EthiFinance

Corporate Sustainability Performance 2025

ANNUAL ETHIFINANCE SMALL & MID CAPS ESG RATINGS ANALYSIS

Authors: Arthur Grossmann, Guillaume Anatole, Jasmine Delicat, Ninon Décor

June 2026

Table of contents

Executive summary 2

Key Findings 3

Overall scores 3

ESG pillars and topics 3

Regional perspective 4

Sector analysis 4

ESG controversies 4

Introduction 5

Goals and scope of this report 6

ESG Rating Methodology 6

Macroeconomic context 7

2025 Corporate sustainability performance analysis Overall ESG scores 8

Thematic ESG analysis 9

Regional perspective 12

Southern Europe at the forefront 13

Sector analysis 14

Sectoral contributions to ESG Pillars 15

Company size 16

Large Caps Top Performers, Small-Caps Advancing Faster 17

Controversies Assessment 17

Bonus impact analysis 20

Conclusion 21

Disclaimer 23

Contact us 24

Executive summary

This report analyses the sustainability performance of approximately 2,000 European small and mid-sized enterprises (SMEs), drawing from EthiFinance's 2025 ESG Rating assessment of company data from 2024, on an unchanged methodological framework. The analysis shows key sustainability trends and performance patterns across 16 industry sectors and seven European geographic regions, providing valuable benchmarks for SME sustainability practices.

Key Findings

Overall scores

- European SMEs achieved an average ESG score of 55 out of 100 points in the 2025 evaluation, marking a 2-point increase from the previous year's average of 53 points and a 6-point improvement compared with 2023.
- This upward trend builds on the positive momentum highlighted in the previous report, indicating that small and mid-sized companies across Europe are increasingly prioritizing sustainability initiatives and strengthening their ESG practices year on year.
- The bonus grants up to 10 additional points based on the share of products and services contributing positively to the Sustainable Development Goals (SDGs). However, it contributes marginally to the final rating, as most companies receive low bonus scores, with only a limited number of companies reaching higher levels. This distribution pattern indicates that the bonus impact currently has a limited differentiating effect on the overall rating. In practice, this reflects its role in highlighting companies with positively contributing products or services rather than materially shifting their overall rating, thereby enabling these companies to be identified.

ESG pillars and topics

- The most significant progress was recorded under the Environment pillar, which improved by 5 points since the last rating cycle, while under the Governance, Social-Human Resources, and Social-External Stakeholder pillars, only moderate gains of 4,2, and 4 points each have been achieved. This strong environmental performance is driven by enhanced reporting practices, improved measurement methodologies, and EU regulatory initiatives.
- The Governance pillar (63/100) remains the strongest pillar, whereas the Social-External Stakeholders pillar (39/100) continues to record the lowest scores over the past three years. This points to a still limited mobilisation of companies' sphere of influence in support of CSR-related objectives.
- Topic scores display a wide dispersion, ranging from 6 to 71 points (out of 100), with 'Communities and territories' ranking the lowest, while 'Cybersecurity' achieves the highest performance. This 65-point gap highlights ongoing challenges in addressing community engagement and local impact issues, while governance benefits from being a more traditional area of corporate management, supported by well-established international standards and regulatory frameworks
- Environmental topics have shown the most pronounced improvements since 2023, with 'Prevention and control of pollution' and 'Climate change' being key drivers of this positive trend. This performance reflects the growing prioritisation of climate-related issues, intensifying regulatory and investor pressure, and the direct impact of water management on operational costs.
- The five topics displaying the strongest score progressions (Workers in the value chain & human rights, Climate change, Prevention & control of pollution, Role of the administrative, supervisory and management bodies, and Biodiversity and ecosystems) present a differentiated profile compared to their 2024 performance levels. While some of these topics already demonstrated solid scores in 2024, others started from relatively lower bases, indicating that recent improvements reflect both sustained progress in well-established areas and by significant progress in previously weaker topics.

Regional perspective

- EU companies consistently outperform their non-EU counterparts (United Kingdom, Switzerland, and others) across all ESG pillars, with the most significant gap observed in the Social-External Stakeholders pillar (10 points difference).
- Overall, the performance gap between EU and non-EU companies has narrowed compared with last year, with a 2-point differential under the Governance pillar. This convergence likely reflects the expanding influence of EU regulations, which encourage non-EU companies to adopt European governance standards to maintain market access and competitiveness.
- Portugal (65), Spain (65), and Austria (63) achieve the highest average scores, while Germany (48), and the United Kingdom (51) record the lowest performance. Southern European companies have maintained their position as the strongest sustainability performers for the third consecutive year.

Sector analysis

- In terms of sector performance, the Automotive (60), Capital Goods (59), and Construction & Engineering (58) continue to rank at the top, while Transportation & Logistics (48), Technology (50) record the lowest scores. The Professional & Commercial Services, Technology, and Food, Beverages and Agriculture, sectors show the most significant improvement in overall scores in 2025.
- The Professional & Commercial services industry exhibits one of the most pronounced improvements in the environmental score, with an increase of 15% between 2023 and 2024. Reflecting the accelerated integration of climate-related consideration into corporate strategies, enhanced measurement methodologies, and strengthened ESG disclosures.
- The Technology sector has experienced a 19% increase in environmental and social scores between 2024 and 2025, driven by improved ESG disclosure practices and the adoption of climate-related commitments.
- The Food, Beverages and Agriculture industry recorded a 15% increase in social scores between 2024 and 2025, driven by stronger supply chain due diligence and improved labour standards monitoring in a sector highly exposed to human rights risks.

ESG controversies

- Social issues accounted for 62% of controversies in this year's, followed by Governance (29%) and Environment (9%). The most frequently reported governance-related topic is 'Anti-competitive practices' (25% of governance controversies), while 'Water pollution' (23% of environmental controversies) represents the main environmental concern. On the social side, key issues include 'Product Safety Issues' (13%), as well 'Restructuring / Mass layoff', and 'Deceptive commercial, marketing or advertising practices' (each accounting for 11% of social controversies).
- Companies based in Southern Europe exhibit a higher controversy exposure compared to the EU average, whereas Nordic companies record lowest involvement rates in 2024.
- Automotive (47%), Media and Telecommunication (36%), and Materials (36%) show the highest controversy involvement rates while Real Estate (3%) and Technology (8%) show the lowest rates, suggesting more limited exposure to reputational and regulatory risks from environmental, social, and governance issues.

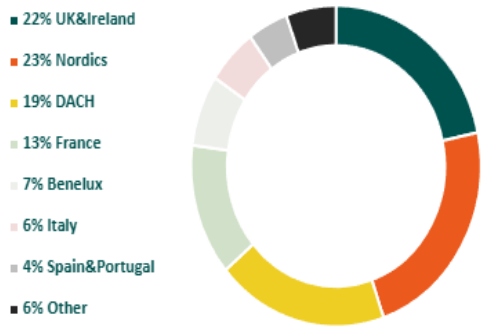
Introduction

EthiFinance's ESG Ratings team produces ratings, research and data on more than 2,400 European listed companies each year, including around 2,000 small and mid-caps. This report draws on that coverage to analyse ESG performance trends across the European small and mid-cap universe

Goals and scope of this report

This report outlines the sustainability performance of European small and mid-sized listed companies reviewed in 2025. It includes three-year trend analyses and breaks down results by sector, geography, and company size.
The assessment covers 2,046 companies within EthiFinance's ESG Rating universe[1], defined as firms with a market capitalization of up to €10 billion at the end of 2024. Although several EU directives and regulatory frameworks are referenced throughout the report, the coverage is not limited to EU companies and also includes European non-EU markets, notably the United Kingdom and Switzerland.
The 2024 evaluation draws on disclosures made in the companies' 2025 annual reports, predominantly based on fiscal year 2024 data.
Throughout this report, the term 'small and mid-sized companies' refers to European listed companies with a market capitalisation of up to €10 billion.

Chart 1: 2025 ESG Ratings analysis: sectoral and regional



ESG Rating Methodology

Within the ESG Ratings framework, EthiFinance evaluates the relevant ESG risks and issues under a double materiality perspecti in line with CSRD[2] and EFRAG[3] guidelines. The methodology relies pillars: Environment, Social (own workforce), Social (external st sustainability topics. The results are expressed as an absolute rati effectiveness of ESG risk management at the individual company

The 2025 ESG rating framework comprises 142 indicators, incl metrics, combining quantitative and qualitative data. These ind results of a sector-level double materiality analysis, which assesse the most material topics are prioritised in the scoring model. Cro industries, while sector-specific metrics capture industry-related risks.

