

METHODOLOGY

Controversy Ratings

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About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings, and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Morningstar Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The firm also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices, and capital projects. With 16 offices globally, Morningstar Sustainalytics has more than 1,800 staff members, including more than 800 research analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.

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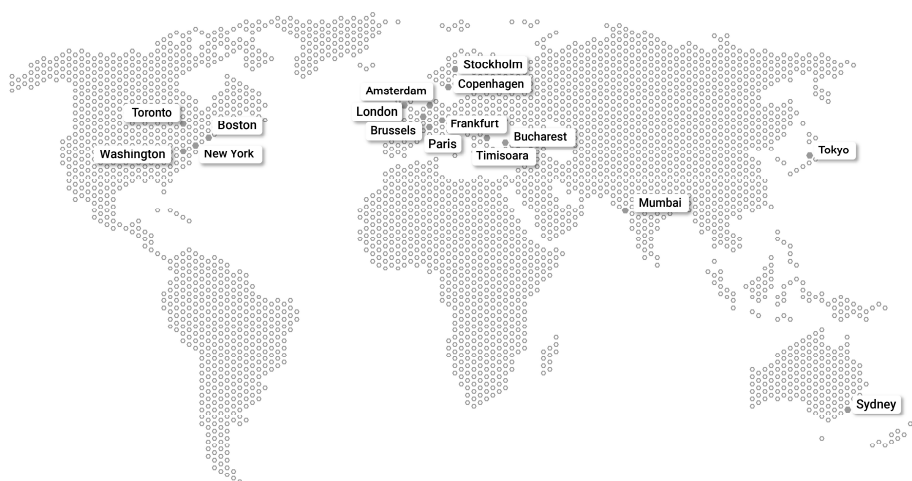


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Introduction

Motivation and Purpose

Sustainalytics assesses companies' involvement in incidents with negative environmental, social and governance (ESG) implications. Controversy involvement is one key measure of ESG performance that may inform the investment decisions of our clients

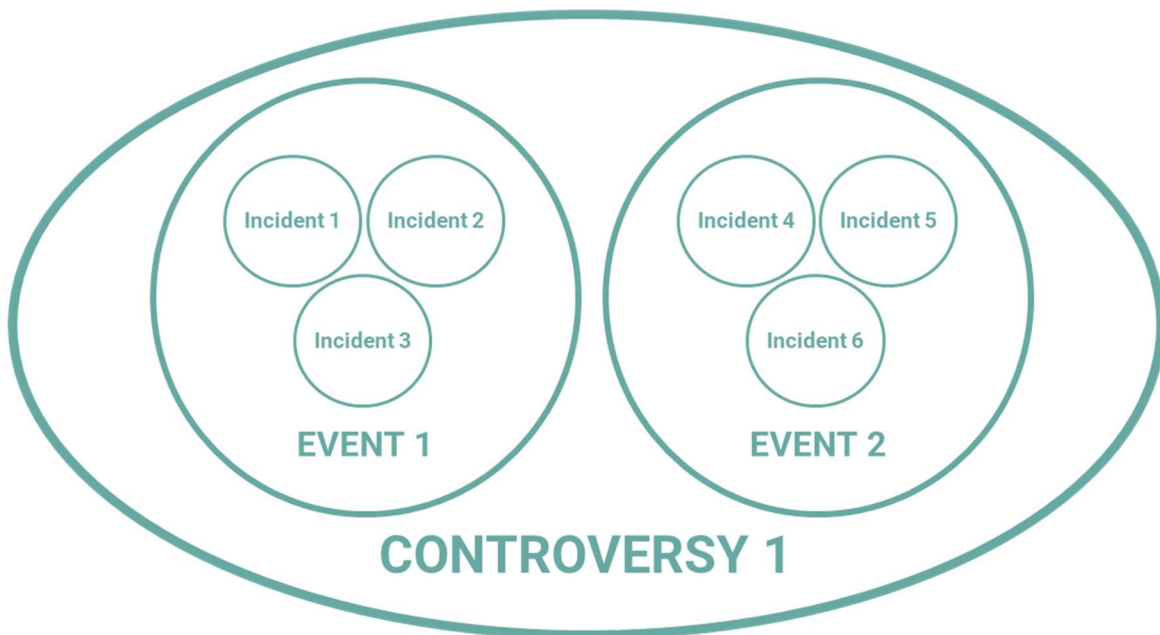
Methodology Description

Methodology Building Blocks

The dimensions of the Controversy Ratings

The Controversy Ratings reflect a company's level of involvement in issues and how it manages these issues. The first building block is an **Incident Score**, which represents a singular negative issue where the company has been involved. Incidents on the same topic are collected and combined to inform an **Event Score** on that topic. Finally, controversies are a collection of multiple events that have the same theme and represent the final building block of the rating. Figure 1 is a visual representation depicting a common situation whereby multiple Incident assessments inform Event assessments and multiple Event assessments inform a Controversy assessment.

Figure 1: Building Blocks of the Controversy Ratings



Source: Morningstar Sustainalytics

Incidents

Incidents are the first building block

An Incident serves as the foundational building block in calculating a Controversy Rating. Defined as any company activity that yields adverse effects on stakeholders and/or the environment, an incident may introduce varying levels of risk to the company itself. Incidents are evaluated based on two primary factors: (1) the negative environmental and/or social impacts resulting from the activity, and (2) the reputational risk it poses to the company. The incidents can

arise from a singular event (e.g., a mining explosion) or ongoing activity (e.g., the use of child labor in manufacturing).

