



# Valuing Respect

## Analysis of ESG Rankings, Ratings and Indices

February 2019



## About Valuing Respect

**Valuing Respect** is a global collaborative platform, led by Shift, to research and co-create better ways of evaluating business respect for human rights. Our aim is to develop tools and insights that can help both companies and their stakeholders focus their resources on actions that effectively improve outcomes for people

Valuing Respect is generously funded by:



Learn more: [www.valuingrespect.org](http://www.valuingrespect.org)



## About Shift

Shift is the leading center of expertise on the UN Guiding Principles on Business and Human Rights. Shift's global team facilitates dialogue, builds capacity and develops new approaches with companies, government, civil society organizations and international institutions to bring about a world in which business gets done with respect for people's fundamental welfare and dignity. Shift is a non-profit, mission-driven organization.

**Visit: [shiftproject.org](https://shiftproject.org)**

**Follow us at [@shiftproject](https://twitter.com/shiftproject)**

**© Shift Project, Ltd. 2019**



# Introduction



In order to ascertain the types of information that company human rights performance is being evaluating against, we reviewed **1276 questions across 8 Environmental, Social and Governance (ESG) rankings, ratings and indices.**

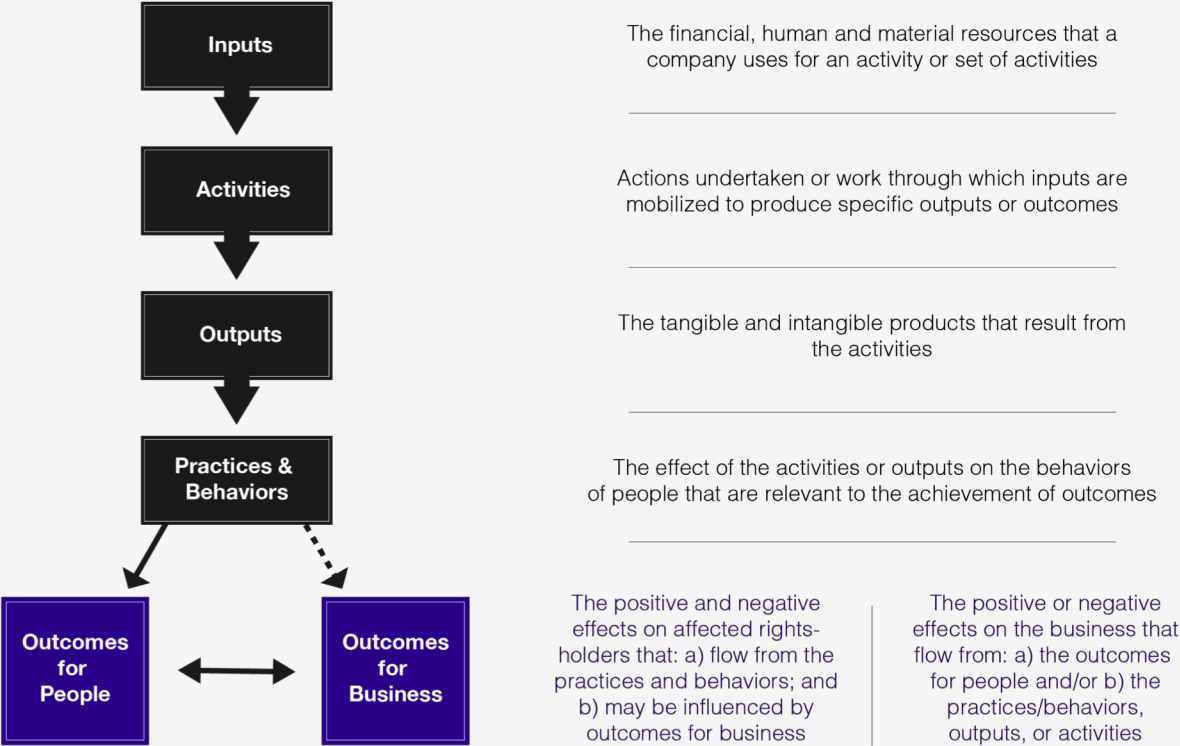
To do this we focused on the **408 questions pertaining to the “S”** (social) dimensions of the products, and categorized them based on whether they are seeking: evidence of Inputs/policy, activities, outputs, practices/behaviors, outcomes for people, or outcomes for business.

