



# ESG Controversies Insights

## Process

January 2025

# Table of contents

- How to detect a controversy ? 4
- 1. Initial detection phase 4
  - Step 1: Content filtering 4
  - Step 2: Company recognition process 4
  - Step 3: Articles consolidation 4
- 2. Controversy analysis phase 5
  - Step 1: Company responsibility assessment 5
  - Step 2: Controversy validation 6
  - Step 3: Comprehensive analysis 6
    - A. Topics attribution 6
    - B. Remediation activities 6
    - C. Executive summary 7
    - D. Scoring system and update 7
      - Reach 7
      - Controversy score 7
      - Controversy score aggregation 8
- 3. Controversy lifecycle management 8
  - Step 1: Controversy cycle attribution 9
  - Step 2: Controversy status 10
- 4. Sources 10
- 5. Quality review processes 11


This document presents Alphayoda's processes for detecting, assessing, and monitoring ESG controversies across global markets.

Our assessments are exclusively based on third-party reported data from credible sources, we do not contact companies for their input or response. This approach ensures objectivity and independence in our analysis. Building on this foundation, our approach combines artificial intelligence with human expertise to deliver superior controversy monitoring.

# How to detect a controversy?

## Process supervision type

Our process is AI-powered throughout.



For quality assurance, critical steps include human supervision - look for this icon  to identify where human expertise complements AI.


## Phase 1: Initial detection

Automated processing of millions of articles to identify potential controversies

INPUT  
100k+  
sources processed daily

 Content filtering  
AI filtering of articles and sources



 Company recognition   
Company name matching with alias database



 Articles consolidation  
Grouping of similar articles

## Phase 2: Controversy analysis

In-depth analysis and qualification of identified controversies


 Responsibility assessment   
Evaluation of company responsibility



 Controversy validation   
Validation of incidents

 Comprehensive analysis   
Topics, reach, remediation activities,  
scoring, and synthesis

## Phase 3: Controversy lifecycle management

Continuous monitoring and management of controversy lifecycle

 Controversy cycle  
Event cycle aggregation and tracking

 Controversy status   
Controversy status attribution

OUTPUT  
20k+  
qualified controversies monthly

Figure 1: Controversy detection and analysis workflow

## How to detect a controversy ?

### 1. Initial detection phase

#### Step 1: Content filtering

The first step employs an advanced filtering system that processes millions of articles daily through AI from over a network of over 100,000 verified news and media sources. Each source undergoes rigorous validation through domain authority scoring, which assesses its credibility and reputation. Beyond traditional media, we integrate specialized ESG sources into our workflow, ensuring thorough controversy coverage across all channels. Rather than capturing all company mentions, this system specifically identifies content related to controversies, issues, or significant events that could impact a company's ESG profile. This initial filter acts as our first line of defense against non credible sources (such as personal blogs, opinion articles etc.), ensuring that our analysis focuses on meaningful controversy-related information.

This high-volume processing step is crucial to our methodology as it ensures comprehensive coverage - by analyzing millions of articles daily, we minimize the risk of missing any significant controversy that could affect a company's ESG profile. This exhaustive approach forms the foundation for reliable controversy monitoring and assessment.

#### Step 2: Company recognition process

Following this initial screening, our second step involves a company attribution process. The system analyzes each filtered article to associate it with the correct company or companies involved. This process relies on a comprehensive alias database that we have developed and continuously maintain.

For instance, when analyzing articles about Meta Platforms Inc., our system recognizes not only its current official name but also "Facebook," "FB," "Instagram," and "WhatsApp." This alias system is particularly crucial as companies often operate under various names, have multiple subsidiaries, or undergo rebranding.

Accurate company attribution is essential for building a complete controversy profile - without it, we risk missing critical events or misattributing controversies, potentially leading to incomplete ESG risk assessments.

## Step 3: Articles consolidation

The third step in our process focuses on organizing and consolidating the vast amount of media coverage we collect. Through an advanced clustering model, we group together articles that cover the same controversy or event, even when they come from different sources worldwide.

