Socially Responsible Investments (SRI) Detailed criteria for screening

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Positive screening of companies by their relative ESG score

a.s.r. favours investments in companies excelling on ESG policy and implementation. Companies are analysed on numerous ESG criteria taking into account materiality for the respective sector/industry. These criteria can be categorized in six domains covering all aspects of corporate social responsibility (CSR): human rights, human capital, environment, social impact, market ethics and good governance.

The six domains are analysed and rated by our data providers Moody's ESG and MSCI ESG. Also, we use the Excellent Register of Forum Ethibel, which assesses the inclusion of each company in the Excellent Register and classifies these companies as Pioneering (A), Best-in-class (B) or Above-average (C) SRI companies.

Each domain addresses in detail the company's strategy and management practices at three levels:

- Leadership: the relevance of commitments, by assessing management policies in place.
- Implementation**:** the effectiveness of the policies' implementation, by assessing the breadth and depth of the application of concrete measures.
- Results**:** the performance achieved, by analysing quantitative performance indicators, as well as management of controversies brought by stakeholders.

All the companies are analysed for their relative sector performance on the following CSR domains:

1. Human capital domain
2. Environment domain
3. Market ethics domain
4. Corporate governance domain
5. Social impact domain
6. Human rights domain
7. Other generic CSR elements.

1. Human capital domain

The human capital domain seeks to establish whether companies are compliant with the following international standards:

- ILO: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- ILO: Equality of Treatment Convention (Conv. 118)
- UN: Declaration on the Right and Responsibility of Individuals, Groups and Organs of Society to promote and protect universally recognized Human Rights and Fundamental Freedoms
- EU: Community Charter on the Fundamental Social Rights of Workers
- EU: Council Decision 2003/578/CE of 22 July 2003 on Guidelines for the Employment Policies of Member States
- IFC: Environmental, Health and Safety guidelines, 2007 and subsequent updates
- IFC: Performance Standards, 2006 and subsequent updates

The human capital domain is further broken down into seven criteria.

<u>1.1 Promotion of social dialogue</u>

Assesses the company's commitment to ensuring the respect of independent workers' representatives through information, consultation, and notably collective bargaining, in the workplace.

This criterion addresses whether companies are compliant with the following international standards:

- ILO: Workers’ representatives convention (Conv. 135)
- ILO: Recommendation 94 concerning Consultation and Co-operation between Employers and Workers at the Level of the Undertaking, 1952
- ILO: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- OECD Guidelines

<u>1.2 Encouragement of participation</u>

Assesses the company's commitment to providing employees with information on all areas likely to affect their work and employment conditions, promoting freedom of expression among employees, particularly on policies and procedures that potentially affect the work environment, providing an environment for employees that is conducive to acknowledging, taking, and implementing initiatives. Also assesses if the company's commitment to non-discrimination, including gender discrimination explicitly defines most of the categories and the management processes to which these apply (management processes referred to concern discrimination in employment decisions (hiring / promoting / redundancies) and discrimination in working conditions (working hours / training (of local staff) / remuneration / social security/ home workers).

This criterion addresses whether companies are compliant with the following international standards:

- ILO: Recommendation 94 concerning Consultation and Co-operation between Employers and Workers at the Level of the Undertaking Recommendation, 1952
- ILO: Recommendation 129 concerning Communications between Management and Workers within the Undertaking Recommendation, 1967
- ILO: Recommendation 150 concerning Vocational Guidance and Vocational Training in the Development of Human Resources, 1975

<u>1.3 Reorganization policy</u>

Assesses the company’s commitment to informing and consulting with employee representatives before/during restructuring processes, putting in place practical measures to prevent and limit redundancies (notably budgets, processes and reporting), taking measures to mitigate the negative effects of redundancies on employees, e.g. reassignment measures.

This criterion addresses whether companies are compliant with the following international standards:
- ILO: Termination of Employment (158 Convention), 1982
- ILO: Recommendation 150 concerning Vocational Guidance and Vocational Training in the Development of Human Resources, 1975
- ILO: Recommendation 166 concerning Termination of Employment at the Initiative of the Employer, 1982
- OECD Guidelines

<u>1.4 Care for individual career planning and professional availability</u>

Assesses the company's commitment to:
- anticipating short and long-term employment needs and skill requirements;
- adapting employees' skill sets to their career path;
- enabling progressive improvement in employees' qualification levels; and
- putting in place a concerted career management framework that is transparent and personalized.

This criterion addresses whether companies are compliant with the following international standards:
- ILO: Convention 122 over Employment policy, 1964
- ILO: Convention 140 over Paid Educational Leave, 1974
- ILO: Recommendation 150 concerning Vocational Guidance and Vocational Training in the Development of Human Resources, 1975
- OECD Guidelines

<u>1.5 Quality of remuneration</u>

Assesses the company's commitment to ensuring the fairness, transparency and objectivity of employees' remuneration systems, including decent wages.

This criterion addresses whether companies are compliant with the following international standards:
- UN: Universal Declaration of Human Rights, 1948
- ILO: Protection of wages convention (95) and recommendation (85)
- ILO: Minimum wage fixing convention (131) and recommendation (135)
- Directive 91/533/CEE about the employer's obligation to inform employees of the conditions applicable to the contract or employment relationship

<u>1.6 Improvement of safety, health and prevention</u>

Assesses the company's commitment to:
- defining and continually improving health and safety systems, and ensuring that they are known and respected; and
- putting in place systems to prevent accidents and occupational diseases.

This criterion addresses whether companies are compliant with the following international standards:
- ILO: Occupational safety and health (conv. 155 and recommendation 164)
- ILO: List of Occupational Diseases (revised 2010): including asbestos
- ILO: Occupational health services (conv. 161)
- ILO: Welfare facilities (recommendation 102)
- ILO: Older workers (recommendation 162)
- ILO: Night work (conv. 171 and recommendation 178)

- OECD Guidelines

1.7 Working hours policy

Assesses the company's commitment to respecting the rights of employees to vacation and leisure time (reasonably limiting the duration of work), providing compensation to employees working atypical hours or overtime, and taking into account the needs of employees in determining working hours by offering different options for flexibility in working hours and measures favouring a healthy work-life balance.

This criterion addresses whether companies are compliant with the following international standards:

- ILO: C14 Weekly rest (Industry) convention
- ILO: C175 Part-time work convention, 1944
- ILO: C1 Hours of work (Industry) convention 1919 and reviews
- ILO: C132 Holidays with pay convention (revised), 1970
- UN: Universal Declaration of Human Rights, 1948 (art. 24)
- EU: Employment Guidelines

2. Environment **domain**

The environment domain seeks to establish whether companies are compliant with the following international standards:

- UN: Rio Declaration
- UN: Agenda 21
- UN: Kyoto Protocol to the Framework Convention on Climate Change
- EU: The Green Paper on Integrated Product Policy
- EU: Council Directive 85/203/EEC of 7 March 1985 on Air Quality Standards for Nitrogen Dioxide
- IFC: Environmental, Health and Safety guidelines, 2007 and subsequent updates
- IFC: Performance Standards, 2006 and subsequent updates

The environment domain is further broken down into 11 criteria.

