S&P Global Ratings

Environmental, Social, And Governance Evaluation

Siemens Gamesa Renewable Energy S.A.

Summary

Spain-based Siemens Gamesa Renewable Energy S.A. (SGRE) was established in 2017, with the merger between Gamesa Corporacion Tecnologica and Siemens Wind Power. Both entities have about 40 years of experience in the wind energy business. SGRE is a 67%-owned subsidiary of Siemens Energy AG (SE), which announced a voluntary cash tender offer in May 2022 to acquire the outstanding shares (33%) and delist the company from the Spanish Stock Exchange. SGRE is the world's leading player in the offshore production of wind turbines (with both onshore and offshore representing 81% of sales in 2021) and provides wind turbine operations and maintenance services (19%). It generated revenue of €10.2 billion in 2021 and an installed base of around 118 gigawatts (GW). The group has a global presence; in 2021, its largest markets were EMEA (48% of revenue) and the Americas and Asia-Pacific (26% each). It operates in more than 90 countries and employs over 26,000 people.

The ESG Evaluation of 83 reflects our view of SGRE as a key player in supporting the systemic decarbonization of the energy system, and providing solutions to industrywide challenges such as the recycling of blades, which it was the first to achieve through the manufacture of the world’s first recyclable rotor blade for commercial use offshore. SGRE has increased safety measures in its operations, but we believe it needs to better manage safety risks for contracted personnel. Our assessment also factors in the risks from supply chain disruptions (including raw materials reaching record-high prices) and the design, production, and execution challenges SGRE has faced in the ramp-up of its SG-5.X onshore platform. These have resulted in extra costs, continuous profit warnings and earning losses, as well as in constant changes to top management. Finally, despite the challenges the company faces, we continue to see it as strongly prepared to overcome disruptions.

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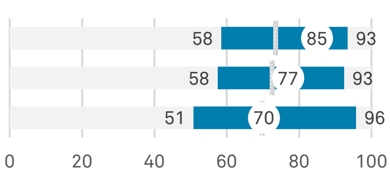
ESG Profile Components (figures subject to rounding)

Entity-specific assessment			Sector/region analysis			Achieved and attainable scores
E (30%)	42	+	E (30%)	43	=	E
S (30%)	35	+	S (30%)	43	=	S
G (40%)	40	+	G (40%)	31	=	G

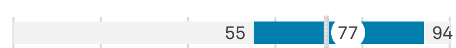


Entity within its primary sector/region

Entity’s sectors/ regions versus all sectors/ regions

Min and max scores possible given sectors/regions. The gray line represents performance in line with industry standards.

ESG Profile 77



Preparedness +6

Low	Emerging	Adequate	**Strong**	Best in class

ESG Evaluation

83

A higher score indicates better sustainability. Figures subject to rounding.

Component Scores

Environmental Profile

Sector/Region Score	43/50
Greenhouse gas emissions	Strong
Waste and pollution	Leading
Water use	Strong
Land use and biodiversity	Good
General factors (optional)	None
Entity-Specific Score	42/50
E-Profile (30%)	**85/100**

Social Profile

Sector/Region Score	43/50
Workforce and diversity	Good
Safety management	Good
Customer engagement	Strong
Communities	Strong
General factors (optional)	None
Entity-Specific Score	35/50
S-Profile (30%)	**77/100**

Governance Profile

Sector/Region Score	31/35
Structure and oversight	Good
Code and values	Strong
Transparency and reporting	Strong
Financial and operational risks	-6
General factors (optional)	None
Entity-Specific Score	40/65
G-Profile (40%)	**70/100**

ESG Profile (including any adjustments) **77/100**

Preparedness Summary

SGRE emerged as one of the largest players in wind energy following the industry's consolidation, which we view as indicative of the company's resilience to disruption. SGRE is well prepared to benefit from growing demand in the renewable energies sector. Being fundamental to SE's group operations, SGRE benefits from its unique position that enables the company's robust research and development capacity, which will support its investment in cutting-edge technological solutions.

Its strategy is to remain in its leadership position and deliver sustainable and profitable growth through innovation, productivity, and quality standards that support project execution.

Capabilities	
Awareness	Excellent
Assessment	Good
Action plan	Excellent
Embeddedness	
Culture	Good
Decision-making	Good

Preparedness Opinion (Scoring Impact) **Strong (+6)**

ESG Evaluation **83**

Note: Figures are subject to rounding.

