

Measuring Intangibles

S&P Global Corporate Sustainability Assessment





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Overview

At S&P Global ESG Research, we have always believed that financial analysis is incomplete if it ignores material extrafinancial 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 through innovation, quality and productivity enhance their ability to generate long-term shareholder value. 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 financially 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 a company's S&P Global ESG Score is calculated. 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 ESG 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, forming the research backbone for the construction of the Dow Jones Sustainability Indices (DJSI)
- The world's largest 5,000 publicly traded companies are invited to participate in the CSA for possible inclusion in the Dow Jones Sustainability Indices (DJSI) or other S&P ESG indices
- 61 industries derived from the GICS industry classification system are analyzed using industry specific questionnaires¹
- No industries are excluded from the assessment
- Companies are evaluated based on a range of financially 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 top 10% of companies within each industry are selected for inclusion in the DJSI World²
- The CSA identifies sustainability leaders across all industries, enabling investors to track their performance and integrate sustainability considerations into their portfolios

¹ The Global Industry Classification System (GICS) is the most broadly used industry classification system for companies.

² The threshold for inclusion in the regional, local, and DJSI Diversified Indices will vary.

“The CSA’s rules-based assessment methodology pursues a best-in-class approach, which allows us to focus on financially material, industry-specific sustainability issues that have a link to long-term financial performance.”