Indicator selection follows several key principles: ensuring full coverage of all sustainability topics, strong alignment with the European Sustainability Reporting Standards[4] (ESRS) under the CSRD[5] (64% overall; 74% for cross-sector indicators), and reflecting the expectations of key external stakeholders, such as ESG investors, civil society, and NGOs. The framework further integrates established standards, including CDP and GRI, and incorporates commonly

[1] The large caps covered by EthiFinance have been excluded from this analysis.
[2] Directive (EU) 2022/2464 as regards corporate sustainability reporting

[3] Regulation (EU) No 1606/2002 on the application of international accounting standards, as regards the establishment of the European Financial Reporting Advisory Group (EFRAG), and EFRAG Statutes (as amended)

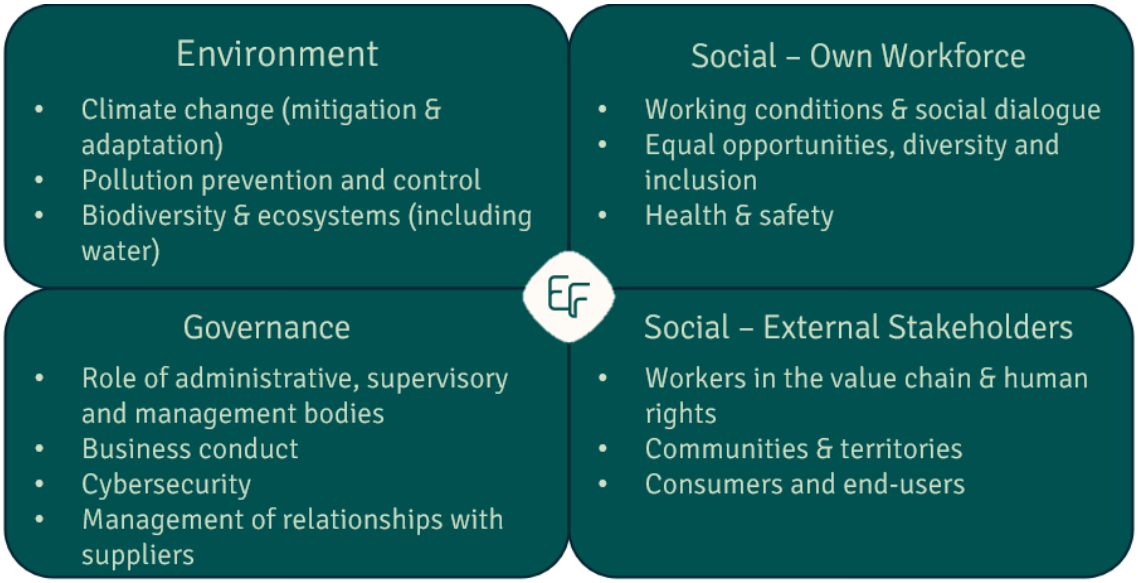
[4] Commission Delegated Regulation (EU) 2023/2772 supplementing Directive 2013/34/EU with regard to sustainability reporting standards

[5] Directive (EU) 2022/2464 as regards corporate sustainability reporting

used sector-specific indicators derived from a broad review of corporate sustainability reporting practices across 38 rating frameworks.

Chart 2: ESG Ratings pillars and topics

The



ESG Ratings analyst team monitors ESG controversies for all companies in the rating universe. This involves identifying and analysing significant allegations, scandals, or contentious issues surrounding the companies under the coverage. The process includes a qualitative analysis to determine the severity level for the company and its stakeholders. We have defined five controversy severity levels:

- Neutral
- Not significant
- Significant
- High risk
- Critical risk

For more detailed information on the assessment methodology, please refer to the methodology document available on the website (2025_Controversy-Analysis_Methodology_Public_VF.pdf).

Macroeconomic context

2025 opened with a significant protectionist shift in Washington. "Liberation Day" disrupted global trade flows and heightened uncertainty for European companies, whose exposure to transatlantic trade made them particularly vulnerable to the new tariff environment.

The eurozone proved more resilient than anticipated: the bloc's GDP expanded by 1.4% over the year, in an exercise distorted by tariff front-running and concluded with a trade agreement with the United States whose terms clearly favoured the American side. The simultaneous slowdown in China dampened demand for European capital goods and luxury products, adding a second external headwind. By country, Germany managed only a modest advance of 0.3%, underpinned by recovering household consumption and public spending, but remaining structurally exposed to both trade shocks. France and Italy posted subdued results, the former weighed down by political paralysis and a still-pending fiscal consolidation. Portugal once again displayed notable dynamism, accelerating to 1.9% at the end of the year. Spain retained its leadership among the area's large economies, growth of around 2.9% annually, comfortably more than double the monetary union's pace, driven by domestic demand, demographics and tourism, with employment at record levels but the structural deficit in its public accounts left unaddressed. With inflation converging towards target for much of the year, the ECB completed its easing cycle with the deposit facility at 2%.

In summary, 2025 was shaped by the tariff shock, a test that the eurozone navigated with unexpected resilience, despite meaningful divergences across member states and persistent structural vulnerabilities in several of its largest economies

2025 Corporate sustainability performance analysis

Overall ESG scores

The companies included in the 2025 ESG Ratings evaluation achieve an average score of 55 out of 100 points. Among European small and mid-sized firms, 79% obtain scores in the 30–60/100 range, while 15% score above 70/100 and 6% fall below 30/100. *Chart 3* provides an overview of the ESG rating distribution across the small and mid-cap coverage.

Chart 3: 2025 ESG Ratings distribution of overall scores

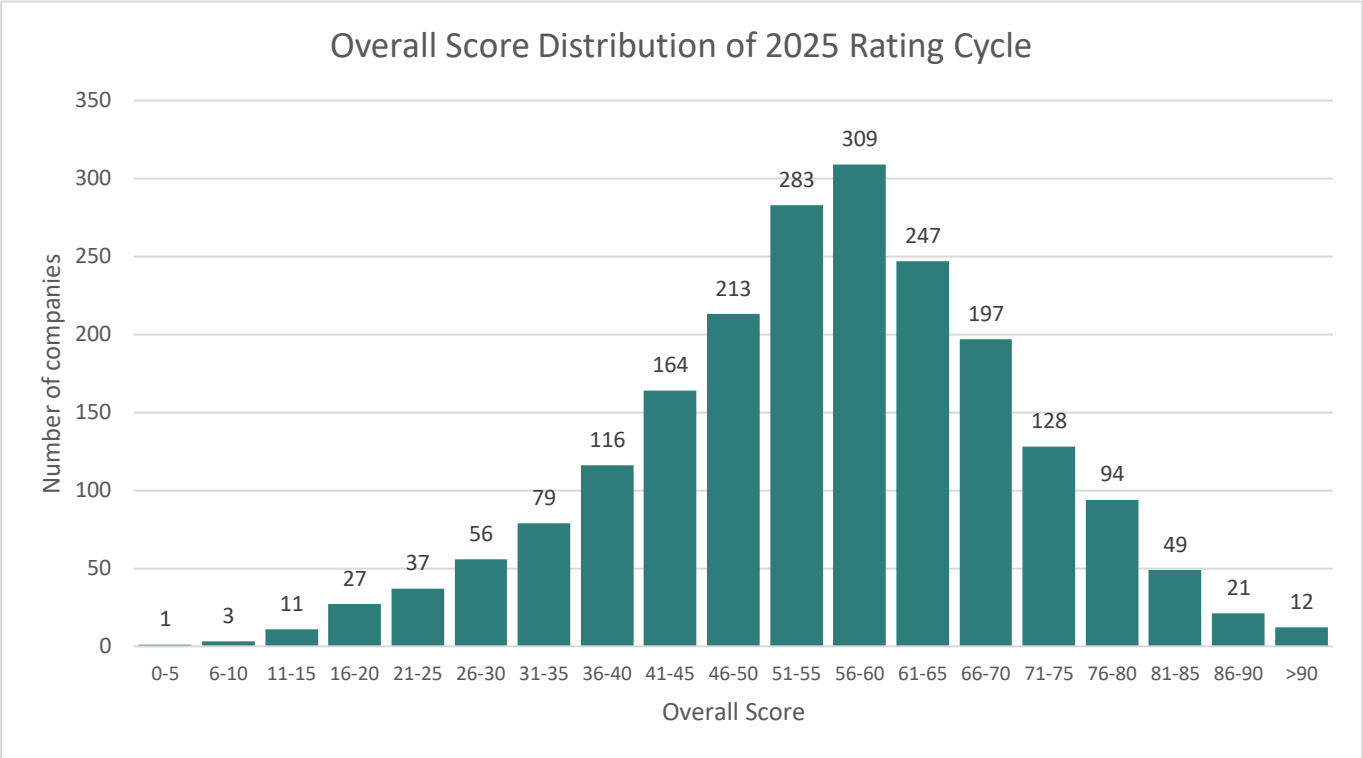


Chart 4 illustrates the steady upward trajectory of overall scores over the past three years. Since 2023, the average overall score has increased by 7 points, with the 'Environment' pillar showing the most significant improvement with 9 points. The 'Governance' and 'External Stakeholders' pillars have recorded moderate gains ranging from 7 to 8 points. Notably, the 'Social' pillar demonstrates the smallest improvement over the period, while 'Ext Stakeholders' retains the lowest average score, highlighting areas where companies have made less progress relative to other ESG pillars.

