industry displayed higher average scores (19), followed by CHM (13) and CTR (11). The generally low average scores in the stakeholder engagement area demonstrated that most companies could improve their performance by setting up robust policies and programs on stakeholder engagement and increasing transparency by publicly reporting these.

Figure 44
Average score for Community Relations (previously Stakeholder Engagement) criterion by industry



Stakeholder Engagement Policy

This is a new question in CSA 2024. Stakeholder engagement is crucial for companies to navigate the complex landscape of business and sustainability today. A dedicated stakeholder engagement policy or framework can ensure that a company is responsible, ethical, and sustainable in its operations while also securing its social license to operate. The question enquires whether companies have a policy for stakeholder engagement in place and whether the scope extends to operations and supply chains. It assesses in how far a company commits to identifying key local stakeholders, involving them strategically, and providing a grievance mechanism to streamline concerns.

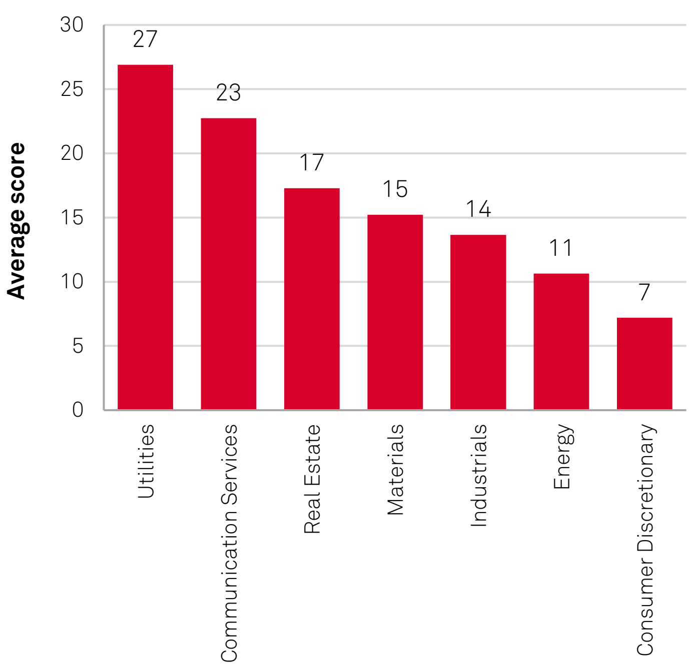
The question was introduced in the CSA 2024 and applies to 15 out of 62 industries.

Findings

The findings in Figures 45 - 47 are based on feedback from 1'586 companies assessed by November 2024.

From Figure 45 it appears that all sectors obtained less than half of the maximum score. The utilities sector, comprising electric, water, and gas utility companies, exhibits stronger performance than other sectors. In contrast, sectors such as Energy and Consumer Discretionary record comparatively lower scores. Considering the impact of their activities on local communities, the non-extractive Materials industries also have a low average score.

Figure 45
Average score for Stakeholder Engagement Policy by sector



Differences in performance also exist by region, as highlighted in Figure 46. Companies based in Latin America scored higher on average, followed by European companies. Companies based in Africa scored lower on average, but they represent only a small number of all the assessed companies in 2024.

