

Measuring Sustainability Performance

S&P Global Corporate Sustainability Assessment





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Overview

At S&P Global Sustainability Research, we have always believed that financial analysis is incomplete if it ignores material extra-financial factors. Sustainability trends such as resource scarcity, climate change or an aging population continuously reshape a company's competitive environment. We are convinced that companies that can adapt to such challenges in material topics through innovation, quality and productivity enhance their ability to generate long-term enterprise value. S&P Global Sustainable1 defines a sustainability issue as material if it presents a significant impact on society or the environment and a significant impact on the company's value drivers, competitive positioning, and long-term shareholder value creation. The annual Corporate Sustainability Assessment (CSA) was developed more than 20 years ago in order to identify companies that are better equipped to recognize and respond to emerging sustainability opportunities and challenges presented by global and industry trends.

We pursue a truly integrated approach to analyzing sustainability performance. An interdisciplinary team of analysts designs, monitors and refines the CSA with the purpose of generating additional insights into the value-creating and risk-mitigating potential of companies, ensuring that the assessment focuses on sustainability criteria that are materially relevant to corporate performance, valuation and security selection.

Not only does this make the results of the CSA assessment particularly relevant for investors, but it also helps companies to focus on sustainability issues that are more directly linked to their success as a business.

The CSA's approach is also unique in that it is based on information provided by the companies directly through the online questionnaire. This allows us to analyze sustainability at a much deeper level than frameworks based on public disclosure alone.

We are often asked how the CSA works and how the information provided is used to calculate the S&P Global CSA Score, a key component of the S&P Global ESG Score. This paper seeks to offer some insights into how the questionnaire is structured, how the score is calculated, and by using examples from three different industries, how specific questions can have an impact on a company's S&P Global CSA Score.

CSA at a Glance

- Since 1999, the annual Corporate Sustainability Assessment (CSA) has been conducted to serve as the framework for measuring corporate sustainability performance.
- As of March 2024, S&P Global produced 2023 ESG Scores for 13,500 companies. These companies were selected to be assessed based on their market relevance and to ensure consistency in coverage over time. Each year, S&P Global invites all companies that will receive a public ESG Score to participate in the assessment process. The S&P Global Invited Universe is generally comprised of:
 - Companies that are eligible for the Dow Jones Sustainability Indices (DJSI). The underlying rules can be found here: <https://www.spglobal.com/spdji/en/methodology/article/dow-jones-sustainability-indices-methodology/>
 - Companies that form part of S&P Dow Jones Indices benchmark indices. The underlying rules can be found here: <https://www.spglobal.com/spdji/en/methodology/article/sp-esg-index-series-methodology/>

S&P Global regularly evaluates its universe of assessed companies so that it stays relevant to the needs of the investment community, for example using the S&P Global Broad Market Index and market capitalization as a reference ¹.
- 62 industries derived from the Global Industry classification system (GICS).
- No industries are excluded from the assessment
- Companies are evaluated based on materially relevant sustainability criteria covering the economic, environmental and social dimensions.

- Companies receive a S&P Global ESG Score between 0–100 and are ranked against other companies in their industry. The S&P Global ESG Score measures a company sustainability performance informed by a combination of company disclosures, media and stakeholder analysis, modelling approaches and in-depth company engagement via the CSA.
- The CSA identifies sustainability leaders across all industries, enabling investors to track their performance and integrate sustainability considerations into their portfolios.

“The CSA’s rules-based assessment methodology allows us to assess companies following a best-in-class approach, focusing on on long-term sustainability factors that are under-researched in conventional financial analysis and are relevant to each industry, material to the society and material for the company’s financial performance”

— **Lotte Griek**, Global Head of ESG Research, S&P Global

¹ S&P Global may add additional, currently non-invited companies to the broader Research Universe. Moreover, non-invited issuers (i.e., individual companies) have the option to solicit a Corporate Sustainability Assessment and obtain an S&P Global ESG Score.

Invited Universe: determined by a Rules-based approach. A list of companies for which S&P Global S1 is going to perform a Corporate Sustainability Assessment (CSA) on and produce ESG scores on a regular basis. These companies will be actively contacted (“invited”) to contribute to the assessment process. The Invited universe always refers to a specific methodology year.

Research Universe: All companies for which S&P Global S1 is going to perform a Corporate Sustainability Assessment (CSA) and produce ESG scores, irrespective of their invitation status. This can include companies that are not part of the Invited Universe. The Research Universe always refers to a specific methodology year.

Focus on Double Materiality

The starting point for the CSA is our materiality framework, which draws upon more than 20 years of experience in integrating sustainability into the investment process. For each of the 62 industries evaluated through the CSA, our analysts conduct a materiality analysis to identify those sustainability factors that drive social and environmental impact as well as business value. Considering the dual nature of materiality, we pay close attention to the interrelation between external impact and internal impact on enterprise value creation. This analysis results in a materiality matrix for each industry, which serves as the basis for determining the applicability and weights of the various sustainability criteria in the CSA.

The materiality analysis considers global megatrends and industry specific value drivers that contextualizes company performance. It leverages our quantitative research, internal and external data sources, and pays due attention to both risks and opportunities closely associated with financial performance in the short, medium, and long-term.

