



Axiomatic Social Metrics: Material ESG Social Factors from Form 5500 Data

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Summary

- There are numerous sources of data for the Environmental and Governance components of ESG. There are relatively few sources of data that examine the Social component. Using data attributes from Form 5500 employee benefit plan filings, Axiomatic Data has built consistent and auditable metrics that address the Social component of ESG.
- Axiomatic Data ESG metrics gleaned from Form 5500 filings include:
 - Salary Boost: the level and growth of *company contributions* per active employee in a defined contribution pension plan, e.g., 401k plan.
 - Salary Deferral: the level and growth of *participant contributions* per active employee in a defined contribution pension plan, e.g., 401k plan.
 - Pension Plan Participation Rate: the percentage of employees participating in a defined contribution pension plan, e.g., 401k plan.
- Consistent, material Axiomatic Social factors for public and private companies are used to identify better-governed socially responsible companies and can be used to create exclusion lists of companies with poor ESG rankings within their peer groups.

Axiomatic “Social” ESG Metrics

Axiomatic Data has built a consistent, comparable framework with material and auditable ESG factors, extracted from publicly available Form 5500 regulatory filings. Almost all public and many private companies in the United States submit Form 5500 filings to the U.S. Department of Labor (DOL) to satisfy reporting requirements for retirement benefit plans and welfare benefit plans under ERISA (Employee Retirement Income Security Act of 1974) and the IRC (Internal Revenue Code). Employment benefit filings reveal how companies treat their most important asset - their employees, reflecting their short-term and long-term socially responsible behavior and corporate performance.

Axiomatic Data aggregates and harmonizes plan-level Form 5500 filings to create financial performance and ESG metrics for the Russell 3000 and U.S. private companies. For the Russell 3000, historical data is made point in time, denormalized, and mapped to tickers. Axiomatic’s ESG data elements facilitate the ranking and analysis of companies in the Russell 3000 by sector and industry (IRS industry classification) for the Social "S" component of ESG.

As an example, certain sectors, such as *Technology*, employ mostly white-collar workers and will likely have superior employee benefit packages and higher pension plan contributions. Other sectors, such as *Accommodation and Retail Trade* will offer employees less attractive benefits. Axiomatic Data facilitates the comparison of company-specific employee benefits between and among industry sectors and groups. Academic research has shown that these “Social” metrics are highly correlated with corporate performance proving the thesis: Companies that treat their employees well function more effectively and outperform the market benchmark.

Case Studies: ESG Ranking of Russell 3000 companies

Case Study One: The Technology Sector

Using three Axiomatic Social metrics or factors, below we provide a ranking of the top 10 and bottom 10 Russell 3000 companies in the Technology sector. We consider companies with more than 1500 employees and rank them by Salary Deferral, Salary Boost and Pension Plan Participation Rates as of December 2020. Most companies in this sector have high levels of Salary Deferral (participant contribution per active employee) and Pension Plan Participation Rates. This is expected, since they employ many white-collar, highly compensated workers with excess income to allocate to their 401k plans. However, even among these relatively homogenous businesses there is a noticeable spread in Salary Boost (company contribution per active employee) and employer contributions as a percentage of total contributions to defined contribution pension plans.

Company rankings by Salary Deferral: Participant contributions (\$) per active employee in a defined contribution pension plan (e.g., 401k plan) is termed Salary Deferral. Higher participant contributions per active employee in a defined contribution pension plan is a signal that employees are paid better and also may indicate that the company encourages employees to save for their future retirements.

