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Do Democrat Companies Have
Higher ESG Ratings Than
Republican Companies?

A STATISTICAL ANALYSIS

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OVERVIEW

Goods Unite Us, one of the country's top providers of corporate political donation information, and CSRHub, one of the world's top environmental, social and governance (ESG) rating firms, have teamed up to conduct an analysis of how a company's politics correlate with its ESG ratings. To our knowledge, this is the first such study of its kind. The combined data set includes political donation information and ESG ratings for 1,074 companies.

OBJECTIVE

This first joint report analyzes a simple overarching question: Do Democrat-leaning companies have higher overall ESG scores than Republican-leaning companies? The answer, according to the data, is yes across all categories analyzed. And the results are statistically significant in all but one of the four ESG categories analyzed (Governance). The Democrat or Republican lean of companies was determined based on the total donations to each party made by the company and its management and executives since 2013. As such, one significant potential conclusion that can be drawn from this analysis is that companies run by Democrat-leaning management and executive teams are more likely to have better employee, community and environmental practices than companies run by Republican-leaning management and executive teams.

Goods Unite Us and CSRHub are still working together to analyze their unique data set to explore numerous additional questions. Between now and the November 2020 election, the companies plan to jointly release additional reports drilling down and focusing, among other things, on how a company's political lean correlates with the more granular components that make up each specific ESG category (e.g., Human Rights, Diversity, Energy and Climate Change, and Community Development and Philanthropy) and looking at how companies that support specific politicians score in the various ESG categories (e.g., companies that support Donald Trump versus Joe Biden). So, stay tuned.

BACKGROUND

Corporate Social Responsibility Hub (CSRHub) is a leading provider of Environmental, Social, and Governance (ESG) data. The company compiles data from nearly 700 of the top ESG data sources. Using big data algorithms, CSRHub maps 257 million data points from these sources to provide normalized ESG scores that facilitate comparisons and readability and are trusted by organizations like The Drucker Institute and Harvard Business Review.

CSRHub's data has become increasingly relevant to consumers and investors alike. Consumers are looking to buy conscientiously, while investors look to invest conscientiously while also relying on ESG ratings as indicators of risk and long-term returns. Numerous mutual funds and exchange-traded funds (ETFs) have been created using ESG ratings to satisfy the demand for socially responsible investing. In sum, ESG ratings have already made their mark in the financial world and that trend shows no signs of waning.

Goods Unite Us collects data about the political contributions of major brands and companies and provides the information free to consumers via its highly-rated android and iOS apps. Goods Unite Us's research team compiles donation information about the companies themselves as well as their management and executives. All of Goods Unite Us's political donation information originates from Federal Election Commission (FEC) filings, leaving no room for bias or error. The data collected includes the amount, source, and partisan lean of donations.

ANALYSIS

Initially, the firms were divided by their political lean, Democratic or Republican. Political lean was determined by comparing the donations each company and its senior employees gave to the two major parties. Companies who donated in roughly equal amounts to both were filtered out to spotlight the firms with strong, clearly displayed political convictions. Next, simple boxplots (included in the Results section) were made to map the basic differences in distribution between the Republican and Democratic groups of companies. After these visuals and corresponding ANOVAs (Analysis Of Variance) showed significant-looking differences, T-tests were done to check that the results were statistically significant. Both Student's and Welch's T-tests were performed to control for any non-normality of the datasets.