Over time external impacts on society and environment translate into internal impact on a company itself, including its financial value drivers. These impacts may be positive or negative, direct or indirect, including ripple effects through the value chain, upstream or downstream. As such, S&P Global Sustainable1 considers double materiality as an integral part of the analysis of corporate sustainability performance. In a broader understanding of enterprise value today, including stakeholder perspectives, the interrelation between external and internal impact is a core part of determining materiality. The industry level matrices positions 22 Materiality Core Subjects to reflect their relative significance at industry level. These findings also inform our annual adjustment of criteria weighting in the CSA. An example of a hypothetical industry materiality matrix is provided in Figure 1.

Figure 1
Industry-level Materiality Matrix - Hypothetical Example



A Structured Approach

The starting point for our annual corporate assessment is an industry-specific questionnaire focusing on relevant economic, environmental, and social criteria. We center attention on sustainability actions that can have an impact on companies' long-term value creation.

Calculating a company's S&P Global CSA Score is a process of applying sub-level scores which are progressively weighted and summed until a final aggregated score is reached.

The starting point consists of individual questions, the values of which are weighted, summed and aggregated into broader areas called criteria. Similarly, criteria scores are weighted, summed and aggregated into even broader areas called dimensions. Following the same pattern, dimensions values are then weighted and summed to find a maximum sustainability score. See Figure 2 for a visual overview of the process.

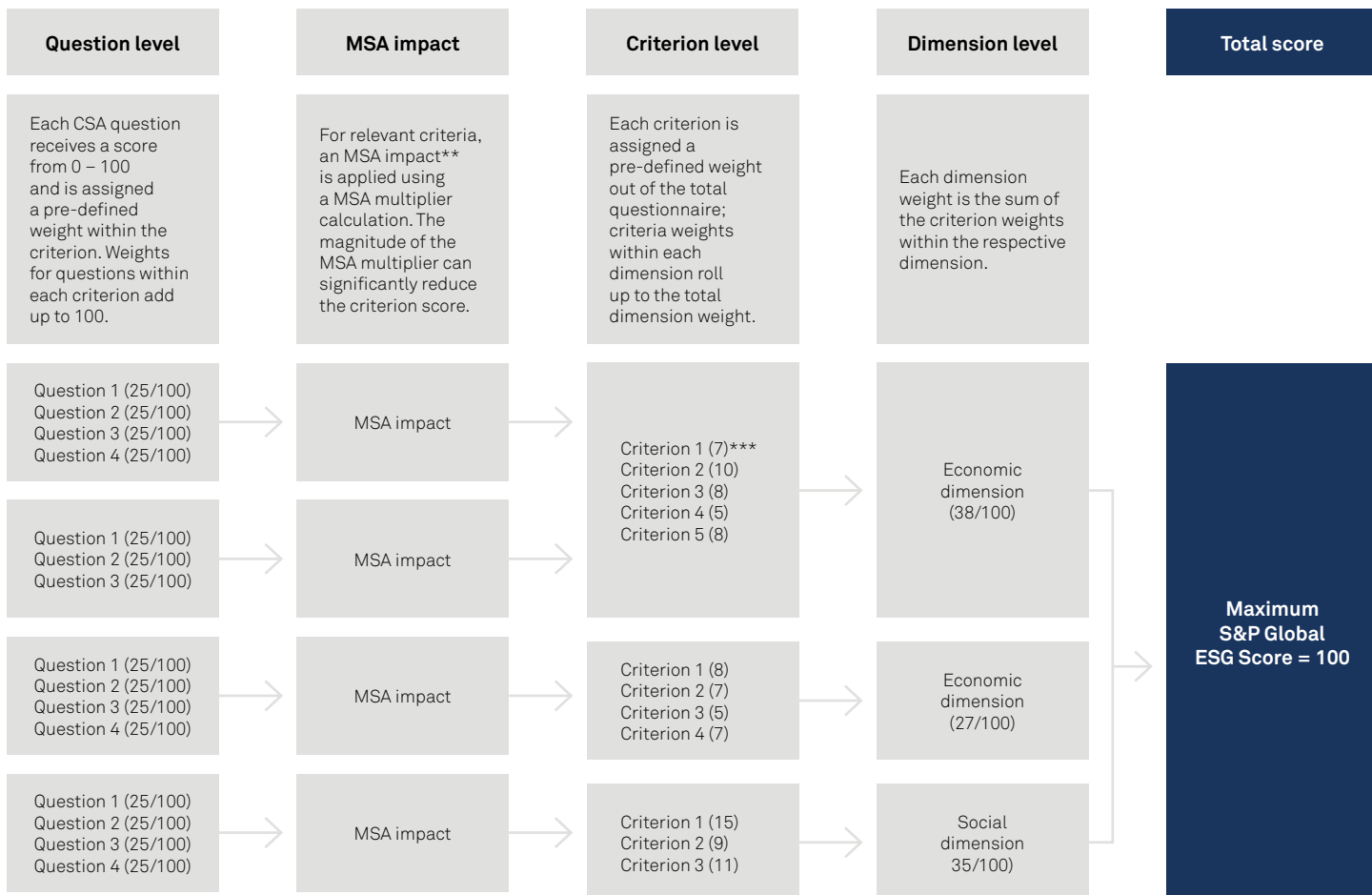
While each year the CSA collects fresh data on corporate sustainability practices, the reported results are supplemented with a Media and Stakeholder Analysis (MSA) that examines controversy developments which have surfaced via the media and other channels. The MSA monitors a company's sustainability performance on an ongoing basis by assessing current controversies which could have potentially negative reputational or financial impact on a company. The MSA is an additional overlay used to modify criteria scores downward based on evidence ranging from deliberate involvement and mismanagement of controversial incidents to negligent lapses in oversight (see page 7 for more detail).