Shift is conscious that the content of ESG rankings, ratings and indices is **only one signal of how investors and other stakeholders evaluate companies.** Many investors use the indicators in these tools to conduct an initial review of a company and to support ongoing engagement and deeper evaluation of performance. Nonetheless, this exercise helped us to gain some insight into current metrics being used to rate companies.

The ESG tools analyzed were: **Bloomberg; Vigeo; FTSE4GOOD; DJSI; MSCI\_ESG; Sustainalytics; MSCI\_Corporate** and **RepRisk**



We tagged 406 questions into the following categories





# Overview of the data

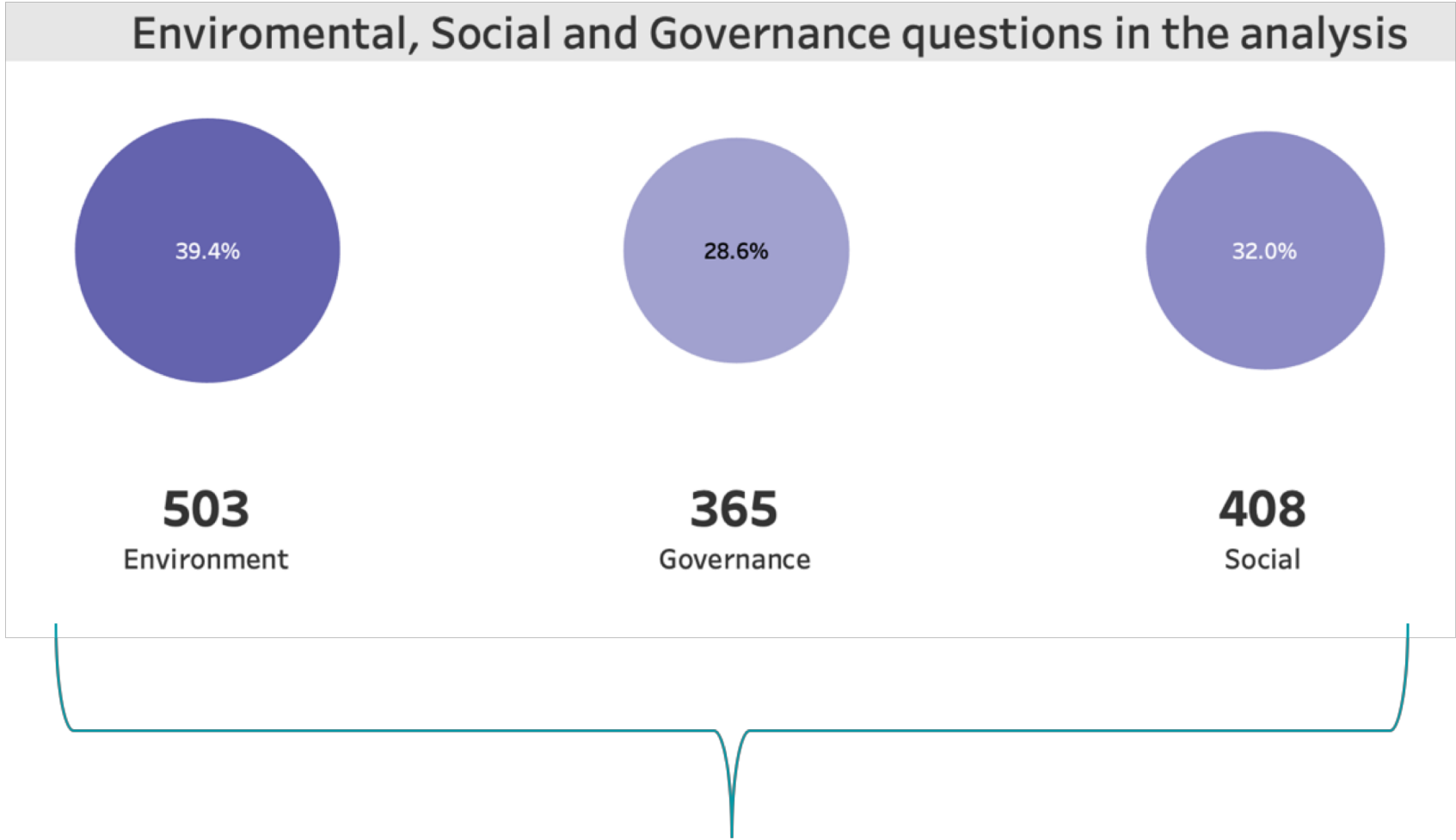


## Overview of the Data

- ✓ Looking at an average across the ESG tools analyzed there is fairly even distribution of questions pertaining to **Environment (39%), Governance (39%)** and **Social (32%)**.
- ✓ Some products have more questions concerned with either the E, S or G. This does not necessarily translate into how much emphasis is given to each area as we are unsure of the weighting.
- ✓ To understand the types of issues being addressed under the “Social” category we developed a list of themes based on how the ESG tools themselves classify questions, as well as our own judgement.
- ✓ The “Social” category is overwhelmingly concerned with the human rights impacts of companies but with a strong focus on issues that the business community has been seeking to address for some time. For example, **78 of the 408 “S” questions (19%) concern Health and Safety**, and **101 concern employee / labor issues (25%)**.
- ✓ The separate “human rights” label denotes that some questions pertained to human rights policies, governance arrangements and conducting assessments



