

ESG Research

CSA Methodology Updates for 2024 CSA cycle

DISCLAIMER: The revisions to the CSA Methodology described herein are not final and are subject to change following S&P Global's internal review and approval.

Agenda

1

Updates in structure

- Deleting and consolidating questions.
- Evolving requirements on public disclosure.

2

Updates in ESG topics

- Aligning with current standards and frameworks
- Including forward-looking sustainability topics

Agenda

1

Updates in structure

- Deleting and consolidating questions.
- Evolving requirements on public disclosure.

The main objective of the annual CSA Methodology Update process is to ensure that the CSA continues to capture and deliver high-quality material sustainability data while increasing efficiency and simplicity.

- Streamlining data requirements and reducing the length of the questionnaire.
- Integrating existing data from other S&P methodologies into the CSA.
- Ensuring alignment with the most significant topics while eliminating non-material or immature topics.
- Adjusting the questionnaire structure to promote transparency and reduce the burden on companies when completing the CSA.



Updates in CSA structure

Questions removed

For the 2024 CSA cycle **4 questions within the Innovation Management topic are deleted** since the information gathered does not allow anymore to establish significant differences between companies.

Innovation Management: The questions “R&D Spending”, “Open Innovation”, “Product Innovation” and “Process Innovation” are deleted from the CSA.

Furthermore certain **questions are consolidated into other questions within the CSA.**

The most relevant metrics of the question "Risk culture" are in "Risk Management processes" ("Risk Management" for non listed companies) and the question "Risk Culture" is deleted from the CSA as a standalone question.

The most relevant information from "Stakeholder Engagement Review" is in Stakeholder Engagement Program and "Stakeholder Engagement Governance" is substituted by "Stakeholder Engagement Policy".

The questions “Quantity & Quality-Related Water Risks” and “Water-Related Regulatory Changes & Pricing Structure” are merged and renamed to “Water Risk Management Programs”.

Question “Safety Management System” is updated and merged with “Passenger Safety Disclosure”.



Updates in the CSA structure

Questions with changes in the public disclosure requirements

Each year, S&P strives to enhance the transparency of the collected ESG information, thereby strengthening the requirement of questions requiring public information. This document outlines the modifications to transition questions from “private” to “partially public” and from “partially public” to “public” statuses.

- A “private” question is a question in which publicly available evidence is not necessary and private evidence is acceptable. There is no impact in the score if the evidence is not public.
- A “partially public” question is a question in which publicly available evidence is not mandatory but is necessary to obtain full points. Private evidences are acceptable but the non public disclosure is penalized in the score.
- A “public” question is a question in which publicly available evidence is mandatory and if the information is not publicly available it is not accepted.

In order to identify which questions could transition to public or partially public we follow a rules-based approach based on the answer's ratios obtained for both participants and non-participants companies in the CSA 2023 to obtain a pre-selection of questions.

These preselected questions are then reviewed by our team of ESG Industry experts to determine if indeed it is reasonable to strengthen the public disclosure requirements.



Updates in the CSA structure

Questions with changes in the public disclosure requirements

After the feedback received from public consultation, 6 questions transition to public questions.

THEME	QUESTION	Industry Applicability	Type of question CSA 2023	Type of question CSA 2024
Product Quality & Recall Management	Product Recalls (Health Care)	BTC, DRG, MTC	Partially Public	Public
Electricity Generation	Electricity Capacity Mix	ELC, MUW	Partially Public	Public
Energy Mix	Oil & Gas Production	OGX	Partially Public	Public
Electricity Generation	Electricity Generation Mix	ELC, MUW	Partially Public	Public
Energy Mix	Oil & Gas Reserves	OGX	Partially Public	Public
Content Responsibility and Moderation	Protection of Children	IMS, PUB	Private	Public

Feedback from Public Consultation

- The questions “Management Ownership” and “CEO to employee pay ratio” were also included in the proposal to transition to public question however the feedback received raised concerns about the capacity of companies to disclose this information in the public domain.