— **Manjit Jus**, Global Head of ESG Research, S&P Global

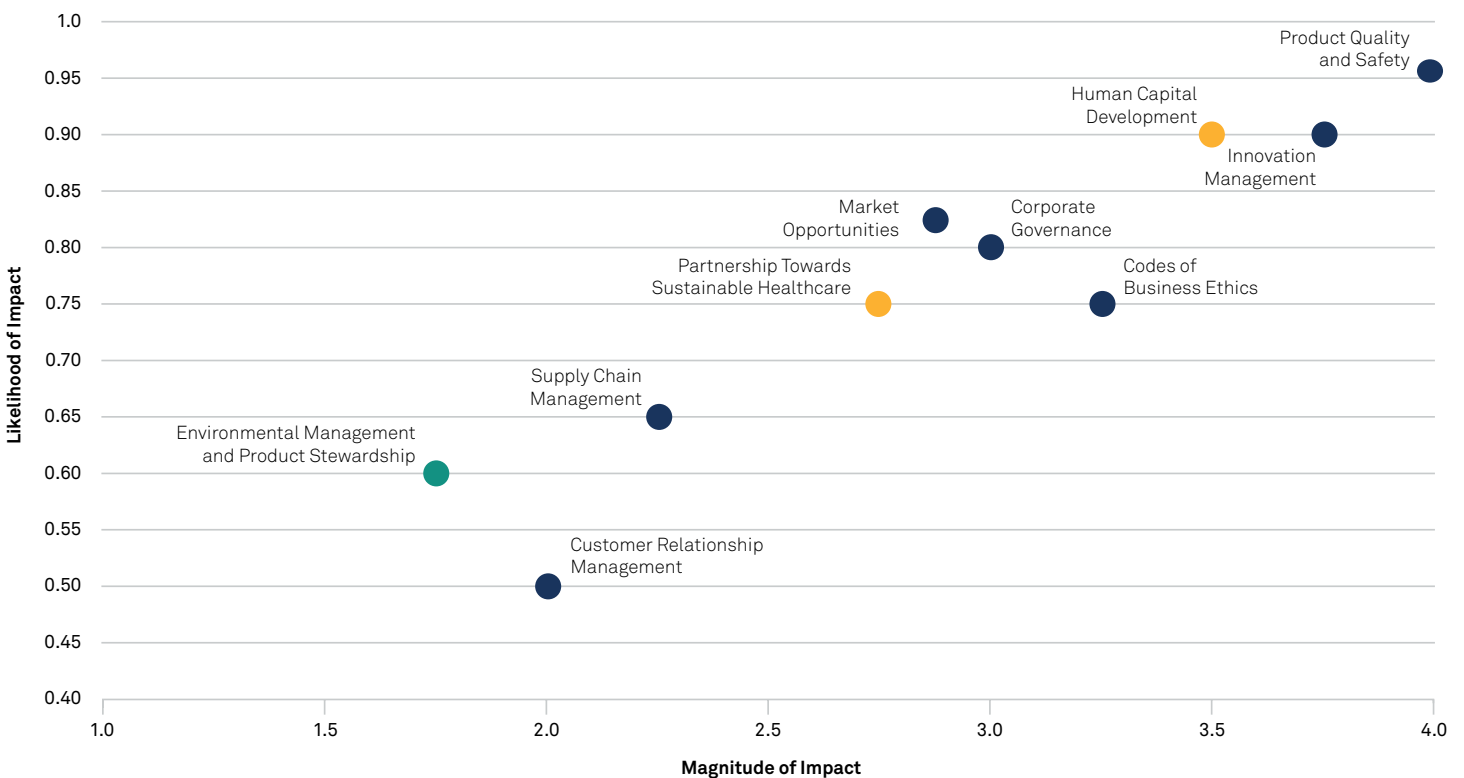
Focus on Financial Materiality

The starting point for the CSA is our financial materiality framework, which draws upon more than 20 years of experience in integrating sustainability into the investment process. For each of the 61 industries evaluated through the CSA, our analysts conduct a financial materiality analysis to identify those sustainability factors that drive business value and that have the greatest impact on the long-term valuation assumptions used in financial analysis. 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 financial materiality analysis focuses on industryspecific business value drivers that contribute to company performance. It leverages our quantitative research, which identifies which intangible factors have demonstrated the clearest correlations to past financial performance.

Most importantly however, the materiality analysis draws upon the experience of the industry analysts, who determine which long-term economic, social or environmental factors are likely to have the most significant impact on a company’s business value drivers of growth, cost or risk, and ultimately, future financial performance. Each factor is analyzed and ranked according to the magnitude and likelihood of its impact on the company’s business value drivers and financial performance over time. Those factors that are considered to have the greatest impact on the long-term financial assumptions are given the highest weighting in the CSA, and those factors that rarely impact the financial cases either receive a much lower weight or are not included in the CSA. An example of a financial materiality matrix for the Pharmaceuticals industry is provided in Figure 1.

Figure 1
Financial materiality matrix for the Pharmaceuticals industry



The factors that appear in the upper right-hand corner of the matrix are the most financially material.
Source: S&P Global ESG Research

A Structured Approach

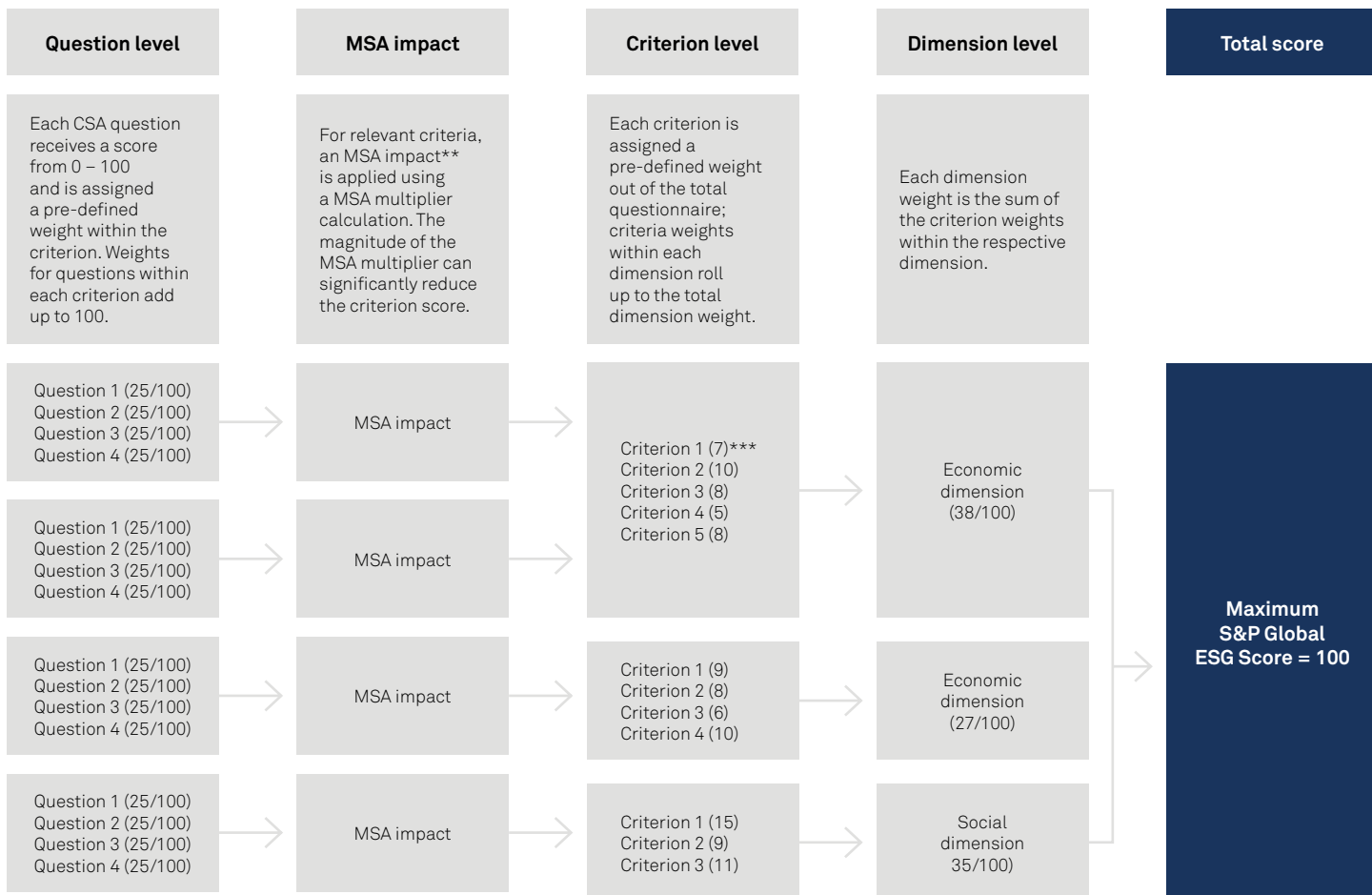
Each year, S&P Global ESG Research invites 5,000 of the world's largest publicly traded companies³ to participate in the CSA. The starting point for our annual corporate assessment is an industry-specific questionnaire focusing on financially-relevant economic, environmental and social criteria. We center attention on sustainability actors that can have an impact on companies' long-term value creation.