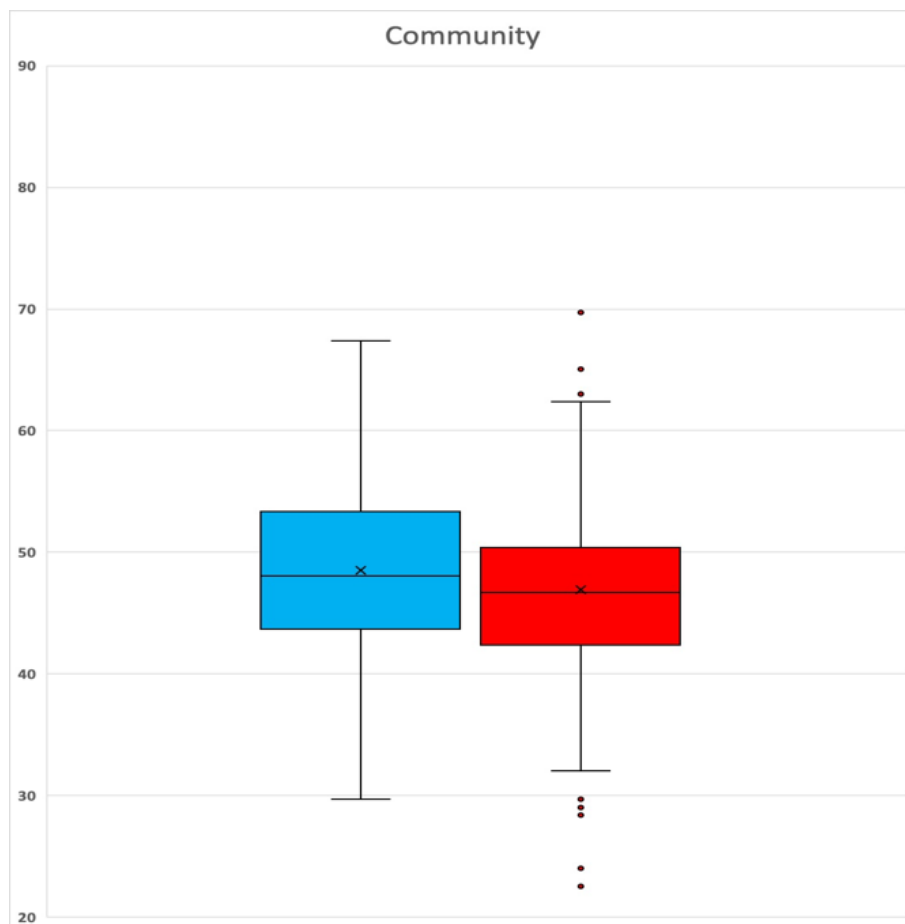
RESULTS

The findings have been presented as box and whisker plots, which divide the data into four quartiles each containing 25% of the data points. Two quartiles are above the median and two are below. The “box” or “core” represents the 50% of data points closest to the median, the “x” mark represents the mean, and the “whiskers” show the remaining 50% of data points. Dots beyond the ends of the whiskers represent outliers.

COMMUNITY ESG RATINGS

The Community ESG ratings cover the company’s commitment and effectiveness within the local, national and global community in which it does business. The macro Community score reflects a company’s citizenship, charitable giving, and volunteerism. It also covers a firm’s human rights record and treatment of its supply chain. Additionally, the environmental and social impacts of the company’s products and services, and the development of sustainable products, processes and technologies are folded into this score.

