S&P Global
ESG Scores
Disclosure Analysis

S&P Global
Introduction

ESG Scores are becoming increasingly sophisticated as underlying metrics mature and scoring methodologies reflect a broader range of analytical inputs. Although corporate disclosures on ESG are also becoming increasingly robust, there are still significant gaps in corporate disclosures across a growing universe of researched companies – and these gaps are only becoming more pronounced as ESG scores cover companies of differing sizes and geographies. Bringing transparency to investors on data availability and gaps in reported information is therefore key.

S&P Global has launched its “Disclosure Analysis” reporting on the Capital IQ Pro platform to provide additional color and context to the S&P Global ESG scores. This additional information serves to address a number of key concerns that current users of ESG information have:

• What are the reasons for a company scoring low? Is it because a company has performed poorly in the ESG analysis or because of a lack of disclosure?
• What are the main areas of E, S and G where companies do not sufficiently report ESG information compared to their peers?
• What is the contribution of actual reported data to the overall ESG score, in context of the underlying assessment methodology with regards to required public disclosure and additional disclosure provided by companies?
S&P Global ESG Scores

The S&P Global ESG Scores are built on the Corporate Sustainability Assessment (CSA) framework, a research methodology that has been developed over more than 20 years to assess companies not only their ESG performance and management of financially relevant ESG issues. The CSA uses a data-driven, quantitative approach to assessing ESG information rather than solely trying to assess availability of disclosed ESG information. The latter may often not be relevant to investors, very qualitative in nature and therefore difficult to compare, or may be inaccurate. As a result, the CSA has used a dual approach to collecting relevant ESG information by supplementing public disclosure with additional information provided directly by companies. Public data is used only if it meets the stringent data requirements that have been refined over two decades, understanding that ESG data must always be reviewed on quality and context rather than just on availability. Companies participating in the CSA have the option to supplement their public disclosure, allowing for more granular and robust information to be collected. As a result, the S&P Global ESG scores of companies actively participating in the assessment are not only a reflection of what a company has chosen to disclose in its publicly, which is designed to meet the needs of a broad range of stakeholders, dive deeper into metrics and quantifiable values that can help inform a more nuanced scoring approach and peer benchmarking.

There is increasing pressure on corporates to publicly disclose ESG information in order to drive more transparency for investors and other stakeholders. Regulatory developments around the world are establishing mandatory reporting of the most important and relevant ESG topics for a large number of publicly listed companies. In the spirit of these developments, a specific set of metrics in the CSA require publicly available information to be disclosed in order to score any points. These CSA questions are referred to as Requiring Public Disclosure. Disclosure on topics like Corporate Governance, Climate Strategy, or Human Rights is expected by a growing number of stakeholders. These questions represent about one-third of the questions covered in the CSA methodology. The remaining questions are identified as requiring Additional Disclosure. These questions split into those that reward companies with additional points for public disclosure, but where it is not a requirement. The remaining set of questions allow companies to report internal information and supporting documents. This approach of the CSA promotes increasing disclosure, while allowing to cover topics that are emerging and underreported today. It also allows to assess companies on sensitive topics like cyber security or remuneration and diversity related topics as well as topics where a lack of ESG reporting standards holds companies back from reporting publicly.
S&P Global ESG Scores

The Disclosure Analysis feature on the S&P Global Capital IQ Pro platform allows investors to quickly identify a company’s overall disclosure transparency as well as the quality of that disclosure split into questions that require public disclosure and those where the company provide additional disclosure. This way it is possible to understand:

- The overall level of reporting for a company vs. its industry peers, as a quick indicator of ESG leaders and laggards in terms of transparency.
- The material E, S, and G areas where a company is disclosing less than its peers. For highly weighted ESG areas, low disclosure can signal that a company is not adequately reporting on key, financially relevant topics.

Methodology and Technical Approach

The Disclosure Analysis methodology is designed to highlight key facts about the data assessed in the CSA. It differentiates between data availability and data quality, and provides insights into the score potential that each company has by improving public and additional disclosure. The analysis is done at the completion of the yearly CSA cycle based on data that has been collected in the public domain and supplemented by additional companies' disclosure through their engagement in the CSA process.

How to interpret the chart

The length of the blue bars reflects the overall weight/score of questions in the CSA that make up the S&P Global ESG Score that require publicly available information. In the example above, these questions account for 32 of the maximum 100 points that can be achieved in this industry. The black and grey bars reflect the weight/score of questions not requiring publicly available information for which at least some information was available, and more importantly, relevant for scoring as per the CSA methodology. In the example above, the company in question received 8 of the possibly 68 points for these questions.

The relative weight of the questions requiring public information and those that are classified as additional disclosure differs by industry as the CSA applies 61 industries-specific methodologies.

Disclosure Analysis at the dimension and underlying levels will only be available in a future release.
Data Availability

The data availability shows the aggregate disclosure level of a company compared to its industry peers. Disclosure levels are divided into 5 quintiles, Very Low, Low, Medium, High and Very High. This is also calculated separately for questions requiring public disclosures and those where additional disclosures are accepted.

In situations where there are less than 10 companies for which data exists, the reporting level has been reported across the full set of 61 industries.

Based on this example, the company has medium disclosure compared to its industry peers.

Potential Score Contribution

This value describes the maximum overall score a company could have achieved, if all disclosed information would have met the requirements of the CSA methodology, resulting in a score of 100 for each of the question.

In the example above, the available information for the company resulted in a score of 26 out of a maximum 100 points. If all disclosed information had been relevant for the CSA, resulting in the highest possible score in each question, the company could have scored a maximum of 35 out of 100. The gap of 9 points to the actual score of 26, could be attributed to poor CSA performance on the ESG topics disclosed by the company rather than a lack of disclosure on these topics.

Disclosure Level

Score Contribution: The score contribution section provides detail on the relative contribution of each ESG dimension as it relates to questions “requiring public information” and those that are grouped under “additional disclosure”.

![Disclosure Analysis](image-url)
General CSA Resources: http://spglobal.com/esg/csa

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