Overview of  
the data

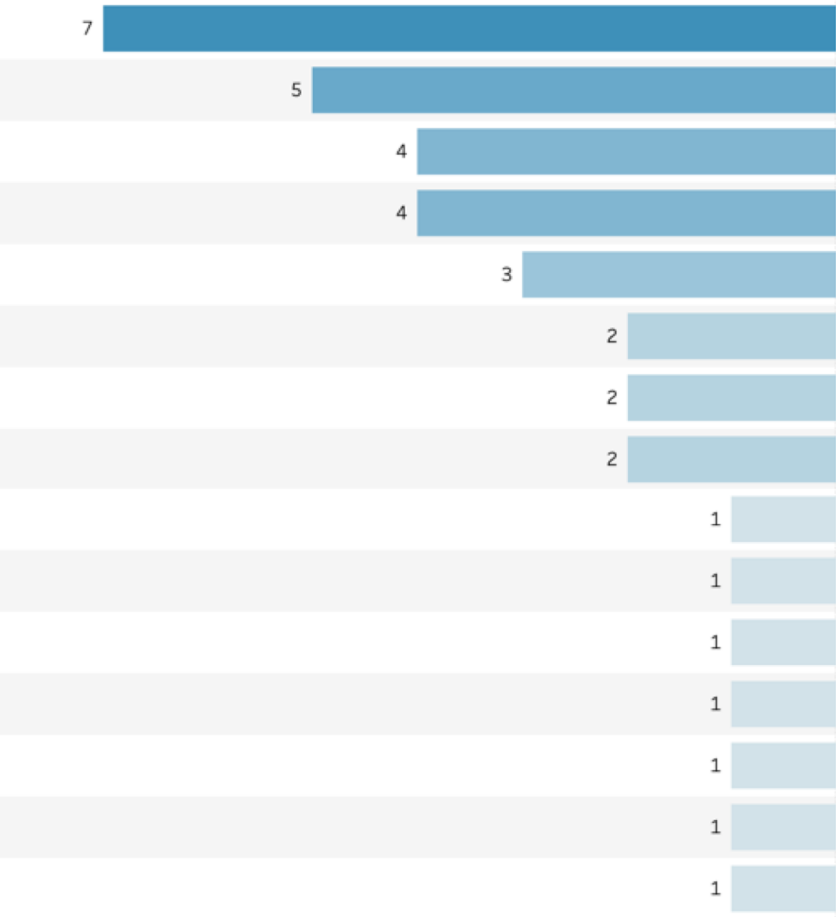


**1276 Questions in Total**

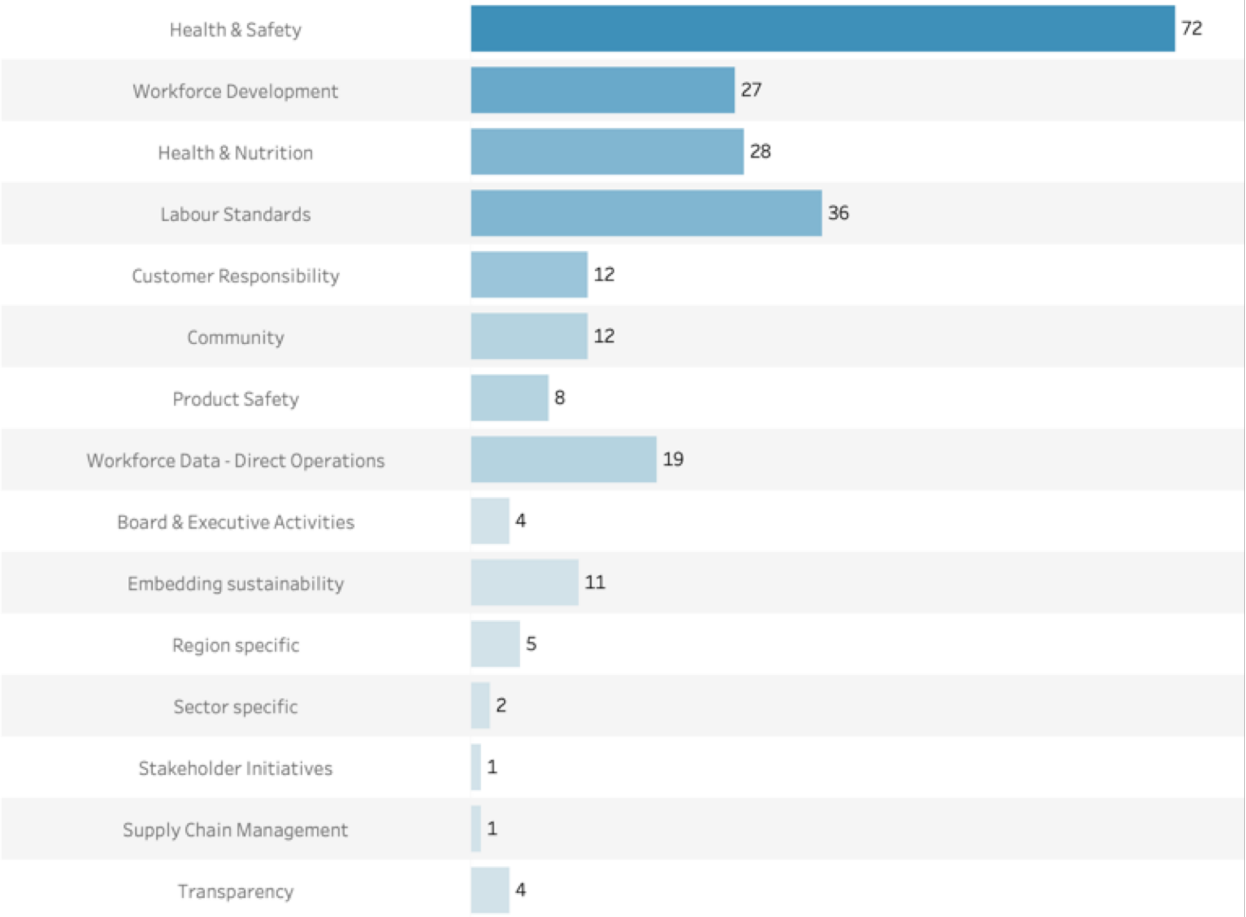
Overview of  
the data

Comparison of utilisation of different social ESG Themes  
within Direct Operations of companies

No. of indices addressing the ESG theme



No. of questions about the ESG theme





Of the indicators in the indices analyzed, approximate 70% were qualitative and 30% were quantitative.

- ✓ **Quantitative indicators** are measures expressed directly as numbers, such as the number of staff on contract or the percentage of women in the workforce.
- ✓ **Qualitative indicators** are based on judgments, perceptions and other subjective information. They may be translated into a numeric form, such as a percentage increase in perceptions of safety in the workplace, or staff satisfaction with canteen food on a scale of 1 to 5.

One index goes against this trend with a 2/3 focus on quantitative indicators. One index focused on news stories and allegations uses indicators that are 100% qualitative.