Updates in the CSA structure

Questions with changes in the public disclosure requirements

After the feedback received from the public consultation, 18 private questions transition to partially public questions (1/2).

THEME	QUESTION	Industry Applicability	Type of question CSA 2023	Type of question CSA 2024
Climate Strategy	Financial Risks of Climate Change	All industries except CNO, COS, CSV, DHP, FDR, HOU, INS, OIE, PRO, PUB, REX, RTS, TCD, TEX, TOB	Private	Partially Public
Climate Strategy	Financial Opportunities Arising from Climate Change	All industries except CNO, COS, CSV, DHP, FDR, HOU, INS, OIE, PRO, PUB, REX, RTS, TCD, TEX, TOB	Private	Partially Public
Talent Attraction & Retention	Long-Term Incentives for Employees	ALL	Private	Partially Public
Customer Relationship Management	Online Strategies & Customers Online	AIR, BVG, CMT, CNO, COS, CSV, DHP, ELQ, FDR, FOA, HOU, IDD, IEQ, IMS, ITC, LEG, PUB, REX, RTS, SOF, TCD, TEX, THQ, TLS, TOB, TRA, TRT, TSV	Private	Partially Public
Environmental Policy & Management Systems	Scope of Corporate Environmental Requirements/ Guidelines	REI, REM	Private	Partially Public
Resource Efficiency and Circularity	Renewable Energy Consumption	REI, REM	Private	Partially Public
Electricity Generation	Availability Factor of Plants	ELC, MUW	Private	Partially Public
Resource Efficiency and Circularity	On-Site Energy Generation	REI, REM	Private	Partially Public
Social Integration & Regeneration	Social Integration Initiatives	HOM, REI, REM	Private	Partially Public
Automotive Use-phase Decarbonization	Vehicle Fuel & Carbon Efficiency	AUT	Private	Partially Public
Electricity Generation	Efficiency of Generation	ELC, MUW	Private	Partially Public



Updates in the CSA structure

Questions with changes in the public disclosure requirements

After the feedback received from the public consultation, 18 private questions transition to partially public questions (2/2) .

THEME	QUESTION	Industry Applicability	Type of question CSA 2023	Type of question CSA 2024
Resource Efficiency and Circularity	Certified Wood	CON, HOM, REI, REM	Private	Partially Public
Resource Efficiency and Circularity	Energy Efficiency Programs for Real Estate Portfolio	REI, REM	Private	Partially Public
Water	Leakage Rate	MUW	Private	Partially Public
Innovation Management	Product Innovations (Healthcare)	BTC, DRG, LIF, MTC	Private	Partially Public
Market Opportunities	New Business Opportunities (Electricity & Multi-Utilities)	ELC, MUW	Private	Partially Public
Market Opportunities	New Business Opportunities (Gas)	GAS	Private	Partially Public
Market Opportunities	New Business Opportunities (Water)	MUW	Private	Partially Public

Feedback from Public Consultation

Overall the feedback was very positive however companies raised concerns about the following questions:

- **“Human Rights assessments” concerns about** availability of information in the format requested
- **“IT Cybersecurity measures” and “IT cybersecurity process” concerns raised about** operational risks in disclosing the information requested

Furthermore the questions **“Fleet Age”** and **“Accessibility & Transparency of Outcome Data”** received lower level of concerns but the topics will be considered for further evolution in the CSA.

Agenda

The CSA methodology evolves annually to ensure alignment with recent updates in recognized standards and frameworks, and to accurately capture corporate efforts in answering upcoming sustainability challenges.

