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# 「Assessing the Assessors; Value Creation and the S&P Corporate Sustainability Assessment System」

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## Abstract

The Standard & Poor's (S&P) ESG Ratings system, the Corporate Sustainability Assessment (CSA) approach is used by investors globally to better understand the sustainability performance of different firms relative to ESG matters. In this report, we outline our assessment of the S&P CSA topics and questions against the Value Model, a model that synthesizes more than 45 of the world's top ESG and sustainability reporting frameworks into a 7-stakeholder, 27-theme, 81-goal model for value creation and measurement. In this assessment 100 distinct questions from the overall CSA Handbook as well as one of the 61 industries covered by S&P CSA (the mining industry) were used to understand the breadth and depth of this model to effectively highlight value creation activities across the 7 stakeholders of the Value Model. While 70% of Value Model themes were covered by the S&P CSA, only 41% of goals were similarly mentioned, and because most CSA questions lacked clear goals or transparent feedback loops, overall value washing potential was found to be quite high.

**Keywords** - value, value measurement, ESG, sustainability, S&P CSA, sustainability report

## Introduction

The S&P Global ESG Score is a sustainability scoring system that evaluates a company's engagement with environmental, social, and governance (ESG) issues. It focuses on the management of these factors and the potential risks and opportunities these factors present to investors. The scoring system was enhanced in 2024 with advanced modeling techniques, which have been retroactively applied to past data. The system also assesses companies' performance in ESG aspects relative to their industry peers. It uses a double materiality perspective to determine the significance of sustainability issues on both societal/environmental impact and corporate value.

One key element of this S&P Global ESG Score is the S&P Global Corporate Sustainability Assessment (CSA) Score. This offers a view on corporate sustainability performance based on data disclosed by the company and excludes modeling methods to arrive at this score.

The Global ESG Scores are in many ways based upon the annual Corporate Sustainability Assessment (CSA) by S&P Global, which invites all eligible companies from various industries to participate in this evaluation. The CSA sends questionnaires to companies and requires them to provide information about their sustainability initiatives and the state of their information disclosure relative to sustainability topics unique to their industry.

The Corporate Sustainability Assessment (CSA) was established in 1999 and utilizes a proprietary methodology and extensive database on corporate data to create its sustainability index. Acquired by S&P Global in 2019, the CSA now forms the foundation for numerous Environmental, Social, and Governance (ESG) indices, with the associated ESG ratings and benchmarking operations now managed by S&P Global Switzerland. According to [their own website](#), the S&P CSA has since become “the foremost global sustainability benchmark”.

In an effort to understand the breadth and depth of the CSA assessment system versus global sustainability reporting and ESG frameworks, we have analyzed the S&P Global CSA Score against the Value Model, a synthesis of more than 45 of the world's top ESG and sustainability reporting frameworks into a 7-stakeholder, 27-theme, 81-goal model for value creation and measurement. This assessment was conducted from February – May 2024 with the following key takeaways:

- 1) **Takeaway #1: Governance reporting focus:** The S&P Global CSA Score places significant importance on firms' governance with 48 out of 100 questions dedicated solely to this issue, and an additional one questions relate to the sustainability reporting practices undertaken by the company.

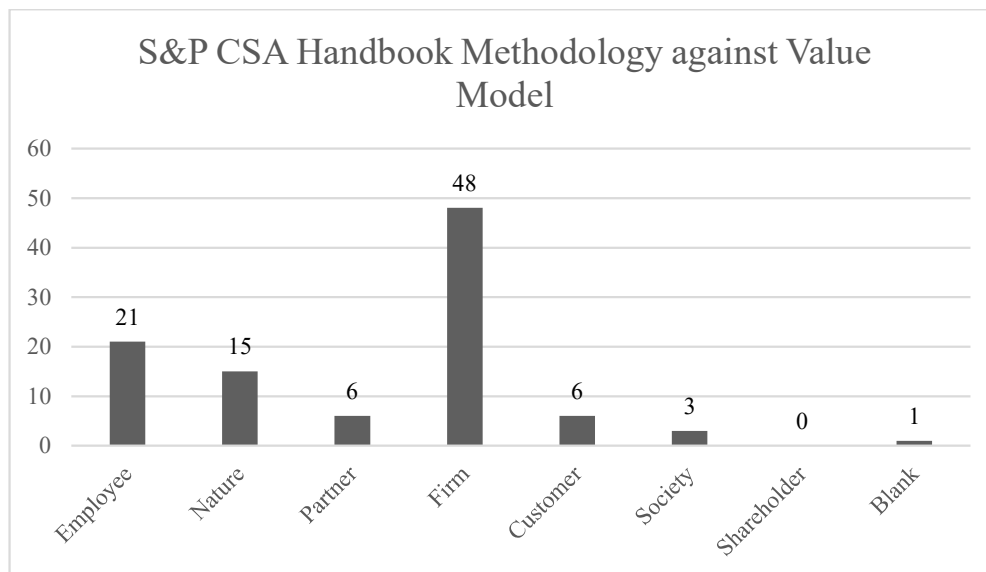


Figure 1 S&P CSA Handbook Methodology against Value Model

Stakeholder	Total Question	Percentage
Employee	21	21%
Nature	15	15%
Partner	6	6%
Firm	48	48%
Customer	6	6%
Society	3	3%
Shareholder	0	0%
Blank	1	1%