Figure 46
Average score for Stakeholder Engagement Policy by region

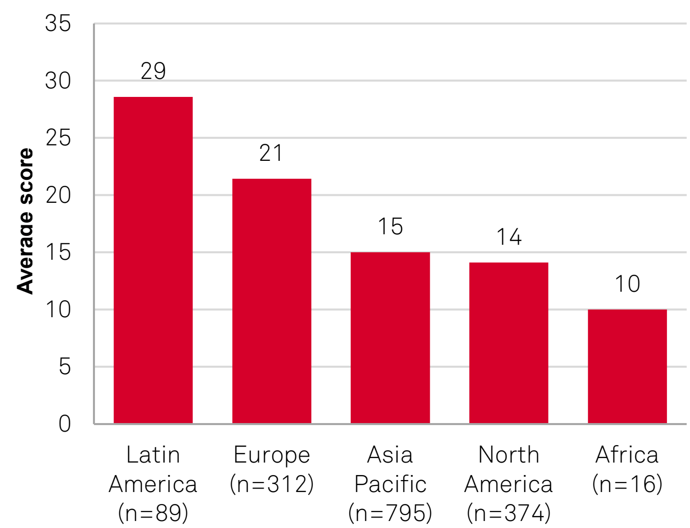
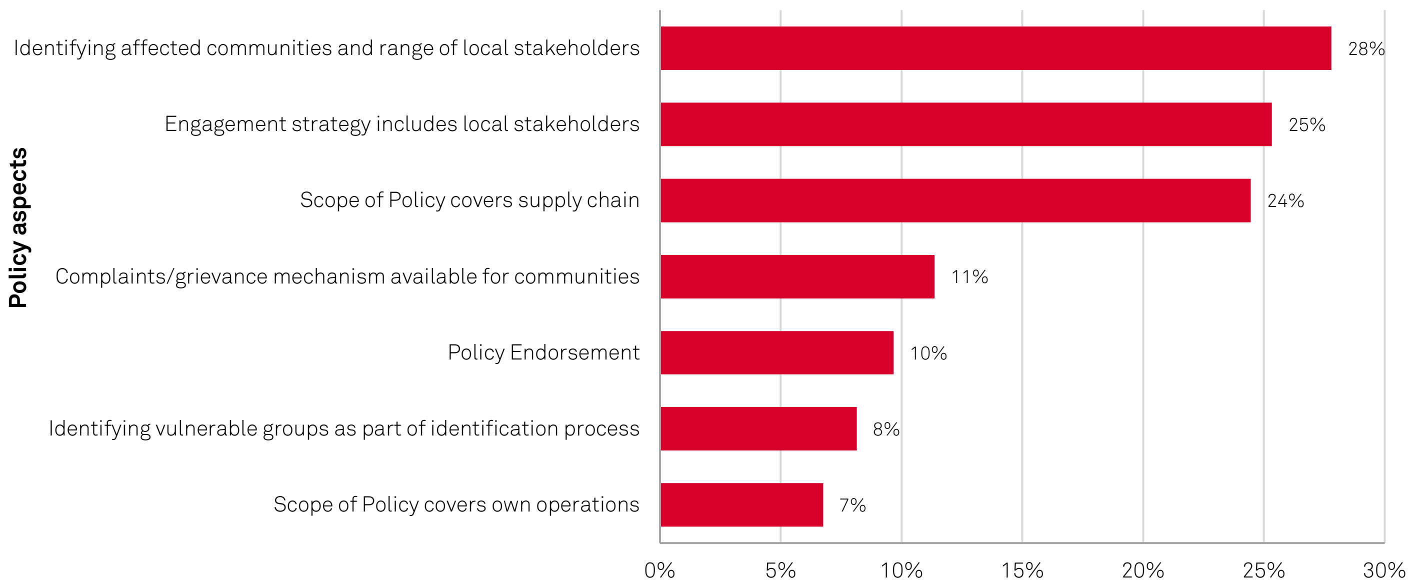


Figure 47 shows the percentage of companies that address different stakeholder engagement policy aspects. Almost thirty percent of the companies identify local stakeholders affected by impacts resulting from business operations, products, services, or supply chain operations. Only 8% of the companies assessed identify vulnerable groups as part of the identification process. Identifying the local and affected stakeholder groups ensures the robustness for implementing a stakeholder engagement strategy that is relevant to them. The data shows that 25% of the companies have an engagement strategy for local stakeholders.

Providing a complaint or grievance mechanism is another crucial aspect in managing healthy relations with stakeholders, and only 11% of the companies offer such a mechanism to local communities. Regarding the policy scope, 24% of companies' policies on stakeholder engagement cover the supply chain. Meanwhile, only 7% covers their own operations.

Figure 47
Percentage of responding companies addressing different Stakeholder Engagement Policy aspects



Stakeholder Engagement Programs

This updated question in CSA 2024 replaces the previous question on Stakeholder Engagement Implementation. Stakeholder engagement programs are essential for companies to effectively manage their relationships with local stakeholders and demonstrate accountability in their operations. These programs involve structured initiatives designed to actively engage, communicate with, and address the concerns of stakeholders, reflecting a proactive approach to fostering positive relationships.

The question assesses whether companies have implemented local stakeholder programs or frameworks that extend throughout their value chains. This includes the identification of key local stakeholders, their inclusion in strategic decision-making by a company, and the establishment of grievance mechanisms to address concerns promptly and effectively. By evaluating these programs, the CSA underscores the importance of transparency and responsiveness in stakeholder engagement practices.

The updated question applies to 15 industries out of 62 industries.

Findings

The following findings in figures 48-49 are based on feedback from 1'580 companies assessed by November 2024.

Figure 48 shows the average scores for stakeholder engagement programs by industry. The Gas Utilities sector leads with an average score of 27, indicating a relatively higher level of engagement and reporting within this industry. Electric Utilities and Oil & Gas Refining & Marketing follow, both with average scores of 23, reflecting a moderate commitment to stakeholder engagement practices. Construction Materials and Multi and Water Utilities also rank higher among industries, with scores of 21 and 18, respectively, suggesting that utility and infrastructure-related sectors tend to prioritize stakeholder engagement more clearly than others.

In contrast, industries such as Restaurants & Leisure Facilities and Casinos & Gaming showed the lowest average scores. This suggests that these sectors have minimal focus on stakeholder engagement programs compared to utilities and energy-related industries. The variation across sectors highlights distinct industry approaches to stakeholder engagement, with utility and energy sectors demonstrating more comprehensive programs, while leisure and service sectors are lagging in this area.

