

FTSE Russell ESG Scores

Information for researched companies



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FTSE Russell ESG Score

1. Who is FTSE Russell?

[FTSE Russell](#) is a part of London Stock Exchange Group and is a leading global provider of benchmarking, analytics, and data solutions.

2. What are “FTSE Russell ESG Scores”?

FTSE Russell's ESG Scores are a transparent measurement of how companies are performing with respect to their ESG (Environmental, Social, and Governance) practices. The Scores are based on an annual assessment of companies, based on data collected from publicly available sources.

Further details on FTSE Russell's ESG Scores can be found [here](#).

3. What is the purpose of the FTSE Russell ESG Scores?

The FTSE Russell ESG Scores can be used to inform investment decisions and dialogue with investee companies by investors who are interested in integrating ESG into their process. FTSE Russell's ESG Scores are also used to determine the constituents of the FTSE Blossom Japan Index Series as well as the FTSE4Good Index Series.

4. Who can access the data?

FTSE Russell clients can access the ESG Scores and underlying data upon subscription. Our major clients for ESG Scores include large institutional investors who integrate ESG performance data into their investment processes. Companies who are assessed are able to access their own ESG Scores results.

5. Who is carrying out the research?

The data collection process is conducted by a global team of data analysts, located around the world, who are trained to collect data to FTSE Russell's specifications. They collect data from company reports and websites, as well as from other public sources.

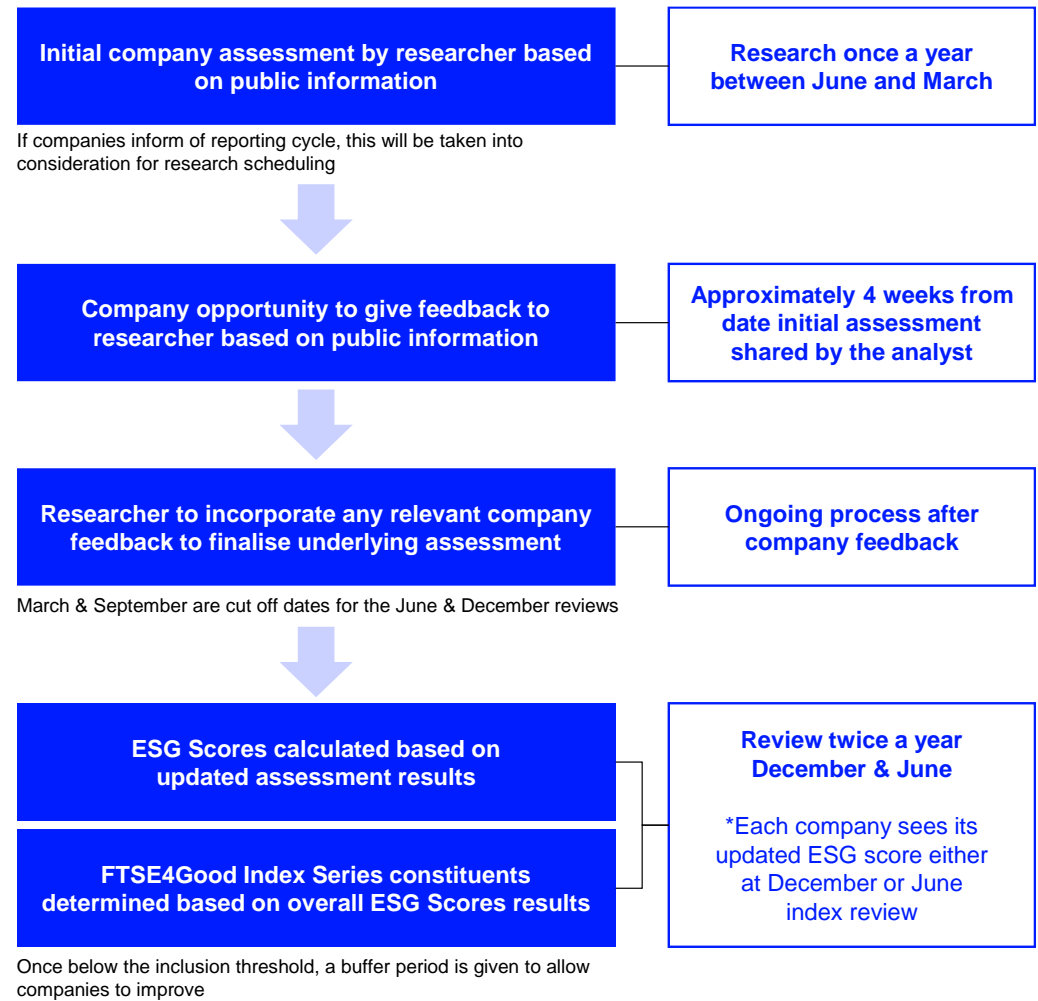
Once the data analysts have completed an initial assessment of a company, a review request will be sent to the company for analysis and input via the online portal. This is an opportunity for companies to see their assessment, and FTSE Russell encourages them to review and to identify gaps where the analysts may have missed information. This data should already be in the public domain, and companies are encouraged to provide the location of such information for the analysts to capture.

