# ecovadis

# EcoVadis 360° Watch
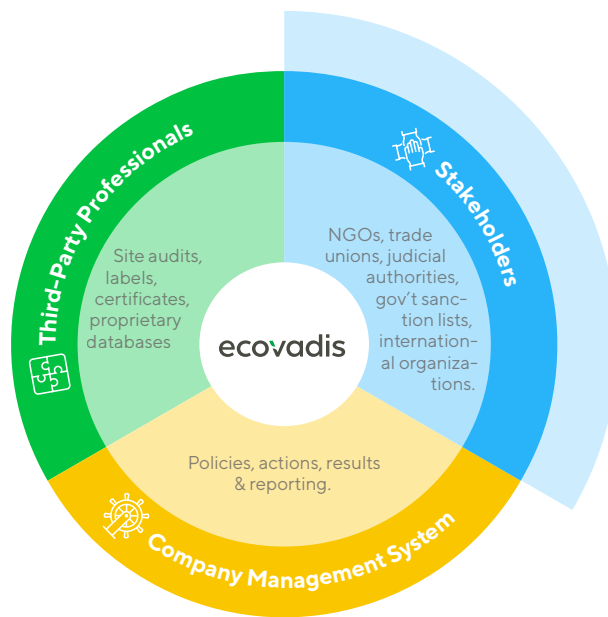
## A Key Component of the Assessment Methodology

# Introduction

A key distinguishing element of the EcoVadis sustainability monitoring platform is the integration of external inputs to augment company-provided documentation and data sources. Laws and regulations such as FCPA in the U.S., Sapin II in France and the U.K. Bribery Act have made companies even more liable for knowing about sustainability infractions, yet for many companies, the information is difficult to uncover, anticipate, and manage on their own.

The 360° Watch feature, and corresponding Management Indicator in the EcoVadis Rating Methodology, serves to collect, classify and selectively apply stakeholder inputs into the EcoVadis rating process. This process combines artificial intelligence with human analysis to identify the most relevant stories within the past five years, both positive and negative, collected from over 100,000 public sources. This is augmented by data from the Global Regulatory Information Database (GRID™) through a partnership with Regulatory Datacorp.

360° Watch Findings are the output of this process, where the analyzed results are integrated as part of the EcoVadis Rating, and are displayed in the EcoVadis Scorecard.

360° Watch provides essential intelligence and monitoring both for the assessed company, and their trading partners with whom they share their scorecards on the EcoVadis network.



**Note:** Similar technology is used for the Live News feature, which provides updates on current news items from the same set of sources between assessments, delivered through the EcoVadis platform.

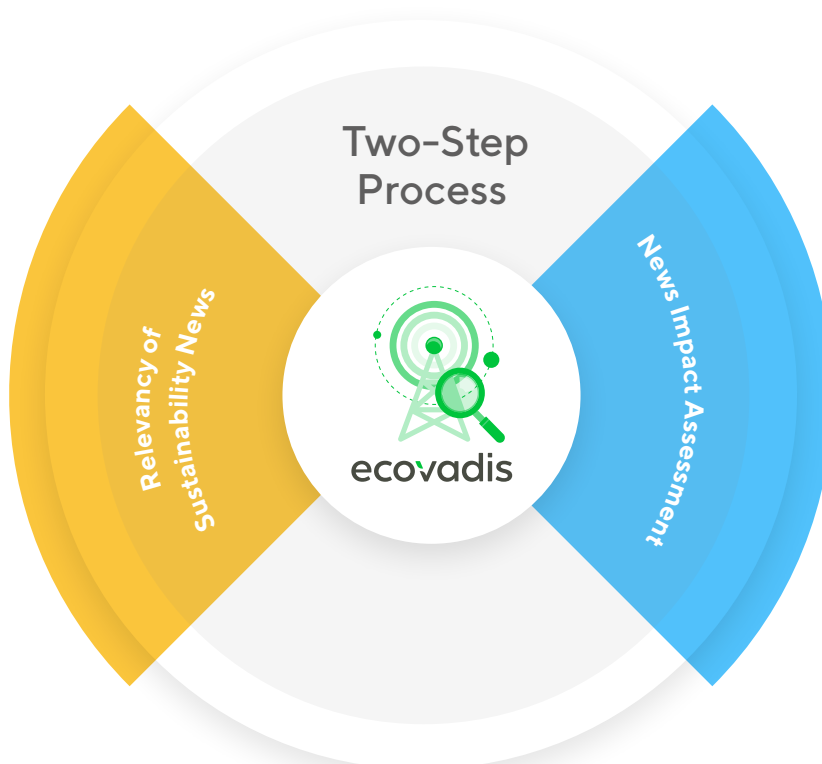# Overview of the Two-Step 360° Watch Process