Figure 48
Average scores by industry for Stakeholder Engagement Programs

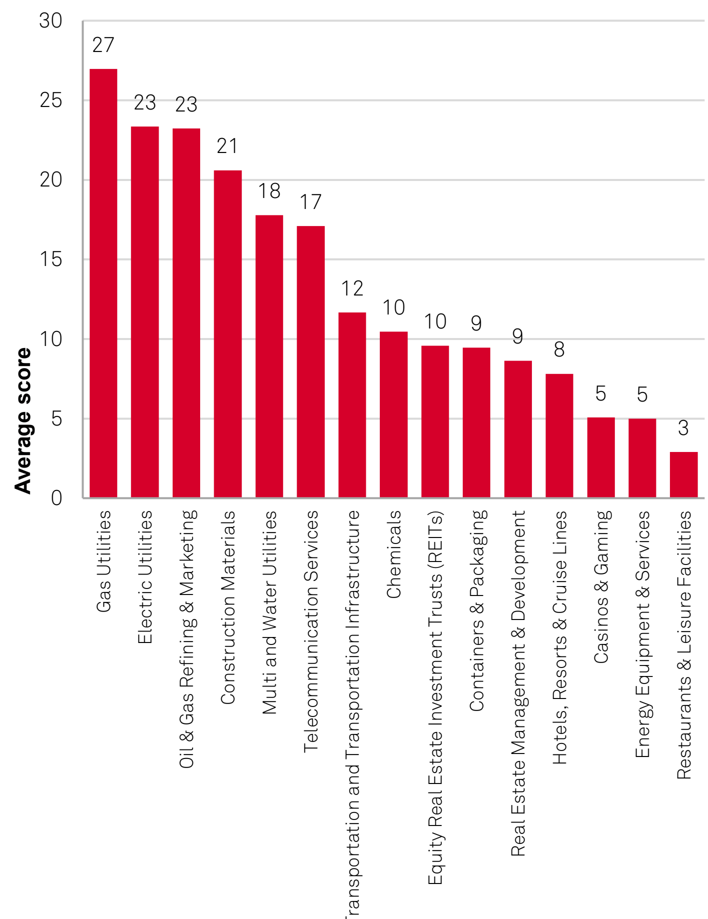
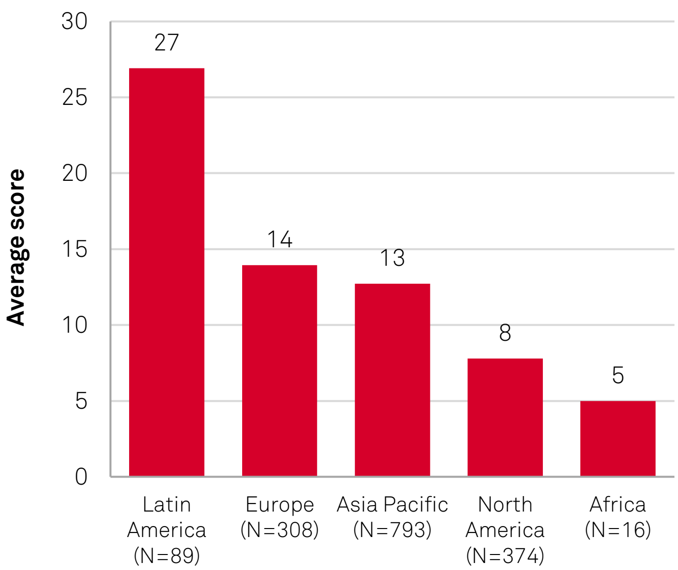


Figure 49 presents the regional average scores for stakeholder engagement programs. The Latin America (LAM) region leads with an average score of 27, suggesting a strong commitment to stakeholder engagement compared to other regions. Europe (EUR) follows with an average score of 14, reflecting moderate engagement levels. The Asia-Pacific (APA) scores slightly lower, with an average of 13, suggesting a similar but somewhat less engaged approach. North America (NAM) and Africa (AFR) trail, with low average scores that suggest comparatively lower emphasis on stakeholder engagement programs. The distribution shows a clear regional variation, with Latin America demonstrating a notably higher level of stakeholder engagement practices.

Figure 49
Average scores for Stakeholder Engagement Programs by region



The findings in Figure 50 are based on feedback from 1'588 companies assessed by November 2024.

As seen from Figure 50, in 2024 the assessment of stakeholder engagement programs among 1'583 companies revealed that 63% (995 companies) do not publicly disclose information about these programs, while 37% (588 companies) report having systems to manage stakeholder engagement, covering specific framework aspects. Among those publicly reporting on their programs, Clear Communication Channels for local stakeholders is the most frequently disclosed aspect, with 83% of companies reporting it. This high percentage indicates a strong commitment among companies to ensure that stakeholders have direct and accessible communication pathways with the company. Following this, Meeting with Local Stakeholders to Identify Emerging Concerns and Coverage of Local Operations have moderate disclosure rates of 35% and 30%, respectively. These aspects reflect efforts by companies to address evolving stakeholder needs and maintain engagement across different locations.

Lower disclosure levels can be seen for key aspects such as Conducting Impact Assessments (28%) and Regular Surveys on Engagement Strategy (27%). This suggests that fewer companies publicly track or assess stakeholder perceptions in their engagement strategies. Capacity Building for Stakeholders (22%) and Grievances Tracking (18%) are even less commonly disclosed, indicating limited transparency in how companies empower stakeholders to communicate effectively and how they manage reported concerns.