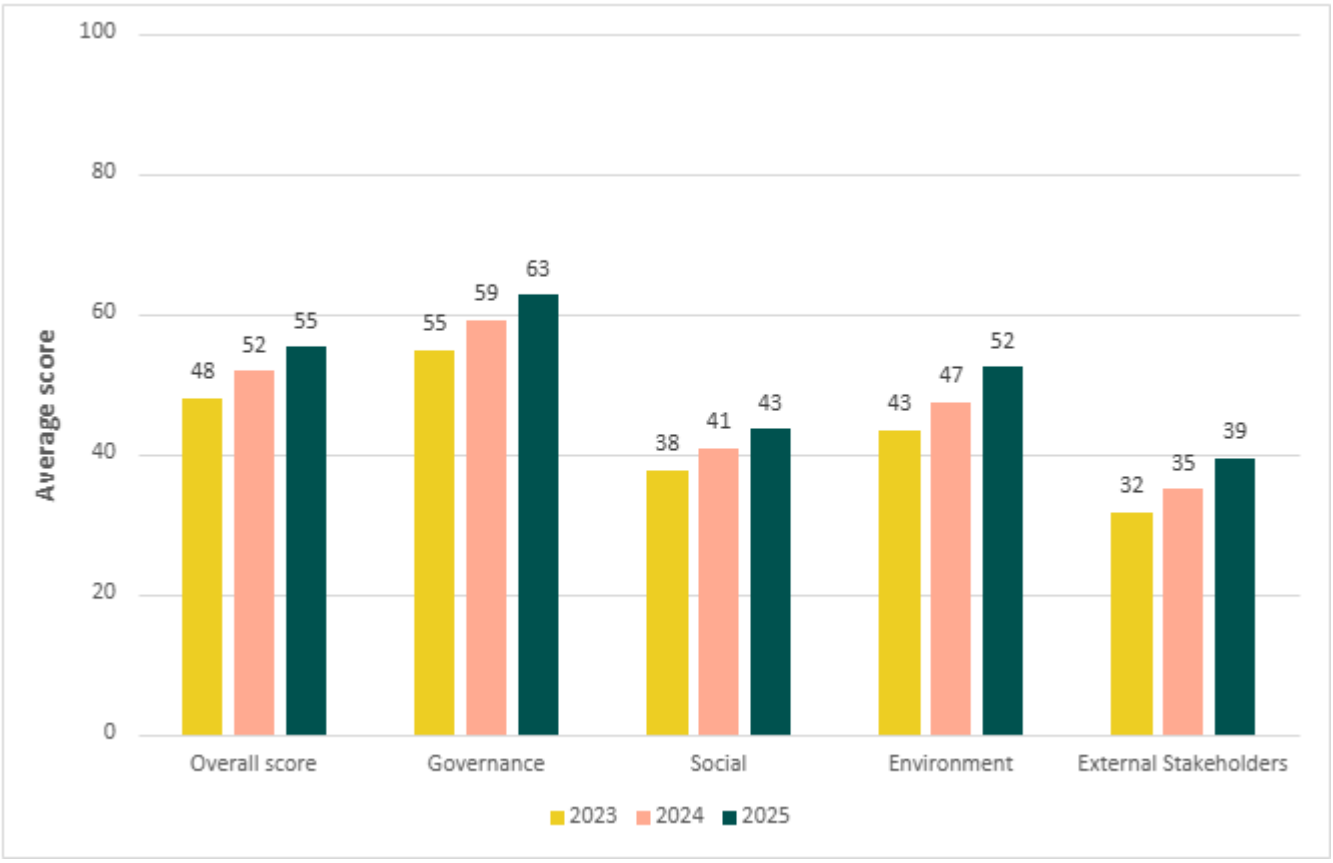


Chart 4: Annual average ESG pillars scores progression

From a thematic perspective, the analysis shows significant variation in average scores across the major pillars. Governance has consistently ranked highest over the three-year period, followed by environmental metrics and social issues. In contrast, external stakeholder issues ('External Stakeholders') persistently receive the lowest scores, indicating a systematic gap in corporate performance within this dimension. We explore the reasons behind this pattern in the following section.

Thematic ESG analysis

As displayed in Chart 5, the average scores by topic range from 6 to 71, with 'Communities & Territories' having the lowest and 'Cybersecurity' having the highest average score. The low average score for 'Communities & Territories' (6/100) reflects limited reporting maturity on this topic across the sample. Indeed, 92.8% of companies score 0, while the 148 companies that do report on this topic achieve an average score of 84.5, suggesting that when companies engage with this topic, they do so substantively. This disclosure gap is consistent with the profile of the sample: as listed European companies below €10bn in market capitalisation, most are not yet subject to CSRD[6] reporting obligations, and 'Communities & Territories' is not covered by mandatory Principal Adverse Impact (PAI) indicators under SFDR[7], leaving disclosure largely voluntary at this stage. 'Business Conduct', 'Workers in the Value Chain & Human Rights', 'Role of the Administrative, Supervisory and Management Bodies', and 'Climate Change (Mitigation & Adaptation)' rank among the highest-scoring topics. This stronger performance likely reflects the maturity of reporting frameworks on these topics, including TCFD[8] for climate, established corporate governance codes, and sustained investor demand, which have driven disclosure practices well ahead of formal CSRD[9] obligations.

Chart 5: 2025 evaluation average score by ESG topic

Chart 6 highlights the five topics demonstrating the strongest score progressions year-over-year. the strengthening of already well-established performance areas, alongside notable catch-up effects in topics that previously showed weaker results, suggesting a more balanced overall improvement

Chart 6: Highest score progression by ESG topic

The strongest progression is first observed in 'Workers in the value chain & human rights' (+15 points), making value chain-related social issues the most notable area of improvement compared with 2023.

This progress is consistent with the increasing integration of ESG criteria in procurement practices and the anticipation of upcoming supply chain due diligence obligations under the CSDDD10 (Directive 2024/1760, adopted June 2024). Beyond this leading improvement, the analysis focuses on selected environmental and governance-related topics because they account for several of the next strongest increases and reflect common drivers across the sample, including enhanced ESG reporting, stronger risk management practices, and growing regulatory and market expectations in Europe.

In this context, 'Climate Change', 'Prevention & control of pollution' and 'Role of the administrative, supervisory and management bodies' each record a +10-point progression, confirming that companies are strengthening both sustainability governance and the management of material environmental risks.

The score progression also shows increased efforts to reduce energy consumption. Companies are improving energy efficiency and shifting toward renewable sources, likely driven by growing government commitments to clean energy policies and regulatory frameworks. The analysis shows total energy consumption increased from 2,272 GWh in 2023 to 4,691 GWh in 2025 across reporting companies. However, this increase should be interpreted

[6] Directive (EU) 2022/2464 as regards corporate sustainability reporting (CSRD)

[7] Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR)

[8] Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), June 2017 (updated October 2021)

[9] Directive (EU) 2022/2464 as regards corporate sustainability reporting (CSRD)

[10] Directive (EU) 2024/1760 on corporate sustainability due diligence

with caution: it primarily reflects the expanded reporting scope, with the number of reporting companies rising from 1,409 to 1,597, as well as broader business activity and improved data coverage, rather than a deterioration in energy performance.

Electricity consumption rose from 303 GWh in 2023 to 575 GWh in 2024, then decreased to 400 GWh in 2025. Rather than indicating a linear change in energy efficiency, this fluctuation likely reflects a combination of evolving reporting practices, changes in the sample of reporting companies, and the acceleration of electrification efforts in 2024, supported by the regulatory momentum created by the revised Energy Efficiency Directive and Renewable Energy Directive[11].

Scope 3 emissions show a significant rise from 3.42 billion tCO_2e in 2023 to 5.79 billion tCO_2e in 2025, which is largely attributable to the preparation for and implementation of new European reporting standards (CSRD[12] and ESRS[13]) requiring more comprehensive disclosure of value chain emissions, combined with an increase in reporting companies (from 1,317 to 1,588) rather than actual performance deterioration. This enhanced transparency in emissions reporting, while initially showing higher reported values, ultimately supports more effective climate action by providing a more accurate baseline for future reduction strategies.

In the context of the European Green Deal[14], renewable energies play a central role in the shift towards clean energy. The revised Energy Efficiency Directive[15] (2023/1791) and the revised Renewable Energy Directive[16] (2023/2413), both applicable from late 2023, have reinforced national targets for energy reduction and renewable deployment, sustaining the regulatory momentum that incentivises companies to improve the energy reporting and consumption practices.

It is also worth noting the progress in the 'Water management' score over the past two years, which evaluates water consumption and the discharge of priority substances. This improvement is consistent with the maturation of the PAI reporting framework under SFDR[17] (Regulation 2019/2088), operationalised through the RTS[18] (Delegated Regulation 2022/1288) applicable since January 2023. As financial institutions progressively improve the quality and coverage of their PAI disclosures, including water consumption and the discharge of priority substances, they increasingly request this data from investee companies, including the small and mid-sized firms covered in this study. An increasing number of companies are consequently prioritising the measurement, reporting, and reduction of water consumption and wastewater treatment. Additionally, the revised Urban Wastewater Treatment Directive[19] (Directive 2024/3019, adopted October 2024) signals continued tightening of water quality requirements across Europe, reinforcing corporate attention to water management. While the revised Urban Wastewater Treatment Directive applies within the EU, the broader water management analysis covers the full European rating universe, including non-EU companies where relevant

[11] Directive (EU) 2023/1791 on energy efficiency and Directive (EU) 2023/2413 amending the Renewable Energy Directive, both adopted in 2023 as part of the EU's Fit for 55 packages.
[12] Directive (EU) 2022/2464 as regards corporate sustainability reporting
[13] Commission Delegated Regulation (EU) 2023/2772 supplementing Directive 2013/34/EU with regard to sustainability reporting standards

[14] Communication from the Commission on the European Green Deal (COM/2019/640 final)

Directive (EU) 2023/1791 on energy efficiency (recast Energy Efficiency Directive)

Directive (EU) 2023/2413 amending Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources (revised Renewable Energy Directive)

[17] Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR)

[18] Commission Delegated Regulation (EU) 2022/1288 supplementing SFDR with regard to regulatory technical standards
[19] Directive (EU) 2024/3019 concerning urban wastewater treatment (recast Urban Wastewater Treatment Directive)

Regional perspective

Southern Europe at the forefront

From a regional perspective, the data shows certain differences in the average sustainability performance of companies across Europe. As shown in *Chart 7*, Portugal, Spain, and Austria show the highest average scores, while Germany, and the United Kingdom present the lowest scores.

Chart 7: 2025 Campaign average scores by country

Although companies based in Portugal, Spain and Austria record the highest average scores, French companies are also worth highlighting given France's early and long-standing regulatory framework on sustainability reporting.

One explanation for the continued strong performance of French companies lies in France's long-standing regulatory framework on corporate sustainability reporting. Since the adoption of the 2001 NRE Law[20], French listed companies have been subject to early non-financial disclosure requirements, which helped establish ESG reporting and governance practices well before similar obligations became widespread across Europe. The strong performance of Portugal, Spain may instead reflect a combination of factors, including the progressive transposition of EU sustainability requirements, more active national policy agendas on social and environmental issues, and the growing integration of ESG practices among listed companies. In Spain and Portugal in particular, recent labour, climate and corporate transparency reforms may have contributed to stronger performance on social and governance-related indicators. In Austria, the strong performance may be linked to well-established social dialogue practices, mature corporate governance standards, and the high exposure of listed companies to European supply chains, where ESG expectations from clients, investors and regulators are increasingly embedded.