## Step 1
Collection of 360° Watch News Items.

The 360° Watch Findings are publicly available information items discovered by our news scanning and data relationships, selected based on their relevance to EcoVadis' 21 CSR criteria, and published on the EcoVadis platform. They are published without modification. All companies assessed by EcoVadis are systematically subject to the 360° Watch process by an internal 360° research team, who verifies the relevance of the information and facts. News can vary from negative to neutral or positive. As long as they are relevant to one of the EcoVadis 21 criteria, items selected as 360° Watch Findings will be displayed on the scorecard.

## Step 2
Impact Assessment: Analysis and Scorecard Impact

In a second step, sustainability analysts assess 360° Watch news items on how they impact the quality and effectiveness of the sustainability management system or reflect positive innovation. If a 360° Watch news item is determined to impact the score negatively, a red downward arrow is activated to indicate it to the user and a point of improvement is activated for each theme. Positive news such as awards or top rankings can have a positive impact on the theme score which is reflected by a green upward arrow on the scorecard.

# Step 1

## Collection of News in the 360° Watch Items

### Source Qualification

The EcoVadis 360° Watch Findings process begins with the selection and verification of 360° Watch news items gathered from sources that are carefully selected for credibility and reliability. Examples of sources that we consider to be reliable include:

- Official statements or publications from government bodies;
- Information from regulatory databases;
- Extracts of court rulings or legal settlements;
- Articles from the mainstream media;
- Factual statements by organizations considered as subject matter experts (e.g. international NGOs, independent think tanks).

In order to be considered as credible and valid for the 360° Watch, sources are filtered and sorted according to selected quality criteria which include legitimacy, representativeness, technical expertise, transparent governance and funding structure.

### Data Sources

The following examples are illustrative of the more than 100,000 sources included in the 360° Watch:

**News & Specialized Press**
- China CSR Map (China)
- Novethic (France)
- CorpWatch
- OneWorld network
- Illegal Logging (U.K.)
- Lawyers & Settlements (U.S.)

**CSR Networks**
- AccountAbility
- Instituto Ethos de Empresas e Responsabilidade Social (Brazil)
- Business for Social Responsibility
- CSR Europe
- World Business Council for Sustainable Development
- Greenhouse Gas Protocol
- Business In The Community (U.K.)

**Administration**
- European Economic and Social Committee
- European Environment Agency
- Conseil de la Concurrence (France)
- Competition Commission (U.K.)
- Environmental Protection Agency (U.S.)
- Food and Drug Administration (U.S.)

**Trade Unions**
Algeria, Argentina, Australia, Belgium, Brazil, Canada, Ecuador, France, Germany, India, Ireland, Italy, Japan, Mexico, Peru, Portugal, Scotland, Spain, Switzerland, U.K. and U.S.

**International Organizations**
- UN Global Compact Environment Program
- European Court of Human Rights
- Eco-Label Européan
- International Labour Organization
- World Bank
- Extractive Industries Transparency Initiative

**NGOs**
- China Labor Watch
- Human Rights In China
- Greenpeace
- Oxfam
- World Wildlife Fund (WWF)
- Movimento Difesa del Cittadino (Italy)
- Friends of the Earth Middle East
- Milieudefensie (Netherlands)
- Silicon Valley Toxics Coalition (U.S.)

**RDC Compliance Database**

Systematic screening of companies against this industry-leading compliance database (PEPs, sanctions, etc.)

