

The Code of Conduct for ESG Ratings and Data Providers hosted by ICMA

LSEG'S STATEMENT OF COMPLIANCE



LSEG's Compliance with the Code of Conduct for ESG Ratings and Data Providers hosted by ICMA

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.

Different parts of LSEG provide ESG scores and data, each following their own established governance structure. The information represented below is relevant to LSEG ESG Scores, Sovereign Sustainability Solutions (ESG Factor-In, Sovereign Climate KPI and LSEG Sovereign Risk Monitor), LSEG EU Taxonomy administered by the Sustainable Finance & Investment (SFI) business within LSEG, and FTSE Russell ESG Scores and FTSE Russell Green Revenues 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, FTSE Russell ESG scores, Sovereign Sustainability solutions, EU Taxonomy and FTSE Russell Green Revenues 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, Sovereign Sustainability solutions and EU Taxonomy 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 and the datasets. 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 and FTSE Green Revenues 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. The Advisory Committee's recommendations are reviewed by the internal ESG Technical Forum and presented to the FTSE Russell Index Governance Board for approval. Reports from the Index Governance Board and the Advisory Committee are provided to the FTSE Russell Oversight Committee, a second-line independent committee that includes members of FTSE Russell's Compliance, Risk and Legal teams. Additional information on these forums, including Terms of Reference and identification of 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 ESG scores, FTSE Russell ESG scores and the ESG datasets 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 points 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 standardized 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 for both ESG scores and the datasets. 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 is 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 \(lseg.com\)](#).

For the Sovereign Sustainability Solutions datasets ([ESG Factor in](#), [Sovereign Climate KPI](#), [Sovereign Risk Methodology](#)), [FTSE Russell Green Revenues](#) and [EU taxonomy](#), the publicly available methodologies describe the data assessment process, including the structure and composition of the datasets, and the treatment of the underlying data.

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 ESG scores, FTSE Russell ESG scores and the ESG datasets 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, 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 ESG scores and the datasets 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 centralised compliance system. All submissions are reviewed by 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 and the datasets. 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 uses 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, 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. Additionally, FTSE Russell provides an [FAQ Document](#) that addresses common questions for the ESG assessment and scoring process.

For the Sovereign Sustainability Solutions, FTSE Russell Green Revenues and EU taxonomy, the publicly available methodologies describe the data assessment process, including the structure and composition of the datasets, the treatment of the underlying data.

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 treated as important, and are reported and investigated, in line with internal processes and procedures.

Data used in ESG scoring and the datasets 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 both ESG scores and the datasets are regularly discussed and considered through their 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 [LSEG Contributions Channel](#), 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 Russell 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](#).

For the Sovereign Sustainability Solutions, FTSE Russell Green Revenues and EU taxonomy datasets, a dedicated customer support team is available for clients to raise any ESG data-related enquiries and challenges.

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.

Updates to this Statement

This Statement may be subject to updates and changes are approved in accordance with the Governance framework described in Principle 1 above. Current Version 1.1 supersedes Version 1.0 which had been published in July 2024 and incorporates changes pertaining to the inclusion of additional data products.

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