Environmental Profile

85/100

Sector/Region Score (43/50)

SGRE develops assets exclusively for renewable energy, so its exposure to environmental risks is materially lower than the overall capital goods industry and closer to that of the renewable energy sector. Renewable energy faces relatively low environmental exposure given that it supports the economy's systemic decarbonization. However, wind power occupies a significant amount of land, and turbines can create substantial nonrecyclable waste at the end of their lives.

Entity-Specific Score (42/50)

Note: Figures are subject to rounding.

Greenhouse gas emissions	Waste and pollution	Water use	Land use and biodiversity	General factors
Strong	**Leading**	**Strong**	**Good**	**None**

SGRE's role in supporting systemic decarbonization across the energy sector is embedded in its strong climate strategy. The company's greenhouse gas (GHG) intensity (at 2.8 tons of carbon dioxide equivalent per U.S. dollar of revenue [tCO2e/$] in 2021) is well below that of the top quartile for the capital goods sector (14 tCO2e/$) and below wind turbine peers. SGRE achieved scope 1 and 2 carbon neutrality in 2019, five years ahead of schedule, and has set ambitious reduction targets in line with a 1.5ºC warming scenario and validated by the Science Base Target initiative (SBTi) to be met by 2025, which we view as more advanced than those of peers. In this regard, the company has achieved 100% renewable electricity consumption in 2020. SGRE's largest exposure comes from its supply chain, with scope 3 emissions representing at least 90% of the company's overall footprint (which we expect to increase when it includes emissions from purchased goods and services such as steel). We view SGRE's efforts to address scope 3 emissions as leading the industry and note its long-term target of achieving net-zero value chain emissions by 2040. It also aims for 30% of its suppliers to have SBTi validated targets for their GHG emissions by 2025 and has started a pilot program with its tower suppliers to address its exposure to high emission materials.

We view positively SGRE's continued investment to maximize the recyclability of its products and reduce dependency on scarce materials. In this regard, in 2021 it achieved a product recyclability rate of 94% (compared 85% in 2020), and is on track to achieve its targets of 100% by 2040; and launched the world's first recyclable rotor blade for commercial use offshore. We view this initiative as leading the industry considering the recycling of blades is a sector-wide challenge, due to the difficulty in separating the materials used in their manufacturing. Also, SGRE operates facilities that are partially or fully dedicated to repairing components and returning them to operation to increase the life span of products, which we view as in line with advanced peers. Finally, our assessment factors in SGRE's limited exposure (0.9% of total procurement value) to rare earth elements, mainly magnets, which it adequately manages via ensuring responsible sourcing and by increasing the efficiency and recycling of magnets.

SGRE is not affected by water availability in its business activities and freshwater consumption is well below the sector median, at 46 cubic meters per $1 million of revenue, which we view favorably. In addition, the company does not operate in water-stressed regions, according to its public disclosures. Finally, SGRE incorporates features that protects biodiversity in the area of its onshore and offshore turbines, in line with industry practices. For example, it provides clients with technologies to detect, monitor, and mitigate how its operations might affect birds and bats.

Social Profile

77/100

Sector/Region Score (43/50)

SGRE operates in the capital goods industry, a sector exposed to human capital risks, specifically in terms of managing and retaining skilled labor. The sector is constantly innovating and requires a highly skilled and diverse workforce. In addition, employee safety is a key risk given the installation of large equipment.

Entity-Specific Score (35/50)

Note: Figures are subject to rounding.

Workforce and diversity	Safety management	Customer engagement	Communities	General factors
Good	**Good**	**Strong**	**Strong**	**None**

SGRE's workforce strategy centers on empowering employees to innovate and improving gender diversity, which we view as in line with the industry average and stronger than wind turbine manufacturers. To retain talent, SGRE's focus is on upskilling its workforce; it has 21 training hours per employee, slightly exceeding the sector median of 19. The gender ratio, at 19% in 2021, is in line with the capital goods sector median of 18% and higher than close wind turbine manufacturer peers. We view positively its target to increase gender diversity to 25%, which would bring it in line with more advanced players in the capital goods sector. Yet our assessment factors in that its voluntary turnover rate slightly increased in 2021 (reaching 7.6%) from 2020 (6.7%), above the capital goods sector median of 5.0%.

