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# ESG Data and Ratings Recalculation Policy and Guidelines

v1.1

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## Guidelines



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# ESG Product Recalculation Policy

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## ESG Product Recalculation Policy

This document sets out FTSE Russell's ESG Product Recalculation Process. The policy and guidelines apply to the ESG Ratings & Data products FTSE Russell calculates.

FTSE Russell makes every effort to maintain its data and indexes to high standards, nevertheless inaccuracies may arise in the products from time to time and investors, index constituents, licensees or other market participants should be aware of this. Inaccuracies in our ESG data products may arise as a result of a range of events including: the process and complexities of capturing ESG data from a wide variety of underlying data sources; the timings of when a company updates or releases such information; disagreement over whether a company meets a specific ESG indicator; the process of interacting with a company to capture feedback on their publicly disclosed information; entering company data into FTSE Russell systems; the result of automated calculation where applicable; and the provision of incorrect, incomplete or late data whether occurring internally or externally to FTSE Russell.

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 Data Product should be recalculated. These guidelines however should not be construed as definitive rules that determine the steps FTSE Russell will take whenever an inaccuracy is identified. In addressing inaccuracies, FTSE Russell reserves the right to consult market participants or the FTSE Russell ESG Advisory Committee as to the appropriate course of action, including the decisions on whether to recalculate or reissue data products.

It is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, an ESG data product and therefore, any financial contracts or other financial instruments or investment funds that reference any ESG data product should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the product.

ESG data product users should assess the merits of the relevant ESG data product series' rules-based methodology and take independent investment advice before making investment decisions based on this data. Users should also be aware that ESG data is based on evolving standards and can feature nuances in interpretation and analysis.

No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these guidelines, and/or;
- any errors or inaccuracies in these guidelines, and/or;
- any non-application or misapplication of the policies or procedures described in these Guidelines, and/or;
- any errors or inaccuracies in the compilation of any ESG data product or any constituent data.



# ESG Ratings Data Collection Process and Structure

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## ESG Ratings Data Collection Process and Structure

The FTSE Russell ESG Ratings are a data product providing information on the Environmental, Social and Governance practices of corporates. Data are collected according to the process below.

- An analyst collects information using documents made publicly available by the company to determine its operational and geographical exposure;
- A company's exposure is cross-referenced with a rules-based methodology to determine the applicability of ESG indicators. An analyst uses publicly available documents to assess a company against applicable indicators;
- The company is contacted and provided with an opportunity to highlight other public information that the analyst should consider. Where this feedback is found to highlight data that is more relevant to the assessment, this is incorporated by the analyst and the assessment finalized;
- A rules-based, proprietary algorithm is used to calculate the scores from levels 1 to 4 as outlined below.

As part of its ESG Ratings data products FTSE Russell makes several levels of information available:

- Level 4: Indicator response data which reveal how a company was assessed at a raw data point level;
- Level 3: Scores for 14 ESG Themes such as Climate Change, Corporate Governance, or Human Rights and Community;
- Level 2: Scores for the Environmental, Social and Governance Pillars;
- Level 1: An ESG Rating.

These data are made available to clients and as inputs into index calculation.



# ESG Ratings Challenge and Appeals Process

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## ESG Ratings Challenge and Appeals Process

This policy and recalculation guide provides an overview of the process that FTSE Russell will follow when presented with a challenge to any of the four levels outlined above.

When making its decision in line with ESG Ratings Recalculation Guidelines and Policy, FTSE Russell will make reference to the data collection process outlined earlier in this document and the indicator guidance made available to analysts. FTSE Russell may also seek the advice of the FTSE Russell ESG Advisory Committee. FTSE Russell will aim to ensure that the correct ESG Rating process has been followed and that the methodology has been applied consistently across companies.

If a rated company wishes to challenge its ESG Rating they should contact [FTSE4Good@FTSERussell.com](mailto:FTSE4Good@FTSERussell.com); queries outside of this channel may be delayed or missed. The reasons for challenging an ESG Rating should be stated, have regard to the ESG Ratings Recalculation Guidelines, and any documentary evidence in support of the claim should be attached. In considering the claim, FTSE Russell may only take account of publicly available information available at the time of the ESG Ratings assessment.

