

The  
**Responsibility100**

METHODOLOGY REPORT

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Tortois<sup>®</sup>

## Executive summary

The Responsibility100 Index is a ranking of the FTSE 100 companies' social and environmental leadership. The initial framework of the Index was based on their contribution to the UN Sustainable Development Goals (SDGs). It uses data from a range of sources including NGO research, the companies' own annual and sustainability reporting, UK and US regulators and other publicly-available datasets covering all 100 companies.

Informed by the accessible sources, a range of indicators have been chosen on the basis that they:

- relate to the UN's broader 2030 Sustainable Development Agenda and the targets it sets through a variety of qualitative and quantitative measures and
- help to build up a sufficiently detailed portrait of each company for them to be ranked against each other.

Our ability to measure, scrutinise and investigate the activities undertaken by businesses is key. The Index is intended to form the basis of a constantly improving and increasingly comprehensive report on the FTSE 100 and their ongoing level of action on key responsibilities. Tortoise are committed to the pursuit of more detailed information, a wider range of relevant metrics and an improved methodology in subsequent editions.

## What does this report show?

This summary report gives an explanation of the sources, definitions, indicators and weightings that form The Responsibility100 Index. Its purpose is to clarify our methodology and the concepts behind our use of the data. The point of a comparative index is to accelerate a 'race to the top' by highlighting best practices, and put pressure on underperformers to adapt or improve.

We hope that by acknowledging the limitations as well as the strengths of our data and methods we can begin a conversation that leads to better corporate reporting – and a more authoritative index.

## Why is the Responsibility100 Index necessary?

The UN ratified its SDGs in September 2015. Then as now, the context was one of deepening threats to our democracies and economies and the accelerating degradation of global ecology. The aim of the sustainable development agenda is to promote cooperative action on an international level, to combat the interrelated challenges of climate change, species extinction, injustice, inequality, intolerance and others.

Building a full portrait of big companies' performance as social and environmental role models is challenging. The task is complicated by the way different factors overlap, from fossil fuel consumption and lobbying activity to action on gender equality and respect for human rights. It raises questions about the extent of companies' responsibilities, from supply chains to end products. But such complexities make better measurement and scrutiny more important, not less.

Hence this index...

# Guiding Principles

Below we have detailed the key methodological principles and steps that underpin the Responsibility100 Index.

1. **Publicly-available.** All the data we include in the Index must be publicly-available, either from published company reports or open third-party sources, such as Companies House.
2. **Recent.** As different companies will publish their annual and sustainability reports at different times of the year, the data underlying The Responsibility100 Index is drawn from a range of years rather than only the year of this edition. In order to ensure that the Responsibility100 Index can be reasonably considered to be ‘up-to-date’, we apply a limit of only including data sets that are less than, or equal to, three years old. In this report, that means from 2017 or later. For some indicators, including all Glassdoor-related data, and the Market Capitalisation figure for each company we have recorded a specific value accurate at the end of March 2021.
3. **Relevant.** The Responsibility100 aims to be agnostic about a company’s sector and we have chosen metrics with this in mind: in most cases our indicators are relevant to the majority of the companies.
4. **Relative.** We often collect data in a raw or absolute form: for example, the ‘Total Number of Apprentices Accepted’. In order to fairly compare companies of different sizes – in terms of their total revenue or employees – we will calculate a relevant relative measure: for example ‘Total Number of Apprentices Accepted per Employee’.

## Step-by-step Methodology

Below we have detailed the key stages involved in the development of each edition of the The Responsibility100 Index.

### Step 1. Data-gathering

We gather data from each company’s most recently published annual and sustainability reports, supplementing this with a number of third-party, publicly-available datasets. All data is taken from companies’ annual and sustainability reports and 20 third-party data sources. All sources are detailed in the indicator table in this report.

### Step 2. Imputation

We impute missing values. In most cases, no credit is given for unreported values, so we either impute missing values as zero, or worst-case values. There are a small number of exceptions though. Companies will not be penalised if an indicator is entirely irrelevant for them or if their data is not available from a third-party data source. For example, not all companies in the FTSE 100 receive a ‘CDP Water Security Rating’ and so they have not been penalised for this.