Graph A: Community Score Distribution by Party-Lean

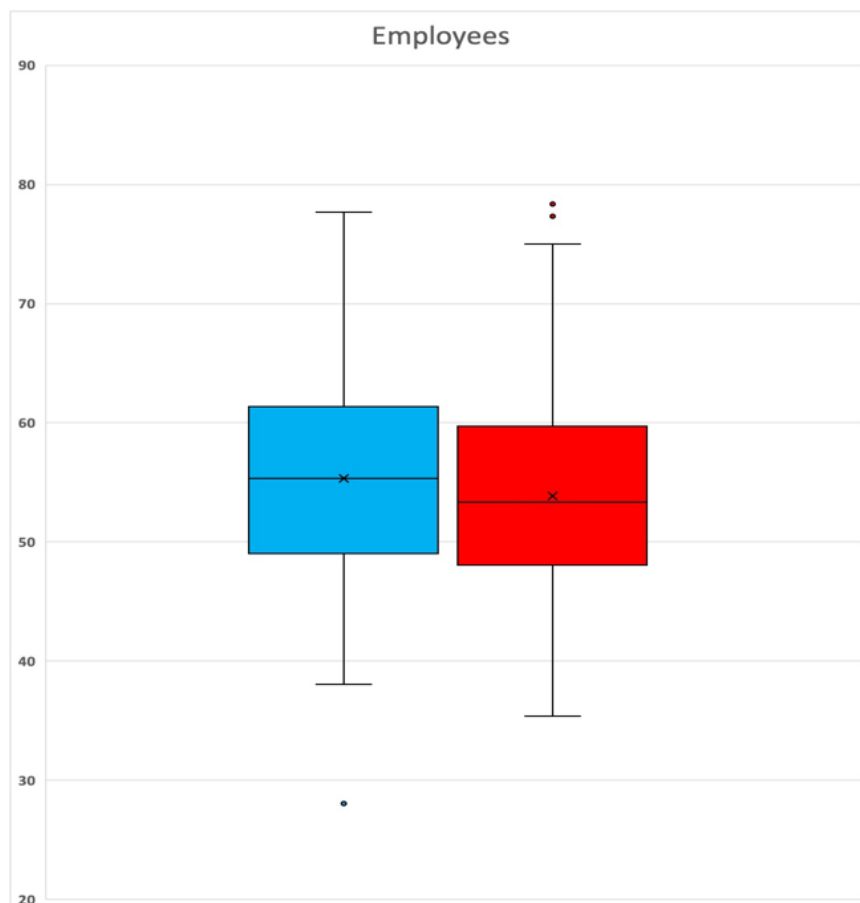


The data show Democrat-leaning companies have higher median and mean scores than Republican-leaning companies. Additionally, the core half of Democrat-leaning companies outperform the Republican-leaning core. Finally, Republican companies display a noticeably smaller range than the Democrat-leaning ones, once the outliers have been identified, suggesting more agreement about issues related to corporate citizenship.

EMPLOYEE ESG RATINGS

The Employee ESG ratings include disclosure of policies, programs, and performance in diversity, labor relations and labor rights, compensation, benefits, and employee training, health and safety. The evaluation focuses on the quality of policies and programs, compliance with national laws and regulations, and proactive management initiatives. This category includes evaluations of inclusive diversity policies, fair treatment of all employees, robust diversity (EEO-1) programs and training, disclosure of workforce diversity data, strong labor codes (addressing the core ILO standards), comprehensive benefits, demonstrated training and development opportunities, employee health and safety policies, basic and industry-specific safety training, demonstrated safety management systems, and a positive safety performance record.

