

Backgrounder: Environmental Performance of Canadian Firms

Alexander Dyck and Lukas Roth¹

November 7, 2017

Executive Summary

This backgrounder explores the case for Canadian-traded firms to increase their environmental disclosure, considering the benefits and the costs. This document provides relative rankings of the environmental performance by Canadian firms. These data help to identify if Canadian firms' level of disclosure is significantly below benchmarks, and if there are adverse or positive trends in disclosure against these benchmarks. Such information plays a role in assessing the net benefits of changes in environmental disclosure.

We present environmental performance statistics ('E scores') provided to investors through one commercial platform investors can easily access (for a fee). It is one component of ESG data (with 'E' referring to environmental performance data, 'S' to social performance data and 'G' to governance data). The data are based both on disclosure and on performance, as detailed in Section 1. The main analysis focuses on two environmental performance scores for Canadian firms: (1) the platforms' E score based on a proprietary weighting scheme across measured items; and (2) an alternative E score we develop that employs a different weighting scheme described in Section 1. Supplementary analysis focuses on firms' emission and resource reduction, related more directly to firms' carbon-related disclosures. Finally, we also include data on firms' social disclosure using similarly constructed S scores. This is also based on voluntary reporting by firms.

The analysis is divided into the following sections:

- Section 2 presents information on the firms included in the sample.
- Section 3 presents data on Canadian firms' E performance from 2008-2016, showing breakdowns by industry and size.
- Section 4 shows Canadian firms' E performance against the E performance of a global sample of firms, presenting first the raw data and second Canadian firms' E performance against a size and industry-adjusted sample of global firms. Adjusting by size and industry is important if: (a) there are persistent differences in E performance based on industry and size; and (b) Canadian firms present a skewed sample with industry and size composition differing from firms in the global sample.
- Section 5 shows Canadian firms' emission and resource reduction scores over time and compared to a global sample.
- Section 6 compares the level and trends in Canadian firms' E performance against trends in their S performance. Both E and S performance are voluntary.

¹ Alexander Dyck is a Professor of Finance and Business Economics and the Manulife Financial Chair in Financial Services at the Rotman School of Management at the University of Toronto (adyck@rotman.utoronto.ca). Lukas Roth is an Associated Professor of Finance at the Alberta School of Business at the University of Alberta (lukas.roth@ualberta.ca).

1. Measuring Firms' E&S Performance

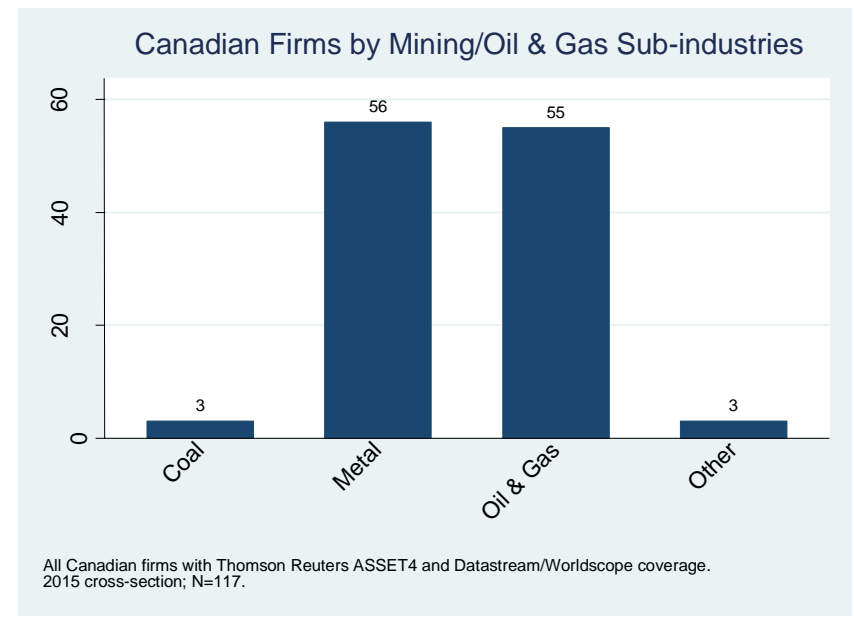
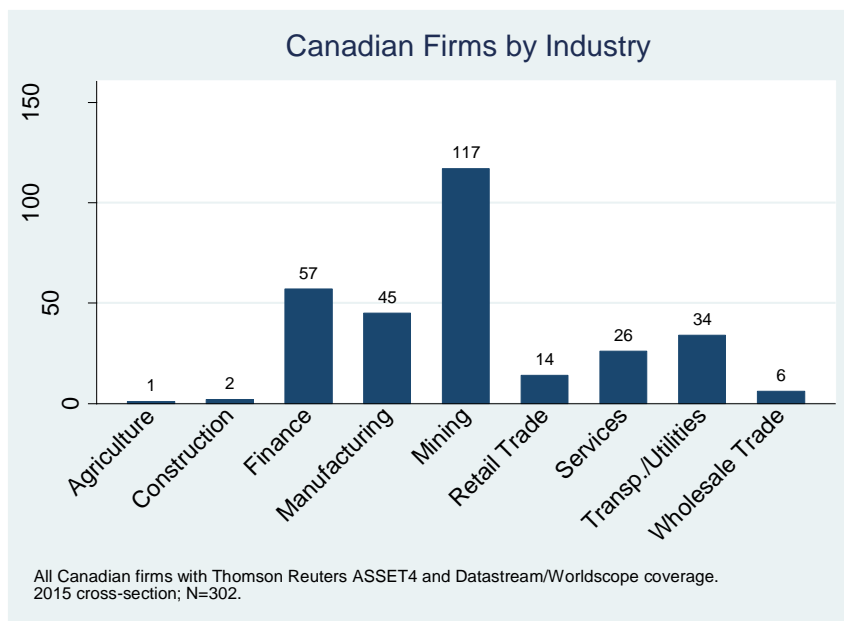
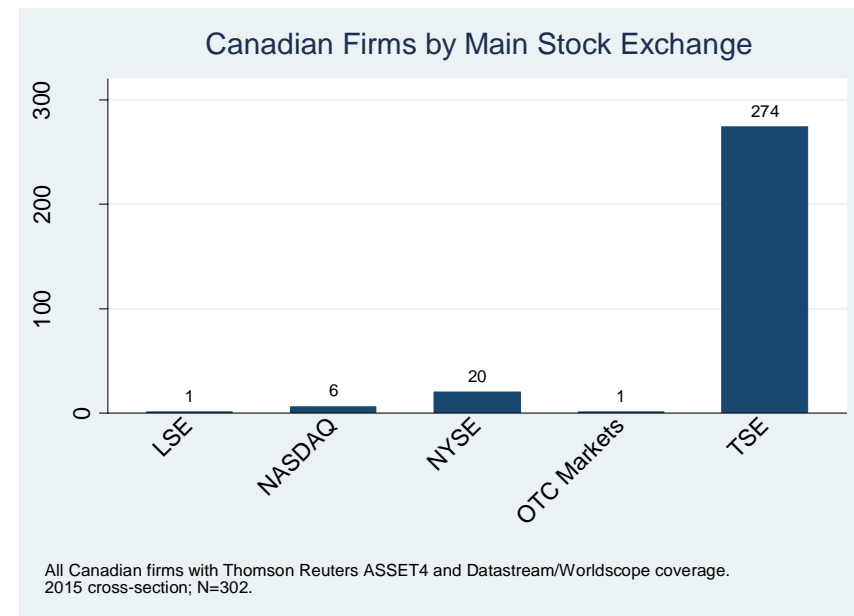
We obtain data on firms' E&S performance from the Thomson Reuters ASSET4 ESG database. Thomson Reuters acquires information from annual reports, corporate sustainability reports, NGOs, and news sources for large, publicly traded companies from over 45 countries, at annual frequency. Thomson Reuters states that reported data items are chosen to maximize company coverage, timeliness of reporting, data availability, quality, and perceived materiality for investors. Coverage of firms begins in 2004, with coverage for a few countries starting in 2009. To have a more balanced panel, we use data from 2008 through 2016.

ASSET4 evaluates firms' environmental commitments in three areas: Emission Reduction, Product Innovation, and Resource Reduction. Social commitments are evaluated in seven areas: Community, Diversity & Opportunity, Employment Quality, Health & Safety, Human Rights, Product Responsibility, and Training & Development. Within each area, ASSET4 analysts identify specific line items (e.g., "Are the firm's greenhouse gas emissions/sales below the industry median in that year?"), with 148 items in total (see Appendix A for details).

We construct measures of firms' E&S performance. There is no obvious 'right' weighting scheme of these line items that an investor should use. We use two weighting approaches. First, we transform all line items into indicator variables such that a 'one' corresponds to better E or S performance (e.g., a below-median greenhouse gas emission firm would get a 'one')² and construct an equally-weighted performance measure, where we weight all three environmental and all seven social areas equally, and then sum across the areas to produce aggregate E&S performance scores. Second, we use the proprietary-weighted aggregate scores that ASSET4 provides to investors (ASSET4 z-scores). These rank-based scores range from 0 to 100 and measure the E&S performance relative to all other companies in a given year. In any given year, the average ASSET4 z-score of the sample is 50.

² Specifically, for questions with a positive direction (i.e., a "yes" answer or a greater number is associated with better environmental or social performance), we translate the answers to Y/N questions into 0 (N) and 1 (Y); the answers to double Y/N questions into 0 (NN), 0.5 (YN or NY), and 1 (YY); and the answers to numerical questions into 0 (value is less (or equal) than zero; or value is less (or equal) than the median) and 1 (value is greater than zero; or value is greater than the median). For questions with a negative direction (i.e., a "no" answer or a lower number is associated with better environmental or social performance), the opposite coding applies.

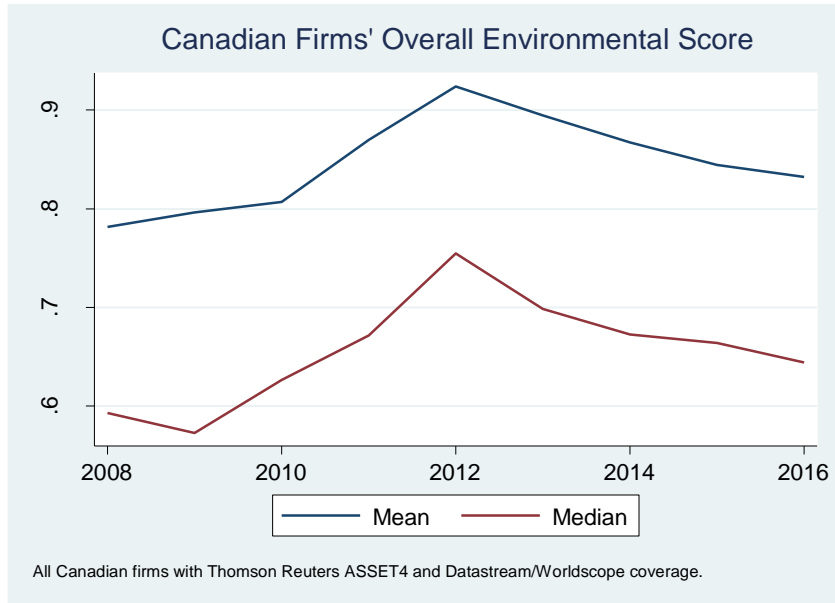
2. Sample Composition of Canadian Firms



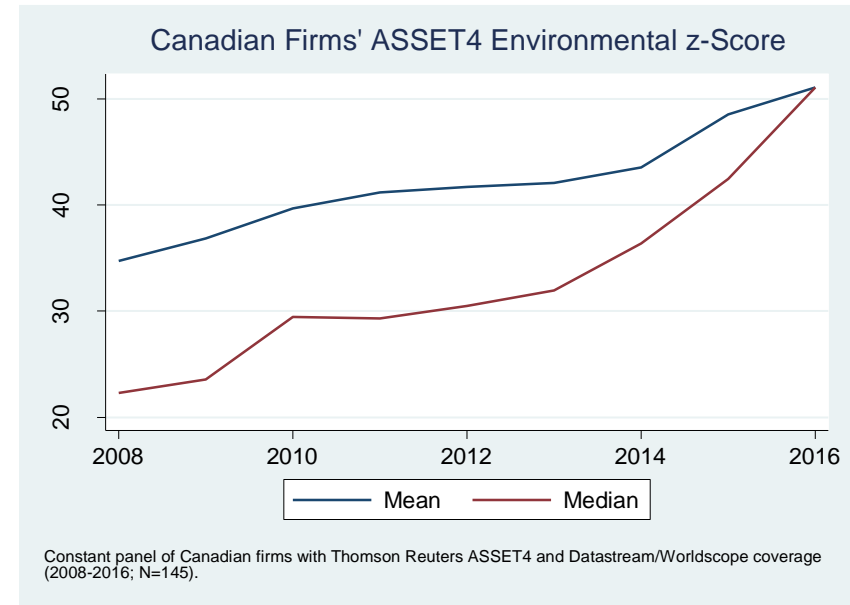
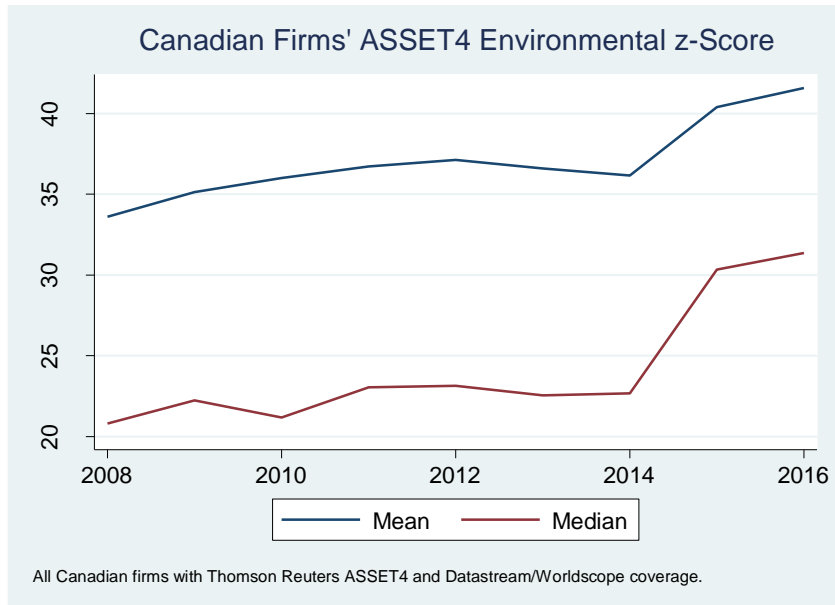
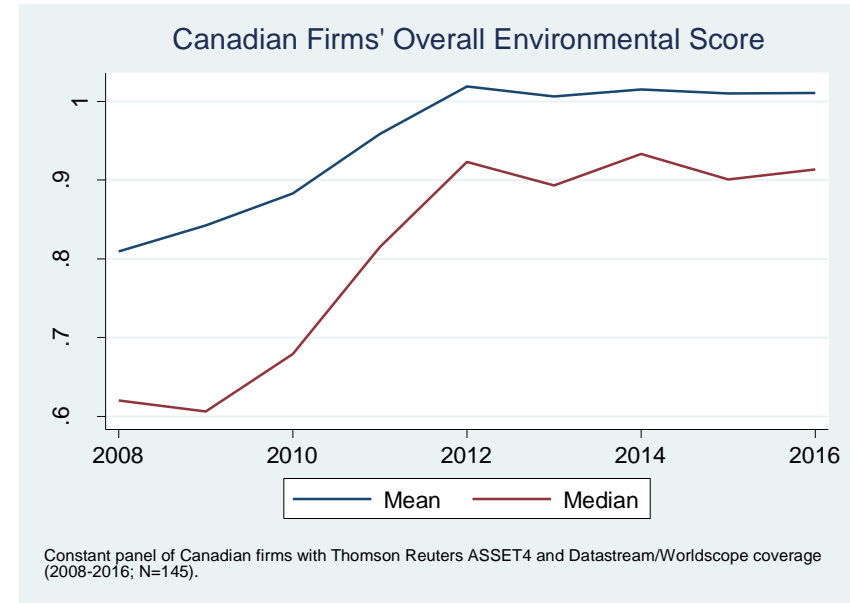
3. Overall Environmental Performance of Canadian Firms

We present data based on all firms and for a constant sample of firms where results are not driven by firms entering or dropping out of the sample.