Incidents are monitored through a range of media sources, with cases entering our analysis if they fall within one of our 46 incident types that address a broad array of environmental, social, and governance issues. Our data analysts tag each incident with its primary incident type and may apply additional tags. The additional tags do not impact the mapping of the incident to the events, with one exception: if an incident has Supply Chain as an additional tag, that incident will be mapped to a supply chain Event rather than a non-supply chain Event. For example, if the primary incident type is Child Labour and there are no additional tags, the incident would be mapped to the Event known as “Employees – Human Rights.” However, if the primary incident type is Child Labour and there is an additional tag for Supply Chain, the incident would be mapped to the Event known as “Employees – Human Rights – SC” (the SC stands for Supply Chain). See the appendix for a complete list of all incident types and their mapping to events and controversies.

Additionally, each incident is part of an **incident chain**, which links the initial incident to any subsequent developments or updates on the same issue. The first reporting of a company’s negative activity initiates an incident and updates are added to reflect the latest developments. While some updates alter the incident’s impact or risk scores, others may simply offer supplementary information to provide context and continuity within the incident chain.

An Incident is assessed on two assessment criteria: sustainability impact and reputational risk, with each criteria scored on a scale of 1 to 10. A lower score represents incidents that are believed to have the lowest impact and/or pose the lowest risk to the company.

The impact of the incidents are scored by analysts based on the following considerations:

- **Severity:** The severity of an incident is assessed according to the depth, breadth, and duration of the incident. Depth measures the nature of the incident (low, medium, high) in environmental, social and governance terms. Breadth measures how broad/ widespread the impact of the incident is in environmental, social and governance terms. The duration of an incident measures the period during which the impact of the incident was/is felt by stakeholders, as well as the period it takes to absorb or reverse it. Guiding questions that are considered under depth, breadth, and duration include:
 - Did the incident impact a community or society’s ability to function economically, politically, culturally?
 - Were there breaches of legislation or violation of international norms?
 - How many people were affected?

- How serious was the impact? Have there been fatalities, injuries, etc.?
- Over what time period did the incident occur, or will people continue to be affected?
- **Accountability:** The degree of accountability refers to the specific entities (parent companies, subsidiaries, joint ventures, suppliers) that are accountable for the incident, the level of involvement (direct or indirect) and the level of impact (based on company ownership). Guiding questions that are considered under accountability include:
 - What is the nature of the incident and how closely is the company linked to the incident?
 - What is the relation between the company and those responsible or accused of relevant violations?
 - Is the company itself responsible, or is a subsidiary or supplier responsible?
- **Exceptionality:** The exceptionality is measured on the degree (low, medium, high) to which the incident corresponds with industry patterns of corporate behavior.
- Guiding questions that are considered under exceptionality include:
 - Are other companies involved in similar incidents in the country or in the sector? If so, is there something that makes this case stand out?
 - Is exceptionality supported by quantitative factors, i.e. fines/penalties, lawsuits, settlements, number of fatalities and/or injuries, magnitude of damage (e.g. volume of spill), number of products affected/recalled, number of customers affected, etc.?

The reputational risks of the incidents are scored by analysts based on the following considerations:

- **Notoriety:** The notoriety of the incident measures the degree to which an incident has been covered by media. Morningstar Sustainalytics' assessment framework takes into account parameters such as the frequency of published news items covering the incident, the reach and relevance of the reporting media sources and the tone of the news item(s). Guiding questions that are considered under notoriety include:
 - How often has media published news items covering the incident?
 - How far of a reach do the reporting media sources have?
 - What is the tone of the news article(s)?
- **Exposure:** The exposure assessment considers the extent to which companies are exposed to further ESG-related risks through company involvement in a controversy and the extent of reputational damage attached to a company's business ethics violations, where applicable. Guiding questions that are considered under exposure include:
 - Is the incident linked to key ESG issues for the industry and likely to generate stakeholder concern?

- How often do news sources report on the incident, and how reputable are these sources?
- Have the company's ethical violations compromised stakeholder trust or are they likely to do so in the future?
- What is the level of involvement of company staff in these violations? Was the incident accompanied by ethical violations such as bribery, corruption, fraud, etc.?
- Was or should management have been aware of the incident?
- Were there breaches of legislation or violation of international norms?
- How many people were affected?
- How serious was the impact? Have there been fatalities, injuries, etc.?
- Over what time period did the incident occur, or will people continue to be affected?

Incidents, typically inform the Controversy Rating for a period of three years. In exceptional cases, long-running high-impact incidents continue to inform the Controversy Rating for more than three years until it no longer poses a risk to the company.

