

EcoVadis Global CSR Risk & Performance Index 2017

Rising scores drive supply chain
performance



ecoVadis
SUPPLIER SUSTAINABILITY RATINGS



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EXECUTIVE SUMMARY

The EcoVadis Global CSR Risk and Performance Index offers a comprehensive view of the [Corporate Social Responsibility](#) (CSR) performance of companies, both private and publicly listed, across 150 purchasing categories in value-chains spanning 120 countries worldwide.

This first edition illustrates the CSR performance of over 20,400 companies evaluated by EcoVadis, based on their scorecards across the calendar years 2015 and 2016. The universe can be defined by three broad dimensions: 10 industry divisions, 2 size groups, and 3 world regions. Portfolios (e.g. 1 size group within 1 industry division, or 1 size group within 1 world region) are benchmarked against the world average in that calendar year (i.e. average performance of all companies in the EcoVadis universe of a specific size group in that specific calendar year).

The results are overall positive, with most portfolios edging closer to being considered low CSR risk. Yet, certain portfolios continue to hold medium to high CSR risks, for example large size companies (equal to, or more than, 1000 employees) in the wholesale industry division, transport industry division, and primary materials industry division. Their CSR performance lagged the world average across both calendar years.

Approximately 80% of the companies in the EcoVadis universe across 2015 and 2016 are considered small/medium sized (S-M size group, i.e. employee headcount below 1000). While the 2016 world average of both size groups (large & S-M) are about 44 points (out of 100), S-M companies are improving faster than large size companies (14.9% v.s 12.3%). Since value chains are mostly made up by S-M companies, this improvement of CSR performance by S-M companies is important for stakeholders to notice. It suggests that recent initiatives focused on CSR issues (e.g. modern slavery, conflict minerals, environmental pollution) in the value chain are paying off, and we can expect greater dividends in the future as long as initiatives continue their efforts. Of course, beneath the world averages lie key differences in score improvements between the various industry divisions (e.g. 10% by Primary materials v.s 18.7% by Construction), and world regions (e.g. 13.3% by Europe v.s 20.4% by AMEA).

Some questions which purchasers will have to ask themselves:

How does a value-chain partner measure up against its industry peers? Is it a laggard, part of the herd, or a leader?

What region-specific CSR risks and opportunities are present?

EcoVadis expects future editions of the EcoVadis Global CSR Risk and Performance Index to offer even more exciting insights into the world's value chains year on year. As EcoVadis grows, we add more companies into the evaluation universe, and that means greater transparency, clearer snapshots, stronger conclusions about the CSR performance of companies around the world.

FOREWORD

Dear Readers,

EcoVadis was created in 2007 with a strong conviction that Sustainable Procurement was about to become an incredibly strategic priority for businesses, procurement and the entire world. The market opportunity was immense, and we saw a critical need for a simple, reliable and global supplier CSR rating platform.

Today, EcoVadis evaluates more than 20,000 companies per year on their environmental, human rights and ethical performance. The need for a collaborative CSR rating platform is more essential than ever, especially as parties all across the world strive to create a more sustainable and responsible international business community. The upcoming UN Global Compact Summit in New York this September will gather leaders from business, civil society, academia, government and the United Nations to accelerate action to achieve the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement. This initiative further illustrates that CSR and sustainability are no longer just a nice-to-have, but a must-do -- and fast.

In 2015 and 2016, as part of our rating operations, we generated close to 700,000 data points, which our clients use to drive sustainability improvements within their supply chains. With interest and demand for sustainability and CSR growing globally, we thought it was time to analyze and share this data with the community. As such, we are pleased to present the EcoVadis Global CSR Risk and Performance Index.

The 2017 edition is the inaugural report and we welcome feedback on how make the future editions better and more informative for our global community. Needless to say, our team is eager to release future editions and analyze key trends over time. Enjoy the reading and please don't hesitate to share your comments.

Many regards,



Sylvain Guyoton,
Senior Vice President of Research

METHODOLOGY

Overview

EcoVadis evaluates companies' CSR management system performance according to 21 CSR criteria, across 4 themes - Environment (ENV), Labor practices & Human rights (LAB), Fair business ethics (FB), and Sustainable procurement (SUP) ¹. EcoVadis classifies each company by its ISIC category ², size, country of HQ location, and geographical locations of the company's operations.

Each company receives an overall CSR score, which is an weighted average of 4 theme scores, all of them out of 100 points³.

EcoVadis Global CSR Risk and Performance Index Methodology

For this year's edition, only evaluations that were published in calendar years 2015 and 2016 were used.

The EcoVadis Global CSR Risk and Performance Index universe consists of three broad parameters - Industry Division, Size Group, and World Region. Each industry division groups companies by their economic activity, and the companies associated with each industry division are further sub-grouped by size. The universe is also split into three world regions based on company headquarters location (HQ country). The companies in each world region are further sub-grouped by size. All of these portfolios (e.g. 1 size group within 1 industry division, or 1 size group within 1 world region) are benchmarked against the world average in that calendar year (i.e average performance of all companies in the EcoVadis universe of a specific size group in that specific calendar year).

Industry division

The UN ISIC divides economic activities, at its broadest level, into 21 sections (from section A to U). Each ISIC section groups together some ISIC divisions (2 digit ISIC codes). EcoVadis groups 15 ISIC sections ⁴ (and their ISIC 2 digit codes) into 10 industry divisions. The detailed explanation of the industry division, the organizing principle, and the ISIC category

¹ For detailed explanation on the EcoVadis evaluation and methodology, please visit [EcoVadis resources](#)
² See UN statistics board for ISIC explanation
³ See appendix for scoring scale. For detailed explanation on EcoVadis scoring methodology, please visit EcoVadis resources
⁴ We exclude sections P to U for the EcoVadis Global CSR Risk and Performance Index, because economic activities in these sections are not materially relevant to the CSR performance ratings we provide to our clients

constituents are found in the later section of Results. The general principle of organizing 15 ISIC sections into EcoVadis 10 industry divisions is to reasonably consolidate certain economic activities together, while increasing precision in Manufacturing (there is only 1 ISIC section [Section C] for Manufacturing, whereas we use 4 industry divisions for Manufacturing). Since each company, evaluated by EcoVadis, is assigned 1 and only 1 ISIC category, this company is then assigned 1 industry division (e.g if a company's ISIC category is 2029, then it's first 2 ISIC digits are 20, hence it is assigned to C2 - Manufacturing Heavy). The 10 industry divisions listed below will be referred to by its code, and/or its name throughout this document.

Industry Division

| ISIC sections | ISIC divisions | EcoVadis industry division code & name |
|---------------|---|---|
| A,B | Agriculture 01 to Mining 09 | AB – Primary materials |
| C | Textiles 13 to Printing 18 + Furniture 31 to Repair 33 | C1 – Manufacturing Light |
| C,D,E | Petroleum 19 to Metals 24 + Utilities 35 to 39 | C2 – Manufacturing Heavy |
| C | Electronics 25 to Machinery 30 | C3 – Manufacturing Advanced |
| C | Food 10 to Beverage 11 | C4 – Food & Beverage |
| F | Construction 41 to 43 | F – Construction |
| G,I,M,N | Wholesale 45 to 47 + Services 55 to 56 + Professionals 71 to 82 | GIMN – Wholesale, Services, Professionals |
| H | Land transport 49 to Courier 53 | H – Transport |
| K, L | Finance 64 to 68 & 8291 + Legal 69 + Consulting 70 + Advertising 73 | KL – Finance, Legal, Consulting, Advertising |
| J | Information 58 to 63 | J – ICT |

Size group

EcoVadis defines the size of a company by the number of employees worldwide, grouped as follows.

| Size groups | Definition |
|-------------|--|
| L | Large: equal to or more than 1,000 employees |
| S-M | Medium: between 100 and 999 employees |
| | Small: equal to or less than 99 employees |

World region

EcoVadis identifies the country of which the company’s HQ is located in. For the EcoVadis Global CSR Risk and Performance Index, we divided the world into 3 world regions - Africa, Middle East, and Asia (AMEA), Europe, and North & South America (Americas). Depending on where the company’s HQ country is, we assign a world region to that company. Refer to Index Results for the country constituents of each world region.

Index Results & Descriptive indicators

Each portfolio uses 9 result indicators (related to CSR performance), and 3 descriptive indicators (related to profile). We also calculate year on year percentage changes⁵ for 6 result indicators, and also for descriptive indicators. Except for “score improvement”, all other indicators use only the company’s latest evaluation in that calendar year.

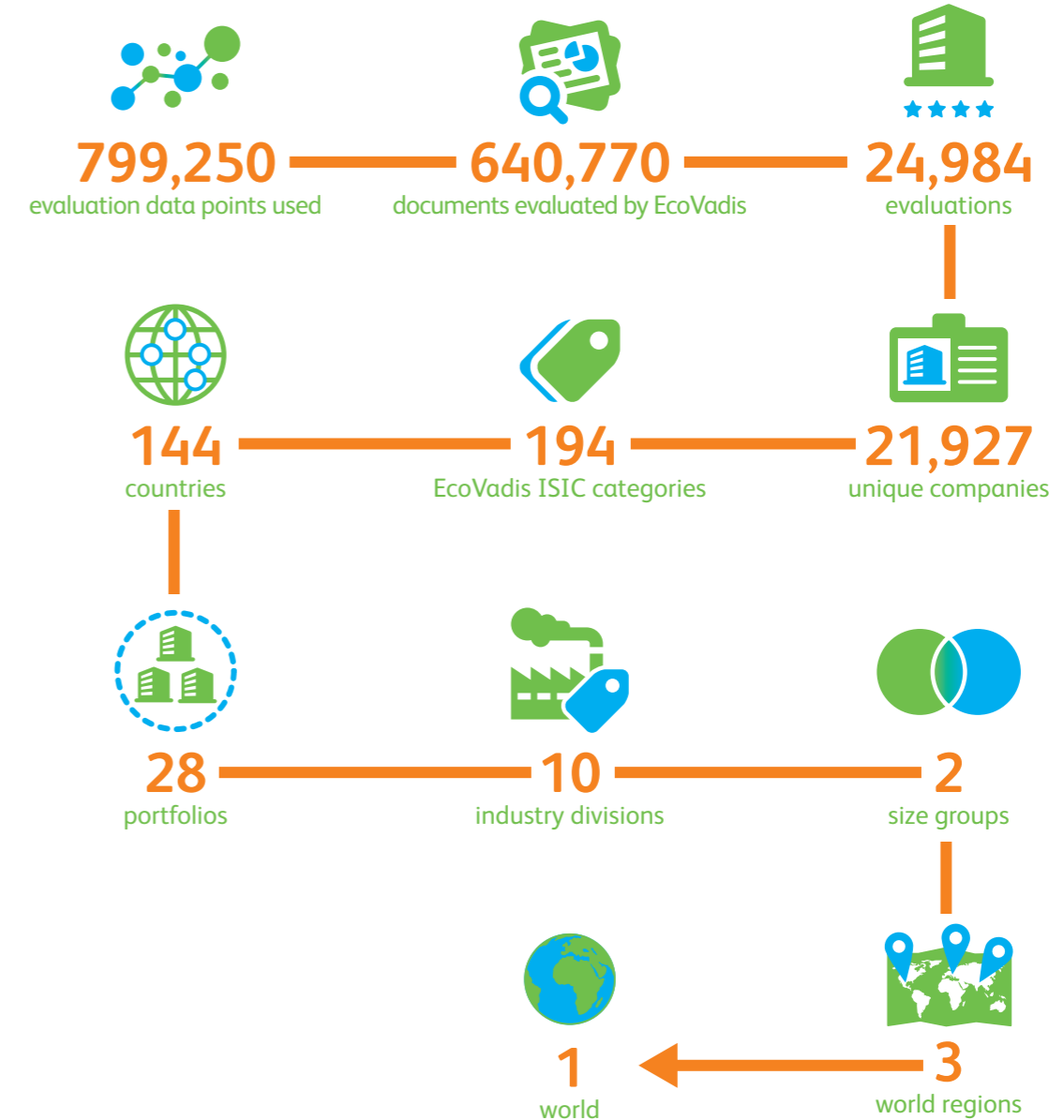
| Indicator | Explanation |
|--------------------------------|--|
| CSR PERFORMANCE | |
| Average of score all | Average overall CSR score of all companies in that portfolio |
| % >45 | % of companies in that portfolio with overall CSR scores equal to, or more than, 45 points |
| % 25-44 | % of companies in that portfolio with overall CSR scores between 25 to 44 points |
| % 0-24 | % of companies in that portfolio with overall CSR scores between 0 to 24 points |
| Average of score [theme] | Average score of [theme] of all companies in that portfolio |
| Average of score improvement % | Average of % score improvement ⁷ of companies in that portfolio who had at least 2 evaluations within the defined years |

⁵ Year on Year (Y-o-Y) % change = difference between indicator values in year N and N-1, divided by indicator value in year N-1

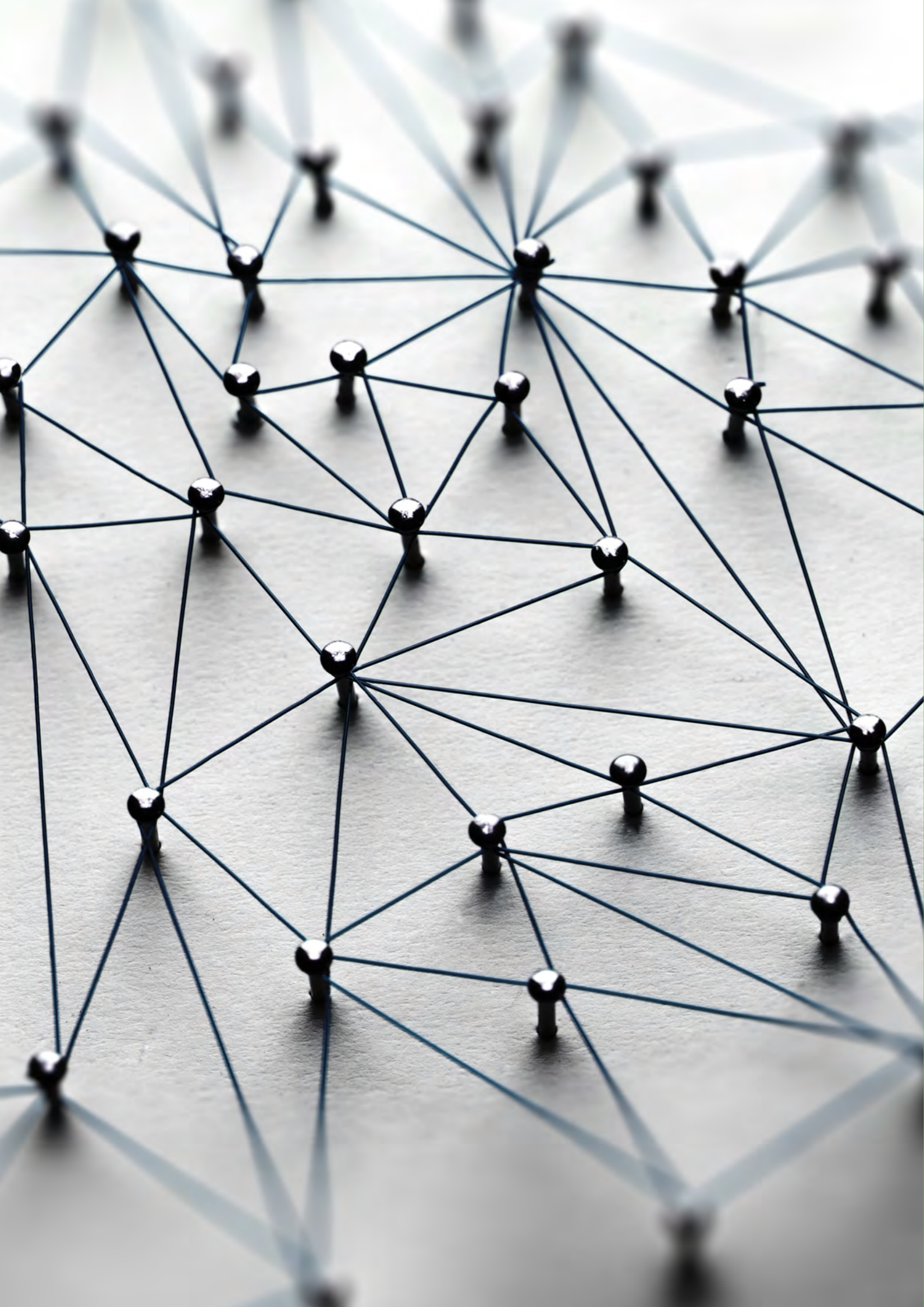
⁶ % score improvement = difference between overall CSR score in Evaluation N and N+1, divided by overall CSR score in Evaluation N. If a company had Evaluation 1 (E1) in 2015, and then 2 evaluations (E2, E3) in 2016, then % score improvement of E1 is not applicable, % score improvement in E2 is ignored because it is not the latest evaluation in that calendar year, and only % score improvement in E3 is used

| Indicator | Explanation |
|-------------------|---|
| PROFILE | |
| N (companies) | Number of companies in that portfolio |
| % HQ country risk | % of companies in that portfolio whose HQ is located in a Risk Country ⁸ |
| % 1st evaluation | % of companies in that portfolio which were evaluated by EcoVadis for the 1st time in that calendar year since EcoVadis inception in 2008 |

Data Universe



⁷ The definition of Risk Country can be found in detailed EcoVadis methodology, please visit [EcoVadis resources](#)



2017 CSR SPOTLIGHTS

EcoVadis highlights below 6 important global CSR developments, involving science based targets for climate change, human migration, corruption, and slavery, waste generation, cybersecurity, adopting technologies, and the global goals to solve the world's most pressing problems. These developments require global coordination, cooperation, and collaboration. We provide a dive into these developments, and offer some commentary using the results of the EcoVadis Global CSR Risk and Performance Index to offer an insight on challenges ahead for these developments.

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CSR SPOTLIGHT #1

Science-based targets to fight climate change

Setting targets for carbon emissions reduction is not a new phenomenon. Investor and corporate commitments to reduce emissions have been made in light of the [Paris agreement](#) of December 2015. Yet there is no definitive assurance that the objectives set by companies and investors are in line with the goal to keep global temperature increase to 2°C, as defined by the 197 parties to the UN Framework Convention on Climate Change (UNFCCC).

As a consequence, large corporates such as Coca-Cola, Dell, and Walmart have turned to setting targets which are aligned with scientific scenarios for their various industry sectors. These science-aligned targets are known as *science-based targets*. As of June 2017, 269 companies endorsed the [Science-Based Targets Initiative](#) (SBTI), a partnership between CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI) and WWF. For example, Coca-Cola Enterprises have enhanced its commitment to reduce absolute GHG emissions from their core business operations by 50% by 2020, using a 2007 base year and a science-based scenario.

While companies such as Coca-Cola have adjusted their targets for emissions reduction upon joining the SBTI, there is a risk that companies might adopt a less stringent scenario and default to meeting easier targets, thus undermining possible ambitious ones. Furthermore, companies do not face any repercussions if they do not deliver on their targets, as yet no tracking or punitive mechanism is implemented by the initiative ([SBTI 2016](#)).

If however, companies are committed to meeting the 2°C consensus, then emissions from the supply chain (Scope 3¹⁰ emissions) must be factored into considerations. Ambitious upstream emissions reduction targets is an opportunity to demonstrate corporate leadership. The SBTI provides [guidance](#) on how to set such Scope 3 targets based on scientific scenarios. However, the operational influence of a company on its associated GHG reductions along their supply chain remains challenging. This is because Scope 3 emissions, especially in the supply chain, are difficult to associate, track, measure, monitor, and reduce.