Table 1 Distribution of S&P CSA Handbook Methodology against Value Model

According to the data presented in Table 1, it can be observed that the Firm stakeholder has the highest number of questions (48% of the total), followed by the Employee stakeholder with 21 questions (21%), Nature with 15 questions (15%), Customer with 6 questions (6%), Partner with 6 questions (6%), and Society with 3 questions (3%). It should be noted that the shareholder stakeholder is not addressed in the CSA's set of questions, and one of the 100 CSA questions could not be mapped against any existing stakeholder category since it only guides companies in how to apply the TCFD framework to manage climate-related risks and opportunities. This is represented as “blank” in the above table.

- 2) **Takeaway #2: Only 41% of Value Model Goals covered:** The S&P Global CSA Score questions only cover 41% (33 out of 81 goals) of the Value Model goals within these 100 questions, missing key areas across each stakeholder group. Because of this, many critical sustainability issues are still missing within the S&P

Global CSA assessment, including topics such as (1) renewable energy use, (2) carbon-neutral products, (3) human rights training and corrective actions, (4) appropriate taxes paid, and (5) local ownership. This implies that despite receiving good ratings from the S&P Global CSA Score questions, investors may not have a complete understanding of how individual companies are performing in terms of key sustainability issues covered by existing sustainability reporting frameworks. Therefore, it is important to evaluate companies beyond their S&P Global CSA scores to understand their sustainability performance comprehensively. By missing nearly 60% of all Value Model goals, an S&P Global CSA assessment may not yet provide investors with a holistic overview of stakeholder impacts by companies covered, nor provide an overall view of potential risks they face within their investments.

- 3) **Takeaway #3: The potential for Value washing is high:** Overall, the S&P Global CSA questions, when assessed using our impact measurement quality scoring approach achieved very low overall scores. This means that even a company that achieves a high CSA score (which is highly related to its overall S&P Global ESG Score) may not actually be achieving positive sustainability outcomes. This should give investors pause, and suggests that relying on such results alone may not give the full picture of corporate sustainability efforts. Reasons for this conclusion are as follows:
- a. Only 1 out of their 100 questions (1%) achieving a full 5-point score. Here, a 5-point score represents impact measurements that fully protect against value washing, where lower scores open more opportunities for businesses to value wash their sustainability efforts.
  - b. In addition to this, 23 (23%) achieved a 4-point score, 20 (20%) achieved a 3-point score, 26 (26%) achieved a 2-point score, 17 (27%) achieved a 1-point score, and 13 (13%) questions achieved a 0-point score.
  - c. Based on these results, more than 76% of the S&P 500 CSA assessment questions scored below 3 points, which is significantly lower than our research team initially expected.

The report that follows offers more detailed insights on each of these points, with clear evidence related to our mapping of the S&P Global CSA approach versus the Value Model.

## **Overview of S&P Global, Corporate Sustainability Assessment**

The Corporate Sustainability Assessment (CSA) is a methodology used by the S&P Global ESG Scores to better understand their corporate sustainability activities. It involves a set of questions that collect company information and data which is then used to calculate the S&P Global CSA Score, which becomes a crucial component of the S&P Global ESG Score. The CSA aims to provide clear expectations to companies regarding the information they need to provide and how it will be used to calculate their scores.

The ESG Scores and related data are updated monthly using a method called S&P Global Media & Stakeholder Analysis (MSA). This method involves additional research and is integral to the S&P Global Corporate Sustainability Assessment (CSA), but it should be noted that it is a unique and separate element of the overall S&P sustainability scoring process. It enables S&P Global to continuously monitor companies' sustainability performance by assessing current controversies with negative reputational or financial impacts and adjust their scores accordingly. The main aim of the MSA process is to gain insight into a company's ability to mitigate financial, material, and reputational risks while protecting its shareholder value and minimizing negative impacts on stakeholders and the environment. Media and stakeholder stories from various sources, such as newspapers and government and non-government reports, are continuously monitored to keep track of corporate controversies, which in turn would lower overall scoring results.

The MSA approach positions itself as the judge of positive and negative impacts based on each CSA question. Instead of engaging an independent external auditor for verification, the CSA employs media sources and consultations with various stakeholders to assess and weigh a company's performance. This methodology allows the CSA to integrate diverse perspectives and contextual information, although it raises serious questions about the objectivity and reliability of the assessment process compared to traditional third-party audits.

In this report, we will not delve deeply into the mechanics of how MSA cases are integrated into the S&P Global ESG Scores, as this goes beyond the scope of this current assessment of the CSA. However, we understand that such a relationship exists and it is an important element of the overall sustainability scoring processes that S&P undertakes.