- Aligning with recognized standards and frameworks
- Staying ahead of industry trends
- Providing forward-looking data for investors



Updates in ESG topics

- Aligning with current standards and frameworks
- Including forward-looking sustainability topics



Updates in ESG Topics

List of relevant updates

Governance & Economic

Risk & Crisis Management

Business Ethics

Sustainable Finance

Innovation Management

Environmental

Resource Efficiency and
Circularity

Waste

Water

Sustainable Raw Materials

Social

Transportation Safety

Stakeholder Engagement

2 Updates in ESG topics Governance & Economic

Key changes Risk and Crisis Management

- Key to the existing questions “Risk Governance”, “Risk Management Processes” and “Risk Management” (for non-listed companies) to reflect best practices such as the implementation of the three lines of defense model as a risk governance framework.
- While the question “Risk Culture” is removed, relevant aspects are retained and integrated in the questions related to “Risk Management Processes” and “Risk Management”.
- To implement the changes described above, some minor changes are applied to the wording of all three questions.

**Industries
impacted.
All industries**

Feedback from Public Consultation

- Risk Governance and Risk management process. Positive feedback received indicating the topic is material, applicable and the proposed update is clear or quite clear. Some companies highlighted that not all the information will be in the public domain. Further clarity in the definition of the second line of defense was requested.
- Risk Management. The question Risk Management only applies to non-listed companies. Respondents found that the question is relevant in most cases and that the rationale and information texts were clear. However, some companies highlighted concerns in the availability of the data in the expected format in the public domain (this issue is covered by the specific guidance for non listed companies)

2 Updates in ESG topics Governance & Economic

Key changes Innovation Management

- The questions “R&D Spending”, “Open Innovation”, “Product Innovations”, “Process Innovations” will no longer be part of the CSA. The theme of innovation would continue to be an integral part of numerous other criteria outlined in the questionnaire and the updated topic of innovation incorporates the lens of the sustainable impact of innovations.
- The criterion “Innovation Management” remains therefore only for the Tobacco industry as well as some of the Healthcare industries. The question “Tobacco Alternatives & Reduced-Risk Products” maintains its status as a critical component of the criterion for the Tobacco industry without any modifications.
- The question “R&D breakout by Innovation Phase”, is updated and has a new name (“Healthcare Clinical Pipeline”). It includes an updated breakout of the most distinct innovation phases, along with the new datapoints related to the number of projects pertaining to each of the phases, which aligns with the standards of reporting established by regulatory agencies and followed by healthcare companies.

**Industries
impacted.
All industries**

Feedback from Public Consultation

Low number of answers received. Feedback from healthcare companies highlighted an issue with discovery and preclinical activities: is not clear enough and the described activities might be overlapping and are not directly applicable to MTC industry.

2 Updates in ESG topics Governance & Economic

Key changes Business Ethics

A new question assesses if companies producing weapons, components of weapons, or services to the defense industry have a policy in place establishing the company's position on international treaties and coalitions about the topic.

Industries impacted.
ARO

Feedback from Public Consultation

Low level of responses received from companies within the ARO industry. Feedback received was positive and no changes have been identified.

Key changes Sustainable Finance

- Changes introduced in the existing question 'Integration of ESG Criteria in Stock Exchanges' reflect the latest updates in disclosure requirements. Such changes imply the inclusion of segments such as SME (Small and Medium sized Enterprises) Listing and Sustainable Debt Listing, as well as voluntary carbon markets.
- 'ESG Products & Services for Stock Exchanges/Index Providers' is updated to 'Sustainable Indices,' which focuses on the sustainable index offering from companies. The section on sustainable bond listing moves to the 'Sustainable Exchange Program' question. The updates target companies' index offering and seek to capture the level of sustainability approaches employed in the construction of sustainable equity and fixed income indices.

Industries impacted.
FBN

Feedback from Public Consultation

Low level of response. These 2 questions would impact to the Financial Exchanges & Data sub-industry and no feedback from companies active in this business was received.

2 Updates in ESG topics

Environmental

Key changes Resource Efficiency & Circularity

A new question is added, named "Energy Management Systems". This question will be part of a new criterion named "Energy" and contains specific program requirements for certain topics related to energy efficiency issues. The CSA already distinguishes the leading companies engaged in environmental management with the Environmental Policy & Management Systems question, but this question introduces new metrics specific to energy programs.