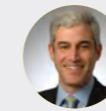
Considering that the world's value chains are most likely to be small and medium size companies, this difficulty is an ever larger challenge against achieving the 2°C goal. Even if the world's largest companies (e.g those whom signed on to SBTI) met their science based targets, the majority of absolute emissions which come from

¹⁰ Scope 3 emissions are indirect emissions other than direct GHG emissions (Scope 1) or those from consumption of purchased electricity, heat or steam (Scope 2). Examples of Scope 3 are the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc. ([Greenhouse Gas Protocol 2017](#))

the small and medium size companies on an aggregate basis would likely dwarf any emission cuts by these large companies. This year's index results show that the ENV scores of S-M companies in the world are considerably lower than large companies. This suggests that S-M companies still need much resources and support to catch up with large companies to reduce emissions.

"

EcoVadis highlights the importance of science-based targets (SBTs) and the need to go beyond even these large goals. Given the scale of challenges like climate change and resource constraints, SBTs are really the minimum targets we should be setting. The leaders are going further to pursue more aggressive timelines and commit to, for example, source all energy from renewables and, even further, set SBTs for supply chain partners. Tackling those large scope 3 emissions is a great way to, as EcoVadis points out, manage supply chain risks and demonstrate real leadership."



Andrew Winston, member of EcoVadis Scientific Advisory Committee and author of *The Big Pivot* and *Green to Gold*

CSR SPOTLIGHT #2

UN 17 Sustainable Development Goals

On September 2015, under the the 2030 [Agenda](#) for Sustainable Development, the United Nations announced 17 [Sustainable Development Goals](#) (SDGs), encompassing 169 specific targets to be achieved over the next 15 years.



Their predecessor, the Millennium Development Goals (MDGs), began in 2000 and were short, concrete, and measurable. It gave focus to decision makers. However, their strengths were also their biggest criticism. Those 8 goals were [not](#) sufficiently encompassing of other equally important issues, which consequently left behind people and countries whose issues were not part of the MDGs. The SDGs now overcome this issue of inclusivity. Yet, by encompassing 169 specific targets, the SDGs do not sacrifice measurability and concreteness.

One of the main purpose of the SDGs is to create [partnerships](#) among different stakeholders (NGOs, governments, companies, academia) in order to improve the existing technologies and infrastructures in a sustainable way. The private sector can be considered as the new driving force to meet the SDGs since they represent a real opportunity for companies to continue their business while accentuating their efforts on sustainability.

How the SDGs remain actionable is its greatest strength. The SDGs fosters creating partnerships among different stakeholders (NGOs, governments, companies, academia) and invite these stakeholders to tackle the targets in their different ways. The platform for partnerships espouses principles of democracy and transparency. Anyone is invited to register and contribute to an initiative, and is invited to communicate on the initiative's progress. All of these are available to everyone to view, read, analyze, and improve. UN level working groups reviews the collective efforts and publishes [annual reports](#) on progress.

Companies can choose to align their long term existence goals to the SDGs, or choose to be unconcerned about them. But if young people today are the talents of the future, and that young people [care intensely](#) about the world, then companies who want to capture these young talents for long term existence must also share in with their ideals to improve the [world](#). This is best done by aligning the business with SDGs. To help companies embark on this alignment, the [SDG Compass](#) has been published to provide resources for companies. Using tools and indicators, the Compass helps companies first determine its industry specific impact (positive and negative) towards the SDGs. It also sets up a simple framework to help companies apply the SDGs to their business.

2030 is only 13 years away, and there is much left to accomplish. The SDGs must succeed, however, because there is no Plan B.

// Many political leaders seem unable to provide long-term, coherent guidance for the economy, so business leaders are stepping up to catalyze real, effective change. And the UN Sustainable Development Goals are now the overarching framework for business thinking and action. But the Goals are still seen by many as an invitation to incremental change—whereas they actually demand exponential change. What else can we read into the call for “No Poverty” or “Zero Hunger” (Goals 1 and 2) by 2030? We are tracking and spotlighting breakthrough innovators worldwide, both on our Project Breakthrough website, co-evolved with the UN Global Compact, and in our evolving work on Carbon Productivity. EcoVadis is a key player across all such dimensions of change—inspiring and aggregating business efforts across the SDG spectrum”



John Elkington, Chairman & Chief Pollinator, Volans

CSR SPOTLIGHT #3

Circular economy & the supply chain - consequences from draft EU legislation

More recycling, less waste – the imperative of a draft legislation adopted by the EU parliament in March 2017 aims at boosting circular economy⁸ in Europe. The new “waste package” aims to increase the share of waste to be recycled to 70 % by 2030 (2014: 44 %) and to limit the share going to landfill to 5 % (2014: 28 %) through four separate directives on waste, landfills, packaging and vehicle, battery and electronic equipment recycling. These ambitious goals, however, concern municipal waste only, i.e. only 8 % of the waste produced by households and small companies (2014). Nonetheless, the [stricter targets](#) should bring about an important shift towards a circular economy model which enables better valorization of waste, in particular packaging, food, end-of-life vehicles (EVL) and electric and electronic equipment (EEE).

The consequences for business are twofold: Implementing the proposals could bring about economic benefits such as increased productivity and thus competitiveness of the waste management, recycling and manufacturing sector, or any business struggling with their dependency of raw material inputs. In the manufacturing sector, some large corporations such as H&M, Nike or Marks & Spencer have taken the [lead](#) by setting targets for closed-loop production and adopted circular economy in their business strategy. The [Ellen MacArthur Foundation report](#) estimates that by 2030, a shift towards a circular economy could yield total annual benefits of €1.8 trillion, compared to the current take-make-dispose system. Meanwhile in the UK, the world’s first circular economy standard was launched by the [British Standards Institution \(BSI\)](#): BS8001 can be used by any organization, regardless of location, size, sector and type and promises dramatic improvements for resource efficiency by assisting companies to integrate the principles of circular economy into their business activities.

However, the amendments proposed by the EU Commission will also target manufacturers by extending mandatory producer responsibility (EPR)⁹ schemes for a wider range of materials. Compliance to the legislation demands action to for tighter collaboration with suppliers, by preventing waste at the source and promoting design for the environment. Yet, circular-type solutions will require going far beyond compliance, to find more advanced sustainability capabilities and deeper integration with suppliers. This means finding suppliers who are advanced in these areas such as materials efficiency, waste, and emissions.

⁸ A circular economy, in contrast to the linear model, has the objective to reduce waste to a minimum by re-using, repairing, refurbishing and recycling existing materials and products and thus putting a higher value on them ([European Parliament 2017](#))

⁹ Extended producer responsibility (EPR) schemes require producers to cover the financial and/or organizational burden of collecting or taking back used goods as well as the sorting and treatment for their recycling ([European Parliament 2017](#))

From the results of this year’s index, the three manufacturing industry divisions C1, C2, and C3, across both size groups exceed respective world average in the environmental theme in 2016. This gives a hint on their readiness for increasing recyclability of materials and products.

CSR SPOTLIGHT #4

NGO 2.0 - Technology deepens transparency

NGOs fill the gaps where information and transparency are lacking, for example where treatment of employees and their working conditions are inadequate, and little transparency exists surrounding this practice. NGOs step up by highlighting the existence of these gaps, and sometimes provide temporary solutions for parties affected. Particularly for supply chains, NGOs provides a critical spotlight of the issues in the supply chain of large purchasing organizations.

Even until recently, NGOs relied mostly on their own investigative work to determine the existence of issues, for example, [China Labor Watch](#) staff visited the site of the manufacturer of Ivanka Trump-branded shoes to [investigate](#) alleged labor abuses. Such work carries a high personal safety risk to NGOs' own staff, especially if the companies being investigated are uncooperative. Even when companies are cooperative, and NGOs are invited to visit local sites, what appears to be the daily practice may very well be a farce planned by these companies, rendering site visits meaningless since the reality is misrepresented. Workers in these companies could also face undue pressure to not divulge any malpractice if the workers fear for their personal safety, when these NGO visits take place onsite.

The use of recent technologies may now circumvent some of these difficulties that NGOs face. These recent technologies are not technically cutting edge, nor are they technically sophisticated. However, it is the application of these technologies in specific situations which afford NGOs improved ways to help them achieve their objectives. For instance, [the use of smart mobile phones](#) are now delivering direct worker feedback and bypassing physical interactions between NGO staff and those workers. While ordinary mobile phones are not new or cutting edge, it is the mass market adoption combined with innovative applications that have enabled NGOs to access worker feedback from a much broader audience, in a safer way. In some areas (China) there is high enough penetration of smartphones to run the feedback as an application (e.g. on WeChat), but the systems also serve those ordinary phones (for example using SMS text or automated voice systems and recording to conduct surveys). Besides the hardware, the use of data analytics software, to decipher the inflow of direct workers' feedback information to distinguish fact from data noise, can automate and scale up the collection of valuable insights. This would otherwise have been not possible via human-based data collection and analysis. It is this that changes how NGOs perform their roles in society.

Beyond direct workers' feedback, mobile technologies also allow NGOs to tap on local communities to capture information about local environmental issues. The Institute of Public & Environmental Affairs ([IPE](#)) in China released "[Blue Sky](#)", a mobile application which collects user provided data about locations of polluted rivers, which then is transferred to local authorities. The use of drones is another example. Drones allow for aerial photography, [air quality sampling](#), amongst others, and have been in use for some time. But it is only in recent years that

drone's cost of ownership has fallen to an extent that it is sold in retail shops. Ease of use, thanks to improved connectivity technology, has also improved to the extent that drones can be operated via a smart mobile phone. NGOs now use drones to monitor illegal logging, [conservation efforts](#), pollution levels etc.

The use of these technologies do not remove the need for NGOs, rather these technologies enhance the information collection capabilities of NGOs to achieve their objectives to highlight the gaps in society where transparency is urgently required. In fact, the adoption of such technologies have fostered closer cooperation between NGOs and these technology providers, in particular, the [WEST principles](#), launched June 2017, aims to maximize the potential of technologies so as to reduce and solve workers abuse in global supply chains.



Mobile technology connects directly and anonymously with every worker, everywhere and in real time. It enables all organizations –NGOs, unions, companies and governments- to monitor working conditions more effectively and collaborate to improve wellbeing and business performance.”



Antoine Heuty, Founder Ulula

CSR SPOTLIGHT #5

Cybersecurity and relevance for CSR

Information and communications technologies (ICT) are now embedded in our lives, and detachment from such technologies may not be feasible anymore. Our personal data is now accessible and transferable by companies (sometimes without our formal [agreement](#)). Certain software features (e.g. single sign-on services) which facilitate our daily actions online can potentially put the safety of our personal data at higher risk. According to [Lau](#) and his co-author Zhang from the Chinese University of Hong Kong, “for companies, even top IT brands, it is always a matter of priorities between ensuring the security or privacy of users and fulfilling other objectives”.

It is reasonable to question if the data we trust companies with are well protected. According to the ISO 26000 guidelines, companies should protect all third-party information (including consumer personal identifiable information) from unauthorized access or disclosure. However with the increasing use of ICT, new types of cyber security risks (e.g. [WannaCry](#), [Petya](#)) are getting mainstream attention due to their geographic spread and large magnitude of impacts.

According to [Allianz](#), increasing interconnectivity, globalization and “commercialization” of cybercrime are driving greater frequency and severity of cyber incidents, including data breaches. For instance, PwC released a report in 2016 that [38%](#) of cybersecurity incidents are due to third-party vendors. To prevent such cyber security incidents, which can turn into major crises, some companies started to work on implementing an information security management system based on ISO 27001 standard. This starts from defining roles and responsibilities about cybersecurity within the company, and setting objectives to tackle a wide range of challenges such as asset management, information protection, users’ awareness, network and infrastructure security, business continuity, incident and crisis management. It is important to note that cybersecurity does not only concern technology related factors but also includes security of physical premises to control access to areas which contain sensitive information.

A [study](#) of companies in 79 countries shows that the threat of cyber attacks now ranks as the biggest concern among business around the world, even more so than political events. Cyber security to protect and secure confidential information is unlikely to diminish in importance. Rather, it would grow in importance in tandem with the connectivity, and digitalization, of our lives.

Companies who are most likely to face material cybersecurity and information security risks are those who rely heavily on data infrastructures and employ different local vendors to service different geographical offices worldwide. From this year’s edition of the index, companies in industry divisions J & KL are most concerned with third party data, especially from their clients.

FB scores for both J & KL are above the World’s average, which suggest that there is attention paid to this risk by companies from J & KL industry divisions.

CSR SPOTLIGHT #6

The corruption-human trafficking-slavery nexus

Human trafficking can occur anywhere and is still a [reality](#) even in developed countries such as the US. This is particularly true for certain sectors, such as agriculture, food & beverage processing, manufacturing and construction, where corruption go hand in hand with human rights abuses. Migrants are a vulnerable population as the case of Syrian refugees exploited in the Turkish garment industry [illustrates](#): an undetermined number of Syrian refugees are working in Turkish textile workshops where child labor, bad working conditions and low wages prevail. This occurs because exploiters often are able to bribe lower ranked officials to ignore these incidents and allow the exploiters to carry on their business. In the construction sector, [the migrant workers' death rate in Qatar](#) further highlights this nexus of corruption, human trafficking, and forced labor. On the other side of the [world](#), impoverished southeast asian migrant workers are forced to work on fishing boats whose catch go into the supply chain of large food companies. The [GRI](#) states that an increase of human trafficking risks in global supply chains can be largely attributed to the migration from conflict zones to more stable neighboring countries, and food and beverage companies should pay due attention to their supply chain in these countries.

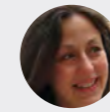
Olivia Enos and James M. Roberts explain that there is a [correlation](#) between economic freedom and human trafficking, using the different categories of countries grouped by the US Department of State's Trafficking in Persons in its [report](#). They come to the conclusion that countries that do not promote economic freedom have a higher risk to generate human trafficking. There are various mechanisms for this relationship, e.g ineffective enforcement, non-independent judiciary, but none of them alone can explain the existence of slavery. A combination of these factors fosters an environment where slavery can take place and persist without strong repercussions.

For companies whom are based in countries where far reaching slavery laws exist (e.g UK Modern Slavery Act), this strong correlation suggests that these companies must conduct proper due diligence of its partners in risky countries, invite civil society to increase transparency in its supply chain, and dedicate resources to resolve existing slavery incidents. If they don't, the legal consequences include [criminal liability](#) for directors who signed off statements made by companies claiming compliance with slavery legislation.

Human trafficking, and forced labor, are usually present in lower value manufacturing where few job-skills are required. From this year's edition of the index, AB, C1, C4, H, F, are industries where the incidence of human trafficking, and forced labor, are higher. AB, C1, H have lower than World's average LAB scores, which suggests supply chain due diligence in these industries are important to uncover potential forced labor practices.



Human rights abuses are not rare exceptions – they are endemic, fuelled by rising inequalities and the ready supply of vulnerable migrant labour, throughout society, business and supply chains, both in the developed and the developing world. All businesses are at risk - it is not possible to draw a line around any company's "clean" bit of the world. The right response is a rejection of complacency, a commitment to continual vigilance and a strong and public track record of remediation."



Rosey Hurst, Founder Director, Impactt Limited



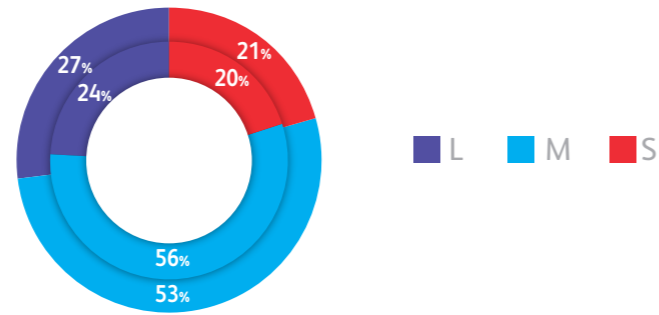
INDEX RESULTS

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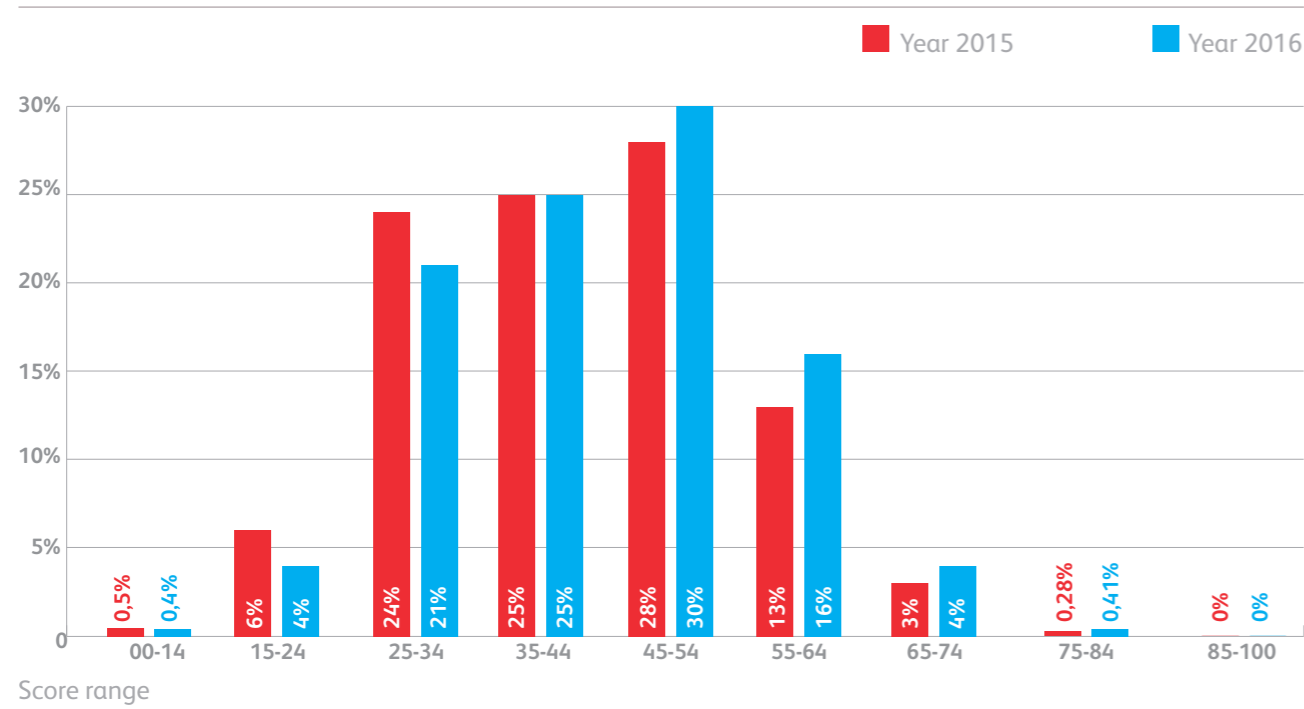
RESULTS OVERVIEW