In places, missing values have been replaced with an imputed median value, in cases where a value was needed to establish an average or sum against which other values could be compared. This is a standard practice in data analysis, even though in some cases imputed values will lead to higher or lower than actual scoring.

### Step 3. Normalisation

We normalise our indicators to establish comparability between companies. This means bringing data of varying size and magnitudes onto the same scale, so we can compare different metrics.

### Step 4. Weighting

We weight each indicator using a combination of the following four factors:

1. **Engagement.** This weight is designed to reflect the level of engagement and effort involved.

Each indicator is scored on a five-point scale, ranging from ‘low’ (a bare minimum, ‘passive’ effort, such as becoming a member of WISE) to ‘high’ (a significant financial or procedural commitment, such as moving to using renewable energy sources across the business).

2. **Impact.** This weight is designed to reflect the significance of what this indicator entails, relative to the other indicators. Each indicator is scored on a five-point scale, ranging from ‘necessary’ to ‘existential’ to human existence. For example, whereas offering a cycle to work scheme receives a low impact rating, reduction in emissions is vital.
3. **Relevance.** This weight is designed to reflect the relevance this indicator has to the UN Sustainable Development Goals. Each indicator is scored on a three-point scale, ranging from ‘in the spirit of’ to ‘explicitly referring to’.
4. **Reliability.** This weight is designed to take into account the quality of the data captured by this indicator. Each indicator is scored on a five-point scale ranging from incomplete or unreliable to complete and reliable.

All indicator weightings and relative impact on overall score are detailed in the indicator table in this report.

## Step 5. Final scores

We apply weightings to the normalised data in order to calculate two scores:

- A normalised ‘Talk’ score, which takes into account those indicators identified as ‘reporting’ or ‘commitment’-related
- A normalised ‘Walk’ score, which takes into account those indicators identified as ‘action’-related.

The overall rankings of The Responsibility100 Index are based only on ‘Walk’ scores and therefore reflect the actions and changes that companies are making. The presence of ‘Talk’ scoring serves the purposes of highlighting those companies which have reported extensively on their commitments, targets and aims, but have not taken significant action on the range of factors measured by the Index.

## Structure of the Index

The Responsibility100 Index is organised around pillars and indicators. The Index includes several thematic categories, one for each pillar; Skills and Education, Poverty and Wellbeing, Justice, Good Business, Climate, Equality. Within each thematic pillar there are a number of indicators which contribute to a given company’s score for that pillar, and the overall index.

## Missing Values

Some of the data-sets we have used are not complete. To avoid, as much as possible, adding arbitrary influences to the scoring we have therefore adopted two basic principles:

- 1) The absence of data on some indicators is assumed to mean the absence of the indicated activity; companies are not assumed to have done anything for which there is no indicative data.
- 2) Missing data should not credit or penalise a company in relation to the average performance of other companies in the Index.

We recognise that this means companies may occasionally avoid being penalised for missing data when they should be, but we believe these situations are rare and their effect on the overall ranking is marginal. We are confident that The Responsibility100 Index is a fair reflection of the relative amount of action and reporting undertaken by each company according to the accessible data.

Our hope is that the number of missing values will be reduced over time. If companies want to retain control over their reputations, the onus is on them to provide robust and transparent data on their activities.

## In detail: Why is the data weighted?

The Responsibility100 Index uses a four-tier weighting system consisting of three weights, each with an equal impact on the overall weighting of the indicator, and a fourth reliability factor. The data is weighted first for engagement, second for relevance, third for importance and lastly according to its reliability and comprehensiveness.

Each indicator receives an Engagement weighting based on assessment of the degree of financial or procedural commitment necessary to improve on that factor; ranging from a bare minimum, to significant financial and procedural commitment. Each indicator is also weighted according to an assessment of its relevance to the overall concept of 'responsibility'. Each indicator is also weighted according to an assessment of the significance of the thematic pillar - linked overall to either 'People' or 'Planet' - into which it falls.