6. How often will companies be assessed?

Companies are assessed once a year within each research cycle, which runs from June to the following March. Companies are assessed throughout the year, but there is an effort, where feasible, to conduct this close after their annual reporting of relevant information, depending on the schedule of the company being researched.

FTSE Russell's ESG Scores are reviewed twice a year in June and December, which will incorporate any updates from the annual research cycle as is illustrated below:

Researcher & Calculation Cycle



December Review: This mid-research-cycle index review includes all companies with a review process completed by September. Company assessments are finalised to take account of relevant company feedback, and enter a scoring process. ESG Scores results are available only after implementation of the Index review, approximately three weeks into December.

June Review: The end-of-research-cycle review includes all companies with a review process completed by March, and comprises all companies assessed during the remainder of the research cycle. ESG Scores results for this review are available only after implementation of the index review approximately three weeks into June.

7. How does applicability work? Why have certain themes been indicated as “not applicable” to our company?

For each Theme, a company is categorised as having an Exposure that is High, Medium, Low, or Negligible/Not Applicable (N/A), depending on how relevant and material the Theme is to the company. The Exposure categorisation is carried out for each company applying a rules-based methodology¹ to assess the Theme materiality. This draws from company fundamentals and characteristics, including:

¹ The methodology for the Exposure classification methodology is developed in consultation with external experts and the FTSE Russell ESG Advisory Committee.

- **Subjector:** The ICB Subsector definitions are used to identify company relevance, and degree of relevance, for a Theme.² Diversified companies will also be identified for multiple Subsectors if it has significant operations in more than one.
- **Geography:** This assesses whether the company has operations in countries that are defined as being most relevant to the Theme and where the associated impacts are considered greatest. The country lists are developed according to a rules-based methodology which uses publicly available data.³
- **Multinational:** This assesses whether a company has over 30% of its revenues derived from outside its domestic region.⁴

So, if some Themes are not applicable to your company, it is because your company has not been identified through the application of this rules-based methodology as, for example, having involvement in the countries or subsectors relevant to that Theme.

Higher Exposure companies are assessed using tougher standards than lower Exposure companies: more Indicators apply to higher Exposure companies and the Theme scores are derived using threshold bands which are calibrated higher for companies with a higher Exposure. The Pillar and ESG Scores are calculated using an Exposure **weighted average**, whereby each Theme is weighted by its Exposure level.

8. How can I change the ICB classification of my company?

Each company is assigned a primary ICB subsector, which is used to categorise the company within all FTSE Russell indexes. This is not determined by the ESG Research process; it is part of the separate FTSE Russell industry classification process.

Should the assessed company disagree with their Primary ICB classification (marked as ICB-0 in the web-platform), please contact FTSE Russell Client Service Team (info@ftserussell.com) and submit a request form outlining the rationale for the classification challenge. The relevant team will review the request and update if appropriate. Please note that the ICB review takes place quarterly.

For all other subsector activities (except ICB-0 in the web-platform), all companies are welcome to provide comments during the assessment feedback period.

9. What sources of information do you use to assess companies?

We only use information that is disclosed in the public domain. Every company is individually contacted to check that all relevant publicly available information has been found, but no privately submitted information is accepted. This encourages transparency through the disclosure of ESG information and data, and benefits the wider market.

Data sources reviewed and assessed include company published information; such as their own web-sites, Annual Reports, CSR Reports, Sustainability Reports, Integrated Reports, Corporate Governance Reports, and Compliance handbooks. As an exception, we review any external data, CDP Climate Change reports, however, we encourage companies to disclose their CDP responses on their websites too.

² [The Industry Classification Benchmark \(ICB\)](#) is a definitive system categorising over 70,000 companies and 75,000 securities worldwide. A company is allocated to the Subsector of ICB whose definition most closely fits the business that accounts for the primary source of the company's revenue.

³ A wide range of publicly available databases, statistics, indexes, listings, and Scores are used depending on the issue e.g. World Bank lists and indexes.

⁴ This draws from the FTSE Multinationals Index Series definition. Multinationals are defined as companies that derive 30% or more of their revenue from outside of the domestic region in which they are incorporated.
<https://www.ftserussell.com/products/indices/multinationals>.