Size breakdown by % across calendar years

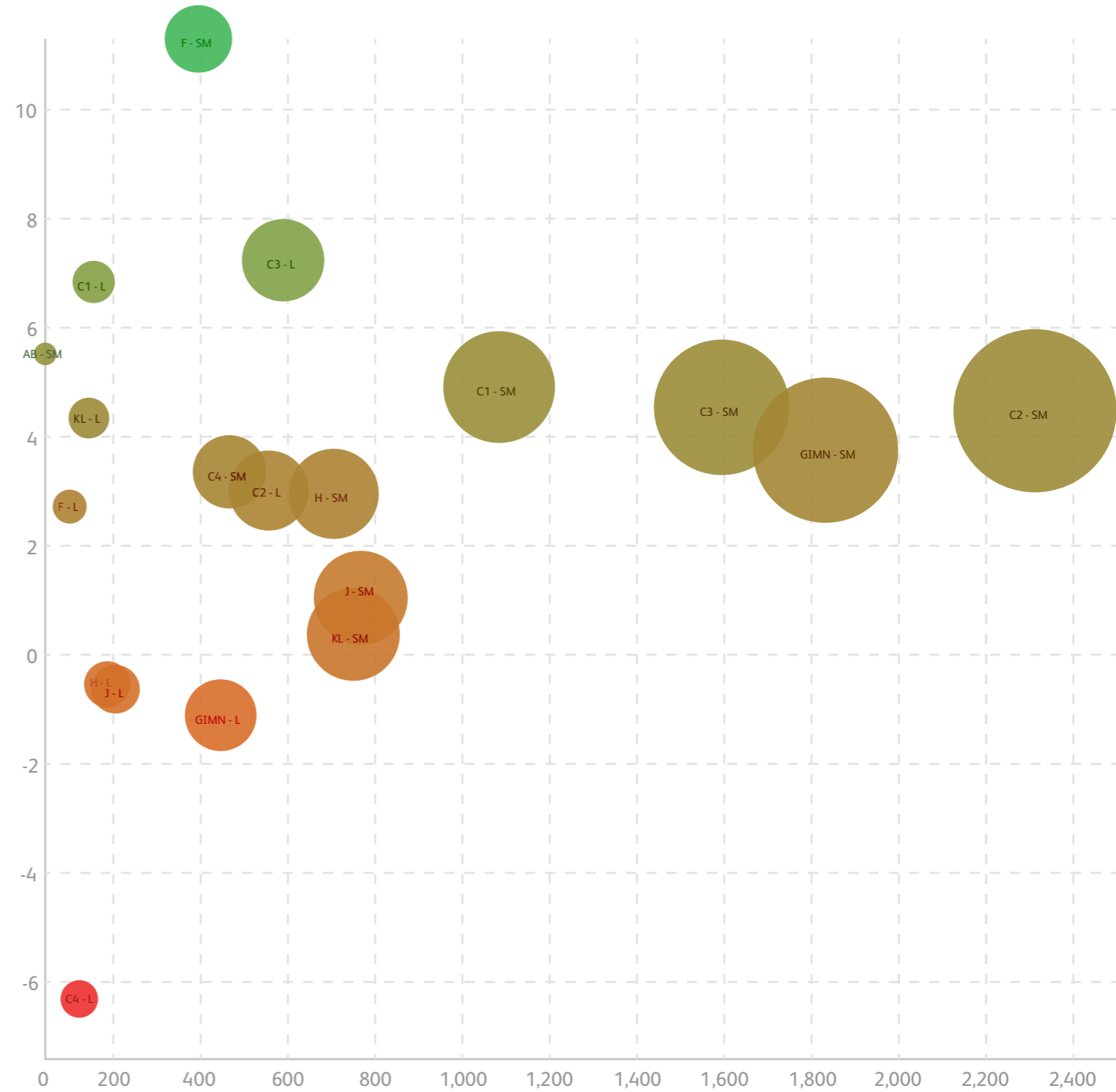
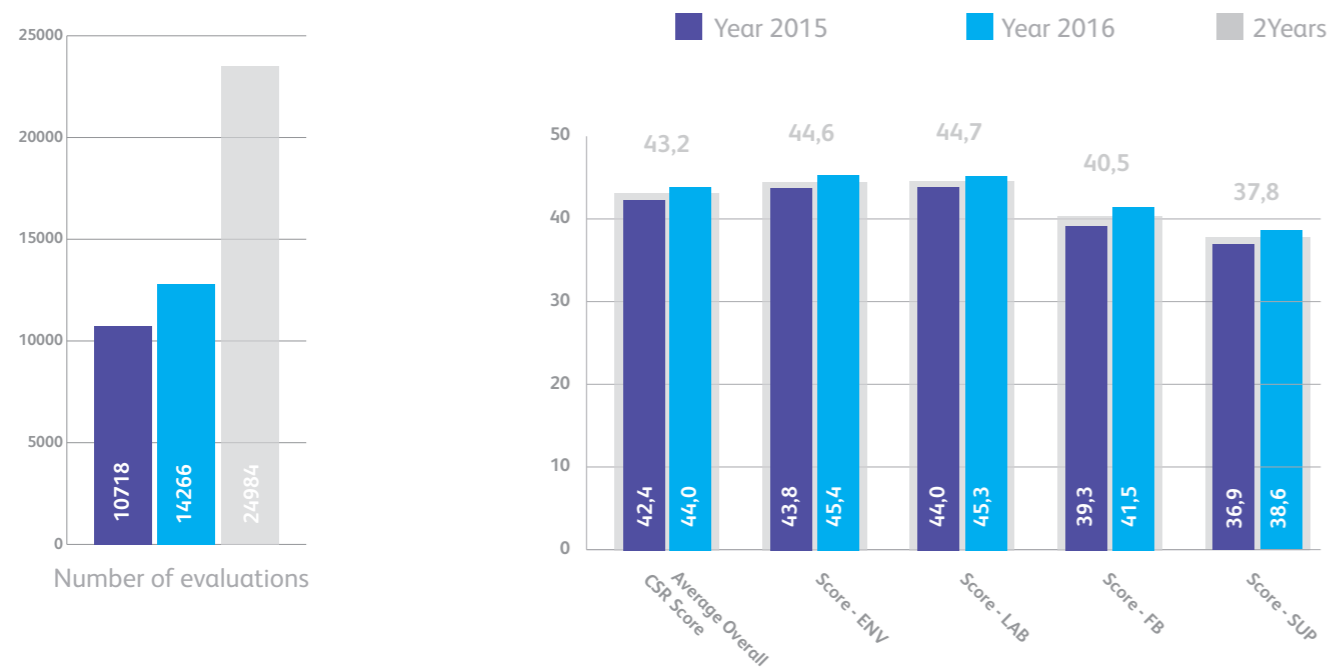


Size breakdown: Outer ring 2016, Inner ring 2015

% of evaluations in that year in score range



Universe figures



We visually illustrate quickly how the different portfolios compare to each other;

- 1) color intensity based on how their portfolio's average overall CSR score changed from 2015 to 2016 (green being best, red being worst),
- 2) size of bubble based on number of companies in that portfolio for 2016 (larger bubble being more companies)

X axis - number of companies in portfolio

Y axis - % change in average overall CSR score from 2015 to 2016

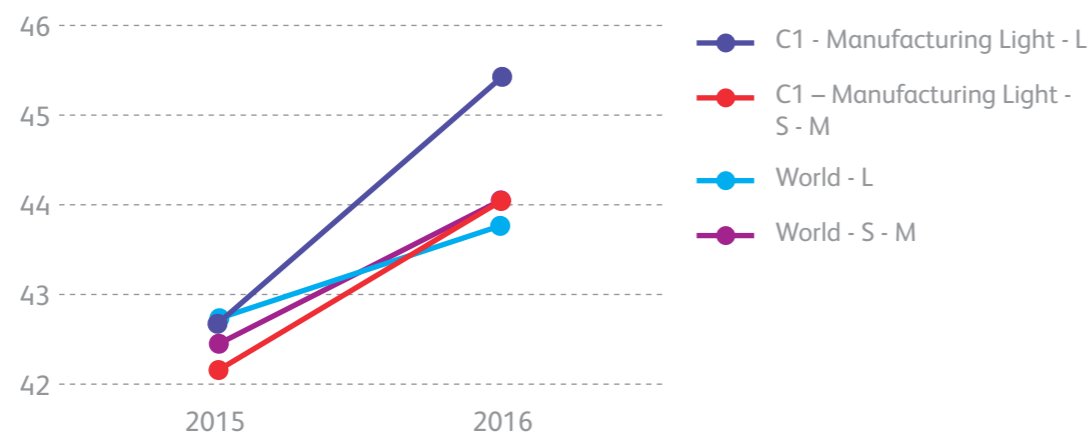


C1 – MANUFACTURING LIGHT

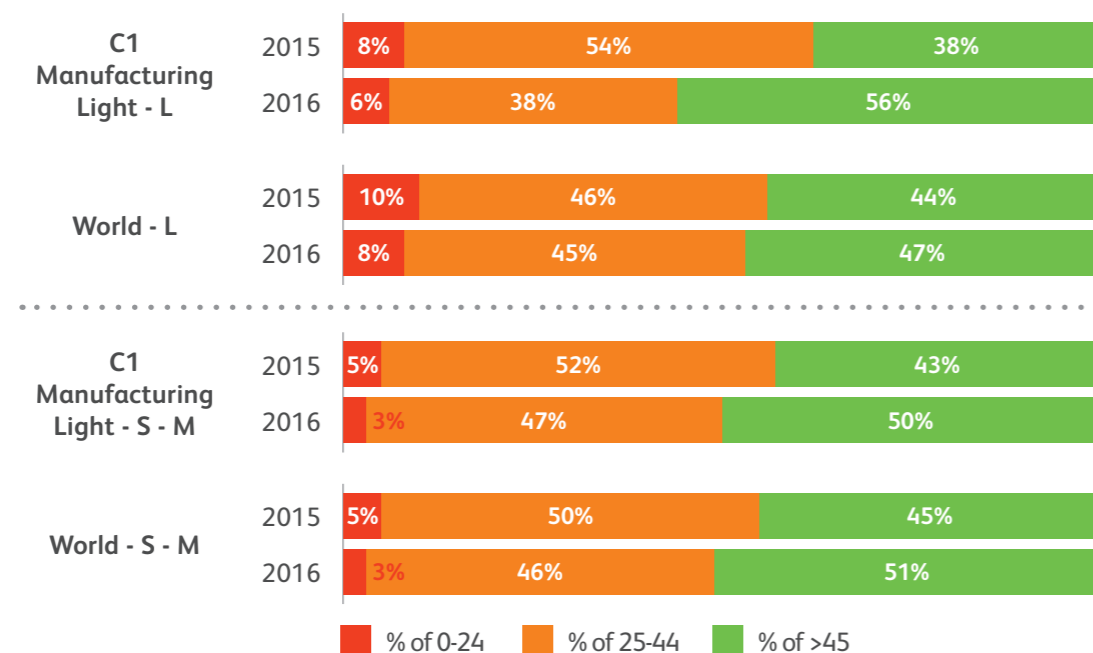
Index Results

Independent of size, average scores of C1 - Manufacturing light companies have increased by 2, following global trends. Especially large companies seem to have realized benefits from learning effects in 2016 as their average score improvement is slightly higher (19.2%) than the world average (12.3%). On average, large companies in “light” manufacturing now present only a low risk in terms of their CSR management, as their average scores are above 45. This is not true for small and medium sized companies, whose scores stay close to world average scores, thus below the 45 threshold.

C1 - Portfolio average overall CSR score benchmarked to world size groups across calendar years



C1 - Score distribution by size group: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years



The overall positive tendency is confirmed by increasing shares of companies of any size achieving scores presenting a low CSR risk (>45). This is valid especially for large companies, of which by 2016, 18 percentage points have shifted to scores higher than 45. Improvements recorded for small and medium size companies are comparatively less significant; nonetheless, 1 out of 2 suppliers assessed in this size group can now be considered as a “low risk” company with regard to their CSR management. Meanwhile, shares of suppliers with high risk scores (<25) remain below 10% for all sizes. In 2016, however, low CSR performances (<25) are observed more frequently for large suppliers (5.8%) than for small and medium suppliers (3.2%). These values, however, lie below the world average for both sizes.

With regard to some themes, C1 companies perform statistically better compared to the world average: Overall scores in the ENV theme for all sizes (SM = 45.5; L = 50.8) slightly exceed the respective average world scores (SM = 44.8; L = 48.0). This is also true for scores in Sustainable Procurement which are above world average. In contrast, scores achieved with regard to social issues and in the field of Fair Business Practices generally fall below the world average in these themes, which has not changed since 2015. Only large companies perform better in FBP compared globally and have also experienced highest improvements in this theme.

| | L Group | | SM Group | |
|--------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 42.6 | 45.5 | 42.1 | 44.1 |
| Average of score improvement % | NA | 19.2% | NA | 14.7% |
| Average of score ENV | 48.0 | 50.8 | 43.6 | 45.5 |
| Average of score LAB | 41.9 | 44.9 | 42.9 | 45.0 |
| Average of score FB | 38.1 | 41.2 | 37.6 | 40.0 |
| Average of score SUP | 38.7 | 41.4 | 38.9 | 41.0 |
| Y-o-Y % change of Score ALL | NA | 6.8% | NA | 4.9% |
| Y-o-Y % change of Score ENV | NA | 5.7% | NA | 4.3% |
| Y-o-Y % change of Score LAB | NA | 7.1% | NA | 4.8% |
| Y-o-Y % change of Score FB | NA | 8.2% | NA | 6.4% |
| Y-o-Y % change of Score SUP | NA | 7.1% | NA | 5.3% |

Description

“Light” manufacturing includes activities around the production or repair of household goods or objects of daily use which are not necessarily linked to input of hazardous materials posing significant human or environmental risk. The main classifications cover the textile (ISIC 131-152) and paper industry (ISIC 1701 – 1709), both sectors are subject to specific CSR risks or companies have been involved in recent scandals, shedding negative light on activities in this category. Social and human rights issues have been associated with textile production along multinational supply chains, often involving delocalization of workforce in developing countries where safety standards and labor rights are not always respected. With regard to paper manufacturing and associated practices, the consumption of energy, water and materials are known to be of high materiality for this sector and thus present a significant environmental risk. Besides the need to wisely manage water and energy intensity in view of cost and regulatory pressure, the procurement of paper pulp from sustainable sources as well as the responsible handling of chemicals in work processes come into play and will require concerted efforts by affected companies to avoid risks.

There are 14 EcoVadis ISIC categories included in this portfolio C1 - Manufacturing Light.

| ISIC Title | ISIC Code |
|--|-----------|
| Spinning, weaving and finishing of textiles | 131 |
| Manufacture of other textiles | 139 |
| Manufacture of wearing apparel | 14 |
| Manufacture of luggage, handbags and the like, saddlery and harness | 1512 |
| Manufacture of footwear | 152 |
| Manufacture of pulp, paper and paperboard | 1701 |
| Manufacture of corrugated paper and paperboard and of containers of paper and paperboard | 1702 |
| Manufacture of other articles of paper and paperboard | 1709 |
| Printing and service activities related to printing | 181 |
| Manufacture of furniture | 31 |
| Manufacture of games and toys | 3240 |
| Manufacture of medical and dental instruments and supplies | 325 |
| Other manufacturing n.e.c. | 3290 |
| Repair and installation of machinery and equipment | 33 |

Descriptive Statistics

| | L Group | | SM Group | |
|-----------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 136 | 155 | 942 | 1084 |
| %HQ Country Risk | 21.3% | 22.6% | 37.4% | 37.1% |
| %1st Evaluation | 36.8% | 35.5% | 63.0% | 58.2% |
| Y-o-Y % Change - N (Companies) | NA | 44.9 | NA | 45.0 |
| Y-o-Y % Change - %HQ Country Risk | NA | 5.9% | NA | -0.8% |
| Y-o-Y % Change - %1st Evaluation | NA | -3.5% | NA | -7.5% |

In 2016, C1 Large make up about 1.2% in terms of number of companies of world Large. C1 S-M companies are about 8.7% of world S-M companies.

Overall, the numbers of assessments are increasing, however, large sized companies represent only a small share (13 %) of more than 1,200 companies assessed in 2016. The percentage of large companies with HQ in risk countries has increased at a rate higher than the world average (5.9 % vs. 3.1 %) which can imply a corresponding decrease in scores. Meanwhile, the share of first timers is decreasing at a higher rate for L than the world average (-3.5 % vs. -1.8 %), so that learning effects after the first evaluation might counteract the downward bias in scores.

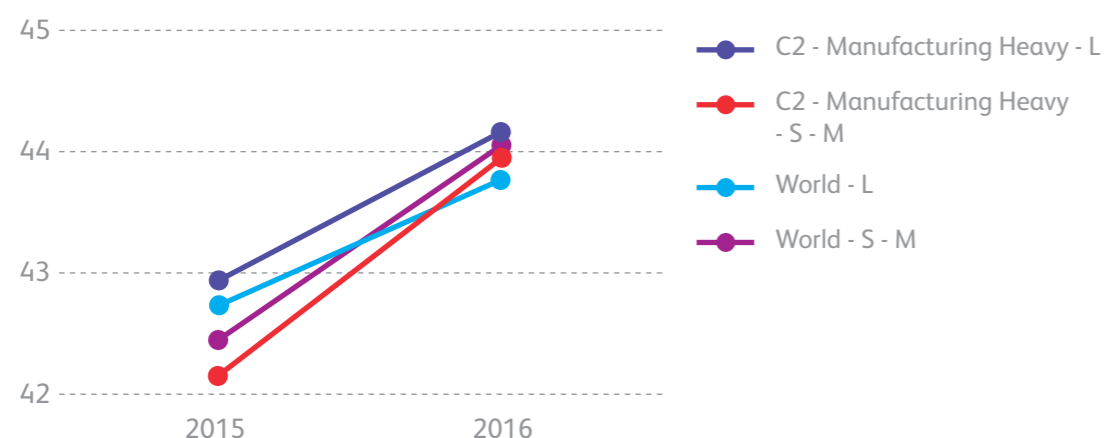


C2 – MANUFACTURING HEAVY

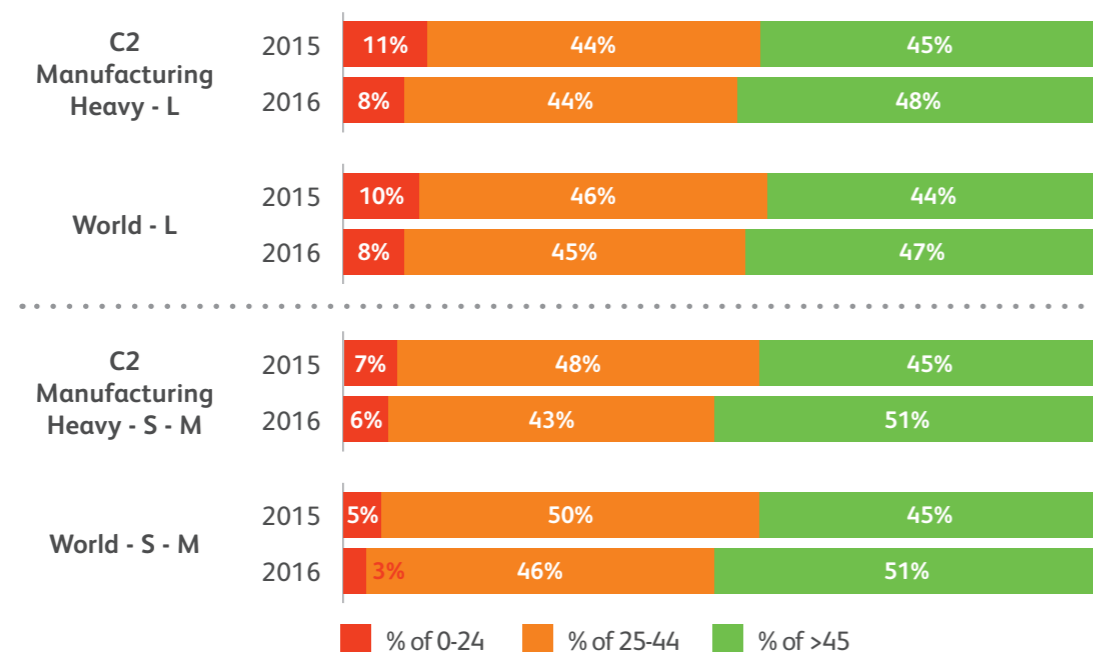
Index Results

C2 companies in both size groups do not differ significantly from world average across both years 2015 and 2016 (world L 2016 = 43.8, world S-M 2016 = 44.1). Across other metrics shown below, results for C2 Large and S-M do not differ significantly from world scores.