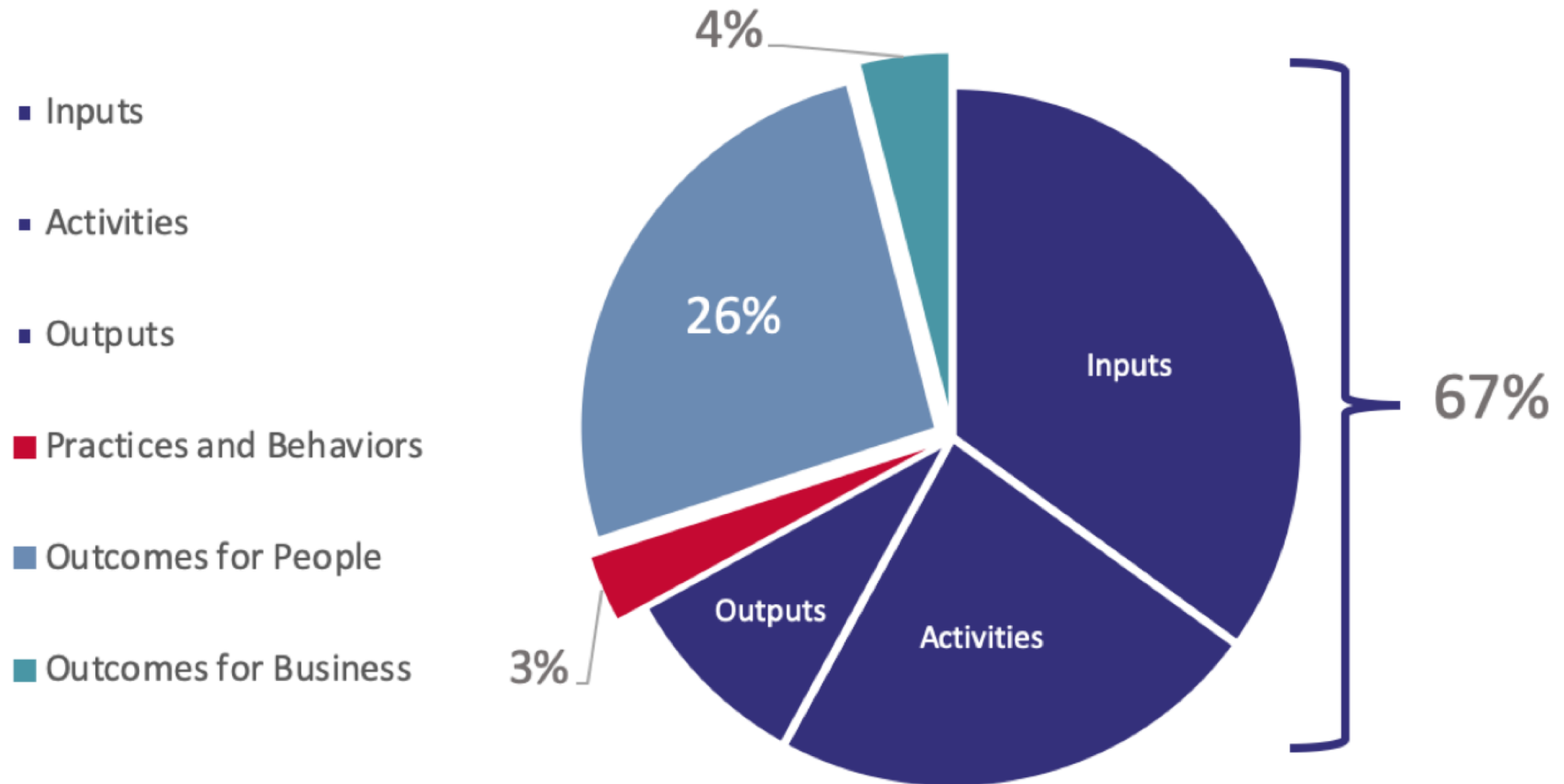


# Key Findings



The **majority of indicators (67%) focus on inputs, activities and outputs**. This was a consistent pattern across 6 of the 8 indices analyzed. One of the outliers has 100% of indicators focused on outcomes of people because it focuses on reporting of incidents and allegations. The other outlier has a strong focus (about 90% indicators) on inputs and activities. We concluded that **these two outliers balance each other out**, so do not impact the overall finding.

## Break-Down of "S" Questions





#2

Where indicators of outcomes for people are used in relation to a company's direct operations the large majority focus on **health & safety and non-discrimination**. These are also areas where disclosure is often required under regulations. And they are often seen through the lens of outcomes for business, such as Lost Time Injuries.

## ESG Themes addressing the Outcomes for People

(by number of questions)

	Outcome for People	
	Direct Operations	Supply Chain
Health and Safety	16	
Non-Discrimination	10	3
Controversies	4	1
Accessing products and combating health problems linked to food	1	2
Employment	3	
Promotion of social and economic development	3	





## What Next?

**Valuing Respect** is a global, collaborative platform to research and co-create **better** ways of evaluating business respect for human rights.

We are working with allies all around the world to develop insights and **practical tools** that can help businesses, and their stakeholders, focus their efforts and allocate resources in a more **strategic** way.

To find out more about the project work-streams please visit [www.valuingrespect.org](http://www.valuingrespect.org)



## Acknowledgements

Shift would like to thank Georgie Erangey for her initial research and review of the ESG indicators. For an overview of her own findings please see [this link](#). We would also like to thank Agata Mezynska for her support in visualizing the source XL data using Tableau. **Shift is responsible for any errors in the analysis or conclusions in our research.**