3.1 All Firms

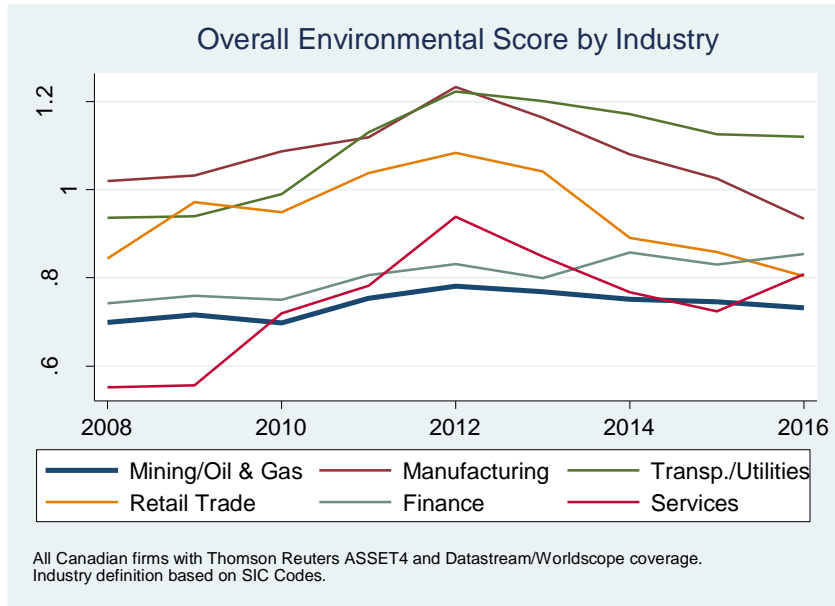


3.2 Constant Panel 2008-2016 (N=145)

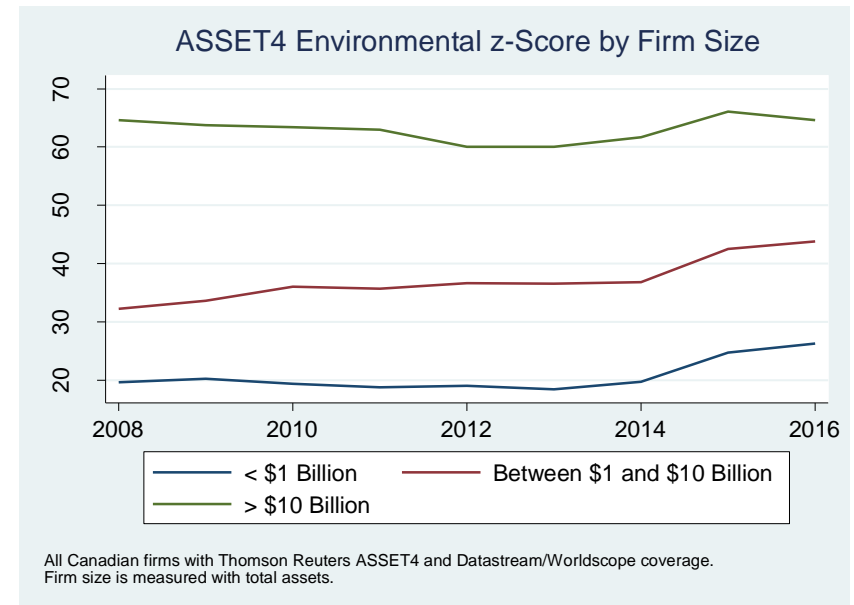
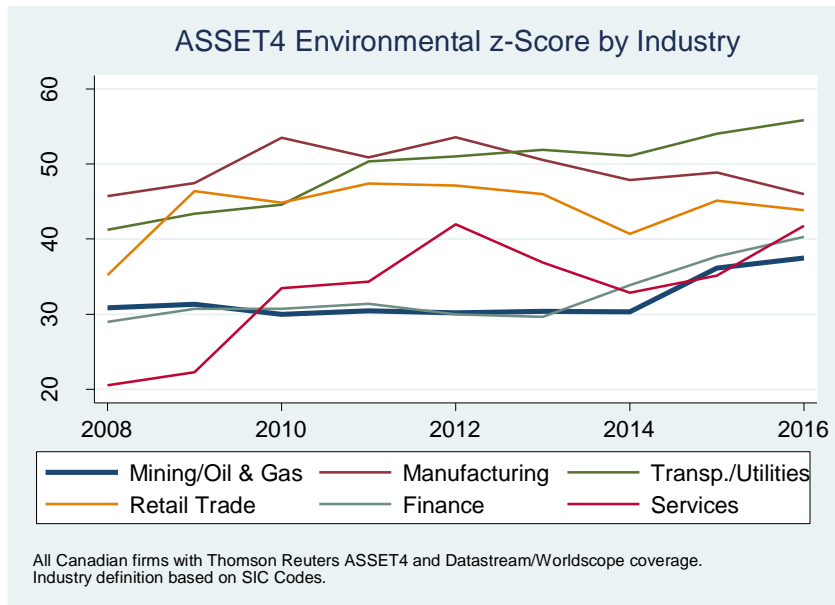
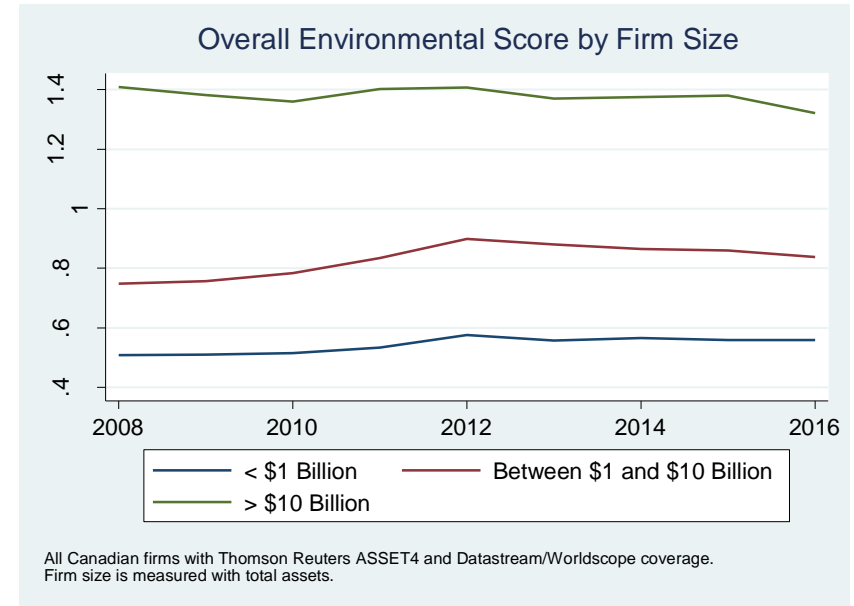


To see the impact of firm size on environmental performance, we present data for the whole sample broken down by size, and for the largest industry group (mining/oil & gas).

3.3 Environmental Performance by Industry

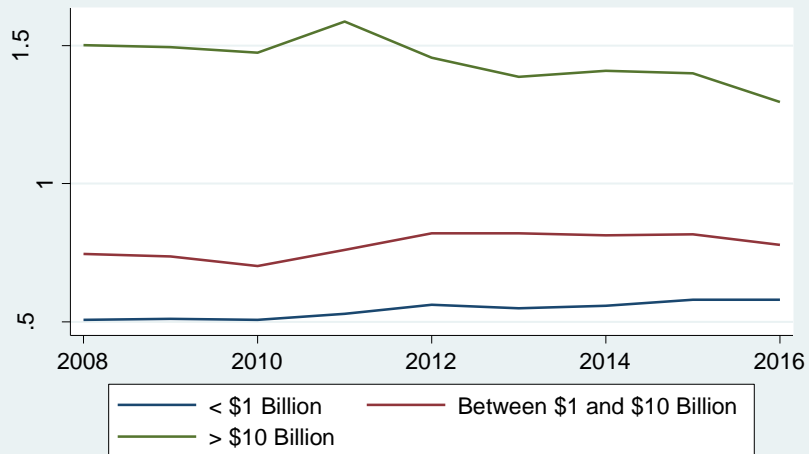


3.4 Environmental Performance by Firm Size



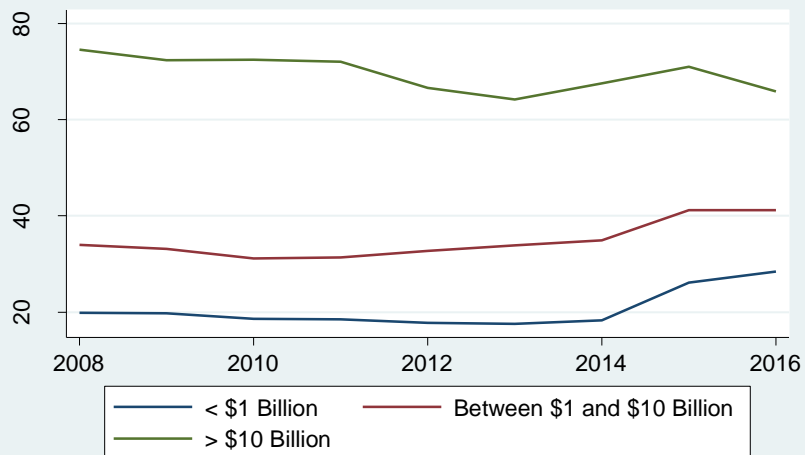
3.5 Environmental Performance by Firm Size for Mining/Oil & Gas

Overall Environmental Score by Firm Size for Mining/Oil & Gas



All Canadian firms with Thomson Reuters ASSET4 and Datastream/Worldscope coverage. Mining: SIC Code 10-14, including metal, coal, oil and gas. Firm size is measured with total assets.

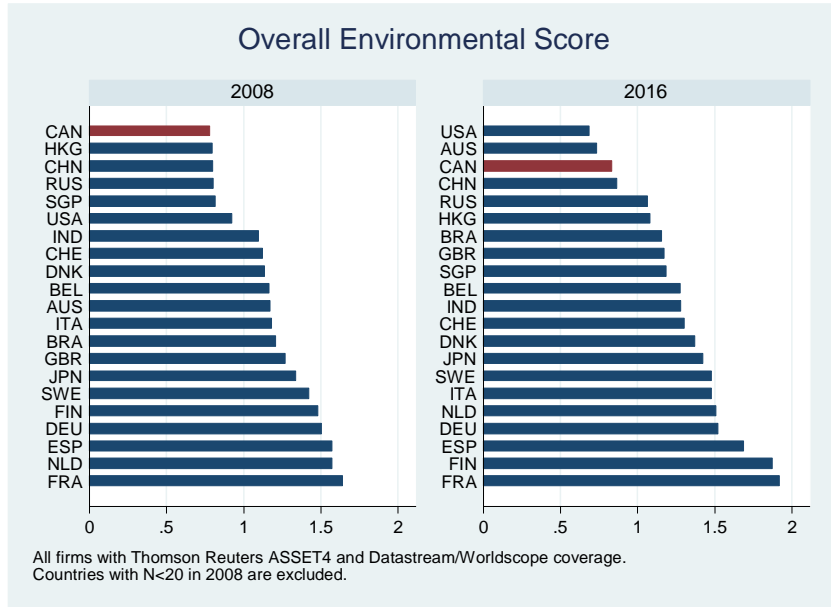
ASSET4 Social z-Score by Firm Size for Mining/Oil & Gas



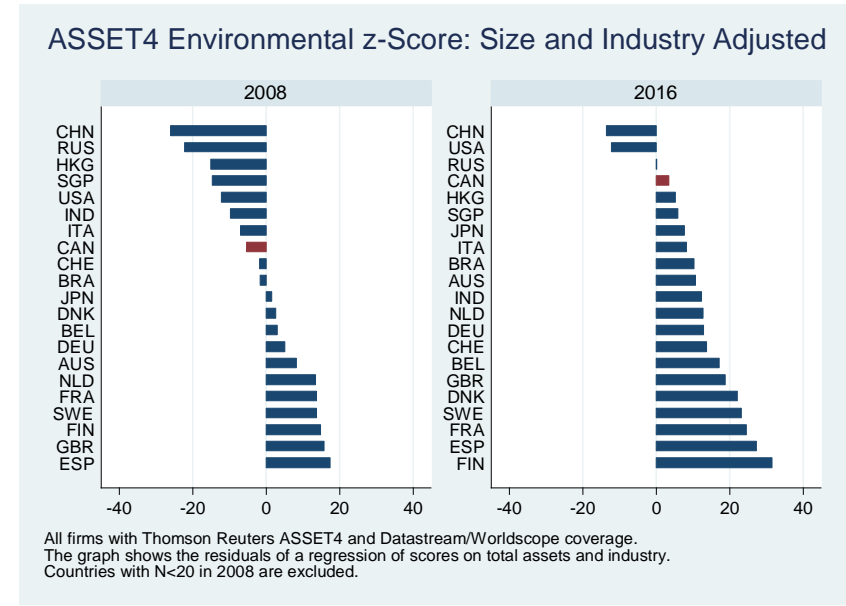
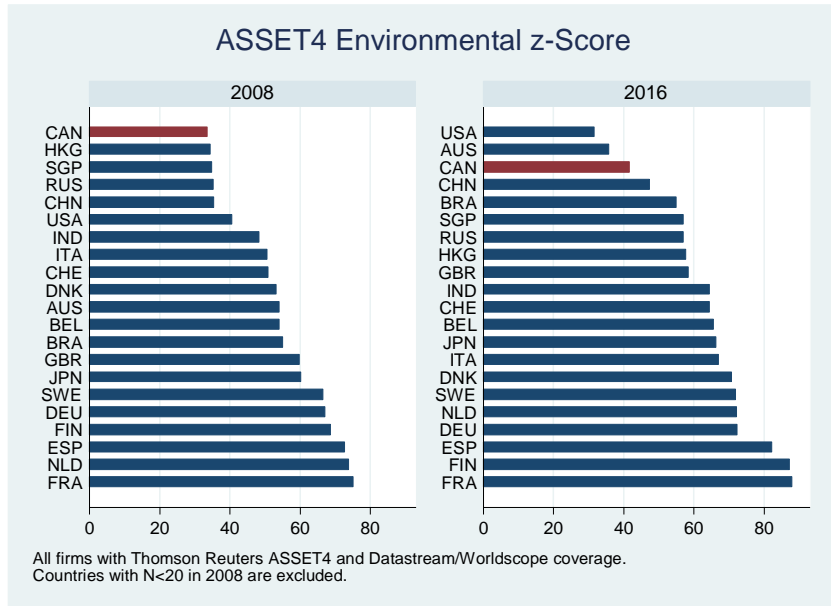
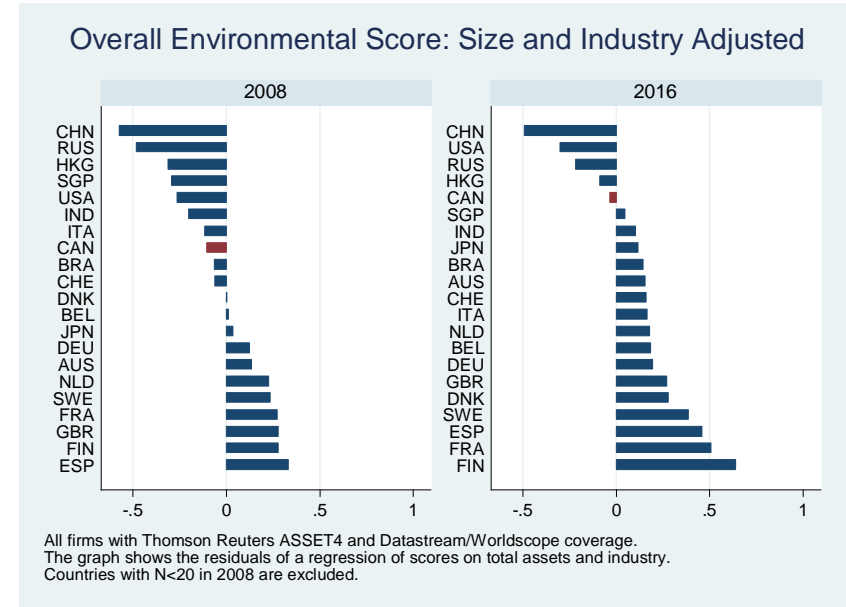
All Canadian firms with Thomson Reuters ASSET4 and Datastream/Worldscope coverage. Mining: SIC Code 10-14, including metal, coal, oil and gas. Firm size is measured with total assets.

