

July 25th, 2023

LSEG endorses the Japanese Financial Services Agency's Code of Conduct for ESG Evaluation and Data Providers

London Stock Exchange Group (LSEG), further to the January endorsement^{1 2} of the [Code of Conduct for ESG Evaluation and Data Providers](#) ("Code") released in December 2022 by the Financial Services Agency of Japan, is now pleased to outline how it complies with Principles 1-6 of the Code to the extent they are applicable to LSEG's activities and products.

LSEG entities (Refinitiv and FTSE Russell) publish ESG scores for over 10,000 companies under transparent models, which use only publicly available data and are aligned with global ESG reporting standards, including TCFD³ and GRI⁴. In the area of ESG scores and data, we support global initiatives aimed at improving their quality, reliability, and transparency. A core set of universal principles guides the ESG scoring and methodologies of Refinitiv and FTSE Russell, in line with the key industry and international standards.

LSEG⁵ response to the Code of Conduct for ESG Evaluation and Data Providers:

1. Principle 1 (Securing Quality): ESG evaluation and data providers should strive to ensure the quality of ESG evaluation and data they provide. The basic procedures necessary for this purpose should be established.

Refinitiv and FTSE Russell have established policies and procedures and relevant training materials across teams responsible for data collection to ensure high standards of data integrity. Refinitiv's and FTSE Russell's ESG data products are based on publicly available information.

Refinitiv and FTSE Russell only use actual reported data in their scoring methodology (no estimates) to ensure high quality and confidence in the inputs to the scoring. Refinitiv's and FTSE Russell's ESG scores methodologies are publicly disclosed on the following websites and periodically reviewed through the existing governance processes:

- For Refinitiv, in the "[Environmental, Social and Governance \(ESG\) Scores from Refinitiv](#)"
- For FTSE Russell, in the "[Guide to FTSE and Third Party Sustainable Investment Data used in FTSE Russell Indices](#)"

The application of the methodologies is controlled via the established internal control procedures. For an overview of the FTSE Russell ESG quality control procedures, please review to page 26 of the

¹ [Regulation | FTSE Russell](#)

² [Japanese Financial Services Agency's \(FSA\) Code of Conduct for ESG Evaluation and Data Providers | Refinitiv](#)

³ TCFD: Taskforce on Climate-related Financial Disclosures

⁴ GRI: Global Reporting Initiative

⁵ References to LSEG used further in this document relate to Refinitiv and FTSE Russell entities publishing ESG scores.

[Guide to FTSE and Third Party Sustainable Investment Data used in FTSE Russell Indices.pdf \(ftserussell.com\)](#). As an illustration of the existing control processes applied by Refinitiv, please refer to page 4 of the document describing [Environmental, Social and Governance \(ESG\) Scores from Refinitiv - May 2022](#).

Where Refinitiv or FTSE Russell outsource ESG input data collection to third-party providers, such relationships are governed via contractual agreements and the data undergoes established research and quality assurance processes.

II. Principle 2 (Human Resources Development): ESG evaluation and data providers should secure necessary professional human resources to ensure the quality of the evaluation and data provision services they provide, and should develop their own professional skills.

LSEG employs more than 630 data collection and quality control professionals, spread over skill centres spanning Asia and Europe, including more than 30 dedicated ESG scores and data collection specialists proficient in Japanese. LSEG operates effective recruitment and onboarding processes to identify and recruit top talent. In line with LSEG's HR framework, employees are subject to continuous professional training and assessment to foster professional development and high-performance standards in their roles. On top of 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. 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.

III. Principle 3 (Ensuring Independence and Managing Conflicts of Interest): ESG evaluation and data providers should establish effective policies so that they can independently make decisions and appropriately address conflicts of interest that may arise from their organization and ownership, business, investment and funding, and compensation for their officers and employees, etc. With regard to conflicts of interest, providers should identify their own activities and situations that could undermine the independence, objectivity, and neutrality of their business, and avoid potential conflicts of interest or appropriately manage and reduce the risk of conflict of interest.

Refinitiv and FTSE Russell do not offer ESG data "issuer pays" type of service, thereby reducing the risk of conflicts of interest associated with ESG data or scores. ESG scores and data collection specialists operate independently from sales functions and are not incentivised by fees charged to clients.