Furthermore, France pioneered sustainability reporting with the 2001 'Loi NRE'[21] (New Economic Regulations Law), which mandated ESG reports for large, listed companies. This established voluntary ESG reporting as common practice in France well before it became standard across Europe. Subsequently, we have compared the average scores of companies inside and outside of the European Union (EU). The data that EU companies consistently outperform their non-EU counterparts across all ESG pillars, with the most pronounced difference appearing in the External Stakeholders dimension (+10 points). Chart 8 illustrates this performance gap, with EU companies scoring 43 points in the External Stakeholders pillar compared to just 33 for non-EU firms. [22][23] requirements encouraging companies to improve sustainability reporting practices and stakeholder-related disclosures.

The relative macroeconomic resilience of Southern European economies in 2024, with Spain growing at 3.5% and Portugal at 2.1%, as noted above, may also have supported continued corporate investment in sustainability initiatives, in contrast to economies facing contraction such as Germany (-0.5%).

Chart 8 confirms that the two groups perform closest in the Governance pillar (63 vs. 61) and Environment pillar (53 vs. 50), while significant disparities persist in other areas particularly in external stakeholder engagement (43

[20] The "Loi NRE" is the French Law on "Nouvelles Régulations Économiques" (New Economic Regulations). Adopted in 2001, it had introduced a series of provisions to promote transparency and accountability in the corporate sector, as well as to strengthen shareholder rights. It included measures related to financial disclosure, corporate governance, and employee participation in business decision-making.

[21] The "Loi NRE" is the French Law on "Nouvelles Régulations Économiques" (New Economic Regulations). Adopted in 2001, it had introduced a series of provisions to promote transparency and accountability in the corporate sector, as well as to strengthen shareholder rights. It included measures related to financial disclosure, corporate governance, and employee participation in business decision-making.

[22] Directive (EU) 2022/2464 as regards corporate sustainability reporting

[23] Commission Delegated Regulation (EU) 2023/2772 supplementing Directive 2013/34/EU with regards to sustainability reporting standards

vs. 33) and social practices (46 vs. 38).

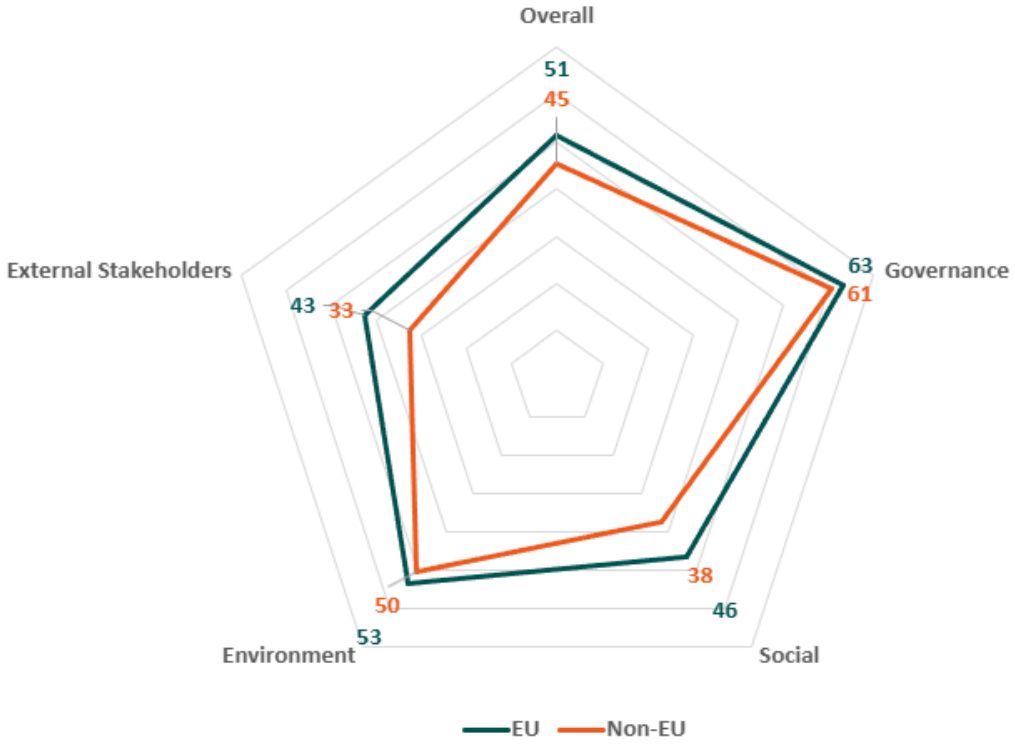


Chart 8: Average scores by ESG pillar between EU and non-EU Chart 8: Average scores by ESG pillar between EU and non-EU companies

Within the Social pillar, EU companies excel primarily in 'Working conditions' (+12 pts) and 'Skills development' (+11 pts), followed by 'Health and Safety' (+8 pts) while non-EU companies narrow the gap in 'Equal opportunities' (where the difference is limited to just 3 points). Environmental scores also show a notable difference (53 vs. 50), contributing to the overall performance gap (51 vs. 45). This persistent pattern reinforces the observation that EU firms maintain their leadership position in ESG implementation and transparency, likely influenced by the region's more established regulatory framework[24].

[24] Corporate Sustainability Reporting Directive (CSRD), Directive (EU) 2022/2464; European Sustainability Reporting Standards (ESRS), Commission Delegated Regulation (EU) 2023/2772; Sustainable Finance Disclosure Regulation (SFDR), Regulation (EU) 2019/2088.

Sector analysis

Sectoral contributions to ESG Pillars

Chart 9 presents the average ESG ratings across 16 sectors, revealing subtle yet meaningful performance variations. 'Automotive' (60), 'Capital Goods' (59), and 'Construction & Engineering' (58) emerge as the top performers, suggesting these industries have developed more robust environmental and governance frameworks. Conversely, 'Transportation & Logistics' (48), 'Technology' (50), and 'Retail' (50) occupy the lowest positions, indicating significant opportunities to enhance their sustainability practices. The relatively tight clustering of most sectors demonstrates a broadly consistent adherence to ESG standards, though with distinct performance differences that highlight industry-specific sustainability challenges and priorities.

Chart 9: 2025 average scores by sector

Chart 10 highlights the sectors that contribute the most across the four pillars. 'Automotive' and 'Materials' consistently perform well, appearing in the top five across all four pillars, with 'Automotive' leading the way in both the Social and Environmental dimensions. This strong performance should nevertheless be read alongside the controversy data presented in *Chart 17*: Automotive and Materials also display among the highest controversy involvement rates, at 47% and 36% respectively. This suggests that their higher ESG scores may reflect more structured disclosure and risk management practices in sectors with high ESG exposure, rather than a lower level of underlying ESG risk.

Across these top-performing sectors, the Environmental and External Stakeholder pillars show consistently lower peak scores, with no sector achieving an average above 51. In contrast, the Governance and Social pillars reach significantly higher top scores (up to 67 and 63, respectively). Interestingly, sectors such as 'Construction & Engineering' and 'Leisure' emerge as top performers within specific pillars (External Stakeholders and Environmental, respectively) despite not ranking in the top five of other pillars. This cross-pillar variation indicates that each industry has distinct ESG strengths and vulnerabilities that are highly dependent on the specific ESG dimension.



Chart 10: Top performing sectors by ESG pillar

The ranking of sectors by overall average scores has remained relatively constant over the last three years, as illustrated in *Chart 11*. Materials, Real Estate, and Automotive sectors consistently performed the best, while Leisure, Transportation & Logistics, and Retail sectors consecutively ranked the lowest.

Chart 11: Annual progression of overall scores by sector

The most significant improvement in overall scores between the 2024 and 2025 rating cycles can be seen in the 'Food, Beverages and Agriculture and Technology' sectors, both of which improved by 5 points. This was followed closely by the 'Professional & Commercial Services and Consumer goods' sectors, which showed increases of 4 points.

This rise correlates with average score improvements across multiple ESG pillars between 2024 and 2025, as displayed in *Chart 12*. The 'Technology' sector experienced a significant 19% increase in its environmental score, while the 'Food, beverages and agriculture' sector led with a 22% increase in its external stakeholders' score during this period.

The increase in environmental scores may be attributed to stricter regulations and sustainability targets, pushing companies to adopt greener technologies and sustainable practices, such as using renewable energy in production and reducing waste. The companies within the sample have also shown improvements in their responsible purchasing practices and auditing of their suppliers and subcontractors based on social and environmental criteria.

The 'Financial' sector recorded a 12% increase in environmental scores between 2024 and 2025, consistent with the continued maturation of SFDR[25] PAI reporting practices and growing regulatory expectations around climate-related disclosures across the financial industry.

Chart 12: Increase in scores by ESG pillar between 2024-2025

[25] Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

Company size

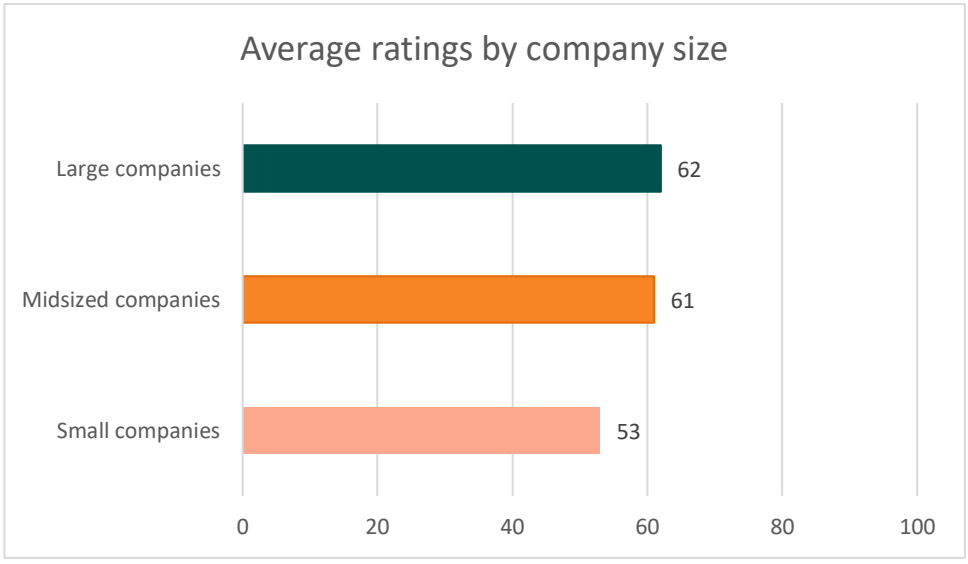
Large Caps Top Performers, Small-Caps Advancing Faster

Expanding the comparative scope to include 292 additional large companies[26] highlights a clear size-related performance gap. These large firms outperform the mid- and small-sized companies in the initial sample by 1 and 9 points respectively (see Chart 13). When examining the annual evolution of average scores by company size (Chart 14), all categories display an upward trend in sustainability performance over the observed period. However, the year-on-year progression between 2023 and 2024 appears more pronounced among mid-sized and small companies (+3) than among large corporates (+2).