4. Environmental Performance of Canadian Firms vs. Global Benchmark

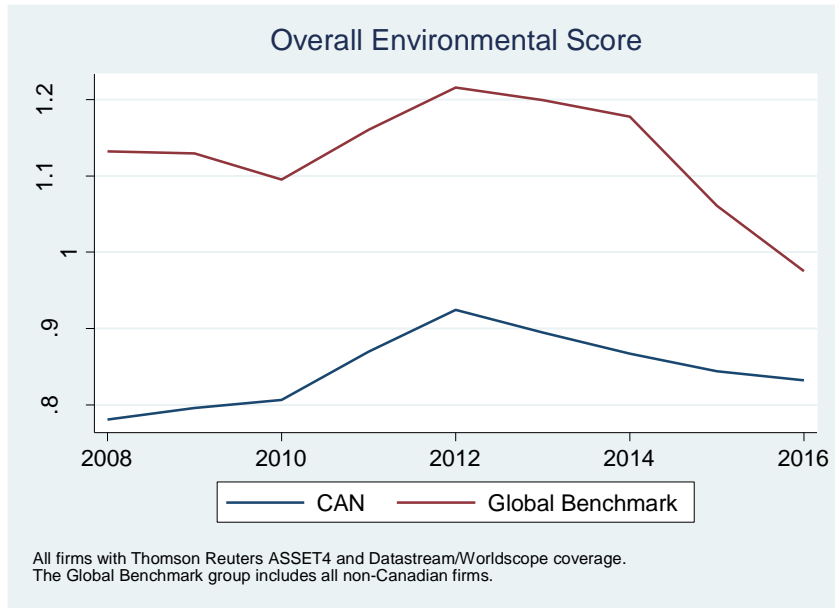
4.1 Country Ranks 2008 vs. 2016



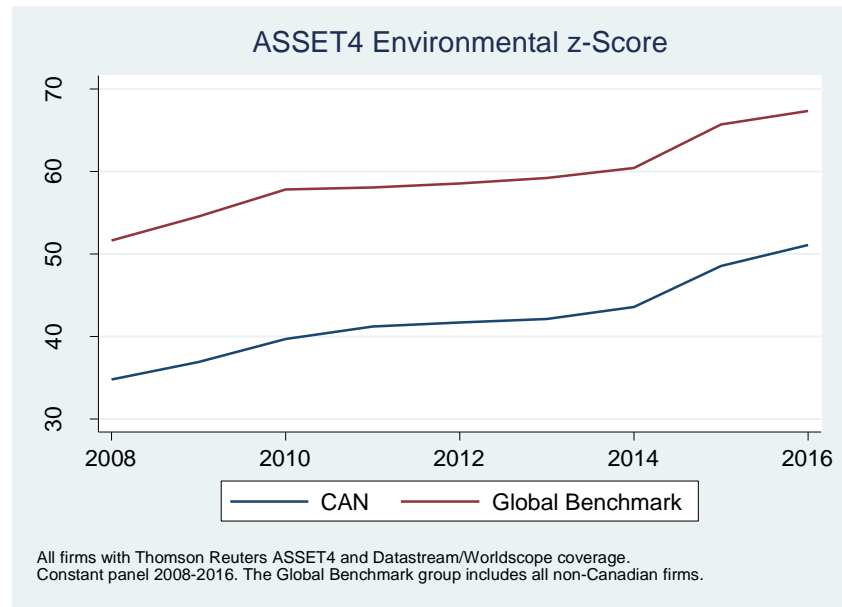
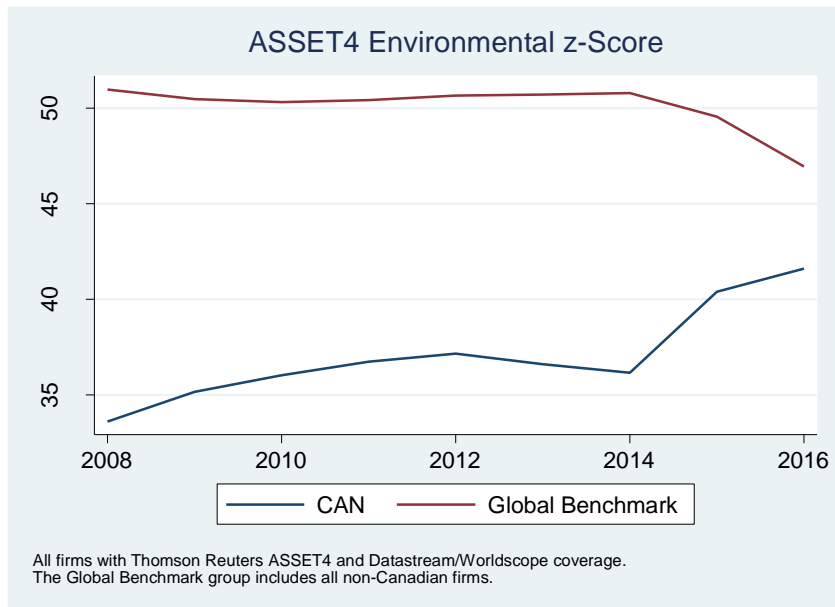
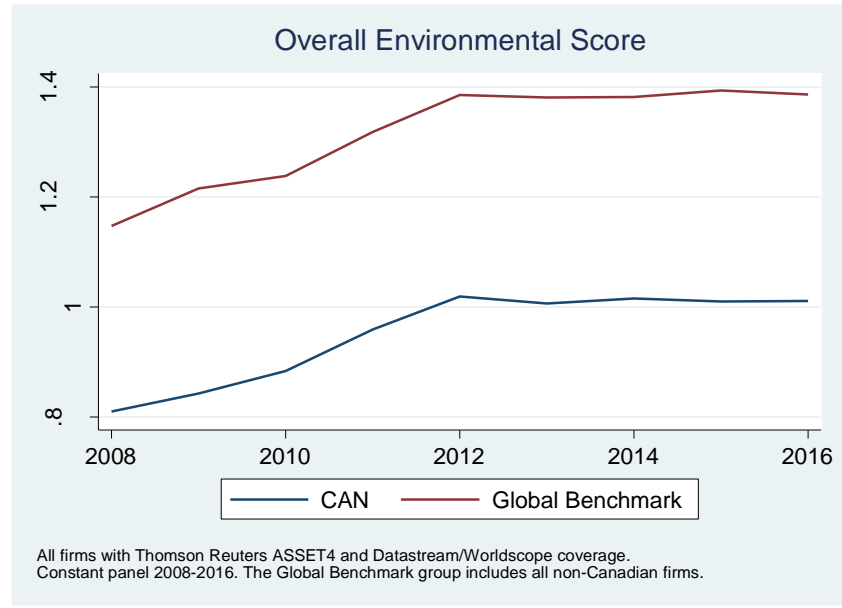
4.2 Country Ranks 2008 vs. 2016: Size and Industry Adjusted



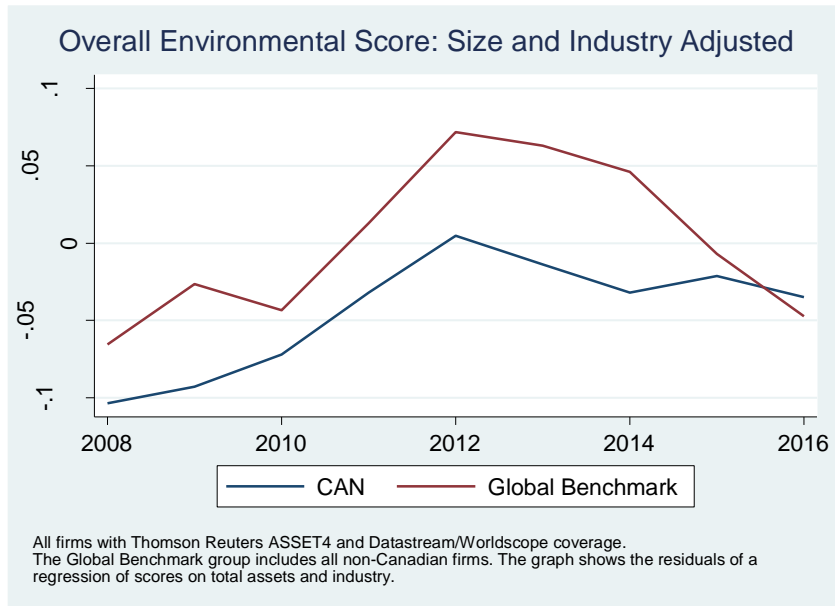
4.3 Global Benchmark: Overall



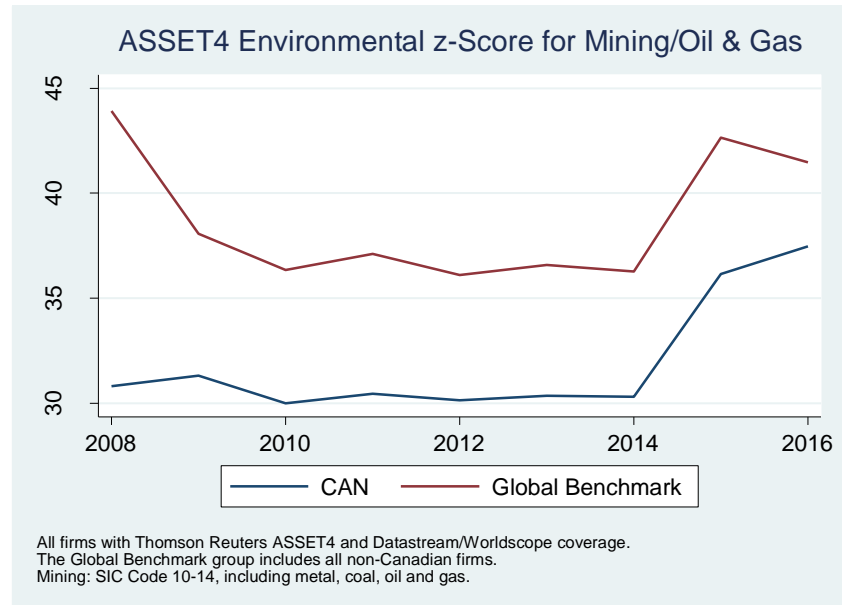
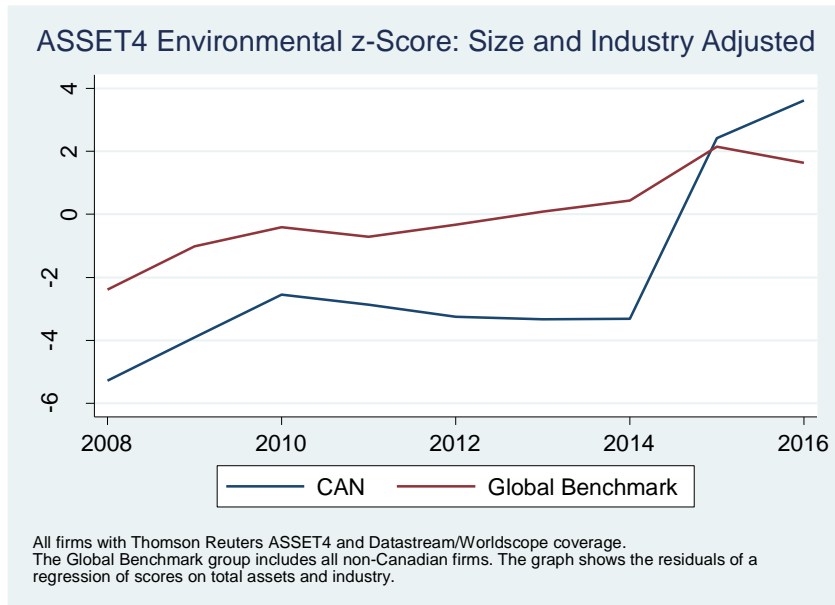
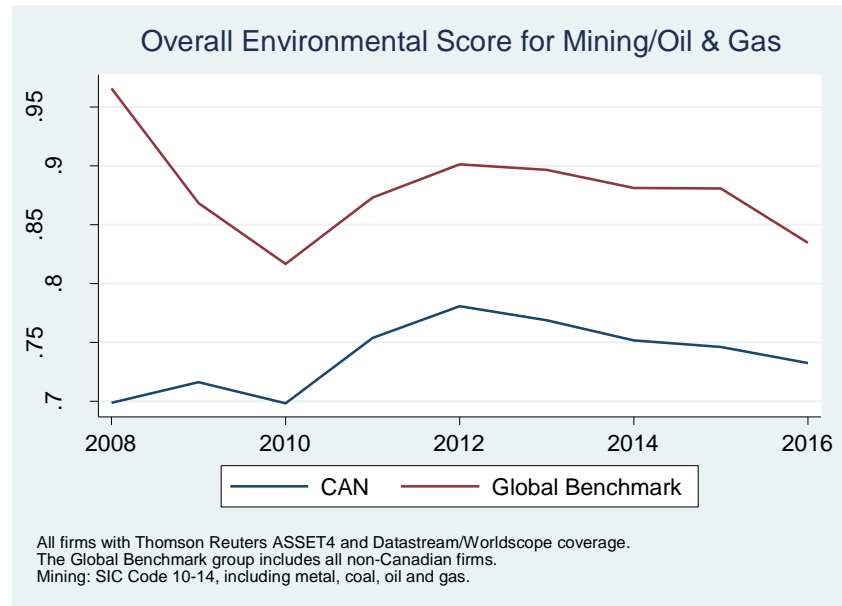
4.4 Global Benchmark: Constant Panel 2008-2016