For more information on the MSA process, please refer to our "MSA Methodology Guidebook".

In 2023 an additional overlay was 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".

Figure 2
Structure of the Corporate Sustainability Assessment



*Pre-defined question weight

** Media and Stakeholder Analysis (MSA). Selected criteria in the CSA are assigned an MSA impact. The MSA impact is used to adjust criterion scores downward based on the magnitude of negative impact stemming from an MSA case. For detailed information, please refer to page 10 of this document and to the [MSA Methodology Guidebook](#)

*** Pre-defined criterion weight

Question, criteria, and dimension weights provided in the diagram above are for illustrative purposes only. The actual number of questions, criteria and their corresponding weights will vary from industry to industry.

Source: S&P Global ESG Research

A Comprehensive Analysis With an Industry-Specific Focus

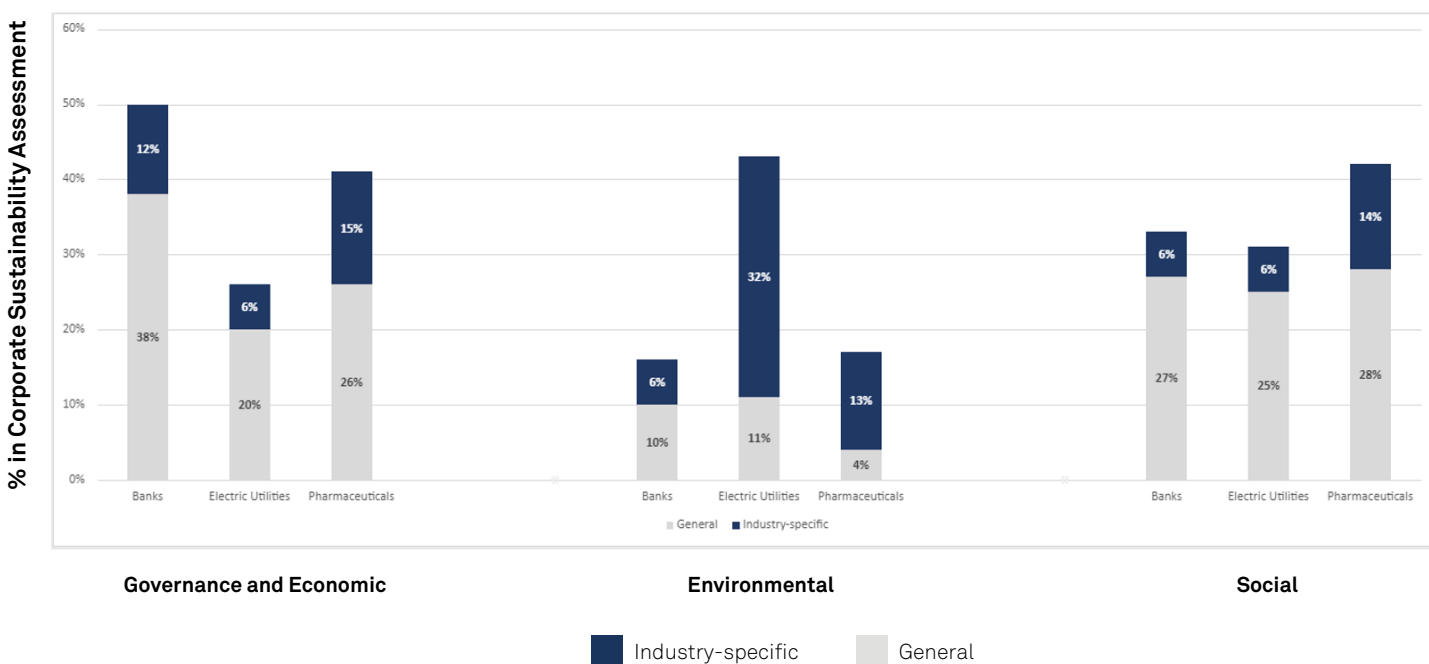
Based on major global sustainability challenges identified by our analysts at S&P Global Sustainability Research & Methodology team, general criteria relating to standard management practices and performance measures such as Corporate Governance, Human Capital Development and Risk and Crisis Management are defined and applied to each of the 62 industries. The general criteria account for approximately 40–50% of the assessment, depending on the industry.