Figure 50
Percentage of companies disclosing Stakeholder Engagement Program aspects

Transportation Safety

Transportation safety is paramount for transportation companies, regardless of the specific mode of transportation they employ, be it air, rail, road or maritime. The prioritization of safety is essential as it directly impacts customer trust, operational efficiency, and regulatory compliance. Implementing and maintaining a sound safety management system protects passengers, employees, and cargo. It reduces the likelihood of costly accidents and ensures the well-being of employees and customers. High safety standards minimize risks and help companies avoid liabilities, comply with government regulations, and maintain their reputation in a highly competitive market. In an industry where reliability and security are top priorities, establishing and upholding consistent safety policies and processes enhances consumer confidence, promotes loyalty, and reduces the potential for financial losses related to accidents or service disruptions.

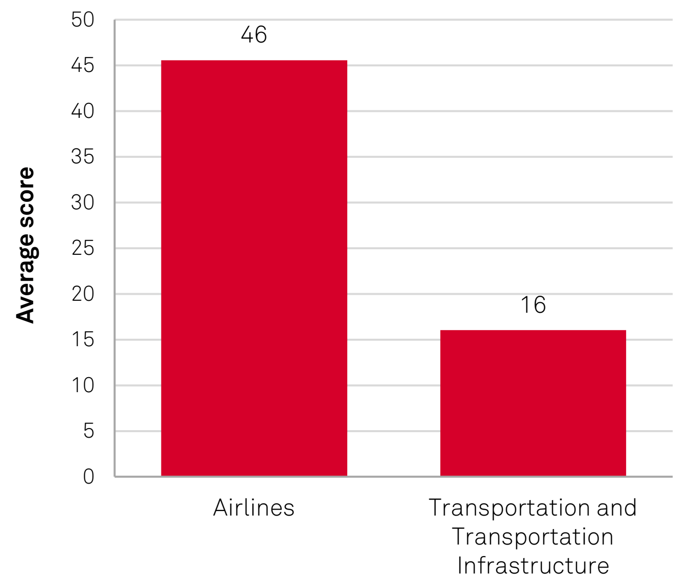
Criterion Update

This new criterion applies to transportation companies and affects two specific industries: Airlines (AIR) and Transportation and Transportation Infrastructure (TRA). Notably, companies that are only active in transportation infrastructure and do not provide transportation services will have this criterion marked as Not Applicable.

The Safety Management System (SMS) question of CSA 2023 was updated and now requires publicly available information. This revision was designed to encompass new elements about the company's SMS while preserving most of the aspects already covered. Additionally, a question on Passenger Fatalities was newly introduced. This key performance indicator question only applies to companies providing passenger transportation and tracks the number of passenger fatalities in the last four years. Similar to the SMS question, the question requires publicly available information.

The scores in Figure 51 are based on feedback from 198 companies assessed by November 2024. As shown, the Airlines industry scored quite high on this criterion, while the transportation industry scored significantly lower.

Figure 51
Transportation Safety average scores by industry



Safety Management System (SMS)

A thorough SMS is vital for airlines and transportation companies as it provides a comprehensive and structured approach to managing safety risks, effectively supporting the overarching goal of transportation safety.

In CSA 2024 detailed data on the number of safety risks and hazardous situations identified and the percentage mitigated was no longer required. Instead, companies were required to demonstrate that they track the number of safety accidents. In addition, companies were expected to provide information on identification of main risks, training provided to employees and/or other relevant parties on the company's SMS, and third-party verification of the SMS.

This question applies to 2 out of 62 industries of the CSA.

Findings

The following findings in Figures 52 and 53 are based on feedback from 169 companies assessed by November 2024.

Figure 52 illustrates the average scores achieved for the Safety Management System (SMS) question for airlines and the remaining transportation companies. Notably, airlines clearly lead the pack with an average score of 43 points. The transportation companies fall significantly behind, achieving an average of just 16 points.