Despite enhanced security measures, the number of fatal accidents in subcontracted personnel increased in 2021, although we understand accidents are not uncommon in the sector. Five contractors lost their lives in 2021 (compared to three contractors and one direct employee in 2020), indicating SGRE's need to improve its control over the safety of indirect workers. Also, the overall lost time injury frequency rate slightly worsened in 2021 (1.43, from 1.36 in 2020), which is a common trend in the industry considering 2020 data was affected by reduced operations because of the pandemic. In response, SGRE has significantly increased the number of inspections (70% year over year) and audits (36%), which we expect will speed up progress toward zero accidents and injuries. We could revise our assessment if SGRE cannot reduce its fatality rate.

SGRE adheres to responsible materials sourcing within its supply chain to mitigate its exposure to conflict minerals. We understand that of 2021 revenue, 1.9% came from products containing minerals from conflict-affected and high-risk areas (2.3% in 2020). SGRE intends to limit their use by adopting the centralized due diligence process defined by the shareholder of SE, Siemens AG. In addition, the company is a member of the Responsible Minerals Initiative, which traces the origin at the smelter level and only purchases 3TG (tin, tantalum, tungsten, and gold) minerals from nonconflict suppliers. Finally, it has defined measurable targets on suppliers' assessment, which we view as in line with industry peers, and the related performance is on track to meet the 2023 target on assessing the 90% of suppliers at high sustainability risk.

SGRE's strong innovation capabilities and leadership position support customer engagement. The company's leading position in wind offshore, and investment in research and development (3% of total sales in 2021), provide the scale and resources needed to meet customers' evolving needs to reduce their environmental impact and maximize efficiency. In 2021, SGRE launched the first recyclable blade for commercial use offshore, meeting customers' expectations in the field of environmentally sustainable products.

Governance Profile

70/100

Sector/Region Score (31/35)

SGRE is headquartered in Spain, a country with strong rule of law and institutions, and relatively robust governance standards. This is also the case for most of the countries in which it operates. In 2021, its largest markets were Europe (48% of revenue), the Middle East, and Africa (26%) and the Americas (26%).

Entity-Specific Score (40/65)

Note: Figures are subject to rounding.

Structure and oversight	Code and values	Transparency and reporting	Financial and operational risks	General factors
Good	**Strong**	**Strong**	**-6**	**None**

Our governance analysis is based on SGRE's structure as of July 2022 and does not consider the potential takeover by SE due to the uncertainty of its impact on the company's governing structure.

SGRE's governing structure remains unstable considering the company has had four CEOs and three chairmen since 2017. These changes aim to further align its strategy to SE and overcome the company's financial challenges. Some challenges are industry-wide, such as those from supply chain disruptions. However, some of its problems are internal, including the difficulties faced during the ramp-up of its "SG-5.X" onshore platform, which have led to profit warnings and losses since 2021, and to subsequent changes to its governing structure. Despite the board's short track record, we believe it is adequately diversified in terms of gender, skillset, and experience. The average tenure is low, at two years, following the appointment of the new CEO in February 2021. Women directors make up 33% of the board, in line with Spanish listed companies, although short of the recommendation from the Spanish Code of Good Governance of at least 40% by 2022. Five board members out of 10 represent SE, while the rest, excluding the CEO, are independent (40%) and chair the audit and the appointments and remuneration committees, which we view as a good practice. SGRE does not have a sustainability committee at the board level, which lags peers in the industry.

SGRE's values framework is robust and meets global standards. The company has effective measures to mitigate the risks of bribery and corruption--such as specific training for exposed employees in new markets. We believe its exposure to human rights violations or corruption cases in its supply chain is relatively low because 80% of the purchasing volume is sourced from countries with strong governance standards. Also, suppliers representing 89% of its purchasing volume have accepted its code of conduct, in line with peers. We view executive remuneration as well balanced, considering 67% of the CEO's annual remuneration is variable (with a share-based compensation plan vesting in three years) and linked to financial and operational objectives that reflect SGRE's values, including progress on strategy, health and safety, and employee engagement.

We believe SGRE's financial and nonfinancial disclosures are in line with international best practices. Reports follow the globally recognized framework Global Reporting Initiative, and are subject to external independent review (at limited assurance), which we view favorably. Environmental product declarations--including life cycle analysis--are available for all products, wich is an advanced practice. However, the sustainability performance can only be tracked back to 2017, due to the lack of normalized data from before the merger.