# Step 1

## Collection of News in the 360° Watch Items

### Public and External Databases

EcoVadis has partnered with Regulatory Datacorp Inc ("RDC"), a third-party risk and compliance information provider, to cover additional risk related to economic sanctions, watchlists from governments or international organizations, politically exposed persons and other regulatory compliance issues. In some cases the RDC covers topics that are not directly related to sustainability issues and therefore do not fall under the four themes of the EcoVadis assessment. Nonetheless, these cases illustrate a level of risk exposure that may be of interest to scorecard readers. Watchlists cover entities potentially exposed to high-risk activities and subject to trade restrictions, exclusion lists, government warnings, and enforcement actions (e.g. World Bank List of Debarred Firms, BIS Denied Persons List). Sanctions cover global and national sanctions lists (e.g. OFAC Sanctions Programs).

EcoVadis also uses public databases such as the Beijing based Institute of Public & Environmental Affairs (IPE), Business & Human Rights Resource Centre, and various open government databases.

### 360° Watch Collection Process

News is scanned and curated from more than 100,000 qualified data sources. The selection process for 360° Watch items combines EcoVadis' proprietary Artificial Intelligence-based sustainability news analysis engine with curation and validation by sustainability experts to ensure quality. We also corroborate sources and verify facts, giving preference to official sources, in order to identify and exclude fake and low quality news. Findings are available in multiple languages.

# Step 2

## Impact Assessment: Integration of 360° Watch Findings Into the Methodology

The 360° Watch Findings is one of the seven management indicators that are assessed by EcoVadis to rate a company's sustainability performance. The other six indicators are Policies, Endorsements, Measures, Certifications, Coverage and Reporting.

Similar to the other management indicators, the 360° Watch Findings is assigned a score between 0 and 100, based upon a set of standard scoring guidelines. A theme score is attributed based on the scores of each of the seven management indicators and their relative weights. In this context, the 360° Watch Findings is a standalone indicator with a specific weight and impact on the entire scorecard as follows:

| POLICIES (25%) | POLI 80% | Policies, objectives, targets, governance | 0 Insufficient / 25 Partial / 50 Good / 75 Advanced / 100 Oustanding |
| | ENDO 20% | Endorsement of external sustainability initiatives and principles, e.g. UN Global Compact | |
| ACTIONS (40%) | MESU 65% | Actions put in place to support objectives and targets | 0 Insufficient / 25 Partial / 50 Good / 75 Advanced / 100 Oustanding |
| | CERT 35% | Certifications, labels, third-party audits | |
| | COVE multiplying factor | Level of deployment of certificates or actions throughout the company | |
| RESULTS (35%) | REPO 40% | Quality of reporting readily available to stakeholders | 0 Insufficient / 25 Partial / 50 Good / 75 Advanced / 100 Oustanding |
| | 360° 60% | Standpoints of stakeholders' representatives, e.g. administrative & judicial authorities, trade unions, NGOs | 0 Severe / 25 Major / 50 Minor / 75 None / 100 Positive |

# Step 2

## Impact Assessment: How the 360° Watch Is Integrated Within the Overall Methodology Framework

For details on the other indicators and their relative weighting please refer to the Scoring Principles Document. Set at 75/100 by default the 360° Watch can impact the score of each theme (i.e. Environment, Labor & Human Rights, Ethics, Sustainable Procurement). The impact can reduce the theme score across four ranges: 5.25 – 10.5 – 15.75 points respectively. Conversely, in the case of positive news without any adverse material events, the 360° Watch score can also increase the theme score by 5.25 pts.

The following shows some example news items as they would be displayed on the EcoVadis platform:



### 360° Watch Findings

**26 Oct 2018**

**Cefic Awards Innovative Projects That Drive Safety And Environmental Standards In The Chemical Industry**

cefic.org

Amsterdam, 26 October 2018 – At its annual General Assembly, held on 25 October, Cefic announced the winners of this year's European Responsible Care Awards. The awards recognise excellence in improving health, safety and environmental standards in the chemical industry.

↗ Impacts score

View more

**27 Jun 2016**

**Top Trains wins recycling award from Illinois Recycling Association**

foodbev.com

The Illinois Recycling Association (IRA) has named Top Trains as the 2014 Excellence in Recycling Award winner in the Outstanding Business Recycling Program category.

→ No score impact

View more

**5 May 2014**

**OSHA Penalty for Serious H&S Standard Violation(s)**

drive.google.com

On 05/05/2014, Top Trains Group's facility in Tennessee, was proposed a $7,750 penalty for 2 serious violations of U.S. OSHA health and safety standards.