Industries
impacted.
All

Feedback from Public Consultation

Very positive feedback overall. Most of the feedback related to the clarity of the infotext definitions

Key changes Waste

A new question is added, named "Waste Management Programs". This question will be part of the "Waste" criterion. This new question introduces a responsibility component and asks companies what actions have been introduced to address and minimize waste production within operations.

Industries
impacted.
All

Feedback from Public Consultation

Positive feedback overall. In some cases more detailed definitions that include examples in the infotext were requested. Also the need to clarify the question pertains to a company's own operations. A limited number of companies expressed interest in including circular business models; however, this question focuses only on own operations.

2

Updates in ESG topics Environmental

Key changes Water

A new question on “Water Efficiency Management Programs” is added. This question includes new requirements specific to water management programs implemented by companies.

The existing questions on “Quantity & Quality-Related Water Risks” and “Water-Related Regulatory Changes & Pricing Structure” are merged and renamed to “Water Risk Management Programs” with the aim to reduce complexity and reporting burden for companies and to focus on the most relevant aspects of water risk assessment. Additionally, the update aims at knowing whether companies’ risk assessment covers their dependencies on water resources as well as their impacts on local stakeholders and the environment. Lastly, the changes would allow the CSA to assess if the risk assessment is limited to the company’s operations or if it includes its supply chain and its product use phase.

In addition, a simplification of the questions asking KPIs on water consumption is implemented. It includes the merge of “Water Consumption” and “Water Use”. Currently the CSA has two separate questions, one on Water Consumption, applicable to 51 industries while Water Use is applicable to only 11 industries. The intent of the change is two-fold. Firstly, it aims at aligning the CSA with the CDP’s Water security questionnaire and secondly to simplify the questionnaire.

Industries impacted. All

Feedback from Public Consultation

All proposals received overall positive feedback. Feedback on question on Water efficiency programs highlighted need to clarify definitions. Feedback was very positive in the alignment with CDP for the Water consumption question but further clarify on the definition of Water Discharge and Groundwater is needed.



Updates in ESG topics

Environmental

The changes focus on integrating new questions on Sustainable Raw Materials along with other existing questions into a new criterion named “Sustainable Raw Materials”.

The demand for raw materials is increasing exponentially due to population growth and the transition to a low-carbon economy. Simultaneously, there is a growing awareness of potential environmental and social impacts as well as business risks stemming from raw materials production, leading to greater scrutiny from the public, customers and investors. Established regulations such as the Dodd-Frank Act in the US, UK Modern Slavery Act 2015 and the German Supply Chain Due Diligence Act (SCDDA) and emerging regulations like the European Union Corporate Sustainability Reporting Directive along with several third-party certifications of raw materials further strengthen this direction. As a result of this evolving interest from stakeholders, the criterion Sustainable Raw Materials may be introduced into the Corporate Sustainability Assessment (CSA) from the 2024 cycle.

The new questions are: Raw Materials Policy, Raw Materials Programs, Plant and Animal-Derived Raw Materials, Plastic Raw Materials and Metal Raw Materials. The questions that currently form the Sustainable Agriculture Practices criterion would remain the same. The industry application is reflective of the types of material within particular industries.

Industries impacted.
ARO, ATX, AUT,
CMT, ELQ, IEQ,
ITC, SEM, THQ,
TEX, RTS

Key changes Sustainable Raw Materials

Feedback from Public Consultation

All proposals received overall positive feedback highlighting the materiality of the topic. Further clarity on the definition of what is “Raw” material requested. For plant, animal, plastic and metal raw materials questions companies express that it is challenging to track data on a wide range of products and that a significant number of companies won’t have the information available.