Calculating a company's S&P Global ESG 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 more recent findings 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).

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

³ As measured by float-adjusted market capitalization based on the S&P Global BMI Index.

A Comprehensive Analysis With an Industry-Specific Focus

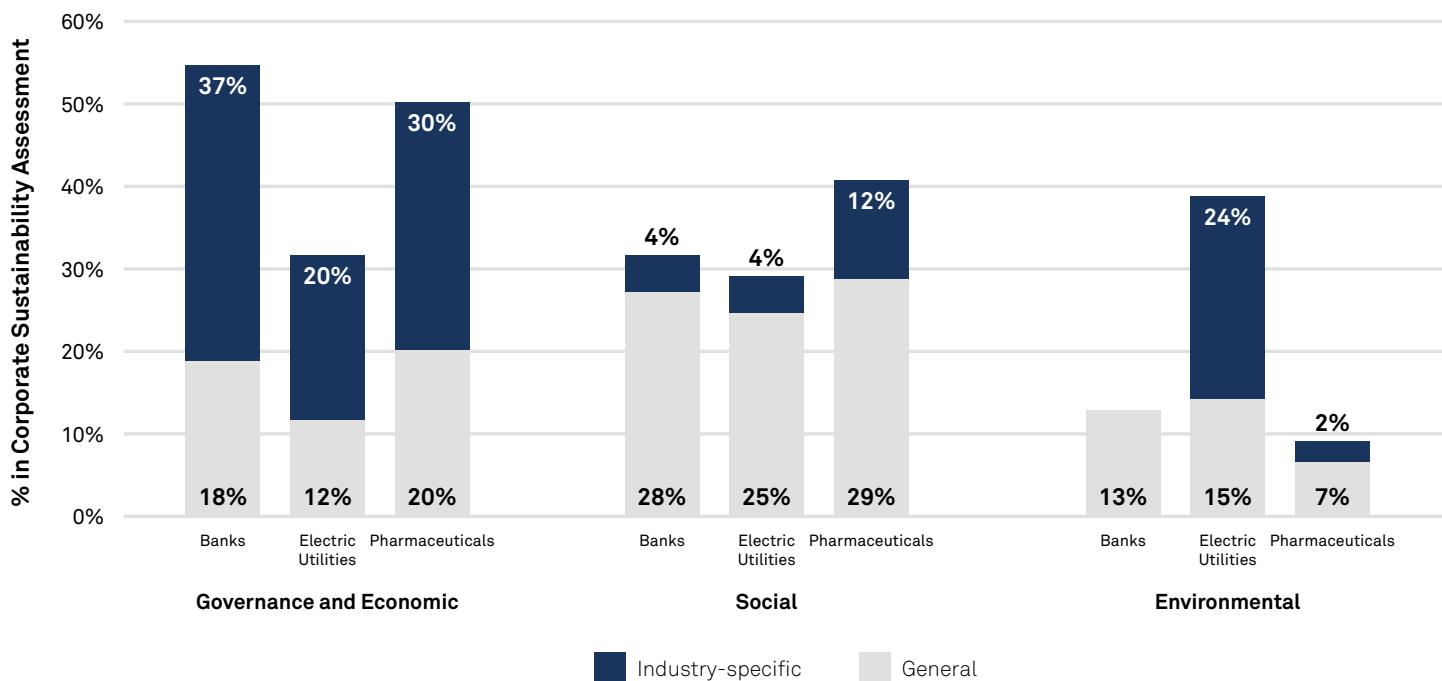
Based on major global sustainability challenges identified by our analysts at S&P Global ESG Research, general criteria relating to standard management practices and performance measures such as Corporate Governance, Human Capital Development and Risk and Crisis Management are defined and applied to each of the 61 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 61 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 7%, 7%, and 2%, respectively. These differences stem from S&P Global ESG Research 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	55	32	50
Corporate Governance*	10	6	9
Materiality*	3	2	2
Risk and Crisis Management*	6	3	4
Codes of Business Conduct*	8	3	6
Customer Relationship Management	2	2	-
Policy Influence*	3	2	2
Supply Chain Management	-	2	4
Tax Strategy	3	-	2
Information Security/Cybersecurity and System Availability*	3	2	2
Innovation Management	-	2	7
Health and Nutrition	-	-	-
Strategy for Emerging Markets	-	-	-
Environmental Dimension	13	39	9
Environmental Reporting*	3	2	2
Environmental Policy and Management Systems	-	3	2
Operational Eco-Efficiency*	3	8	3
Climate Strategy*	7	7	2
Genetically Modified Organisms	-	-	-
Packaging	-	-	-
Raw Material Sourcing	-	-	-
Water Related Risks	-	5	-
Social Dimension	32	29	41
Social Reporting*	3	2	2
Labor Practice Indicators*	4	2	3
Human Rights*	3	2	3
Human Capital Development*	6	4	5
Talent Attraction and Retention*	6	6	8
Corporate Citizenship and Philanthropy*	3	3	3
Occupational Health and Safety*	3	4	3