This consolidation serves two fundamental purposes:

1. **Information quality:** As global news agencies distribute content across multiple platforms and regions, a single event often generates numerous headlines. Our consolidation process ensures that each distinct controversy is represented by the most comprehensive and authoritative source.
2. **Data efficiency:** By consolidating duplicate coverage, we optimize the signal-to-noise ratio in our controversy detection system, enabling clients to focus on actionable intelligence rather than redundant information flows. This consolidation preserves the integrity of the original event while eliminating information overload.

## 2. Controversy analysis phase

### Step 1: Company responsibility assessment

Our controversy assessment framework evaluates company responsibility through four key dimensions:

1. **Violation analysis:** Evaluates whether the company has breached explicit or implicit commitments, including internal policies, laws, industry standards, or ethical expectations.
2. **Systems review:** Assesses if the incident reveals weaknesses, failures, or dismantling of internal control or prevention systems.
3. **Legal context:** Examines the presence of official sanctions or whether company actions appear to be preventive responses to legal threats.
4. **Evidence evaluation:** Reviews direct evidence (documents, testimonies, reports) and indirect indicators (public statements, strikes) that establish implicit or explicit responsibility.

Based on these criteria, we determine responsibility levels as follows:

- Confirmed: All four criteria demonstrate clear responsibility
- Potential responsibility: One or more criteria remain uncertain or insufficiently proven
- Not established: All criteria indicate no direct responsibility

This systematic approach ensures consistent and objective assessment of corporate involvement in controversial incidents.

## Step 2: Controversy validation

While our system analyzes vast amounts of digital content, the critical challenge lies in precisely identifying and qualifying genuine controversies.

We employ advanced classification algorithms to separate controversial events from routine corporate communications, ensuring only genuine ESG concerns are captured.

This precise qualification is essential as it allows us to focus on meaningful ESG controversies - by filtering out non-attributable events and focusing solely on incidents where companies bear responsibility, we provide investors with a clear and accurate picture of ESG-related controversies that could impact their investment decisions.

For instance, in the case of a Tesla vehicle accident, our system distinguishes between incidents caused by product defects (where Tesla bears responsibility) versus those resulting from driver error or external factors (where Tesla is not accountable).

## Step 3: Comprehensive analysis

### A. Topics attribution

Once confirmed as a valid controversy, our AI maps it against one or more topics from our taxonomy of 123 ESG topics. This taxonomy aligns with CSRD and key international standards (IFC, OECD, UNEP FI, GRI), with each topic directly linked to relevant UN SDGs.

Each controversy mapping undergoes human quality assurance review to ensure accurate topic attribution. This verification step is crucial as topic classification directly influences the severity scoring of controversies - an incorrectly mapped topic could lead to under or overestimating the controversy's impact on a company's ESG performance, potentially affecting investment decisions.

*See more on our ESG topics framework document available on our website.*

## B. Remediation activities

For each controversy, our AI system launches searches for remediation activities. This automated process uses queries with specialized keywords to track corrective measures. An analyst then verifies and validates these findings to ensure relevant remediation activities are properly identified and documented, as these activities play a crucial role in assessing how companies address and resolve ESG issues.

The presence or absence of meaningful remediation activities serves as a key predictor of future ESG performance and directly influences controversy severity scoring. Our analysis distinguishes between companies that simply acknowledge issues and those taking concrete steps to prevent their recurrence.

## C. Executive summary

We begin by drafting focused event summaries, then incorporate into the broader controversy timeline, providing users with both granular insight and chronological context.

This approach saves clients valuable time by offering quick access to key controversy developments while maintaining the option to dive deeper into comprehensive details when needed.

## D. Scoring system and update

At each step of the controversy analysis, we calculate:

### *Reach*

Reach measures the total exposure and spread of a controversy-related event across media channels. It quantifies the potential audience that has been exposed to information about the controversy.

Key components of reach:

- Media coverage volume: number of articles/mentions
- Geographic spread: local, national, or international coverage
- Language coverage: number of languages in which the event is covered

### *Controversy score*

We assign severity scores upon event detection and recalibrate for material developments within the controversy. To maintain score accuracy, our system filters minor updates and duplicate information.

*For detailed scoring criteria, consult our Methodology document available on our website.*

A controversy severity score is essential for transforming complex ESG incidents into quantifiable metrics that enable informed investment decisions. It provides a standardized way to compare risks across companies and sectors, supporting portfolio managers in risk assessment.