2.1 Environmental strategy and eco-design

Assesses the company's commitment to defining clear eco-design objectives and targets, and appropriate measures to ensure management of the environmental impacts of products and services.
This criterion addresses whether companies are compliant with the following international standards:

- OECD guidelines for Multinational Enterprises (chapter V)
- UN: Rio Declaration, principle 21
- UN: Agenda 21; U.N. Doc. A/CONF.151/26, volumes I-IV, s.II (9)
- UN Convention on Biological diversity 31 I.L.M. 818 (1992)
- Regulation (EC) No 761/2001 of the European parliament and of the council of 19 March 2001 allowing voluntary participation by organisations in a Community eco-management and audit scheme (EMAS)
- EU: Green paper on integrated product policy (2001)
- EU: European Ecolabel
- EU: European directive 96/61 concerning the integrated pollution prevention and control (PRIP /IPPC)
- ISO 14001

For the financial sector, it assesses whether their investment and lending activities (including mortgage loans) integrate environmental and social impacts, reduce its indirect impact on climate change and follow the Equator Principles.
For relevant sectors, such as heavy construction or home construction, this criteria assesses the share of eco-construction and the level of BREEAM certification (the higher the better ESG score) as part of the required KPIs

2.2 Pollution management (prevention and control)

Assesses the extent to which the company identifies, prevents, evaluates, reduces and manages risks of accidental pollution or soil pollution.

This criterion addresses whether companies are compliant with the following international standards:

- OECD guidelines for Multinational Enterprises (chapter III and IV)
- EU Directive 96/82/EC on the control of major-accident hazards involving dangerous substances (SEVESO II)
- OSPAR Decision 98/3 on the Disposal of Disused Offshore Installations

For the relevant sectors, it assesses negatively the riverine or shallow marine tailings disposal.

2.3 Development of green products and services

Assesses the company's commitment to supplying products and services that significantly reduce the impact on the environment AND can be considered as a fundamental diversification for the enterprise, in terms of products (e.g. wind turbines for electricity producers, development of alternative fuels and renewable energy sources for oil producers) or services (e.g. green investment funds in the financial sector, car sharing services developed by the automobile industry). The assessment covers the presence of formalized commitments, sector and/or cross sectorial policies, the setting up of quantified targets, the ownership of such policies and the engagement with the stakeholders In drafting them. It further covers the scope and coverage of the concrete measures put in place, as well as trends related to the relevant KPIs. Also the commitments companies make to reduce the environmental impact on for example the use of plastic are assessed.

This criterion addresses whether companies are compliant with the following international standards:
- OECD guidelines for Multinational Enterprises (chapter V)
- OECD Council Recommendation on the Control of Air Pollution from Fossil Fuel Combustion (adopted 20th June, 1985)
- UN: Agenda 21, Chapter 10, 'Protection of the Atmosphere', U.N. Doc. A/CONF.151/26, volumes I-IV
- UNEP FI declaration
- For bonds issuances, financial institutions apply the Green Bonds Principles
- EU: EU Parliament and Council Decision No 646/2000 of 28 February 2000 adopting a multiannual programme for the promotion of renewable energy sources in the Community (Altener) (1998 to 2002)
- EU: EU Directive 2001/77/EC on the promotion of electricity from renewable energy sources in the internal electricity market
- EU: White Paper laying down a Community strategy and action plan
- EU: Commission Green Paper of 20 November 1996 on renewable sources of energy
- EU: Energy Performance of Buildings Directive for relevant sectors
- The 12 principles of the Roundtable on Sustainable Biomaterials (RSB), regarding legality of laws and standards, planning & monitoring, GHG, human and labour rights, rural and social development, local food security, conservation, soil, water, air, use of technology and management of waste

2.4 Risk management related to the affection of biodiversity

Assesses company's commitment and systems in place to:
- identifying the impacts of business operations (or the closing of those operations) on biodiversity and establishing evaluation systems to assess the health of impacted ecosystems;
- assessing how food companies allocate resources to promote sustainable agriculture;
- assessing measures allocated to biodiversity protection, to sustainable agriculture, to prevent fragmentation of habitats (eg. limited size of fields) and to prevent deforestation;
- assessing initiatives taken by companies to restore sensitive areas in terms of biodiversity;
- avoiding or reducing the exploitation of sensitive ecosystems and, when there has been exploitation, rehabilitating the ecosystem;
- for exploration activities like mining: assessing whether environmental consequences can be unmanageable and whether water-scarcity in that areas is pre-existing;
- assessing the initiatives taken by companies to prevent negative impact on protected areas under the categories V-VI of the IUCN;
- assessing the initiatives taken by companies to save freshwater recourses, especially in areas of water scarcity;
- assessing the animal well-being for relevant sectors respecting the Five Freedoms of the Animals, being (1) freedom from hunger and thirst; (2) freedom from pain, injury and disease; (3) freedom from discomfort (temperature, hard bedding etc.); (4) freedom from fear and distress and (5) freedom to express normal behaviour.)

- Ban trading of endangered species (such as IUCN red list or CITES list)
- Companies prevent the introduction of invasive alien species in ecosystems

Overview (non-exhaustive) of requested managerial tools to be adopted by companies:
- Environmental impact assessments and/or risk mapping
- Training relevant managers or employees on biodiversity
- Relevant biodiversity management guidelines
- Monitoring of biodiversity indicators

Each sector might face particular risks and opportunities in terms of Biodiversity. For example protecting biodiversity is one of the main challenges encountered by food companies due to their heavy reliance on intensive agriculture and over fishing. Preserving ecosystems and species is not only a matter of environmental awareness, but also a key factor in terms of risk and opportunity. In what follows we give a few examples of key topics and expectations to determine the ESG assessment of a company, including its suppliers when this is of particular relevance (for example topics relating to the food sector)::

a) Sustainable agriculture:
- Minimize the use of external inputs (fertilizers, chemicals)
- Measures to protect pollinators
- Protection of soil from erosion and prevention of soil poverty from single-crop farming
- International certification schemes (including but not limited to: Fair Trade certification, UTZ certification, Sustainable Agriculture Network, Certified palm oil/RSPO, Sustainable Tree Crops Program)
- Promotion and effective development of organic farming
- Measures to prevent fragmentation of habitats (e.g. limited size of fields)
- Measures to prevent deforestation and protect existing natural forests
- Measures to preserve peat lands and avoid soil degradation Measures to prevent contamination and minimize the introduction of non-native species

b) Promotion of sustainable fishing/ aquaculture:
- Limit the use of nutrients, antibiotics and fungicides
- Protect wild species (including minimizing the introduction of non-native species)
- Stop fishing endangered species
- Temporal and spatial restrictions or closures/precautionary conservation and management measures (prohibition of fishing a certain species to allow its biological regeneration)
- Adopt changes in gear design (of use of selective gear so as to avoid catching undersized and non-targeted species, reduce contact between fishing gear and seabed, use of technical measures to eliminate or minimize ghost-fishing), or
- Implementation of the Marine Stewardship Council or the Aquaculture Stewardship Council certification, which includes the respect to Marine Protected Areas and no-take zones
- Specifically for the geophysics subsector within the oil equipment and services sector, it assesses whether companies reduce the effects of seismological research on whales and other marine mammals.
- Allocate measures to sustainable fishing and protect wild species (including minimizing the introduction of non-native species)

c) Preventing negative environmental impacts from first and second generation biofuels:
- Minimizing the use of external inputs (fertilizers, chemicals, etc.)
- Prevention of habitat fragmentation and protection of endangered species (including pollinators)
- Protection of soil from erosion and prevention of soil poverty from single-crop farming
- Prevention of deforestation to produce biofuels
- Prevention of the invasion of non-native species

d) Preventing GMO cross contamination:

- Full traceability and labelling systems
- Information to farmers/cooperation between farmers to organise co-existence
- On-farm measures for co-existence (isolation distances, buffer zones, pollen traps/barriers, crop production cycle planning, etc.)
- Harvest and post-harvest measures (e.g. Minimizing seed loss during harvest, cleaning of harvest machinery)
- Transport and storage measures (avoiding spillage during transport, physical segregation of gm/non-gm crops after harvest)
- Monitoring of gm crops in non-gm neighbouring fields
- Biological gene flow barriers
- Companies prevent the introduction of invasive alien species in ecosystems

e) Preventing animal testing:

- Measures allocated to the reduction of animal testing, including measures on the 3Rs (refinement, reduction, replacement), to reduce the suffering and distress of animals, and whether the company has these measures certified by third parties. It also includes companies subcontracting production to third parties for which the issue becomes a supply chain one.

f) Promotion of sustainable animal rearing:

- Measures to ensure animal well-being including the avoidance of stress, anxiety or pain,spacious facilities and safeguarding adequate environmental enrichment and quality for (farm) animals
- Safeguarding good welfare for animals
- Ensure appropriate feeding of animals
- Avoid negative impacts on local environment
- Awareness raising/ training to farmers on sustainable animal rearing
- Minimize non-therapeutic use of antibiotics and hormones

Where forest products and paper are concerned, particular attention is given to the preservation of forest biodiversity, forest management certification (FSC and/or PEFC), traceability and chain of custody certification. Companies are required to have in place a process for the systematic tracking of forest products to provide evidence that the ultimate origin of the commodities they are trading and/or processing is known and that these commodities do not stem from a controversial source (e.g. illegally logged wood). Companies should respect the High Conservation Value principles.

This criterion addresses whether companies are compliant with the following international standards:

- UN Convention on Biological Diversity, 31 I.L.M. 818 (1992) and the Cartagena Protocol on Biosafety to this Convention (2003)
- Agenda 21, Chapter 15, “Conservation of Biological Diversity”, U.N. Doc. A/CONF.151/26,
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), 12 ILM 1085 (1973)
- Convention on Wetlands (RAMSAR), 11 ILM 963 (1971).
- International Tropical Timber Agreement, Misc 11 (1984), Cmnd 9240
- IUCN Protected Areas, which classifies 4 categories of protected areas: CATEGORY I -Strict Nature
- Reserve/Wilderness Area, CATEGORY II -National Park; CATEGORY III -Natural Monument, Category IV Habitat/Species Management Area.
- The UNESCO World Heritage Convention, which identifies natural and cultural sites of outstanding universal values".
- The UNESCO Man and Biosphere Programme, under which a network of Biosphere Reserves.
- The Ramsar Convention, which provides recognition and protection to internationally-important wetlands.

- Convention on the conservation of European wildlife and natural habitats (Bern Convention), 1979.
- EU Directive 92/43 on the conservation of natural habitats and wild fauna and flora (amended by Council Directive 97/62/EC)
- EU Directive 85/337 on Environmental Impact Assessment (amended by Council Directive 97/11/EC)
- European Community Biodiversity Strategy, 1998
- Marine Stewardship Council and its Chain of Custody standards
- Aquaculture Stewardship Council certification
- FAO Code of Conduct for Responsible Fisheries
- Forest Footprint Disclosure (FFD)

2.5 Sustainable water management

Assesses the extent to which the company has taken measures to reduce water consumption and to improve, reduce or treat wastewater emissions/water discharges, including but not only the water scarce regions. Also assesses that companies do not start new operations in areas where water scarcity is pre-existing and whether operations impact the needs of communities.

This criterion addresses whether companies are compliant with the following international standards:
- Agenda 21, U.N. Doc. A/CONF.151/26, volumes I-IV Chapter 18, Protection of the Quality and Supply of Freshwater Resources: Application of Integrated Approaches to the Development, Management and Use of Water Resources
- Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter, 11 ILM 1294 (1972)
- Council and OECD Recommendation on Water Management Policies and Instruments
- EU Directive 76/464/EEC concerning the water pollution by discharges of certain dangerous substances
- The Water Framework Directive (Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy)
- DECISION No 2455/2001/EC of the European Parliament and of the Council
- of 20 November 2001establishing the list of priority substances in the field of water policy
- EU Directive 91/676 concerning the protection of waters against pollution caused by nitrates from agricultural sources
- International Cyanide Management Code (ICMI) for the manufacture, transport and use of cyanide

2.6 Rational energy consumption

Assesses the consistency of the company's strategy in addressing energy-related issues (energy consumption and atmospheric emissions related to energy consumption (CO2, SO2, NOx)). It assesses whether companies disclose their scope 1, 2 and 3 greenhouse gas emissions (reported and estimated scope 1, 2 and 3 emissions) and to what extend companies switch from using fossil fuels to renewable energy sources, (measured as the renewable energy consumption as part of the total energy consumption in GWh). Assesses if companies integrate climate change criteria in their procurement and operational policies and if companies include compliance with criteria on climate change in their contracts with subcontractors and suppliers.

- technological change (change of process, energy-saving technologies, R&D initiatives, BATs);
- use of renewable energy in accordance with to sector-related constraints and legal obligations;
- measures to inform, raise awareness and train people on energy savings;
- monitoring results on key performance indicators (KPIs) such as energy consumption and GHG emissions (direct and indirect).

For financial services – real estate this assessment includes the property portfolio. For the assessment of the relative ranking the energy consumption and atmospheric emission are normalised to revenue and/or production.

This criterion addresses whether companies are compliant with the following international standards:
- UN: Agenda 21
- UN: Framework Convention on Climate Change, 1992 and Kyoto Protocol to the Convention, 1997
- UNEP SBCI guidelines on Sustainable Reconstruction in Disaster-Affected Countries for relevant companies
- EU: Regulation (EC) No 2037/2000 of the European Parliament and of the Council of 29 June 2000 on substances that deplete the ozone layer
- EU: Directive 96/92/EC of the European Parliament and of the Council of 19 December 1996 concerning common rules for the internal market in electricity
- EU: Council Directive 96/61/EC of 24 September 1996 concerning integrated pollution prevention and control
- EU: Proposal for a Directive of the European Parliament and of the Council of 11 May 2001 on the energy performance of buildings
- EU: White Paper for a Community Strategy and Action Plan, 1997

<u>2.7 Management of atmospheric emissions (VOC, Sox, Nox, POPs, CO, HF, HC)</u>

Assesses the steps taken by the company to control and reduce atmospheric emissions (see point above) related to the manufacturing or creation of products/projects/services minimizing environmental impacts and to effectively manage atmospheric emissions unrelated to energy consumption:
- Greenhouse gases (GHG) that are not related to energy consumption (including CH4 (methane); N2O (Nitrous oxide); HFC (hydrofluorocarbon); PFC (perfluorocarbon); SF6 (sulfur hexafluoride).
- Volatile Organic Compounds
- Persistent Organic Pollutants
- Hazardous substances that have an impact on the ozone layer.

For the assessment of the relative ranking the energy consumption and atmospheric emission are normalised to revenues and/or production.