Preparedness Opinion

Strong
(+6)

Preparedness	Low	Emerging	Adequate	Strong	Best in class

SGRE emerged as one of the largest players in wind energy following the industry's consolidation, which we view as indicative of the company's resilience to disruption. It recently launched its Mistral strategy to overcome profit risks from supply chain disruptions and project execution, including challenges from the ramp-up of its SG-5X platform onshore. We expect this new strategy will allow it to remain in its leadership position and deliver sustainable and profitable growth through innovation, productivity, and quality standards that support project execution. We also believe SGRE will achieve its ambitions owing to its high-quality turbines, which maximize efficiency and recyclability within a fast-evolving technological environment and reduce the cost of wind power.

SGRE is fundamental to SE's operations, a diversified group with strong technological capabilities and a world leader in digitalized products. SGRE's unique position enables its robust research and development capacity, which can support its ongoing investment in cutting-edge technological products. We believe SGRE will benefit from growing demand in the broader renewable energies sector. Two members being on the board of both SGRE and parent SE bolster awareness of trends in the energy technology landscape and other industry disruptors. Also, it reinforces SGRE's ability to capitalize on long-term business opportunities in the renewable energy sector, such as the potential development of green hydrogen and hybrid renewable schemes, in our view.

We expect SGRE will maintain its position as a leader in the offshore wind energy sector amid the industry-wide challenges, including raw material price inflation, supply chain disruptions, and increased prices over logistics services. SGRE has recently launched a new strategy (Mistral) to optimize costs, which we believe can help it overcome disruptions affecting project execution. Also, SGRE has also faced challenges resulting from the ramp-up of the "SG-5.X" platform. Considering the company' s high technological capabilities and track record in launching competitive wind turbines both onshore and offshore, we expect it to achieve design and technology stabilization of the platform soon.

SGRE plans to develop and diversify its supply chain and to leverage on cross-business best practices. Furthermore, employees are empowered to drive innovation and leverage synergies between business units to support the group's competitive position. Relevant examples include onshore and offshore blade production to reinforce project execution and simplify the transporting and installing of large turbines. SGRE also seeks to develop key turbine pieces internally, with the aim of selling the development know-how to other market players and propelling its position in cutting-edge technological developments. We expect these measures will underpin SGRE's pipeline execution and will likely solidify its leading market positions in the wind energy sector.

SGRE's inherently sustainable business model, focused on energy sector decarbonization, grounds its approach to innovation. The company continues to lead operational improvements and cost reductions for wind technology to remain competitive in a fast-moving industry, while addressing long-term sustainability topics. For example, it launched in 2021 the world's first recyclable rotor blade for commercial use offshore, which shows a proactive approach to industry-wide sustainability challenges. SGRE also recently entered a consortium with wind producers to tackle end-of-life waste management.

Climate-Related Financial Disclosure

TCFD Recommendations Alignment Assessment: Not adopted | **Partially adopted** | Adopted

We assessed to what extent the entity has adopted the Financial Stability Board's Taskforce on Climate-related Financial Disclosures' (TCFD's) recommendations. We do not opine on the quality of the entity's disclosure or the climate change scenario assumptions, if any, but rather comment on the number of disclosures made, based on the TCFD's suggested disclosure list.

Based on the entity's publicly available information, in our opinion Siemens Gamesa Renewable Energy S.A. has Partially adopted the TCFD recommended disclosures.

SGRE considers climate change to be one of its strategic risks and opportunities that could affect some assets. Although the company discloses how the executive team evaluates major risks, including environmental, it does not specify how it identifies, assesses, and manages specific climate-related risks, or how these are overseen at the board level.

SGRE assesses its exposure to climate-related risks and opportunities through two climate change scenarios (below 2 C and 4 C) for its main geographical markets. Although it identifies climate action as a material aspect in its nonfinancial materiality matrix, it does not describe the specific climate-related risks and opportunities or their potential financial impact within short-, medium-, and long-term time horizons. It provides a brief description of the potential impact of climate change on its businesses and strategy, but does not disclose processes for managing climate-related risks.

SGRE discloses its climate-related metrics including scope 1, 2, and 3 greenhouse gas (GHG) emissions following the GHG Protocol as well as water consumption and waste generation metrics. It also discloses its emission reduction targets. The company does not disclose whether it uses an internal carbon price to assess climate-related risks and opportunities. Its remuneration report does not specify whether its remuneration structure includes climate-related objectives.