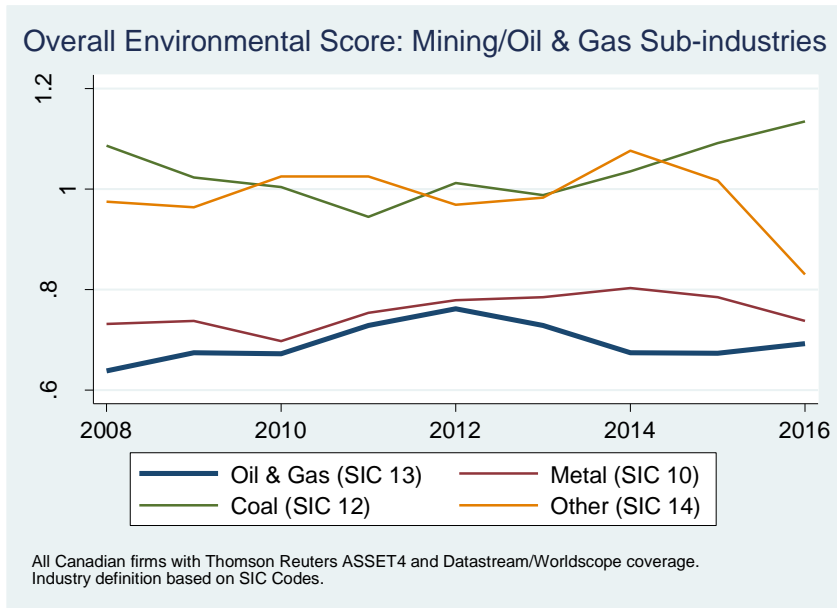
4.5 Global Benchmark: Size and Industry Adjusted



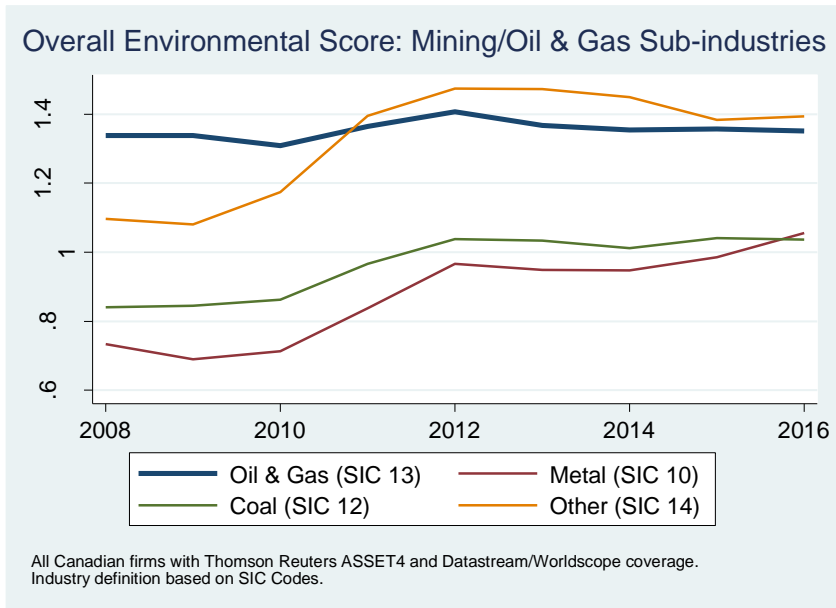
4.6 Global Benchmark: Mining/Oil & Gas Industry



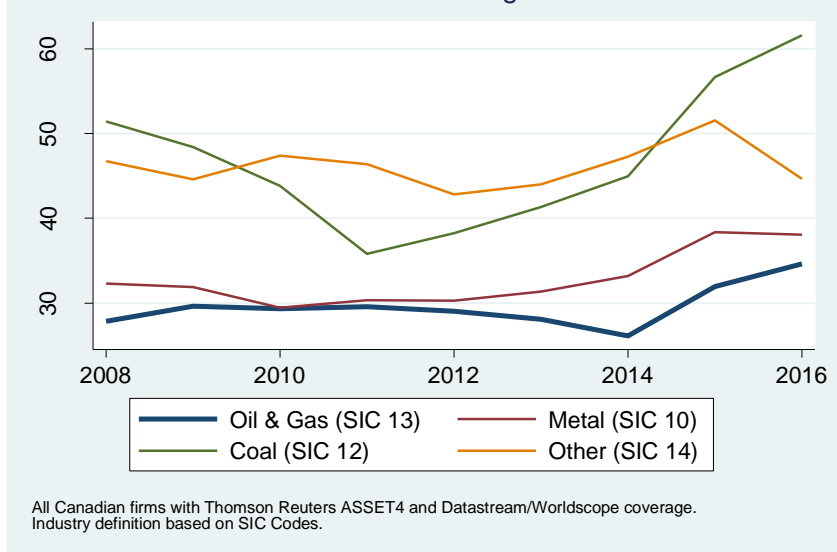
4.7 Canadian Firms – Mining and Oil/Gas separately



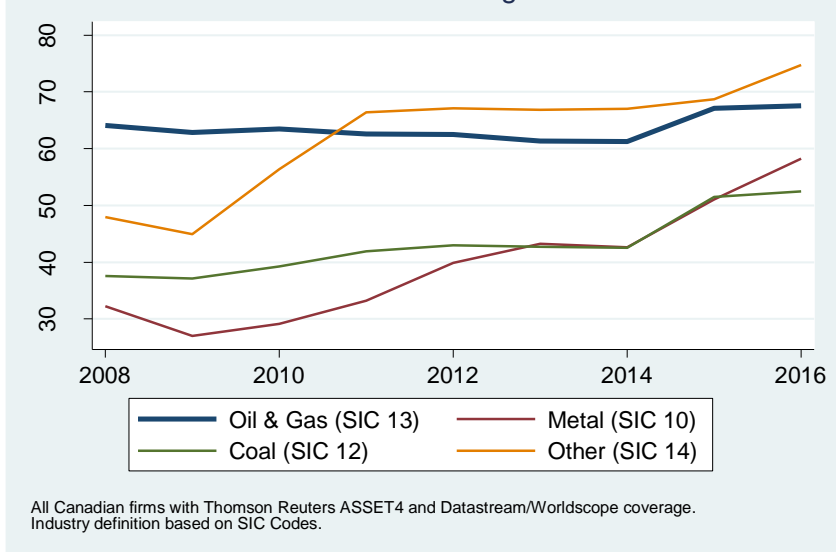
1.3 Global Benchmark - Mining and Oil/Gas separately



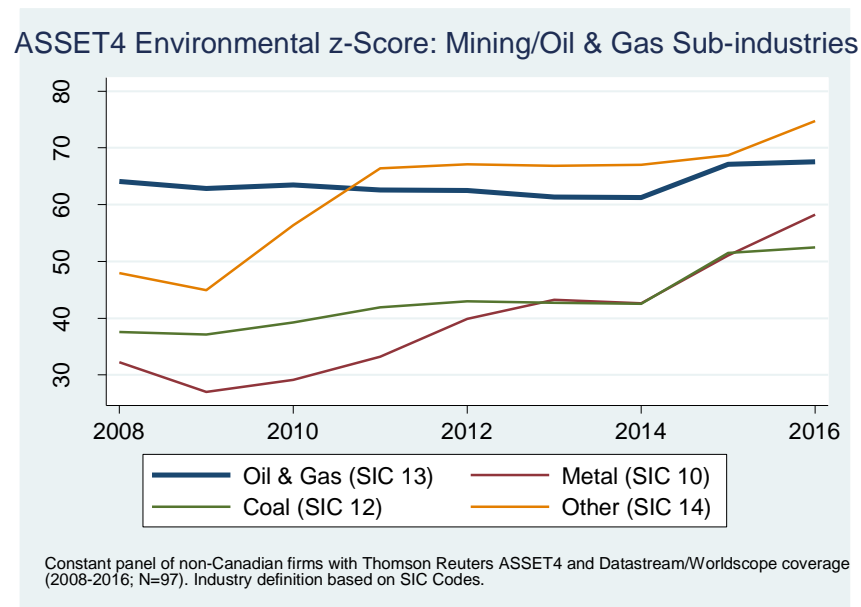
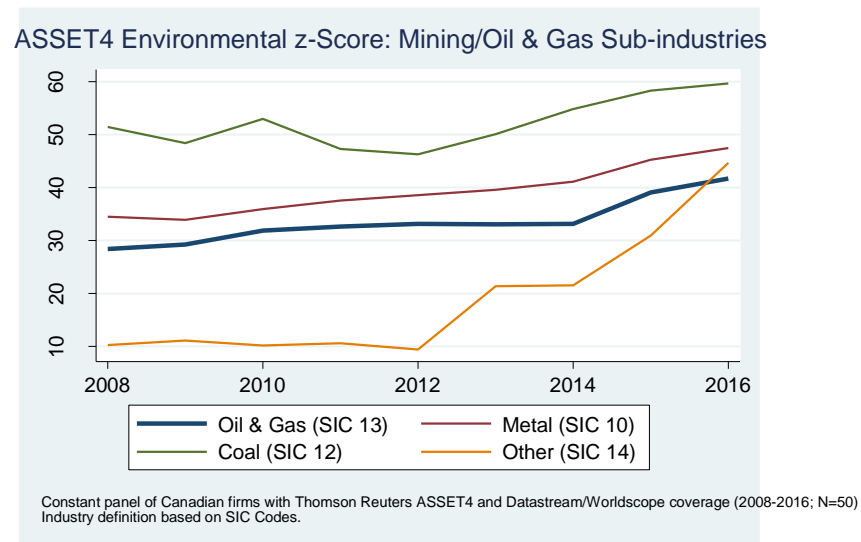
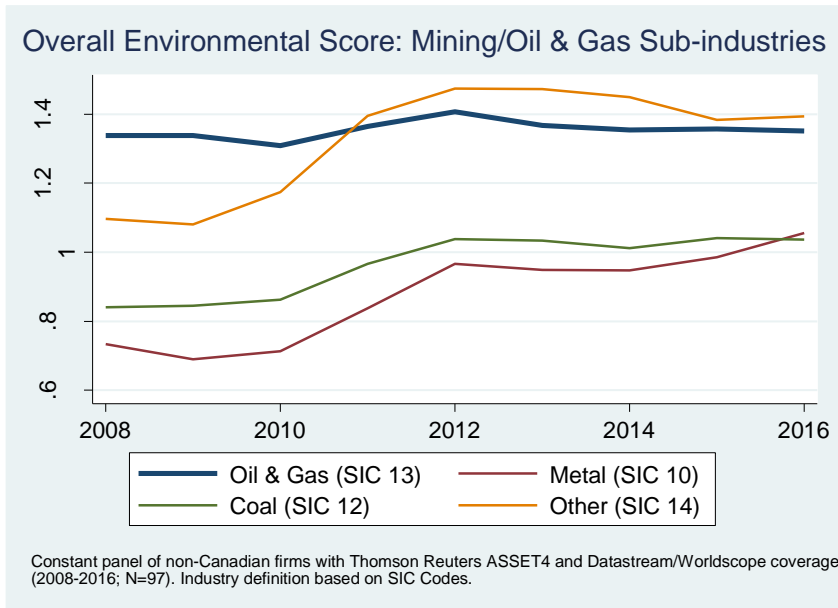
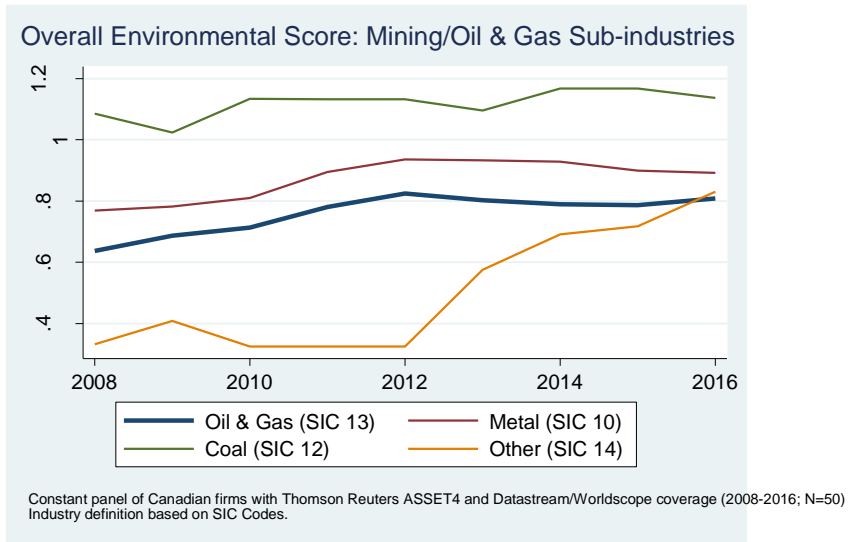
ASSET4 Environmental z-Score: Mining/Oil & Gas Sub-industries



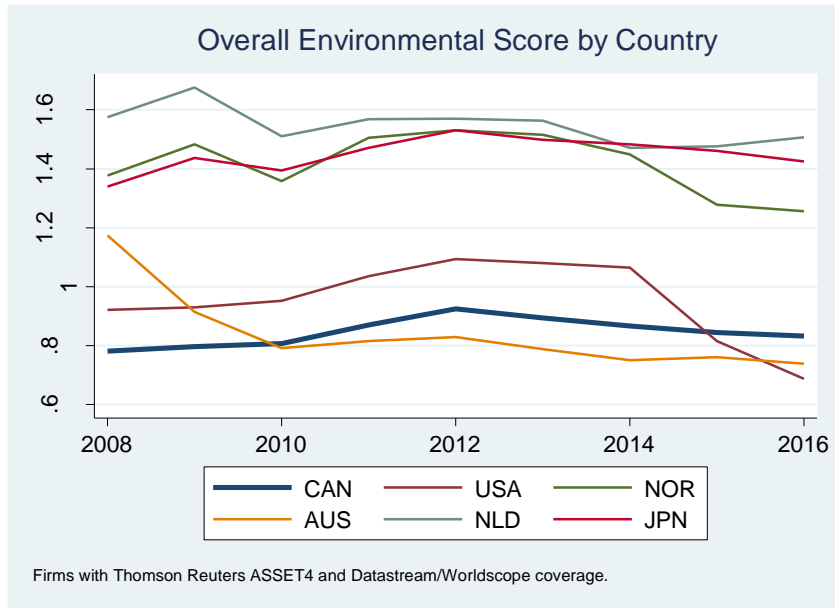
ASSET4 Environmental z-Score: Mining/Oil & Gas Sub-industries