C2 - Portfolio average overall CSR score benchmarked to world size groups across calendar years



C2 - Score distribution by size group: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years



Distribution of low, medium, and high risk companies in C2 both size groups do not differ significantly from world across both years. We see both L and S-M companies in C2 generally improving in the same pace as world.

| | L Group | | SM Group | |
|--------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 42.9 | 44.2 | 42.1 | 44.0 |
| Average of score improvement % | NA | 13.8% | NA | 16.3% |
| Average of score ENV | 48.7 | 49.7 | 44.7 | 46.7 |
| Average of score LAB | 43.9 | 45.4 | 43.1 | 44.7 |
| Average of score FB | 38.4 | 40.0 | 37.7 | 39.9 |
| Average of score SUP | 34.2 | 35.4 | 35.8 | 38.0 |
| Y-o-Y % change of Score ALL | NA | 3.0% | NA | 4.5% |
| Y-o-Y % change of Score ENV | NA | 2.0% | NA | 4.4% |
| Y-o-Y % change of Score LAB | NA | 3.5% | NA | 3.9% |
| Y-o-Y % change of Score FB | NA | 4.2% | NA | 5.7% |
| Y-o-Y % change of Score SUP | NA | 3.4% | NA | 6.2% |

Description

C2 - Manufacturing Heavy represents a collection of industries which presents significant risks on CSR issues (e.g Environment impacts, OHS impacts), and these risks and their potential impacts can be easily greater than those faced in C1 - Manufacturing Light. Companies with the 2-digit ISIC divisions 19-24, usually process hazardous raw materials, and these manufacturing processes often carry significant risks, and potential impacts to the environment, and people. For example, companies manufacturing paints (2022) will have to manage hazardous chemicals, fumes, potential spills, and safety in use of products. Employees in those manufacturing plants would have to be heavily trained, and equipped with heavy duty safety equipment, while working in the risky manufacturing plant. Companies with the 2-digit ISIC divisions 35 to 39, are also included in this portfolio, because of the similar magnitude of CSR risks and potential impacts from the activities (e.g Waste collection).

There are 29 EcoVadis ISIC categories included in C2 - Manufacturing Heavy.

| ISIC Title | ISIC Code |
|--|-----------|
| Manufacture of coke and refined petroleum products | 19 |
| Manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms | 201 |
| Manufacture of pesticides and other agrochemical products | 2021 |
| Manufacture of paints, varnishes and similar coatings, printing ink and mastics | 2022 |
| Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations | 2023 |
| Manufacture of other chemical products n.e.c. | 2029 |
| Manufacture of man-made fibres | 203 |
| Manufacture of rubber products | 221 |
| Manufacture of plastics products | 222 |
| Manufacture of glass and glass products | 231 |
| Manufacture of refractory products | 2391 |
| Manufacture of clay building materials | 2392 |
| Manufacture of other porcelain and ceramic products | 2393 |
| Manufacture of cement, lime and plaster | 2394 |
| Manufacture of articles of concrete, cement and plaster | 2395 |
| Manufacture of other non-metallic mineral products n.e.c. | 2399 |
| Manufacture of basic iron and steel | 241 |
| Manufacture of basic precious and other non-ferrous metals | 242 |
| Casting of metals | 243 |
| Electricity, gas, steam and air conditioning supply | 35 |
| Water collection, treatment and supply | 36 |
| Waste collection | 381 |
| Waste treatment and disposal | 382 |
| Materials recovery | 383 |
| Remediation activities and other waste management services | 39 |

Descriptive Statistics

| | L Group | | SM Group | |
|-----------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 468 | 556 | 1891 | 2312 |
| %HQ Country Risk | 33.1% | 37.5% | 43.3% | 46.6% |
| %1st Evaluation | 35.9% | 34.3% | 64.8% | 60.8% |
| Y-o-Y % Change - N (Companies) | NA | 18.8% | NA | 22.2% |
| Y-o-Y % Change - %HQ Country Risk | NA | 13.5% | NA | 7.5% |
| Y-o-Y % Change - %1st Evaluation | NA | -4.3% | NA | -6.2% |

In 2016, C2 Large and S-M make up about 20% in terms of number of companies in the world Large and S-M respectively.

There is a significant increase in the percentage of companies evaluated which belong to HQ risk countries relative to the world rates (L = 3.1%, S-M = -2.2%). This signals a potential downward bias in the scores. Companies whose HQ are based in risky countries tend to be less mature in CSR management relative to companies whose HQ are based in non-risky countries. This translates to less effective management of CSR risks in these companies operations. Percentage of C2 Large companies who are EcoVadis first-timers changed by 4.3% less in 2016 (world L = 1.8% more). This suggests a slight upward bias in scores. Percentage of C2 S-M companies who are EcoVadis first timers changed by 6.2% lesser in 2016, and similar to the world rate (-7.5%).

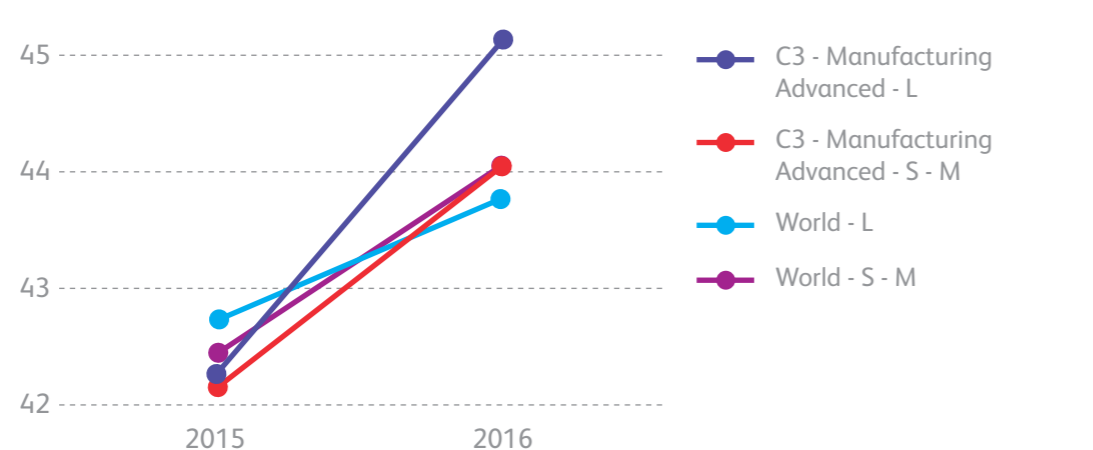


C3 – MANUFACTURING ADVANCED

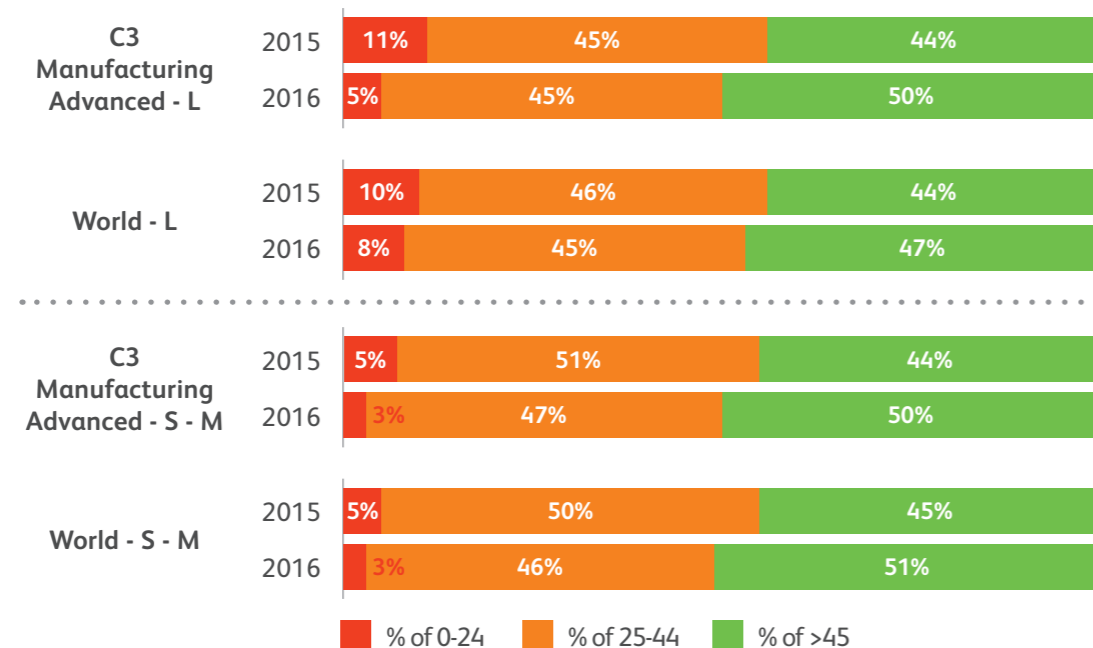
Index Results

C3 Large companies pulled a little ahead of world Large in 2016, while C3 S-M companies do not differ significantly from world S-M. C3 Large companies also pulled ahead in ENV, and SUP, relative to world Large (ENV = 48, SUP = 37.4) in 2016. Across other performance indicators, C3 Large do not differ from world Large. C3 S-M companies do not differ significantly from world S-M across other metrics either.

C3 - Portfolio average overall CSR score benchmarked to world size groups across calendar years



C3 - Score distribution by size group: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years



The better performance by C3 Large over world Large in 2016 is seen in the distribution of low, medium, and high risk companies. Just over 50% of C3 Large companies are considered low risk (Score All >45/100), relative to world Large of 46%. C3 S-M companies do not differ significantly from world S-M.

| | L Group | | SM Group | |
|--------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 42.2 | 45.2 | 42.1 | 44.1 |
| Average of score improvement % | NA | 13.3% | NA | 15.9% |
| Average of score ENV | 47.6 | 51.6 | 43.5 | 45.3 |
| Average of score LAB | 42.9 | 45.1 | 43.8 | 45.6 |
| Average of score FB | 37.3 | 40.3 | 38.3 | 40.8 |
| Average of score SUP | 37.8 | 41.0 | 37.1 | 39.3 |
| Y-o-Y % change of Score ALL | NA | 7.2% | NA | 4.5% |
| Y-o-Y % change of Score ENV | NA | 8.4% | NA | 4.1% |
| Y-o-Y % change of Score LAB | NA | 5.1% | NA | 4.1% |
| Y-o-Y % change of Score FB | NA | 8.0% | NA | 6.4% |
| Y-o-Y % change of Score SUP | NA | 8.5% | NA | 5.9% |

Description

C3 Manufacturing Advanced represents a collection of industries which either require more advanced manufacturing processes and technology, and/or manufacture technologically advanced products (e.g electrotherapeutic equipment). The CSR risks and impacts of these industries arise from both during the manufacturing process, and also the use and end of life of the products manufactured (e.g environmental impacts from use of electrical equipment, domestic appliances; environmental impacts from disposal or recycling of batteries, vehicles, computers, consumer electronics). Companies in these industries typically use hazardous chemical compounds in their manufacturing processes and products (e.g lead, chromium) and also encounter specific industrial regulations concerning these hazardous chemical compounds (e.g RoHS).

There are 30 EcoVadis ISIC categories included in this industry division C3 - Manufacturing Advanced.

| ISIC Title | ISIC Code |
|---|-----------|
| Manufacture of structural metal products, tanks, reservoirs and steam generators | 251 |
| Manufacture of weapons and ammunition | 252 |
| Forging, pressing, stamping and roll-forming of metal; powder metallurgy | 2591 |
| Treatment and coating of metals; machining | 2592 |
| Manufacture of cutlery, hand tools and general hardware | 2593 |
| Manufacture of other fabricated metal products n.e.c. | 2599 |
| Manufacture of electronic components and boards | 261 |
| Manufacture of computers and peripheral equipment | 262 |
| Manufacture of communication equipment | 263 |
| Manufacture of consumer electronics | 264 |
| Manufacture of measuring, testing, navigating and control equipment; watches and clocks | 265 |
| Manufacture of irradiation, electromedical and electrotherapeutic equipment | 266 |
| Manufacture of optical instruments and photographic equipment | 267 |
| Manufacture of magnetic and optical media | 268 |
| Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus | 271 |
| Manufacture of batteries and accumulators | 272 |
| Manufacture of wiring and wiring devices | 273 |
| Manufacture of electric lighting equipment | 274 |
| Manufacture of domestic appliances | 275 |
| Manufacture of other electrical equipment | 279 |
| Manufacture of general-purpose machinery | 281 |
| Manufacture of special-purpose machinery | 282 |
| Manufacture of motor vehicles | 291 |

| ISIC Title | ISIC Code |
|---|-----------|
| Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers | 292 |
| Manufacture of parts and accessories for motor vehicles | 293 |
| Building of ships and boats | 301 |
| Manufacture of railway locomotives and rolling stock | 302 |
| Manufacture of air and spacecraft and related machinery | 303 |
| Manufacture of bicycles and invalid carriages | 3092 |

Descriptive Statistics

| | L Group | | SM Group | |
|-----------------------------------|---------|--------|----------|--------|
| | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 540 | 589 | 1328 | 1594 |
| %HQ Country Risk | 33.5% | 28.5% | 38.3% | 30.9% |
| %1st Evaluation | 33.1% | 29.2% | 63.3% | 57.0% |
| Y-o-Y % Change - N (Companies) | NA | 9.1% | NA | 20.0% |
| Y-o-Y % Change - %HQ Country Risk | NA | -14.9% | NA | -19.3% |
| Y-o-Y % Change - %1st Evaluation | NA | -11.9% | NA | -9.9% |

In 2016, C3 Large make up about 25% in terms of number of companies of world Large. C3 S-M companies are about 20% of world S-M companies.

There is a significant decrease in the percentage of C3 companies evaluated which belong to HQ risk countries relative to the world rates (L = 3.1%, S-M = -2.2%). This signals a potential upward bias in the scores. Percentage of C3 Large companies who are EcoVadis first-timers changed by 12% less in 2016 (world L = 1.8% more). This suggests an upward bias in scores. Percentage of C2 S-M companies who are EcoVadis first timers changed by 10% less in 2016, and considerably lower than the world rate (-7.5%).

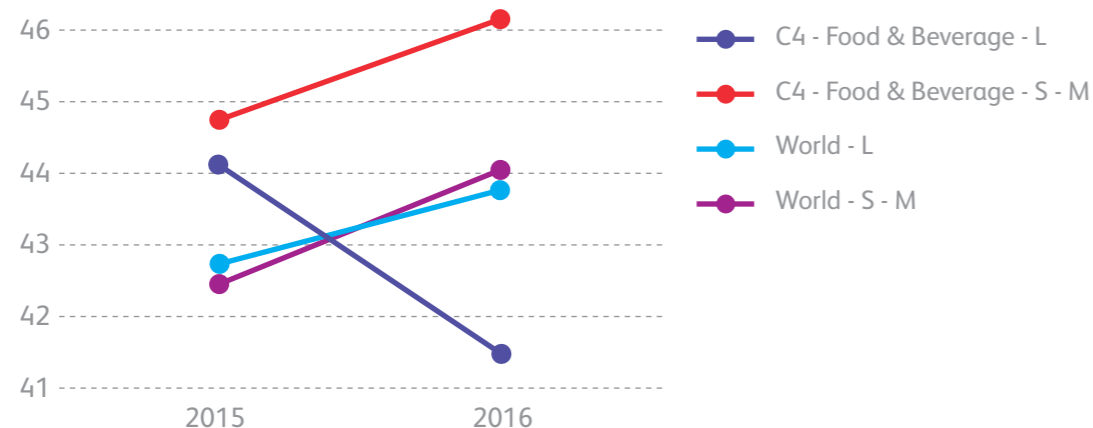


C4 – FOOD & BEVERAGE

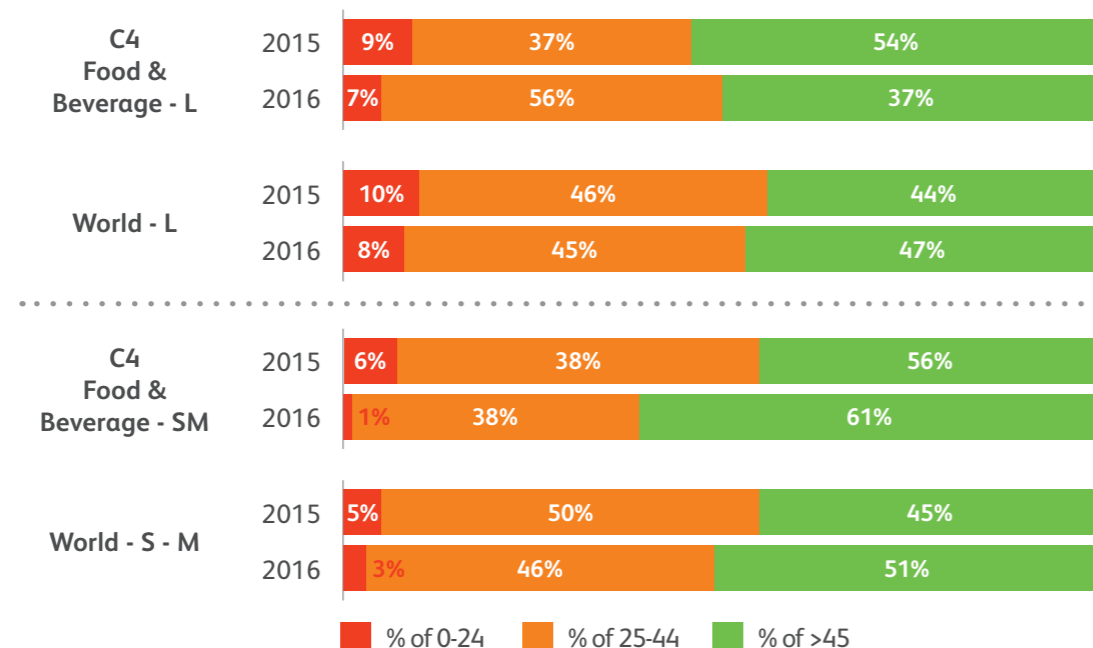
Index Results

C4 Food & Beverage Large companies performed worse in 2016 than 2015. Food & Beverage Large companies performance in LAB was worst across the 4 themes relative to world Large. Food & Beverage S-M companies outperformed world S-M on ENV, though it did not differ from world S-M on the other 3 themes.