This maturity gap is consistent with the structural advantages larger organisations tend to hold: dedicated ESG teams, more developed reporting infrastructures, and longer-standing sustainability strategies. Large companies have also been subject to mandatory non-financial reporting requirements for longer, notably under the NFRD[27] and, more recently, the CSRD[28], creating a compliance-driven impetus that has accelerated disclosure practices over time. The narrowing progression gap nevertheless suggests that smaller companies are beginning to close the distance, likely as regulatory expectations broaden and market pressure on ESG transparency intensifies across all size segments.

This dynamic should be interpreted in light of ESG Ratings' size-sensitive assessment framework. The methodology differentiates expectations according to company scale, in line with regulatory thresholds (≥500 employees, ≥EUR 40M turnover or ≥EUR 20M in total assets, as defined by the NFRD 2017). Large companies are expected to go beyond basic disclosure practices and demonstrate tangible ESG performance improvements, whereas smaller entities are primarily evaluated on their level of transparency and the maturity of their ESG approach. This calibrated framework reflects EthiFinance's expertise in proportionately assessing ESG performance across different company sizes, ensuring a fair and contextualised evaluation.

Chart 13: 2024 average scores by company overall size



[26] *The size of companies is defined through their market capitalization at the end of 2024.*
- *Large companies: Companies with a market capitalization of over €10,000 million.*
- *Mid-sized companies: Companies with a market capitalization between €10,000 million and €500 million.*
- *Small companies: Companies with a market capitalization of less than €500 million*

[27] Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (Non-Financial Reporting Directive – NFRD)

[28] Directive (EU) 2022/2464 as regards corporate sustainability reporting

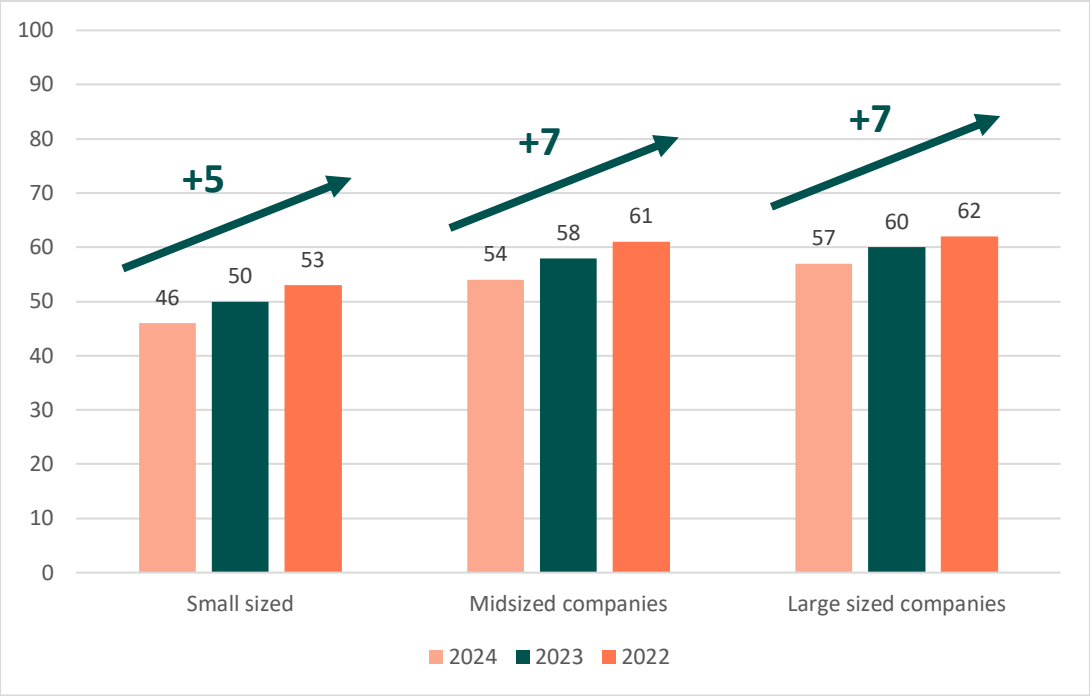
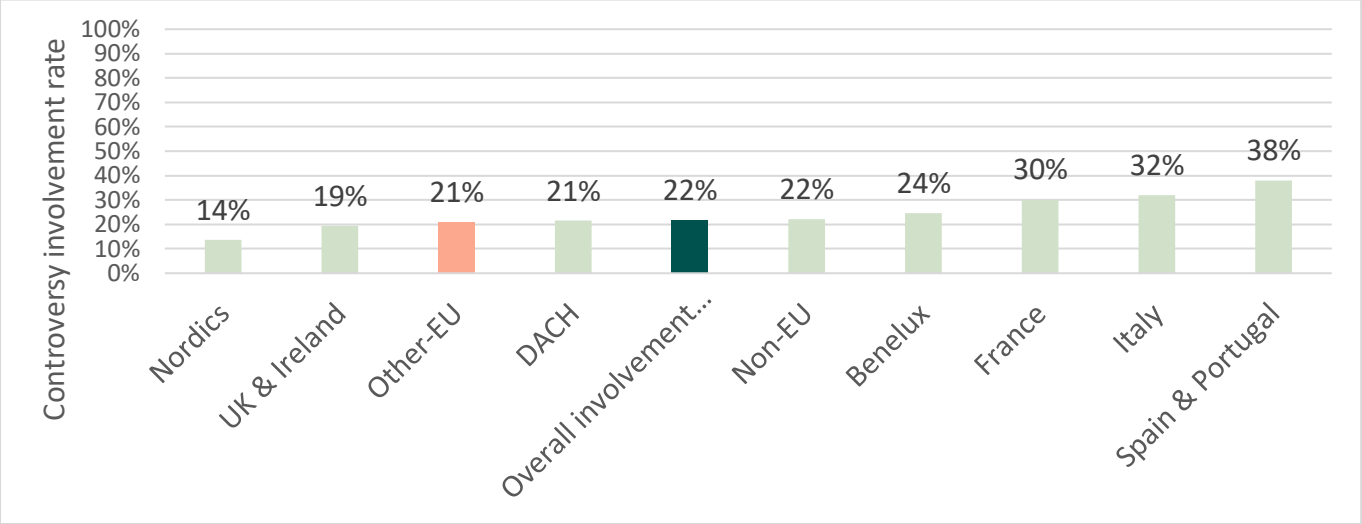


Chart 14: Progression of the average overall score by company size

Controversies Assessment

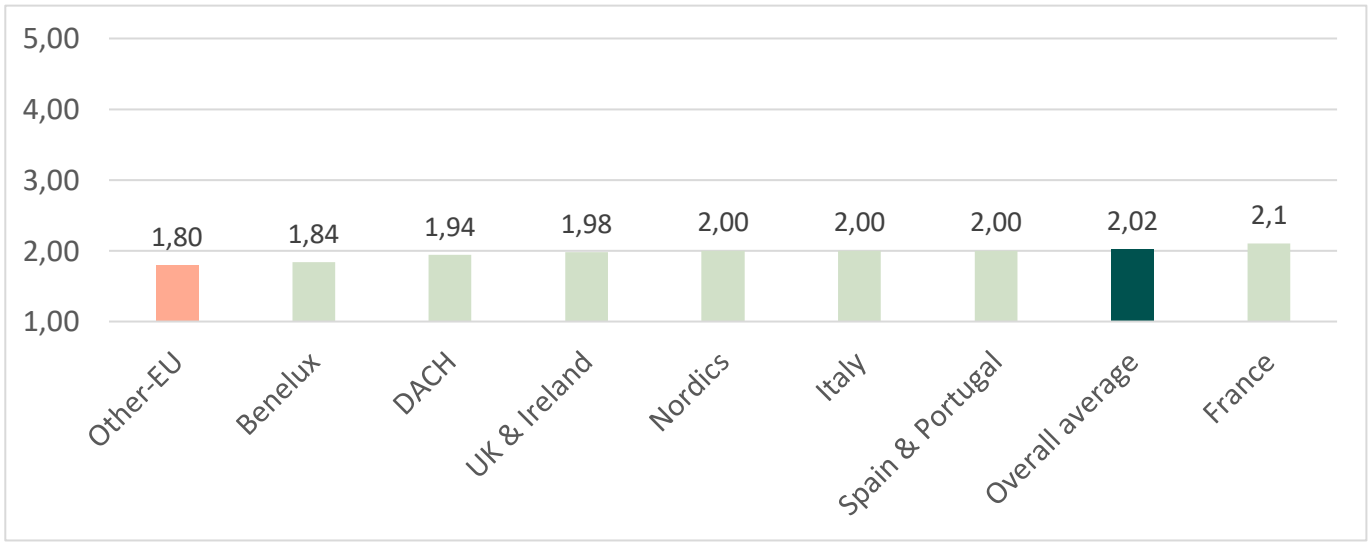
Chart 15 shows that companies from Spain & Portugal (38%) and Italy (32%) had the highest controversy involvement rates during the reporting period, standing well above the overall involvement rate of 22%. Conversely, companies from Nordic countries recorded the lowest controversy involvement rate at 14% across all regions analysed.

