



ESG Data and Ratings Recalculation Policy and Guidelines

v1.0

Guidelines



Contents

ESG Product Recalculation Policy	3
ESG Ratings Data Collection Process and Structure	4
ESG Ratings Challenge and Appeals Process.....	5
ESG Ratings Recalculation Guidelines	7
Further Information	9



ESG Product Recalculation Policy

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

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, note that some aspects of this may vary but this forms a general outline:

- 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

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; 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 the subsequent 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. 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 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 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.

Non-Disclosure Agreement

In exceptional circumstances FTSE Russell may contact a constituent or prospective constituent company (or professional advisor acting on behalf of the company) with respect to the conclusions which have been

reached by FTSE Russell on the ESG Rating of a company. In such circumstances, FTSE Russell will require that the information provided by FTSE Russell is kept confidential and not used, disclosed or traded upon via a non-disclosure agreement.

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
Challenge to company feedback incorporation	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 ¹ at next Ratings quarterly update
ESG Ratings miscalculation	Following investigation by FTSE Russell it is found there was a significant ¹ ESG Rating miscalculation.		N/A	At next Ratings quarterly update ¹
New information availability	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

¹ 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
FTSE4GOOD Series	FTSE4GOOD Developed, FTSE4GOOD Emerging
FTSE ESG Series	FTSE All-Share ESG, FTSE Emerging ESG, FTSE Developed ESG
FTSE Smart Sustainability Series	FTSE Climate Balanced Factor Index
FTSE/JSE Responsible Investment Series	FTSE/JSE Responsible Investment, FTSE/JSE Responsible Investment TOP 30
FTSE Blossom Japan Series	FTSE Blossom Japan



Further Information

For further information on FTSE Russell Indexes please visit www.ftserussell.com or e-mail info@ftserussell.com.

© 2019 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. and FTSE Global Debt Capital Markets Limited (together, "FTSE Canada"), (4) MTSNext Limited ("MTSNext"), (5) Mergent, Inc. ("Mergent"), (6) FTSE Fixed Income LLC ("FTSE FI") and (7) The Yield Book Inc ("YB"). All rights reserved.

The FTSE ESG Ratings are calculated by or on behalf of FTSE International Limited or its affiliate, agent or partner. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, MTSNext, Mergent, FTSE FI and YB. "FTSE®", "Russell®", "FTSE Russell®", "MTS®", "FTSE4Good®", "ICB®", "Mergent®", "The Yield Book®" and all other trademarks and service marks used herein (whether registered or unregistered) are trade marks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, MTSNext, FTSE Canada, Mergent, FTSE FI, YB.

All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for any errors or for any loss from use of this publication or any of the information or data contained herein. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of FTSE Russell ESG Ratings or the fitness or suitability of the product for any particular purpose to which it might be put.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group index data and the use of their data to create financial products require a licence with FTSE, Russell, FTSE Canada, MTSNext, Mergent, FTSE FI, YB and/or their respective licensors.