

Scorecard

FTSE4Good

About FTSE4Good

COVERAGE OF COMPANIES

7,200 securities

LAUNCH DATE

FOCUS

ESG Ratings

LINK:

<https://www.ftserussell.com/data/sustainability-and-esg-data/esg-ratings>

FTSE4Good Score

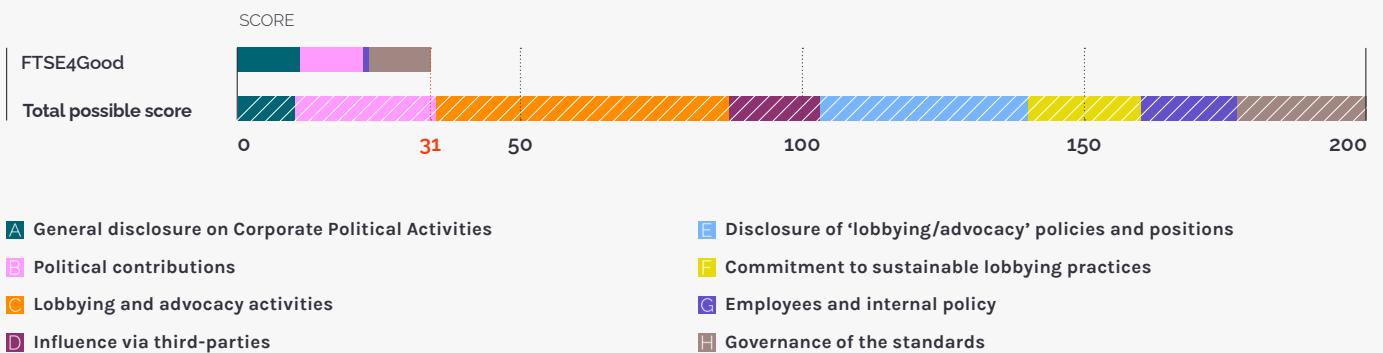
Tracker Rank and Score for FTSE4Good

The score is out of a total of 200 and the rank describes the standards position in the 26 standards assessed by the Tracker.



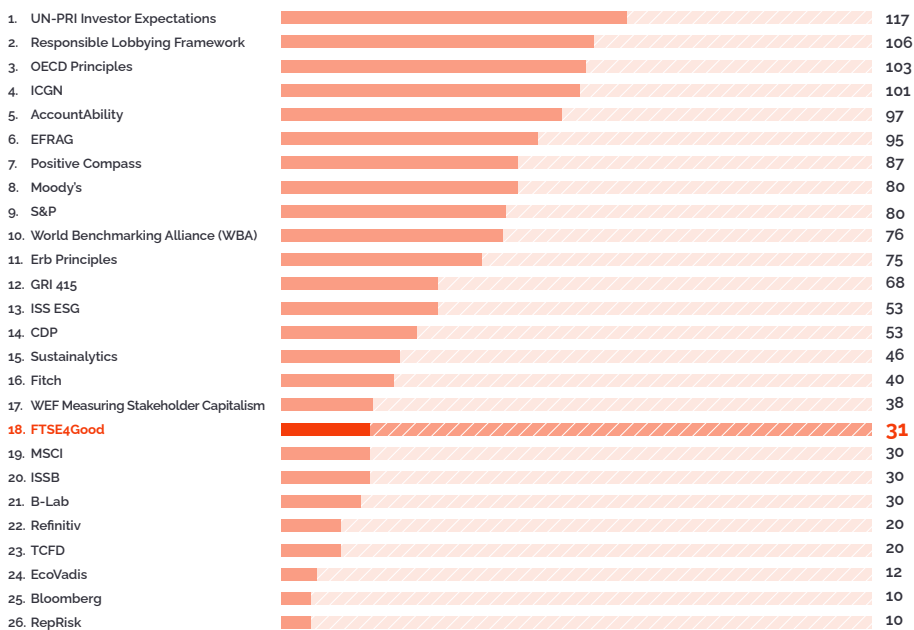
Rank 17 /26

Category scores of FTSE4Good



*Categories where the standard received no points do not appear in the colour-coded graph

Rank and scores for all standards



Description

The FTSE4Good index data family covers around 7,200 securities in 47 developed and emerging markets, and covers all of the constituents of the FTSE All-World Index, FTSE All-Share Index and Russell 1000 Index.¹ FTSE Russell's ESG company research relies only on publicly disclosed information. FTSE does not send questionnaires to companies, but rated firms are provided with a four-week window to review and share additional public information. Sustainable Investment data analysts review this feedback and determine if a change in assessment is warranted. According to FTSE Russell, ESG scores and data models allow investors to more fully understand a company's exposure to, and management of, ESG issues in multiple dimensions. The overall analysis is built on over 300 individual indicator assessments that are applied to each company's unique circumstances to inform a rating.²

Summary

The FTSE4Good score of 31 out of 200 points reflects the methodology's narrow focus on regulated lobbying activities in their ESG analysis. The FTSE-4Good 'ESG Model' which is used to guide the data collection and analysis process incorporates elements of lobbying and political influence. The FTSE methodology receives points in Tracker assessment Category A, related to basic disclosure of lobbying spending and for providing mechanisms for feedback on its methodology. On certain issues and product-based themes, such as Breast Milk Substitutes, FTSE considers political lobbying within a 'Customer Responsibility' thematic analysis. But this approach is ad hoc and not consistent across much larger industry segments. Finally, the scheme receives points in Tracker Category H, 'Governance of the standards,' for being open to feedback on their methodology from users and rated companies.

Opportunities for improvement

Most of the analysis on corporate political activities in the FTSE4Good framework focuses on anti-corruption policies or purely financial metrics related to the disclosure of political contributions, where these are required by national regulations. Requesting more granular and decision useful disclosures on corporate political spending, that include in-kind contributions, would be one significant area for improvement. For example, at present the FTSE methodology requests disclosure of “total political contributions made.” This information is not disaggregated by jurisdiction, or by motivation. The FTSE4Good analysis does not seek to identify the motivation behind a company’s political contributions and intended outcomes, missing an opportunity to more fully capture the risks associated with this conduct.

On the upside, the FTSE approach could also earn points in the Tracker Category F ‘Commitment to sustainable lobbying practices’ by adding an assessment of a company’s participation in positive lobbying efforts. These basic elements are missing in the FTSE analysis. Given the importance of all types of political spending, Tracker Category B, ‘political contributions’ could provide a useful guide to FTSE analysts to gather more complete information on this important aspect of corporate political activities. A more consistent methodology would strengthen the use case for existing users of FTSE data and could help to build more robust investment index products. As with the other large financial data providers who also construct and sell investment index products, FTSE is well positioned to enhance the transparency, consistency and completeness of their ESG data methodology by incorporating elements of the Tracker categories in their process.

Endnotes

- 1 <https://www.ftserussell.com/data/sustainability-and-esg-data/esg-ratings>
- 2 ‘Sustainable Investment Data Recalculation Policy and Guidelines:’
https://research.ftserussell.com/products/downloads/Recalculation_Policy_and_Guidelines_ESG_Products.pdf

www.thegoodlobby.eu/initiatives/tracker
info@thegoodlobby.eu

Avenue des Arts 44,
1000 Bruxelles

EU Transparency Register Number:
013786146388-70