

UK Code of Conduct for ESG Ratings and Data Providers

LSEG'S STATEMENT OF COMPLIANCE



LSEG's Compliance with the UK Code of Conduct for ESG Ratings and Data Providers

The London Stock Exchange Group ("LSEG") is pleased to outline how it complies with Principles 1-6 of the [Code of Conduct for ESG Ratings and Data Products Providers](#) ("Code of Conduct" issued by the International Capital Market Association (ICMA) and International Regulatory Strategy Group (IRSG). This is further to its January 2024 endorsement.

The Code of Conduct, created by the ESG Data and Ratings Working Group, an industry working group formed by the Financial Conduct Authority, represents industry best practices for ESG data and ratings providers and aligns with [IOSCO's recommendations on ESG data and ratings](#). LSEG played a role in the development of the Code of Conduct as a Co-Chair of the working group.

LSEG fully supports global initiatives aimed at improving quality, reliability, and transparency of ESG scores and data. A core set of universal principles guides the ESG scoring and methodologies of LSEG businesses, in line with key industry and international standards. In July 2023, [LSEG also endorsed the Code of Conduct for ESG Evaluation and Data Providers in Japan](#).

The information represented below is relevant to LSEG ESG Scores administered by the Sustainable Finance & Investment (SFI) business within LSEG, and FTSE Russell ESG Scores administered by FTSE Russell. These businesses publish ESG scores and data for close to 16,000 public and private companies by identifying publicly available data and information against transparent models and a methodology that is based on global ESG reporting standards, including from the International Sustainability Standards Board (ISSB), its precursor the Taskforce on Climate-related Financial Disclosures (TCFD), the Global Reporting Initiative (GRI) and the European Sustainability Reporting Standards (ESRS).

LSEG'S COMPLIANCE WITH THE CODE OF CONDUCT, PRINCIPLES 1-6:

PRINCIPLE 1 | GOOD GOVERNANCE

ESG RATINGS AND DATA PRODUCTS PROVIDERS SHOULD ENSURE APPROPRIATE GOVERNANCE ARRANGEMENTS ARE IN PLACE THAT ENABLE THEM TO PROMOTE AND UPHOLD THE PRINCIPLES AND OVERALL OBJECTIVES OF THE CODE OF CONDUCT.

LSEG ESG Scores and FTSE Russell ESG Scores are subject to robust governance arrangements within each respective business, which aim to meet or exceed regulatory requirements and recognised industry standards, including the Code of Conduct. Roles and responsibilities are clearly outlined in an Accountability Matrix for each business.

The LSEG ESG Scores are governed through the Sustainable Finance and Investment ("SFI") Regulatory Governance Committee ("SRGC"). The SRGC oversees the application, development and changes to SFI products and reviews all regulatory-aligned methodologies and policies related to LSEG ESG Scores. It also monitors and implements new regulatory requirements and industry standards. The forum is comprised of representatives from all areas of the business involved in the administration of LSEG ESG Scores, including individuals identified as having key roles and responsibilities within the SFI business, Risk and Compliance. The SFI business is also governed by a Product and Commercial Board (PCB) that provides commercial and product-related decision-making capabilities to ensure that product launches and commercial policies lead to successful outcomes and better products.

FTSE Russell ESG Scores are governed through [FTSE Russell's Governance Framework](#), which includes input from the [FTSE Russell Sustainable Investment Advisory Committee](#), an external committee comprised of market practitioners and stakeholders. Additional information on these forums, including a summary of Terms of Reference and key roles and responsibilities, is available through the Governance Framework document, referenced above.

PRINCIPLE 2 | SECURING QUALITY (SYSTEMS AND CONTROLS)

ESG RATINGS AND DATA PRODUCTS PROVIDERS SHOULD ADOPT AND IMPLEMENT WRITTEN POLICIES AND PROCEDURES DESIGNED TO HELP ENSURE THE ISSUANCE OF HIGH-QUALITY ESG RATINGS AND DATA PRODUCTS.

LSEG's businesses have established policies and procedures and relevant training materials across teams responsible for data collection, quality controlling, model management and distribution to ensure high standards of data accuracy and integrity. LSEG and FTSE Russell ESG Scores are based on publicly available information, whereby actual reported data is collected, storing the audit trail to the source documents and is subject to thorough and robust internal controls to ensure high quality and auditability for each ESG data point and score.