The remaining part of the CSA is made up of industry specific risks and opportunities that focus on economic, environmental and social challenges and trends that are relevant to companies within that industry. This focus on industry-specific criteria reflects our conviction that industry-specific sustainability opportunities and risks play a key role in a company’s long-term success and allows us to compare companies against their own peers in order to

identify sustainability leaders. For instance, a manufacturing company’s management of its exposures to climate change risks cannot be compared to a bank’s response to climate change. Therefore, for industries with complex supply chains and logistics, the assessment focuses on evaluating their efforts to manage carbon emissions, whereas for financial services providers, the assessment focuses on whether companies address climate change through their financial products or by offering innovative funding schemes that encourage a transition towards a low-carbon economy.

The relative weights of the economic, environmental and social dimension of the questionnaire vary by industry. For example, as shown in Figure 3, the environmental dimension warrants a higher weighting in the Electric Utilities industry than in the Banking or Pharmaceuticals industries.

Figure 3
General versus Industry specific Weights by Dimension⁴



Source: S&P Global ESG Research

Criteria and weights are based on the 2021 CSA for Banking, Electric Utilities, and Pharmaceuticals industries and are provided for illustrative purposes only. Criteria and weights will differ for other industries. Specific criteria and their corresponding weights for subsequent years may change.

⁴ For a complete overview of the criteria weights for each of the 62 industries, please refer to the Criteria Weights document in the CSA Resource Center at www.spglobal.com/esg/csa/csa-resources/csa-methodology.

Criteria within the questionnaire will vary from industry to industry to reflect industry-specific drivers, as shown in Figure 4, which provides a comparison of the criteria applied to the Banks, Electric Utilities and Pharmaceuticals industries.

Moreover, certain criteria — even when applied to more than one industry — can have different weights within the CSA. For example, the Banks, Electric Utilities and Pharmaceuticals industries each contain the “Climate Strategy” criterion within the Governance and Economic Dimension of their respective

questionnaires, but the relative weight assigned to Climate Strategy is 8%, 8%, and 2%, respectively. These differences stem from S&P Global Sustainability Research & Methodology analysts’ fundamental bottom-up analysis of each industry. While “Climate Strategy” is more relevant for Banks’ product portfolios and Electric Utilities’ own operations, the focus for Pharmaceuticals is placed on the other dimension criteria. Furthermore, the same criterion, when applied to different industries, may contain a slightly different set of questions to reflect industry-specific issues.

Figure 4

Comparison of criteria and relative dimension weights for the Banks, Electric Utilities and Pharmaceuticals industries

Dimensions broken down by criteria	Banks	Electric Utilities	Pharmaceuticals
Governance and Economic Dimension	51	26	41
Transparency & Reporting*	2	2	2
Corporate Governance*	9	6	9
Materiality*	3	2	2
Risk and Crisis Management*	9	3	3
Business Ethics*	9	3	6
Policy Influence*	3	2	2
Supply Chain Management	-	2	4
Tax Strategy	3	-	2
Information Security/Cybersecurity and System Availability*	4	2	2
Sustainable Finance	9	-	-
Market Opportunities	-	4	-
Innovation Management	-	-	3
Product Quality & Recall Management	-	-	6
Environmental Dimension	16	43	17
Environmental Policy and Management	-	3	2
Energy	0	1	2
Pollutants & Waste	0	7	3
Water	0	7	2
Climate Strategy*	10	11	4
Biodiversity	-	3	2
Product Stewardship	-	11	2
Decarbonization Strategy	6	-	-
Social Dimension	33	31	42
Labor Practices*	6	4	3
Human Rights*	4	3	3
Human Capital Management*	9	9	13
Occupational Health and Safety*	2	6	3
Contribution to Societal Healthcare	-	-	14
Financial Inclusion	6	-	-
Customer Relations*	2	1	6
Privacy Protection	4	2	-
Community Relations	-	6	-

* General criteria for all industries.

What Is S&P Global ESG Research Looking For?

In line with our conviction at S&P Global Sustainability Research that material nonfinancial factors contribute to better informed investment decisions, the methodology focuses on long-term sustainability factors that are relevant to each industry, material to the company's financial performance and under-researched in conventional financial analysis. Within each criterion, we look for evidence of a company's awareness of sustainability issues and for indications that it has implemented strategies to address them. We also evaluate the company's progress in implementing such strategies as well as the quality of its reporting on these issues. Therefore, the questions within each criterion are structured to capture and evaluate the following elements:

- Awareness of the importance of these factors to its financial success
- Determination of the potential impact in business value as well as social and environmental impact

- Implementation of strategies to manage these sustainability risks or to capitalize on related opportunities in a manner that is consistent with its business models
- Measurement of results in relation to stated Key Performance Indicators (KPI) in order to evaluate the effectiveness of its sustainability strategy
- Validation or external audit of stated results
- Transparent communication of its corporate sustainability strategies and extent to which stated targets have been met

This framework for evaluating corporate sustainability performance enables S&P Global Sustainability Research to develop a more robust understanding of a company's quality of management.⁵

Scoring the Questions

The questionnaire is designed to be objective and uses predefined scoring approaches in which each potential answer is assigned a number of points between 0–100.