This criterion addresses whether companies are compliant with the following international standards:
- UN: Agenda 21, Chapter 10, Chapter 30
- UN: Stockholm Convention on Persistent Organic Pollutants 2001
- UN: UN Framework Convention on Climate Change, 31 I.L.M. 848 (1992)
- UN: Kyoto Protocol to UN Framework Convention on Climate Change, 26 ILM 1550 (1987)
- UN: Convention on Long-Range Transboundary Air Pollution, 18 ILM 1442 (1979), and protocols
- UN: Protocol on the Reduction of Sulphur Emissions or their Transboundary Fluxes by at least 30 percent, 27 ILM 707 (1985)
- UN: Protocol Concerning the Control of Emissions of Volatile Organic Compounds or their Transboundary Fluxes, 31 ILM 573 (1991)
- UN: Protocol on Persistent Organic Pollutants, 1998
- EU Regulation 2037/2000 of the European Parliament and Council on substances that deplete the ozone layer
- EU Directive 96/61 concerning integrated pollution prevention and control
- EU Directive 2001/80 on the limitation of emissions of certain pollutants into the air from large combustion plants
- EU Directive 84/360 on the combating of air pollution from industry plants
- EU Directive 82/884 on a limit value for lead in the air
- EU Directive 2001/81 on national emissions ceilings for certain atmospheric pollutants
- EU Directive 92/72 of on air pollution by ozone

- EU Directive 94/63 on the control of VOCs emissions resulting from the storage of petrol and its distribution from terminals to service stations
- EU Directive 1999/13 on the limitation of emissions of volatile organic compounds due to the use of organic solvents in certain activities and installations
- EU Directive and Council Resolution on fluorocarbons in the environment
- EU Directive 1999/30/EC relating to limit values for sulphur dioxide, nitrogen dioxide and oxides of nitrogen, particulate matter and lead in ambient air
- EU Directive 2000/69/EC relating to limit values for benzene and carbon monoxide in ambient air
- EU Council Recommendation on the measures required for further air pollution control, 1974 [C(74)219]
- WHO Air Quality Guidelines for Europe (1998)

2.8 Waste management

Production and delivery of products and services result in great quantities of waste to be incinerated or landfilled. The intended objective is to minimize the use of both ways of disposal and to promote the development of valorisation and recycling.

Assesses the steps taken by companies to manage waste, including:
- identification of the different sources of waste;
- reduction in waste production at source;
- for mining activities: assess the tailings risk management;
- management of industrial and commercial packaging and packaging waste;
- waste recycling, energy recovery from waste (waste to energy); and
- reduction in the toxicity of hazardous waste.

This criterion addresses whether companies are compliant with the following international standards:
- UN: Agenda 21, Chapter 30
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, 28 I.L.M. 657 (1989)
- Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (1998)
- EU Directive 75/442 on Waste, as amended
- EU Directive 99/31 on the landfill of waste
- EU Directive 2000/76 on the incineration of waste
- EU Directive 91/689 on hazardous waste, as amended
- EU Directive 96/61 concerning integrated pollution prevention and control

2.9 Management of local pollution

Assesses the way in which companies minimize local pollution (noise, dust and odours) resulting from the production processes and maintenance of installations, as well as skyline pollution, specifically relating to telecommunications equipment, utilities (cables), media (Ads boards) and construction installations, and addresses the expectations and/or complaints of various stakeholders regarding these elements as well as evaluating these impacts in selecting the location of production facilities.

This criterion addresses whether companies are compliant with the following international standards:
- EEC Directive 80/779/EEC: A study of network design for monitoring suspended particulates and sulphur dioxide in the Member States
- Council Directive 1999/30/EC of 22 April 1999 relating to limit values for sulphur dioxide, nitrogen dioxide and oxides of nitrogen, particulate matter and lead in ambient air
- EU Directive 2002/49/EC relating to the assessment and management of environmental noise

- EU Directive 2002/30 on the establishment of rules and procedures with regard to the introduction of noise-related operating restrictions at Community airports

2.10 Impact of transport and distribution

Assesses the extent to which the company is taking into account the environmental impact of its products' transportation and actions taken to reduce these impacts. This includes the evaluation of reductions in pollution due to transportation (reduction in fuel consumption, vehicle maintenance, use of alternative fuels, driver training), the rationalization of transportation flows, and the evaluations of the transport mix for goods and services (alternative transport to road: rail, waterways, or sea) and for employees (car sharing, public transports).

This criterion addresses whether companies are compliant with the following international standards:
- UN: Framework Convention on Climate Change, 1992 and Kyoto Protocol to the Convention, 1997
- OECD: Council Recommendation on the Control of Air Pollution from Fossil Fuel Combustion (adopted 20th June, 1985)
- White Paper: European transport policy for 2010: time to decide, 2001
- EU Parliament and Council Directive 98/70/EC Relating to the Quality of Petrol and Diesel Fuels
- Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on transport and CO2: developing a Community approach, 1998

2.11 Environmental impact on the overall lifecycle of products and services

Assesses the steps taken by companies to control direct or indirect environmental impacts related to the use and the disposal of products or services.

This criterion addresses whether companies are compliant with the following international standards:
- OECD International Guidelines: chapter V
- UN Agenda 21
- EU: The Green Paper on Integrated Product Policy 2001
- EU: Directive 96/56/EC of the European Parliament and the Council of 3 September 1996 amending Directive 67/548/EEC on the approximation of laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances
- EU**:** Directive 94/62/CE of the European Parliament and the Council, of 20 December 1994, concerning Packaging and Packaging Waste
- EU: Directive 2002/96**/**EC of The European Parliament and of the Council of 27 January 2003 on waste electrical and electronic equipment (WEEE)
- EU: Directive 1999/94**/**EC of the European Parliament and of the Council of 13 December 1999 relating to the availability of consumer information on fuel economy and CO2 emissions in respect of the marketing of new passenger cars
- EU: EU Council Directive 92/75/EEC of 22 September 1992 on the indication by labelling and standard product information of the consumption of energy and other resources by household appliances
- EU: Directive 96/57/EC of the European Parliament and of the Council of 3 September 1996 on energy efficiency requirements for household electric refrigerators, freezers and combinations thereof
- Cement Action Plan of the Cement Sustainability Initiative for relevant sectors
- International Chamber of Commerce – Business charter for sustainable development. Principle 7: customer advice
- Norms ISO 14 021 : 1999; ISO 14024 : 1999 ; ISO 14025 : 2000
- Norm NF Environment

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3. Market ethics domain

The market ethics domain seeks to establish whether companies are compliant with the following international standards:

- UN: United Nations Guidelines for Consumer Protection, revised 1999
- UN: Global Compact
- United Nations Convention against Corruption
- OECD: OECD Guidelines on the Protection of Privacy and Transborder Flows of Personal Data
- WTO: Agreement on trade-related aspects of intellectual property rights (ADPIC) Annex 1C to the Agreement establishing the WTO, Marrakech, 1994 REACH directive

The market ethics domain is further broken down into nine criteria.

3.1 Product safety and safe products

Assesses the extent to which companies take product safety issues into account and the related steps taken to prevent and repair emergency/crisis situations affecting product safety. Issues under review vary from transparent labelling, directions on safe handling, customer support measures, health and safety risk impact assessments, to publication of the outcome of internal audits/studies on potential product concerns, substitution of harmful compounds with alternative substances, a precautionary stance on nanomaterial, technological developments, and initiatives to phase out hazardous chemicals. We also assess whether companies apply a prudent use of antimicrobial medicines (antibiotics) in human beings in order to minimize antimicrobial resistance. (For relevant sectors, it is checked whether companies adhere to sector-specific initiatives, such as Responsible Care or Good Manufacturing Practices (GMP), Good Distribution Practices (GDP), Good Laboratory Practices (GLP), Good Clinical Practices (GCP)).