↘ Impacts score

View more

⌄ Show more ⌄

# Impact Assessment Part 1
## Individual 360° Watch News Items

| 0 | 25 | 50 | 75 | 100 |
|---|---|---|---|---|
| **CASE(S) WITH SEVERE NEGATIVE IMPACT** | **CASE(S) WITH MAJOR NEGATIVE IMPACT** | **CASE(S) WITH MINOR NEGATIVE IMPACT** | **NONE OR NEUTRAL CASE(S)** | **CASES WITH POSITIVE IMPACT** |
| Repeated major violations of internationally recognized standards with sanctions or fines | Major violations of internationally recognized standards with sanctions or fines | Minor incidents with legal or financial sanctions | No significant controversies or incidents | Multiple recognized sustainability management practices or awards |
| | | Examples | | |
| Repeated major pollution cases with massive fines | Major H&S violations with monetary sanctions | Minor fine for discrimination case | None | Top 5 ranking in sector index and external recognition of performance |

Note: Simplified grid presented above, specific differences for themes exist

Each of the four themes has specific sets of detailed scoring guidelines, which define different thresholds for Minor, Major or Severe impacts. A non-exhaustive list of examples of news for each theme is provided below to give some context for what level of impact a news item can have.

## Environment: Examples Cases

| SEVERE | MAJOR | MINOR | NEUTRAL | POSITIVE |
|---|---|---|---|---|
| U.S. EPA announces $25 million cleanup settlement at company's plant in Indiana | Milk producer fined $460,000 over pollutant discharge | Subsidiary fined 1,000 euros for violations of the Law on Prevention and Control of Air Pollution | Company promises improvements after residents complain about noise from plant | • Paper mill performs successful energy optimization<br><br>• Car manufacturer receives energy-saving technology awards from Germany's Environment Minister |

# Impact Assessment for Each Single 360° Watch News Item

## Labor & Human Rights: Example Cases

| SEVERE | MAJOR | MINOR | NEUTRAL | POSITIVE |
|---|---|---|---|---|
| • Company placed in severe violator enforcement program by U.S. OSHA<br><br>• Company heavily blamed by protesters over 40 mine worker deaths | • Global Shipping Company to Pay $200,000 to Settle EEOC Religious Discrimination Lawsuit<br><br>• IndustriALL condemns company for union busting | • $5,000 Penalty from OSHA for five serious violations<br><br>• Strike at Indian subsidiary crosses 10 days | • Sacked Employees to File Lawsuit against their employer<br><br>• Union wants 5.5 percent wage increase | • Employer Wins Corporate Awards for Excellence in Gender Inclusivity<br><br>• Tech company introduces a gender pay parity policy in India |

## Ethics: Example Cases

| SEVERE | MAJOR | MINOR | NEUTRAL | POSITIVE |
|---|---|---|---|---|
| • Bank will pay $1.8 billion for money laundering<br><br>• Company settles 6 antitrust cases for $42M | • Massachusetts company pays U.S. $1 million to settle U.S. False Claims Act case<br><br>• U.K. authorities charge telco company with $25M fine over stolen customer data | Antitrust authority fines Italian subsidiary EUR 50.000 for misleading advertising | Glass bottle manufacturer launches internal probe for possible bribery | Anti-corruption compliance system certificate awarded to Moroccan subsidiary |

## Sustainable Procurement: Example Cases

| SEVERE | MAJOR | MINOR | NEUTRAL | POSITIVE |
|---|---|---|---|---|
| • Five dead, dozens injured when luxury hotel being built in Laos collapses<br><br>• Amnesty Intl. finds cobalt used in electric car batteries is mined using child labour | • Food Manufacturer Suspends Sugar Supplier Over Cambodia Land-Grabbing<br><br>• Greenpeace urges Cosmetic company to reject harmful palm oil practices | Animal rights group calls out restaurant chain over alleged cruelty in supply chain | • Company Tightens Employment Rules for Suppliers in China | • Printing company earns triple chain-of-custody certification<br><br>• Freight company renews fleet with electric cars<br><br>• Major car paint suppliers join initiative against child labour in mica mines |

# Impact Assessment for Each Single 360° Watch News Item

## Scope Rules

Each 360° Watch Finding is assessed while taking into account whether the news applies to the exact scope of assessment, parent company, subsidiary, or sister company. Whereas news directly related to the assessed company or its subsidiaries are considered to have a full impact, news about sister and parent companies impact the score in very limited circumstances based on the severity of the news, geographical proximity and similarity of the business activities.