C4 - Portfolio average overall CSR score benchmarked to world size groups across calendar years



C4 - Score distribution by size group: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years



In 2015, C4 - Food & Beverage Large companies were 10% more likely to be low risk (>45 points) than world Large. However, there was a reversal of roles in 2016; world L was now 10% more likely than C4 - Food & Beverage Large companies to be low risk. C4 - Food & Beverage S-M companies continued to outperform world S-M across 2 years, with 61% of the companies determined to be low risk in 2016, 10% more than world S-M.

| | L Group | | SM Group | |
|--------------------------------|---------|--------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 44.2 | 41.4 | 44.7 | 46.2 |
| Average of score improvement % | NA | 14.5% | NA | 11.2% |
| Average of score ENV | 50.4 | 46.5 | 49.0 | 50.2 |
| Average of score LAB | 45.7 | 40.7 | 44.6 | 45.8 |
| Average of score FB | 36.1 | 37.6 | 39.1 | 42.6 |
| Average of score SUP | 39.1 | 38.8 | 40.7 | 41.9 |
| Y-o-Y % change of Score ALL | NA | -6.3% | NA | 3.4% |
| Y-o-Y % change of Score ENV | NA | -7.9% | NA | 2.4% |
| Y-o-Y % change of Score LAB | NA | -10.8% | NA | 2.5% |
| Y-o-Y % change of Score FB | NA | 4.3% | NA | 8.9% |
| Y-o-Y % change of Score SUP | NA | -0.9% | NA | 2.9% |

Description

C4 - Food & Beverage groups companies from ISIC division 10 and 11, the manufacture of food products, and beverage products respectively. Companies in this industry cluster process crop products, and animals, to manufacture food and beverage products ready for consumption by end user, or to be used as materials for another product downstream the value chain. C4 - Food & Beverage companies usually face strict regulations in major economies concerning product safety, consumer health & safety, and marketing messages particularly for alcoholic beverages. As a consequence of direct use by consumers, companies face large reputational risks arising from unethical practices (e.g use of inappropriate meats in food products, use of modern slavery, underpaid workers, advertising messages targeting inappropriate groups, misleading nutritional messages).

There are 12 EcoVadis ISIC categories in C4 - Food & Beverage.

| ISIC Title | ISIC Code |
|---|-----------|
| Processing and preserving of meat | 101 |
| Processing and preserving of fish, crustaceans and molluscs | 102 |
| Processing and preserving of fruit and vegetables | 103 |
| Manufacture of vegetable and animal oils and fats | 104 |
| Manufacture of dairy products | 105 |
| Manufacture of grain mill products, starches and starch products | 106 |
| Manufacture of other food products | 107 |
| Manufacture of prepared animal feeds | 108 |
| Distilling, rectifying and blending of spirits | 1101 |
| Manufacture of wines | 1102 |
| Manufacture of malt liquors and malt | 1103 |
| Manufacture of soft drinks; production of mineral waters and other bottled waters | 1104 |

In 2016, the number of C4 - Food & Beverage Large companies increased by 165%, accompanied by an increase in first timers with EcoVadis (world Large companies were only 35.7% first timers), and made up slightly less than 5% of world Large companies. C4 - Food & Beverage SM companies were similarly less than 5% of world SM companies, increased by 160% by number of companies, and were 16% more likely to be first timers with EcoVadis (world SM were 60.8%). C4 - Food & Beverage companies followed world averages in terms of HQ country in risk countries. Both C4 - Food & Beverage Large and SM companies faced downward pressures on scores due to the first timer effect.

Descriptive Statistics

| | L Group | | SM Group | |
|-----------------------------------|---------|--------|----------|--------|
| | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 46 | 122 | 179 | 466 |
| %HQ Country Risk | 28.3% | 27.9% | 28.5% | 30.3% |
| %1st Evaluation | 39.1% | 63.1% | 58.7% | 75.8% |
| Y-o-Y % Change - N (Companies) | NA | 165.2% | NA | 160.3% |
| Y-o-Y % Change - %HQ Country Risk | NA | -1.4% | NA | 6.2% |
| Y-o-Y % Change - %1st Evaluation | NA | 61.3% | NA | 29.1% |

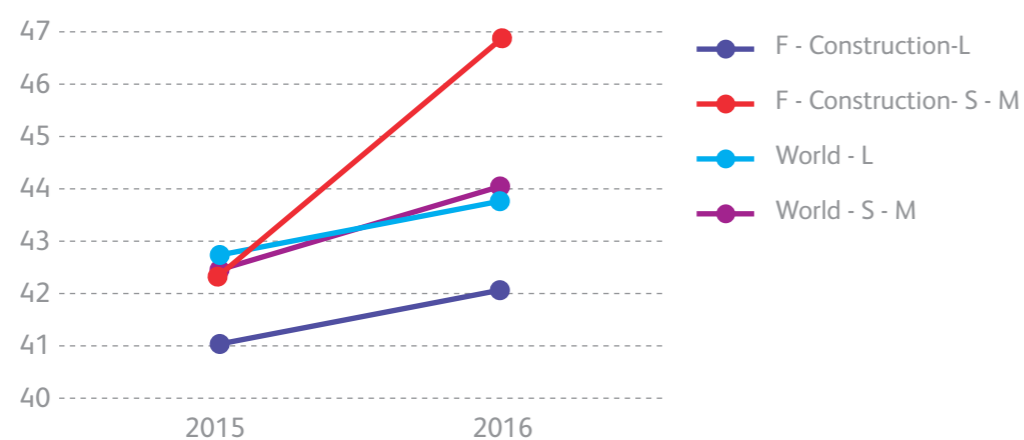


F – CONSTRUCTION

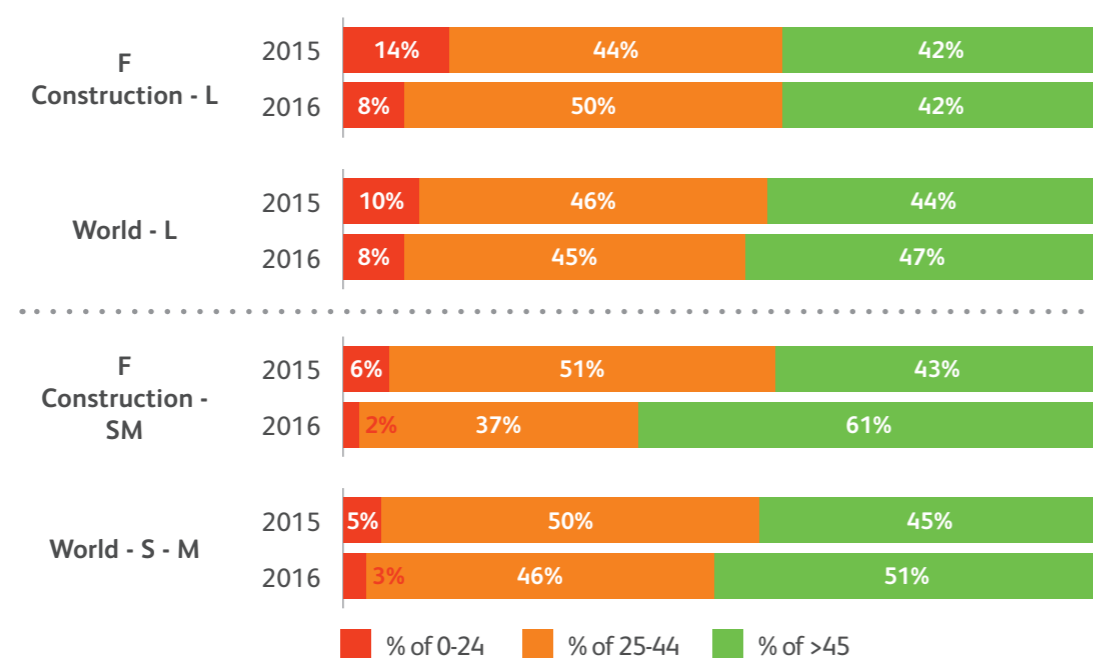
Index Results

F - Construction Large companies continue to perform slightly below world Large across 2015 and 2016. Except for matching world L in LAB score, F - Construction Large perform slightly worse off in the other 3 themes. It performed worst in ENV where it remained stagnant (0.3% increase) relative to world Large (2.4%). F - Construction SM companies pulled ahead in 2016 to perform considerably better than world SM, outperforming on LAB, and slightly better in the other 3 themes.

F - Portfolio average overall CSR score benchmarked to world size groups across calendar years



F - Score distribution by size group: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years



In 2015, F - Construction Large companies are close to 5% more likely than world Large to score <25 on overall score. In 2016, they narrowed the gap to less than 1%, but had a higher percentage in the medium risk zone (25-44 points) relative to world Large. The improved performance of SM companies, outperforming world SM is seen in its proportion of low risk companies (>45 points) relative to world SM (10% more).

| | L Group | | SM Group | |
|--------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 41.0 | 42.1 | 42.2 | 47.0 |
| Average of score improvement % | NA | 13.5% | NA | 18.7% |
| Average of score ENV | 44.4 | 44.5 | 42.3 | 46.3 |
| Average of score LAB | 45.5 | 45.9 | 45.2 | 50.3 |
| Average of score FB | 35.1 | 37.9 | 36.4 | 41.8 |
| Average of score SUP | 32.3 | 34.3 | 36.5 | 41.1 |
| Y-o-Y % change of Score ALL | NA | 2.7% | NA | 11.3% |
| Y-o-Y % change of Score ENV | NA | 0.3% | NA | 9.4% |
| Y-o-Y % change of Score LAB | NA | 0.9% | NA | 11.3% |
| Y-o-Y % change of Score FB | NA | 8.1% | NA | 14.8% |
| Y-o-Y % change of Score SUP | NA | 6.3% | NA | 12.5% |

Description

This industry cluster follows the UN ISIC of broad section F - Construction. Companies in this industry cluster carry out general construction and specialized construction activities. CSR risks associated to this cluster are generally significant (e.g environmental local pollution, health and safety accidents involving construction workers, child & forced labor incidents, corruption risks regarding acquisition of land rights, and approval of various permits), and its impacts may be severe. The construction industry cluster is usually tightly regulated in major economies with regards to CSR issues.

There are 7 EcoVadis ISIC categories in F - Construction.

| ISIC Title | ISIC Code |
|---|-----------|
| Construction of buildings | 41 |
| Construction of roads and railways | 421 |
| Construction of utility projects | 422 |
| Construction of other civil engineering projects | 429 |
| Demolition and site preparation | 431 |
| Electrical, plumbing and other construction installation activities | 432 |
| Building completion and finishing | 433 |

Descriptive Statistics

| | L Group | | SM Group | |
|-----------------------------------|---------|--------|----------|--------|
| | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 71 | 100 | 367 | 395 |
| %HQ Country Risk | 33.8% | 26.0% | 31.1% | 24.6% |
| %1st Evaluation | 45.1% | 48.0% | 67.3% | 65.8% |
| Y-o-Y % Change - N (Companies) | NA | 40.8% | NA | 7.6% |
| Y-o-Y % Change - %HQ Country Risk | NA | -23.1% | NA | -20.9% |
| Y-o-Y % Change - %1st Evaluation | NA | 6.5% | NA | -2.2% |

In 2016, F - Construction makes up 4% of companies in world Large and S-M. F - Construction Large companies expanded at twice the rate (by number of companies evaluated) than world Large (21.5%), whereas F - Construction S-M was less than half of the world S-M expansion (19.8%).

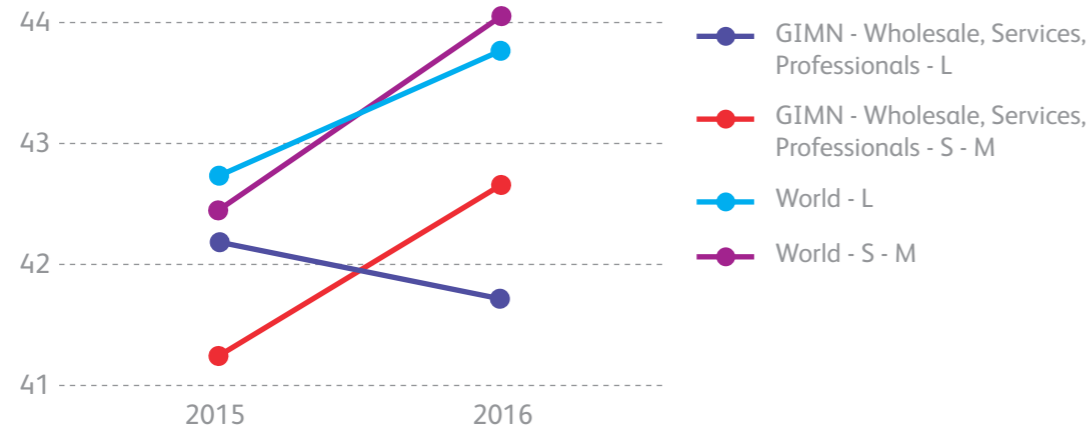
There is a decrease in the percentage of companies evaluated which belong to HQ risk countries relative to the world (L = 3.1%, S-M = -2.2%). This signals a potential upward bias in the scores. Percentage of Large construction companies who are EcoVadis first-timers changed 6.5% higher in 2016 (world L = 1.8%). This suggests a downward bias in scores. Percentage of S-M companies who are EcoVadis first timers changed by 2.2% lower in 2016, and considerably less than the world rate (-7.5%).

GIMN – WHOLESALE, SERVICES, PROFESSIONALS

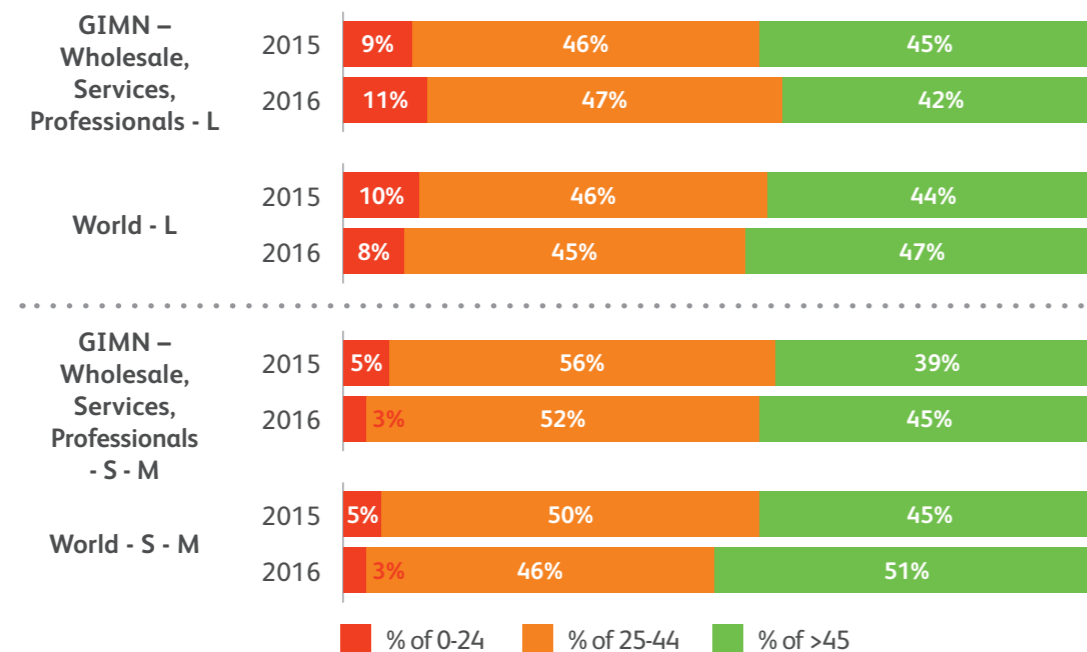
Index Results

GIMN - Wholesale, Services, Professionals S-M companies performed slightly below the world S-M average in 2015 and 2016, and changed at similar pace as world S-M. GIMN Large companies performed worse in 2016, particularly in LAB and FB themes. There are more high risk GIMN Large companies in 2016 (11%) than in 2015 (9%).

GIMN - Portfolio average overall CSR score benchmarked to world size groups across calendar years



GIMN - Score distribution by size group: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years



S-M companies increased their FB score by 3.1 points in 2016, which is the best theme score improvement. Contrary to L companies' theme scores which decreased (except SUP with +0.5 points), all S-M theme scores increased between 2015 and 2016.

| | L Group | | SM Group | |
|--------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 42.2 | 41.7 | 41.2 | 42.7 |
| Average of score improvement % | NA | 10.1% | NA | 13.1% |
| Average of score ENV | 43.9 | 43.4 | 40.8 | 42.0 |
| Average of score LAB | 45.3 | 44.4 | 43.4 | 45.1 |
| Average of score FB | 40.7 | 39.9 | 39.8 | 43.0 |
| Average of score SUP | 33.7 | 34.2 | 36.8 | 37.8 |
| Y-o-Y % change of Score ALL | NA | -1.1% | NA | 3.8% |
| Y-o-Y % change of Score ENV | NA | -1.1% | NA | 2.9% |
| Y-o-Y % change of Score LAB | NA | -1.9% | NA | 3.9% |
| Y-o-Y % change of Score FB | NA | -1.8% | NA | 7.9% |
| Y-o-Y % change of Score SUP | NA | 1.5% | NA | 2.6% |

Description

GIMN – Wholesale, Services, Professionals groups companies from ISIC divisions 45 to 47, 55 and 56, and 71 to 82. The economic activities of these ISIC divisions are rather different from each other, however, these economic activities are usually carried out by people in office based environments, facilitating flows of goods and services between multiple parties. For example, companies in wholesale facilitate flow of value between the end manufacturer of goods, with the commercial or retail buyer of goods. Call centres facilitate the flow of information between the users, and the outsourcing party. More importantly, the CSR risks of this industry division are mostly LAB issues (e.g health & safety, harassment, skills training), and also SUP (e.g environmental practices of suppliers of goods, labor & ethics practices of suppliers of labor and information). SUP risks are especially relevant for wholesale companies, accommodation, and food & beverage service providers, since they create value from the goods bought from suppliers.

There are 44 EcoVadis ISIC categories in GIMN – Wholesale, Services, Professionals.

| ISIC Title | ISIC Code |
|---|-----------|
| Sale of motor vehicles | 451 |
| Maintenance and repair of motor vehicles | 452 |
| Sale of motor vehicle parts and accessories | 453 |
| Wholesale on a fee or contract basis | 461 |
| Wholesale of agricultural raw materials and live animals | 462 |
| Wholesale of food, beverages and tobacco | 463 |
| Wholesale of textiles, clothing and footwear | 4641 |
| Wholesale of other household goods | 4649 |
| Wholesale of computers, computer peripheral equipment and software | 4651 |
| Wholesale of electronic and telecommunications equipment and parts | 4652 |
| Wholesale of agricultural machinery, equipment and supplies | 4653 |
| Wholesale of other machinery and equipment | 4659 |
| Wholesale of solid, liquid and gaseous fuels and related products | 4661 |
| Wholesale of metals and metal ores | 4662 |
| Wholesale of construction materials, hardware, plumbing and heating equipment and supplies | 4663 |
| Wholesale of waste or new or used equipments | 4669 |
| Non-specialized wholesale trade | 469 |
| Retail sale of food, beverages and tobacco in specialized stores | 472 |
| Retail sale of books, newspapers and stationary in specialized stores | 4761 |
| Retail sale of games and toys in specialized stores | 4764 |
| Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles in specialized stores | 4772 |
| Accommodation | 55 |
| Food and beverage service activities | 56 |
| Architectural and engineering activities; technical testing and analysis | 71 |
| Scientific research and development | 72 |
| Other professional, scientific and technical activities | 74 |
| Renting and leasing of motor vehicles | 771 |
| Renting and leasing of personal and household goods | 772 |

| ISIC Title | ISIC Code |
|--|-----------|
| Renting and leasing of other machinery, equipment and tangible goods | 773 |
| Activities of employment placement agencies | 781 |
| Temporary employment agency activities | 782 |
| Travel agency, tour operator, reservation service and related activities | 79 |
| Security and investigation activities | 80 |
| Combined facilities support activities | 811 |
| Cleaning activities | 812 |
| Landscape care and maintenance service activities | 813 |
| Office administrative and support activities | 821 |
| Activities of call centres | 822 |
| Organization of conventions and trade shows | 823 |
| Activities of collection agencies and credit bureaus | 8291 |
| Packaging activities | 8292 |
| Other business support service activities n.e.c. | 8299 |

Descriptive Statistics

| | L Group | | SM Group | |
|-----------------------------------|---------|-------|----------|--------|
| | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 368 | 446 | 1747 | 1832 |
| %HQ Country Risk | 18.2% | 19.7% | 36.9% | 33.5% |
| %1st Evaluation | 39.4% | 38.1% | 71.2% | 62.2% |
| Y-o-Y % Change - N (Companies) | NA | 21.2% | NA | 4.9% |
| Y-o-Y % Change - %HQ Country Risk | NA | 8.4% | NA | -9.2% |
| Y-o-Y % Change - %1st Evaluation | NA | -3.3% | NA | -12.7% |

The number of companies assessed increased between 2015 and 2016 for GIMN - L and S-M suppliers. GIMN Large companies expanded at the same rate as world Large, while GIMN S-M companies only expanding 4.9% relative to world S-M 19.8%. GIMN - Large companies whose HQ country is in risk countries are about 7% lower than world Large, which suggests an upward bias in 2016. GIMN S-M companies are similar to world S-M.