Graph B: Employee Score Distribution by Party-Lean

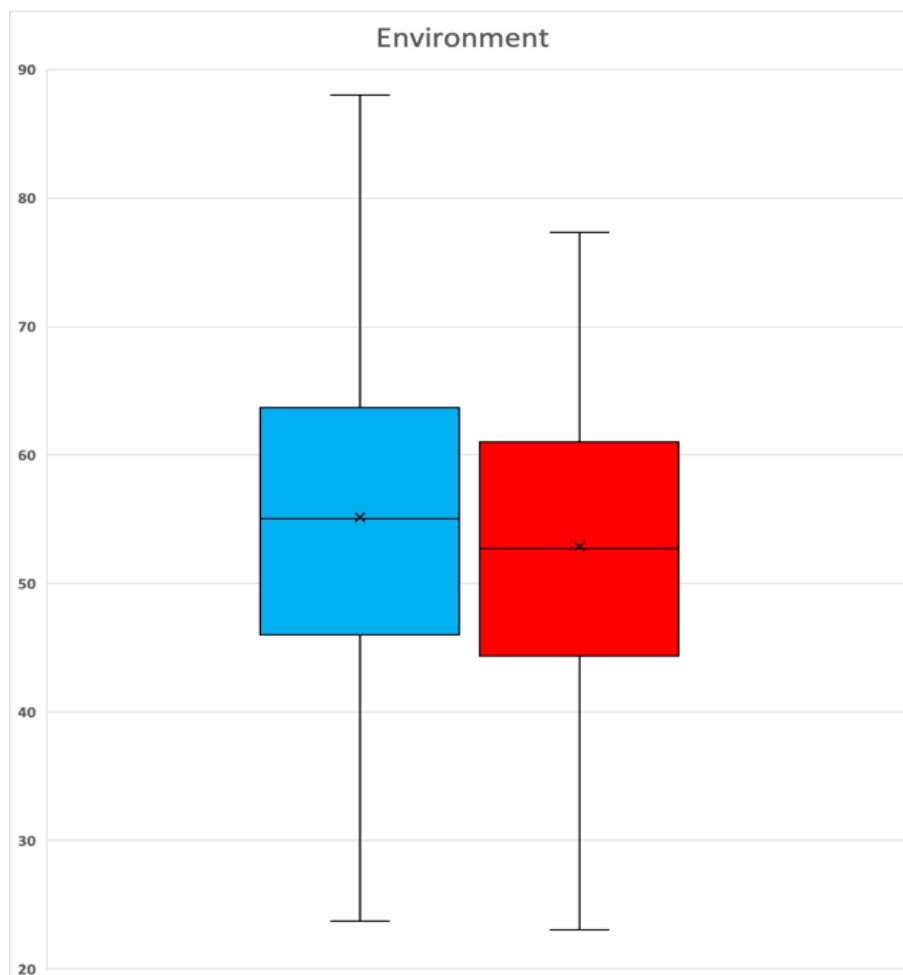


Once again, Democrat-leaning companies outperform Republican-leaning ones in each measure provided by the boxplot (median, mean, min, max, and core). This time, however, the differences are even greater than for the Community ESG ratings and the Democrat-leaning companies outperform Republican-leaning companies in both min and max scores.



The Environment ESG ratings cover a company's interactions with the environment at large, including use of natural resources, and a company's impact on the Earth's ecosystems. This category evaluates corporate environmental performance, compliance with environmental regulations, mitigation of environmental footprint, leadership in addressing climate change through appropriate policies and strategies, energy-efficient operations, and the development of renewable energy and other alternative environmental technologies.

Graph C: Environment Score Distribution by Party-Lean

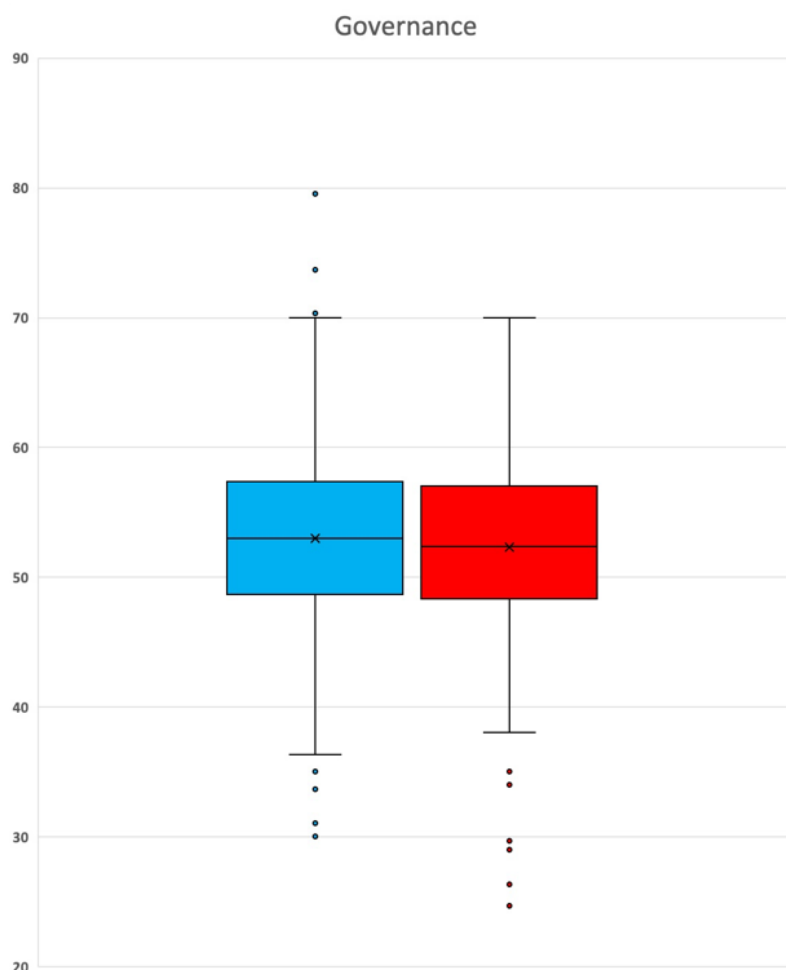


On the Environment, Republican-leaning companies are again outperformed by Democrat-leaning firms across all metrics (median, mean, core, max, and min). The wide range of scores for both groups of companies, the widest for any of the four categories, suggests continuing disagreement over how to handle environmental issues, especially among Democrat-leaning firms.