The CSA provides companies completing their CSA questionnaire with information on the general questions they ask companies across different industries. S&P Global aims to clarify not just the questions, rationale, and intent but also to provide extra details on the structure of their questions, the definitions they use, and guidance on what types of answers are expected and acceptable for each question. They intend to keep these documents up-to-date to reflect changes to the CSA and to cover more cross-industry questions. They also share the approach by which responses are assessed, which they call the "Assessment

Focus." CSA also provides an overview of links between the CSA and the GRI (Global Reporting Initiative) Framework at the end of their documentation.

Our team has analyzed the methodology and questions used to generate the S&P Global CSA Score against the Value Model to determine the overall value provided by this assessment approach. The Value Model utilizes a methodology that helps to measure and manage the value created across all key stakeholders, including employees, nature, the firm, customers, society, partners, and shareholders. It is important to ensure that the assessments of these relationships are free of value washing and the potential for it to be created. To achieve this, we have also assessed the quality of the CSA Score questions against our impact measurement scoring quality assessment, which checked if such questions were goal-based, had clear objectives, had transparent third-party feedback loops, included scale variables, and avoided a complexity of terms, phrases and calculations.

### **The Value Model as a “health check”**

The Value Model consists of 7 stakeholders, 27 themes and 81 goals with clear KPIs for value measurement and benchmarking sustainability performance across and between different companies. It was derived from more than 45 of the world’s top ESG and sustainability reporting frameworks. Because it offers a goal-based approach to multistakeholder value measurement, it provides transparent, objective guidance for businesses and their leadership team to understand their overall stakeholder impacts in context, and create forward looking strategies for future value creation activities based on these.

### **Mapping the S&P Global CSA against the Value Model**

Between February and May 2024, our research team analyzed the Corporate Sustainability Assessment (CSA) framework from S&P Global, mapping it against the 7-stakeholder, 27-theme, 81-goal Value Model. Based on the CSA documents that were publicly available online, we found that S&P CSA uses 100 distinct questions to score companies and their sustainability activities. For additional granularity, we mapped one of the 61 industries covered by S&P CSA (the mining industry) to understand the depth of the questions asked within each industry’s questionnaire, rather than the aggregated CSA questions.

Before diving into the assessment of the quality of CSA's questions, it is vital first to revisit the concept of "Value Washing," which has been defined as "action taken by organization to misrepresent value outcomes for themselves or their stakeholders" and implement through (1) the absence of clear goals, (2) the absence of objective measures of these goals, (3) the absence of transparent reporting, (4) the absence of impartial, third-party feedback loops, and (5) complexity of terms, systems or word used in sustainability reports (Sugai, 2021)<sup>1</sup>.

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<sup>1</sup> Sugai, P. (2021). The Definition, Identification and Eradication of Value Washing. *Journal of Creating Value*, 7(2), 165-169.

In order to evaluate the effectiveness of each question within the CSA, each was rated on a 5-point scale. This scale takes into account the following elements of value washing: clear goals, objective measurement, transparent feedback loops, and the use of scale variables instead of simple yes or no answers. A score of five indicates the highest quality impact measurement.

After each of the 100 CSA questions were scored in this way, they were then mapped against the Value Model, and found to cover six out of seven stakeholders: employee, nature, firm, partner, society, and customer, overlooking shareholders as independent stakeholders within their system. This is understandable, as S&P itself has many other indicators and approaches to measuring shareholder value. However it should be noted that such views are not automatically integrated into the CSA assessment process.

### **Corporate Sustainability Assessment (CSA) Value Washing Possibility**

Value washing is any explicit or implicit action by an organization to say one thing about action related to its customers, shareholders, employees, partners, society and the planet (nature) while actually doing something else. With this definition of value washing in hand, it is important to understand how ESG reporting practices can and do currently lead to instances of value washing to occur either on purpose or accidentally by both the companies who are working with these frameworks and the ESG or impact reporting frameworks administration themselves.

We first evaluated each question from the CSA document based on four criteria: (1) whether it had an objective measurement (worth either zero or one point), (2) whether it could be independently checked with evidence of such practices (worth zero, one, or two points), (3) whether it used an ordinal scale or higher variable (worth either zero or one point), and (4) whether it included an end-goal (worth either zero or one point).

After scoring each CSA question against the Value Model, we calculated a "total points" score by adding the points earned for all the questions. We then determined a "total possible" score by multiplying each question by the maximum score of 5 points. By dividing the total points score by the total possible score, we arrived at the overall score, which we presented as the percentage of total possible points that CSA achieved.

Figure 2 below provides an overview of the distribution score obtained by CSA questions.