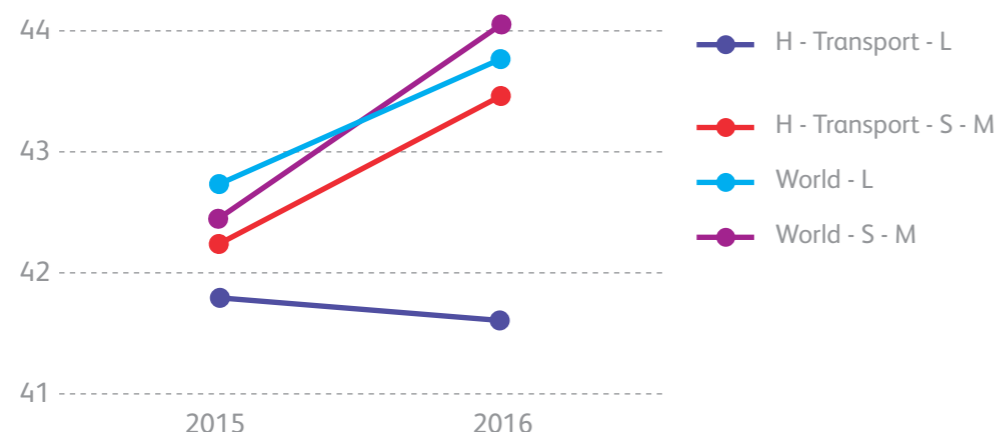


H – TRANSPORT

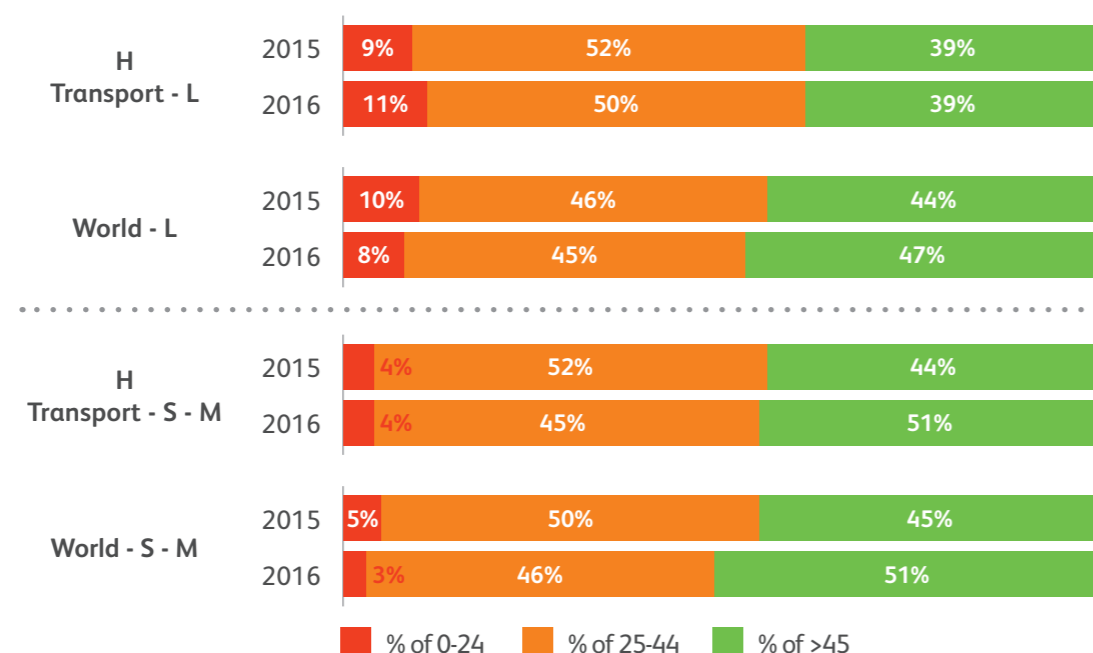
Index Results

H - Transport companies in both size groups generally perform below the world average in both 2015 and 2016. Average scores of large transport companies in particular have even decreased since 2015. Their scores for all themes are about 2 points lower than the world average for large companies. In contrast, S-M companies generally follow the trend of increasing world average scores, however, they also lag behind world scores by 1 point. Overall, more than half of transport companies still present a medium risk in terms of CSR management, with average scores remaining below 44.

H - Portfolio average overall CSR score benchmarked to world size groups across calendar years



H - Score distribution by size group: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years



Large transport companies were more risky in 2016 than 2015, with the share of high risk (<25 points) increasing to 11.3% in 2016. World Large average was 7.7% in 2016. Also, high risks in CSR performance are 7% more likely to be observed for L than for S-M companies. Meanwhile, results for S-M companies do not present significant deviations from the world average and shares of high risk transport S-M companies are kept low and stable at 4%.

The decrease in scores for H - Transport Large companies is largely due to LAB scores which have decreased by 2.1 % since 2015. Large companies are improving only in FB and SUP, however, performances in these themes do not offset the low results for ENV and LAB themes. Meanwhile, highest score improvements are observed for FB of S-M transport companies: Scores have improved by 6.5% since 2015 and partially explain the increase of overall scores (3%). Even though S-M companies seem to outperform L companies on overall results and score improvement, highest scores are still achieved by L companies in ENV.

| | L Group | | SM Group | |
|--------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 41.8 | 41.6 | 42.2 | 43.5 |
| Average of score improvement % | NA | 13.2% | NA | 16.3% |
| Average of score ENV | 46.7 | 45.9 | 42.9 | 44.0 |
| Average of score LAB | 44.3 | 43.3 | 44.4 | 45.2 |
| Average of score FB | 37.5 | 38.3 | 38.4 | 40.9 |
| Average of score SUP | 33.5 | 34.0 | 36.5 | 37.5 |
| Y-o-Y % change of Score ALL | NA | -0.5% | NA | 3.0% |
| Y-o-Y % change of Score ENV | NA | -1.8% | NA | 2.5% |
| Y-o-Y % change of Score LAB | NA | -2.1% | NA | 1.8% |
| Y-o-Y % change of Score FB | NA | 2.3% | NA | 6.5% |
| Y-o-Y % change of Score SUP | NA | 1.3% | NA | 2.6% |

Description

This industry division groups together ISIC categories with activities of land, water and air transport as well as warehousing, storage and other related service activities. For any type of transport, energy consumption, GHG emissions as well as employee health and safety are material issues. With current trends, the growth of transport activities and the corresponding demand for energy will lead to an increase of GHG emissions from the transport sector. For road and water transport in particular, local pollution plays an important role, as regulations on limits for pollutant

emissions become stricter. At the same time, high frequency and severity rates of work-related accidents in these categories put pressure on a responsible management of employee safety.

There are 10 EcoVadis ISIC categories in H - Transport.

| ISIC Title | ISIC Code |
|--|-----------|
| Transport via railways | 491 |
| Other passenger land transport | 4922 |
| Freight transport by road | 4923 |
| Sea and coastal water transport | 501 |
| Inland water transport | 502 |
| Passenger air transport | 511 |
| Freight air transport | 512 |
| Warehousing and storage | 521 |
| Service activities incidental to land transportation | 5221 |
| Service activities incidental to air transportation | 5223 |
| Other transportation support activities | 5229 |
| Postal and courier activities | 53 |

In 2016, Transport Large companies make up 1.5% of the world's large companies, while S-M size companies represent 5.7% respectively, with a slight increase since 2015 for both sizes relative to world numbers.

The increase of large companies which are EcoVadis first-timers is significant with almost 33%, compared to S-M (- 5.5 % decrease) as well as to world Large (only 1.8 % increase). This might explain the decrease in scores for large companies, since results in first evaluations are usually lower than in subsequent evaluations.

Descriptive Statistics

| | L Group | | SM Group | |
|-----------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 127 | 186 | 543 | 705 |
| %HQ Country Risk | 23.6% | 24.2% | 39.8% | 37.3% |
| %1st Evaluation | 29.1% | 38.7% | 68.3% | 64.5% |
| Y-o-Y % Change - N (Companies) | NA | 46.5% | NA | 29.8% |
| Y-o-Y % Change - %HQ Country Risk | NA | 2.4% | NA | -6.2% |
| Y-o-Y % Change - %1st Evaluation | NA | 32.9% | NA | -5.5% |

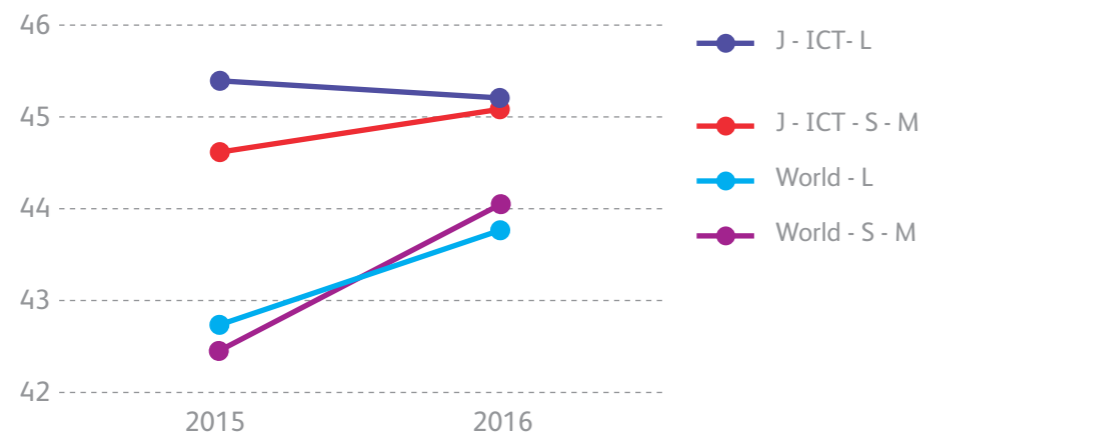
2017 INDEX
45.1
AVERAGE SCORE

J – ICT

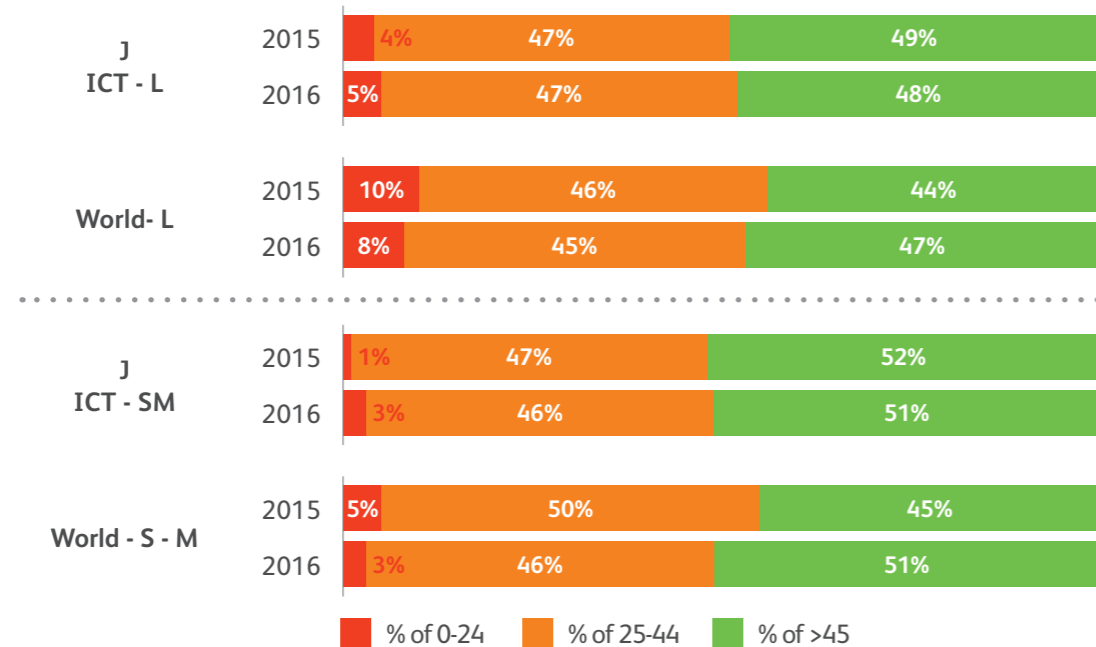
Index Results

ICT - Large companies performed worse in 2016, while ICT S-M companies narrowed the gap to their large counterparts. The outperformance of ICT companies in both size groups relative to world average was due to the strong performance in FB across both 2015 and 2016 (world - Large 2016 = 40.7, world - S-M 2016 = 41.8).

J - Portfolio average overall CSR score benchmarked to world size groups across calendar years



J - Score distribution by size group: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years



In 2016, ICT companies across both size groups are less prone to CSR risks compared to the world average (% >45 points). With 47.8% (L) and 53.2% (S-M), both size groups present more companies with low risks than the world average (L = 46.7%; S-M = 50.9%). Meanwhile, the shares of companies with scores lower than 25 are correspondingly smaller, with S-M not exceeding 1.6% in 2016.

Large ICT companies performed worse in the ENV theme (-3.1%) in 2016, while S-M companies have increased their scores in Fair Business Practices (2.5%). Overall, the average of score improvement for S-M companies was twice as high as that of Large, resulting in a smaller difference between the average scores of the two size groups.

| | L Group | | SM Group | |
|--------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 45.4 | 45.2 | 44.6 | 45.1 |
| Average of score improvement % | NA | 6.1% | NA | 13.2% |
| Average of score ENV | 47.2 | 45.8 | 42.6 | 42.9 |
| Average of score LAB | 47.4 | 47.1 | 46.7 | 46.9 |
| Average of score FB | 45.6 | 46.0 | 44.9 | 45.9 |
| Average of score SUP | 39.1 | 39.4 | 38.8 | 40.0 |
| Y-o-Y % change of Score ALL | NA | -0.6% | NA | 1.0% |
| Y-o-Y % change of Score ENV | NA | -3.1% | NA | 0.7% |
| Y-o-Y % change of Score LAB | NA | -0.8% | NA | 0.4% |
| Y-o-Y % change of Score FB | NA | 0.9% | NA | 2.4% |
| Y-o-Y % change of Score SUP | NA | 0.7% | NA | 3.0% |

Description

Industry division J - ICT groups companies in publishing/broadcasting of contents (paper, software, video and audio), telecommunications, computer programming. Companies in this industry division usually have low environmental risks, but carry more material risks in fair business practices. For instance, it is crucial for such companies protect confidential customer data. They also pose as potential data breach points when they are IT service vendors to their clients. Although the issue of energy consumption reduction is still relevant, it is not as important relative to the industrial sector.

There are 9 EcoVadis ISIC categories in J - ICT.

| ISIC Title | ISIC Code |
|--|-----------|
| Book publishing | 5811 |
| Publishing of newspapers, journals and periodicals | 5813 |
| Software publishing | 582 |
| Motion picture, video and television programme production, sound recording and music publishing activities | 59 |
| Programming and broadcasting activities | 60 |
| Telecommunications | 61 |
| Computer programming, consultancy and related activities | 62 |
| Data processing, hosting and related activities; web portals | 631 |
| News agency activities | 6391 |

Descriptive Statistics

| | L Group | | SM Group | |
|-----------------------------------|---------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 183 | 205 | 608 | 767 |
| %HQ Country Risk | 9.8% | 14.6% | 12.0% | 14.2% |
| %1st Evaluation | 27.9% | 30.2% | 58.2% | 53.1% |
| Y-o-Y % Change - N (Companies) | NA | 12.0% | NA | 26.2% |
| Y-o-Y % Change - %HQ Country Risk | NA | 48.8% | NA | 18.4% |
| Y-o-Y % Change - %1st Evaluation | NA | 8.5% | NA | -8.9% |

The number of companies assessed increased for both L and S-M companies between 2015 and 2016 as well as the percentage HQ in risk countries. The share of large companies with HQ in a risk country increased by almost 50 %. The percentage of L first-timers slightly increased by 2.3% between 2015 and 2016 while the percentage for S-M companies decreased by 5.1%, implying potential upward bias in scores.

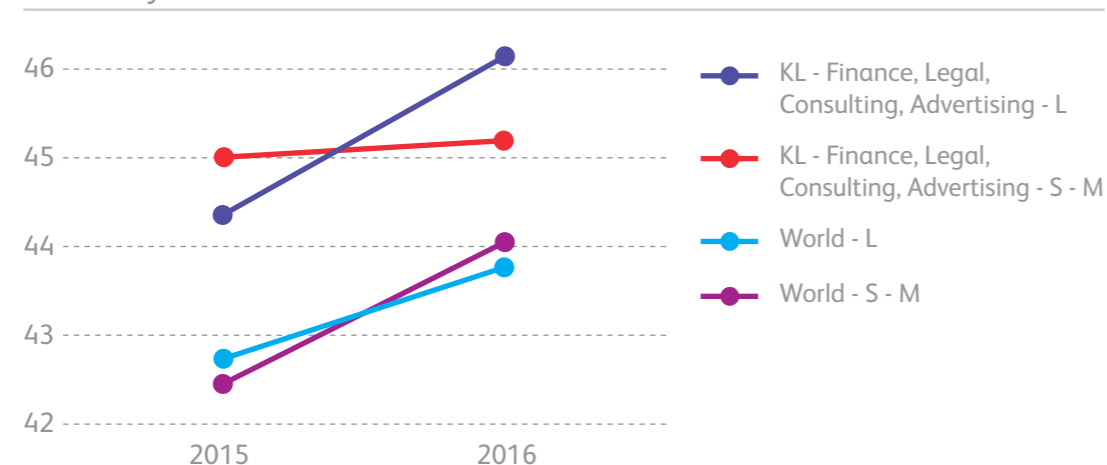


KL – FINANCE, LEGAL, CONSULTING, ADVERTISING

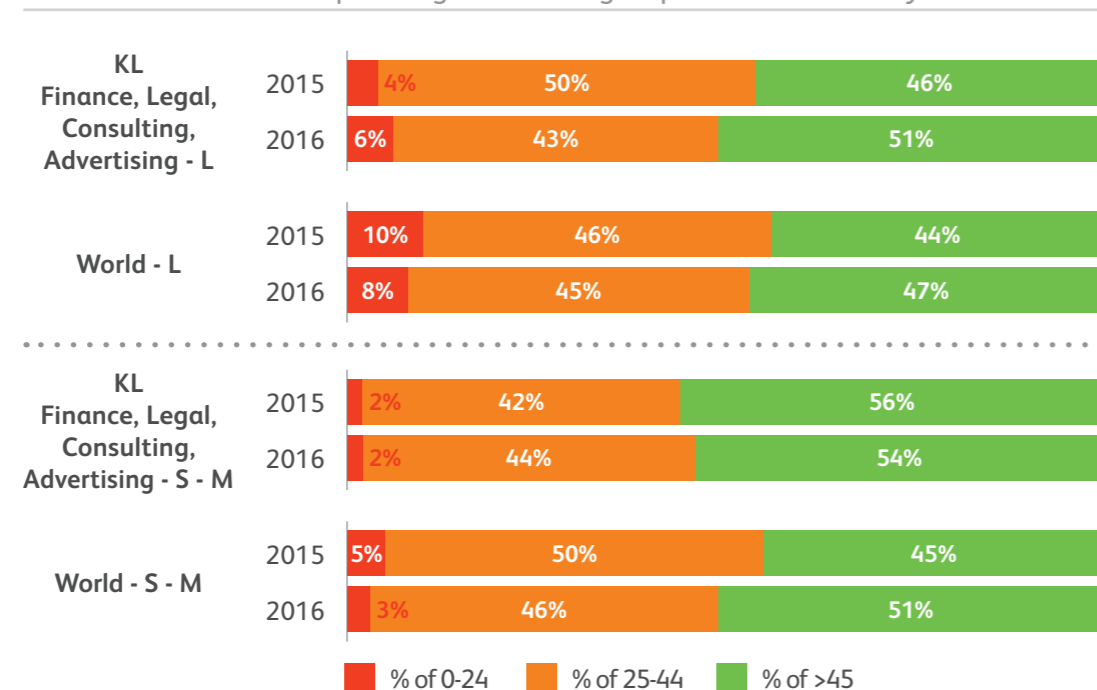
Index Results

KL - Finance, Legal, Consulting, Advertising companies were performing slightly better than world average in 2015, but the increase was faster for the Large companies than for the S-M in 2016. This is reflected in the percentage of KL - Large companies being low risk (>45 points) in 2016 relative to world Large average. KL - S-M companies continued to maintain a small edge, but world S-M companies narrowed the gap in 2016.