Ticker	Company Name	Employee Count	Salary Deferral (\$ per active employee)
MSFT	MICROSOFT	80,141	\$22,128
SNPS	SYNOPSYS	4,568	\$19,344
NVDA	NVIDIA	7,599	\$18,778
XLNX	XILINX	2,226	\$17,986
CDNS	CADENCE DESIGN	2,979	\$17,803
FFIV	F5 NETWORKS	2,926	\$17,301
NTAP	NETAPP	5,819	\$17,077
JNPR	JUNIPER NETWORKS	4,249	\$16,989
AVGO	BROADCOM	11,565	\$16,597
MRVL	MARVELL	3,928	\$16,124
RP	REALPAGE	3,895	\$6,241
NSIT	INSIGHT ENTERPRISES	7,168	\$6,164
CTSH	COGNIZANT	42,972	\$5,715
UCTT	ULTRA CLEAN HOLDINGS	1,681	\$5,402
WEX	WEX	4,378	\$5,316
CPSI	COMPUTER PROGRAMS & SYS	1,924	\$5,232
TWOU	2U	2,994	\$5,151
PCTY	PAYLOCITY HLDG	3,301	\$5,045
PAYC	PAYCOM SOFTWARE	3,331	\$4,508
SYKE	SYKES ENTERPRISES	12,394	\$3,486

Table 1: Top 10 and Bottom 10 companies in the Technology sector by Salary Deferral as of Dec. 2020

Participant contributions to retirement plans have been steadily increasing over the past few years across all sectors. The Technology sector has been the market leader with the highest median participation contributions. From Table 1, Microsoft (MSFT), Nvidia (NVDA), Juniper Networks (JNPR), etc. have the highest participant contributions per active employee or “S” rankings based on Axiomatic Salary Deferral metrics within their peer group. This is consistent with the high ESG ratings in 2020 from MSCI ESG Research, while Cognizant (CTSH) and RealPage (RP), for example, are ranked at the bottom with poor Salary Deferral metrics.

Company rankings by Salary Boost: Employer contributions (\$) per active employee in a defined contribution pension plan (e.g., 401k plan) is termed Salary Boost. The level and growth of company contributions per active employee have been found to be highly correlated with [corporate performance](#). While the Technology sector ranks highest in Salary Deferral or participant contributions per employee, they are towards the lower middle of the pack in terms of employer contributions per employee. Table 2 shows the top and bottom ten companies in the Technology sector based on Axiomatic’s Salary Boost metric. Note there are significant differences among companies within the same sector.

Ticker	Company Name	Employee Count	Salary Boost (\$ per active employee)	Employer Contribution as % of Total Contributions
ADI	ANALOG DEVICES	5,293	\$11,014	45
PSN	PARSONS	17,532	\$8,506	49
AVGO	BROADCOM	11,565	\$8,498	34
IBM	INTL BUSINESS MACHINES	205,029	\$8,459	36
MSFT	MICROSOFT	80,141	\$8,055	27
NLOK	NORTONLIFELOCK	2,539	\$8,012	23
RAMP	LIVERAMP HOLDINGS	2,130	\$7,652	37
CSCO	CISCO SYSTEMS	41,464	\$7,426	34
VMW	VMWARE	13,250	\$7,340	33
HCAT	HEALTH CATALYST	2,836	\$6,939	40
SYKE	SYKES ENTERPRISES	12,394	\$985	22
TWOU	2U	2,994	\$683	12
UBER	UBER	12,400	\$3	0
BOX	BOX	1,744	\$0	0
CRWD	CROWDSTRIKE	1,598	\$0	0
OKTA	OKTA	1,937	\$0	0
NTNX	NUTANIX	3,040	\$0	0
SMCI	SUPER MICRO COMPUTER	2,392	\$0	0
LYFT	LYFT	5,441	\$0	0
FEYE	FIREEYE	2,091	\$0	0

Table 2: Top 10 and Bottom 10 companies in the Technology sector by Salary Boost as of Dec. 2020

In general, more mature companies such as IBM, Microsoft, and Cisco will have better Salary Boost metrics than younger companies, characterized by Uber, Lyft, and Box.

Company rankings by Pension Plan Participation Rate: A higher pension plan participation rate often indicates that the company has a good 401k plan benchmarked within the industry, and that the company encourages participation in its 401k plan with incentives such as a good company match to participant contributions. Some companies automatically enroll their employees in a 401k plan with a set Salary Deferral percentage (with the ability to opt-out). This automatic enrollment feature has been found to be correlated to high pension plan participation rates.