### *Controversy score aggregation*

We synthesize all controversy-related data into a consolidated company score, providing a comprehensive measure of an organization's reputational risk exposure from controversial events and practices.

Our validation system ensures rigorous control over company score updates, implementing changes only for material shifts in controversy assessments. All modifications undergo mandatory verification and are recorded in a history log of all score changes.

This controlled approach ensures scoring stability and maintains a clear audit trail of when and why scores changed.

A company-level severity score is crucial as it provides a holistic view of an organization's ESG risk exposure, going beyond individual controversies. It aggregates all active controversies, revealing patterns of systemic issues or governance weaknesses that might not be visible when looking at incidents in isolation.

## 3. Controversy lifecycle management

While our smart filtering system identifies relevant ESG signals, we understand that controversies are not static events. A controversy evolves through multiple events over time, which we consolidate into what we call a "Controversy lifecycle."

Within each cycle, multiple events can occur - from the initial incident to subsequent developments and potential remediation. While each event is recorded separately, they are all connected to their parent controversy. Our AI system helps identify and cluster related events within the same controversy cycle by analyzing content similarities, temporal relationships, and contextual connections.

The 2024 McDonald's case below exemplifies this pattern - what began as a single E. coli incident (October 22) cascaded into interconnected events: supplier recalls triggered investigations, which led to CDC confirmation, prompting corporate



remediation (\$100M campaign), spawning lawsuits, and ultimately drawing FDA scrutiny - all part of one coherent controversy narrative rather than isolated incidents.