KL - Portfolio average overall CSR score benchmarked to world size groups across calendar years



KL - Score distribution by size group: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years



In 2016, Large companies in division KL are on average 1 point higher than those of S-M, however 6.3% of Large companies remain high risk (<25 points). This share is more than three times higher for Large than for S-M (2%). Improvements across 4 themes have been achieved by KL Large companies since 2015. More S-M than Large companies have improved their scores in 2016 (L = 7.6%; S-M = 13.6%).

| | L Group | | SM Group | |
|--------------------------------|---------|------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 44.3 | 46.2 | 45.0 | 45.2 |
| Average of score improvement % | NA | 7.6% | NA | 13.6% |
| Average of score ENV | 44.9 | 47.2 | 43.3 | 42.6 |
| Average of score LAB | 46.4 | 47.3 | 46.7 | 46.7 |
| Average of score FB | 44.6 | 47.5 | 45.1 | 46.0 |
| Average of score SUP | 36.1 | 39.0 | 39.3 | 39.3 |
| Y-o-Y % change of Score ALL | NA | 4.3% | NA | 0.4% |
| Y-o-Y % change of Score ENV | NA | 5.2% | NA | -1.5% |
| Y-o-Y % change of Score LAB | NA | 1.8% | NA | 0.1% |
| Y-o-Y % change of Score FB | NA | 6.5% | NA | 2.1% |
| Y-o-Y % change of Score SUP | NA | 8.0% | NA | 0.0% |

Description

Industry division KL groups ISIC categories related to financial services activities, insurance, real estate, legal and accounting activities as well as marketing and market research. Companies in this industry division usually carry out activities from office locations, and usually create high value added services. While the environmental footprint of companies in this industry division is light, business ethics risks and impacts are significant for these companies (e.g corruption, bribery, information security, responsible information management).

There are 11 EcoVadis ISIC categories in KL - Finance, Legal, Consulting, Advertising.

| ISIC Title | ISIC Code |
|---|-----------|
| Financial service activities, except insurance and pension funding | 64 |
| Insurance, reinsurance and pension funding, except compulsory social security | 65 |
| Other activities auxiliary to financial service activities | 6619 |
| Risk and damage evaluation | 6621 |
| Activities of insurance agents and brokers | 6622 |
| Other activities auxiliary to insurance and pension funding | 6629 |
| Real estate activities | 68 |
| Activities of collection agencies and credit bureaus | 8291 |
| Legal and accounting activities | 69 |
| Activities of head offices; management consultancy activities | 70 |
| Advertising and market research | 73 |

Descriptive Statistics

| | L Group | | SM Group | |
|-----------------------------------|---------|--------|----------|--------|
| | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 135 | 144 | 708 | 750 |
| %HQ Country Risk | 5.9% | 11.1% | 21.9% | 30.8% |
| %1st Evaluation | 36.3% | 32.6% | 67.9% | 60.4% |
| Y-o-Y % Change - N (Companies) | NA | 6.7% | NA | 5.9% |
| Y-o-Y % Change - %HQ Country Risk | NA | 87.5% | NA | 40.7% |
| Y-o-Y % Change - %1st Evaluation | NA | -10.1% | NA | -11.1% |

KL companies made up 7.2 % of all companies assessed in 2016 across both size groups. The number of KL companies has grown at lower rates than the world average, independent of size. Despite the higher likelihood of KL companies whose HQ country is a risk country, this profile continues to remain lower than world average across both years (world Large 2016 = 26.1%, world S-M 2016 = 34.6%), suggesting a strong upward bias in scores. At rates higher than -10%, the share of KL companies who were first timers with EcoVadis decreased faster than the world average (world Large = 1.8% increase, world S-M = -7.5% decrease), adding to the upward bias of scores.

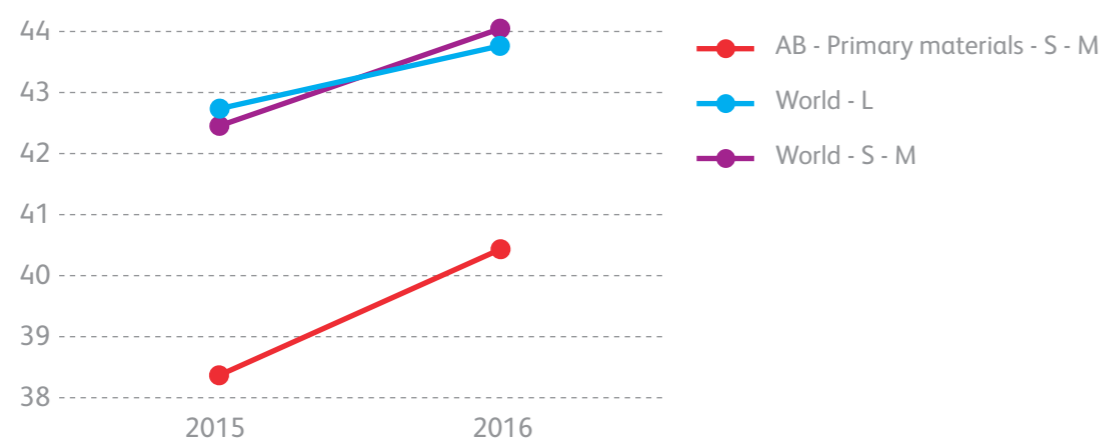


AB – PRIMARY MATERIALS

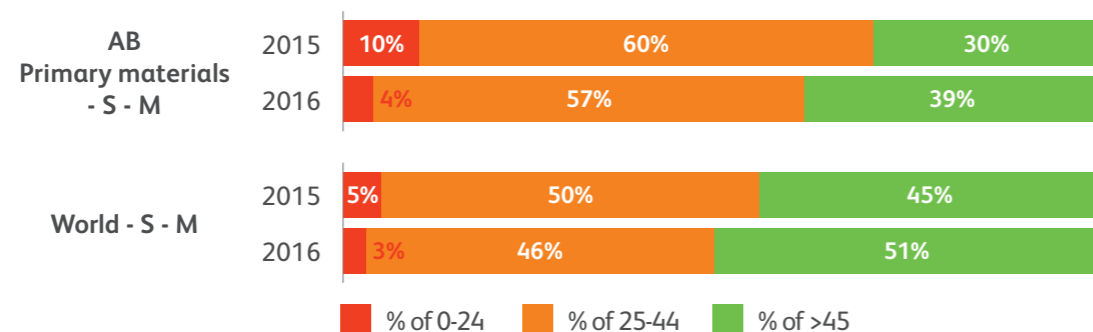
Index Results

Large companies of AB - Primary materials in 2015 and 2016 were less than 30 companies in each year, and thus the sample size is insufficient for any reasonable analysis. AB - Primary materials S-M companies perform considerably lower than world S-M across 2015 and 2016. Throughout all four themes, AB - Primary materials S-M companies lagged behind world S-M, particularly in FB (world S-M = 41.8).

AB - Portfolio average overall CSR score benchmarked to world size groups across calendar years



AB - Score distribution by size group: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years



| | SM Group | |
|--------------------------------|----------|-------|
| | 2015 | 2016 |
| Average of score ALL | 38.3 | 40.5 |
| Average of score improvement % | NA | 10.0% |
| Average of score ENV | 40.0 | 42.0 |
| Average of score LAB | 39.4 | 42.5 |
| Average of score FB | 34.4 | 35.9 |
| Average of score SUP | 33.9 | 34.3 |
| Y-o-Y % change of Score ALL | NA | 5.5% |
| Y-o-Y % change of Score ENV | NA | 5.1% |
| Y-o-Y % change of Score LAB | NA | 8.0% |
| Y-o-Y % change of Score FB | NA | 4.5% |
| Y-o-Y % change of Score SUP | NA | 1.3% |

Description

This industry division groups together industries in ISIC section A (Agriculture, forestry and fishing) and section B (Mining and quarrying). Companies in this division are usually suppliers of primary raw materials of any manufactured product (e.g crops for food manufacturing, raw clay, coal, and ores for processing into finer metals). Companies in this industry division usually have a direct impact on the land that they extract resources from (e.g land for growing crops, quarries to extract lime, ores), and the risks of these impacts can be significant (e.g fertilizer run-offs and aquifer contamination from farming, loss of biodiversity when mining land). Human related risks, such as health & safety of workers, modern slavery and working conditions are significant, too.

There are 13 EcoVadis ISIC categories in AB - Primary materials.

| ISIC Title | ISIC Code |
|---|-----------|
| Growing of beverage crops | 0127 |
| Growing of other perennial crops | 0129 |
| Animal production | 014 |
| Seed processing for propagation | 0164 |
| Fishing | 031 |
| Aquaculture | 032 |
| Mining of coal and lignite | 05 |
| Extraction of crude petroleum and natural gas | 06 |
| Mining of metal ores | 07 |
| Quarrying of stone, sand and clay | 0810 |
| Extraction of salt | 0893 |
| Other mining and quarrying n.e.c. | 0899 |
| Mining support service activities | 09 |

Descriptive Statistics

| | SM Group | |
|-----------------------------------|----------|--------|
| | 2015 | 2016 |
| N (Companies) | 62 | 44 |
| %HQ Country Risk | 41.9% | 43.2% |
| %1st Evaluation | 71.0% | 59.1% |
| Y-o-Y % Change - N (Companies) | NA | -29.0% |
| Y-o-Y % Change - %HQ Country Risk | NA | 3.0% |
| Y-o-Y % Change - %1st Evaluation | NA | -16.7% |

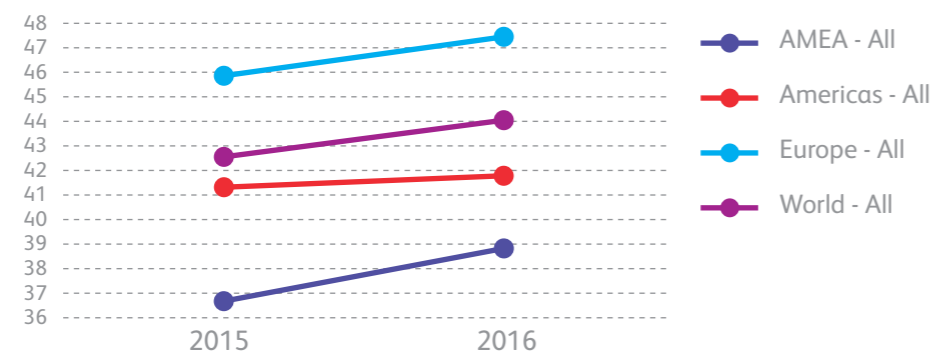
In 2016, AB - Primary materials S-M companies only make up 0.4% of world S-M companies that have been evaluated. The share of S-M companies in this category whose HQ country is in a risk country is about 10% higher than world S-M (34.6%) in 2016, and also represents an increase of 3% vis-a-vis the change of world S-M (- 2.2%). This suggests a downward pressure on scores. The percentage of first timers in AB - Primary materials S-M companies decreased by 16.7%, considerably more than world S-M (-7.5%), which may offset the downward pressure on scores.

AMEA - EUROPE - AMERICAS - WORLD

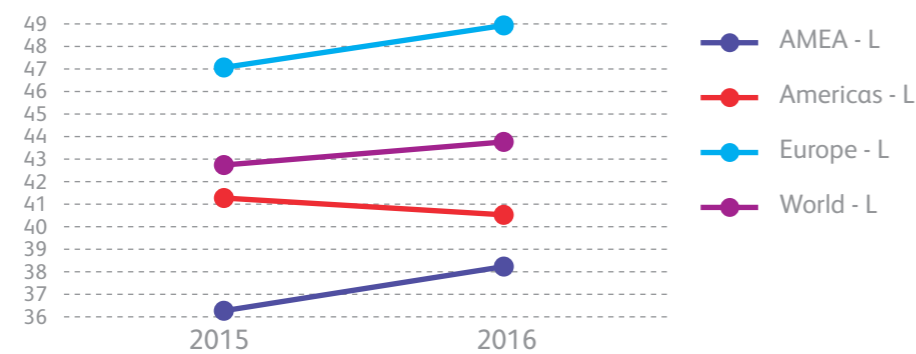
Index Results

Europe dominates the world average, and the 2 other world regions across 2015 and 2016, and in both size groups. AMEA continues to lag behind world average across the 2 years, but the gap is narrowed slightly in 2016. Americas stagnated across the 2 years, and this is due to Americas - Large companies performing slightly worse in 2016 relative to 2015. Americas - Large companies worse performance in 2016 was largely due to LAB scores, while its other 3 themes were relatively stagnant.

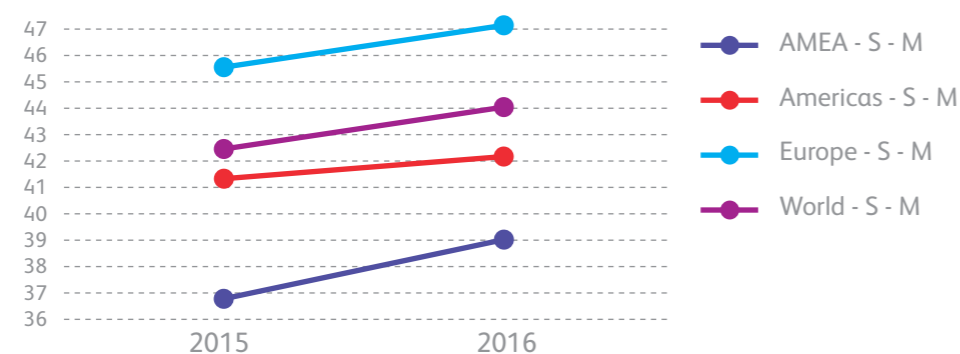
All companies average overall CSR score across calendar years



L - size groups' overall CSR score across calendar years



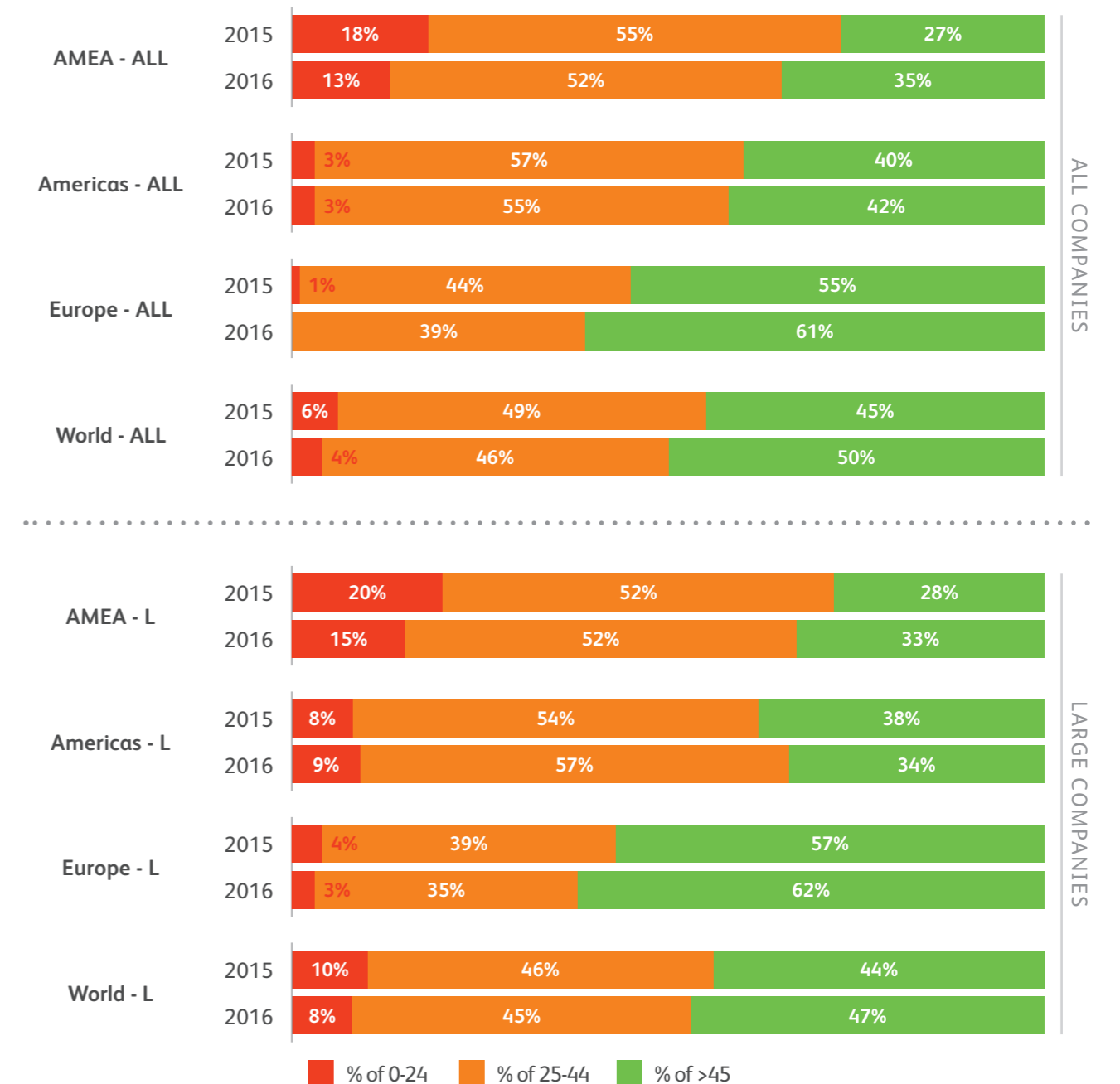
S - M - size groups' overall CSR score across calendar years

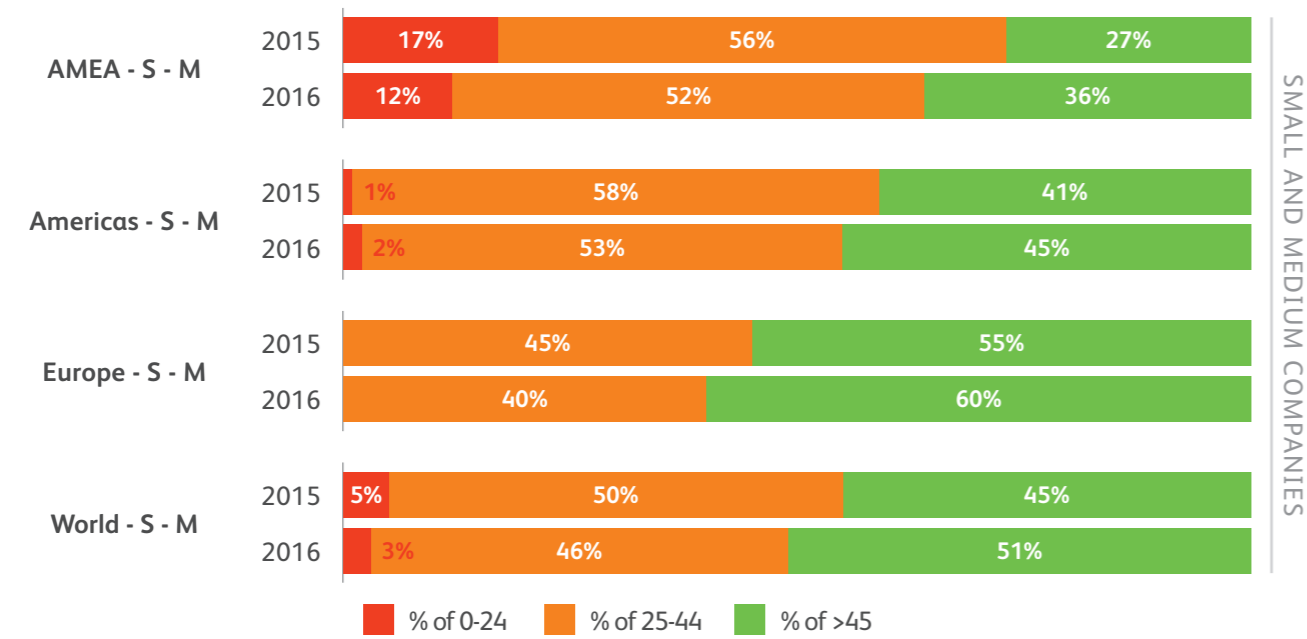


The performance of large companies by region varied more than the performance of S-M companies by region. We see that AMEA - Large was 10 points behind Europe - Large in 2016, whereas their S-M counterparts were 8 points apart in 2016. Both Americas and AMEA Large companies performed slightly worse than their S-M counterparts across both years.