Events

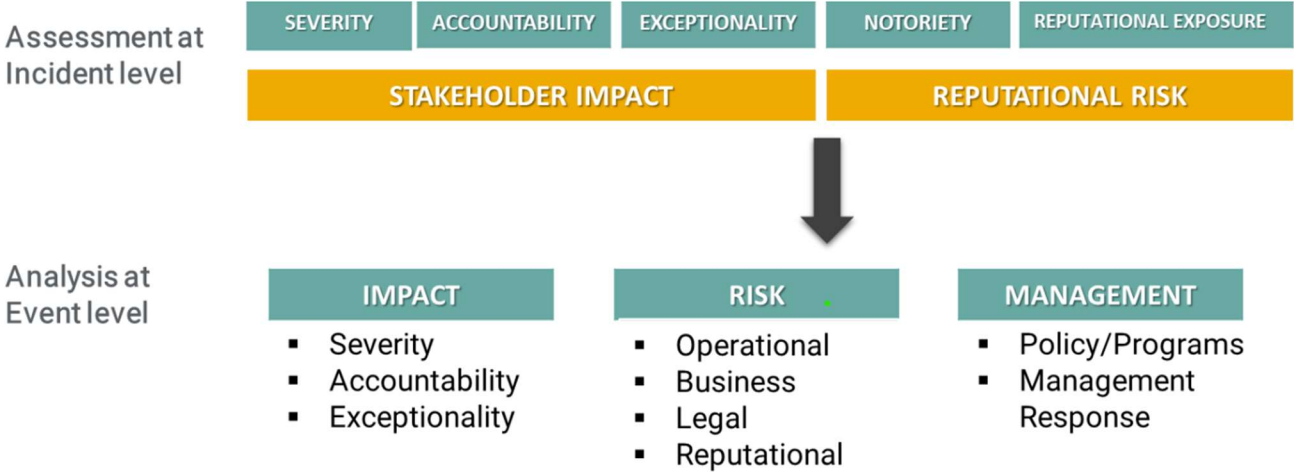
Events are a collection of one or more incidents that provide a signal about the severity of a company's involvement in misconduct that is reported in the media. Incident scores form the base of the Event Rating and provide an indication of the severity of the impact of an issuer's misconduct on the environment and/or society, as well as the reputational risk generated by the misconduct. Sector analysts have the ability to override the signals coming from the incident scores through an additional layer of analysis at the Event level, which means that Incident scores are not the final determinant of Event Ratings. In contrast to incident scores, Event scores include consideration of company preparedness, company response and the trend for similar incidents.

Incidents are mapped to 43 Event Indicators which speak to these ESG issues. For example, a series of employee strikes would be assessed under the event indicator "Labour Relations." See the appendix for a complete list of all incident types and their mapping to events and controversies.

To assess an Event, an analyst looks at the series of underlying incidents from a holistic perspective and assesses based on the following factors:

- **Impact:** Negative impact that the incidents have caused to the environment and society;
- **Risk:** Business risk to the company as a result of the incidents;
- **Management:** A company's management systems and response to incidents

Figure 2: Incident Assessments Informing Events Assessments



Each event is assigned an Event Category according to a 5-level scale, with 5 representing the most significant event:

- » **Category 5 (Severe):** The Event has either has a severe impact on the environment and/or society or poses serious business risks to the company. This category typically represents exceptional egregious corporate behavior, high frequency of recurrence of incidents, very poor management of ESG risks, and a demonstrated lack of willingness by the company to address such risks.
- » **Category 4 (High):** The Event has a high impact on the environment and/or society, posing high business risks to the company. This rating level represents systemic and/or structural problems within the company, weak management systems and company response, and a recurrence of incidents.
- » **Category 3 (Significant):** The Event has a significant impact on the environment and/or society, posing significant business risks to the company. This rating level represents evidence of structural problems in the company due to recurrence of incidents and inadequate implementation of management systems or the lack of management systems.
- » **Category 2 (Moderate):** The Event has a moderate impact on the environment and society, posing moderate business risks to the company. This rating level represents low frequency of recurrence of incidents and adequate or strong management systems and/or company response that mitigate further risks.
- » **Category 1 (Low):** The Event has a low impact on the environment and/or society, and risks to the company are minimal or negligible

Event Outlook

The Event Outlook is a forecast of how an Event Rating is expected to evolve over a 12- to 24-month period based on a set of criteria such as the company’s risk factors, its management systems, and the external political and business environment. The Outlook can be considered an analyst view of how the score may change but does not have any impact on the current scoring of the Event and does not represent any commitment to a future adjustment.

Controversies

Controversies are a collection of Events, in a similar way that Events are a collection of Incidents. Controversy Scores are determined by the highest event score (most severe event) automatically becoming the Controversy Score for that Controversy Type. Accordingly, the controversy scores fall between Category 1 and Category 5. Unlike Events, there is no ability for an analyst to intervene and adjust the Controversy Score – it is based on a strict formula and there is no ability to override it. Figure 3 depicts the Operations Controversy that is made up of four Event indicators, which in turn are comprised of seven Incident types. See the appendix for a complete list of all incident types and their mapping to events and controversies.

Figure 3: Example of Controversy indicator and its corresponding event indicators and incident types

Controversy Type	Event Indicator	Incident Type
Operations	Emissions, Effluents and Waste	Degradation & Contamination (Land)
		Discharges and Releases (Water)
		Emissions to Air
	Energy Use and GHG Emissions	Energy Use and Greenhouse Gas Emissions
	Land Use and Biodiversity	Land Use and Biodiversity
	Water Use	Water Use

To demonstrate the scoring algorithm for the Operations controversy at a hypothetical company, let’s assume the company has the following Event Scores:

- Emissions, Effluents and Waste = Category 1
- Energy Use and GHG Emissions = Category 0 (no incidents)
- Land Use and Biodiversity = Category 3
- Water Use = Category 0 (no incidents)

In this example, the company’s Controversy score would be Category 3 as that is the maximum Event score of all events mapped to the “Operations” controversy type.

Update Frequency

Events are updated by the assigned analyst on an ongoing basis as new information becomes available. New incidents with high impact or risk scores or new corporate developments may lead to either an upgrade or a downgrade at any point during the year. A full review of a company's Event scores is carried out by analysts at least every 12 months as part of the annual update of the ESG Risk Ratings. Any change to an event score may also be reflected in the Controversy score, if that event was the highest scoring Event in that Controversy category.

Ineligible Incidents

The identification, classification and analysis of incidents are reliant upon there being a baseline of information from which objective data points may be extracted, and reasonably correlated conclusions drawn. Where a type of incident inherently does not lend itself to such objective data points or conclusions, such incidents are ineligible for Controversy Ratings research given the adverse impact on research rigor. A category of ineligible incidents is 'contiguous territorial disputes'.