## McDonald's E. coli Outbreak

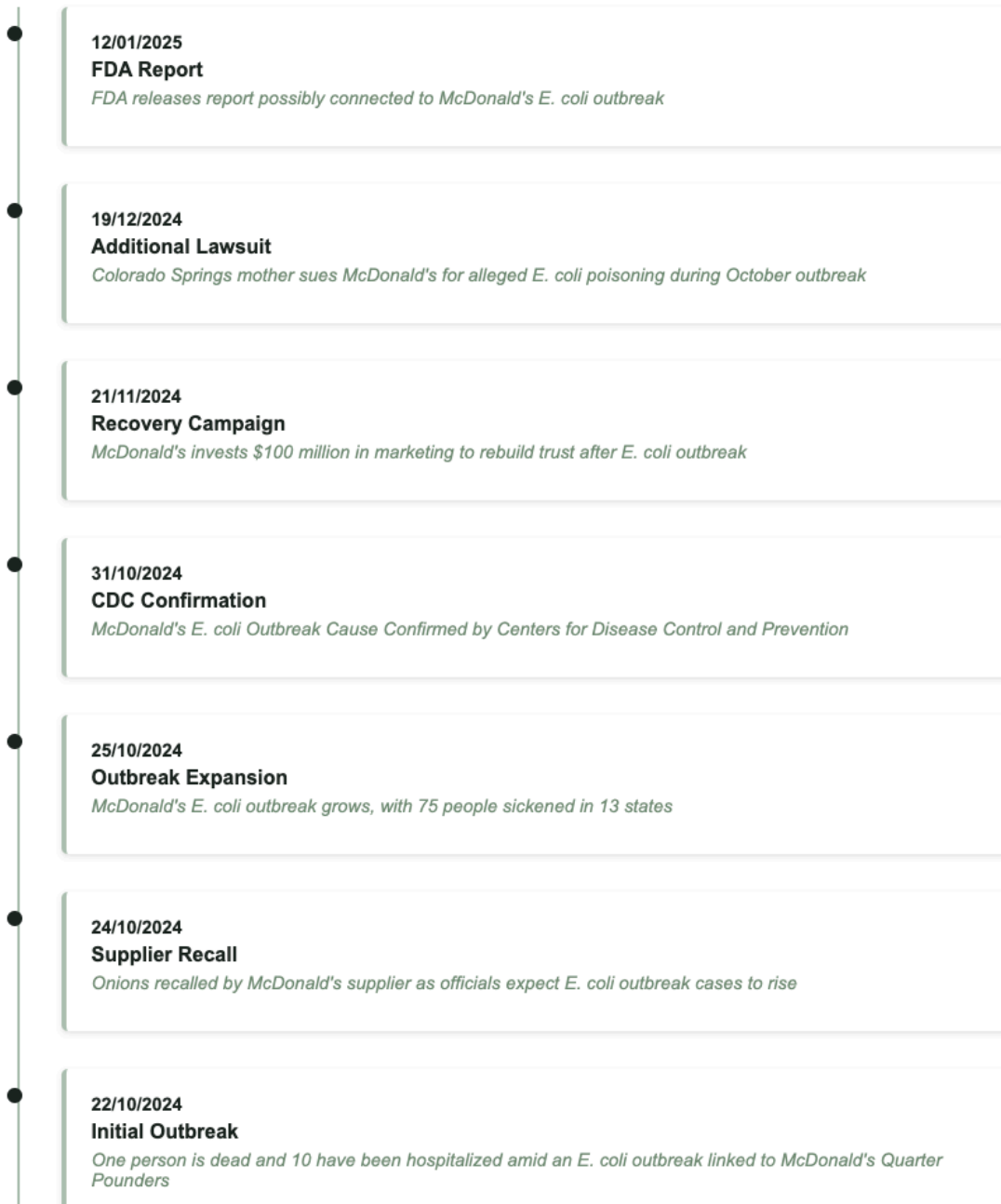


Figure 2: Example of a controversy cycle

### Step 1: Controversy cycle attribution

Our AI-driven process first evaluates whether a new event belongs to an existing controversy cycle by analyzing its content and context. If the event is determined to be part of an existing cycle, the AI identifies its chronological position within that cycle's timeline.

However, if the event is unrelated to any existing controversies, it becomes the initiating event of a new controversy cycle.

Proper controversy attribution prevents fragmentation of related events and enables accurate risk assessment, as treating each development separately (like viewing McDonald's initial E. coli death, supplier recall, and lawsuits as isolated incidents) would distort the true scale of ESG concerns. By recognizing these events as part of a single controversy cycle, we gain deeper insight into both the full scope of the issue and the effectiveness of corporate responses, leading to more informed investment decisions.

## Step 2: Controversy status

In the second step, each controversy cycle is assigned a specific status that reflects its current state:

- **Ongoing:** The controversy is still active, with developments continuing to unfold and potential for new related events
- **Partially concluded:** Some aspects of the controversy have been resolved, but others remain active or unresolved
- **Concluded:** The controversy has reached a definitive end, typically marked by official resolutions, settlements, or clear closure of all related issues.

It provides real-time insight into how controversies evolve and whether companies are effectively addressing issues. The status helps investors distinguish between active risks requiring immediate attention and resolved situations, enabling dynamic portfolio adjustments.

Each status assignment is reviewed by an analyst to ensure accuracy and proper classification. The status is dynamically updated as new events occur within the controversy cycle, providing real-time insight into the evolution and resolution progress of each controversy. This human validation is essential to maintain the reliability of our controversy tracking and ensures that investors receive accurate, up-to-date information about the state of ESG controversies affecting their investments.

## 4. Sources

We monitor sources in English, French, Spanish, and German, with more languages planned for future coverage.

Our data collection relies on verified sources across multiple categories:

- Traditional media at global and local levels
- Institutional and governmental publications
- Civil society and advocacy group reports
- Regulatory and compliance documents
- Legal records and judicial sources
- Official corporate communications

We maintain strict source quality standards, excluding social networking platforms, personal blogs and opinion pieces, anonymous online forums etc. from our analysis process.

## 5. Quality review processes

Alphayoda maintains rigorous quality controls through multi-level verification processes. Our teams conduct ongoing sampled checks at several stages of the controversy assessment workflow. Complex corporate structures and consolidated events undergo additional verification to ensure accurate attribution. Manual reviews complement our AI-driven processes, particularly for high-impact controversies and intricate company relationships. This comprehensive quality assurance framework ensures the reliability and accuracy of our controversy assessment methodology.



## Contacts

### **Axel Bonaldo**

Co-founder & Chief Revenue Officer  
axel.bonaldo@alphayoda.com

### **Marion Bitoune**

Head of ESG Research & Methodology  
marion.bitoune@alphayoda.com