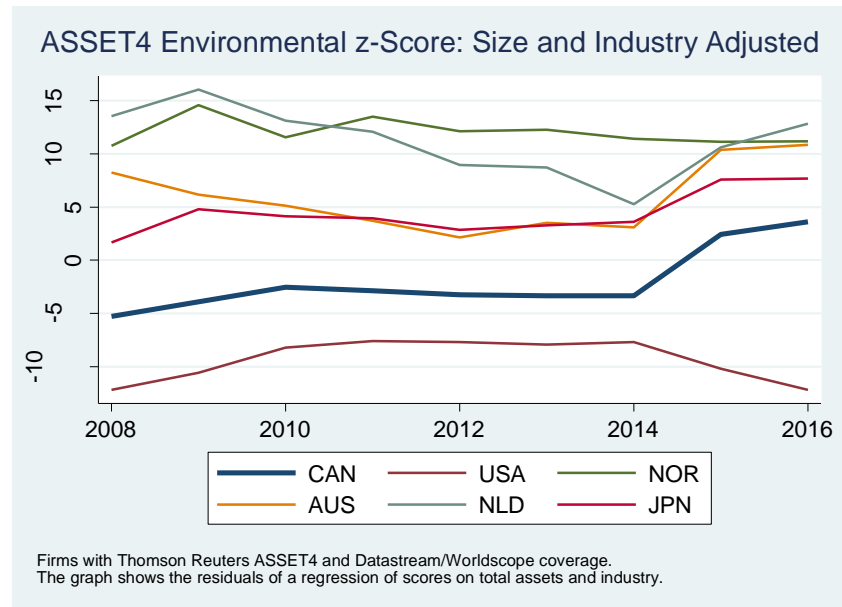
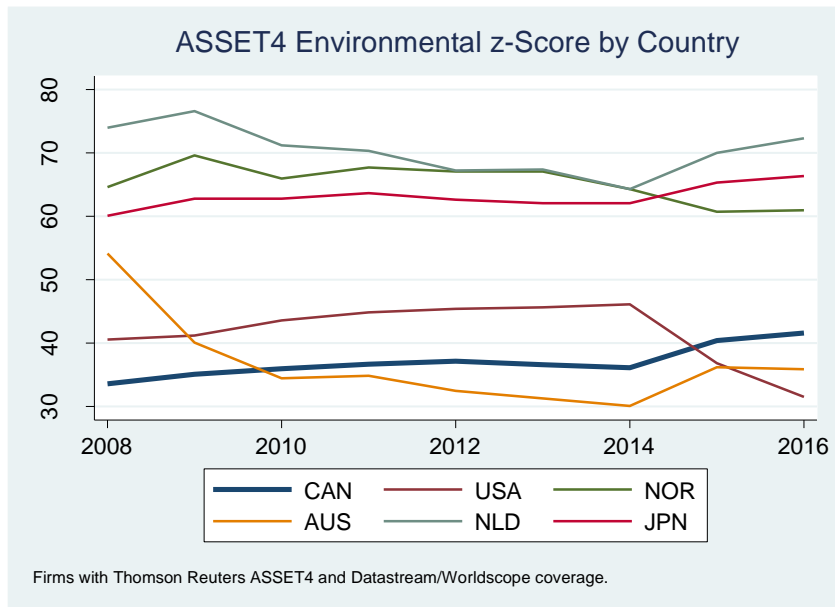
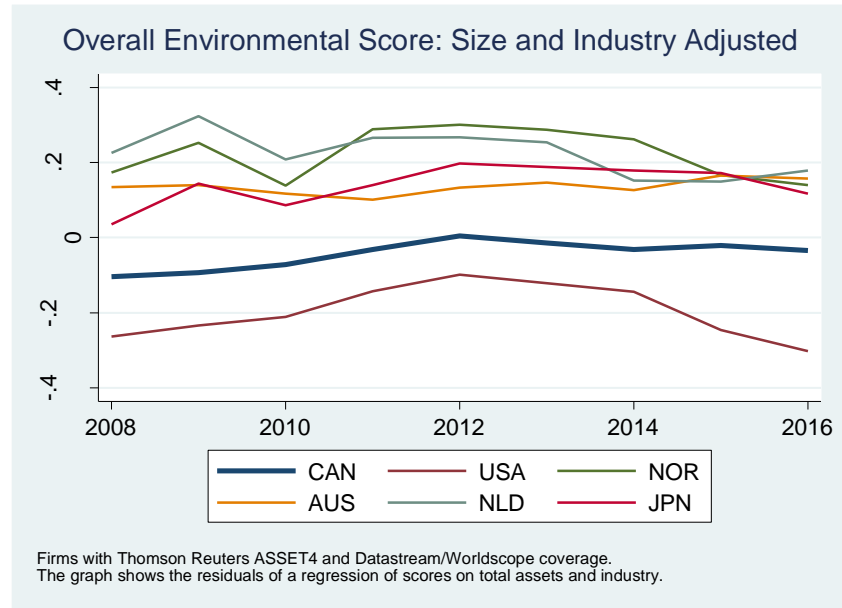
Mining and Oil/Gas separately 4.8 Canadian: Constant Panel 08-16 (N=50), 4.9 Global Benchmark: Constant Panel 2008-2016 (N=97)



4.10 Canada vs. Individual Countries

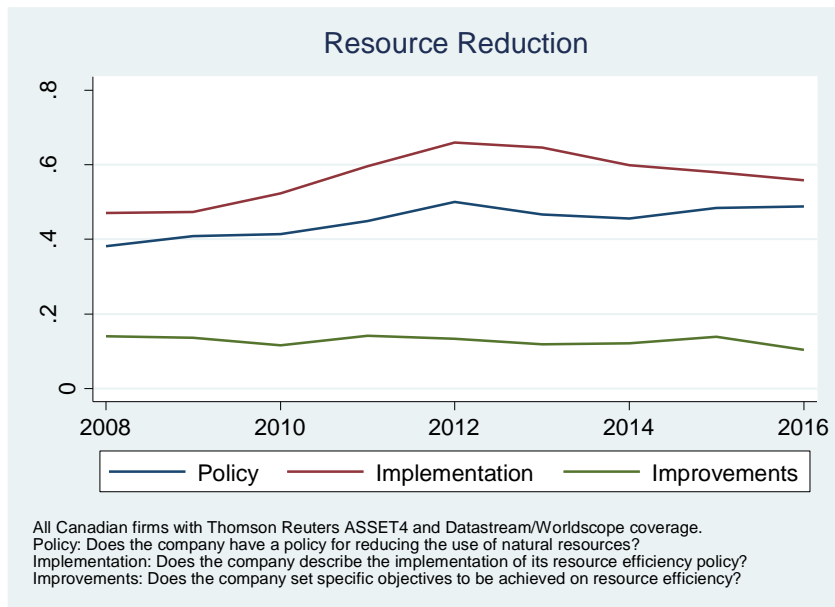
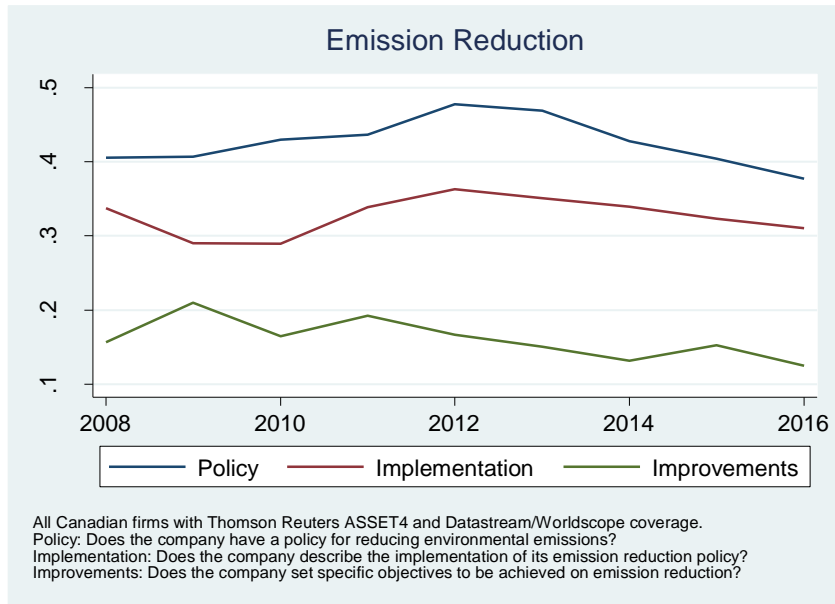


4.11 Canada vs. Individual Countries: Size and Industry Adjusted

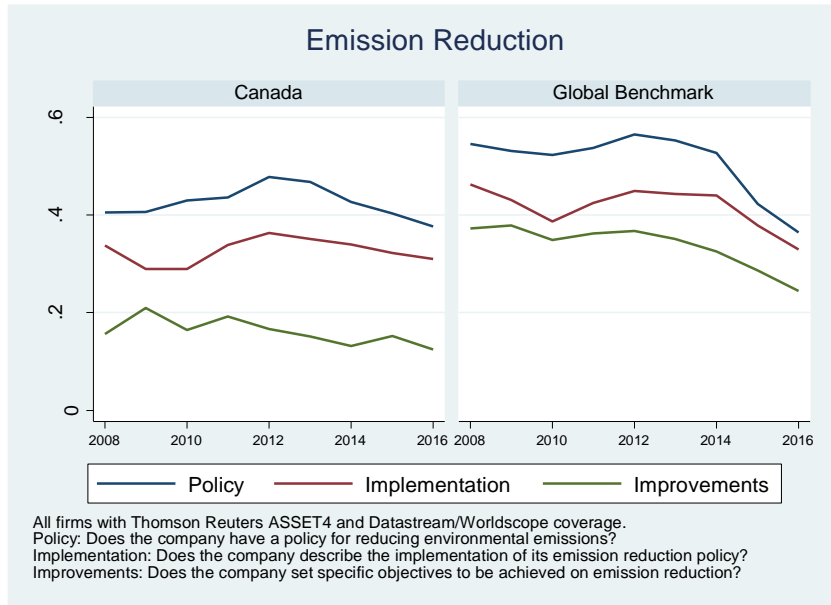


5. Emission and Resource Reduction: Policy, Implementation, and Improvement

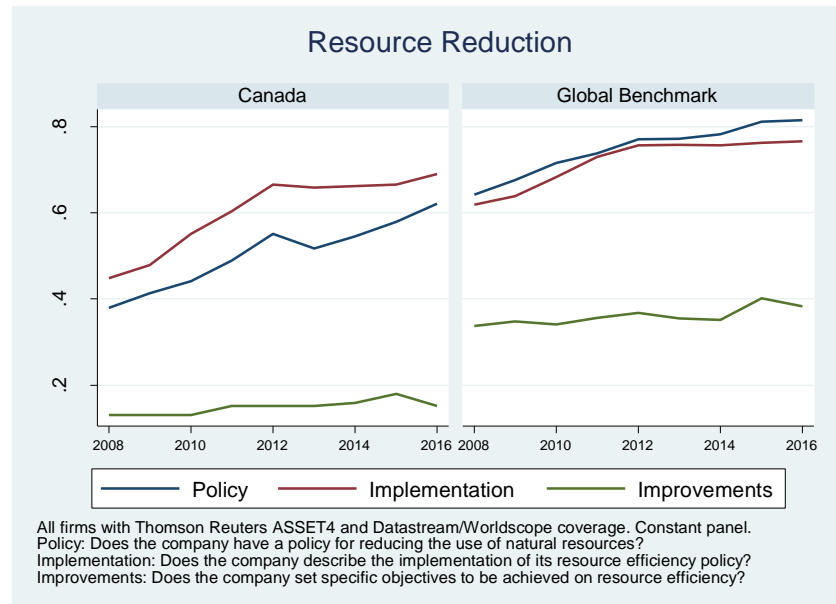
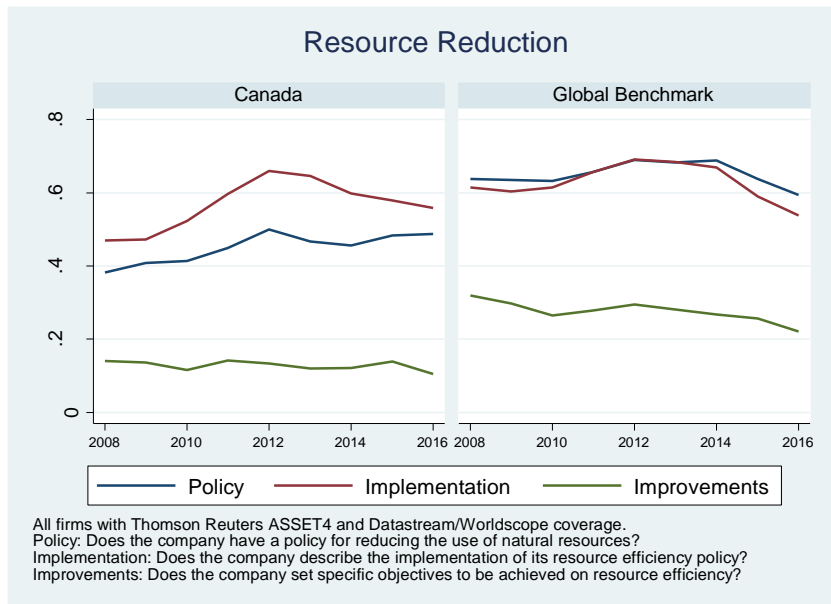
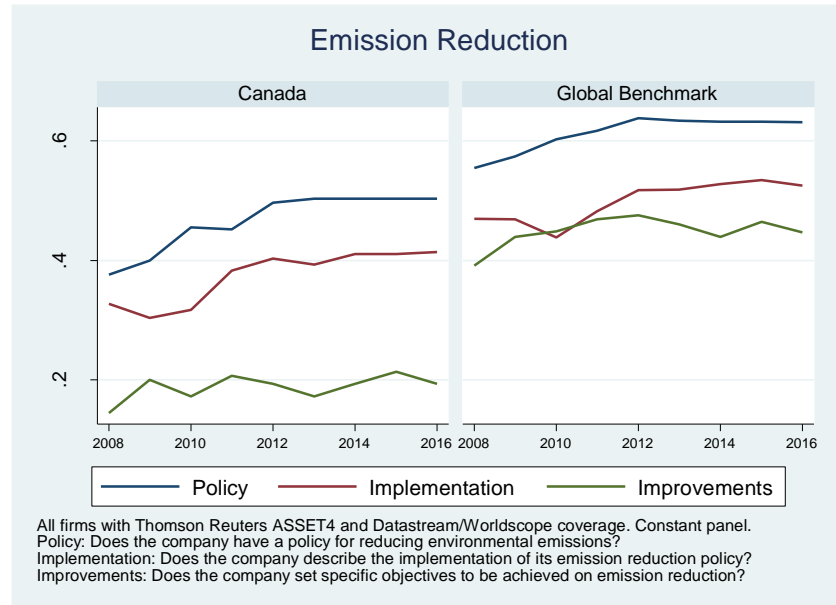
5.1 Canadian Firms