Such disputes are ineligible as they are subject to broad geopolitical dimensions, divergent views amongst governments, civil society and other interested actors resulting in fragmented claims, partisan media reports and norm-driven contestations. Numerous experts have observed the ambiguity of norms governing disputed territory with parties using different norms to assert territorial claims. Companies that may not be involved in such disputes inadvertently become associated with them and are consequently embroiled in geopolitical and ideological disputes. The difficulty of collecting, measuring and assessing relevant data is amplified when combined with the complexity of territorial disputes, particularly in light of contextual fluidity and political, social and economic dynamics at play. The general lack of contextualised and verifiable data, transparency and standardization in such contexts remains a continuous obstacle to objective research in this area. As such, contiguous territorial disputes will not be eligible as incidents under the Controversy Ratings methodology.

Where territory has a direct land or river border shared between disputing parties, that territory is said to be contiguous. International case law has viewed contiguity in two ways:

Contiguity describes a territory that is all of one piece, in which all parts of the territory are connected to one another and contained within a single, continuous boundary line. The term can also be used to describe the relationship between two or more territories: territories are contiguous if they directly border or touch one another.¹

¹ Case Concerning Maritime Delimitation and Territorial Questions between Qatar and Bahrain (Qatar v Bahrain) Merits [2001] ICJ Reports 2001, 40 (International Court of Justice) 100, 170.

Examples of contiguous territorial disputes that will be ineligible for research within Controversy Ratings (as of December 2024) involve the following areas: Donetsk People's Republic and Luhansk People's Republic, the Essequibo Region, the Israeli-Palestinian Conflict Area (IPCA), the Kashmir Region, Nagorno-Karabakh and Western Sahara. This list is not exhaustive and merely provides a few examples. The list of ineligible incidents is also subject to continuous monitoring and internal updates.

The scope of the ineligible incidents category is on issues related to disputes where there is contention over contiguous territory. Therefore, all other types of disputes will remain eligible for research. As such, the ineligible incidents category does not include other scenarios, such as situations in which insurgents attempt to gain control over a state's territory with the goal of overthrowing or disrupting the incumbent regime/government (e.g. Myanmar) or situations in which armed and/or political groups are attempting to seek greater autonomy from the central government within an existing state. Additionally, the scope will not include disputes pertaining to indigenous land rights or intercommunal violence (e.g. Ethiopia).

Controversy ratings assessments will also continue to include eligible research pertaining to all other types of human rights issues, which are not connected to contiguous territorial disputes and that do not raise the types of challenges set out in the preceding section.

For more information, please see 'Scope of Eligibility of Territorial Disputes: Research Application'.

Appendix

Glossary of Terms

Event Score	A datapoint that provides a signal about the severity of a company's involvement in media reported controversies or about the severity of a systemic event as it relates to the company's business. An Event Score is informed by the assessments for one or more Incidents that are mapped to that event. Event scores are Category 1 (low); Category 2 (moderate); Category 3 (significant); Category 4 (high); and Category 5 (severe).
Incident Score	A datapoint that assesses media reporting on a company's alleged involvement in cases of misconduct with negative environmental and/or social impacts. Each incident includes a score from 1-10 for the impact of the incident on stakeholders and/or the environment as well as the potential reputational risk. Incidents and their associated Incident Chains inform scoring of associated Event Indicators, which ultimately get grouped together in an assessment of Controversies.
Incident Chain	A collection of incidents that all relate to the same incidence of misconduct.

Incident Type Definitions

Incident Type	Definition
Access to Basic Services	Incidents relating to a company's management of community access to products or services that are considered essential to human health or livelihood. This is particularly relevant for disadvantaged communities or groups. The scope is currently limited to medicine and medical treatment. This does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.
Accounting Irregularities and Accounting Fraud	Incidents relating to a company's attempt to misstate, manipulate, or misrepresent the information in its financial or accounting statements, with the primary goal of deceiving regulators and/or investors.
Animal Welfare	Incidents relating to a company's failure to ensure the wellbeing of animals and the freedom to express normal behavior. The scope of the tag includes housing, feeding, healthcare, transportation and slaughtering activities, as well as animal testing.
Anti-competitive Practices	Incidents relating to a company's involvement in practices that prevent or reduce competition in the market, primarily through violations of anti-trust legislation. This may involve the manipulation or fixing of prices or rates, collusion, or other actions.
Arms Export	Incidents relating to a company's involvement in the export of military equipment to countries with high human rights risks or those that are sanctioned. This does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.
Board composition	Incidents relating to company actions that limit the board's capacity to provide objective oversight, free of any conflicts of interest. This includes cases when the CEO and Chairman roles are merged as well as company actions that limit the board's diversity. Most incidents are recorded after shareholder dissent regarding the appointments or reappointments of directors during AGMs or EGMs.
Bribery and Corruption	Incidents relating to a company or its employees engaging in corruption with government officials or private entities in order to secure business.
Business Ethics - Other	Incidents relating to unethical business practices, such as money laundering, market manipulation, fraud, poaching employees, or contractual breaches.
Carbon Impact of Products	Incidents related to products that are inherently harmful to the environment due to their contribution to Carbon Dioxide emissions, such as fossil fuels, or car/aircraft manufacturers. This tag is limited to Carbon Dioxide emissions resulting from a company's products; Carbon Dioxide emissions resulting from operations are captured in the Energy Use and Greenhouse Gas Emissions tag. For financial institutions, this tag includes the financing of companies whose products are associated with Carbon Dioxide emissions, such as coal or other fossil fuels.
Child Labour	Incidents relating to a company's use of child labour.
Conflicts with Indigenous Communities	Incidents relating to a company's failure to manage its relations with indigenous communities or to ensure free, prior and informed consent in relation to an activity or project which involves company presence or activities close to the indigenous community's living area. Incidents may take the form of protests or demonstrations, petitions, or legal actions. This does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes. All cases of community opposition that are specifically focused on land ownership are included in the Land Rights tag.