* General criteria for all industries.

What Is S&P Global ESG Research Looking For?

In line with our conviction at S&P Global ESG 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 financial impact (i.e. materiality) of its exposure to sustainability factors

- 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 ESG 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 questions in which qualitative answers are allowed, S&P Global ESG Research analysts codify the response using a predefined appraisal method which then results in a quantitative score. In addition, many questions request companies to submit documentation to support the answers they have provided.

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 ESG Score.

Example 1 Pharmaceuticals

Question: Access to drugs	Please indicate your company's approaches to improve accessibility of drugs in both developing and developed countries. Please provide supporting documents.
Question Points	0–100
Question weight within criterion	50%
Criterion	Strategy to improve access to drugs or products
Dimension	Social
CSA Rationale	Underprivileged patients are often unable to access treatment due to financial constraints. Not only is this issue prevalent in developing countries, it is also becoming a growing concern in developed countries. Such a challenge provides companies in the healthcare industry with an opportunity to design and implement initiatives that provide patients with access to drugs and products. Companies that take innovative steps towards addressing these issues can in turn benefit from enhanced credibility, improved corporate and product brands, and increased market penetration of their products and services. Therefore, S&P Global ESG Research asks companies in the pharmaceuticals industry whether they have strategies in place to address the issue of access to drugs and products.
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

⁵ To learn more about the methodology used in the Corporate Sustainability Assessment, please refer to the CSA Companion, which provides additional detail on the rationale and structure for the general and cross-industry criteria in the CSA. The CSA Companion can be accessed at the CSA Resource Center at www.spglobal.com/esg/csa/csa-resources/csa-methodology.

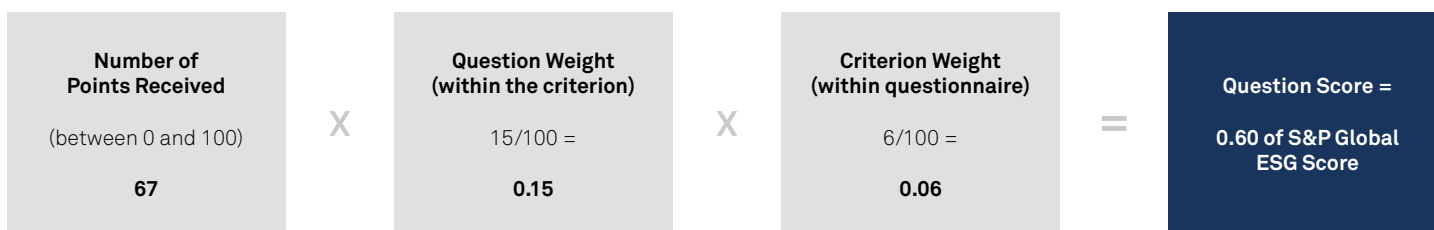
Assuming the company receives 50 points for its response to this question, its score will be calculated as follows:

Number of Points Received (between 0 and 100) 50	×	Question Weight (within the criterion) 15/100 = 0.50	×	Criterion Weight (within questionnaire) 6/100 = 0.03	=	Question Score = 0.75 of S&P Global ESG Score
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Example 1
Banks

Question: Customer Data Security and Data Privacy	Which of the following qualitative and assurance aspects does your company's on-line financial service/system platform cover? Please provide supporting documents.
Question Points	0–100
Question weight within criterion	15%
Criterion	Customer Relationship Management
Dimension	Economic
CSA Rationale	New lifestyles such as flexible working hours, increased mobility, and working from home are shifting consumer attitudes towards online services. By adopting a multi-channel strategy that includes online services, companies can further enhance their product offerings, service availability and standardization while improving customer loyalty and lowering costs. S&P Global ESG Research assesses what type of online services banks offer their customers. Networked data and globalized corporate activities require the diligent handling of information. Therefore, not only must companies have a comprehensive (online) privacy policy in place, they must also have the mechanisms to ensure the proper implementation of their policy. Over the past decade, the number of data breaches has grown exponentially. Therefore, this question asks companies if they have the necessary security systems in place and the ability to evaluate potential costs associated with such data breaches.
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:

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

A company's S&P Global ESG Score at the highest aggregated level is the sum of all Question Scores. Each company receives a S&P Global ESG Score ranging from 0–100. Once the S&P Global ESG Score have been calculated, companies within the same industry are ranked against their peers in

order to determine which companies are eligible for inclusion in the Dow Jones Sustainability Indices (DJSI). In addition, the 61 CSA-specific industries roll up into 24 GICS industry groups, and the top scoring company from each is named the Industry Group Leader and is profiled on the DJSI website⁶.

Media and Stakeholder Analysis (MSA)

An integral component of the CSA is the ongoing monitoring of publicly available information from print and online media, government bodies, regulators, think tanks and other sources to identify companies' involvement and response to environmental, economic and social incidents that may have a damaging effect on their reputation, financial situation or core business.

We monitor news coverage of companies in the universe using media and stakeholder information compiled and pre-screened on a daily basis by RepRisk*, a leading ESG data science firm specializing in environmental, social and governance issues. MSA cases vary considerably; individual cases can range from economic crime, corruption, fraud, illegal commercial practices, human rights abuses, labor disputes, workplace safety, to catastrophic accidents and environmental violations.

A case is created if a company has been involved in a specific negative event for which it is considered to be responsible, and if the incident reveals that the company's actions are inconsistent with its stated policies and goals and/or exposes either a failure of management or of company systems and processes.

In order for an MSA case to be created, it must also meet a condition of materiality — meaning there is significant potential for reputational and financial damages through loss of customers, exposure to liabilities, litigation and fines, or the interruption of business operations. Once an MSA case has been opened, we expect the company to redress the issue by taking measures to minimize its negative impact as well as the possibility of future incidents. In order to evaluate the quality of the company's response to the situation, we contact companies for which an MSA case has been created and continues to monitor related information flows until it has been resolved.

Measuring MSA Impact

Measuring MSA impact is a step-wise process that begins with identifying an MSA case. The MSA case is scored based on the impact of the case and the response of the company to the incident. The MSA score is then used to assign an "MSA multiplier" — a coefficient used to adjust relevant CSA criteria in proportion to the negative impact of MSA cases (if any).

The MSA multiplier amplifies the negative impact of poor MSA scores on the final criteria scores. The larger the negative impact, the larger the downward adjustment of criterion scores. 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.

⁶Additional insights into our scoring methodology can be found in our annual Scoring and Methodology Review documents, published annually. The Scoring and Methodology Review documents can be found at the CSA Resource Center at www.spglobal.com/esg/csa/csa-resources/csa-methodology.