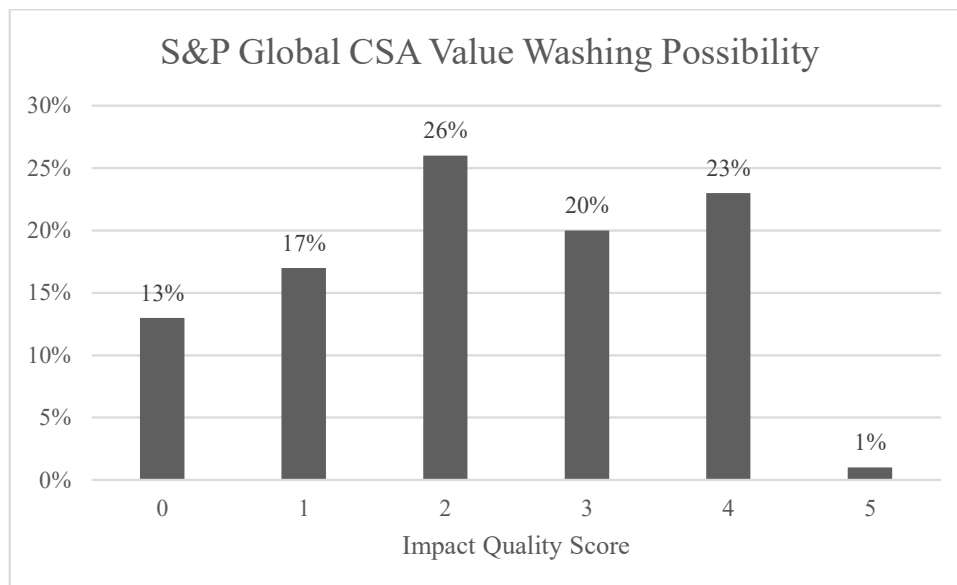


Figure 2 S&P Global CSA Value Washing Possibility

Table 2 presents the S&P Global CSA data distributed across the scores range from 0 to 5, with 76% of questions scoring 3 points or lower, suggesting that S&P Global CSA in and of itself is not deeply analyzing sustainability actions and impacts of the companies that they cover.

Value Washing Score	S&P CSA Questions	Percentage
0	13	13%
1	17	17%
2	26	26%
3	20	20%
4	23	23%
5	1	1%
<b>TOTAL</b>	<b>100</b>	

Table 2 Distribution of S&P Global CSA

Based on the distribution of scores, the CSA document shows only one question that achieved 5 points or a full score.

CSA Handbook: Value Model coverage

Stakeholder Coverage	Theme Coverage	Goal Coverage
<b>6/7</b>	<b>19/27</b>	<b>33/81</b>
<b>86%</b>	<b>70%</b>	<b>41%</b>

Total Score	Total Possible Score	Framework Score
<b>226</b>	<b>500</b>	<b>45%</b>



After mapping the 100 questions from the CSA Handbook in this way, we also scored the questions that the CSA asks for individual industries. In this case, the only data that is made publicly available for such an exercise was the questionnaire from the mining industry.

Figure 3 below shows the results of this analysis, showing an even more extreme level of value washing potential. While S&P does not publish its CSA questions for other industries, our initial assessment suggests that companies within specific industry can provide generalized data to answer these questions and still achieve high scores. It should be noted that our conclusions may not be accurate, as the remainder of the CSA industry-specific questions remain proprietary and could not be accessed for this analysis.

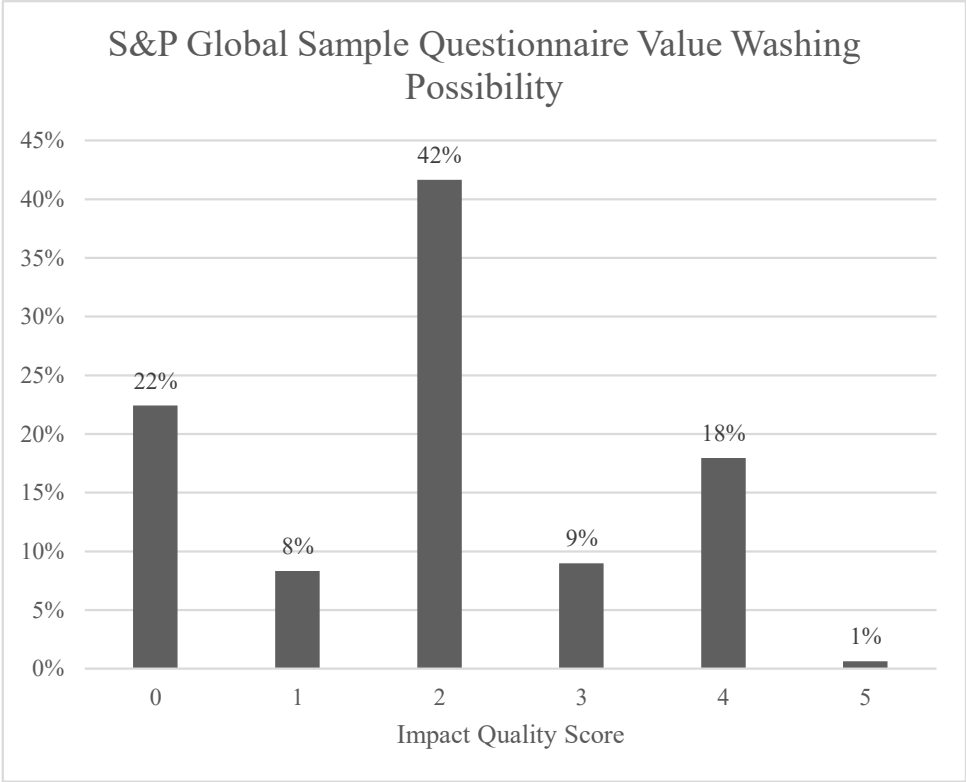


Figure 3 S&P Global Sample Questionnaire Value Washing Possibility

Table 3 presents the S&P Global sample questionnaire data distributed across the scores range from 0 to 5, with 81% of questions scoring 3 points or lower, suggesting that the sample questionnaire on the mining industry in and of itself is not deeply analyzing sustainability actions and impacts of the companies that they cover.