Conflicts with Local Communities	Incidents relating to a company's failure to manage its relations with the communities surrounding its operations or projects, excluding Indigenous Communities (see separate Conflicts with Indigenous Communities tag). Incidents may be recorded after local community opposition to an activity or project in the form of protests or demonstrations, petitions, or legal actions. This may also include excessive force used by local security forces (either company owned or government controlled) against members of the local community. Incidents usually involve company presence in or close to the local community's living area. This does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes. All cases of community opposition that are specifically focused on land ownership are included in the Land Rights tag.
Controversial Weapons	Incidents relating to a company's involvement in the production, manufacture and sale of weapons regarded as either illegal (meaning their production and use is prohibited by international legal instruments) or deemed controversial because of their indiscriminate or disproportionate impact on civilians. Examples include anti-personnel mines, chemical and biological weapons, cluster munitions, depleted uranium ammunition, nuclear weapons, and white phosphorus. This does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.
Corporate Governance - other	Incidents relating to company actions that may jeopardize its governance structure and oversight, such as executive misconduct, insufficient disclosure, controversial reorganizations or acquisitions, controversial ownership structures (e.g. cross-shareholdings), etc. Other examples include related-party transactions, the employment of relatives or friends, or controversies related to succession planning.
Data Privacy and Security	Incidents relating to a company's breach of customer or employee data privacy (i.e. the company used a customer's or employee's private information without his/her consent) or failure to protect customer or employee data (i.e. customer's or employee's data accessed by external parties). The tag includes instances in which customer or employee data is compromised and instances in which the company's security systems are inadequate to prevent attacks, as well as breaches of national legislation regarding data privacy and security. The tag does not include instances in which a company's IT systems fail without being hacked or attacked.
Degradation & Contamination (Land)	Incidents relating to company operations that result in the disposal of harmful products, effluents or waste onto land, resulting in adverse impacts on human health or the degradation of land or ecosystems. This may include radioactive, toxic, electronic, or otherwise hazardous waste, in addition to spills of products or byproducts that are harmful to surrounding land or ecosystems.
Discharges and Releases (Water)	Incidents relating to company operations that result in the discharge or release of harmful waste, products, or byproducts into water resources.
Discrimination & Harassment	Incidents relating to a company's discrimination or harassment of employees.
Emissions to Air	Incidents relating to company operations that result in chemicals, particulates, or biological materials that are harmful to humans or ecosystems being introduced into the atmosphere. This tag does not include GHG emissions associated with company operations, which is covered in Energy Use and Greenhouse Gas Emissions.
Employees - Other Human Rights Violations	Incidents relating to a company's exploitation or inhumane treatment of its employees that does not explicitly constitute forced labour. This may include the mistreatment of vulnerable workers, violence, or misleading contracts.
Energy Use and Greenhouse Gas Emissions	Incidents relating to how a company manages the energy intensity of its operations, and resulting Greenhouse Gas (GHG) emissions. Incidents may be recorded after stakeholder opposition, fines, or legal actions related to GHG emissions. This tag does not cover non-GHG emissions that are harmful to the environment, which is covered by the Emissions to Air tag.

Environmental Impact of Products	Incidents relating to products that are inherently harmful to the environment. The products considered depend on the industry, but some examples are herbicides, certain plastics, cleaning products etc. Incidents may be recorded after lawsuits or stakeholder criticism regarding the product's adverse impacts. For financial institutions, this tag includes the financing of infrastructure projects or companies whose operations result in negative environmental impacts. This tag does not include products that cause environmental harm due to Carbon Dioxide emissions, which is covered in the Carbon Impact of Products tag.
False or Deceptive Marketing	Incidents relating to a company's use of false, misleading, or aggressive statements or tactics in its advertising or marketing strategies, resulting in negative impacts on consumers. Incidents may take the form of controversial or unlawful marketing practices, violations of marketing and advertising laws, or improper labeling.
Forced Labour	Incidents relating to a company's employment of workers against their will.
Freedom of Association	Incidents relating to a company's failure to uphold employees' rights to organize. This may include cases of retaliation against union members, company attempts to prevent unionizing or refusal to recognize employee elected unions.
Health and Safety	Incidents relating to a company's failure to protect employees from sickness, injury, disease, or death arising from their employment. This may include workplace accidents, contamination, or the use of improper equipment.
Insider Trading	Incidents in which company employees are involved in the purchase or sale of financial instruments while in possession of material, non-public information, therefore compromising the integrity of financial markets, shareholders, and other stakeholders.
Intellectual Property	Incidents relating to a company's breach of intellectual property rights such as patents, copyright, industrial design rights, trademarks, trade dress or trade secrets.
Involvement With Entities Violating Human Rights	Incidents relating to a company's involvement with state or non-state actors that have a track record of human rights abuses. The tag includes countries like Central African Republic, Eritrea, North Korea, Somalia, Sudan, South Sudan and Syria. This does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.
Labour Relations	Incidents relating to a company's failure to manage its relations with employees and their representatives, such as labour unions. Incidents may be recorded after union disputes or collective bargaining engagements regarding working hours, wages, or other employment terms, as well as collective actions, such as strikes, or company lockouts that result from these negotiations.
Land Rights	Incidents relating to company activities that infringe upon local community access to or ownership of land. This may take the form of perceived illegal land acquisition, the failure to obtain proper permits in acquiring land, or similar activities. The tag includes all disputes over land ownership and customary or ancestral land rights with local or indigenous communities, such as evictions, failure to provide proper compensation for land, or failure to ensure free, prior and informed consent before purchasing community land. This does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.
Land Use and Biodiversity	Incidents relating to a company's failure to adhere to sustainable land use practices, resulting in negative impacts on land or ecosystems. This may include deforestation, land clearing, soil erosion, logging, or other practices. It may also include a company's inability to prevent biodiversity or habitat loss to threatened land, air or water species.
Lobbying and Public Policy	Incidents relating to a company's attempt to influence legislation in a way that would result in a negative ESG impact. This may also include lobbying that is in stark contrast to a company's declared policies or views. Incidents may take the form of political contributions in elections, electioneering in the workplace, or financing of third-party entities to alter the public perception regarding various ESG-related topics (climate change, tobacco legislation, GMO and other food labels, etc).