Our importance weightings reflect the fact that climate action has risen to the top of the international agenda because the pressure placed on our ecosystems by humans is far greater than the capacity of those ecosystems to regenerate. We also recognise that these ecosystems form the basis of all human activity and that the environment that we inhabit is the vital context for all other aspects of human life. In light of this, we also view the recognition and protection of human rights, by governments, business, communities and individuals as of equivalent urgency and impact. Each indicator is assigned a score on a five-point scale based on whether it is considered necessary, essential or existential.

Each indicator is weighted for data quality, again with a score on a five-point scale. The weighting for data quality reflects the completeness of the data-set, and the reliability of the source. This data weight is then used as a scaling factor, down-weighting the impact of an indicator that comes from a less complete or reliable source.

### Example weighting

The indicator 'Proportion of Total Energy Usage from Renewable Sources (%)' is weighted as a 3.0 for engagement, a 5.0 for relevance and a 5.0 for importance. However, due to lack of requirement for companies to report renewable energy use, this data is often missing from a company's report and therefore has been given a data reliability weight of 3.0.

### What is the impact of the weightings?

Each layer of the weighting system for the Responsibility100 Index is intended to more appropriately balance the influence of each indicator on the overall score. It is intended to account for the fact that contributions from companies take many different forms, and have varying degrees of impact on the overall sustainability of that company. Given that the indicators included in the Index each express a specific and important factor, to leave the indicators unweighted would make their impact on the overall score arbitrary rather than specific. This is because the relative weight of the indicators would be determined by the number of indicators in each pillar; rather than the importance of the pillars themselves. Tortoise, therefore, take the choice to apply weights to each indicator. As the indicators in the Responsibility100 Index are grouped into sub-dimension - the thematic pillars - the application of equal weighting across all variables would imply unequal weighting of the pillars due to the variation in the number of indicators in each.

The ‘Talk’ score is composed of ‘Targets’ and ‘Memberships’ to produce an overall score. This is made up of the following indicators:

Targets	Has committed to Science Based Targets	2	2	2	5
Targets	Number of targets relating to Climate	2	2	5	2
Targets	Number of targets relating to Equality	2	2	5	2
Targets	Number of targets relating to Poverty & Wellbeing	2	2	3	2
Targets	Number of targets relating to Justice	2	2	3	2
Targets	Number of targets relating to Skills	2	2	2	2
Targets	Number of targets relating to Good Business	2	2	4	2
Targets	Comprehensiveness Score	2	2	2	2
Targets	Existence of Emissions Targets for Scope 1 and 2	2	2	2	2
Targets	Existence of Emissions Targets for Scope 3	3	3	3	3
Targets	Ambition level of Science Based Target set (1 if 2 degrees, 2 if 1.5 degrees or well below 2)	4	4	4	5

New indicators have been created to reflect the count of targets relating to each pillar, with their Importance weightings varying to reflect those of the corresponding ‘Walk’ indicators. Below is a table showing the variation in weighting between the ‘Walk’ and ‘Talk’ indicators for each pillar.

Pillar	Weight (as % of total Walk Score)	“Importance” Score for Talk
Skills and Education	8	2
Poverty and Wellbeing	11	3
Justice	14	3
Good Business	18	4
Climate	21	5
Equality	27	5

Also included in the ‘Talk’ score are indicators showing whether a company has committed to setting Science-Based Targets; where companies are awarded extra points for setting a more ambition category of target. Any additional targets set for reductions in emissions, outside of the Science-based Targets initiative, have also been scored.

All ‘Talk’ indicators are then assessed to produce a ‘Comprehensiveness Score’ which shows the coverage of all the pillars that a company has included in its targets i.e. a company that has set targets relating to each of the pillars receives the highest possible ‘Comprehensiveness Score’.

For Memberships, the indicator added the Race at Work Charter

Memberships	Signatory of the Race at Work Charter	3	5	3	5
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## Additional Changes for The Responsibility100 2.2

Changed the methodology for ‘Company provides Flexible Working Arrangements’ updated in name (from Hours -> Arrangements) to cover flexibility regarding location (i.e. working from home) as well as hours. Also updated the collection method: searching key terms (flexible, flexibility) in Annual/Sustainability reports.