Value Washing Score	S&P CSA Questions	Percentage
0	35	22%
1	13	8%
2	65	42%
3	14	9%
4	28	18%
5	1	1%
<b>TOTAL</b>	<b>156</b>	

*Table 3 Distribution of S&P Global sample questionnaire*

Based on the distribution of scores, the CSA questions for the mining industry again shows only one question that achieved 5 points or a full score within our value washing-potential scale.

Sample Questionnaire (Mining Industry Sector): Value Model coverage

Stakeholder Coverage	Theme Coverage	Goal Coverage
<b>6/7</b>	<b>21/27</b>	<b>38/81</b>
<b>86%</b>	<b>77.8%</b>	<b>47%</b>

Total Score	Total Possible Score	Framework Score
<b>302</b>	<b>780</b>	<b>38%</b>

What is especially interesting here is that the S&P Global ESG Scores have a double materiality focus, which means that impacts on and by stakeholders on company activities are measured. However, these results suggest that because the CSA questions posed to companies lack clear end goals or optimal end states that should be achieved for each stakeholder category, it is possible that even double materiality reporting may not provide the depth of insights into actual stakeholder impacts that would be important for investors to understand.

When we compare the questions asked within the CSA Handbook and one of the sample questionnaires, we found that the sample questionnaire includes more detailed questions related to the industry to be assessed, leading to a broader overall coverage of the Value Model goals. However the quality of the questions asked were found to be lower, resulting in a higher value-washing potential for a broader range of topics covered.

In addition to assessing the CSA Handbook and its 100 component questions together with one sample industry (mining) and its industry-specific questions, we also assessed the 24 questions in their Media & Stakeholder Analysis (MSA). However, because the discussions related to this MSA are general in nature and built to include an external check

of a company's officially stated positions; these were not specific enough to map the MSA questions at the goal level of the Value Model. Although none of these questions could be scored in terms of the Value Model itself, they were informative as to the general focus that CSA analysts have when reviewing participating companies.

### Overall Assessment Results:

In the following pages, we outline our mapping of both the CSA and the sample questionnaire from the mining industry against the themes and goals of the Value Model, with the following results for each stakeholder category:

#### Employee Value:

As outlined below, while the S&P Global CSA and the S&P sample questionnaire both cover Employees as a distinct stakeholder and each of the six Value Model themes in their questions, only 57% (13 of the 23) of Value Model goals within these themes were covered by the CSA, and 60% (14 of the 23) by the sample questionnaire.

Themes	Goals that are covered on CSA	Goals that are not covered	Goals that are Covered on Sample Question	Goals that are not covered
E1: Diversity & Equity	E1-B: Ethnic Diversity	E1-A: Full-time Employment	E1-B: Ethnic Diversity	E1-A: Full-time Employment
	E1-C: Gender Diversity and Equity-based policy	E1-D: Broad Diversity and Representativeness of employees	E1-C: Gender Diversity and Equity-based policy	
			E1-D: Broad Diversity and Representativeness of employees	
E2: Fair Wages	E2-A: Transparent Reporting on Employees	E2-B: Transparent Reporting on Wages	E2-C: Living Wage	E2-A: Transparent Reporting on Employees
	E2-C: Living Wage		E2-D: Pay-scale equity among different level employees	E2-B: Transparent Reporting on Wages
	E2-D: Pay-scale equity among different level employees			
E3: Health, Welfare and Safety	E3-E: Occupational safety and Health Coverage	E3-A: Physical Health	E3-C: Family/Medical Leave	E3-A: Physical Health
	E3-F: Employee Mental health and wellbeing	E3-B: Retirement Provision	E3-E: Occupational	E3-B: Retirement Provision

			safety and Health Coverage	
		E3-C: Family/Medical Leave	E3-F: Employee Mental health and wellbeing	E3-D: Employee Healthcare
		E3-D: Employee Healthcare		
E4: Development	E4-A: Training and Education		E4-A: Training and Education	
	E4-B: Performance Feedback and Review		E4-B: Performance Feedback and Review	
E5: Engagement and Satisfaction	E5-A: Turnover, Inclusion & Engagement	E5-B: Work Flexibility	E5-A: Turnover, Inclusion & Engagement	E5-B: Work Flexibility
	E5-C: Freedom of Association		E5-C: Freedom of Association	
	E5-D: Employee Ownership		E5-D: Employee Ownership	
E6: Human Rights	E6-A: Human Rights Reporting	E6-B: Human Rights Corrective Action	E6-A: Human Rights Reporting	E6-B: Human Rights Corrective Action
		E6-C: Human Rights Training		E6-C: Human Rights Training

#### Nature Value:

While both the S&P Global CSA and the S&P sample questionnaire address a number of important issues related to Value for Nature, with five of the six Value Model themes covered, no evidence of questions focused on theme N4, *Products and Services* nor any of the five Value Model goals associated with it were found. Additionally, while six Value Model goals related to Nature were covered, 72% (n=16) were not covered by CSA sustainability questions, and 63% (n=14) were not covered by the sample questions from the mining industry.