Chart 15: Percentage of companies involved in controversies by region[29]



Regarding the average severity of controversies, Chart 16 shows relatively consistent patterns among companies across regions, with no major differences observed. While companies based in most regions, including DACH and the UK & Ireland, showed slightly below-average severity levels, French companies recorded the highest average severity rating, standing as the only specific country group above the baseline. The overall average controversy severity rate for all rated companies was 2.02 out of 5, remaining approximately 2 out of 5, which is classified as 'not significant'.

Chart 16: 2025 average controversy severity rating by region[30][31]



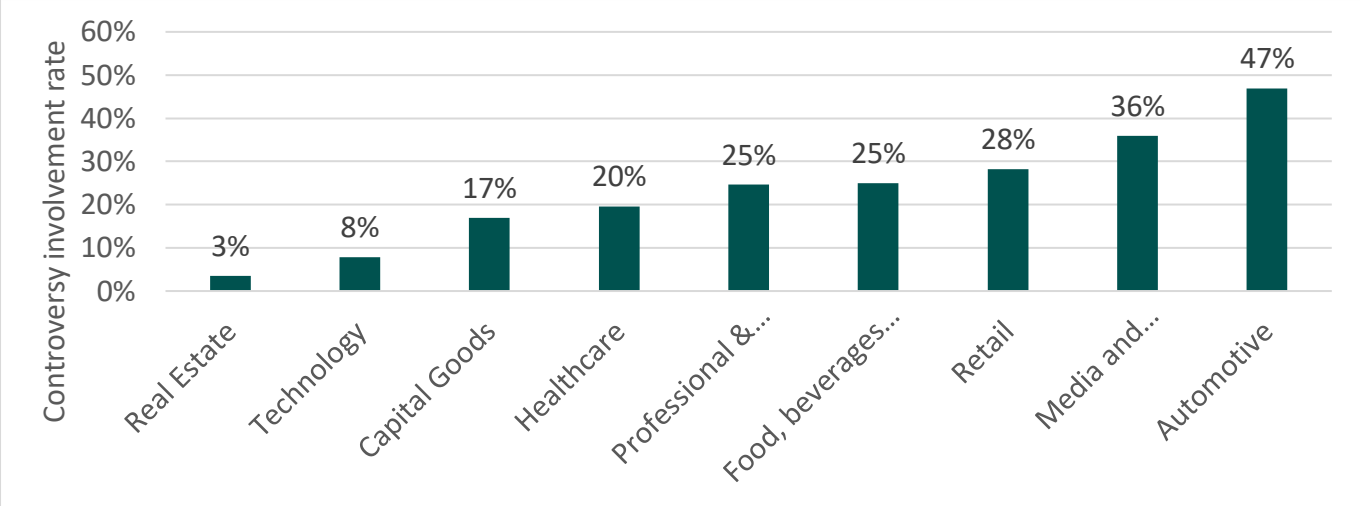
[29] ' Other-EU' includes the following EU countries that are not part of the main regional groupings (Cyprus, Greece, Lithuania)

[30] The average controversy severity by country is calculated by evaluating the average severity level for each company in each country and then averaging it by country.

[31] The detailed explanations of the five severity levels of controversies from EthiFinance's analysis methodology can be found in the 'Presentation' section of this document.

Chart 17: 2025 controversy involvement rate by sector

Chart 17 shows the controversy involvement rate, a critical factor in our assessments, across 9 sectors. Higher involvement typically reduces overall scores. 'Real Estate' (3%), 'Technology' (8%), and 'Capital Goods' (17%) exhibit the lowest rates, indicating relatively minimal exposure to ESG-related controversies. In contrast, 'Automotive' (47%), 'Media and Telecommunication' (36%), and 'Materials' (36%) lead the rankings, reflecting a significantly higher frequency of controversial incidents



An analysis of the five sectors with the highest controversy involvement rates shows distinct patterns of risk exposure across ESG pillars, as shown in *Chart 18*. Social controversies emerge as the leading ESG issue across nearly all five sectors, representing between 42% and 56% of all controversies. The 'Automotive' and 'Construction & Engineering' sectors show the highest proportion of social controversies at 56%, followed closely by 'Materials' at 54%.

Governance controversies are most pronounced in 'Media and Telecommunication' at 48%, while the 'Leisure' sector demonstrates an equal distribution between governance and social issues at 42% each. Environmental controversies remain in the lowest risk category across the board; they are entirely absent in both 'Automotive' and 'Media and Telecommunication' (0%) and reach their peak in 'Leisure' and 'Construction & Engineering' at 17%.

This sectoral variation demonstrates how industry characteristics fundamentally shape ESG risk profiles. While social and governance controversies maintain consistent prominence across sectors, environmental risks remain secondary, appearing more visible only in specific industries or nearly absent for many industries.

Chart 18: Controversy rate by ESG pillar of five sectors with the highest controversy involvement rates

Examining all controversies across all sectors, social issues emerge as the most prevalent controversial topic. On average, social issues account for 62% of controversies in 2025, followed by Governance (29%) and Environmental concerns (9%).
The data shown in Chart 19 further supports this finding, underlining that four of the five most recurring controversial topics are social issues, with 'Product safety issues' being by far the most contentious topic.
Notably, none of the top 10 most frequent controversial topics relate to environmental concerns, with 'Water pollution' (45 occurrences) being the only environmental issue appearing just outside the top 10 rankings.

Chart 19: 2025 top controversial topics

Charts 20-22 present the most recurring controversial topics within each ESG pillar. Among governance-related issues, 'Anti-competitive practices' predominate, representing 25% of total governance controversies, primarily involving companies' participation in cartels. 'Lack of transparency in financial and non-financial communication' and 'Corruption and bribery' follow as the next most common specific governance issues, each accounting for 10% of all governance-related controversies.

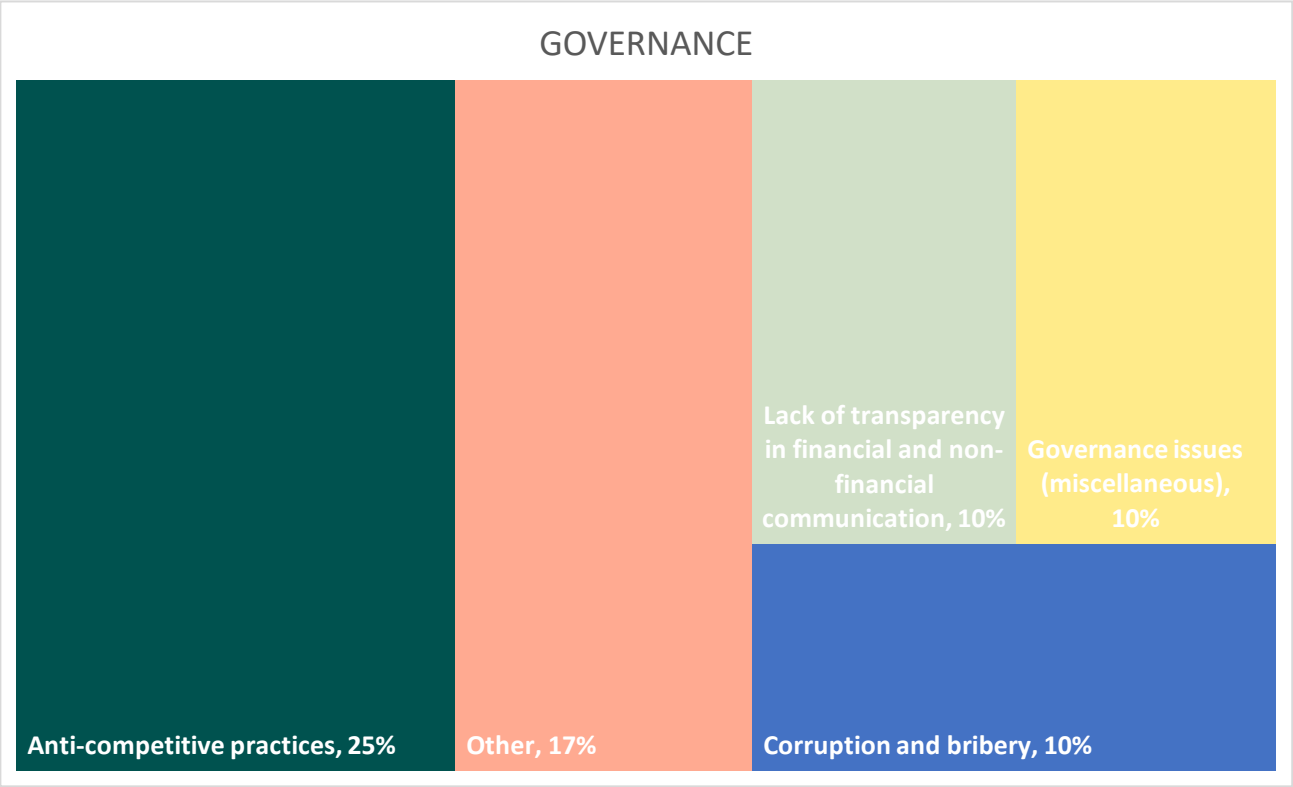


Chart 20: 2025 top Governance-related controversial topics

Social issues demonstrate a relatively even distribution across topics, led by 'Product safety issues' at 13%. This is followed closely by 'Sub-standard working conditions' and 'Deceptive commercial, marketing or advertising practices' at 11% each, while 'Restructuring / Mass layoffs' and 'Cyber-attacks and other cyber security failures' each represent 10% of social controversies.