2

Updates in ESG topics Social

Key changes Transportation Safety

- A merge of the question “Safety Management System” with “Passenger Safety Disclosure” is implemented. The question includes the main risks identified by the company’s Safety Management System, training to its employees and third-party verification. Additionally, an evolution from private question to public question is implemented as information related to safety should be disclosed to all stakeholders, especially the general population, when the company provides passenger transport. This question applies to all companies providing cargo and passenger transport.
- A new question, “Passenger Fatalities” is added. This question collects information on the absolute number of passenger fatalities attributed to the company’s operations. “Passenger Fatalities” may also be set to public given the importance of this information to passengers. This question applies to transportation companies providing passenger transport.

**Industries
impacted.**
AIR and TRA

Feedback from Public Consultation

Very low number of answers. One company highlighted that in some cases companies might have the information captured but not following the standard metrics.

2

Updates in ESG topics Social

Key changes Stakeholder Engagement

- A new question, “Stakeholder Engagement Policy”, and an update to the question “Stakeholder Engagement Program”, replacing the “Stakeholder Engagement Implementation” question, were implemented. The new and updated questions reflect some aspects of the original questions under this criterion but a reformulation is needed to capture the most pertinent data from companies while addressing the most relevant aspects of their local stakeholder engagement activities.
- The changes aim at improving the information captured on what sort of programs and frameworks a company may have in place to ensure that its local stakeholders’ views are considered and integrated into the company’s operational decisions.

Industries impacted.
CNO, CHM, COM,
CTR, ELC, GAS,
MUW, OIE, OGR,
REI, REM, REX, TLS,
TRA,TRT

Feedback from Public Consultation

Feedback overall positive, with the majority of responding companies agreeing that the rationale and infotext were clear, and the topic itself was applicable to their industry. The majority of companies agreed that they would be able to provide the data requested in the questions, and that this would be publicly available. Constructive feedback included clarifying further certain definitions.

Industry acronyms

AIR Airlines
ALU Aluminum
ARO Aerospace & Defense
ATX Auto Components
AUT Automobiles
BLD Building Products
BNK Banks
BTC Biotechnology
BVG Beverages
CHM Chemicals
CMT Communications Equipment
CNO Casinos & Gaming
COL Coal & Consumable Fuels
COM Construction Materials
CON Construction & Engineering
COS Personal Products
CSV Diversified Consumer Services
CTR Containers & Packaging
DHP Household Durables
DRG Pharmaceuticals
ELC Electric Utilities
ELQ Electrical Components & Equipment
FBN Diversified Financial Services and Capital Markets

FDR Food & Staples Retailing
FOA Food Products
FRP Paper & Forest Products
GAS Gas Utilities
HEA Health Care Providers & Services
HOM Homebuilding
HOU Household Products
ICS Commercial Services & Supplies
IDD Industrial Conglomerates
IEQ Machinery and Electrical Equipment
IMS Interactive Media, Services & Home Entertainment
INS Insurance
ITC Electronic Equipment, Instruments & Components
LEG Leisure Equipment & Products and Consumer Electronics
LIF Life Sciences Tools & Services
MNX Metals & Mining
MTC Health Care Equipment & Supplies
MUW Multi and Water Utilities
OGR Oil & Gas Refining & Marketing
OGX Oil & Gas Upstream & Integrated
OIE Energy Equipment & Services

PIP Oil & Gas Storage & Transportation
PRO Professional Services
PUB Media, Movies & Entertainment
REI Equity Real Estate Investment Trusts (REITs)
REM Real Estate Management & Development
REX Restaurants & Leisure Facilities
RTS Retailing
SEM Semiconductors & Semiconductor Equipment
SOF Software
STL Steel
TCD Trading Companies & Distributors
TEX Textiles, Apparel & Luxury Goods
THQ Computers & Peripherals and Office Electronics
TLS Telecommunication Services
TOB Tobacco
TRA Transportation and Transportation Infrastructure
TRT Hotels, Resorts & Cruise Lines
TSV IT Services



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