GOVERNANCE ESG RATINGS

The Governance ESG ratings cover disclosure of policies and procedures, board independence and diversity, executive compensation, attention to stakeholder concerns, and evaluation of a company's culture of ethical leadership and compliance. Corporate governance refers to leadership structure and the values that determine corporate direction, ethics and performance. This category rates factors such as: Are corporate policies and practices aligned with sustainability goals? Is the management of the corporation transparent to stakeholders? Are employees appropriately engaged in the management of the company? And are sustainability principles integrated from the top down into the day-to-day operations of the company? Governance focuses on how management is committed to sustainability and corporate responsibility at all levels.

Graph D: Governance Score Distribution by Party-Lean

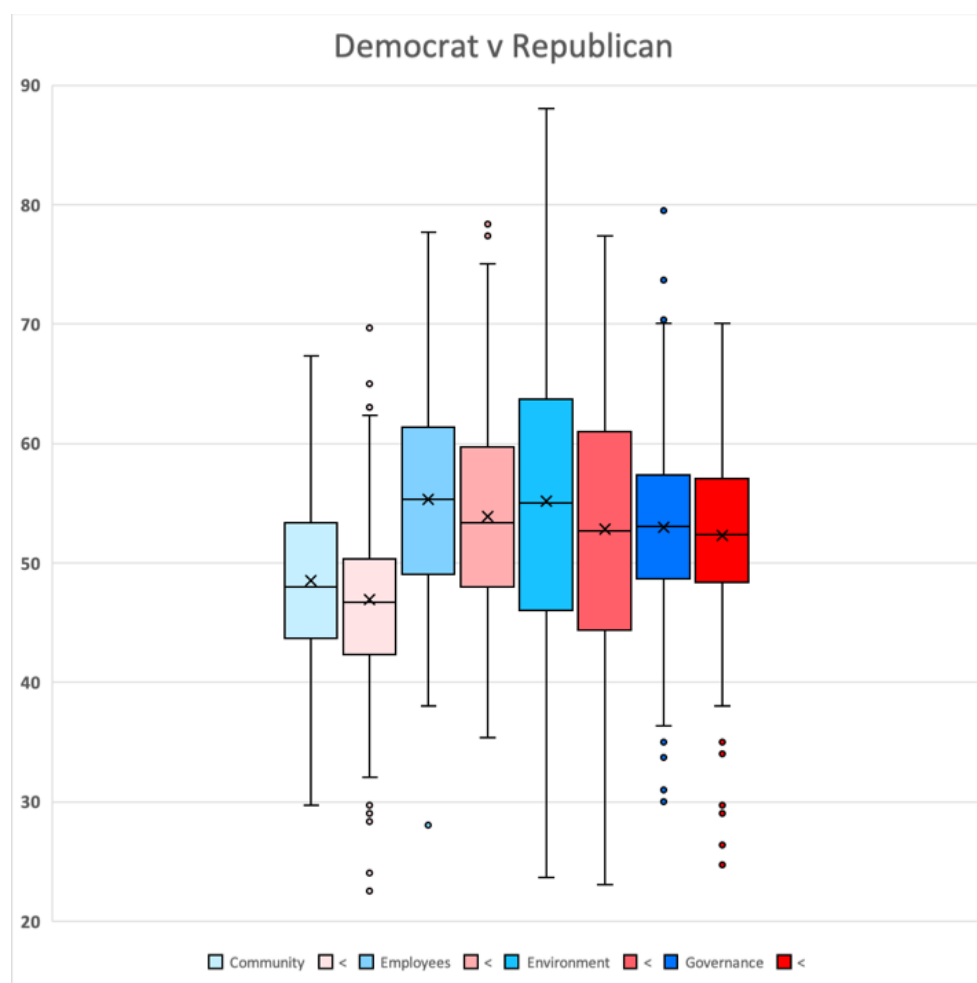


Of all four categories (Community, Employees, Environment, & Governance), the Democratic-leaning companies hold the smallest lead in the Governance category. In fact, this category shows the least difference, bar none, between the two groups. Democratic-leaning companies still, however, hold a slight lead in median, mean, and core scores. But the tight and nearly identical ranges make Governance the only category whose differences cannot be confirmed as statistically significant.

