



Controversies and human rights in FTSE Russell indices – FAQ

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FAQ

1.0 What is FTSE Russell’s approach to human rights and human rights due diligence?

London Stock Exchange Group (LSEG or the Group), which includes FTSE Russell, is committed to operating in accordance with the International Bill of Human Rights, comprising the Universal Declaration of Human Rights (UDHR), and also takes into account the UN Framework and Guiding Principles on Business and Human Rights (the Guiding Principles) and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work. The Group strongly supports these conventions which promote freedom of association and equality and abolish forced labour and child labour. Human rights considerations are also included in our [Supplier Code of Conduct](#) and Sustainability Policy.

LSEG monitors all current and emerging human rights-related regulation and as a UK headquartered business is committed to adhering to the UK Modern Slavery Act 2015.

LSEG has several policies which promote the protection of human rights either directly or indirectly which are consistent with relevant UDHR articles and the Guiding Principles. These policies include:

Policy	Policy summary
LSEG Code of Conduct	This Code outlines the ethical principles governing all activities across LSEG. The policy is not intended to be a comprehensive description of all factors that may impact behaviour rather it provides a framework to operate within. It covers in particular our human rights and anti-slavery commitments.
LSEG Financial Crime	This policy outlines the approach and arrangements that LSEG has in place to prevent the occurrence, facilitation or furthering of financial crime. It also sets out LSEG’s approach to compliance with applicable legislation, regulation and guidance.
LSEG Enterprise Wide Risk Management Framework	This policy outlines LSEG’s Enterprise-wide Risk Management Framework, which is designed to assist in the identification and assessment of risks facing the Group in order that they can be managed in an efficient manner and that informed decisions can be taken to manage threats and exploit opportunities.
LSEG Whistleblowing	This policy outlines the whistleblowing arrangements in place to report any concerns regarding malpractice or misconduct within LSEG. LSEG encourages its staff to speak up should they witness improper, illegal or negligent behaviour by anyone in the workplace.

Our risk assessment and research in 2020 has indicated that LSEG continues to operate in an industry where the risk of modern slavery and human trafficking is inherently low. However, we operate as a global business and therefore recognise the risks of partnering with a varied spectrum

of global suppliers and of slavery occurring deeper in those complex supply chains. We also acknowledge that modern slavery is becoming more prominent globally given recent events, leading to financial insecurity for many and increased vulnerability.

We want to become a market leader in fighting modern slavery, helping to contribute to the UN Sustainable Development Goals target to bring the modern slavery figure close to zero by 2030. The Group believes we can have a strong impact given that the financial sector has unparalleled influence over global business and can invest in and foster the best practices.

The Group has a zero-tolerance approach to modern slavery. Some of the key actions taken were:

- Refreshed risk assessment on our current supplier base to identify the highest risk suppliers from a slavery perspective which has confirmed the majority of our relevant supplier spend is with suppliers in our lowest slavery risk tier. Our procedures and anti-slavery approaches continue to be appropriate and proportionate
- Increased our acceptance of LSEG's Supplier Code of Conduct across our supplier base
- Engaged our key suppliers and our highest risk suppliers to understand their governance and processes. Where they are further advanced than LSEG we used this as an opportunity to progress ourselves in this space

The most recent version of our modern slavery statement can be found at: www.lseg.com/investor-relations/sustainability

LSEG and FTSE Russell are also a signatory to key initiatives in order to drive change and improvement across the industry, including the UN Principles for Responsible Investment and a number of the Sustainable Investment Forums including UKSIF, EuroSIF and US SIF.

2.0 How are human rights issues assessed and taken into consideration in FTSE Russell sustainable investment indices?

FTSE Russell [publishes](#) the index methodologies and ground rules for its sustainable investment indices online. The ground rules for each of these index series explain which sustainable investment data inputs are used. Regarding human rights, relevant data inputs can include Environmental, Social and Governance (ESG) scores and UN Global Compact controversy exclusions.

For example, the FTSE Russell ESG scores include assessments of whether companies meet global standards such as the United Nations Global Compact Principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. This is part of the 'human rights and community' pillar in the Social pillar of the [FTSE Russell ESG ratings model](#).

As part of the regular reviews of FTSE Russell sustainable investment indices, the current and prospective constituents' ESG scores are reviewed and updated, including their 'human rights & community' score. Companies are given the opportunity to review the data inputs to the ESG score and provide any new public information. Companies are aware of what needs to be improved in order to achieve index eligibility, as the criteria for index inclusion are publicly available in published ground rules.

Public reporting on a company such as reporting of alleged human rights abuses is in some cases covered by third-party data providers and index ground rules are applied to this data. The ground rules of an index will explain whether it is updated on a quarterly, semi-annual or annual basis and so when new information such as regarding a controversy or human rights issue will be taken into account.

3.0 How to you respond to questions about constituent involvement? How do you positively influence better company behaviour?

If a company, index user or other stakeholder wants to raise a challenge or complaint about human rights or other ESG issues associated with a company, there is a published challenges and appeals process in the FTSE Russell

[Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf \(ftserussell.com\)](#). The reasons for proposing a change to the exclusion should be stated by having regard to the Guide and attaching any publicly available documentary evidence in support of the claim.

Regarding the question influencing company behaviour, FTSE Russell has published a research paper ([achieving scale in active ownership and engagement through index investing final.pdf \(ftserussell.com\)](#)) on this topic. The key finding is that if companies have clarity on how they can meet the index inclusion rules, or increase their weighting in the index, then they can be incentivised and rewarded to achieve real-world improvements in corporate sustainability performance. The incentives for companies to respond positively to meet index criteria can be the reputational benefits, if there is visibility in index selection, and in addition can increasingly be through greater investment flows as larger asset volumes follow the resultant indices. As mentioned in response to the previous question, FTSE Russell provides clarity for companies on index inclusion through published ground rules.

4.0 How do you engage with third party suppliers of sustainable investment data?

We engage proactively with the third party providers of sustainable investment data used in FTSE Russell indices

([Guide to Third Party Sustainable Investment Data used in FTSE Russell Indexes.pdf \(ftserussell.com\)](#)) to understand their approaches to controversies and human rights and how this impacts index methodologies.

5.0 How do you ensure that sustainable investment index methodologies remain up to date and in line with best practice regarding controversies and human rights?

To ensure that FTSE Russell indices are constructed, maintained and operated to the highest standards, FTSE Russell employs a robust governance framework to approve new indices and changes to the methodologies of existing indices. The framework combines specialist decision-making bodies with members drawn from first line executive management, an oversight committee with members drawn from second line (risk and compliance) and third line (audit) management, supported by a set of independent external Advisory Committees formed of market practitioners with specialist expertise on benchmark methodologies, input data and the underlying market.

The Advisory Committees help FTSE Russell to ensure that its indices reflect the underlying market and index methodologies (a set of strict rules by which all FTSE Russell indices are governed) evolve appropriately. For sustainable investment, there are three Advisory Committees: Sustainable Investment, Green Industries and ESG. For more information, please see [External Advisory Committees | FTSE Russell](#) and [FTSE Russell Governance Framework.pdf \(ftserussell.com\)](#).

For more information about our Indices, please visit ftserussell.com.

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