*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 Identification of MSA case	4 Initiate company contact	5 Evaluation of company's response	6 Applying the MSA score to calculate impact on CSA criteria
Description	<p>An event arises: Does the event imply the company responsibility?</p> <ul style="list-style-type: none"> Is there a breach of company policies/ international policies/ accepted best practices? Is there a flaw in company processes or monitoring systems? Is there a court decision/settlement? Is there evidence of management failure? Is the event material? Is there a financial impact? Is there a reputational impact? Is there a contractual impact and/or marketing disruptions Is there an operational impact, (e.g. interruption of operations) Are there indications of deficits in company systems, even in the absence of major incidents? Is the timing relevant? Has new information surfaced in the current assessment cycle? Were MSA impacts in past assessment cycles negative? 	<p>The case's impact is judged as minor, medium or major according to the following criteria:</p> <ul style="list-style-type: none"> How severe and how clear is the breach of: company policies, accepted best practices or international regulations indicating systemic issues in the company's management or monitoring systems? How large are the resulting fines/ legal costs? How severely has the company's 	<p>The analyst matches MSA case details to CSA criteria:</p> <ul style="list-style-type: none"> The more criteria involved, the greater the potential impact on the company's total level SAM ESG Score. 	<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 – zero measures taken Communication – zero to partial measures taken Communication – appropriate measures taken Communication – appropriate measures taken and publicly disclosed 	<p>A three-step approach is used to calculate the impact of MSA cases on CSA criteria:</p> <ul style="list-style-type: none"> An MSA score is determined using a matrix approach which combines the results of the incident's impact evaluation and the analysis of the company's response. Low MSA scores are assigned to cases with significant negative impact, high scores are awarded to cases with low impact The MSA score is then used to assign the MSA multiplier according to a set of predefined values. A high MSA multiplier value (e.g. 0.80) is assigned to poor MSA scores. Similarly, a low MSA multiplier value (e.g. 0.60) is used for MSA scores with moderate to no impact The MSA multiplier is then used to adjust the relevant criterion score. A high MSA multiplier will significantly reduce the overall criterion score. A low MSA multiplier will only moderately reduce it (See Figure 6)
Example	<p>Company A pleads guilty to violating US sanctions with Iran and North Korea. 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"> Current political sensitivities and the amount of press coverage allocated to the topic amplify the risk of near and long-term reputational damage 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 Company revenue forecast dim and company stock price suffers 	<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 Codes of Business Conduct: Company A violated best practice in business ethics and the company's own code of conduct 	<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>Based on the major negative impact of the case and the evaluation of the company's response, a low MSA score is assigned. The MSA score is subsequently used to assign a high MSA Multiplier coefficient which significantly reduces the final CSA criteria scores (e.g. Risk and Crisis Management Criteria and Codes of Business Conduct).</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.

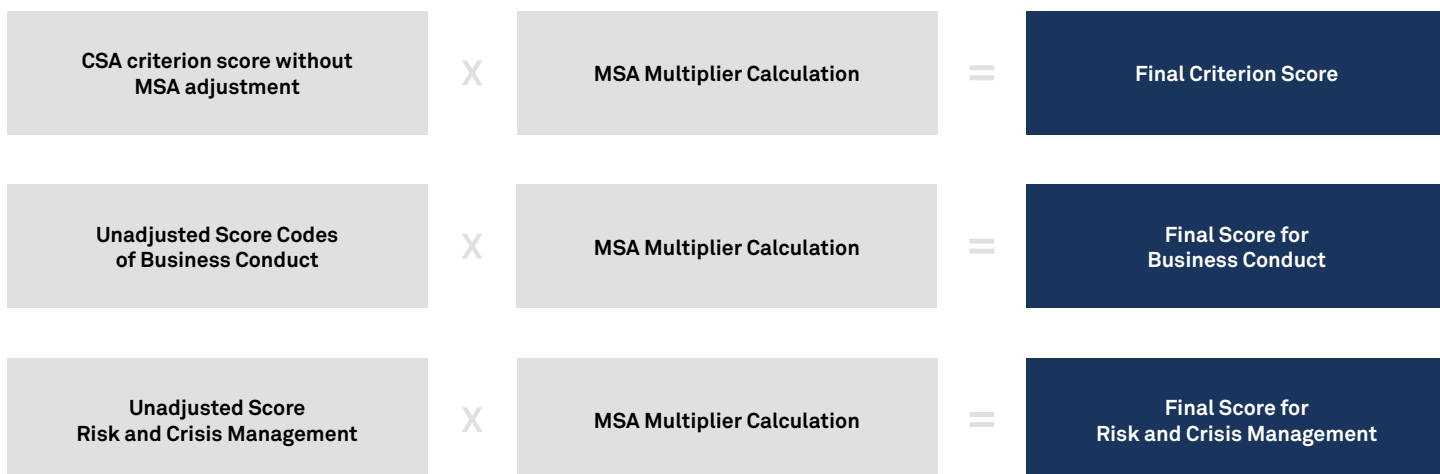
Source: S&P Global ESG Research

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 Score. This score is then used to determine the magnitude of the MSA multiplier used

to calculate the final scores of the relevant CSA criteria of “Codes of Business Conduct” 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 year, the criterion score will remain unchanged. As previously discussed, the MSA multiplier is used to adjust criterion scores downward in proportion to the severity of the MSA case/incident.