Themes	Goals that are covered on CSA	Goals that are not covered	Goals that are Covered on Sample Question	Goals that are not covered
N1: Waste and Pollution	N1-A: Carbon Neutral	N1-B: Zero non-GHG air emissions	N1-A: Carbon Neutral	N1-C: Zero Plastic Pollution
	N1-D: 100% Waste reclamation & recycling	N1-C: Zero Plastic Pollution	N1-B: Zero non-GHG air emissions	N1-E: Zero Sound and Light disturbances

		N1-E: Zero Sound and Light disturbances	N1-D: 100% Waste reclamation & recycling	
N2: Water	N2-B: Water use reporting	N2-A: Water infrastructure interaction strategy	N2-A: Water infrastructure interaction strategy	N2-C: Discharge water quality
		N2-C: Discharge water quality	N2-B: Water use reporting	
N3: Energy	N3-A: Energy Consumption Reporting	N3-B: Renewable Energy Use	N3-A: Energy Consumption Reporting	N3-B: Renewable Energy Use
		N3-C: Carbon Neutral Products		N3-C: Carbon Neutral Products
N4: Products and Services		N4-A: Transparently Reported Product Impact		N4-A: Transparently Reported Product Impact
		N4-B: Sustainable Sourcing of Raw Materials		N4-B: Sustainable Sourcing of Raw Materials
		N4-C: Products with Positive Societal and Environmental Impact		N4-C: Products with Positive Societal and Environmental Impact
		N4-D: Efficient Packaging		N4-D: Efficient Packaging
		N4-E: Efficient Transportation		N4-E: Efficient Transportation
N5: Biodiversity	N5-A: Biodiversity Impact	N5-B: Humane, Compassionate Treatment of All Animals	N5-A: Biodiversity Impact	N5-B: Humane, Compassionate Treatment of All Animals
		N5-C: 100% Sustainably Sourced Palm Oil		N5-C: 100% Sustainably Sourced Palm Oil
N6: Buildings and Land	N6-A: Transparently Reported Building and Land Use	N6-B: 100% certified safe & accessible buildings	N6-A: Transparently Reported Building and Land Use	N6-B: 100% certified safe & accessible buildings
		N6-C: 100% of new buildings are carbon neutral		N6-C: 100% of new buildings are carbon neutral

Value for Society:

While the "S" in ESG is associated with Society, the S&P Global CSA questions overlooked a surprising 75% (3 out of 4) of the Value Model themes focused on social value, leading to only 9% of Value Model goals associated with social value being covered. In contrast, the S&P Global sample questionnaire covers 100% of these themes, thoroughly evaluating companies based on their commitment to social issues, such as Local Community Development, Local Employment, Charity, and Volunteerism. By focusing on these critical areas, the sample questionnaire helps organizations identify strengths and areas for improvement, ultimately promoting better social outcomes and sustainable business practices. However, while 45% (5 out of 11) of specific Value Model goals within these themes were covered, 55% (6 out of 11) were missing from the S&P sample questions.

Themes	Goals that are covered on CSA	Goals that are not covered	Goals that are Covered on Sample Question	Goals that are not covered
S1: Appropriate Taxes	S1-A: Transparent tax reporting	S1-B: Appropriate Taxes Paid	S1-A: Transparent tax reporting	S1-B: Appropriate Taxes Paid
S2: Local Community Development		S2-A: Healthy, Safe, Resilient Community	S2-A: Healthy, Safe, Resilient Community	S2-B: Benefit-based capital spending
		S2-B: Benefit-based capital spending		S2-C: Transparent Social Reporting
		S2-C: Transparent Social Reporting		
S3: Local Employment and Engagement		S3-A: Local Employment	S3-A: Local Employment	S3-B: Local Ownership
		S3-B: Local Ownership		S3-C: Equitable purchasing
		S3-C: Equitable purchasing		S3-D: Local Value Chains
		S3-D: Local Value Chains		
S4: Charity and Volunteerism		S4-A: Community volunteering	S4-A: Community volunteering	
		S4-B: Charitable giving	S4-B: Charitable giving	

Value for Firm:

As outlined below, two of the three (67%) of the Value Model themes for Firm Value were covered by both the CSA and the sample questionnaire, with only Management capability, which provides a relative EVA calculation for the firm versus its nearest competitors, not

addressed. Additionally, 88% (7 out of 8) of the Value Model goals were clearly covered by the S&P Global CSA questions, while 75% (6 out of 8) were clearly covered by the S&P sample questionnaire. S&P clearly can be found to effectively focus on firm value within both the CSA and its sample questionnaire.