5.2 Canadian Firms vs. Global Benchmark

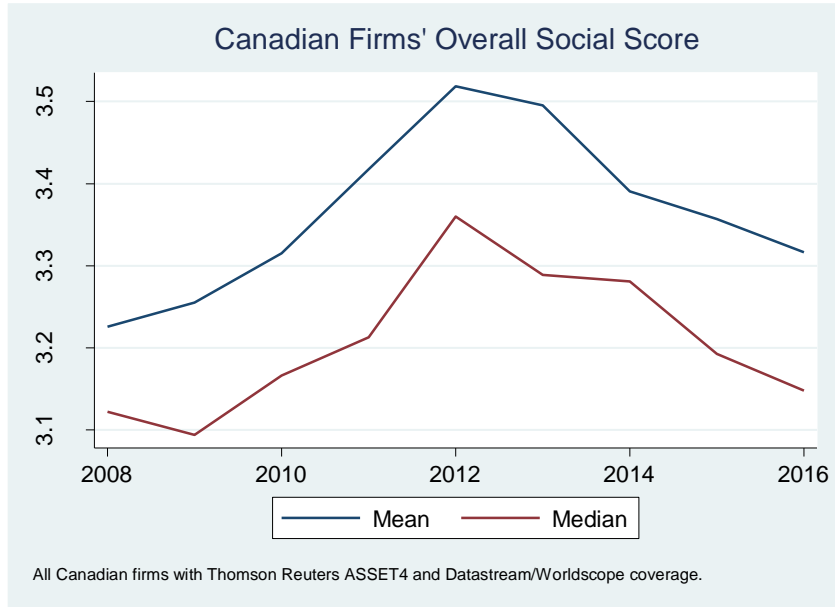


5.3 Canadian Firms vs. Global Benchmark: Constant Panel 2008-2016

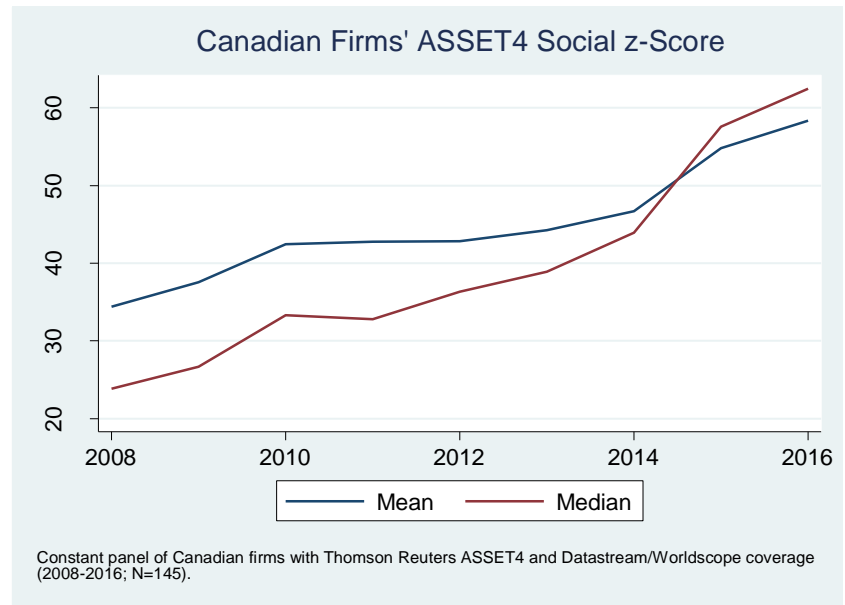
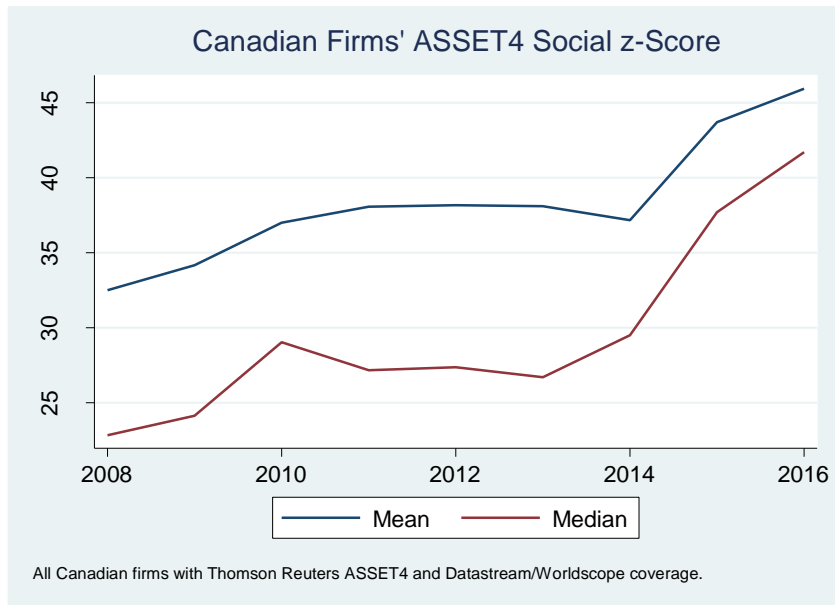


6. Social Performance of Canadian Firms

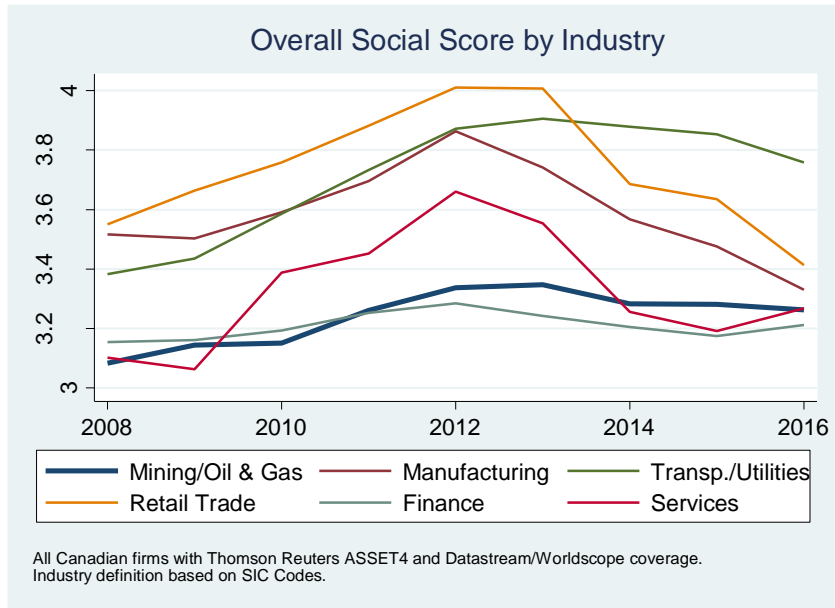
6.1 Overall performance and with constant panel



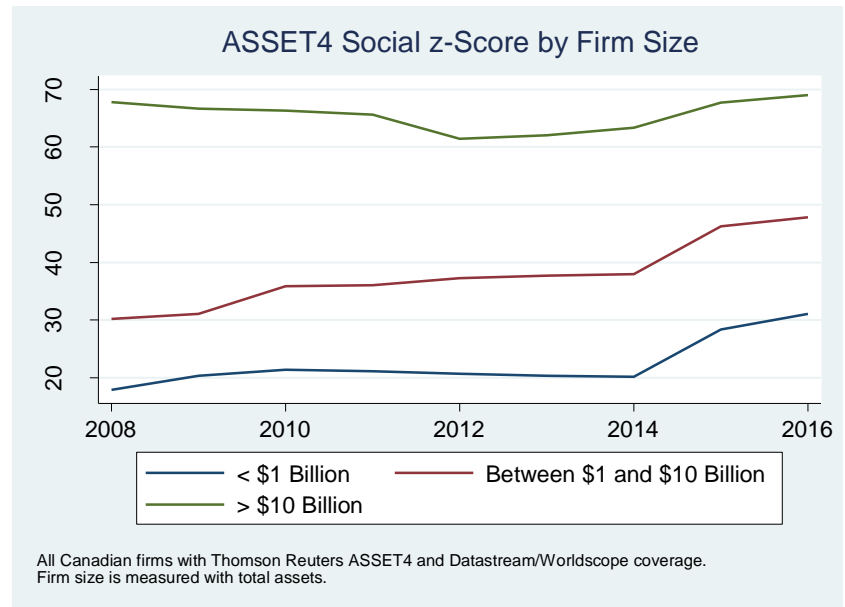
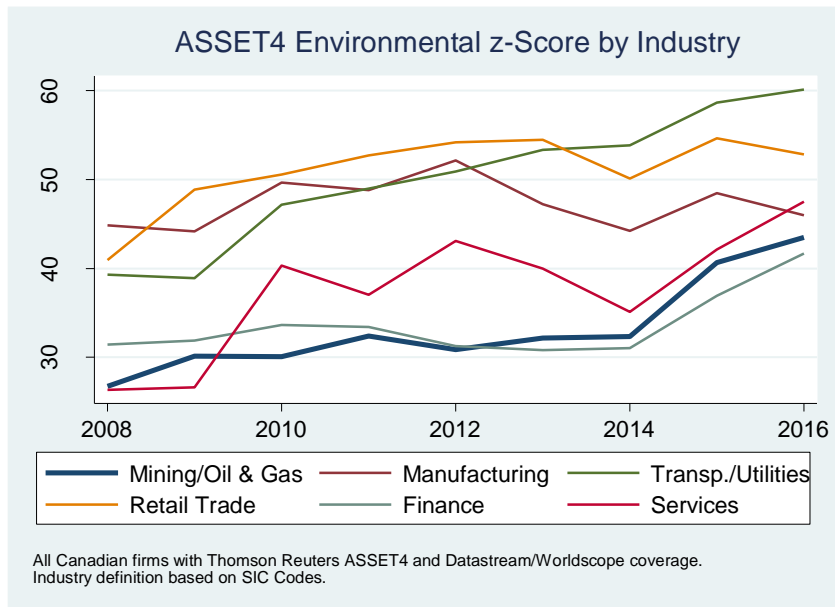
6.2 Constant Panel 2008-2016 (N=145)



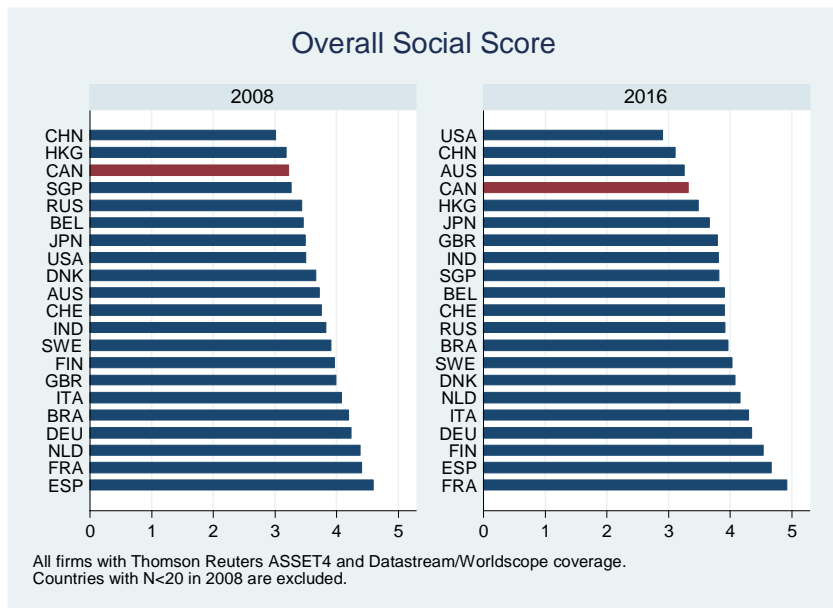
6.3 Social Performance by Industry



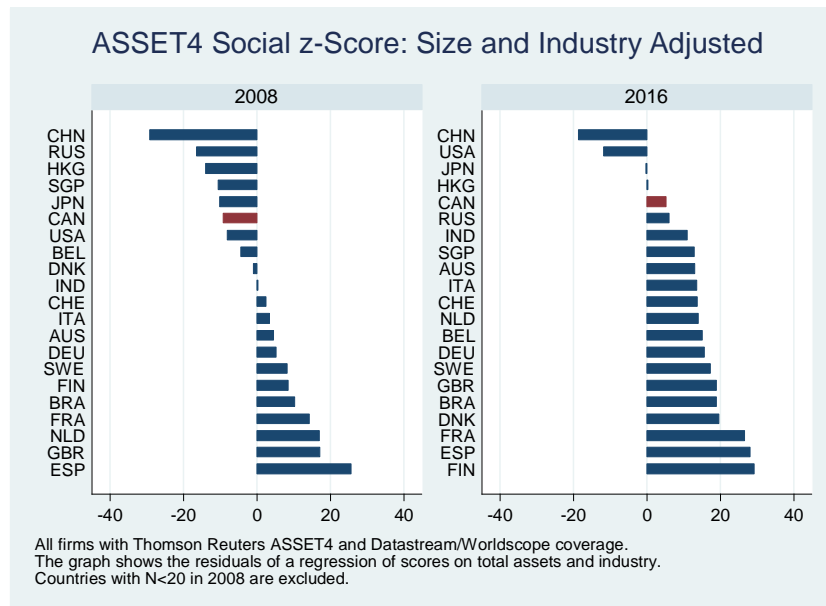
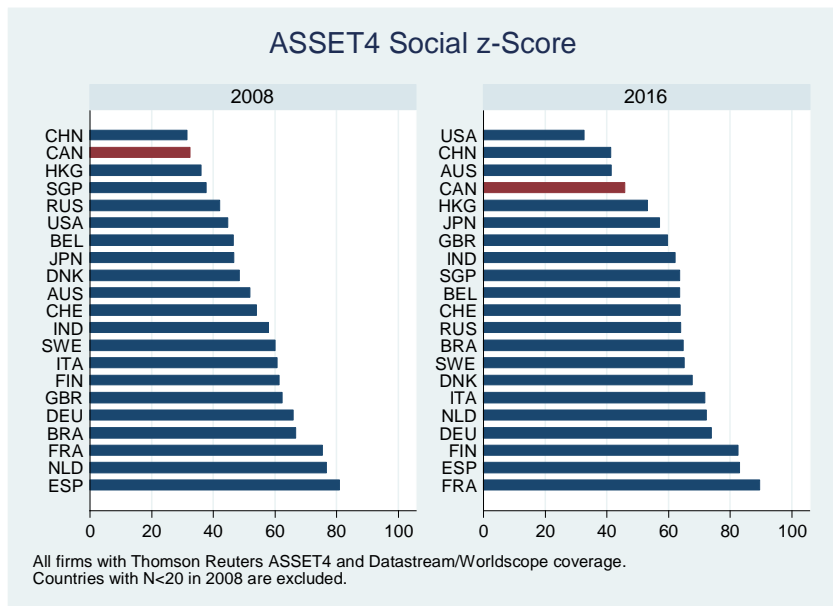
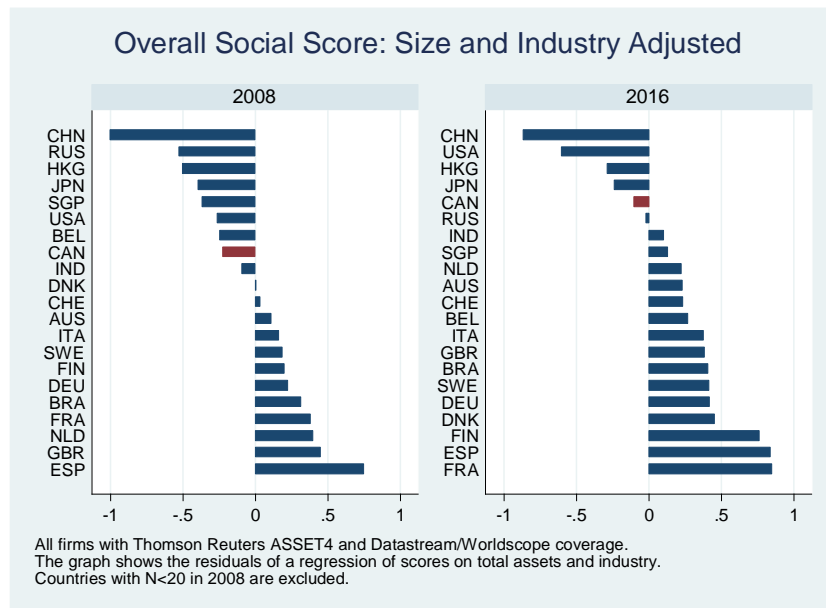
6.4 Social Performance by Firm Size