Governance	Strategy	Risk management	Metrics and targets
Description of the board's oversight of climate-related risks and opportunities.	Description of the climate-related risks and opportunities identified over the short, medium, and long term.	Description of the organization's processes for identifying and assessing climate-related risks.	Disclosure of the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
Not adopted	Not adopted	Not adopted	Partially adopted
Description of management's role in assessing and managing climate-related risks and opportunities.	Description of the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	Description of the organization's processes for managing climate-related risks.	Disclosure of scope 1, 2 and, if appropriate, 3 GHG emissions, and the related risks.
Not adopted	Partially adopted	Not adopted	Adopted
	Description of the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Description of how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	Description the targets used by the organization to manage climate-related risks and opportunities and performance against targets.
	Not adopted	Not adopted	Adopted

Sector And Region Risk

Primary sector(s)	Capital Goods
Primary operating region(s)	Spain Germany Denmark United Kingdom United States

Sector Risk Summary

Environmental exposure

The capital goods sector includes companies operating in the industrial equipment, components, and services segment. It also includes companies operating in aerospace and defense, and in engineering and construction. We believe the sector has moderate exposure to environmental risks, including greenhouse gas emissions from energy consumption, water use and pollution, waste discharge, and climate-related physical change, although risks and exposures vary by subsector. Capital goods must meet required environmental standards and customers' demand for more energy-efficient products, while mitigating the potential for costs and fines. Given the broad nature of capital goods' end-markets, the sector is exposed to environmental risks in downstream sectors such as oil and gas and utilities, where regulations are also stringent. In the aerospace defense subsector, aircraft engine emissions are increasingly globally regulated, which could increase demand for the newest aircraft, but might also require investment in product development. This could be material if ever-stricter regulations require major technological changes. Companies in engineering and construction are exposed to increasing climate change risk. Although they factor in some weather-related delays to complete construction projects, extreme climate events can cause major delays and project cost overruns. The sector is also very materials-intensive, using mainly steel, iron, aluminum, glass, plastics. The increasing number of electronic components in machinery and vehicles has made them reliant on critical materials that are only produced in a few countries and/or in politically unstable countries. The sourcing of conflict minerals (most common ones being tantalum, tin, tungsten, and gold and largely used in electronic components) is increasingly regulated, and good management of complex supply chains is key to managing this risk. To manage the growing scarcity of materials, the sector will also need to improve recyclability of products and take charge of product end-of-life management by remanufacturing, for example.

Social exposure

Material social risks for capital goods companies include those related to human capital management and employee health and safety, albeit exposure to social risks differs by subsectors. Human capital risks include the management and retention of skilled labor, which the industry increasingly relies on to adapt to a changing work environment brought about by greater automation at production plants, increased digitalization, and robotics. Companies also need to maintain productive and long-lasting relationships with employees in fairly highly unionized industries. This is also relevant for aerospace and defense, and engineering and construction. Employees' safety is a key risk for the sector given the use of large and dangerous equipment in the production process. For aircraft manufacturers, product safety is of paramount importance as an aircraft accident caused by a design flaw or poor quality can result in injuries and deaths, as well as order cancellations or significant remediation costs. More specifically for engineering and construction companies, community opposition to construction and the dangers of operating in countries with civil unrest or weaker regulatory regimes is heighted. This can result in more stringent regulations for contractors, as well as higher costs and risks of business disruption.

Regional Risk Summary

Spain

Spain has generally effective policymaking, good checks and balances between institutions, and respect for the rule of law. Spain's corporate governance framework for listed companies has two components: binding provisions from the company law and the voluntary recommendations of the Spanish Corporate Governance Code published by the Comisión Nacional del Mercado de Valores, Spain's national securities commission. The most recent version of the code (June 2020) includes amendments to executive pay, voting rights, and increases in gender quotas on boards, to 40% from 30%--all on a comply-or-explain basis only. The code followed significant legal reforms such as Law 31/2014, which included binding votes on remuneration policy, stricter regulations on directors' classifications, and new ownership thresholds for shareholders' rights. By law, Spanish boards must establish committees for audits, remuneration, and nominations and disclose an annual corporate governance report. While the stock exchange does not have specific ESG requirements in its listing rules, companies with over 500 employees are implementing the EU Non-Financial Reporting Directive's recommendations, which mandate disclosing ESG (including diversity) risk. The EU Shareholder Rights Directive II was transposed into law in April 2021. Spain ranks 34 out of 180 on Transparency International's 2021 Corruption Perceptions Index.