The results of the MSA process can reduce a company’s S&P Global ESG Score and affect its inclusion in any of the DJSI Indices. In addition, an analyst can escalate severe incidents and breaches that cast strong doubts on a company’s procedures and its incident management abilities to the DJSI Index Committee.

During the course of the MSA evaluation, the analyst may contact companies to clarify open points that have arisen from the MSA case, providing the analysts with more information to facilitate a determination of a company’s response when making a recommendation to the DJSI Index Committee. The Committee consists of two S&P Global ESG Research representatives and two S&P Dow Jones Indices representatives and meets on a quarterly basis. Following a thorough analysis, the DJSI Index Committee may decide to change a company’s eligibility immediately, regardless of the company’s S&P Global ESG Score.

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 portal.csa.spglobal.com/survey/documents/SAM_MSA_methodology_guidebook.pdf

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, forwardlooking 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 re-consider questions that can be removed from the questionnaire.

The overall responsibility for updating the CSA methodology and ensuring the assessment process runs smoothly lies with the S&P Global ESG Research team.

Analysts within S&P Global ESG Research 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 ESG Research 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.

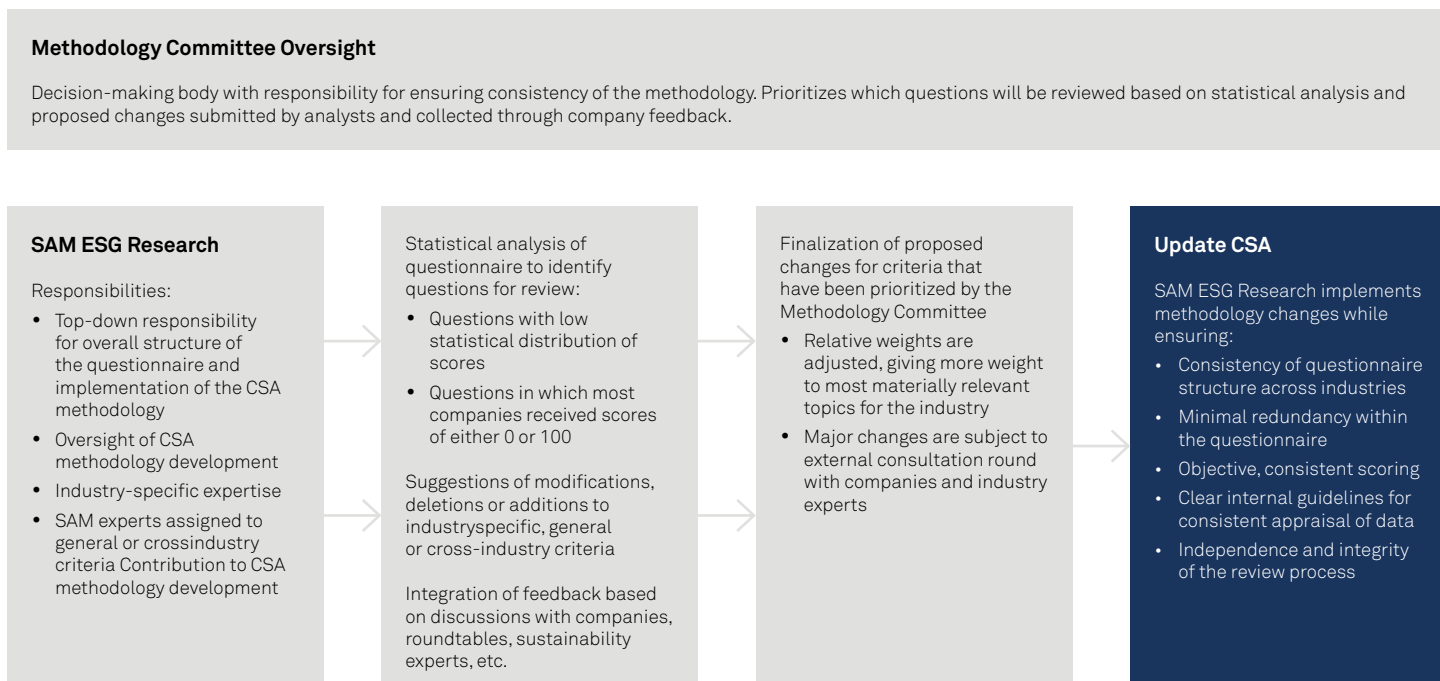
The Methodology Committee has the final responsibility for ensuring consistency of the methodology and that all relevant stakeholder views and interests are fairly represented in the CSA — ensuring its continued relevance to companies and investors. Every year, S&P Global ESG Research aims to limit changes to approximately 10–20% of the questionnaire.