For many questions, companies will only receive the maximum score for the question if they have provided adequate supporting material. And for some questions points will only be awarded if information covering the question requirements is publicly available. In the following pages, we provide examples of specific questions from the Pharmaceuticals and Banking industries, and show how a company's response to these questions has an impact on the S&P Global CSA Score.

Example 1 Pharmaceuticals

Question: Access to Healthcare Programs (Products & Drugs)	Does the company have programs to improve the accessibility of healthcare products and drugs and are they available publicly?
Question Points	0–100
Question weight within criterion	15%
Criterion	Contribution to Societal Healthcare
Dimension	Social
CSA Rationale	Underprivileged patients in developed as well as developing countries often face financial constraints to accessing the medication and treatment crucial to cure their diseases. Sustainability leaders in the pharmaceuticals and biotech industries are taking innovative steps to engage with these social issues by providing underprivileged patients access to drugs and products. In turn, these companies benefit from the opportunity to expand their own credibility, their corporate and product brands, and the market penetration of their products and services. Our questions focus on the measures that companies take to increase the accessibility of drugs in both developing and developed countries.
Possible Answers	Number of Points Awarded
A. List of potential approaches (company can check all that apply)	0–100 (depending on which approaches have been selected)
B. Not applicable	A question that has been marked “Not Applicable” will not be scored and the weight of the question will be equally redistributed across the other questions within the same criterion, only if the analyst agrees that the question does not apply to the company’s business model. This option is only granted in exceptional cases.
C. Not known	0

⁹To learn more about the methodology used in the Corporate Sustainability Assessment, please refer to the CSA Handbook, which provides additional detail on the rationale and structure for the general and cross-industry criteria in the CSA. The CSA Handbook can be accessed at the CSA Resource Center at www.spglobal.com/esg/csa/csa-resources/csa-methodology.

Assuming the company receives 50 points for its response to this question, its score will be calculated as follows:



Example 2

Banks

Question: Customer Privacy Information	Does the company inform customers regarding privacy protection issues and is this information available publicly?
Question Points	0–100
Question weight within criterion	50%
Criterion	Privacy Protection
Dimension	Social
CSA Rationale	Networked data and globalized corporate activities require careful handling. Insufficient database and network protection, unclear management of personal information and vague database access rules could expose companies to large risks in case of personal data leakage and misuse, or unauthorized access. For companies to avoid legal costs, reputational risk, and exclusion from certain activities, a company-wide privacy policy is paramount. Our questions focus on the coverage of the company's privacy policy and the mechanism in place to ensure the policy's effective implementation.

Possible Answers	Number of Points Awarded
A. List of potential approaches (company can check all that apply)	0–100 (depending on which approaches have been selected)
B. Not applicable	A question that has been marked “Not Applicable” will not be scored and the weight of the question will be equally redistributed across the other questions within the same criterion, only if the analyst agrees that the question does not apply to the company's business model. This option is only granted in exceptional cases.
C. Not known	0

Assuming the company receives 67 points for its response to this question, its score will be calculated as follows:



Calculating the S&P Global ESG Score:

$$\text{S\&P Global CSA Score} = \sum (\text{Number of Question points received} \times \text{Question Weight} \times \text{Criterion Weight})$$

A company's S&P Global CSA Score at the highest aggregated level is the sum of all Question Scores. Each company receives a S&P Global CSA Score ranging from 0–100.

Additional insights into our scoring methodology can be found in our “S&P Global ESG Scores Methodology” document.

Media and Stakeholder Analysis (MSA)

The S&P Global Media and Stakeholder Analysis (‘MSA’) forms an integral part of the S&P Global Corporate Sustainability Assessment (‘CSA’) and enables S&P Global to monitor companies’ sustainability performance on an ongoing basis by assessing current controversies with potentially negative reputational or financial impacts. The main objective of the MSA process is to gain insight into a company’s ability to mitigate financially material and reputational risks, as well as impacts on stakeholders and the environment, whilst protecting their shareholder value.

Media and stakeholder stories on corporate controversies are monitored on an ongoing basis, compiled, and pre-screened by S&P Global’s partner RepRisk1 and also identified by S&P Global Sustainable1 (‘S1’) sustainability research analysts, through different sources including newspapers, governmental and non-governmental reports. The stories may vary considerably, pertaining to issues such as crime, corruption, fraud, illegal commercial practices, human rights abuses, labor disputes and workplace safety, catastrophic accidents, or environmental violations, for example.

Measuring MSA Impact

Measuring MSA impact is a step-wise process that begins with identifying an MSA case. An MSA “case” is created by expert research analysts if, according to the MSA methodology, a company is considered responsible for a material negative event or wrongdoing, revealing that the company’s actions are inconsistent with its stated policies and commitments, accepted best practices or regulations. Once an MSA case has been opened, the respective companies are contacted and given the opportunity to respond with relevant information and plans to address the issue, minimize negative impacts, and prevent reoccurrence.