Figure 52
Average score for Safety Management Systems by industry

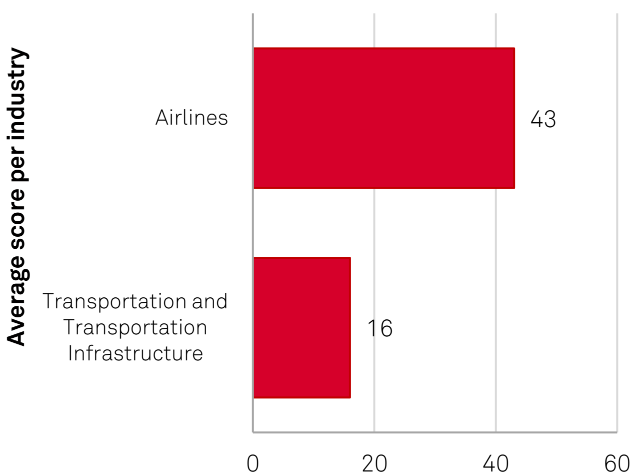
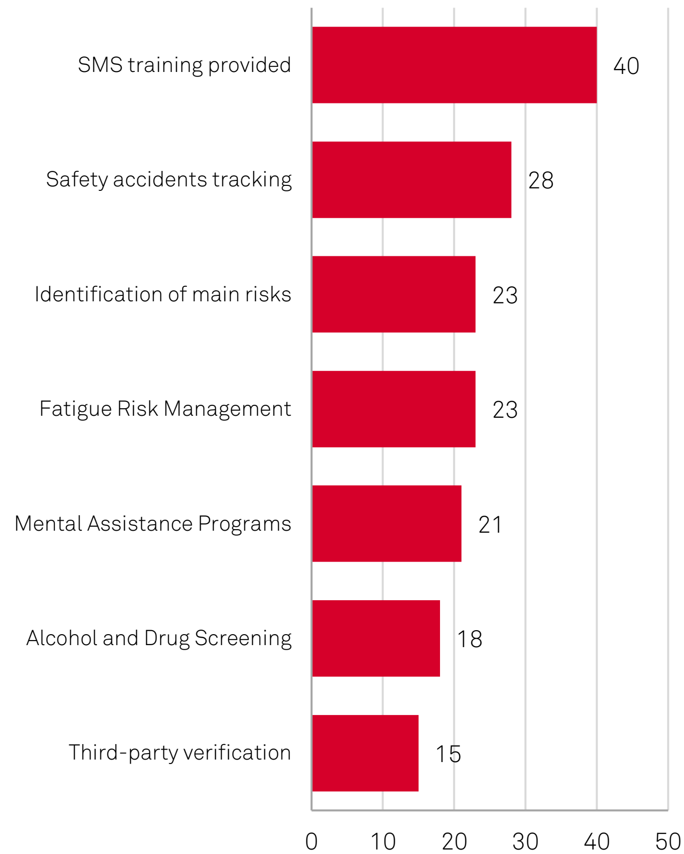


Figure 53 illustrates the percentage of companies implementing various SMS elements. Specifically, 40% implement SMS training for their employees or other relevant third parties, 28% track the number of safety accidents, 23% disclose their main safety risks and have a fatigue risk management program in place, and 21% have a Mental Assistance Program for their drivers or pilots. The two aspects with the lowest level of adoption are alcohol and drug screening and having the SMS third-party verified.

Figure 53
Percentage of companies implementing SMS aspects



Passenger Fatalities

A new question in CSA 2024 was introduced to track passenger fatalities. Minimizing and ultimately eliminating the risk of fatalities is not only a moral imperative but also central to maintaining the trust and confidence of passengers. Failures in safety systems, whether due to inadequate implementation or oversight, significantly heighten the likelihood of fatalities. This can have significant emotional, reputational, and financial repercussions. Fatal incidents can have serious legal consequences, cause severe brand damage as well as economic losses due to compensation claims and reduced customer loyalty.

This question applies to 2 of 62 industries of the CSA.

Findings

The following findings in Figures 54 and 55 are based on feedback from 149 companies assessed by November 2024.

As with the SMS question, Figure 54 demonstrates that airlines score higher under the Passenger Fatalities question. Airlines scored an average of 35 points, while other transportation companies lagged considerably behind with an average of only six points.

Figure 54
Average Score for Passenger Fatalities by industry

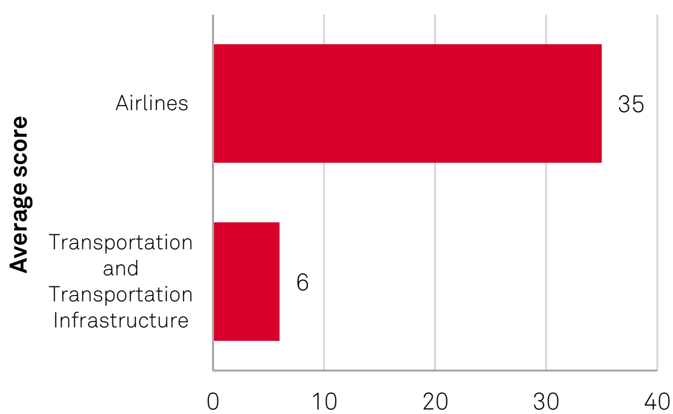
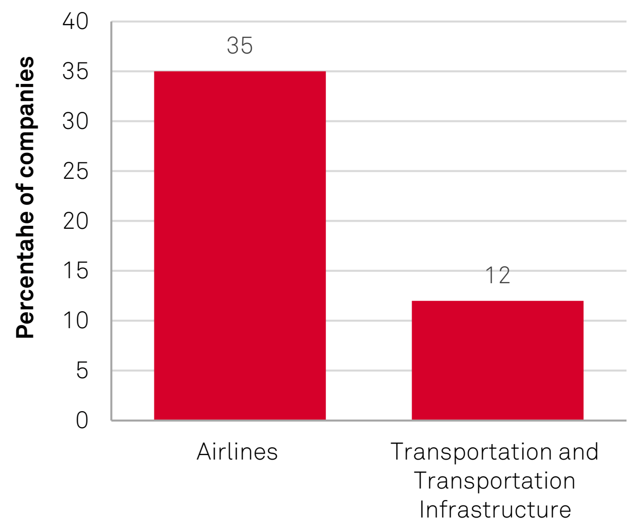


Figure 55 illustrates a notable and significant gap between airlines and the remaining transportation industries. A higher percentage of airlines companies publicly disclose passenger fatalities than other transportation companies. Of the covered universe, 35% of airlines disclose publicly their passenger fatalities, while only 12% of the remaining transportation companies do so.