Once the methodology priorities for an assessment year have been decided, and adequate background research has been performed on the topics, S&P Global ESG Research 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.

Once a new assessment cycle has been launched, S&P Global ESG Research 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 ESG 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. Deloitte provides annual assurance of the assessment process each year.

* Methodology Committee structure reflects the historical CSA methodology development processes. A new structure is currently being developed.

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 Index⁷. The S&P Global ESG Scores are available to investors globally through S&P Global Market Intelligence platforms.

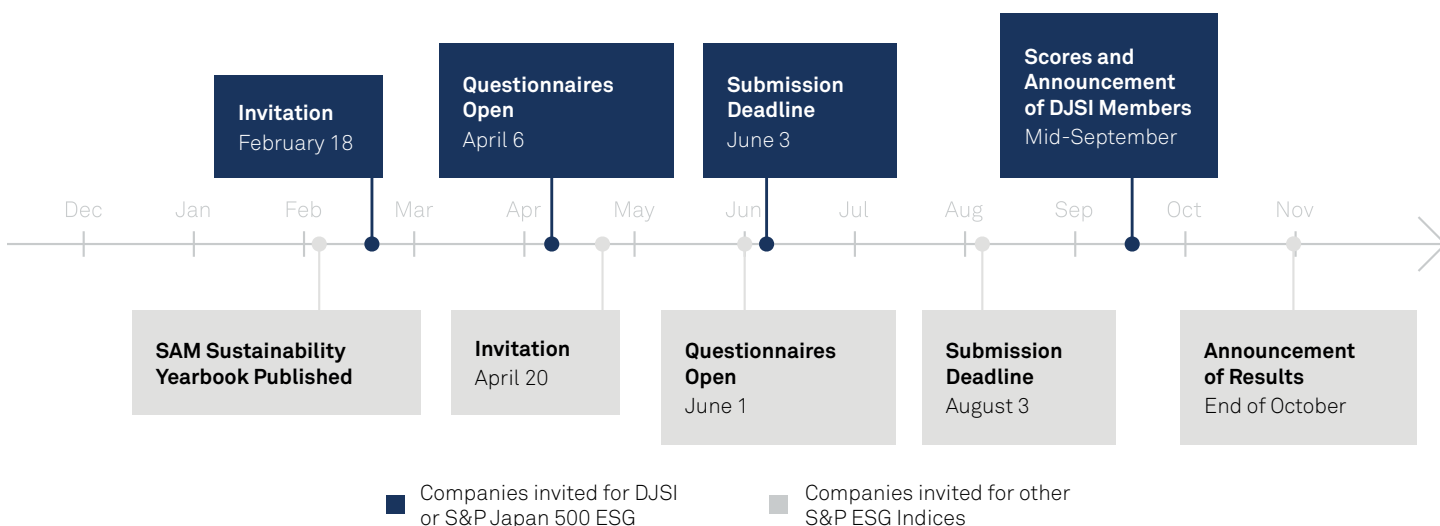
Furthermore, the results of the CSA are used to determine the companies that are eligible for inclusion in The Sustainability Yearbook⁸ — a reference guide to the world’s sustainability leaders.

The Sustainability Yearbook provides extensive qualitative analysis highlighting current and future challenges shaping the competitive landscape for each of the 61 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.

As of 2021, the S&P Global ESG Scores of over 7,500 companies are available on the [S&P Global website](#).

Annual Milestone

Figure 8
Timeline of CSA Process



Source: SAM

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/

⁸ www.spglobal.com/esg/csa/yearbook

Conclusions: The Benefits of Measuring Intangibles

Investors' demand for long-term oriented strategies that integrate economic, environmental and social criteria within their portfolios is expected to grow — even more so after the recent financial crisis exposed significant risks associated with short-termism. 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 proxy for quantifying the value of a firm's intangible assets, 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 for inclusion in the DJSI while accelerating the momentum toward sustainability across all industries.

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