Local Community - Other	Incidents relating to a company's failure to manage its relationship with local communities that are not captured by existing tags, i.e. Conflicts with indigenous communities, Conflicts with local communities, Water Rights, Land rights. This does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.
Media Ethics	Incidents relating to a company's failure to manage ethical standards and integrity in the media, including news journalism. The emphasis is on editorial standards, advertising ethics and management of conflicts of interests. The most common incidents focus on the quality of content and involve negative impacts on media consumers or subjects of news journalism. This may include cases of defamatory, false, controversial, misleading or inaccurate content, breaching content guidelines and regulations, and/or failure to properly manage social media content, i.e. guidelines for user-generated content.
Product Quality and Safety	Incidents relating to products that result in adverse impacts on the health, safety, or general social and economic wellbeing of customers. The product is generally not inherently harmful to society or the environment, but results in adverse impacts due to product design, manufacturing, or other flaws. Incidents are often recorded after product recalls, product liability lawsuits, or stakeholder criticism regarding a product's quality or safety.
Remuneration	Incidents relating to a company's responsibility to ensure appropriate remuneration of its executives. Incidents are often recorded after stakeholder (media outlets, NGOs, shareholders, employee) criticism regarding the remuneration of company executives.
Resilience	Incidents relating to the ability of systemically important Financial Institutions (FIs) to withstand negative shocks arising from changes in economic conditions, and therefore to avoid negative impacts on society and taxpayers.
Sanctions	Incidents relating to company actions that constitute a breach of international sanctions, generally by conducting business in sanctioned countries or with sanctioned entities. The scope of this tag is limited to international sanctions imposed by the United Nations, the United States, United Kingdom, and European Union.
Services Quality and Safety	Incidents relating to services that result in adverse impacts on the health, safety, or general social and economic wellbeing of customers.
Shareholder disputes/rights	Incidents relating to a company's failure to uphold the rights of its shareholders or manage shareholder disputes. Incidents are generally recorded after shareholder lawsuits or resolutions, or company attempts to limit shareholder power.
Social Impact of products	Incidents relating to products that are inherently harmful to society. The products may have an adverse impact on human health, safety, or general economic wellbeing. Examples of such products depend on the industry, but may include tobacco, asbestos, pesticides or herbicides, lead, etc. Incidents may be recorded after lawsuits or stakeholder criticism regarding the product's adverse impacts. For financial institutions, this tag includes the financing of infrastructure projects with negative social impacts on stakeholders, or companies whose products have known negative impacts on human health or society. It does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.
Society - Other Human Rights Violations	Incidents relating to a company's involvement in incidents involving severe human rights violations and/or in inhumane treatment of stakeholders other than employees. Incidents primarily involve the inhumane treatment of inmates, refugees, asylum seekers or juvenile offenders through improper detention, physical abuse, sexual abuse or assault, threats, harassment, or lack of access to proper medical care, sanitation or nutrition. It does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.
Taxes avoidance/evasion	Incidents relating to a company's attempt to reduce the amount of taxes it pays through tax avoidance, aggressive tax planning or tax evasion, thus limiting a country's tax base.

Water Rights

Incidents relating to company activities that restrict a community's access to water, such as projects that divert water supply away from local usage. This may include the misuse of water intended for local supply or the construction of projects that affect water supply to local communities. It does not include disputes between communities and companies focused on the quantity of water usage, which is included in the Water Use tag. It does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.

Water Use

Incidents relating to the volume of water used in company operations, including production, manufacturing, or support activities, or activities in water scarce areas. Incidents may be recorded after stakeholder criticism or community opposition regarding water usage of certain projects, or a company's failure to obtain proper permits related to water use. However, disputes or opposition that is specific to water rights and access to water not related to excessive water use are included in the Water Rights tag. It does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.

Event Definitions

Event Type	Definition
Access to Basic Services	This event indicator assesses incidents related to a company's failure to ensure access to essential products or services, such as food, water and health care.
Accounting and Taxation	This event indicator assesses incidents related to accounting irregularities as well as efforts to reduce the amount of taxes paid through tax evasion (use of illegal means to evade taxes) or tax avoidance (the use of legal means to reduce tax liabilities)
Animal Welfare	This event indicator assesses incidents related to a company's failure to ensure the wellbeing of animals kept for human consumption, animal testing or other purposes.
Animal Welfare - SC	This event indicator assesses incidents related to the failure of a company's suppliers to ensure the wellbeing of animals kept for human consumption, animal testing or other purposes.
Anti-Competitive Practices	This event assesses incidents related to attempts to prevent, reduce or restrict competition in a market, primarily through alleged violations of antitrust regulation.
Bribery and Corruption	This event indicator assesses incidents related to bribes that are paid or accepted by a company to or from government officials or other private entities to secure an unfair advantage over other companies.
Bribery and Corruption - SC	This event indicator assesses incidents related to bribes or kickbacks that are paid or accepted by a company's suppliers to government officials or other private entities to secure an unfair advantage over other companies.
Business Ethics	This event indicator assesses incidents related to ethical violations committed by a company or its employees. This includes fraud or enabling fraud, money laundering, manipulation, misuse of power or of corporate assets, and conflicts of interest, among others.
Business Ethics - SC	This event indicator assesses incidents related to ethical violations committed by a company's suppliers. This includes fraud or enabling fraud, money laundering, manipulation, misuse of power or of corporate assets, and conflicts of interest, among others.
Carbon Impact of Products	This event indicator assesses incidents related to the harmful environmental impacts of carbon dioxide emissions associated with the use of a company's products. For financial institutions, this may include the financing of projects or companies whose products result in significant carbon dioxide emissions.
Community Relations	This event assesses incidents related to company activities that negatively impact local communities, including indigenous communities, and how companies respond to and manage conflicts with affected groups. It does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.
Community Relations - SC	This event assesses incidents related to activities by a company's suppliers that negatively impact local communities, including indigenous communities, and how a company responds to and manages conflicts with affected groups. It does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.