This criterion addresses whether companies are compliant with the following international standards:

- Directive 85/374/EEC of the European Parliament and of the Council of 25 July 1985on liability for defective products
- Council Directive 92/59**/**EEC of the European Parliament and of the Council of 29 June 1992 on general product safety
- Directive 1999/34/EC of the European Parliament and of the Council of 10 May 1999 amending Council Directive 85/374/EEC on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products

3.2 Information to customers

Assesses the extent to which companies have defined and implemented principles of conduct, and are taking measures to prevent the negative impact of marketing practices on financial, moral and ethical issues as well as on the health and safety of users and/or customers. For relevant sectors (as the food and supermarket sector in particular) it assesses transparent labelling of GMOs in particular.

This criterion addresses whether companies are compliant with the following international standards:

- United Nations, Guidelines for consumer protection, Revision 1999
- OECD: OECD Guidelines for Multinational Corporations, Review 2000
  OECD: OECD Guidelines on the Protection of Privacy and Transborder Flows of Personal Data, 1980
- International Code ICC on marketing and advertising practices, sales promotion, advertising and sales via internet, direct selling, direct marketing, sponsorship
- International Code of Marketing of Breast-milk Substitutes from the World Health Organization (WHO/MCH/NUT/90.1)

3.3 Responsible relation with customers

Assesses the company’s commitment to including guarantees in its contractual relations that promote the customer’s freedom of choice, customer satisfaction and right to recourse, disregarding any type of discrimination. For home construction and real estate owner companies, it assesses the tenant’s rights to information and participation.

This criterion addresses whether companies are compliant with the following international standards:
- United Nations, Guidelines for consumer protection, Revision 1999
- OECD Guidelines for Multinational Corporations, Review 2000

3.4 Cooperation with suppliers in terms of sustainable production

Assesses the company’s commitment to ensuring balanced and sustainable relations with suppliers, focusing on promoting mutually beneficial business relations and optimizing mutual profits gained through contracts in terms of quality, costs and technical/technological control.

This criterion addresses whether companies are compliant with the following international standards:
- UN: Universal Declaration of Human Rights, 1948
- UN: Declaration on the Right and Responsibility of Individuals, Groups and Organs of Society to Promote and Protect Universally Recognized Human Rights and Fundamental Freedoms, 199
- UN: Global compact 1999
- UN: Agenda 21, 1992
- ILO: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; 2000
- ILO: Declaration on Fundamental Principles and Rights at Work, 1998
- OCDE: Guidelines for Multinational Corporations, Review 2000
- EU: The Green Paper on Integrated Product Policy

3.5 Integration of environmental factors in the production chain

Assesses the extent to which companies are integrating environmental factors into the supply chain, looking at the production and distribution of product/service by suppliers and/or sub-contractors. The integration of environmental factors into the supply chain, like the use of certified materials, covers the complete business relationship with suppliers and sub-contractors. This includes animal rearing (for the relevant sectors). For other relevant sectors (as technology and telecom), it assesses to which extent companies comply with the EICC code of conduct.

It refers to:
- criteria that the company applies when selecting and evaluating suppliers and sub-contractors;
- continuous monitoring to ensure compliance with environmental standards for delivered products as well as their production processes and distribution conditions;
- corrective measures and joint CSR steps, their financing and impact on business relations;
- assistance in resolving any conflicting objectives suppliers/subcontractors might face (e.g. financial profitability vs. respect for social and environmental standards);
- integration of social, environment and economic issues into contractual clauses, supplier risk assessments and questionnaires, support through training or technical assistance, training of employees in charge of relationships with suppliers, internal /external audits.

This criterion addresses whether companies are compliant with the following international standards:
- Universal Declaration of Human Rights, 1948

- Declaration on the Right and Responsibility of Individuals, Groups and Organs of Society to Promote and Protect Universally Recognized Human Rights and Fundamental Freedoms, 1998
- UN Global compact 1999
- Agenda 21, 1992
- ILO: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy;
- ILO Declaration on Fundamental Principles and Rights at Work, 1998

3.6 Integration of social themes into the production chain

Assesses to what extent the company has integrated social standards into the supply chain with suppliers and contractors, focusing on freedom of association and right to collective bargaining, abolition of child labour, abolition of forced labour, non-discrimination, health and safety, decent wages, working hours and other rights (e.g. prevention of cruel, degrading and inhumane behaviour, etc.).
Regarding conflict minerals, this criteria will assess policies and measures related to this specific topic: assessing whether the company's policy covers the responsible sourcing of minerals (including tin, tantalum, tungsten and gold), and if measures such as chain of custody tracking and audits of suppliers have been implemented.
At implementation level, particular focus is placed on the integration of social, environmental and economic issues into contractual clauses, supplier risk assessments and questionnaires, support through training or technical assistance, training of employees in charge of relationships with suppliers, and internal /external audits.

This criterion addresses whether companies are compliant with the following international standards:

- Universal Declaration of Human Rights, 1948
- Declaration on the Right and Responsibility of Individuals, Groups and Organs of Society to Promote and Protect Universally Recognized Human Rights and Fundamental Freedoms, 1998
- Global compact 1999
- Agenda 21, 1992
- ILO: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- ILO Declaration on Fundamental Principles and Rights at Work, 1998
- ILO Convention 87 Freedom of Association and Protection of the Right to Organise Convention, 1948
- Convention 98 Right to Organise and Collective Bargaining Convention, 1949
- Convention 138 Minimum Age Convention, 1973
- Convention 182 Worst Forms of Child Labour Convention, 1999
- Convention 29 Forced Labour Convention, 1930
- Convention 111 Discrimination (Employment and Occupation) Convention, 1958
- Convention 100 Equal Remuneration Convention, 1951
- OECD Guidelines for Multinational Corporations, Review 2000
- OECD Due Diligence guidelines on responsible supply chains of minerals from conflict affected and high risk areas
- Dodd–Frank Wall Street Reform and Consumer Protection Act, Section 1502 on conflict minerals, 2012

3.7 Prevention of corruption

Assesses the effectiveness of company's anti-corruption management system (founding documents, and prevention, information and monitoring systems, disciplinary actions and external investigations of allegations). Corruption is studied in its broadest sense. Conflicts of interest are also taken into account as they can cast doubt on the quality of the company's decision-making process and on the integrity of the people involved.

This criterion addresses whether companies are compliant with the following international standards:

- United Nations Declaration against corruption and bribery in international commercial transactions, December 1996
- OECD Guidelines for Multinational Corporations, Review 2000
- OECD Anti-Bribery Convention (Convention on Combating Bribery of Foreign Public Officials in International Business Transactions) 1997
- WTO Agreement on Trade-Related Aspects of Intellectual Property Rights, Marrakech, 1994
- The FATF recommendations, first adopted in 2012
- The Wolfsberg Standards consisting of the various sets of AML Principles, as well as related Statements, issued by the Group since its inception.

3.8 Prevention of anti-competitive practices

Assesses the extent to which the company is making allowance for competition laws and the prevention of market distortion rules in its relations with customers, suppliers and competitors. As the criterion is strongly sector-related, the activation of this criteria will be motivated by sector particulars in terms of social and community issues. The approach focuses on dedicated structures and measures, as well as on partnerships with market-regulating and monitoring agencies.