## Additional Factors

When assessing the materiality of individual news items, we also consider a set of mitigating factors in the following cases:

- Joint-ventures or minority owned assets or operations without significant management control;
- Ethics cases with facts within the last two years of validity period (see more details on timeframe below);
- The amount of the fine or penalty is negligible considering the size of the assessed company (e.g. $1,000 health and safety violation for a 20,000 employee organization).

## Timeframe

A timeframe of validity specific to each 360° Watch news item is applied.

This is determined by looking at the date of the underlying facts, e.g. when a non-compliance, misdeed, accident took place.

The following relevant number of years for each theme are outlined below:

- Environment: Facts related to the case less than 5 year old;
- Labor & Human Rights: Facts related to the case less than 5 year old;
- Ethics: facts related to the case less than 7 year old for Corruption, 10 year old for Anti-Competitive Practices, 5 year old for Responsible Information Management cases;
- Sustainable Procurement: Facts related to the case less than 5 year old.

### Important Remarks

- The case date refers to the date of the underlying facts (e.g. when the violations actually occurred), not the publication date of article.
- Ethics cases such as corruption, bribery and anti- competitive practices experience a longer time frame are included in the assessment of the company for a longer time period due to the typical lengths of investigations leading to an enforcement decision.

# Impact Assessment Part 2
## Cumulative Rules In Case Of Multiple 360° Watch Findings

In cases where multiple 360° Watch Findings are collected for one or more themes, a set of rules is applied to determine how these cumulative findings impact the scores. The table below summarizes to what extent the Environment, Labor & Human Rights, Ethics and Sustainable Procurement theme scores are impacted – either increase or decrease – for various cumulations of findings:

| Theme Score Impact | –15.75 | – 10.5 | – 5.25 | 0 | +5.25 |
|---|---|---|---|---|---|
| If multiple cases | If multiple cases<br>• At least one severe case<br><br>• Or at least five major cases, or 25 minor cases | • There are several negative cases, of which the worst case is major<br><br>• Or there are at least five minor cases | • At least one case is minor | • Several cases with no impact | • At least three POS cases (level 0) for large size companies and for extra small, small and medium sized companies only 2 cases necessary<br><br>•Positive cases cannot compensate severe, major or minor negative cases |

## Comment Period:

In situations when our analyst team identifies through the 360° Watch adverse information that impacts the assessment score severely, the assessed company is given an opportunity to comment on the key controversial items. This "comment period" occurs before the scorecard is published, and allows the assessed company to provide additional information, context and specific details to illustrate its point of view, often leading to disputing the relevance or impact of certain news. This engages companies in the assessment process and provides a platform to interact before publishing information from third–party stakeholder news on the EcoVadis scorecard.

# Other Uses of 360 Indicators

## Medal Allocation and 360° Watch Findings:

EcoVadis Medals are awarded to companies when various criteria are met. A Gold, Silver or Bronze EcoVadis Medal may be awarded in recognition of a company's sustainability rating when an overall score of 37 or higher is achieved with no theme scores below 20. Additional requirements for medal eligibility based on 360° Watch Findings are:

- The company must have no severe negative 360° Watch Findings for Environment, Labor & Human Rights and Sustainable Procurement in the past three years;
- The company must have no severe negative 360° Watch Findings for Ethics in the past five years.

## Scorecard Revision Process: Adverse Event After Publication

The Live News feature provides real time monitoring of stakeholder's opinions between assessments, using many of the same inputs and processes as the 360° Watch Process. These results are displayed in the EcoVadis platform alongside the scorecard. Critical adverse events that occur between assessments and are captured in the Live News feature can lead to scorecard revisions, after a thorough review process from the Research Management Committee. This process includes a due diligence process to duly inform the affected company of the scorecard revision as well as the respective trading partners.

## Conclusion

The EcoVadis 360° Watch is an essential part of the EcoVadis Sustainability Rating methodology. It brings vital third-party inputs from a wide variety of sources that bolsters the robustness and reliability of EcoVadis Sustainability Ratings. The sources, criteria and process are reviewed regularly as part of the methodology governance process.