Germany

Germany has strong institutional and governance effectiveness. Rule of law is strong, the judiciary is independent, and corruption is viewed as a minor issue. Germany ranks 10 of 180 on Transparency International's 2021 Corruption Perceptions Index. The German Corporate Governance Code (Kodex) is the reference document for best practices and works on a comply-or-explain basis. Its last iteration came into effect in 2020 when the EU Shareholder Rights Directive II was transposed into German law. Notable improvements include recommendations on board independence and board oversight of related-party transactions and executive pay, with a shareholder vote on the remuneration report becoming mandatory in 2022. While the recommendations are less specific than most European codes, companies exhibit strong governance practices. Companies are typically governed by a two-tier board system: a management board overseen by a supervisory board comprising non-executives including shareholder and employee representatives. The 2021 Act on Strengthening Financial Market Integrity (FISG) is an important milestone aimed at strengthening financial oversight at German companies. Besides requiring a minimum number of financial experts on boards, since January 2022 all listed companies must also form an audit committee.

Denmark

Denmark has a mature institutional framework with extensive checks and balances between institutions. Nasdaq Copenhagen's listing rules require companies to comply with the Danish Recommendations on Corporate Governance (the Recommendations) on a comply-or-explain basis. The Recommendations were revised in 2017 to align with the EU Shareholder Rights Directive II and are complemented by the Stewardship Principles, both of which became effective in 2020. The Recommendations require boards to be composed of non-executive directors, be majority independent, and typically elected on one-year mandates. Board structures can be either dual or unitary. Under the Companies Act, employees are entitled to elect representatives to the board. This is common in most large, listed entities, where employees comprise about one-third of board seats. There is no gender quota but the Act on Gender Targets passed in 2012 aims at increasing female participation on boards. Following money laundering allegations at local banks, the Danish parliament agreed to provide the Danish Financial Supervisory Authority (FSA) with additional resources such as introducing broader authority to issue fines, increasing the amount of information banks need to provide to the FSA, and extending the statute of limitations. Denmark ranks 1 of 180 on Transparency International's 2021 Corruption Perceptions Index.

United Kingdom

The U.K. benefits from strong corporate governance practices. Brexit-related policy uncertainties still linger, including disagreements with the European Union on the implementation of the Northern Ireland Protocol which may lead to frictions. Still, in our view, UK benefits from robust and independent institutions and high rule-of-law standards, as well as very low actual and perceived levels of corruption. Governance guidelines are primarily based on the U.K. Code of Corporate Governance published by the Financial Reporting Council (FRC) and updated in 2018. The revised and strengthened code provides a broad set of recommendations including executive remuneration and board composition, follows a comply-or-explain model, and is widely regarded as best practice internationally. The recent version strengthened provisions on the role of the audit and nomination committees, chair tenure, and stakeholder engagement. An updated version of the U.K. Stewardship Code published by the FRC also came into effect on Jan. 1, 2020. It sets out principles for investors. Overall levels of corporate disclosure on ESG are strong and the country benefits from a very active institutional investor base, which has been fuelling the demand for better disclosure and corporate engagement. Legislation that took effect in 2019 will also require pension funds to disclose the financial risks they face arising from ESG factors. The U.K. ranks 11 of 180 on Transparency International's 2021 Corruption Perceptions Index.

United States

With robust institutions and rule-of-law standards, the U.S. demonstrates many strong characteristics but lags several other countries with respect to ESG regulations. Governance is characterized by a very stable political system, a strong rule of law, a powerful judiciary, and effective checks and balances. Conditions of doing business are generally very good. The U.S. follows a rules-based approach to corporate governance focused on mandatory compliance with requirements from the major exchanges (NYSE and NASDAQ) as well as legislation. State corporate law is also a key source of corporate governance, particularly Delaware where over half over all U.S. listed companies and close to 70% of Fortune 500 companies are incorporated. Exchanges mandate high standards of corporate governance. The NYSE requires companies listing on its exchange to have boards made up of a majority of independent directors, with separate remuneration and nomination committees. However, formal requirements on ESG reporting are not as established as they are in European countries. While a growing number of companies have an independent chair, the combination of CEO and chair roles is still popular. Remuneration continues to be a contentious point because U.S. executive pay dwarves global pay levels. The U.S. ranks 27 of 180 on Transparency International's 2021 Corruption Perception Index.

Related Research

- The ESG Risk Atlas: Sector And Regional Rationales And Scores, July 22, 2020
- Our Updated ESG Risk Atlas And Key Sustainability Factors: A Companion Guide, July 22, 2020
- Environmental, Social, And Governance Evaluation: Analytical Approach, Dec. 15, 2020
- How We Apply Our ESG Evaluation Analytical Approach: Part 2, June 17, 2020

This report does not constitute a rating action.