Corporate Governance	This event assesses incidents related to the quality and integrity of a company's corporate governance structures, including the structure and oversight of its board of directors and shareholder rights and remuneration.
Data Privacy and Security	This event indicator assesses incidents related to breaches of customer data privacy, unauthorized disclosure, collection or use of personal data, or failure to protect customer data.
Emissions, Effluents and Waste	This event indicator assesses incidents related to the release or improper disposal of waste, effluents or emissions (excluding carbon dioxide) into the environment.
Emissions, Effluents and Waste - SC	This event assesses incidents in the supply chain related to the release or improper disposal of waste, effluents or emissions (excluding carbon dioxide) into the environment.
Employees - Human Rights	This event indicator assesses incidents related to violations of the human rights of employees within a company's own operations. This includes incidents involving the use of forced labour, slavery and child labour, discrimination or sexual exploitation.
Employees - Human Rights - SC	This event indicator assesses incidents related to violations of the human rights of workers within a company's supply chain. This includes incidents involving the use of forced labour, slavery and child labour, discrimination or sexual exploitation.
Energy Use and GHG Emissions	This event indicator assesses incidents related to the poor management or excess release of greenhouse gas (GHG) emissions from a company's business activities.
Energy Use and GHG Emissions - SC	This event assesses incidents related to the poor management or excess release of greenhouse gas (GHG) emissions from business activities in a company's supply chain.
Environmental Impact of Products	This event indicator assesses incidents related to a product's negative impact on the environment, as well as those related to products from a company's suppliers. Incidents may emerge as a result of lawsuits, product bans, recalls or stakeholder scrutiny due to the negative impact of a company's product.
Fallout/Repercussions of Ukraine Conflict	This event flags companies that face systemic ESG risks due to economic measures (sanctions) following Russia's invasion of Ukraine. These risks either stem from the (expected) deterioration of the Russian/Belarusian economic systems resulting from the economic measures imposed by a number of countries and supranational organizations, or from the fact that companies are targeted directly by current or potential future measures since they may enable the intensification and continuation of the armed conflict in Ukraine. Note: this is a special event that is not formed from incidents and does not contribute to controversy scores.
Intellectual Property	This event indicator assesses incidents related to breaches of intellectual property rights, such as patents, copyright, industrial design rights, trademark, or trade secrets.
Labour Relations	This event indicator assesses incidents related to poor compensation or unfair working conditions that are raised by a company's own employees or their representatives, such as labour unions. It also includes incidents related to discrimination and harassment in the workplace.
Labour Relations - SC	This event indicator assesses incidents relating to poor compensation or unfair working conditions in a company's supply chain.
Land Use and Biodiversity	This event assesses incidents related to a company's failure to adhere to sustainable land use practices, resulting in negative impacts on land or ecosystems, such as biodiversity.

Land Use and Biodiversity - SC	This event indicator assesses incidents related to the failure of a company's supplier to adhere to sustainable land use practices, resulting in negative impacts on land or ecosystems, such as biodiversity.
Lobbying and Public Policy	This event assesses incidents related to lobbying or public spending that is perceived to violate ethical or legal standards.
Marketing Practices	This event indicator assesses incidents related to false or deceptive marketing practices, such as using misleading or incorrect statements in promotional materials or targeting vulnerable consumers.
Media Ethics	This event indicator assesses incidents related to breaches in editorial standards, content or general ethical principles for the media, including broadcast, print, digital and other types of media outlets.
Occupational Health and Safety	This event indicator assesses incidents related to a company's activities that have a negative impact on workers' health and safety. These include workplace accidents, chemical contamination, diseases and labour activities that endanger employee safety.
Occupational Health and Safety - SC	This event indicator assesses incidents related to activities by a company's suppliers that have a negative impact on worker health and safety. Such incidents include occupational hazards such as workplace accidents, chemical contamination, diseases and labour activities that endanger employees' safety
Quality and Safety	This event indicator assesses incidents related to alleged quality or safety issues associated with a company's products or services, which may result in negative impacts on the safety or wellbeing of consumers, or society.
Resilience	This event assesses incidents related to the ability of financial institutions to withstand negative shocks arising from changes in economic conditions, and therefore avoid negative impacts on taxpayers and other stakeholders.
Sanctions	This event indicator assesses incidents related to corporate activities that result in a breach of international sanctions, issued by supranational organizations or individual countries.
Scarce Resource Use	This event assesses incidents related to a company's excessive use of resources (excluding water, energy and land) in its own operations or supply chain, resulting in resource depletion and threatening resource security. Note: this is a special event that is not formed from incidents and does not contribute to controversy scores.
Social Impact of Products	This event indicator assesses incidents related to a product's negative impact on society. Incidents may emerge as a result of lawsuits, product bans, recalls or stakeholder scrutiny due to the negative impact of a company's product.
Society - Human Rights	This event indicator assesses incidents related to a company's direct or indirect involvement with corrupt governments, dictatorial regimes or parties that have a track record of human rights violations or are engaged in human rights abuses. It does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.
Society - Human Rights - SC	This event indicator assesses incidents related to a company's suppliers' direct or indirect involvement with corrupt governments, dictatorial regimes or parties that have a track record of human rights violations or are engaged in human rights abuses. It does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.

