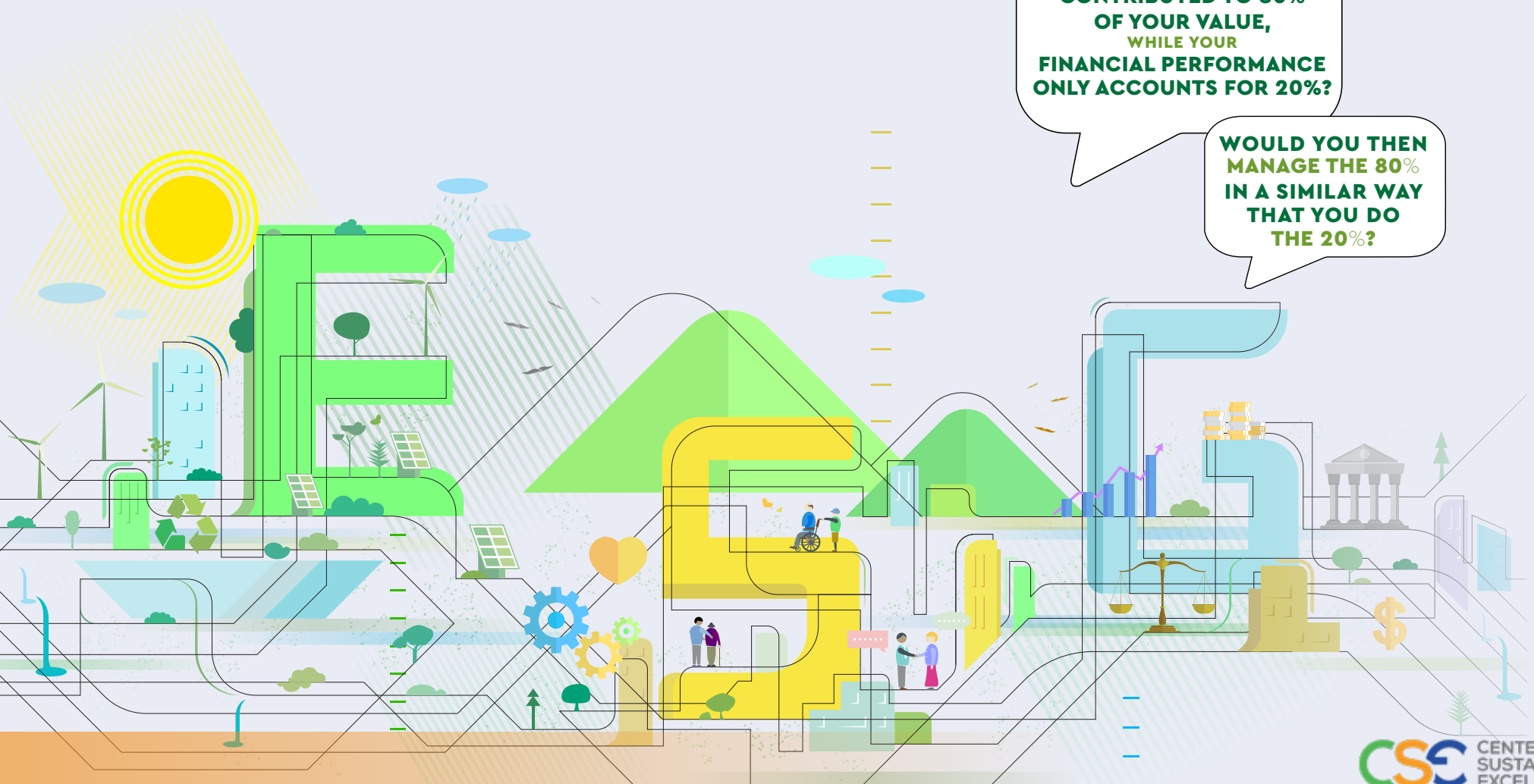


CSE RESEARCH

"On Most Common ESG Practices
& Guidelines Used in FT500
Companies With High Profitability"

WHAT IF YOU KNEW THAT YOUR
NON-FINANCIAL
PERFORMANCE INDICATORS
CONTRIBUTED TO 80%
OF YOUR VALUE,
WHILE YOUR
FINANCIAL PERFORMANCE
ONLY ACCOUNTS FOR 20%?

WOULD YOU THEN
MANAGE THE 80%
IN A SIMILAR WAY
THAT YOU DO
THE 20%?



RESEARCH INFO



In November 2022, CSE conducted, for a 6th year, research examining the ESG practices and commitments of more than 310 North American FT500 companies from 31 sectors that had high profitability within the last years.

The research investigated the most common ESG practices, ratings, and frameworks used by these companies.

KEY FINDINGS AND CONCLUSIONS

Overall transparency of ESG Data is a key driver of Corporate Financial and Non-Financial Improvement

There is an increased influence between financial performance (as expressed through 2021 absolute profit from the selected 310, FT 500 companies) and ESG practices.

However, it should be noted that there is no evidence of direct correlation, but evidence for a positive influence of the application of ESG goals and specific reporting frameworks and ratings used, for a better Financial and Non-Financial Performance.



What are they doing right?

The companies with the highest score in 2021 (Top 25 companies) are characterized by the following ESG common practices

- 1 Averaging high consolidated ESG ratings (MSCI, CDP, Sustainalytics, and S&P Global).
- 2 Use of ESG-related standards (GRI, SASB, TCFD) and incorporation of stakeholder concerns and preferences into their strategies and reports.
- 3 Comprehensive ESG reporting, as well as commitment to ambitious medium and long-term quantitative goals.



Climate Commitments: Ambitious goals and lack of transparency

29% of the companies had committed to decarbonization and some of them had set Net-Zero goals.

It remains to be seen if these goals are true or wishful thinking, or unintentional greenwashing.



Limited verification of disclosed data

Only **30%** of companies had an External Assurance.

This means that while there is transparency of data, there is no external (Third Party) verification.



Sustainability (ESG) reporting and transparency

86% have published an accessible, independent Sustainability (ESG) report.



Carbon reduction goals

29% have validated near-term reduction targets.

Almost **50%** have also set net-zero targets.



ESG Ratings and complexity in analysis for making investment decisions

There are significant differences between ratings, somewhat due to the varying methodologies and criteria utilized by each rating system, as well as differences in weighting factors.

This tends to make investment decisions a complex issue.



ESG Leading and Lagging Sectors

The leading sectors are:

- ▶ Beverage & Food Consumer Products
- ▶ Real Estate
- ▶ Insurance: Life & Health (Mutual, Stock)

The lagging sectors are:

- ▶ Diversified Financials
- ▶ Food Production
- ▶ Insurance (Property & Casual)
- ▶ Metals
- ▶ Petroleum Refining/Energy