While AMEA lags world average and other world regions, AMEA is improving at the fastest pace, with about 5% of AMEA companies moving from high risk (<25 points) to low/medium risk profiles (>25 points). 10% more AMEA - S-M companies are now low risk (>45 points) in 2016 than 2015 (relative to Americas - S-M 3%, Europe - S-M 6%)

Score distribution by region: % of companies in each of 3 score ranges, benchmarked to corresponding world size group across calendar years; Top - All companies, Middle - Large companies, Bottom - S-M companies





| | World - L | | Europe - L | | Americas - L | | AMEA - L | |
|------------------------------------|-----------|-------|------------|-------|--------------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 42.7 | 43.8 | 47.0 | 49.0 | 41.3 | 40.5 | 36.2 | 38.3 |
| Average of score improvement % | NA | 12.3% | NA | 10.8% | NA | 8.9% | NA | 19.1% |
| Average of score ENV | 46.8 | 48.0 | 51.9 | 54.3 | 43.2 | 42.2 | 41.0 | 42.6 |
| Average of score LAB | 44.3 | 45.0 | 49.2 | 50.9 | 41.1 | 39.9 | 38.4 | 39.8 |
| Average of score FB | 39.3 | 40.7 | 41.9 | 43.6 | 42.8 | 42.3 | 30.9 | 34.2 |
| Average of score SUP | 35.9 | 37.4 | 39.0 | 40.8 | 36.5 | 36.4 | 29.5 | 32.5 |
| Y-o-Y % change of Score ALL | NA | 2.6% | NA | 4.1% | NA | -1.8% | NA | 5.8% |
| Y-o-Y % change of Score ENV | NA | 2.4% | NA | 4.6% | NA | -2.3% | NA | 4.0% |
| Y-o-Y % change of Score LAB | NA | 1.6% | NA | 3.4% | NA | -2.9% | NA | 3.6% |
| Y-o-Y % change of Score FB | NA | 3.4% | NA | 3.9% | NA | -1.1% | NA | 10.5% |
| Y-o-Y % change of Score SUP | NA | 4.3% | NA | 4.8% | NA | -0.3% | NA | 10.1% |

| | World - SM | | Europe - SM | | Americas - SM | | AMEA - SM | |
|------------------------------------|------------|-------|-------------|-------|---------------|-------|-----------|-------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Average of score ALL | 42.4 | 44.1 | 45.5 | 47.2 | 41.3 | 42.2 | 36.7 | 39.1 |
| Average of score improvement % | NA | 14.9% | NA | 13.3% | NA | 14.9% | NA | 20.5% |
| Average of score ENV | 43.1 | 44.8 | 46.7 | 48.4 | 40.4 | 41.3 | 37.5 | 39.9 |
| Average of score LAB | 44.0 | 45.6 | 46.9 | 48.5 | 43.6 | 43.9 | 38.4 | 40.7 |
| Average of score FB | 39.4 | 41.8 | 41.4 | 43.7 | 40.8 | 42.8 | 34.3 | 36.8 |
| Average of score SUP | 37.2 | 39.0 | 40.4 | 42.2 | 35.5 | 36.7 | 31.8 | 33.9 |
| Y-o-Y % change of Score ALL | NA | 4.1% | NA | 3.8% | NA | 2.1% | NA | 6.5% |
| Y-o-Y % change of Score ENV | NA | 3.9% | NA | 3.6% | NA | 2.2% | NA | 6.3% |
| Y-o-Y % change of Score LAB | NA | 3.6% | NA | 3.4% | NA | 0.8% | NA | 5.9% |
| Y-o-Y % change of Score FB | NA | 6.2% | NA | 5.7% | NA | 4.9% | NA | 7.3% |
| Y-o-Y % change of Score SUP | NA | 4.6% | NA | 4.4% | NA | 3.2% | NA | 6.8% |

Description

World is divided into 3 geographical world regions:

- Africa, Middle East, Asia (AMEA)
- Americas
- Europe

The countries in each world region are:

EUROPE

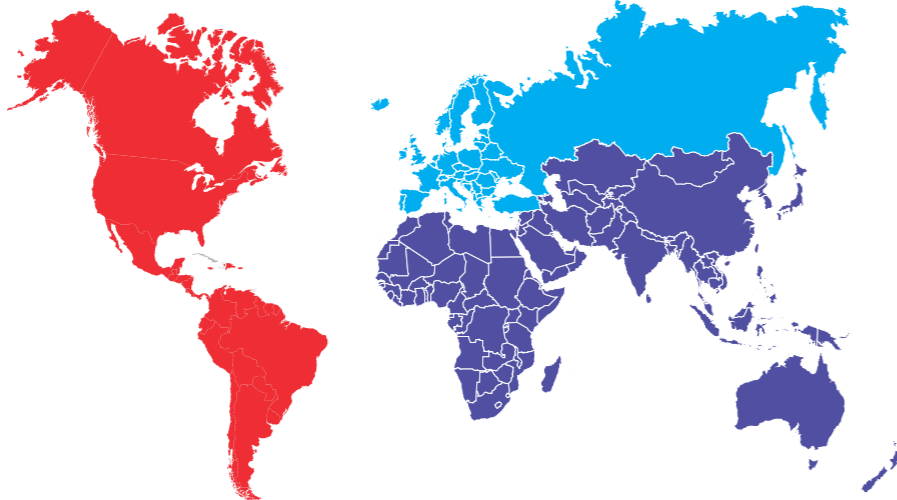
- Armenia
- Austria
- Belarus
- Belgium
- Bosnia And Herzegovina
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Georgia
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Macedonia
- Malta
- Moldova
- Monaco
- Montenegro
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Russia
- San Marino
- Serbia
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Turkey
- Ukraine
- United Kingdom

AMERICAS

- Argentina
- Aruba
- Barbados
- Belize
- Bolivia
- Brazil
- Canada
- Chile
- Colombia
- Costa Rica
- Curaçao
- Dominican Republic
- Ecuador
- El Salvador
- Guatemala
- Haiti
- Honduras
- Jamaica
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Trinidad And Tobago
- United States of America
- Uruguay
- Venezuela

AFRICA, MIDDLE EAST, ASIA (AMEA)

- Afghanistan
- Algeria
- Angola
- Australia
- Azerbaijan
- Bahrain
- Bangladesh
- Burundi
- Cambodia
- Cameroon
- Chad
- China
- Côte d'Ivoire
- Democratic Republic of the Congo
- Djibouti
- Egypt
- Ethiopia
- Ghana
- Hong Kong
- India
- Indonesia
- Iran
- Iraq
- Israel
- Japan
- Jordan
- Kazakhstan
- Kenya
- Kuwait
- Kyrgyzstan
- Laos
- Lebanon
- Madagascar
- Malawi
- Malaysia
- Mali
- Mauritius
- Mongolia
- Morocco
- Myanmar
- Namibia
- Nepal
- New Zealand
- Niger
- Nigeria
- Oman
- Pakistan
- Papua New Guinea
- Philippines
- Qatar
- Republic of Congo
- Rwanda
- Saudi Arabia
- Senegal
- Singapor
- Somalia
- South Africa
- South Korea
- Sri Lanka
- Suriname
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- Tunisia
- Uganda
- United Arab Emirates
- Uzbekistan
- Vietnam
- Zambia
- Zimbabwe



Descriptive Statistics





| | World - L | | Europe - L | | Americas - L | | AMEA - L | |
|-----------------------------------|-----------|-------|------------|-------|--------------|-------|----------|-------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 2095 | 2545 | 1033 | 1191 | 526 | 653 | 545 | 701 |
| %HQ Country Risk | 25.3% | 26.1% | 3.3% | 3.8% | 14.6% | 19.0% | 76.9% | 70.6% |
| %1st Evaluation | 35.1% | 35.7% | 30.0% | 27.7% | 32.3% | 39.5% | 47.5% | 45.8% |
| Y-o-Y % Change - N (Companies) | NA | 21.5% | NA | 15.3% | NA | 24.1% | NA | 28.6% |
| Y-o-Y % Change - %HQ Country Risk | NA | 3.1% | NA | 14.8% | NA | 29.7% | NA | -8.2% |
| Y-o-Y % Change - %1st Evaluation | NA | 1.8% | NA | -7.7% | NA | 22.2% | NA | -3.6% |

| | World - SM | | Europe - SM | | Americas - SM | | AMEA - SM | |
|-----------------------------------|------------|-------|-------------|--------|---------------|-------|-----------|-------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| N (Companies) | 8375 | 10031 | 4701 | 5465 | 1501 | 2016 | 2242 | 2550 |
| %HQ Country Risk | 35.3% | 34.6% | 5.7% | 5.6% | 47.5% | 47.8% | 88.4% | 86.1% |
| %1st Evaluation | 65.7% | 60.8% | 59.1% | 51.2% | 73.3% | 73.2% | 75.1% | 71.5% |
| Y-o-Y % Change - N (Companies) | NA | 19.8% | NA | 16.3% | NA | 34.3% | NA | 13.7% |
| Y-o-Y % Change - %HQ Country Risk | NA | -2.2% | NA | -2.1% | NA | 0.7% | NA | -2.6% |
| Y-o-Y % Change - %1st Evaluation | NA | -7.5% | NA | -13.3% | NA | -0.1% | NA | -4.8% |

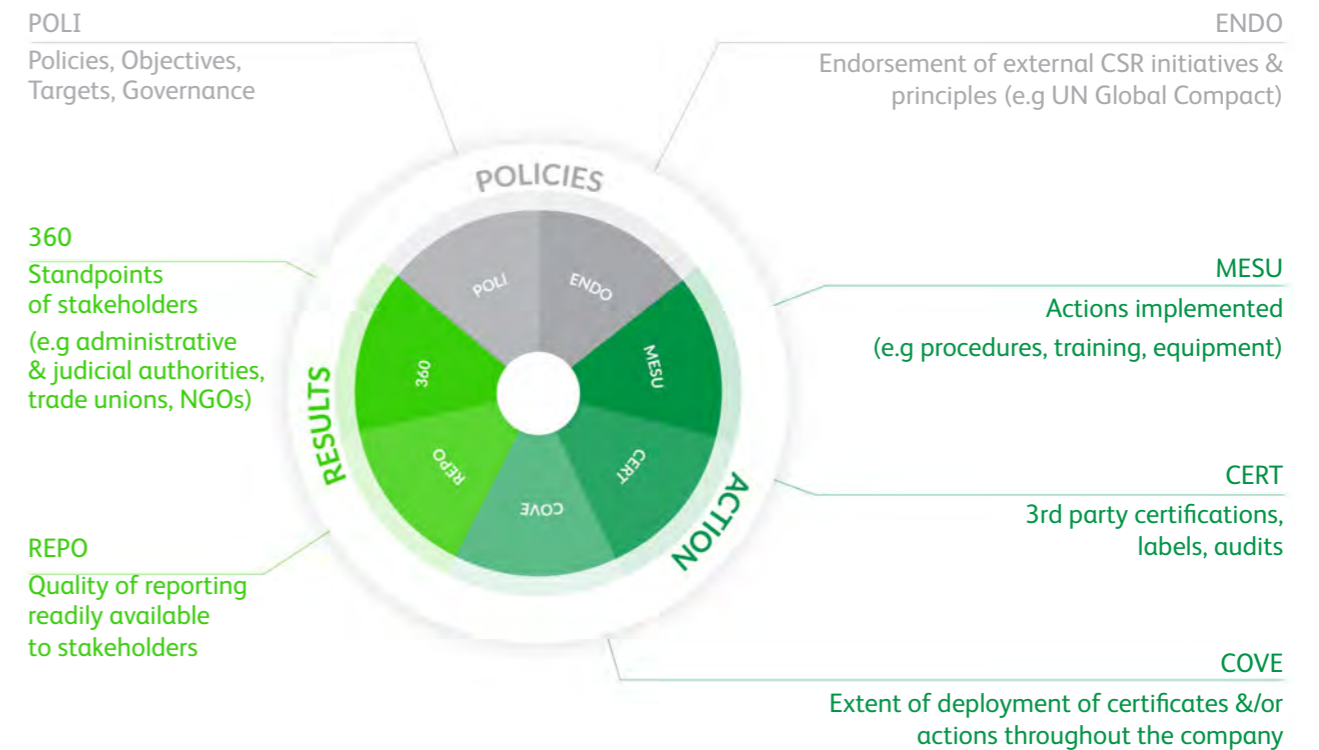
The number of European companies grew less than world average from 2015 to 2016, while Americas outgrew both world regions. Consequently, first timers among Americas - Large companies grew by 22%, which suggests a significant downward bias in scores. Europe - S-M companies whom are first timers with EcoVadis fell by 13%, which suggests a significant upward bias in scores. AMEA - Large outgrew world Large by 7%, which suggests a downward bias in scores.

APPENDIX

The EcoVadis CSR Rating Reference Model - 4 CSR themes - 21 CSR issues

| | | | |
|---|---|--|---|
|  <p>ENVIROMENTAL</p> <p>OPERATIONS</p> <ul style="list-style-type: none"> • Energy & GHGs • Water • Biodiversity • Pollution • Materials & Waste <p>PRODUCTS</p> <ul style="list-style-type: none"> • Product Use • Product End of Life • Customer Safety • Advocacy |  <p>SOCIAL</p> <p>HUMAN RESOURCES</p> <ul style="list-style-type: none"> • Employee Health & Safety • Working Conditions • Social Dialogue • Career Management & Training <p>HUMAN RIGHTS</p> <ul style="list-style-type: none"> • Child & Forced Labor • Discrimination & Harassment • External Human Rights issues |  <p>ETHICS</p> <ul style="list-style-type: none"> • Corruption & Bribery • Anti-Competitive Practices • Data Security |  <p>SUSTAINABLE PROCUREMENT</p> <ul style="list-style-type: none"> • Supplier Environmental Performance • Supplier Spcial Performance |
|---|---|--|---|

When assessing a company's CSR management system, it is important to define what are the CSR issues covered by the management system. The assessment considers a range of CSR issues, which are grouped into 4 themes. The issues covered in each assessment are based on the relevance of the 21 CSR issues to the supplier context, such as industry, size, and geography. The 21 CSR issues are based upon international CSR standards such as the Ten Principles of the UN Global Compact, the International Labour Organization (ILO) conventions, the Global Reporting Initiative (GRI)'s standards, the ISO 26000 guidelines, the CERES Roadmap, and the UN Guiding Principles on Business and Human Rights, also known as the Ruggie Framework.



The objective of the EcoVadis CSR rating methodology is to measure the quality of a company's CSR management system – through its policies, actions and results. These 3 CSR management layers are separated into 7 management indicators: Policies (POLI), Endorsements (ENDO), Measures (MESU), Certifications (CERT), Coverage – Deployment of Actions (COVE), Reporting (REPO) and 360° News Monitoring (360).



Interpreting EcoVadis overall CSR score

Each company receives an overall CSR score, which is a weighted average of 4 theme scores, all of them out of 100 points.

The scoring scale indicates several scoring milestones to describe a score. For an example, if a company is scored between 50 to 75, then it indicates that all main material issues are managed with at least acceptable practices, but advanced practices only on some, but not all, material issues. If a company is scored between 25 to 50, then it indicates that at least some material issues are covered by acceptable practices, but there are some material issues that are insufficiently addressed.

GLOSSARY

1st evaluation

a company's first ever evaluation with EcoVadis since EcoVadis inception in 2008

EcoVadis ISIC category

a certain ISIC division, group, or class

EcoVadis universe

all evaluations published by EcoVadis

ENV

the Environment theme under EcoVadis methodology

FB

the Fair business practices theme under EcoVadis methodology

HQ country risk

a company's HQ is located in a risk country

Industry division

a group of ISIC sections of similar activity, and/or of similar CSR risks

ISIC

the International Standard Industrial Classification of all economic activities

LAB

the Labor & Human rights theme under EcoVadis methodology

Risk country

a country, defined by EcoVadis, where significant structural CSR risks exist

Score [Theme]

the theme score given by EcoVadis

Score All

the overall CSR score given by EcoVadis

Score improvement %

the percentage change in overall CSR score across the n-th and n+1-th evaluation

Size

a category defined by number of employees in the company

Size group

a group of sizes, either large size only, or small and medium size

SUP

the Sustainable procurement theme under EcoVadis methodology

World average

the mean average of a particular performance or profile indicator across all companies in the EcoVadis universe of a specific calendar year

World region

a group of countries by geography

Y-o-Y % change

the percentage change in the indicator across 2 consecutive calendar years

ACKNOWLEDGEMENTS

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About EcoVadis

EcoVadis is the first collaborative platform providing sustainability ratings and performance improvement tools for global supply chains. EcoVadis' easy-to-use CSR scorecards help companies to monitor suppliers' environmental, ethical, and social practices across 150 purchasing categories and 120 countries. Over 150 industry leaders such as Nestlé, GSK, Heineken, Michelin, Johnson & Johnson, Schneider Electric, L'Oréal, BASF, and Subway, and over 30,000 of their trading partners use EcoVadis to reduce risk and drive sustainability and innovation.



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EcoVadis is headquartered in Paris and has offices in New York, London, Hong Kong, Mauritius, Warsaw, and Tunis.

Version 2