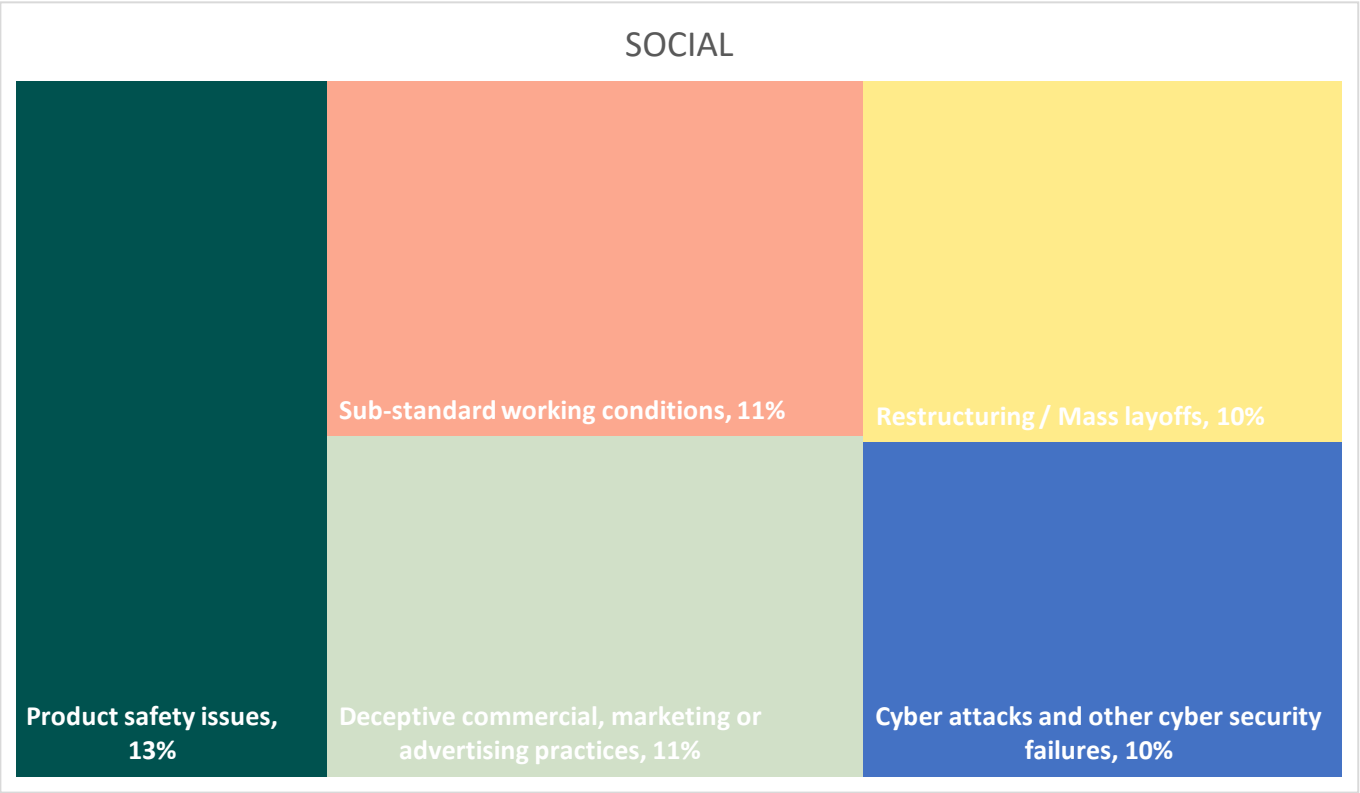


Chart 21: 2025 top Social-related controversial topics

Within environmental controversies, 23% relate to 'Water pollution', followed by 'Air pollution' at 15% and 'Negative environmental impact of products' at 11%. In the analysed sample, half of water pollution-related controversies involve UK-based companies. This concentration may partly reflect the high public and regulatory scrutiny of water pollution issues in the UK, particularly following widely reported concerns around sewage discharges and river water quality. Companies in the energy and utilities sectors show the highest incidence of water pollution-related controversies, followed by those in the materials sector.

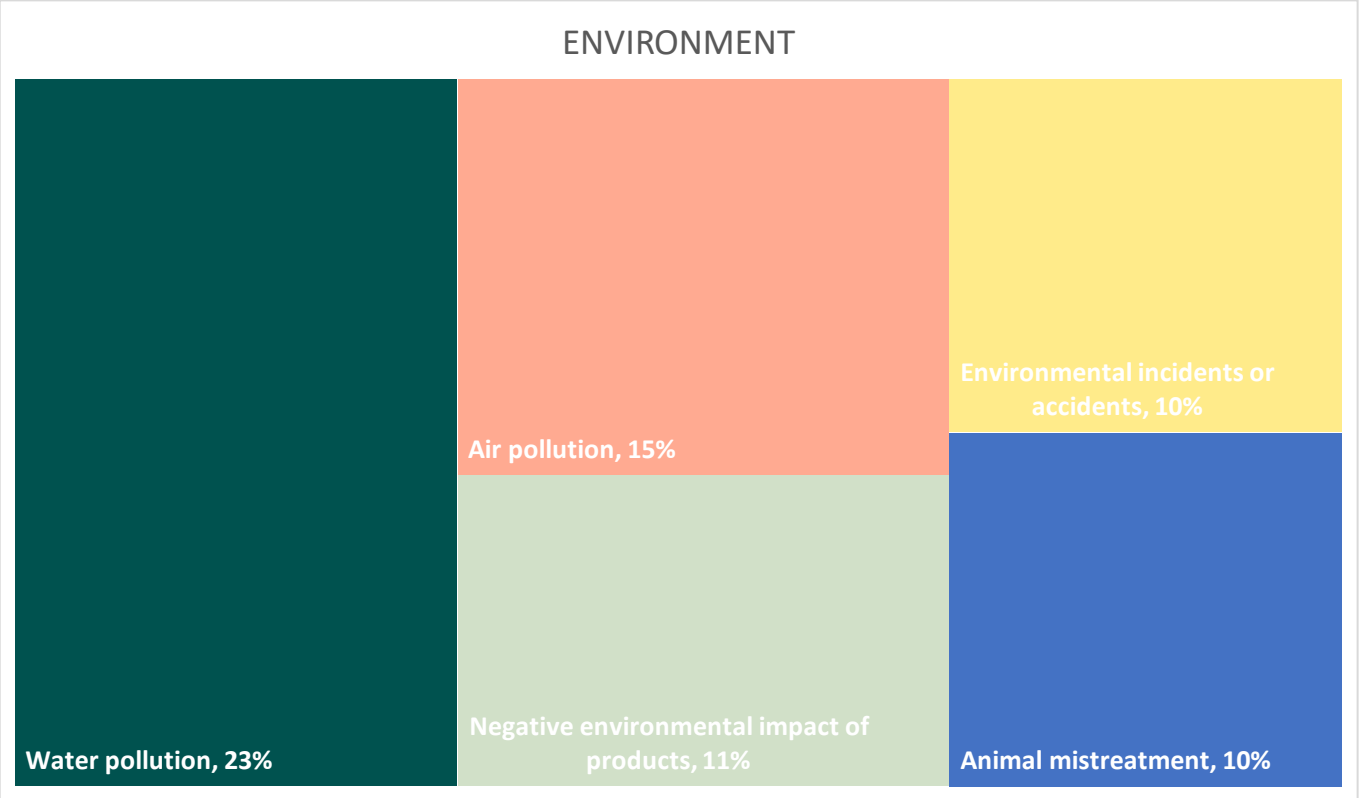


Chart 22: 2025 top Environmental-related controversial topics

The analysis shows continuing trends from previous years, with social and governance issues maintaining their dominance in corporate controversy landscapes, while environmental controversies remain relatively limited despite increased regulatory focus. This pattern underscores the ongoing challenges companies face in managing stakeholder relationships and maintaining ethical business practices, while environmental compliance appears more successfully managed across most sectors.