Figure 55
Percentage of companies reporting passenger fatalities



Sustainable Artificial Intelligence

Artificial Intelligence (AI) systems hold considerable potential to enhance productivity and boost the economy. They also present challenging environmental and societal impacts, such as energy consumption and ethical consequences. The rapid development of AI across sectors has moved governments and international bodies to intensify their efforts to provide companies with references to enable sustainable AI applications through codes of conduct, guidelines, regulatory frameworks, and specialized oversight bodies.

Businesses are already exploring a variety of AI applications, to optimize internal applications and to develop innovative market-facing solutions. As adoption rises, environmental and societal impacts are expected to grow, underscoring the need for robust AI governance policies, processes, and mechanisms to identify and mitigate potential risks. Key challenges for businesses and authorities include managing data privacy, copyright issues, safeguarding reputation, addressing ethical concerns such as bias and discrimination, preventing misuse, and ensuring transparency and explainability of complex algorithms.

This voluntary criterion, part of the Future Questions section in CSA 2024, evaluates the ability of companies to apply effective AI governance, focusing on emerging risks and opportunities presented by AI adoption.

New Criterion

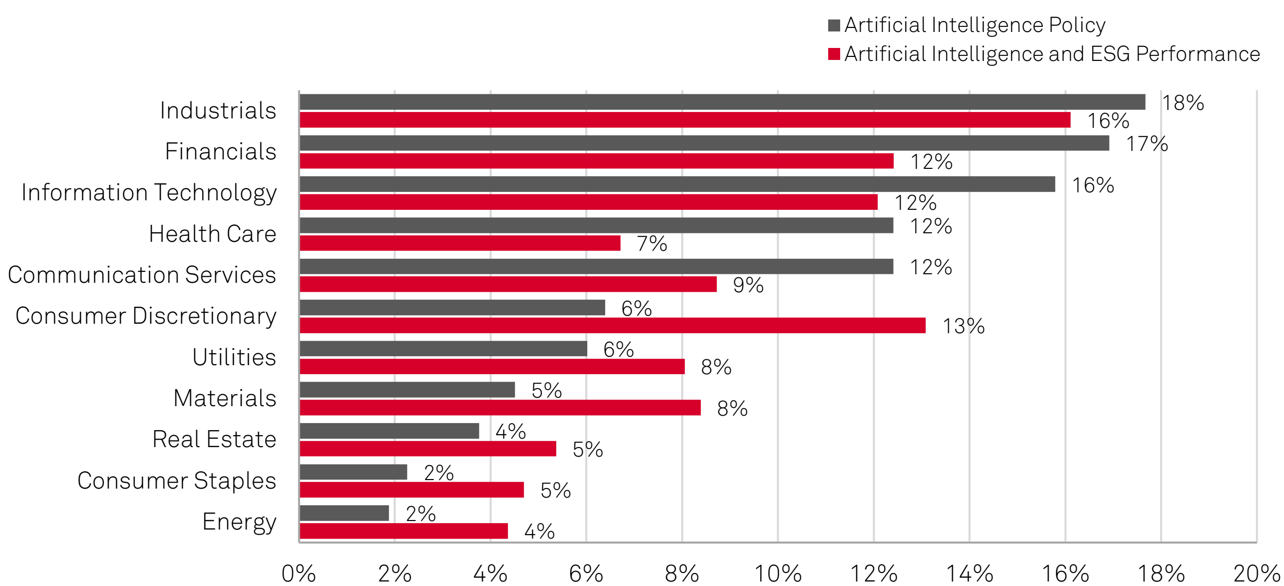
The Sustainable Artificial Intelligence criterion was introduced in the Future Questions section in 2024. Given the relevance of the topic for all companies, the criterion is applicable to all sectors.

The first question, 'Artificial Intelligence Policy', assesses how extensively businesses are evaluating risks tied to the development and/or application of AI systems. Advanced practices involve tackling control and governance mechanisms, including specific policies to govern AI uses and establishing defined oversight roles.

The second question, 'Artificial Intelligence and ESG Performance', focuses on how companies are proactively applying AI systems to improve their sustainability performance. This question allows companies to detail their AI-driven sustainability aspects and the metrics they use to quantify impact.