The MSA case is then assessed to determine its impact on a company’s CSA Score. The MSA case is scored based on the impact of the case (which can be minor, medium, major or severe) and the response of the company to the incident. Both the impact rating and the company response are used to assign an “MSA multiplier” — a coefficient used to adjust relevant affected CSA criteria in proportion to the negative impact of MSA cases.

Figure 5 provides an overview of how a specific MSA case is identified, evaluated and integrated into the CSA. Figure 6 provides a formula for how the MSA multiplier is used in calculating final criteria scores (if any).

*RepRisk, an ESG data science company, leverages the combination of AI and machine learning with human intelligence to systematically analyze public information in 23 languages and identify material ESG risks. With daily data updates across 100+ ESG risk factors, RepRisk provides consistent, timely, and actionable data for risk management and ESG integration across a company’s operations, business relationships, and investments.
www.reprisk.com

Figure 5
Overview of the MSA process: from identification to resolution

	1 Identification of MSA case	2 Impact evaluation	3 Initiate company contact	4 Evaluation of company's response	5 Selection of CSA Criteria	6 Applying the MSA Multiplier to calculate impact on CSA criteria score
Description	<ul style="list-style-type: none"> When a controversial incident is flagged, the decision to open an MSA case is based on (1) company responsibility and (2) incident materiality. Details of each element can be found in MSA Methodology Guidebook. 	<p>The case's impact is judged as minor, medium, major or severe according to different parameters within the Governance/Economic, Environmental & Social Pillars as well as within the Reputational Impact pillar. Further details are provided in the https://portal.csa.spglobal.com/survey/documents/MSA_Methodology_Guidebook.pdf MSA Methodology Guidebook.</p>	<p>When an MSA case is identified, the affected company is requested to respond via the CSA online platform, including evidence of communications to stakeholders and corrective measures taken.</p>	<p>The analyst evaluates the company's response based on one of the following options:</p> <ul style="list-style-type: none"> No communication and no measures taken Some communication and no or partial measures taken Adequate communication and appropriate measures taken Adequate communication and appropriate measures taken and publicly disclosed 	<p>The analyst matches MSA case details to the relevant CSA criteria:</p> <p>The Affected Criteria that are identified will be any of the CSA Criteria. Major cases usually involve several criteria, while minor cases typically impact just one or two. In most cases, the more criteria affected, the greater the impact on the company's ESG Score.</p>	<p>A two-step approach is used to calculate the impact of MSA cases on CSA criteria:</p> <ol style="list-style-type: none"> Translate the assigned Impact Rating and Company Response Rating to the corresponding 'MSA Multiplier' using the pre-defined MSA Multiplier Matrix. Apply the MSA Multiplier in a fixed formula to calculate the numerical impact on the Affected Criteria score.
Example	<p>Company A pleads guilty to violating national anti-competitive law. It is fined US \$1 billion and agrees to settle with the US Department of Justice. New information reveals it obstructed justice using forged documents resulting in a higher fine than other companies involved.</p>	<p>The analyst determines the case has major impact:</p> <ul style="list-style-type: none"> The breach of regulations and company policies is significant The fined amount is significant relative to company earnings and other fines given in that industry Guilty plea and associated fine are broadly covered in international media, contributing to negative reputational impact. 	<p>The analyst contacts the company.</p> <p>Company A states it has issued a press release announcing the fine but provides no further information on corrective measures undertaken to prevent future incidents.</p>	<p>Company A has communicated the case to its stakeholders, but did not indicate whether processes or control mechanisms were re-evaluated and improved. The analyst selects "Some communication, no or partial measures taken."</p>	<p>The analyst determines the following CSA criteria are affected:</p> <ul style="list-style-type: none"> Risk and Crisis Management: Company A deliberately engaged in non-compliant behavior indicating inadequate risk control mechanisms Business Ethics: Company A violated best practice in business ethics and the company's own code of conduct Corporate Governance: Company A's executives were aware of the wrongdoing and failed to take prompt action. 	<p>Based on the major negative impact of the case and the evaluation of the company's response, a low MSA multiplier is assigned. The MSA Multiplier is applied in a fixed formula to impact the original CSA criterion score which significantly reduces the final CSA criteria scores (e.g. Risk and Crisis Management Criteria and Business Ethics).</p>

Please see [MSA Methodology Guidebook](#) for a more detailed description of the MSA multiplier calculations with examples.

The hypothetical MSA example has been provided for illustrative purposes only and does not reflect an actual MSA case or outcome. MSA scores have been arbitrarily applied and are used for illustrative purposes.