Ticker	Company Name	Employee Count	Pension Plan Participation Rate (%)	Automatic Enrollment Indicator
CRM	SALESFORCE	25,511	99.82	0
TXN	TEXAS INSTRUMENTS	11,357	99.65	1
CTSH	COGNIZANT	42,972	99.14	0
ON	ON SEMICONDUCTOR	4,476	99.13	1
ZBRA	ZEBRA TECHNOLOGIES	3,978	99.05	1
ADSK	AUTODESK	4,811	98.94	0
BNFT	BENEFITFOCUS	1,556	98.93	1
FISV	FISERV	16,625	98.66	1
ADBE	ADOBE INC	11,923	98.57	1
INTC	INTEL CORP	54,604	98.54	1
CACI	CACI INTERNATIONAL	20,942	67.38	0
UIS	UNISYS	6,084	67.18	0
INFO	IHS MARKIT	6,783	66.53	1
SAIC	SCIENCE APPLICATIONS	17,820	66.44	0
EIGI	ENDURANCE INTERNATIONAL	2,865	63.35	0
KBR	KBR	10,106	53.08	0
INOV	INOVALON HOLDINGS	3,899	52.06	0
SMCI	SUPER MICRO COMPUTER	2,392	47.74	0
VRTU	VIRTUSA	3,054	29.99	0
SYKE	SYKES ENTERPRISES	12,394	19.25	0

Table 3: Top 10 and Bottom 10 companies in the Technology sector by Participation Rate in Dec. 2020

Case Study Two: The Retail Sector

Not surprisingly, in the Retail Trade sector, we find lower Axiomatic Social metrics. Salary Deferral, Salary Boost, and Pension Plan Participation Rates are significantly lower than in the Technology sector as wages are generally lower and employees are more transient. But among these homogenous businesses there is a noticeable spread in Pension Plan Participation Rate and employer contributions as a percentage of total contributions to defined contribution pension plans.

Company rankings by Salary Deferral: Participant contributions (\$) per active employee in a defined contribution pension plan (e.g., 401k plan), is termed “Salary Deferral”. Higher salary deferral is a signal that employees are paid better and that the company encourages saving for employee’s retirements. Using Axiomatic Social metrics, we provide a ranking of the top 10 and bottom 10 Russell 3000 companies within the Retail Trade sector. We consider companies with more than 1500 employees and rank them by Salary Deferral as of December 2020.

Ticker	Company Name	Employee Count	Salary Deferral (\$ per active employee)
SFIX	STITCH FIX	3,381	\$8,853
RAD	RITE AID	28,634	\$6,692
SAH	SONIC AUTOMOTIVE	9,300	\$6,313
TIF	TIFFANY	5,572	\$6,143
W	WAYFAIR	15,545	\$5,995
ANF	ABERCROMBIE & FITCH	49,870	\$5,809
TPR	TAPESTRY	12,564	\$5,485
GRUB	GRUBHUB	2,751	\$5,465
AMZN	AMAZON	364,217	\$5,443
LL	LUMBER LIQUIDATORS	1,849	\$5,377
DDS	DILLARDS	40,409	\$1,856
FND	FLOOR & DÉCOR	5,262	\$1,846
TJX	TJX COMPANIES	235,981	\$1,607
NGVC	NATURAL GROCERS VITA	3,440	\$1,523
TLYS	TILLYS	1,759	\$1,501
ORLY	O REILLY AUTOMOTIVE	81,303	\$1,495
SPWH	SPORTSMANS WHSE	4,032	\$1,115
CATO	CATO CORP	3,604	\$997
CRMT	AMERICAS CAR-MART	1,964	\$966
DLTR	DOLLAR TREE	89,570	\$746

Table 4: Top 10 and Bottom 10 companies in the Retail sector by Salary Deferral as of Dec. 2020

Although they are in the same industry sector, Table 4 indicates that there is a wide range in the Axiomatic Salary Deferral metric among these Retail companies.

Company rankings by Salary Boost: Employer contributions (\$) per active employee in a defined contribution pension plan (e.g., 401k plan) is termed “Salary Boost”, which, as mentioned earlier, has been found to be correlated with corporate performance. Compared with the Technology sector, the Retail Trade sector has weaker Axiomatic Social metrics, including one of the lowest median salary boost metrics. This reflects the significantly lower gross margins in Retail, but as can be seen here some companies have noticeably larger Salary Boost numbers.