LSEG is also a technology focused business and is continually re-assessing and redesigning its systems to collect data in the most efficient, accurate and timely manner possible, this includes automated algorithmic searching of corporate reporting and natural language processing. However, to ensure accuracy, given the highly unstructured sources of sustainability information that are published across multiple languages and formats there is a need for significant numbers of well-trained content analysts.

Our team of over 700 content analysts and quality controllers follow standardised procedures and are enabled through technology and tools to capture in a timely manner ESG data that is accurate, transparent and comparable across the entire range of companies in our coverage. Collected data is subject to manual audits and automated pre- and post-production quality checks. LSEG ESG Scores are also subject to daily sample audits and regular reviews to address the accuracy and integrity of the data. To ensure data is current, the database is updated on a continuous basis based on corporate reporting, controversy news and corporate actions. More details of the processes and controls implemented for LSEG ESG Scores are included in the publicly available document, [Environmental, social and governance scores from LSEG](#).

Similarly, FTSE Russell ESG Scores follow a standardised approach to data collection whereby publicly available information is captured for each company across each research cycle. Throughout the data collection and calculation process, FTSE Russell applies several layers of quality control to ensure data accuracy. Checks are applied at the company and overall dataset levels. Details of the collection and calculation processes and controls are available in [FTSE Russell ESG Data Model Methodology \(lseg.com\)](#).

At the staff level, LSEG operates effective recruitment and onboarding processes to identify and recruit top talent across all businesses. In line with LSEG's HR framework, employees are subject to continuous professional training and assessment to foster development and high-performance standards in their roles. In addition to administering internal certifications for ESG data specialists, colleagues are also supported in pursuing external industry-recognised certifications.

ESG specialists at LSEG undergo extensive classroom and on-the-job training under close supervision and guidance from subject matter experts. This involves significant technology training as new systems are developed and implemented. The quality of work and performance of ESG specialists are regularly assessed with feedback provided by management on an ongoing basis, in line with the LSEG's HR framework. LSEG's data collection team operates an evaluation system established to nurture LSEG's high-quality data and ensure LSEG's rules-based methodologies are followed.

To ensure alignment with industry standards and regulatory requirements, the performance of the policies and procedures in place is also subject to the Group-wide assessments operated from time to time by LSEG Internal Audit.

PRINCIPLE 3 | CONFLICTS OF INTEREST

3.1 ESG RATINGS AND DATA PRODUCTS PROVIDERS SHOULD ADOPT AND IMPLEMENT WRITTEN POLICIES AND PROCEDURES DESIGNED TO HELP ENSURE THEIR DECISIONS ARE INDEPENDENT, FREE FROM POLITICAL OR ECONOMIC INTERFERENCE, AND APPROPRIATELY ADDRESS ACTUAL OR POTENTIAL CONFLICTS OF INTEREST THAT MAY ARISE FROM, AMONG OTHER THINGS, THE ESG RATINGS AND DATA PRODUCTS PROVIDERS' ORGANIZATIONAL STRUCTURE, BUSINESS OR FINANCIAL ACTIVITIES, OR THE FINANCIAL INTERESTS OF THE ESG RATINGS AND DATA PRODUCTS PROVIDERS AND THEIR OFFICERS AND EMPLOYEES.

3.2 ESG RATINGS AND DATA PRODUCTS PROVIDERS SHOULD IDENTIFY, AVOID OR APPROPRIATELY MANAGE, MITIGATE, AND DISCLOSE ACTUAL OR POTENTIAL CONFLICTS OF INTEREST THAT MAY COMPROMISE THE INDEPENDENCE AND INTEGRITY OF THE ESG RATINGS AND DATA PRODUCTS PROVIDERS' OPERATIONS.

To manage conflicts of interest and establish appropriate control measures across the LSEG, all businesses follow the LSEG Global Conflicts of Interest Policy which sets out the criteria and key requirements for identification, reporting and management of conflicts of interest.

The business and incentive structure for LSEG and FTSE Russell ESG Scores further mitigates potential conflicts of interest. LSEG does not follow an "issuer pays" model for LSEG ESG Scores or FTSE Russell ESG Scores and the specialists involved in data collection and calculation, which based on pre-defined rules creates automated scores, have no role in engaging assessed entities or any clients. Employees involved in data collection and calculation of ESG Scores operate independently from sales functions and are not incentivised by fees charged to clients or revenue from ESG Score subscriptions.