The findings in Figure 56 are based on the feedback from 266 companies assessed for the Artificial Intelligence question, and 296 companies assessed for the Artificial Intelligence and ESG Performance question by November 2024. It highlights the voluntary response rate for the AI Policy and the AI and ESG Performance questions by industry. For the AI Policy question, the Information Technology, Industrials and Financials industries submitted the highest rate of answers. This suggests that their companies have policies or commitments on AI that cover allowing users to identify AI generated content as well as avoiding potential bias, ensuring data privacy, and protecting the cybersecurity of systems in the use/and or development of AI. Regarding the AI and ESG Performance question, the Industrials and Consumer Discretionary industries have the highest rate of submission for the topic, showcasing their uses of AI to improve performance across ESG dimensions.

Figure 56
Percentage distribution of submissions by question, at sector level



Artificial Intelligence Policy

This question was added to CSA 2024 to evaluate how companies are proactively managing the risks and responsibilities associated with the development and/or use of artificial intelligence systems. As AI is increasingly integrated into business operations, companies need good governance frameworks to ensure responsible usage and mitigate potential negative externalities. The question examines whether companies have a formal, public AI policy addressing key risks and ethical considerations, and if a senior-level role or committee oversees its implementation. For companies without a dedicated policy, it also assesses whether they plan to establish one within the next two years.

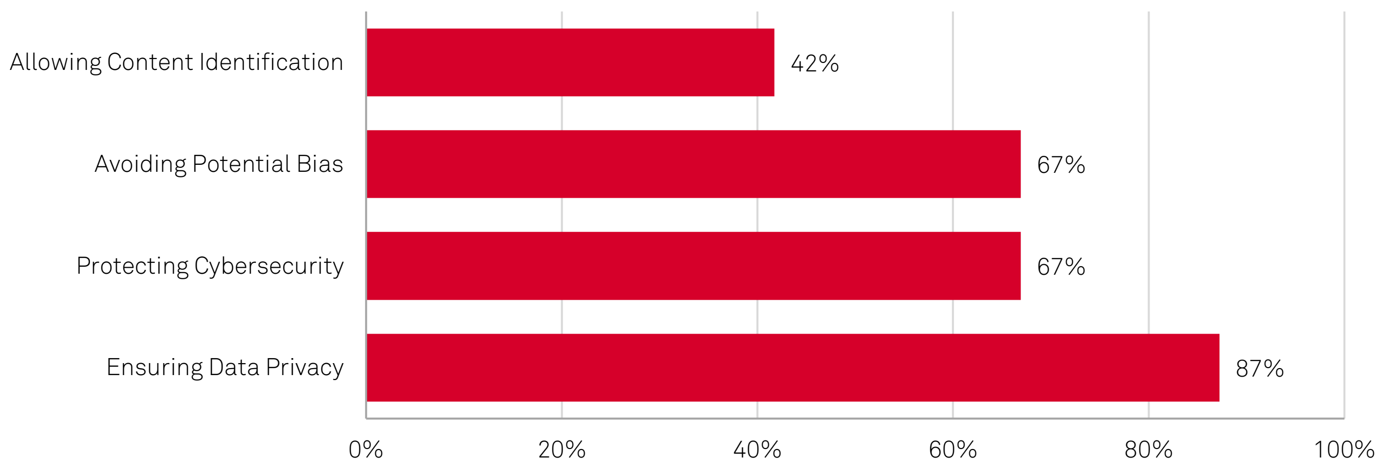
This question was added in 2024 as a Future Question and applies to all industries.

Findings

The following findings are based on the feedback from the 266 companies which answered the question by November 2024. Figure 57 shows the percentage of companies that reported having each of the Policy or Commitment aspects presented.

As seen from Figure 57, data privacy is the most recurrent aspect included into AI policies and/or commitments, with 87% of responding companies selecting it. As AI requires the harvesting and analysis of large amounts of data, its design and delivery must consider the safe use and protection of said data. Companies seem to also be targeting two other crucial aspects of AI systems: avoiding bias while training and using AI and protecting the cybersecurity of systems used to generate AI. These two options were selected by 67% of companies with a relevant policy and/or commitment on AI. The promise of a simple identification of AI-generated outputs seems to be the most challenging topic to ensure in policies and commitments, with only 42% of companies including it within their approach to AI use and development.

Figure 57
Selection rates of the aspects included in AI policies and/or commitment



Artificial Intelligence and ESG Performance

This question was added to the CSA to evaluate how companies are leveraging AI to advance their ESG objectives. In this context, AI is recognized not only as a risk to manage but also as a powerful solutions provider and lever to enhance ESG performance. Specifically, it captures qualitative data on the range of ESG-focused AI initiatives and, where possible, quantifies the associated impacts. This allows us to assess how companies are driving measurable ESG performance improvements through AI, highlighting industry leaders who are strategically using AI to achieve integrated ESG and business outcomes.

The question was added in 2024 as a Future Question and applies to all industries.