Ticker	Company Name	Employee Count	Salary Boost (\$ per active employee)	Employer Contribution as % of Total Contributions
MUSA	MURPHY USA	9,605	\$3,936	67
LB	L BRANDS	32,773	\$3,586	57
ANF	ABERCROMBIE & FITCH	49,870	\$3,289	36
TIF	TIFFANY & CO	5,572	\$3,085	33
KR	KROGER CO	231,983	\$3,038	39
CVS	CVS	289,033	\$3,006	36
KMX	CARMAX	26,682	\$2,986	42
ULTA	ULTA BEAUTY	50,629	\$2,970	44
TPR	TAPESTRY	12,564	\$2,945	35
CATO	CATO CORP	3,604	\$2,879	74
TLYS	TILLYS	1,759	\$421	22
OLLI	OLLIES BARGAIN OUTLET	5,113	\$390	13
REAL	THE REALREAL	2,200	\$354	13
CRMT	AMERICAS CAR-MART	1,964	\$327	25
FL	FOOT LOCKER	19,128	\$320	12
SPWH	SPORTSMANS WHSE	4,032	\$314	22
NGVC	NATURAL GROCERS VITA	3,440	\$307	17
RH	RH	4,523	\$48	1
SFIX	STITCH FIX	3,381	\$0	0
CWH	CAMPING WORLD	12,207	\$0	0

Table 5: Top 10 and Bottom 10 companies in the Retail sector by Salary Boost in Dec. 2020

Company rankings by Pension Plan Participation Rate: Higher pension plan participation rates often signal a good 401k plan and that the company likely encourages participation in its 401k plan with incentives and features such as automatic enrollment.

Ticker	Company Name	Employee Count	Pension Plan Participation Rate (%)	Automatic Enrollment Indicator
COST	COSTCO	159,824	97.46	1
HVT	HAVERTY FURNITURE	3,425	97.39	1
ZUMZ	ZUMIEZ	1,923	95.3	1
CPRI	CAPRI HOLDINGS	5,554	95.3	1
FND	FLOOR & DÉCOR	5,262	94.95	1
CWH	CAMPING WORLD	12,207	94.7	1
LE	LANDS END	3,542	93.82	1
GRUB	GRUBHUB	2,751	93.44	1
PAG	PENSKE AUTOMOTIVE	13,880	93.1	0
BKE	BUCKLE	2,844	92.16	1
MNRO	MONRO	8,458	16.43	0
BOOT	BOOT BARN	3,169	15.34	0
HIBB	HIBBETT SPORTS	5,860	14.88	0
OLLI	OLLIES BARGAIN OUTLET	5,113	14.53	0
BURL	BURLINGTON STORES	45,830	12.59	0
DG	DOLLAR GENERAL	142,930	12.48	0
HOME	AT HOME GROUP	5,637	10.89	1
ROST	ROSS STORES	98,239	10.29	0
PLCE	CHILDRENS PLACE	15,275	10.06	0
ANF	ABERCROMBIE & FITCH	49,870	6.63	0

Table 6: Top 10 and Bottom 10 companies in the Retail sector by Participation Rate in Dec. 2020

In almost all cases, a 401K automatic enrollment feature leads to higher Pension Plan Participation Rates, which is a key “S” component of ESG.

Conclusion

As illustrated above, Axiomatic’s ESG data elements facilitate the ranking and analysis of companies in the Russell 3000 for the Social “S” component of ESG. This legally mandated, company-reported data answers the question, “On a relative basis, how well are employers in the Russell 3000 treating their employees?”

Axiomatic Data’s ESG signals extracted from Form 5500 filings fall under the following categories:

1. Salary Deferral – participant contribution per employee to pension plans.
2. Salary Boost– employer contribution per employee to pension plans.
3. Pension Plan Participation Rate– percentage of employees participating in a defined contribution plan.

For more information, please contact us at info@axiomatichdata.com or visit us at www.axiomatichdata.com