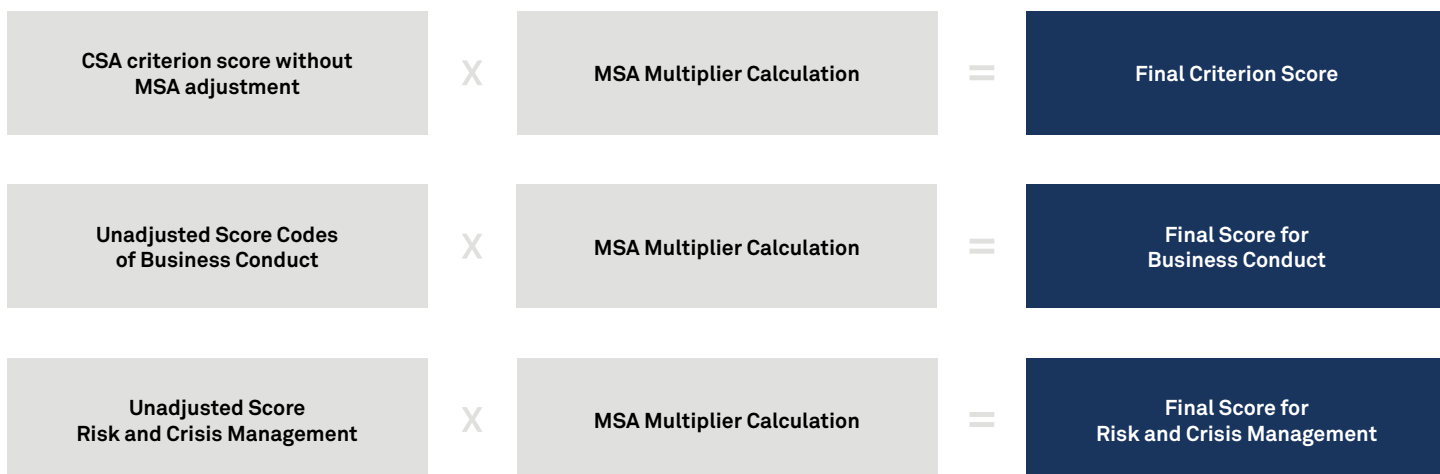
Source: S&P Global ESG Research

A simplified model for adjusting CSA criteria for MSA risk is below.

Based on the example outlined in Figure 5, Company A receives a low MSA Multiplier. This Multiplier is then used to calculate the final scores of the

relevant CSA criteria of “Business Ethics” and “Risk and Crisis Management.” Please see Figure 6.

Figure 6
Applying the MSA Multiplier* to CSA criterion scores



If a company has no MSA cases identified during the course of the campaign year, the criterion score will remain unchanged. For more details on our updated scoring

approach and the decision process used to determine an MSA impact, please refer to the [MSA Methodology Guidebook](#).

* For detailed information on the MSA multiplier, please refer to the [MSA Methodology Guidebook](#)

Updating the Questionnaire — Raising the Bar

The CSA is reviewed on an annual basis and adjustments are made to the methodology in order to enhance reporting and stay relevant with issues already captured and to address emerging, forward looking sustainability issues that are expected to have an impact on companies in the coming years. This approach allows the CSA to address under-reported topics of interest to investors and other stakeholders and challenge companies on new sustainability topics that may be part of upcoming regulatory changes or future reporting guidelines or requirements. A detailed review of the previous year's results is performed at the end of each assessment cycle in order to identify areas for improvement, apply scoring updates, provide methodology clarifications or to reconsider questions that can be removed from the questionnaire.

Analysts within S&P Global Sustainability Research & Methodology team are assigned to specific industries and draw upon knowledge gained through their participation in industry conferences, roundtable discussions with industry organizations, as well as direct contact with companies throughout the course of the year in order to determine which industry-specific criteria within the CSA warrant review. As a general rule, analysts rely on their sustainability and financial expertise to determine

the materiality of sustainability topics, both current and upcoming — identifying which sustainability opportunities and challenges are most likely to have an impact on a company's financial performance. This materiality review also aids analysts in determining the overall weight questions and criteria will have within each industry-specific questionnaire. In addition to their industry coverage, analysts are assigned general and cross-industry criteria, such as Supply Chain Management, Occupational Health and Safety and Corporate Governance.

In addition to performing a fundamental review of the sustainability topics in the CSA, S&P Global Sustainability Research & Methodology team also performs statistical analysis of companies' scores to identify questions that merit further review. Examples include questions at the extremes (i.e. where all or most companies received the highest or the lowest score) or questions that have a very low statistical distribution of scores.

This analysis provides us with an indication of which questions may be outdated, which corporate sustainability practices have been widely adopted by companies, or which ones may need to be refined in order to more adequately distinguish the leaders from the laggards.

Once the methodology priorities for an assessment year have been decided, and adequate background research has been performed on the topics, S&P Global Sustainability Research & Methodology team is responsible for ensuring that the proposals are translated into the CSA and systematically and objectively applied to the respective industries and companies. This also extends to how company answers are appraised and how final scores for each question are calculated.

Starting Q1 2024, S&P Global has introduced a new principal-based approach to methodology and modeling governance. The review will be conducted by Covered Methodology and Model Governance Committee (CMMGC). The committee will conduct review of new CSA methodologies and changes to existing methodology.

A Peer Review sub-Committee is set up to provide feedback and recommendations related to updated CSA methodology to CMMGC.

There is also an independent quality assessment process focusing on Analytical Risk and Quality and it will provide its report to the Sustainability Research & Methodology team and to CMMGC.

New CSA methodology or any updates to the existing methodology will be considered once it is approved by CMMGC after thorough review.