Water Use	This event indicator assesses incidents of excessive water use associated with a company's operations, or activities in water scarce areas.
Water Use - SC	This event indicator assesses incidents of excessive water use associated with a company's suppliers, or activities by suppliers in water scarce areas.
Weapons	This event indicator assesses incidents related to the production or sale of weapons that are subject to arms export regulations, or otherwise controversial weapons, as well as the sale of weapons to countries that are especially prone to armed conflict and human rights violations. This does not cover cases where the company's alleged activities are connected to issues pertaining to contiguous territorial disputes.

Mapping of Incidents to Events and Controversies

Controversy type	Event type	Incident Type	Additional Tag
		Degradation & Contamination (Land)	
	Emissions, Effluents and Waste	Discharges and Releases (Water)	
		Emissions to Air	
Operations	Energy Use and GHG Emissions	Energy Use and Greenhouse Gas Emissions	
	Land Use and Biodiversity	Land Use and Biodiversity	
	Scarce Resource Use	Scarce Resource Use	
	Water Use	Water Use	
		Degradation & Contamination (Land)	Supply Chain
	Emissions, Effluents and Waste - SC	Discharges and Releases (Water)	Supply Chain
Contractors & Supply Chain		Emissions to Air	Supply Chain
	Energy Use and GHG Emissions - SC	Energy Use and Greenhouse Gas Emissions	Supply Chain
	Land Use and Biodiversity - SC	Land Use and Biodiversity	Supply Chain
	Water Use - SC	Water Use	Supply Chain
	Environmental Impact of Products	Environmental impact of products	
Products and Services		Environmental impact of products	Supply Chain
	Carbon Impact of Products	Carbon Impact of Products	
		Carbon Impact of Products	Supply Chain
		Child Labour	
	Employees - Human Rights	Forced Labour	
		Employees - Other Human Rights Violations	
Employees		Discrimination & Harassment	
	Labour Relations	Freedom of Association	
		Labour Relations	
	Occupational Health and Safety	Health and Safety	
		Conflicts with Indigenous Communities	Supply Chain
		Conflicts with Local Communities	Supply Chain
Contractors & Supply Chain	Community Relations - SC	Land Rights	Supply Chain
		Local Community - Other	Supply Chain
		Water Rights	Supply Chain

		Child Labour	Supply Chain	
	Employees – Human Rights – SC	Forced Labour	Supply Chain	
		Employees - Other Human Rights Violations	Supply Chain	
	Society - Human Rights – SC	Involvement With Entities Violating Human Rights	Supply Chain	
		Society - Other Human Rights Violations	Supply Chain	
		Discrimination & Harassment	Supply Chain	
	Labour Relations - SC	Freedom of Association	Supply Chain	
		Labour Relations	Supply Chain	
	Occupational Health and Safety - SC	Health and Safety	Supply Chain	
Customers	Anti-Competitive Practices	Anti-competitive Practices		
	Marketing Practices	False or Deceptive Marketing		
		False or Deceptive Marketing	Supply Chain	
	Media Ethics	Media Ethics		
		Media Ethics	Supply Chain	
	Data Privacy and Security	Data Privacy and Security		
		Data Privacy and Security	Supply Chain	
	Quality & Safety	Product Quality and Safety		
Services Quality and Safety				
Product Quality and Safety		Supply Chain		
		Services Quality and Safety	Supply Chain	
Society & Community	Access to Basic Services	Access to Basic Services		
		Access to Basic Services	Supply Chain	
			Conflicts with Indigenous Communities	
			Conflicts with Local Communities	
	Community Relations		Land Rights	
			Local Community - Other	
			Water Rights	
	Society - Human Rights		Involvement With Entities Violating Human Rights	
		Society - Other Human Rights Violations		
Sanctions		Sanctions		
Social Impact of Products		Social impact of products		

		Social impact of products	Supply Chain
		Arms Export	
	Weapons	Controversial Weapons	
		Arms Export	Supply Chain
		Controversial Weapons	Supply Chain
Business Ethics	Accounting and Taxation	Accounting Irregularities and Accounting Fraud	
		Taxes avoidance/evasion	
	Animal Welfare	Animal Welfare	
	Bribery and Corruption	Bribery and Corruption	
	Business Ethics	Business Ethics - Other	
		Insider Trading	
	Intellectual Property	Intellectual Property	
	Animal Welfare - SC	Animal Welfare	Supply Chain
	Bribery and Corruption - SC	Bribery and Corruption	Supply Chain
		Accounting Irregularities and Accounting Fraud	Supply Chain
		Business Ethics - Other	Supply Chain
		Insider Trading	Supply Chain
	Business Ethics - SC	Intellectual Property	Supply Chain
Governance		Lobbying and Public Policy	Supply Chain
		Taxes avoidance/evasion	Supply Chain
		Anti-competitive Practices	Supply Chain
		Sanctions	Supply Chain
		Board composition	
		Corporate Governance	Corporate Governance - other
		Remuneration	
		Shareholder disputes/rights	
	Resilience	Resilience	
Public Policy	Lobbying and Public Policy	Lobbying and Public Policy	