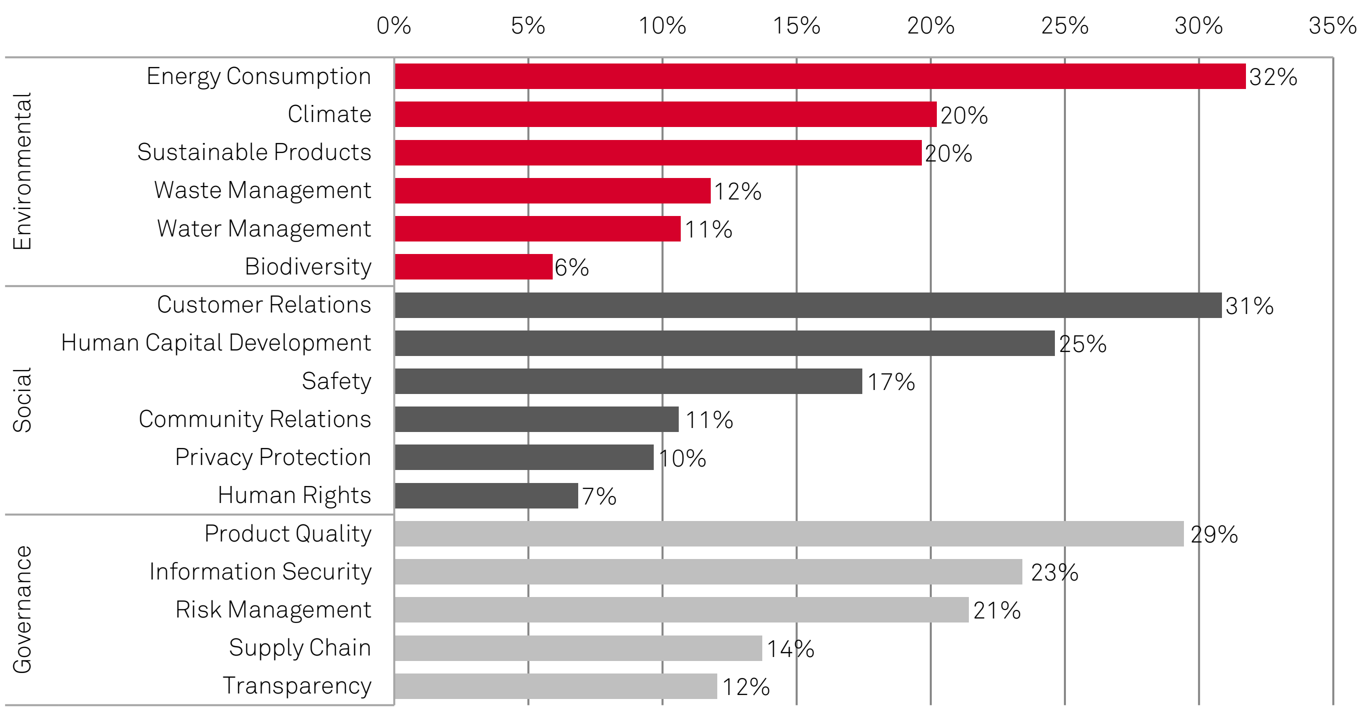
Findings

The findings in Figure 58 are based on feedback from the 296 companies that answered the question by November 2024.

Figure 58 highlights the most frequently reported examples of AI use-cases within each ESG pillar. Within the environmental pillar, 32% of examples addressed energy consumption efficiencies achieved through utilizing AI-based systems. A similar percentage of cases reported within the social pillar targeted customer relations, while 25% of them were applied internally to improve company human capital management strategies.

For the governance pillar, companies were most inclined to use AI to drive better outcomes in the product and service quality realm, which accounted for almost 30% of governance-related use-cases. While these results confirm that companies are increasingly leveraging AI to make progress on ESG goals, they are yet to apply AI-based solutions to address specifically topics such as human rights or biodiversity.

Figure 58
Percentage of respondent companies which reported AI initiatives covering the listed topics



05

Outlook 2025

We continuously develop our methodology to ensure that our CSA remains an insightful and meaningful tool to understand companies' performance on the most material ESG topics within their industries. We also continue to focus our attention on further aligning the CSA – where appropriate – with the requirements of international reporting standards and frameworks. For several years we have been mapping our assessment and corresponding data requirements to internationally recognized standards to ensure that we reduce the reporting burden for companies. We continue to engage with international reporting standard setters as we have done over the years with GRI and others. We closely monitor new developments of frameworks such as the TCFD, TNFD, ISSB, GRI as well as new regulations of the EU including reporting against the European Sustainability Reporting Standards. Moreover, we continue our collaboration with the CDP to ensure alignment on important environmental disclosure topics.

As we further develop the methodology for 2025, we will continue this alignment with standards and frameworks to ensure that we can benefit from the growing volume of sustainability information available in the public domain. Our assessment methodology remains focused on integrating ESG trends that are deemed material and assessing companies on their performance and preparedness on ESG issues. We endeavor to keep the CSA focused, more decision-useful for investors and other stakeholders, and more differentiated in helping users discover the most relevant information. In doing this, we continue to combine the industry and subject matter expertise of our analysts with smart application of new software capabilities such as those offered by Artificial Intelligence.

We look forward to engaging with you via our ongoing webcast series. We welcome your feedback and suggestions to ensure that we continue to develop the CSA in a way that creates value for you and your stakeholders.

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