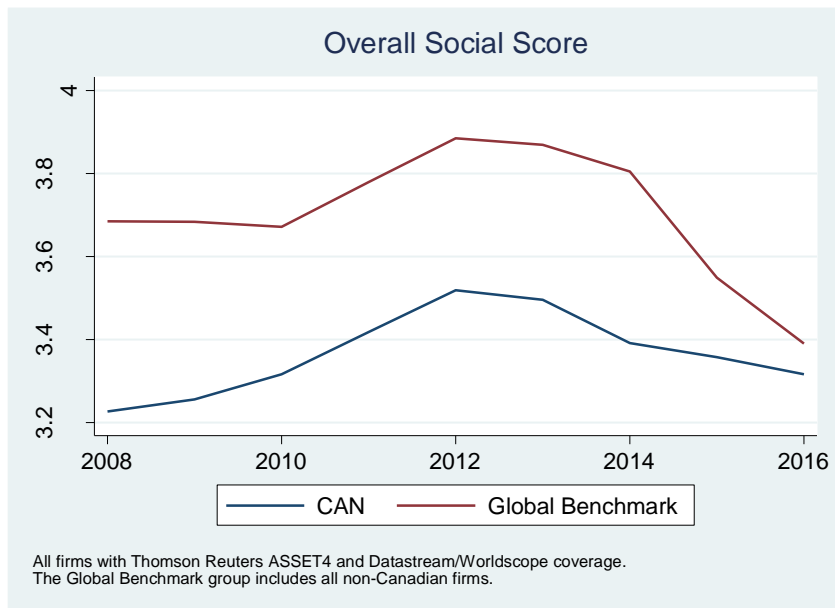
6.5 Social Scores Country Ranks 2008 vs. 2016



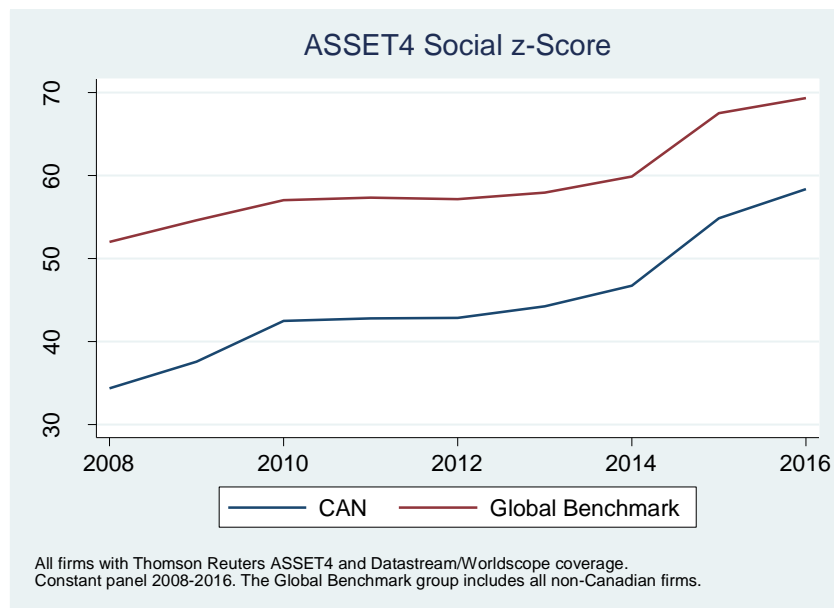
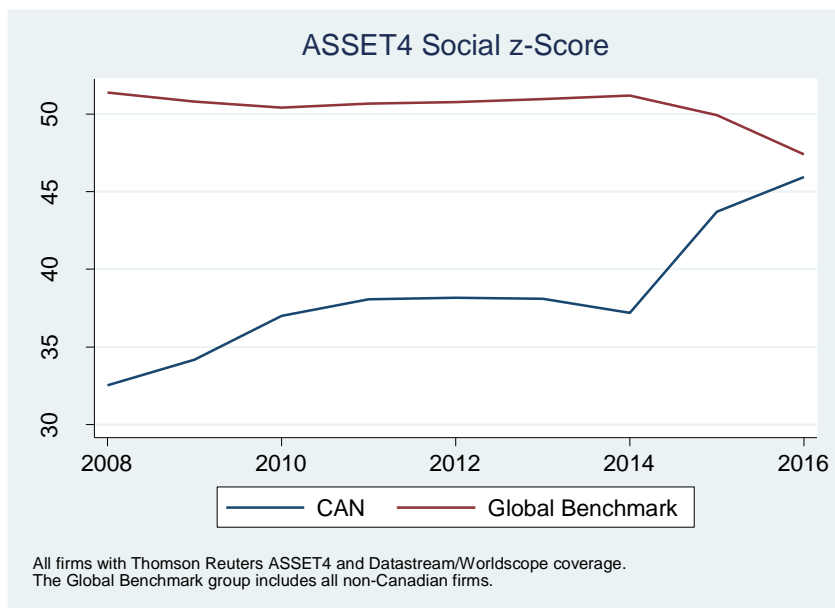
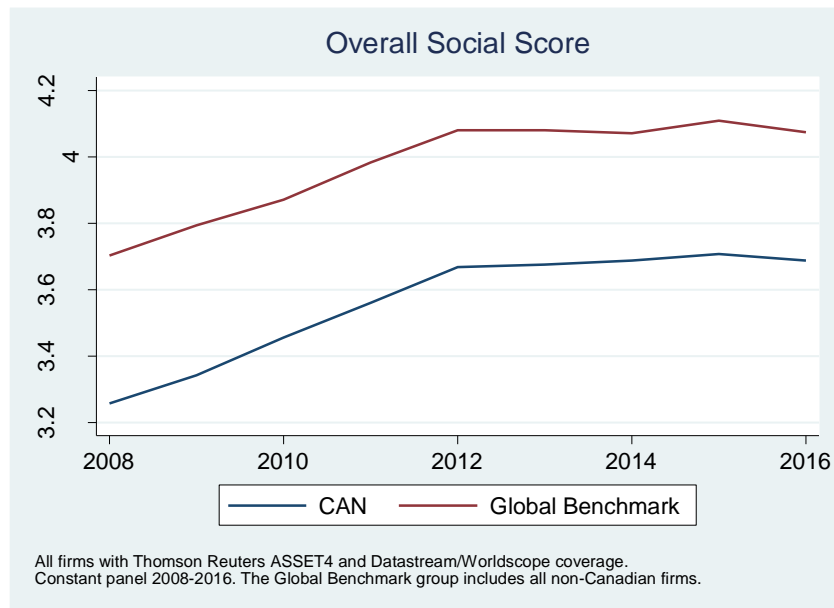
6.6 Social Country Ranks 2008 vs. 2016: Size and Industry Adjusted



6.7 Global Benchmark: Overall



6.8 Global Benchmark: Constant Panel 2008-2016



Appendix A
Creating Environmental and Social Indicators Based on ASSET4 ESG Environmental and Social Data

We create environmental and social indicator variables based on the ASSET4 ESG environmental and social indicator values. Indicator values are the answers to Y/N questions, double Y/N questions, and numerical questions. We translate the answers to these questions into indicator variables. More specifically, for questions with a positive direction (i.e., a “yes” answer or a greater number is associated with better environmental performance), we translate the answers to Y/N questions into 0 (N) and 1 (Y); the answers to double Y/N questions into 0 (NN), 0.5 (YN or NY), and 1 (YY); and the answers to numerical questions into 0 (value is less (or equal) than zero; or value is less (or equal) than the median; see also column “Translation Numeric Values”) and 1 (value is greater than zero; or value is greater than the median; see also column “Translation Numeric Values”). For questions with a negative direction (i.e., a “no” answer or a lower number is associated with better social performance), the opposite coding applies. The data are from the ASSET4 ESG database.

Panel A: Environmental Indicator Variables

	Description	Direction	Question Type	Translation Numeric Values	
A. Emission Reduction					
1)	Biodiversity Controversies	Is the company under the spotlight of the media because of a controversy linked to biodiversity?	Negative	Y/N	
2)	Biodiversity Impact	Does the company report on initiatives to protect, restore or reduce its impact on native ecosystems and species, biodiversity, protected and sensitive areas?	Positive	Y/N	
3)	Cement CO2 Emissions	Total CO2 and CO2 equivalents emission in kilograms per tonne of cement produced.	Negative	Number	Median
4)	Climate Change Risks and Opportunities	Is the company aware that climate change can represent commercial risks and/or opportunities?	Positive	Y/N	
5)	CO2 Reduction	Does the company show an initiative to reduce, reuse, recycle, substitute, phased out or compensate CO2 equivalents in the production process?	Positive	Y/N	
6)	Discharge into Water System	Total weight of water pollutant emissions in tonnes divided by net sales or revenue in U.S. dollars.	Negative	Number	Median
7)	Environmental Compliance	All real or estimated penalties, fines from lost court cases, settlements or cases not yet settled regarding environmental controversies in U.S. dollars.	Negative	Number	Zero
8)	Environmental Expenditures	Does the company report on its environmental expenditures or does the company report to make proactive environmental investments to reduce future risks or increase future opportunities?	Positive	Y/N	
9)	Environmental Management Systems	The percentage of company sites or subsidiaries that are certified with any environmental management system.	Positive	Number	Median
10)	Environmental Partnerships	Does the company report on partnerships or initiatives with specialized NGOs, industry organizations, governmental or supragovernmental organizations that focus on improving environmental issues?	Positive	Y/N	
11)	Environmental Restoration Initiatives	Does the company report or provide information on company-generated initiatives to restore the environment?	Positive	Y/N	
12)	F-Gases Emissions	Does the company report on initiatives to recycle, reduce, reuse or phase out fluorinated gases such as HFCs (hydrofluorocarbons), PFCs (perfluorocarbons) or SF6 (sulphur hexafluoride)?	Positive	Y/N	
13)	Greenhouse Gas Emissions	Total CO2 and CO2 equivalents emission in tonnes divided by net sales or revenue in U.S. dollars.	Negative	Number	Median
14)	Hazardous Waste	Total amount of hazardous waste produced in tonnes divided by net sales or revenue in U.S. dollars.	Negative	Number	Median
15)	Implementation	Does the company describe the implementation of its emission reduction policy through a public commitment from a senior management or board member? AND Does the company describe the implementation of its emission reduction policy through the processes in place?	Positive	Double Y/N	
16)	Improvements	Does the company set specific objectives to be achieved on emission reduction?	Positive	Y/N	
17)	Innovative Production	Does the company report on the concentration of production locations in order to limit the environmental impact during the production process? OR Does the company report on its participation in any emissions trading initiative? OR Does the company report on new production techniques to improve the global environmental impact (all emissions) during the production process?	Positive	Y/N	
18)	Monitoring	Does the company monitor its emission reduction performance?	Positive	Y/N	
19)	NOx and SOx Emissions Reduction	Does the company report on initiatives to reduce, reuse, recycle, substitute, or phase out SOx (sulphur oxides) or NOx (nitrogen oxides) emissions?	Positive	Y/N	
20)	Ozone-Depleting Substances Reduction	Does the company report on initiatives to reduce, substitute, or phase out ozone-depleting (CFC-11 equivalents, chlorofluorocarbon) substances?	Positive	Y/N	
21)	Policy	Does the company have a policy for reducing environmental emissions or its impacts on biodiversity? AND Does the company have a policy for maintaining an environmental management system?	Positive	Double Y/N	
22)	Spill Impact Reduction	Does the company report on initiatives to reduce, avoid or minimize the effects of spills or other polluting events (crisis management system)?	Positive	Y/N	
23)	Spills and Pollution Controversies	Is the company directly or indirectly (through a supplier) under the spotlight of the media because of a controversy linked to the spill of chemicals, oils and fuels, gases (flaring) or controversy relating to the overall impacts of the company on the environment?	Negative	Y/N	
24)	Transportation Impact Reduction	Does the company report on initiatives to reduce the environmental impact of transportation of its products or its staff?	Positive	Y/N	
25)	VOC Emissions Reduction	Does the company report on initiatives to reduce, substitute, or phase out volatile organic compounds (VOC) or particulate matter less than ten microns in diameter (PM10)?	Positive	Y/N	
26)	Waste	Total amount of waste produced in tonnes divided by net sales or revenue in U.S. dollars.	Negative	Number	Median
27)	Waste Recycling Ratio	Total recycled and reused waste produced in tonnes divided by total waste produced in tonnes.	Positive	Number	Median
28)	Waste Reduction	Does the company report on initiatives to recycle, reduce, reuse, substitute, treat or phase out total waste, hazardous waste or wastewater?	Positive	Y/N	