Once the CSA methodology is approved by CMMGC and a new assessment cycle has been launched, S&P Global CSA Data and Sustainability Research & Methodology team manages the assessment process, interactions with companies, and the overall quality control process. They are also responsible for ensuring that the assessment process remains objective and independent of S&P Global's other business units.

An overview of the methodology review process is provided in Figure 7.

Figure 7
Updating the CSA*



Source: S&P Global Sustainability Research

External Verification

Information provided in the questionnaire is verified for accuracy by crosschecking companies' answers with the supporting documentation they have provided, checking publicly available information, and by verifying a company's track record on crisis management with media and stakeholder reports.

In addition, to support the quality and objectivity of the CSA, we voluntarily obtain independent third party assurance.

⁷ For additional information on the various DJSI index families that are constructed using information from the CSA, please visit the DJSI website at: www.spglobal.com/esg/csa/indices/

Leveraging Sustainability Insights

In addition to determining the components of the full range of the DJSI and DJSI Diversified index families, the CSA information is also used to construct innovative products such as the S&P ESG series of indices, which include iconic benchmarks such as the S&P 500 ESG as well as products like the S&P Long-Term Value Creation Index 7. The S&P Global ESG Scores are available to investors globally through S&P Global Market Intelligence platforms.

Furthermore, the results of the CSA are used to determine the companies that are eligible for inclusion in The Sustainability Yearbook* — a reference guide to the world’s sustainability leaders.

The Sustainability Yearbook provides extensive qualitative analysis highlighting current and future challenges shaping the competitive landscape for each of the 62 industries.

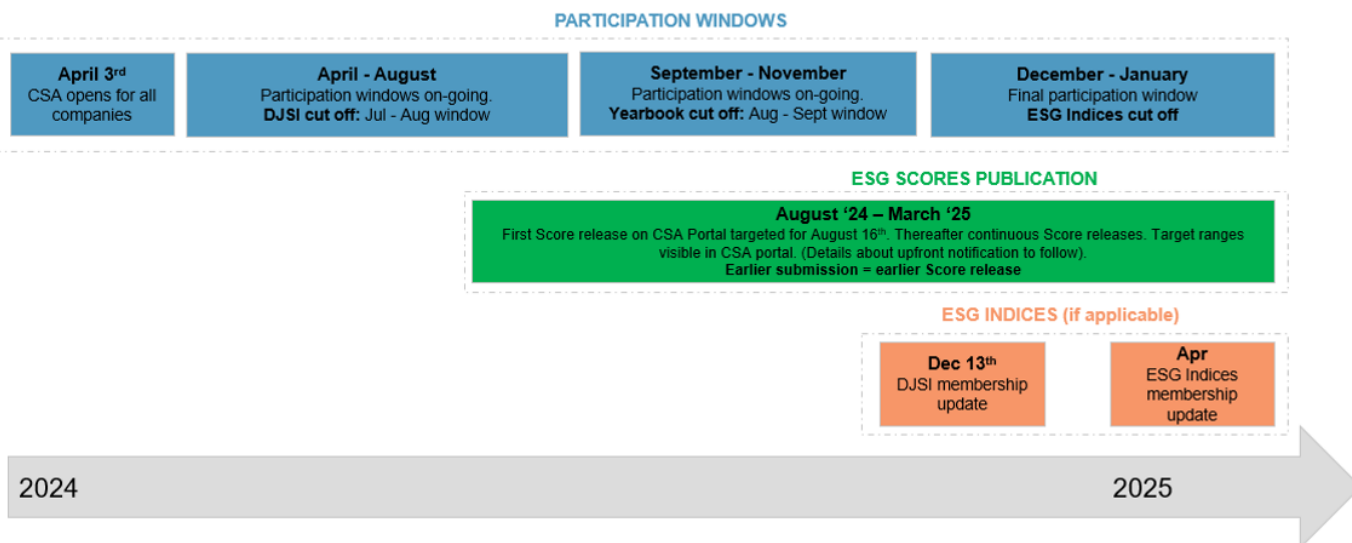
In addition, The Sustainability Yearbook contains statistical information indicating the total number of companies assessed for each industry, as well as the average and top scores at the dimension level.

Annual Milestone

Figure 8
Timeline of CSA Process

CSA Participation cycle 2024

- Two-month participation windows starting every month from April to December.
- The questionnaire always opens on the first week-day of the start month and closes on the last week-day of the following month (independent of regional/religious holidays)



S&P Global

Source: S&P Global Sustainability Research

⁸ www.spglobal.com/esg/csa/yearbook

Conclusions: The Benefits of Measuring ESG Performance

Investors' demand for long-term oriented strategies that integrate economic, environmental and social criteria within their portfolios is expected to grow. As investors seek to invest in companies with a superior business model and attractive long-term potential, their stock selection decisions will increasingly be influenced by sustainability considerations.

The results of the Corporate Sustainability Assessment are a suitable reference for determining the integrated value of a firm. This includes its's intangible assets, with a more holistic assessment leading to better informed investment decisions.

By using industry-specific criteria to identify sustainability leaders that are likely to outperform in the long run, the CSA's best-in-class approach creates vibrant competition among companies within the same industry. In doing so, it supports acceleration in the momentum toward greater sustainability across all industries.

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