CONCLUSION

The conclusions that can be drawn from this report are both interesting and far-reaching. At base, one can now say conclusively - and based on hard data - that Democrat-leaning companies are more likely to have higher ESG ratings overall and in three of the four ESG categories (Environment, Employee, and Community) than Republican-leaning companies. Putting all else aside, this means that when deciding where to purchase goods, where to invest or even where to apply for a job, knowing the politics of a company's management and executive teams is a useful indicator of how that company is run from an ESG perspective. In other words, if you know a company's political lean, but not how it specifically performs in various ESG categories, you can now make an educated guess backed up by hard data. And conversely, if you know a company has strong ESG ratings, it is more likely to be run by Democrats than Republicans.

Graph E: Score Distribution Side-By-Side



Appendix A: Top 10s

COMMUNITY

Ernst & Young
Deloitte LLP
Bloomberg LP
Lexmark
Audi
Levi Strauss
New Balance
Fiskars
Kaiser Permanente
IKEA

ENVIRONMENT

Seventh Generation
L'Oreal
Bloomberg LP
Ernst & Young
Audi
Accenture
Microsoft
Sony
ADP
New Balance

EMPLOYEES

Massachusetts Mutual Life Insurance
Northwestern Mutual
Clifford Chance
SC Johnson & Son
Genentech
Ernst & Young
Bloomberg LP
Seventh Generation
Land O'Lakes
Baker McKenzie

GOVERNANCE

Seventh Generation
Patagonia
Nokia
RELX Group
Northwestern Mutual
Hewlett-Packard
New Balance
L'Oreal
Ben & Jerry's
Wolters Kluwer

OVERALL

Ernst & Young
L'Oreal
Bloomberg LP
Seventh Generation
Nokia
Levi Strauss
Northwestern Mutual
ADP
RELX Group
Microsoft

Appendix B: Statistics

CSRHub and Goods Unite Us track major brands and firms in the US market and the Forbes 500 list. The synthesis of our data for this report filtered each organization's underlying data set in a way sufficiently random to produce the meaningful, unbiased, and generalizable results presented in this final product. The statistical significance of those results were checked by performing simple t-tests as well as Welch's t-tests to calculate whether the means of the Democrat and Republican groups were significantly different. The Welch's test was used to control for non-normality and unequal variance in the groups but produced the same conclusions. Each test was run at a confidence level of 95%. As shown by the p-values in Table A, the differences in the means and therefore the groups, are significant in each ESG category, including Overall, with the exception of Governance.

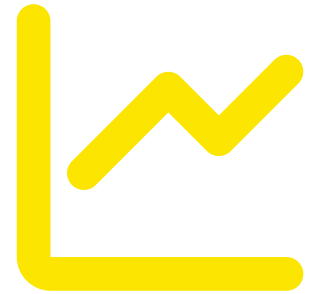


Table A: T-Tests And Variance

	Overall	Community	Employees	Environment	Governance
Student's t-test					
t	3.4223	3.6945	2.8913	3.3848	1.4987
df	968	968	968	968	968
p	0.0006	0.0002	0.0039	0.0007	0.1343
Confidence Interval	0.8839	0.8449	1.0143	1.3549	0.8687
Lower Lim	0.6393	0.7226	0.4688	0.9472	-0.2120
Upper Lim	2.4072	2.4124	2.4973	3.6570	1.5254
Welch's t-test					
t	3.3819	3.6409	2.8694	3.3344	1.4835
df	843.0082	833.1175	858.0146	831.7934	848.8680
p	0.0008	0.0003	0.0042	0.0009	0.1383
Confidence Interval	0.8841	0.8451	1.0144	1.3551	0.8689
Lower Lim	0.6392	0.7225	0.4686	0.9470	-0.2122
Upper Lim	2.4073	2.4126	2.4975	3.6572	1.5256
Inequality of variances test					
F	1.1686	1.2118	1.1050	1.2176	1.1436
p	0.0442	0.0179	0.1374	0.0157	0.0712
Effect Size					
Cohen's d	0.2224	0.2401	0.1879	0.2199	0.0974
Cohen's U3 (%)	58.7987	59.4858	57.4511	58.7038	53.8789
Overlap %, OVL	91.1470	90.4460	92.5161	91.2436	96.1165
Superiority %, AUC	56.2472	56.7396	55.2842	56.1793	52.7449