Themes	Goals that are covered on CSA	Goals that are not covered	Goals that are Covered on Sample Question	Goals that are not covered
F1: Transparent Financial Reporting	F1-A: Transparent reporting on financial performance		F1-A: Transparent reporting on financial performance	
	F1-B: Government relationship		F1-B: Government relationship	
F2: Governance and Firm Structure	F2-A: Mission Driven		F2-A: Mission Driven	F2-D: Outside Director Ratio
	F2-B: Governance Reporting		F2-B: Governance Reporting	
	F2-C: Board Composition		F2-C: Board Composition	
	F2-D: Outside Director Ratio		F2-E: Zero Corruption	
	F2-E: Zero Corruption			
F3: Management Capability		F3-A: Positive EVA (Firm)/EVA (Industry) ratio		F3-A: Positive EVA (Firm)/EVA (Industry) ratio

#### Value for Customers:

Regarding Value for Customers, the CSA covered 2 of the 3 Value Model themes (67%) and 50% (3 out of 6) of all customer-focused Value Model goals. Issues around truth in labeling and advertising as well as customer health and safety were missing, while customer satisfaction, security, and privacy were clearly addressed. In contrast, the sample questionnaire covered 1 of the 3 Value Model themes (33%) and 20% (1 out of 6) of all customer-focused Value Model goals. Issues around truth in labeling and advertising, customer satisfaction, and customer health and safety were found to be missing, while data security was clearly addressed. This vast difference may be because of the industry chosen as a sample by S&P and we suspect that other industries that have a deeper customer focus will return different results.

Themes	Goals that are covered on CSA	Goals that are not covered	Goals that are Covered on Sample Question	Goals that are not covered
C1: Truth in Communications		C1-A: Truth in Labeling		C1-A: Truth in Labeling
		C1-B: Truth in Advertising		C1-B: Truth in Advertising
C2: Privacy	C2-A: Data Security		C2-A: Data Security	C2-B: Customer Privacy
	C2-B: Customer Privacy			
C3: Health, Safety & Satisfaction	C3-A: Customer Satisfaction	C3-B: Customer Health & Safety		C3-A: Customer Satisfaction
				C3-B: Customer Health & Safety

#### Value for Partners:

While 75% (3 out of 4) of the Value Model themes related to Partner Value were covered by both the CSA and the sample questionnaire, only 33% (3 out of 9) of the Value Model goals were addressed by the CSA, and the sample questionnaire addressed 44% (4 out of 9). It is important to note that discussions of interactions with micro, small & medium enterprises (MSMEs) and minority-owned and operated businesses (MWOBs) were not included in either the CSA or the sample questionnaire. Additionally, the CSA did not address issues related to supply chain fair labor and fair wage practices, which we found to be surprising. Additionally, the sample questionnaire did not cover issues related to supply chain carbon certification, which for the mining industry appeared to be an important oversight that indicates a similar lack of focus on this key issue across other less carbon-intensive industries.

Themes	Goals that are covered on CSA	Goals that are not covered	Goals that are Covered on Sample Question	Goals that are not covered
P1: Supply Chain and Distribution Channel Reporting	P1-A: Report on Stakeholder Structure in the Supply Chain and Distribution Channel	P1-B: Report on Supply Chain Diversity, Equity and Inclusion	P1-A: Report on Stakeholder Structure in the Supply Chain and Distribution Channel	P1-B: Report on Supply Chain Diversity, Equity and Inclusion
P2: Supporting MSMEs and VCSES		P2-A: Supporting MSMEs, VCSEs, MWOBEs, and/or		P2-A: Supporting MSMEs,



		SDVOBs through business partnerships		VCSEs, MWOBEs, and/or SDVOBs through business partnerships
		P2-B: Supporting MSMEs, VCSEs, MWOBEs, and/or SDVOBs through education and training		P2-B: Supporting MSMEs, VCSEs, MWOBEs, and/or SDVOBs through education and training
P3: Environmentally & Socially Responsible Partners	P3-A: Suppliers and Distributor Impact Reporting	P3-B: Environmental and Social operating requirements	P3-A: Suppliers and Distributor Impact Reporting	P3-B: Environmental and Social operating requirements
		P3-C: Supply Chain Carbon Certification		P3-C: Supply Chain Carbon Certification
P4: Supply Chain & Distribution Channel Fair Labor Practices	P4-A: Audited Fair labor practices throughout supply chain and distribution channels	P4-B: Living wage paid by all suppliers and distributors in partner network	P4-A: Audited Fair labor practices throughout supply chain and distribution channels	
			P4-B: Living wage paid by all suppliers and distributors in partner network	

#### Value for Shareholders:

Because shareholder value is at the heart of modern financial analyses of most companies, specific questions about shareholder value were missing from both the CSA and the sample questionnaire. Whether or not this is an important oversight is beyond the scope of our evaluation, but it should be noted for a complete discussion of our analyses.

#### Recommendation for Improvement

As outlined above, while both the CSA and the sample questionnaire have relatively good overall coverage of some value model themes and goals, moving beyond the discussion of

company activities to focus on the level of their accomplishment related to a set of distinct end-goals would greatly improve the quality of these frameworks as measures of sustainability outcomes. Additionally, the creation of clearly defined measurement standards for each question would bring more clarity to a firm's impact on its stakeholders and enable quantitative comparisons between companies.