Changed indicator name from ‘Company does provide Mental Health Training for employees’ to ‘Company does provide Mental Health Training for staff and/or management’ and updated blurb to ‘Provision of mental health training at staff and/or management level, clearly stated in annual (sustainability) reports’. Also excluded ‘Presence of Mental Health Policy’ indicator by switching Index Build from 1 to 0.

Changed methodology regarding ‘Primary parental leave’: The total amount of paid primary parental leave (sometimes known as maternity leave). The figure we collect represents the amount of paid leave, supplementary to statutory parental leave. i.e. if a company offers 26 weeks fully paid leave, plus 18 weeks statutory pay, we collect the 26 week figure. If a company offers 8 weeks at 90% pay, we collect  $8 \times 0.9 = 7.2$  weeks.

Updated Tax Haven description in the update manual. Updated list (now using Tax Justice Network as opposed to the EU list), and updated method of collection eg. using Tabula where possible.

## Slavery & Human Trafficking Statements, and the ‘Modern Slavery Score’

For the purposes of this scoring, 13 individual indicators have been collected (each of these indicators and their respective weightings and relative impact on overall ‘Modern Slavery’ Score are detailed in the table below). They contribute to the ‘Modern Slavery Score’ indicator within the main Responsibility100 Index framework.

Rather than leave each of these indicators equally weighted, it was important to impose a slight variation in the impact of each indicator on the overall score through weighting. This is because the lack of specific weights would have imposed an arbitrary impact on each indicator based on the number of indicators in total. Rather, a considered value judgement of the relative significance of each indicator to the underlying concept of responses to human trafficking, forced labour and other forms of exploitation has been imposed through weighting.

The mandatory requirements of the Modern Slavery Act 2015 are not weighted as heavily as the

Indicator Name	Description
Presence of Statement on The Modern Slavery Act (Mandatory)	A binary indicator confirming that the company has published a Statement on Compliance with the Modern Slavery Act.
Presence of Approval from Board of Directors (Mandatory)	A binary indicator confirming that the company’s Statement on Compliance with the Modern Slavery Act as been approved by the Board of Directors.
Presence of Signature from Director (or equivalent)	A binary indicator confirming that the company’s Statement on Compliance with the Modern Slavery Act as been signed by a director (or equivalent).

Company does provide Risk Assessment on Supply Chains	A binary indicator reflecting whether or not the company has published details of a risk assessment on their supply chains; specifically for factors that may contribute to slavery or human trafficking.
Company does provide Training on Slavery and Human Trafficking to Staff	A binary indicator reflecting whether or not the company has published details on training that they provide with regards to counteracting slavery or human trafficking.
Company does confirm that due diligence on Slavery and Human Trafficking is taken	A binary indicator reflecting whether the company publishes confirmation that they have taken due diligence in slavery and human trafficking.
Company does propose specific steps on counteracting Slavery and Human Trafficking	A binary indicator reflecting whether or not the company has published details of steps that they business has taken to counteract slavery or human trafficking.
Presence of Sourcing Map showing Suppliers	A binary indicator reflecting whether or not the company has made publicly available a full sourcing map showing all supplier relationships.
Total Percentage (%) of Supply Chains or Suppliers Subjected to Risk-Assessment	A percentage (%) figure reflecting the extent to which the company has conducted risk assessment across it's supply chain. Where identified as a specific figure in Slavery & Human Trafficking Statements issued by the company in response to the Modern Slavery Act 2015.
Total Percentage (%) of Spend Subjected to Risk-Assessment	A percentage (%) figure reflecting the extent to which the company has conducted risk assessment across its global spend on supply chains. Where identified as a specific figure in Slavery & Human Trafficking Statements issued by the company in response to the Modern Slavery Act 2015.
Total Percentage (%) of Suppliers Signed Supplier Code of Conduct (or equivalent)	A percentage (%) figure reflecting the extent to which all the suppliers engaged with the company have agreed to the relevant Code of Conduct; intended to identify and monitor risks of human trafficking, forced labour and other forms of exploitation.
Presence of Corrective Action in instances of forced labour, modern slavery or human trafficking with Company Supply Chain	A binary indicator reflecting whether or not a company has identified a form of corrective action, procedural response or remedial action in the event that human trafficking, forced labour or other forms of exploitation are found within a supply chain that they operate within.