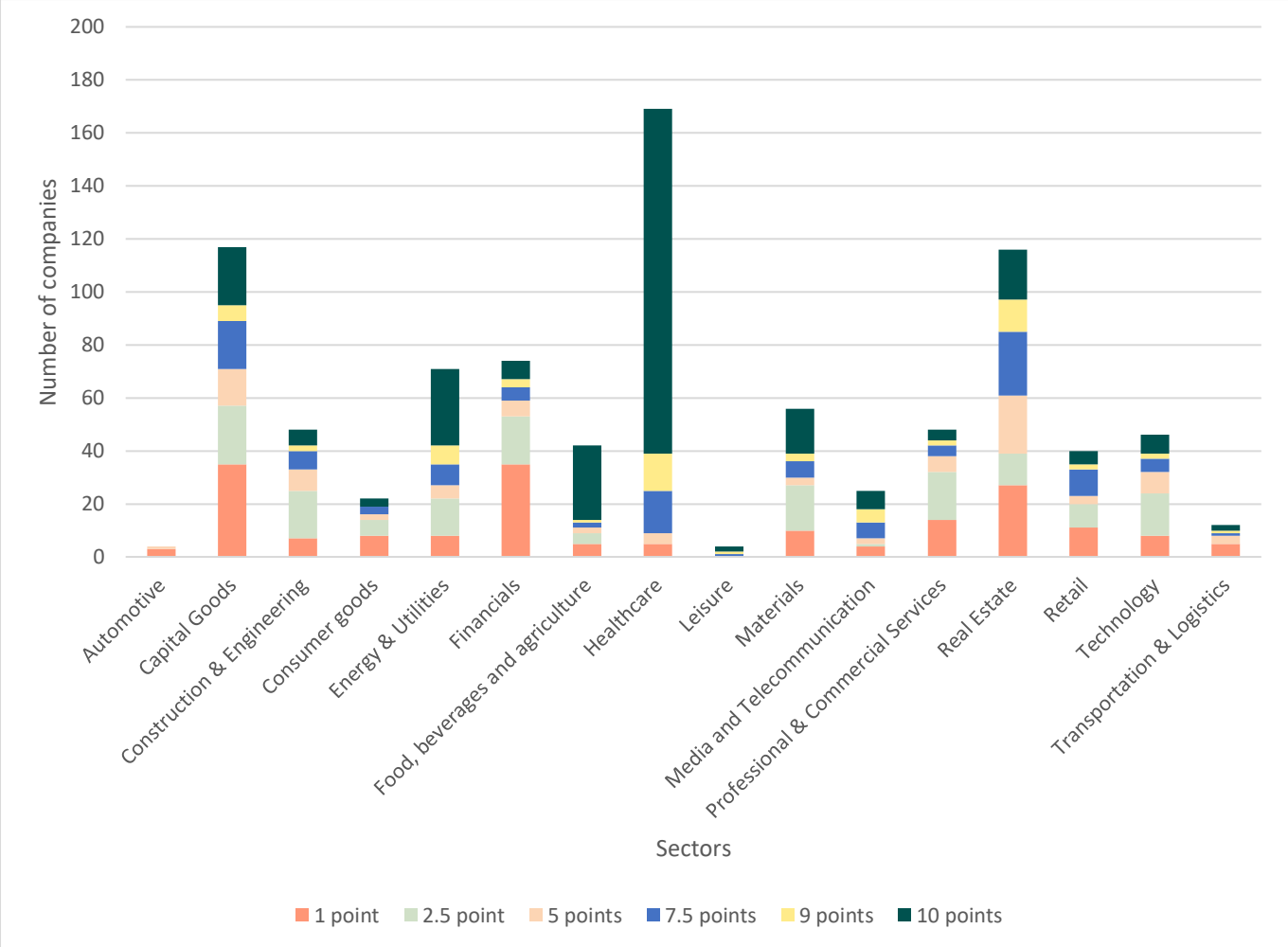
Bonus impact analysis

The overall ESG rating may be adjusted through two distinct components: a bonus reflecting companies' positive contributions to the SDGs, and a malus derived from ESG controversy assessments.

The bonus component reflects a company's contribution to the SDGs through its products and services, for instance, healthcare companies contributing to SDG 3 (Good Health and Well-being) or renewable energy companies contributing to SDG 7 (Affordable and Clean Energy).

Chart 23: Distribution of bonuses by sector and impact size

From a sectoral perspective, 'Healthcare', 'Real Estate' and 'Capital Goods' record the highest number of companies receiving a bonus. 'Healthcare' leading with 165 companies, followed by 'Real Estate' (114) and 'Capital Goods' (109). 'Healthcare' also shows the highest concentration of companies reaching the maximum bonus level of 10 points (130 companies), reflecting the sector's inherent alignment with SDG-related contributions and clearer linkage between business activities and societal outcomes.



Conclusion

The 2025 analysis confirms a continued and measurable improvement in ESG performance across European small and mid-sized companies, building on a positive trajectory observed over three consecutive years. With an average ESG score rising to 55 out of 100, the small and mid-cap universe is demonstrating a growing integration of sustainability considerations into corporate practices.

Progress is largely driven by regulatory dynamics and the progressive standardization of ESG reporting, with environmental and governance topics benefiting most from this momentum. Social dimensions, and external stakeholder engagement in particular, continue to lag, reflecting persistent gaps in both disclosure and underlying performance.

Regional and sectoral patterns remain broadly consistent with prior years, with performance differentials across geographies and industries reflecting structural differences in regulatory exposure, reporting maturity, and sector-specific ESG dynamics.

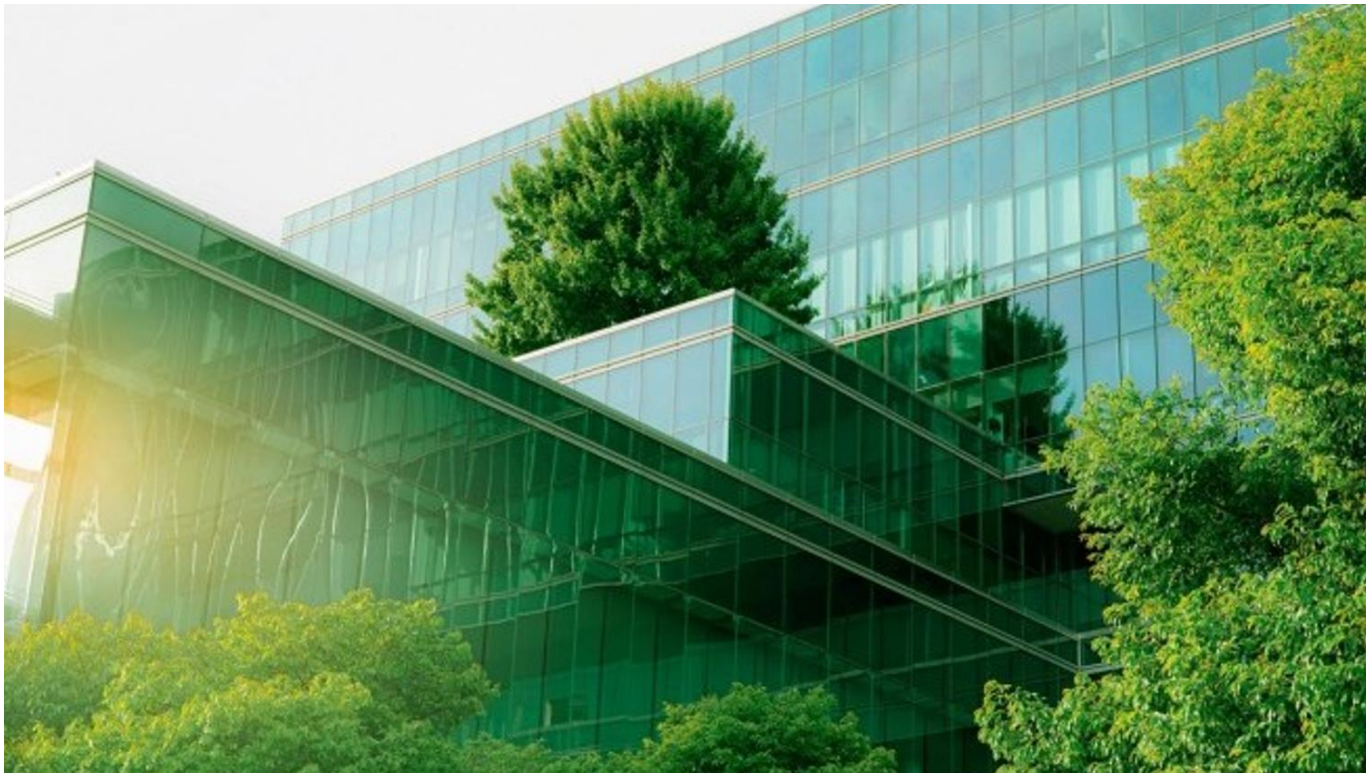
Looking ahead, the progressive rollout of the CSRD is expected to raise the baseline further and enhance comparability across the universe. Areas such as biodiversity, community impact, and supply chain accountability continue to present the most significant room for improvement and will remain under close scrutiny as reporting obligations expand.

Publication date: July 2026

Disclaimer

Disclaimer © 2026 EthiFinance - All rights reserved.
This Document was produced and delivered by EthiFinance.
EthiFinance is the sole holder of the Document and the contained information's intellectual property rights as well as the other rights that may be derived from it. Only EthiFinance and its teams can reproduce, modify, distribute or market this Document in whole or in part. This Document contains analysis, information, scoring, evaluations and research which relate exclusively to the ESG (Environmental Social and Governance) performance of entities. This Document does not in any way constitute an 'investment advice' within the meaning of Article (4)(1)(4) of the Directive 2014/65/EU of 15 May 2014 (the „Markets in Financial Instruments Directive' – MiFID II, nor an 'investment recommendation' within the meaning of article (3)(1)(35) of European Regulation No. 596/2014 of April 16, 2014 ('Market Abuse Regulation'), nor, more generally, a recommendation or offer to buy, subscribe to, sell or hold or retain a security. This Document may under no circumstances be used to structure finance transactions (such as, without this list being exhaustive, implementation of an ESG loan, bond issue, etc.) or to evaluate credit risk, liquidity risk or any other element which does not directly and exclusively belong to ESG performance. Any disclosure of this Document shall always contain the name of the author, EthiFinance, and the date of issuance. No modification, selection, alteration, withdrawal, or addition shall be brought to the Document in any way. The information contained in this Document results from the analysis made by EthiFinance teams at the time the Document has been issued. It might be subject to significant changes. This analysis shall always be read considering the date of issuance. The analysis shall not be relevant for a subsequent period or a prior period. It is a subjective analysis, and it is not tailor-made to any recipient specific financial situation, experience or know-how. It shall not replace the skills, the experience and the knowledge of decision makers when they make investment or commercial decisions. EthiFinance shall not be held responsible for any damage or loss, direct or indirect, that may result from the use of the information contained in this Document. EthiFinance observes the greatest care possible in the selection, review and use of information and data in this Document. This information comes from sources whose information can legitimately be considered as true and reliable and over which EthiFinance does not have direct control or cannot always conduct a verification. The information comes from public information, third parties or has been transmitted to EthiFinance by companies. It might be subject to modification. The information is provided 'as is' and EthiFinance declines all liability for any damages that may result from the use of this Document or the information it contains whatsoever. Furthermore, EthiFinance, and all of its suppliers, disclaim all warranties, express or implied, including warranties of commerciality, comprehensiveness, trustworthiness, completeness, accuracy or suitability of this publication for a particular purpose.

Contact us



www.ethifinance.com
contact@ethifinance.com

France
153 Boulevard Haussmann, 75008 PARIS

Germany
+49 511 999987-0
Hohenzollernstraße 26, 30161 HANNOVER

Spain
+34 914 31 82 42
Calle Velázquez nº18 - 3ºDcha, 28001 MADRID