10. Why do you only use public information?

For the ESG analysis conducted by FTSE Russell, the methodology is to use publicly available information on companies. This is for the following reasons:

- **Credibility of data:** When a company provides information privately there typically tends to be lower levels of due diligence applied than when information is published. Where information is publicly available, a number of teams internally tend to check and confirm the accuracy of the disclosure. Ultimately, in the future, key quantitative data points should be independently verified, but public disclosure is an important first step in this direction.
- **Regulation:** Historically, benchmarks have not been regulated, but following the controversies relating to benchmark manipulation, regulators are developing benchmark regulations. Removing reliance on private data is aligned with the need for increased transparency over data sources.
- **Objective approach:** Meetings, calls, interviews and surveys may be appropriate for active managers, but can lead to subjectivity which is best avoided in benchmark creation. Whilst FTSE Russell is happy to explain the standard methodology to assessed companies via e-mail and/or phone calls, the assessments will consistently be based on public information and standard methodology.
- **Reduce duplication and questionnaire fatigue:** There are many requests for different but overlapping information to companies. It is very difficult for companies to support large volumes of information requests from index providers, ESG research firms, sell side brokers, asset managers, asset owners, NGOs, and other stakeholders. It is much better if a company can provide comprehensive reporting that is public and available to all parties. By focusing on one set of disclosures, the company can focus its resources to ensure that the information is complete and accurate.
- **Driving improvements market wide:** Since FTSE Russell engages companies regarding its ESG standards and criteria for index inclusion, it catalyses improvements in data and information disclosure by companies that improve information that is available to the whole market.
- **The future:** FTSE Russell believes that the future for all ESG indexes will be able to rely on transparent and public data.

11. Do you only use English information?

Although English is the commonly used business language, FTSE Russell recognises the importance of local languages. Therefore, provision has been made in the research process for other languages.

The key languages covered are as follows: English, French, Spanish, German, Portuguese, Japanese, and Chinese.

12. How can I see my ESG Scores?

If your company is a constituent of the FTSE Japan All Cap Index, you will be provided a log-in to the [FTSE Russell Sustainable Investment Data \(SID\) portal](#). The web portal will show your current ESG Scores and the underlying data for the ESG Scores. If you require any assistance with log in details, please contact us at ESG-Japan-Co@ftserussell.com

13. Can I see the list of indicators applied for specific sectors?

Individual indicator is applied to each company's unique circumstances. Therefore, the applicable indicators may differ for each company, even in the same sector.

14. How can I identify that my feedback is accepted and reflected in the final assessment?

Once the assessment data has been published on the online portal, after the FTSE4Good Index Series and the FTSE Blossom Japan Index Series review, companies can see the analyst's justification on each comment provided by the company.

15. Can I seek further clarification relating to the final assessment and scores?

Clarification on the final assessment can be provided up to 10 indicators queried by each company.

16. Can I arrange a call to discuss the final assessment?

Due to the high volume of communication, we are unable to respond to requests for calls or meetings. In the first instance, please refer to the supporting material available on the [online portal](#) (Resources > Guides & Contacts > Further information). If you still have general questions on our methodology after reviewing these, please contact ESG-Japan-Co@ftserussell.com.

17. What are ICB Supersector decile & percentile rank?

Both scores are relative to your company's peers in the same ICB supersector.

For the pillar score, the scores are calculated in deciles. For example, for the environmental pillar, the decile score of 7 means your company is in the top 3 decile, or top 30 percent of your supersector peers.

For the overall score, the scores are calculated in percentiles. So a score of 90 means your company is in the top 10 percent of your supersector.

18. Do companies pay for the ESG assessment?

No, the companies assessed do not pay as it would be a conflict of interest. This is also the case for other countries. For Japan, FTSE Russell assess companies if they are included in the FTSE Japan All Cap Index.

19. Is the individual indicator score available?

With over 300 Indicators in the FTSE Russell ESG model, and over 8,000 companies being assessed globally, FTSE Russell is unable to discuss an individual Indicator score. In addition, please be aware that as the model is complex by necessity (300 indicators, 3 Exposure levels, 5 Scores, 14 Themes), concentration on individual Indicators is unlikely to make a significant difference to the overall ESG Score. Companies are therefore encouraged to review all applicable Themes and take the opportunity to publish as much relevant information as they can to improve their Score accordingly.

20. **Can the deadline to review and provide additional information in the assessment be extended?**

We appreciate that providing information can take time to organise, although all the information we are looking for is based on materials already in the public domain. Likewise, we hope you can understand that FTSE Russell is undertaking a controlled data process with very tight timeframes to obtain and review information from up to 8,000 companies globally and are giving each as much time as possible to review the data sources. We are therefore unable to accommodate extensions.

21. **Are ESG scores taken into consideration in the controversy monitor?**

No, ESG scores are independent of the controversy monitor.

22. **SI Data and Scores Recalculation Policy and Guidelines**

Where an inaccuracy in an ESG data product is identified, FTSE Russell will follow the guidelines set out in this document when determining if an ESG Scores should be recalculated.

[Sustainable Investment Data and Scores Recalculation Policy and Guidelines](#)

Please contact ESG-Japan-Co@ftserussell.com for more information.

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Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis, and risk management, and value us for our robust governance process and operational integrity.

For over 35 years, we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open new opportunities for the global investment community.

CONTACT US

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