In addition to the dedicated conflicts of interest measures in place across LSEG, the transparent process for the gathering of data used in producing LSEG and FTSE Russell ESG Scores further ensures integrity, accuracy, and transparency. Publicly available data is applied to objective, rules-based methodology and subject to multiple levels of controls for both LSEG ESG Scores and FTSE ESG Scores, limiting the potential for undue influence due to a conflict of interest.

LSEG staff are also subject to the [LSEG Code of Conduct](#) and LSEG policies for dealing in securities, which require employees to disclose their holdings and seek pre-approval prior to trading in securities. Potential personal conflicts, such as roles outside LSEG and close personal relationships relevant to an employee's role, are required to be disclosed in a centralized compliance system. All submissions are reviewed by the relevant stakeholders involved in the management of a conflict-of-interest process, and can include multiple members of LSEG's Compliance team, and in most cases, also the employee's line manager. Annually, LSEG employees must attest that they have followed LSEG policies and disclosed all potential conflicts of interest.

SFI and FTSE Russell have developed business-level conflicts of interest registers, which include coverage of ESG scores. This is in line with LSEG policies, to capture potential and actual conflicts of interest and implement any necessary mitigating measures. The identified conflicts and mitigating measures are periodically reviewed as part of the governance processes within SFI and FTSE Russell.

PRINCIPLE 4 | TRANSPARENCY

ESG ratings and data products providers should make adequate levels of public disclosure and transparency a priority for their ESG ratings and data products, including their methodologies and processes to enable the users of the product to understand what the product is and how it is produced, including any potential conflicts of interest and while maintaining a balance with respect to proprietary or confidential information, data and methodologies.

Transparency is central to ESG data collection, verification and scoring methodologies across LSEG. Product overviews, methodology and calculation details are publicly available through the LSEG website. Because LSEG and FTSE Russell use an approach that is data and rule-based driven, with transparent aggregation rules to provide numerical scores, it enables a higher degree of transparency over alternative approaches seen in the market that require analyst judgement.

For LSEG ESG Scores, the [Environmental, social and governance scores from LSEG](#), a document which is publicly available via the LSEG website, describes details of the data collection process and how Scores are calculated, including the structure and composition of Scores, factors and information considered for Scores, how underlying data is treated and weighed, and example data to ensure full transparency and understanding for users and stakeholders. A link is provided for additional queries. An illustration of final ESG Score calculations is also available for download within the document.

For FTSE Russell ESG Scores, the [FTSE Russell ESG Data Model Methodology \(lseg.com\)](#) describes the data assessment process, models for ESG Scores and underlying ESG data, and controls. It also provides details about the Score calculation process, including Theme exposure, Pillar scores and overall ESG Score as well as case study examples, and a list of data sources to ensure transparency and understanding for users and stakeholders. Links are provided for additional queries and a glossary of terms is included. Additionally, FTSE Russell provides an [FAQ Document](#) that addresses common questions for the ESG assessment and scoring process.

PRINCIPLE 5 | CONFIDENTIALITY (SYSTEMS AND CONTROLS)

ESG ratings and data products providers should adopt and implement written policies and procedures designed to address and protect all non-public information received from or communicated to them by any entity, or its agents, related to their ESG ratings and data products, in a manner appropriate in the circumstances.

LSEG maintains a Data Policy, developed in line with international recommendations, which sets out the principles and standards for data governance and management, and a Confidentiality Policy, which sets out the key requirements for handling confidential information received from internal and external sources. Any potential policy breaches are reported and investigated, in line with internal processes and procedures.

Data used in ESG scoring is sourced only from publicly available sources, such as annual reports, corporate social responsibility reports and data from stock exchanges or corporate websites. Data collection specialists within SFI and FTSE Russell are appropriately trained in data sourcing and handling. Any information received from companies pertaining to ESG Scores will not be shared externally or considered for ESG Scores unless the information is first made publicly available.

PRINCIPLE 6 | ENGAGEMENT (SYSTEMS AND CONTROLS)

6.1 ESG RATINGS AND DATA PRODUCTS PROVIDERS SHOULD REGULARLY CONSIDER WHETHER THEIR INFORMATION GATHERING PROCESSES WITH ENTITIES COVERED BY THEIR PRODUCTS LEADS TO EFFICIENT INFORMATION PROCUREMENT FOR BOTH THE PROVIDERS AND THESE ENTITIES. WHERE POTENTIAL IMPROVEMENTS TO INFORMATION-GATHERING PROCESSES ARE IDENTIFIED, ESG RATINGS AND DATA PRODUCT PROVIDERS SHOULD CONSIDER WHAT MEASURES CAN BE TAKEN TO IMPLEMENT THEM.