This criterion addresses whether companies are compliant with the following international standards:
- United Nations Declaration against corruption and bribery in international commercial transactions, December 1996
- OECD Guidelines for Multinational Corporations, Review 2000
- OECD Anti-Bribery Convention (Convention on Combating Bribery of Foreign Public Officials in International Business Transactions) 1997
- WTO Agreement on Trade-Related Aspects of Intellectual Property Rights, Marrakech, 1994

3.9 Integrity and transparency in terms of strategy and influencing tactics

This includes both direct lobbying in relation to a specific piece of legislation and more general ‘atmosphere-setting’ around an issue or public debate.
- Assesses the extent to which the company is transparent on its involvement in lobbying practices and on how it undertakes them, whether in-house or by engaging specialist organizations (think-tanks, lobbyists, trade associations);
- the activities are neither undermining nor in conflict with internationally recognized principles of corporate social responsibility (public international conventions (UN, ILO, OECD)) and with those set by the company itself, and the extent to which the company discloses the objectives of its lobbying practices and the resources dedicated to achieving them;
- the company demonstrates commitment to being transparent and ethical about its lobbying practices and consistency of these practices with its social responsibility; and
- the company has assigned clear responsibilities and designed specific procedures to monitor the correct implementation of the company’s lobbying strategy.

This criterion addresses whether companies are compliant with the following international standards:
- 10 Principles for Transparency and Integrity in Lobbying, OCDE. 2010
- Honest Leadership and Open Government Act of 2007
- US lobbying disclosure files
- Recommendations from International Transparency (France), 2009
- Commission Communication of 27 May 2008 – European Transparency Initiative – A framework for relations with interest representatives- towards Responsible Lobbying, Leadership and public policy, Accountability and Global Compact, 2005

4. Corporate governance domain

We require from companies that 'good governance' practices are followed. To assess these good governance practices we focus on the following aspects and we require from companies that the overall ESG controversy is at least minimum:

- Sound management structures
- Employee Relations
- Staff Remuneration
- Tax Compliance

The corporate governance domain seeks to establish whether companies are compliant with the following international standards:
- OECD: OECD Corporate Governance Principles
- EU: EU Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the Application of International Accounting Standards

The corporate governance domain is further broken down into four criteria.

4.1 Balance between powers and effectiveness of the Board of Directors

We assess the company's commitment to setting up a board of directors that is capable of controlling and advising executives and that is accountable to the shareholders. Companies should have set up sound management structures and therefore we assess the effectiveness of the Board of Directors. One criteria we assess takes into account the share of woman in the board, where companies with boards composed of at least 40% receive the highest score.
This criterion addresses whether companies are compliant with the following international standards:
- EU: Report of the High Level Group of Company law experts on a modern European regulatory framework for Company Law
- OECD Guidelines for Multinational Corporations
- World Bank ROSC Corporate Governance standards (based on the OECD Principles of Corporate Governance)
- OECD principles of corporate governance
- Communication From The Commission To The Council And The European Parliament Modernising Company Law and Enhancing Corporate Governance in the European Union – A Plan to Move Forward, 2003

4.2 Audits and control mechanisms

Assesses the company's commitment to establishing effective risk management systems, ensuring the quality of internal reporting and the extent to which this commitment is reflected in financial information provided to the public. The Board of Directors is responsible for the objectivity and relevance of the system.
Also assesses whether the company makes relevant social and environment disclosures, including quantitative indicators, and whether it is audited/reviewed by a third party. Since January 2016 it assesses the CSR/company's sustainability report according to the Global Reporting Initiative (GRI) and its external assurance. For relevant companies (large and multinationals) it assesses the publication and assurance of the relevant specific sector disclosures.

This criterion addresses whether companies are compliant with the following international standards:
- EU: Report of the High Level Group of Company law experts on a modern European regulatory framework for Company Law
- OECD Guidelines for Multinational Corporations, Review 2000

- Brussels, 27.10.2004 COM(2004) 725 final 2004/0250 (COD) Proposal for a Directive Of The European Parliament And Of The Council Amending Council Directives 78/660/EEC and 83/349/EEC concerning the annual accounts of certain types of companies and consolidated accounts
- IASB's IFRS 2 "Share-Based Payment"
- FASB's FAS 123, "Accounting for Stock-Based Compensation"
- Sarbanes-Oxley Act of 2002
- ICC Guide to Corporate Governance
- World Bank ROSC Corporate Governance standards (based on the OECD Principles of Corporate Governance)
- Review 2004 (OECD principles of corporate governance)
- Communication From The Commission To The Council And The European Parliament Modernising Company Law and Enhancing Corporate Governance in the European Union – A Plan to Move Forward, 2003

4.3 Shareholder rights

Assesses the company's commitment to ensuring the fair treatment of shareholders, allowing them to actively participate in strategic decision-making. Voting rights attaching to shares and the right to participate in general meetings are of fundamental importance in this regard.
Additionally it assesses the transparency by disclosing the list of shareholders – beneficial owner or owners - having more than 3% of the company shares to assess the independence of Board members, where a non-disclosure of major shareholders will impact the ESG rating results

This criterion addresses whether companies are compliant with the following international standards:
- EU: Report of the High Level Group of Company law experts on a modern European regulatory framework for Company Law
- OECD Guidelines
- ICC Guide to Corporate Governance
- World Bank ROSC Corporate Governance standards (based on the OECD Principles of Corporate Governance)
- Review 2004 (OECD principles of corporate governance)
- Communication From The Commission To The Council And The European Parliament Modernising Company Law and Enhancing Corporate Governance in the European Union - A Plan to Move Forward, 2003

4.4 Remuneration of top managers

Assesses the company's commitment to using executive remuneration as a tool to align the interests of executives and shareholders.

This criterion addresses whether companies are compliant with the following international standards:
- EU: Report of the High Level Group of Company law experts on a modern European regulatory framework for Company Law
- OECD Guidelines
- ICC Guide to Corporate Governance
- World Bank ROSC Corporate Governance standards (based on the OECD Principles of Corporate Governance)
- Review 2004 (OECD principles of corporate governance)
- Communication From The Commission To The Council And The European Parliament Modernising Company Law and Enhancing Corporate Governance in the European Union - A Plan to Move Forward, 2003

5. Social impact domain

The social impact domain seeks to establish whether companies are compliant with the following international standards:

- WTO: Agreement on trade-related aspects of intellectual property rights (ADPIC) Annex 1C to the Agreement establishing the WTO, Marrakech, 1994
- EU: Commission Regulation of 27 April 2004 on the application of Article 81(3) of the Treaty regarding certain categories of technology transfer agreements

The societal impact domain is further broken down into three criteria.

5.1 Contribution to economic and social development of the territories of establishment and their human communities

Assesses the company’s commitment to making a sustainable contribution to the economic and social development of local areas and to optimizing the economic and social impact of activities: local investment, promotion of local employment, transfer of technologies and skills. Also assesses how companies enhance small scale and artisanal businesses that improve sustainable economic and social development on a local level; and the way in which companies address the impacts of restructuring on a local labour pool. The criterion is particularly relevant for analysing corporate behaviour when a group exerts a strong influence on a local labour pool. Particular attention will be given to the way in which the company makes uses of its local presence to boost the effective development of local initiatives related to community involvement. Companies should respect International Humanitarian Law and should not enable settlements, including their economic activities, in occupied territories. In relation to the aforementioned topic, the assessment covers initiatives by companies to consult with local communities and take action to ensure that their operations is compatible with local communities’ needs (including for example, but not only, water use). The assessment covers the company’s commitment to optimise/mitigate the impact of the operations on the local community and whether specific means have been allocated to not over-exploit resources.
Specifically for the financial sector, it assesses whether companies mitigate the negative social effects of activities in terms of commodity market speculation. There is special attention to investments/ trading in food, energy and metal commodities to assess which means the companies have allocated to mitigate the negative social effects of such investments/ trading. Example of measures:

- Negative criteria or position limits on food commodities derivative funds;
- Procedures for rebalancing portfolio allocations for different commodities when prices exceed levels justified by fundamentals;
- Engaging with commodity futures exchanges, index providers to improve governance and transparency of food commodities.
- Cooperation with NGOs on research on the negative impact link between investments in food commodities ETFs and food volatility.