In the Nature stakeholder category, both the CSA and the sample questionnaire fail to effectively address the Value Model's energy-related theme, (N3) Energy, and its goals, including (N3-B: Renewable Energy Use) and (N3-C: Carbon Neutral Products). Integrating these areas into future iterations would align them with global frameworks such as ISSB, GRI, EFRAG, and B Impact Assessment. Furthermore, both frameworks lack coverage of goals within the theme of Products and Services, including (N4-A: Transparently Reported Product Impact), (N4-B: Sustainable Sourcing of Raw Materials), (N4-C: Products with Positive Societal and Environmental Impact), (N4-D: Efficient Packaging), and (N4-E: Efficient Transportation). This is a major oversight, as product-related impacts are directly under managerial control, and focusing on these matters could indicate a company's commitment to integrating its sustainability policies into its daily activities.

Additionally, neither the CSA nor the sample questionnaire documentation provides sufficient discussion about customers as independent stakeholders. Of their 156 questions, only four address this stakeholder, and three focus solely on privacy. Therefore, there is significant room for improvement in the questions related to customers, particularly in the areas of Value Model themes C1: Truth in Communications and Health, Safety, and Satisfaction.

There is also a need for improvement in the coverage of value for Partners and Society, as currently, only a handful of questions are dedicated to these two critical stakeholders. By enhancing their representation in the report, the CSA and the sample questionnaire can better capture the overall value impacts that companies disclose related to their larger stakeholder ecosystems.

## **CONCLUSION**

From this assessment, we have learned that although both the S&P Global CSA and the S&P sample questionnaire concentrate on governance and stakeholder engagement, they lack extensive coverage of the larger universe of sustainability concerns. The methodology assigns many questions to governance and stakeholder engagement. However, it fails to address other crucial sustainability issues such as renewable energy use, human rights corrective action, transparent employee reporting, and business impacts on local communities.

This discrepancy suggests that high scores in either the S&P Global CSA or the S&P sample questionnaire may not fully reflect a company's actual sustainability impacts and performance, particularly in critical areas for investors who prioritize multifaceted views of environmental sustainability, or these issues in partnership with social, customer, and partner value outcomes. More importantly, it is worth repeating that CSA and sample questionnaire assessments cover only 41% and 47% repetitive of the goals outlined within the Value Model, remaining silent on the remaining 59% and 53%. This raises concerns about the possibility of investors missing essential information related to sustainability impacts, which could result in an incomplete understanding of a company's sustainability initiatives and potential unknown risks.

Additionally, the presence of "value washing potential" in which we found only a small portion of the questions in both assessments to meet the highest standards of data quality disclosure, suggests that the depth and authenticity of sustainability reporting are not being adequately measured through the current S&P systems. This points to the need for investors and stakeholders to look beyond S&P Global ESG Scores and critically evaluate companies' actual sustainability practices, considering the full spectrum of their stakeholder impacts. The analysis also emphasizes the importance of quality over quantity in sustainability reporting. A high number of questions were focused on sustainability topics, however, this does not necessarily guarantee meaningful insights into a company's actual impact and efforts across all of its stakeholders. A more nuanced approach, incorporating standardized metrics and transparent reporting on objectives, achievements, and challenges, would provide a clearer picture of a company's commitment to sustainable practices.

The Media and Stakeholder Analysis (MSA) approach positions itself as the judge of positive and negative impacts based on each CSA question. Rather than engaging an independent external auditor for assurance, the CSA relies on media sources and stakeholder consultations to evaluate and weigh a company's performance. This methodology, while integrating diverse perspectives, raises two concerns. Firstly, if the media does not highlight an issue, it may never be recorded in the S&P CSA system, placing the burden of assurance on the media rather than expert auditors. This reliance could result in unnoticed negative impacts if not captured by media scrutiny. Secondly, the lack of a clear scale to differentiate between "minor," "medium," "major," and "severe" impacts introduces subjectivity, leaving judgments in the hands of independent analysts without a defined end goal or consistent criteria for measuring and mapping company performance.

In conclusion, while the S&P Global ESG Score is useful for assessing certain aspects of a company's sustainability and governance practices, we recommend that both the CSA and the sample questionnaire (1) expand their focus to provide a more comprehensive view of corporate sustainability performance, and (2) delve deeper into each of these sustainability issues through a standardized measurement approach if they are to be used as tools to

support the achievement of multi-stakeholder value creation efforts. To mitigate the risks associated with incomplete information and value washing, investors and other stakeholders are encouraged to adopt a broader, more critical perspective when evaluating companies, using additional frameworks and standards that address the full range of sustainability issues.

## Appendix 1

- White: Goals not covered by either the CSA or Sample Questionnaire (SQ)
- Yellow: Goals covered by CSA but not SQ
- Blue: Goals covered by SQ but not by CSA
- Green: Goals covered by CSA and SQ

[illegible]