FTSE Russell will review the company's ESG Rating based on its own analysis and evidence provided by or on behalf of the company, with reference to the ESG Ratings Recalculation Guidelines. If an ESG Rating change is supported, it will be implemented at a subsequent quarterly Ratings review. If a Rating change is not supported by FTSE Russell, the complainant will be informed of this outcome with the rationale for the decision.

### Appeals

Should a complainant disagree with the decision reached by FTSE Russell and wish to submit an appeal, it may do so by contacting [FTSE4Good@FTSERussell.com](mailto:FTSE4Good@FTSERussell.com). In such an event, the FTSE Russell ESG Advisory Committee will be requested to provide a recommendation based on the information provided by the complainant and FTSE Russell's analysis.

The recommendation of the advisory committee will be presented to the FTSE Russell Product Governance Board along with the analysis completed by the Sustainable Investment Research Team for a final decision. The decision will be communicated to the complainant by the Secretary to the FTSE Russell Product Governance Board via the [FTSE4Good](mailto:FTSE4Good) email address, with an explanation, including relevant data.

The timelines section below outlines when any adjustment resulting from a change in a company's ESG Rating will become effective.

**The FTSE Russell complaints procedure can be accessed using the following link:**

[Benchmark Determination Complaints Handling Policy.pdf](#)

**The FTSE Russell Appeal Process can be accessed using the following link:**

[Appeals Against Decisions.pdf](#)

### **Timelines**

When an ESG Rating challenge is raised the FTSE4Good team will provide a timeline for providing the results of the investigation, further escalation to the FTSE ESG Advisory Committee, or to the FTSE Russell Product Governance Board as appropriate.

Once the issue has been resolved with the company, should an update to the ESG Ratings be required this will ordinarily be incorporated at the next ESG Ratings Review. Please note that the current process for publishing ESG Ratings requires a data cut-off three weeks before the publication date and any ESG Ratings updates made subsequent to the cut-off will be incorporated at the next Review.

In exceptional circumstances, FTSE Russell reserves the right to exercise discretion and apply the change sooner.



# ESG Ratings Recalculation Guidelines

## ESG Ratings Recalculation Guidelines

EVENT TYPE	DECISION CRITERIA	NOTES	INDICATOR REPOSE DATA UPDATE	ESG RATINGS DATA UPDATE
<b>Challenge to company feedback incorporation</b>	If FTSE Russell determines that the feedback process was not followed correctly, and that updates to the data are required, this will be implemented at the next quarterly review	The company feedback process provides a formal opportunity for companies to provide feedback on their assessment. Feedback outside of this process is unlikely to be considered.	At next quarterly Ratings update	If significant <sup>1</sup> at next Ratings quarterly update
<b>ESG Ratings miscalculation</b>	Following investigation by FTSE Russell it is found there was a significant <sup>1</sup> ESG Rating miscalculation.		N/A	At next Ratings quarterly update <sup>1</sup>
<b>New information availability</b>	The ESG Rating takes into account publicly-available information at the time of the assessment and not subsequent publications.	Information provided after the company feedback process will be considered as part of the next ESG assessment	N/A	N/A

<sup>1</sup> A Rating will be updated at the quarterly review if the change is deemed to be 'significant', defined as the ESG Rating changing by more than or equal to the ESG Ratings inclusion and deletion buffer for the FTSE4Good Developed Index. This is currently 0.4.

## Indexes Dependent on ESG Data Products

FTSE Russell ESG Data Products serve as inputs into a number of index products, examples of which are in the table below.

Further information about the FTSE Russell Equity Index Recalculation Policy can be accessed using the following link:

[Equity Index Recalculation Policy and Guidelines.pdf](#)

## Examples of Indexes Utilizing ESG Data

Index Family	Example Indexes
<b>FTSE4GOOD Series</b>	FTSE4GOOD Developed, FTSE4GOOD Emerging
<b>FTSE ESG Series</b>	FTSE All-Share ESG, FTSE Emerging ESG, FTSE Developed ESG
<b>FTSE Smart Sustainability Series</b>	FTSE Climate Balanced Factor Index
<b>FTSE/JSE Responsible Investment Series</b>	FTSE/JSE Responsible Investment, FTSE/JSE Responsible Investment TOP 30
<b>FTSE Blossom Japan Series</b>	FTSE Blossom Japan

# Further Information

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For further information on FTSE Russell Indexes please visit [www.ftserussell.com](http://www.ftserussell.com) or e-mail [info@ftserussell.com](mailto:info@ftserussell.com).

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