As part of the contribution to economic and social development, it is assessed how companies promote a responsible tax strategy and publish transparently on their tax payments. The screening also covers controversies related to taxes and tax disputes. In case of a controversy (such as legal proceeding or legal decision), it assesses the company's responsiveness to this controversy (does it communicate on the actual controversy, its response to the controversy, on corrective measures etc). We assess whether companies publish key information of any company-specific tax ruling it has obtained from authorities and whether they publish an explanation of the activities, functions and ultimate shareholder of every subsidiary, branch, joint venture or affiliates located in jurisdictions with no or zero corporate tax practices or in jurisdictions with harmful corporate tax practices. Additionally, companies need to justify their presence in offshore financial

centers and non-compliant jurisdictions. The related indicator measures transparency as regards the main types of taxes paid by the company (Income, State, Local, Sales, Royalties, Property, VAT, etc) with a breakdown by countries and/or regions.
For each sites/ countries/regions, where the company has operations, reporting is requested per the nature of activity, number of employees, level of sales, percentage of corporate taxes paid.

This criterion addresses whether companies are compliant with the following international standards:

- OECD guidelines for multinational enterprises, Updated 2011
- Green Paper Promoting a European framework for Corporate Social Responsibility, 2001
- A renewed EU Strategy 2011-2014 for Corporate Social Responsibility, 25/10/2011
- United Nations Development Programme Strategic Plan 2014 -2017
- United Nations Sustainable Development Goals 2015
- UNEP SBCI guidelines on Sustainable Reconstruction in Disaster-Affected Countries for relevant companies
- UN Five Principles of Sustainable Neighbourhood Planning for relevant sectors
- ILO Recommendation for the Post 2015 Development Agenda - 6 point strategy -
- OECD Strategy on Development
- OECD Model Tax Convention
- OECD Base Erosion Shifting Project
- United Nations Model Double Taxation Convention Between Developed and Developing Countries 2012
- ISO 26000 guidance standard on Social
- ILO Recommendation R193 - Promotion of Cooperatives Recommendation 2002.
- ILO Recommendation R189 - Job Creation in Small and Medium Sized Enterprises Recommendation 1998
- ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, revision 2006
- UN Guiding Principles on Business and Human rights, 2011
- United Nation Declaration on the Rights of Indigenous Peoples, 2007
- United Nation Declaration on the Right to Development, 2006
- UN Global Compact, Principles 7, 8, 9 - 1999
- The United Nations Economic Commission for Europe (UNECE) Convention on Access to Information,
- Public Participation in Decision-Making and Access to Justice in Environmental Matters(i.e Aarhus Convention), 1998
- Rio Declaration on Environment and Development, 1992

<u>5.2 Social impact of products or services</u>

Assesses the way in which a company voluntarily develops initiatives based on the impact on the community of their products or services. This can take different forms (depending on sectorial issues):

- Risk prevention or reduction if a company manufactures potentially hazardous products (e.g. tobacco, alcohol, etc.) and health impacts;
- Availability of the product or service to as many people as possible if the company develops a product from which society stands to benefit (e.g. pharmaceuticals, telecommunications, etc.).
- Engagement in antibiotic stewardship initiatives, such as collaboration on research and development of solutions for antibiotic resistance, or partnerships with industry peers, academia, or other entities to address antibiotic resistance.

Examples for the Home construction industry include (but are not limited to):

- Promote access to affordable housing
- Inclusive design (e.g. persons with disabilities, elderly persons etc.)
- Conversion of Brownfield land to residential areas (for British companies)

This criterion addresses whether companies are compliant with the following international standards:

- UN: UN Conference on Trade and Development, UN Guidelines for consumer protection
- UN Five Principles of Sustainable Neighbourhood Planning for relevant sectors
- OECD Guidelines for Multinational Corporations, Review 2000
- OECD Recommendation on the OECD Council concerning guidelines for consumer protection in the context of electronic commerce 2000
- Green Paper: promoting a European framework for Corporate Social Responsibility (2001)

5.3 Contribution to causes of general interest

Assess the company’s commitment to promoting voluntary community initiatives that are not directly related to the company's products or services: patronage, involvement in various causes of general interest, forms of sponsorship, as well as contributions to studies or academic research on community interest issues.

This criterion addresses whether companies are compliant with the following international standards:

- EU: Report of the High Level Group of Company law experts on a modern European regulatory framework for Company Law
- ICC Guide to Corporate Governance
- World Bank ROSC Corporate Governance standards (based on the OECD Principles of Corporate Governance)
- OECD principles of corporate governance, 2004
- Communication From The Commission To The Council And The European Parliament Modernising Company Law and Enhancing Corporate Governance in the European Union - A Plan to Move Forward, 2003

6. Human rights domain

The human rights domain seeks to establish whether companies are compliant with the following international standards:

- UN: Universal Declaration of Human Rights
- UN: Declaration on the Elimination of Discrimination against Women Proclaimed by General Assembly Resolution 2263(XXII) of 7 November 1967
- ILO: ILO Declaration on Fundamental Principles and Rights at Work
- OECD: OECD Guidelines for Multinational Corporations
- IFC: Environmental, Health and Safety guidelines, 2007 and subsequent updates
- IFC: Performance Standards, 2006 and subsequent updates

The human rights domain is further broken down into four criteria.

6.1 Respect for the fundamental human rights and safeguarding measures

Assesses the extent to which the company complies with the obligation to respect human rights in the community (community taken as a whole, i.e. within and outside the workplace). This obligation includes respect of the effective exercise of fundamental human rights and personal rights, prevention of human rights violations or complicity to violations (due diligence), addressing adverse human rights impacts and promoting or contributing to promoting rights as part of the obligation. Human Rights is a main topic and the risk of breaches are always contextualized to the company activity. Therefore, special attention is provided to riskier sectors (such as the mining sector where human rights risk are present regarding a.o. occupational safety and health control, for example with asbestos mining) to prevent any damages. Other sectors as the financial institutions are expected to have explicit policies on sensitive industries based on international norms related to human rights covering formalized commitments, sector and/or cross sectorial policies, the setting up of quantified targets, the ownership of such policies, and the engagement with the stakeholders in drafting them.

In general, special attention is provided to the respect for the fundamental rights of the children.