6.2 WHERE FEASIBLE AND APPROPRIATE, ESG RATINGS AND DATA PRODUCTS PROVIDERS SHOULD RESPOND TO, AND ADDRESS ISSUES FLAGGED BY ENTITIES COVERED BY THEIR ESG RATINGS AND DATA PRODUCTS AND BY USERS WHILE MAINTAINING THE INDEPENDENCE AND INTEGRITY OF THESE PRODUCTS.

The information gathering process for LSEG ESG Scores and FTSE Russell ESG Scores is regularly discussed and reviewed through the respective governance processes. This includes discussions of any issues with the process or methods of collection of data, complaints received and potential areas for improvement, identified internally or externally. Links to relevant client service teams are also available to clients and assessed companies.

For LSEG ESG Scores, companies subject to evaluation are also provided free access to the [ESG Contributor tool](#), where they can review and edit existing data, provide new data and add timely updates to ESG initiatives for investors and stakeholders. Companies are required to substantiate all data with reference to publicly disclosed sources and the edited or newly contributed data is reviewed via the established control processes described above. A dedicated customer support team is available for clients to raise any ESG data-related enquiries and challenges.

For FTSE ESG Scores, FTSE Russell's process of engagement with companies subject to evaluation is provided in the [Corporate engagement within sustainable investment - Information for researched companies](#) document. The document outlines the structured engagement process, which is part of the standard operations for administering FTSE Russell ESG Scores. FTSE Russell strives to ensure companies understand how ESG Scores are calculated and then provides them with access to the Sustainable Investment Data Platform, which allows companies to review their Score and ESG data as part of the established "Company Review Process." Company feedback is then considered prior to final assessment and publication of the ESG Score. A dedicated client service desk provides Subject Matter Expert services in multiple languages, and meetings are available for companies upon request. Companies are also provided the opportunity to challenge potential ESG data inaccuracies and submit complaints or amendments in line with the [Sustainable Investment Data Recalculation Policy and Guidelines](#).

About LSEG

LSEG (London Stock Exchange Group) is a leading global financial markets infrastructure and data business. We play a vital social and economic role in the world's financial system. With our trusted expertise and global scale, we enable the sustainable growth and stability of our customers and their communities. We are leaders in data and analytics, capital formation and trade execution, and clearing and risk management.

At LSEG we believe that capital markets are key to solving the sustainability challenges that society faces globally, and we are committed to being a strategic enabler of sustainable growth. As a corporate entity, LSEG has set science-based emissions reduction targets and our ambition is to reach net zero by 2040. Our [Climate Transition Plan](#) and [Climate Goals](#) set out how we plan to deliver this. From our role at the heart of capital markets, we provide industry with tools, data, and access to capital to achieve sustainability goals.

Disclaimer

© 2024 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes FTSE Russell as well as Refinitiv Limited and any entity that, from time to time, is directly or indirectly controlling, controlled by, or under

common control with those entities ("Refinitiv Group"). "Control" means the power to direct or cause the direction of the management or policies of such entity, whether through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" shall be construed accordingly. All rights reserved.

Refinitiv® and all other trademarks and service marks used herein (whether registered or unregistered) are trademarks 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 Refinitiv Group.

All information is provided for information purposes only. All information and data contained in this publication is obtained by the LSE Group, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical inaccuracy as well as other factors, however, such information and data is provided "as is" without warranty of any kind. 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 accuracy, timeliness, completeness, merchantability of any information or of results to be obtained from the use of Refinitiv products, including but not limited to indexes, rates, data and analytics, or the fitness or suitability of the Refinitiv products for any particular purpose to which they might be put. The user of the information assumes the entire risk of any use it may make or permit to be made of the information.

No responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any inaccuracy (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analysing, editing, transcribing, transmitting, communicating or delivering any such information or data or from use of this document or links to this document or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if any member of the LSE Group is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

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 or whether such investment creates any legal or compliance risks for the investor. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes and rates cannot be invested in directly. Inclusion of an asset in an index or rate is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index or rate containing the 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 data requires a licence from Refinitiv Group and/or their respective licensors.