B. Product Innovation					
1)	Animal Testing	Is the company endorsing guidelines on animal testing (e.g., the EU guideline on animal experiments)? OR Has the company established a programme or an initiative to reduce, phase out or substitute for animal testing?	Positive	Y/N	
2)	Eco-Design Products	Does the company report on specific products which are designed for reuse, recycling or the reduction of environmental impacts?	Positive	Y/N	
3)	Energy Footprint Reduction	Does the company describe initiatives in place to reduce the energy footprint of its products during their use?	Positive	Y/N	
4)	Environmental Asset Management	Does the company report on assets under management which employ environmental screening criteria or environmental factors in the investment selection process?	Positive	Y/N	
5)	Environmental Labels and Awards	Has the company received product awards with respect to environmental responsibility? OR Does the company use product labels (e.g., FSC, Energy Star, MSC) indicating the environmental responsibility of its products?	Positive	Y/N	
6)	Environmental Products	Does the company report on at least one product line or service that is designed to have positive effects on the environment or which is environmentally labelled and marketed?	Positive	Y/N	
7)	Environmental Project Financing	Is the company a signatory of the Equator Principles (commitment to manage environmental issues in project financing)? OR Does the company claim to evaluate projects on the basis of environmental or biodiversity risks as well?	Positive	Y/N	
8)	Environmental R&D	Does the company invest in R&D on new environmentally friendly products or services that will limit the amount of emissions and resources needed during product use?	Positive	Y/N	
9)	Environmental R&D Expenditures	Total amount of environmental R&D costs (without clean up and remediation costs) divided by net sales or revenue in U.S. dollars.	Positive	Number	Median
10)	GMO Free Products	Does the company make a commitment to exclude GMO ingredients from its products or retail offerings?	Positive	Y/N	
11)	Hybrid Vehicles	Is the company developing hybrid vehicles?	Positive	Y/N	
12)	Implementation	Does the company describe the implementation of its environmental product innovation policy?	Positive	Y/N	
13)	Improvements	Does the company set specific objectives to be achieved on environmental product innovation?	Positive	Y/N	
14)	Labelled Wood Percentage	The percentage of labelled wood or forest products (e.g., Forest Stewardship Council (FSC)) from total wood or forest products.	Positive	Number	Median
15)	Liquefied Natural Gas	Does the company develop new products and services linked to liquefied natural gas?	Positive	Y/N	
16)	Monitoring	Does the company describe, claim to have or mention the processes it uses to accomplish environmental product innovation?	Positive	Y/N	
17)	Noise Reduction	Does the company develop new products that are marketed as reducing noise emissions?	Positive	Y/N	
18)	Organic Products	Does the company report or show initiatives to produce or promote organic food or other products?	Positive	Y/N	
19)	Policy	Does the company have an environmental product innovation policy (eco-design, life cycle assessment, dematerialization)?	Positive	Y/N	
20)	Product Impact Controversies	Is the company under the spotlight of the media because of a controversy linked to the environmental impact of its products or services?	Negative	Y/N	
21)	Product Impact Minimization	Does the company reports about take-back procedures and recycling programmes to reduce the potential risks of products entering the environment? OR Does the company report about product features and applications or services that will promote responsible, efficient, cost-effective and environmentally preferable use?	Positive	Y/N	
22)	Renewable Energy Supply	Total energy distributed or produced from renewable energy sources divided by the total energy distributed or produced.	Positive	Number	Median
23)	Renewable/Clean Energy Products	Does the company develop products or technologies for use in the clean, renewable energy (such as wind, solar, hydro and geo-thermal and biomass power)?	Positive	Y/N	
24)	Sustainable Building Products	Does the company develop products and services that improve the energy efficiency of buildings?	Positive	Y/N	
25)	Water Technologies	Does the company develop products or technologies that are used for water treatment, purification or that improve water use efficiency?	Positive	Y/N	
C. Resource Reduction					
1)	Cement Energy Use	Total energy use in gigajoules per tonne of clinker produced.	Negative	Number	Median
2)	Energy Efficiency Initiatives	Does the company report on initiatives to use renewable energy sources? AND Does the company report on initiatives to increase its energy efficiency overall?	Positive	Double	Y/N
3)	Energy Use	Total direct and indirect energy consumption in gigajoules divided by net sales or revenue in U.S. dollars.	Negative	Number	Median
4)	Environmental Resource Impact Controversies	Is the company under the spotlight of the media because of a controversy linked to the environmental impact of its operations on natural resources or local communities?	Negative	Y/N	
5)	Environmental Supply Chain Management	Does the company use environmental criteria (ISO 14000, energy consumption, etc.) in the selection process of its suppliers or sourcing partners? AND Does the company report or show to be ready to end a partnership with a sourcing partner, if environmental criteria are not met?	Positive	Double	Y/N
6)	Green Buildings	Does the company have environmentally friendly or green sites or offices?	Positive	Y/N	
7)	Implementation	Does the company describe the implementation of its resource efficiency policy through a public commitment from a senior management or board member? AND Does the company describe the implementation of its resource efficiency policy through the processes in place?	Positive	Double	Y/N
8)	Improvements	Does the company set specific objectives to be achieved on resource efficiency? AND Does the company comment on the results of previously set objectives?	Positive	Double	Y/N
9)	Land Use	Does the company report on initiatives to reduce the environmental impact on land owned, leased or managed for production activities or extractive use?	Positive	Y/N	
10)	Materials	Total amount of materials used in tonnes divided by net sales or revenue in U.S. dollars.	Negative	Number	Median
11)	Materials Recycled and Reused Ratio	The percentage of recycled materials of the total materials used.	Positive	Number	Median
12)	Monitoring	Does the company monitor its resource efficiency performance?	Positive	Y/N	
13)	Policy	Does the company have a policy for reducing the use of natural resources? AND Does the company have a policy to lessen the environmental impact of its supply chain?	Positive	Double	Y/N
14)	Renewable Energy Use	Total energy generated from primary renewable energy sources divided by total energy.	Positive	Number	Median

15)	Toxic Chemicals	Does the company report on initiatives to reduce, reuse, substitute or phase out toxic chemicals or substances?	Positive	Y/N	
16)	Water Recycling	Does the company report on initiatives to reuse or recycle water? OR Does the company report on initiatives to reduce the amount of water used?	Positive	Y/N	
17)	Water Use	Total water withdrawal in cubic meters divided by net sales or revenue in U.S. dollars.	Negative	Number	Median

Panel B: Social Indicator Variables

	Description	Direction	Question Type	Translation Numeric Values	
A. Community Category					
1)	Bribery, Corruption, Fraud Controversies	Is the company under the spotlight of the media because of a controversy linked to bribery and corruption, political contributions, improper lobbying, money laundering, parallel imports or any tax fraud?	Negative	Y/N	
2)	Business Ethics Compliance	All real or estimated penalties, fines from lost court cases, settlements or cases not yet settled regarding controversies linked to business ethics in general, political contributions or bribery and corruption, price-fixing or anti-competitive behaviour, tax fraud, parallel imports or money laundering in U.S. dollars.	Negative	Number	Zero
3)	Corporate Responsibility Awards	Has the company received an award for its social, ethical, community, or environmental activities or performance?	Positive	Y/N	
4)	Crisis Management	Does the company report on crisis management systems or reputation disaster recovery plans to reduce or minimize the effects of reputation disasters?	Positive	Y/N	
5)	Critical Countries, Indigenous People Controversies	Is the company under the spotlight of the media because of a controversy linked to activities in critical, undemocratic countries that do not respect fundamental human rights or to disrespecting the rights of indigenous people?	Negative	Y/N	
6)	Donations in General	Does the company make cash donations? AND Does the company make in-kind donations, foster employee engagement in voluntary work or provide funding of community-related projects through a corporate foundation?	Positive	Double Y/N	
7)	Implementation	Does the company describe the implementation of its community policy through a public commitment from a senior management or board member? AND Does the company describe the implementation of its community policy through the processes in place?	Positive	Double Y/N	
8)	Improvements	Does the company set specific objectives to be achieved on its reputation or its relations with communities?	Positive	Y/N	
9)	Income Taxes	Total amount of income taxes divided by net income.	Positive	Number	Median
10)	Monitoring	Does the company monitor its reputation or its relations with communities?	Positive	Y/N	
11)	Patent Infringement	All real or estimated penalties, fines from lost court cases, settlements or cases not yet settled regarding controversies linked to patents and intellectual property infringement in U.S. dollars.	Negative	Number	Zero
12)	Policy	Does the company have a policy to strive to be a good corporate citizen or endorse the Global Sullivan Principles? AND Does the company have a policy to respect business ethics or has the company signed the UN Global Compact or follow the OECD guidelines?	Positive	Double Y/N	
13)	Public Health Controversies	Is the company under the spotlight of the media because of a controversy linked to public health or industrial accidents harming the health & safety of third parties (non-employees and non-customers)?	Negative	Y/N	
14)	Total Donations	Total amount of all donations divided by net sales or revenue.	Positive	Number	Zero
B. Diversity and Opportunity					
1)	Diversity Compliance	All real or estimated penalties, fines from lost court cases, settlements or cases not yet settled regarding controversies linked to workforce diversity and opportunity in U.S. dollars.	Negative	Number	Zero
2)	Diversity Controversies	Is the company under the spotlight of the media because of a controversy linked to workforce diversity and opportunity?	Negative	Y/N	
3)	Family Friendly	Does the company claim to provide day care services for its employees? OR Does the company claim to provide generous maternity leave benefits? OR Has the company won a family friendly prize like a "Working Mother Award"?	Positive	Y/N	
4)	Implementation	Does the company describe the implementation of its diversity and opportunity policy?	Positive	Y/N	
5)	Improvements	Does the company set specific objectives to be achieved on diversity and equal opportunity?	Positive	Y/N	
6)	Management Equal Opportunity	Does the company promote positive discrimination? OR Has the company won any prize or award relating to diversity or opportunity?	Positive	Y/N	
7)	Managers Female Male Ratio	Percentage of women managers.	Positive	Number	Median
8)	Monitoring	Does the company monitor the diversity and equal opportunities in its workforce?	Positive	Y/N	
9)	Policy	Does the company have a work-life balance policy? AND Does the company have a diversity and equal opportunity policy?	Positive	Double Y/N	
10)	Work-Life Balance	Does the company claim to provide generous vacations, career breaks or sabbaticals? OR Does the company claim to provide flexible working hours or working hours that promote a work-life balance?	Positive	Y/N	
C. Employment Quality					
1)	Announced Lay-offs	Total number of announced lay-offs by the company divided by the total number of employees.	Negative	Number	Median
2)	Bonus Plan	Does the company claim to provide a bonus plan to at least the middle management level? AND Is the employees' compensation based on personal or company-wide targets?	Positive	Double Y/N	
3)	Employment Awards	Has the company won an award or any prize related to general employment quality or "Best Company to Work For"?	Positive	Y/N	
4)	Generous Fringe Benefits	Does the company claim to provide its employees with a pension fund, health care or other insurances?	Positive	Y/N	
5)	Implementation	Does the company describe the implementation of its employment quality policy?	Positive	Y/N	

6)	Improvements	Does the company set specific objectives to be achieved on employment quality?	Positive	Y/N	
7)	Key Management Departures	Has an important executive management team member or a key team member announced a voluntary departure (other than for retirement) or has been ousted?	Negative	Y/N	
8)	Monitoring	Does the company monitor or measure its performance on employment quality?	Positive	Y/N	
9)	Net Employment Creation	Employment growth over the last year.	Positive	Number	Median
10)	Personnel Turnover	Percentage of employee turnover.	Negative	Number	Median
11)	Policy	Does the company have a competitive employee benefits policy or ensuring good employee relations within its supply chain? AND Does the company have a policy for maintaining long term employment growth and stability?	Positive	Double Y/N	
12)	Salaries	Average salaries and benefit in U.S. dollars (Salaries and Benefits (U.S. dollars) /Total Number of Employees).	Positive	Number	Median
13)	Salaries Distribution	Total salaries and benefits divided by net sales or revenue.	Positive	Number	Median
14)	Salary Gap	CEO's total salary (or other highest salary) divided by average wage (Highest Salary (U.S. dollars) /Average Salaries and Benefits in (U.S. dollars)).	Negative	Number	Median
15)	Strikes	Has there has been a strike or an industrial dispute that led to lost working days?	Negative	Y/N	
16)	Trade Union Representation	Percentage of employees represented by independent trade union organizations or covered by collective bargaining agreements.	Positive	Number	Median
17)	Wages or Working Condition Controversies	Is the company under the spotlight of the media because of a controversy linked to the company's employees, contractors or suppliers due to wage, layoff disputes or working conditions?	Negative	Y/N	
D. Health and Safety					
1)	Health & Safety Compliance	All real or estimated penalties, fines from lost court cases, settlements or cases not yet settled regarding controversies linked to workforce or contractor health and safety in U.S. dollars.	Negative	Number	Zero
2)	Health & Safety Controversies	Is the company under the spotlight of the media because of a controversy linked to workforce health and safety?	Negative	Y/N	
3)	HIV-AIDS Programme	Does the company report on policies or programmes on HIV/AIDS for the workplace or beyond?	Positive	Y/N	
4)	Implementation	Does the company describe the implementation of its employee health & safety policy through a public commitment from a senior management or board member or the establishment of an employee health & safety team? AND Does the company describe the implementation of its employee health & safety policy through the processes in place?	Positive	Double Y/N	
5)	Improvements	Does the company set specific objectives to be achieved on employee health & safety? AND Does the company comment on the results of previously set objectives?	Positive	Double Y/N	
6)	Injuries	Total number of injuries and fatalities including no-lost-time injuries relative to one million hours worked.	Negative	Number	Median
7)	Lost Days	Total lost days at work divided by total working days. (Refers to an employee absent from work because of incapacity of any kind, not just as the result of occupational injury or disease)	Negative	Number	Median
8)	Monitoring	Does the company monitor or measure its performance on employee health & safety?	Positive	Y/N	
9)	Policy	Does the company have a policy to improve employee health & safety within the company and its supply chain?	Positive	Y/N	
E. Human Rights					
1)	Child Labour Controversies	Is the company under the direct or indirect (through suppliers) spotlight of the media because of a controversy linked to child labour?	Negative	Y/N	
2)	Freedom of Association Controversies	Is the company under the direct or indirect (through suppliers) spotlight of the media because of a controversy linked to freedom of association?	Negative	Y/N	
3)	Human Rights Controversies	Is the company under the direct or indirect (through suppliers) spotlight of the media because of a controversy linked to general human rights issues?	Negative	Y/N	
4)	Implementation	Does the company describe the implementation of its human rights policy?	Positive	Y/N	
5)	Improvements	Does the company set specific objectives to be achieved on its human rights policy?	Positive	Y/N	
6)	Monitoring	Does the company monitor human rights in its or its suppliers' facilities?	Positive	Y/N	
7)	Policy	Does the company have a policy to guarantee the freedom of association universally applied independent of local laws? AND Does the company have a policy for the exclusion of child, forced or compulsory labour?	Positive	Double Y/N	
8)	Suppliers Social Impact	Does the company report or show to use human rights criteria in the selection or monitoring process of its suppliers or sourcing partners? AND Does the company report or show to be ready to end a partnership with a sourcing partner if human rights criteria are not met?	Positive	Double Y/N	
F. Product Responsibility					
1)	Customer Controversies	Is the company under the spotlight of the media because of a controversy linked to its products or services quality and responsibility?	Negative	Y/N	
2)	Implementation	Does the company describe the implementation of its product responsibility policy?	Positive	Y/N	
3)	Improvements	Does the company set specific objectives to be achieved on its products or services quality and responsibility?	Positive	Y/N	
4)	Monitoring	Does the company monitor the impact of its products or services on consumers or the community more generally?	Positive	Y/N	
5)	Policy	Does the company have a policy to protect customer health & safety? AND Does the company have a products and services quality policy?	Positive	Double Y/N	
6)	Product Access	Does the company distribute any low-priced products or services specifically designed for lower income categories (e.g., bridging the digital divide, telecommunications, low cost cars and micro-financing services)?	Positive	Y/N	
7)	Product Compliance	All real or estimated penalties, fines from lost court cases, settlements or cases not yet settled regarding controversies linked its products or services quality and responsibility in U.S. dollars.	Negative	Number	Zero
8)	Quality Management	Does the company claim to apply quality management systems, such as ISO 9000, Six Sigma, Lean Manufacturing, Lean Sigma, TQM or any other similar quality principles?	Positive	Y/N	

9)	Social Exclusion Controversies	Is the company under the spotlight of the media because of a controversy linked to market withdrawal (closing of branches), retreating or failing to serve specific markets or customers?O	Negative	Y/N
10)	Technology Know-How Sharing	Does the company voluntarily share licenses, patents, intellectual property or useful technology with developing countries, or allow generics under specific conditions?	Positive	Y/N

G. Training and Development

1)	Implementation	Does the company describe the implementation of its training and development policy?	Positive	Y/N
2)	Improvements	Does the company set specific objectives to be achieved on the employee training and career development?	Positive	Y/N
3)	Internal Promotion	Does the company claim to favour promotion from within?	Positive	Y/N
4)	Management Training	Does the company claim to provide regular staff and business management training for its managers?	Positive	Y/N
5)	Monitoring	Does the company monitor its training and development programs?	Positive	Y/N
6)	Policy	Does the company have a policy to support the skills training or career development of its employees?	Positive	Y/N
7)	Supplier ESG Training	Does the company provide training on environmental, social or governance factors for its suppliers?	Positive	Y/N
8)	Training Costs	Training costs per employee in U.S. dollars.	Positive	Number Median
9)	Training Hours	Average hours of training per year per employee.	Positive	Number Median
10)	University Partnerships	Does the company claim to cooperate with schools or universities?	Positive	Y/N