- At policy level, particular attention will be given to:
    - respecting the right to personal security
    - respecting property rights and resettlement
    - preventing cruel, inhuman, or degrading treatment
    - preventing complicity in human rights violations
    - preventing settlement, including economic activities, in occupied territories
    - respecting indigenous people rights
    - ensuring no breaches in weak governance zone or conflict-affected areas
    - use of security forces
    - right to Free Prior and Informed Consent
    - companies have special attention for respecting the rights of persons with disabilities and prevent discrimination
    - companies have to respect the rights of indigenous people during the course of their operations
    - companies' policy commitments are assessed on gender-based violence in the workplace, including verbal, physical and sexual harassmentfair recruitment and prevention of modern slavery
    - Voluntary Principles on Security and Human Rights
    - Equator principles (for financial institutions)
    - UN PRI (for financial institutions)
    - UN Global Compact
- At implementation level a particular attention will be given to:
    - human rights awareness-raising programmes for employees

- human rights training programmes for employees
- occasional human rights impact assessments
- regular human rights impact assessments
- internal human rights audits
- training and awareness-raising programmes for security forces
- including human rights into contracts with private security agencies
- local communities and indigenous peoples consultation
- resettlement and compensation plan
- grievance mechanisms
- external investigation of human rights allegations
- external human rights audits/verification

This criterion addresses whether companies are compliant with the following international standards:
- UN: Universal Declaration of Human Rights, 1948
- UN: International Covenant on Civil and political rights, 1966
- UN: International covenant on Economic, Social and Cultural rights (1948)
- United Nations Guiding Principles on Business and Human Rights (Ruggie Framework)
- United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), including article 10 on Free Prior and Informed Consent
- UN Global Compact, Principles 1 and 2, 1999
- UN Code of Conduct for Law Enforcement Officials
- UN: Un Basic Principles on the Use of Force and Firearms by Law Enforcement Officials
- The UN norms on the Responsibilities' of Transactional Corporations and other business enterprises 2002
- ILO: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- ILO: Convention No. 169 concerning indigenous and tribal peoples in independent countries, 1991-
- OECD: OECD Guidelines for Multinational Corporations
- OECD: Due Diligence
- ICMM (International Council on Mining & Metals): Sustainable Development Framework, for relevant sectors

6.2 Respect for the freedom of trade unions and right to collective bargaining

Assesses the extent to which the company respects trade union freedom and the right to collective bargaining, and promotes the right to collective bargaining. Particular attention will be given to:
- Employees right to unionize;
- Free exercise of trade union rights;
- Right to join trade unions constituencies at a local, regional, international level;
- Respect of right to strike;
- Facilitation of trade union rights exercise;
- Protection against intruding upon or discriminating against trade-unions members;
- Respect of right to collective bargaining;
- Promotion of right to collective bargaining specifically by delivering information to employee representatives;
- Monitoring the respect of freedom of association through risk-mapping, internal/external audits, external investigation of allegation, cooperation with unions through joint audits, joint grievance procedures, etc.

This criterion addresses whether companies are compliant with the following international standards:
- UN: Universal Declaration of Human Rights (1948)
- ILO: ILO Declaration on Fundamental principles and rights at work (1998)
- ILO Conv. 87 concerning the freedom of association and protection of the right to organise
- ILO Conv. 98 concerning the right to organise and collective bargaining, 1949

- ILO Conv. 135 concerning the workers' representatives, 1971, and Recommendation 143
- ILO Conv. 87 concerning Freedom of association and protection of the right to organise, 1948
- ILO Conv. 154 concerning the collective bargaining, 1981, and recommendation 91
- ILO: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- OECD: OECD Guidelines for Multinational Corporations, review 2000

6.3 Non-discrimination

Assesses the way in which the company has policies and implements the necessary measures to prevent any type of discrimination in the workplace (including verbal, physical and sexual harassment and gender based violence) and other discrimination involving working conditions, vocational training, promotion, remuneration, and other benefits. Also assesses policies in place, affirmative action and specific measures intended to protect and support the rights of women) and other vulnerable categories of employees (for example, but not only, ethnic minorities, seniors, people with disabilities, LGBTIs etc).

Assesses policies and measures to prevent discrimination for all worker categories including, when specifically relevant for the sector gender, age, contractors, local or migrant workers, seasonal and informal workers, etc. For some specifically exposed sectors (such as Broadcasting, Insurance and Diversified Banks) it also assesses systems in place to prevent and mitigate any type of discrimination (as gender discrimination) of customers. The extent to which companies provide non-discriminatory targeted professional development and also the promotion of equal access for amongst others women to senior level positions is assessed through explicit commitment by companies. For relevant sectors as the Heavy Construction there is special attention provided to the rights of migrant workers, where there is a large majority of cases using sub-contracted labour for their projects.

Assesses whether the companies have set up systems in place to ensure non-discrimination, including (but not limited to):

- Awareness raising campaigns
- Non-discrimination and diversity training
- Monitoring
- Confidential reporting system / grievance procedures
- Disciplinary procedures / corrective measures
- Affirmative action programmes
- Awareness raising campaigns and/or training on HIV/AIDS to prevent discrimination against HIV infected people
- Trainings to address gender-based discrimination and biases in the workplace

Assesses whether the companies have set a relevant target for the % of women in senior management positions as well as the results indicators (actual % of women in management positions, both senior and middle management positions).

Assesses whether there are incidents concerning working conditions

This criterion analyses whether companies are compliant with and/or whether there are incidents on the following international standards:

- UN: International Convention on the elimination of all forms of racial discrimination 1965
- UN: Declaration on the Elimination of discrimination against women, 1967
- ILO Declaration on Fundamental principles and rights at work (1998)
- ILO: Convention 111 concerning Discrimination (Employment and Occupation), 1958, and Recommendation 111
- ILO: Convention 100 concerning Equal Remuneration, 1951, and Recommendation 90

- ILO: Convention 138 concerning minimum age, 1973
- ILO: Convention 156 concerning equal opportunities and treatment to employees of both genders: workers with family responsibilities, 1981
- ILO: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, 2000
- ILO: C Maternity Protection Convention 183, 2000
- EU: Council Directive 2000/43 of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin
- EU: Council Directive 2000/78 of 27 November 2000 establishing a general framework for equal treatment in employment and occupation
  Convention on the Elimination of all forms of Discrimination against Women (CEDAW), 1979

6.4 Exclusion of child labour and forced labour

Assesses the extent to which the company contributes in its sphere of influence to the elimination of child labour (taking into account the definition of a minimum working age (15), but also avoiding employing adolescents to perform duties they are not physically and mentally equipped to perform) and/or forced labour (e.g. prisoners working for the company of their own free will and having the same working conditions as other workers).

This criterion addresses whether companies are compliant with the following international standards:
- UN: Universal Declaration of Human Rights, 1948
- ILO: ILO Declaration on Fundamental principles and rights at work (1998)
- ILO: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; 2000
- OECD: OECD Guidelines for Multinational Corporations 2000
- UN: Global Compact
- UN: Convention on the Rights of the Child, 1990
- OIT: Convention 138 concerning minimum age, 1973
- OIT: Convention 182 concerning the worst forms of child labour, 1999, and Recommendation 190
- OIT: Convention 29 concerning forced labour, 1930
- OIT: Recommendation 35 concerning forced labour (indirect compulsion), 1930
- OIT: Convention 105 concerning the abolition of forced labour, 1957
- Agreement signed by EURATEX and FITTHC, 1997
- Resolution concerning the elimination of child labour adopted by the ILO on 18 June 1996
- Code of conduct developed by the world federation of the sporting goods industry (WFSGI) 1978
- Code of conduct developed by the International Committee of the Toys Industry (ICTI)
  Workplace
- Code of conduct and principles from the White House Apparel Industry Partnership.

In additional, all companies are assessed for their performance on the following elements:

- Quality of contractual guarantees in employment contracts.
- Specific investment projects leading to job creation.
- Evolution in organic job creation at the company.
- Relative changes in the remuneration of shareholders and employees.
- Internal practices for entering into agreements or contracts.
- Companies' presence in IMF 'offshore financial centers' and/ or in jurisdictions considered by the OECD as not compliant enough with tax transparency rules.
- Rejection of tax havens
- Existence, quality and certification of annual environmental and social disclosures.

- Transparency on taxes paid in each country of operation, sales per zone, operating profit per zone, number of employees per zone, the ratio between tax paid and the headline corporate tax and explanation for significant differences between tax rate paid and expected tax rate.
- Transparency on relations with suppliers and sub-contractors.
- Quality of communications and internal information networks, particularly with regard to strategic choices.