Refinitiv's and FTSE Russell's ESG scores methodologies also reduce the risk of potential conflicts of interest through their transparent design and reliance on public sources:

- a) the data used for determining ESG scores is based on publicly available sources. This data is auditable and can be traced to the source;
- b) company evaluations are not developed through questionnaires; and
- c) scoring methodologies are rules-based, limiting the need for human intervention, and are publicly available to clients, prospective clients and companies subject to evaluation.

In order to mitigate the risk of conflicts of interest and establish appropriate control measures across the Group, LSEG established the Group Conflicts of Interest Policy which sets out the key requirements for identification, reporting and management of conflicts of interest. In addition, Refinitiv and FTSE Russell have developed conflicts of interest registers to capture potential and actual cases of conflicts of interest and the

relevant mitigating measures. The identified conflicts and mitigating measures are periodically reviewed through the relevant governance forums.

All members of LSEG staff are also subject to the [LSEG Code of Conduct](#) and Group Policies on Personal Account Dealing. Any personal conflicts are required to be disclosed via the dedicated Central Compliance System and are reviewed by Compliance.

IV. Principle 4 (Ensuring Transparency): ESG evaluation and data providers should recognize that ensuring transparency is an essential and prioritized issue, and publicly clarify their basic approach in providing services, such as the purpose and basic methodology of evaluations. Methodologies and processes for formulating services should be sufficiently disclosed.

Transparency is central to Refinitiv's and FTSE Russell's ESG data collection, verification and scoring methodologies, which are available on their websites, as follows:

- For Refinitiv, in the "[Environmental, Social and Governance \(ESG\) Scores from Refinitiv](#)"
- For FTSE Russell, in the "[Guide to FTSE and Third Party Sustainable Investment Data used in FTSE Russell Indices](#)"

In addition to the published methodology documents, companies and users of ESG scores can refer to product specific disclosures for more details. For example, section 1.6 in the [FTSE Russell ESG Scores – information for researched companies](#) provides an overview of the assessment process and calendar followed by FTSE Russell in relation to ESG scores used in the FTSE Blossom Japan Index Series. Assessed companies can also request a detailed version of the methodological guides and ESG data fields used for their particular economic activity.

Finally, where estimations are applied for FTSE Russell and Refinitiv ESG data, the methodology for the estimations is disclosed publicly. For example, please refer to the Refinitiv ESG [Carbon Data and Estimate Models](#) and [FTSE's Russell Green Revenues 2.0 data model](#).

Changes to existing methodologies are reviewed through the existing governance processes, with public consultations conducted where appropriate and with existing and potential users informed through standard notification processes.

Any enquiries received from companies subject to evaluation are reviewed through the established internal processes, in order to address the enquiries to the extent possible and in a timely manner.

V. Principle 5 (Confidentiality): ESG evaluation and data providers should establish policies and procedures to appropriately protect non-public information obtained in the course of business.

LSEG has in place the Group Data Policy, which sets out the principles and standards for data governance and management and the Group Confidentiality Policy, setting out the key requirements for handling confidential information. Any policy breaches are reported and investigated, in line with the internal processes and procedures. In addition, data collection specialists are appropriately trained on data sourcing and handling, and data used for ESG scoring is sourced only from publicly available sources, such as annual reports, corporate social responsibility reports and data from stock exchanges.

VI. Principle 6 (Communication with Companies): ESG evaluation and data providers should devise and improve the way they gather information from companies so that the process becomes efficient for both service providers and companies or necessary information can be sufficiently obtained. When important or reasonable issues related to information source are raised by companies subject to evaluation, ESG evaluation and data providers should appropriately respond to the issues.

Refinitiv and FTSE Russell do not collect information through surveys and will not accept any data that is not publicly available.

Refinitiv offers companies subject to evaluation free access to [an ESG Contributor tool](#), where they can verify and edit historical data and/ or contribute new ESG data. 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. Refinitiv has a dedicated customer support team enabling clients to raise any ESG data-related enquiries and challenges.

FTSE Russell's process of engagement with companies subject to evaluation is described in the "[Corporate engagement within sustainable investment - Information for researched companies](#)" document. The process for handling any identified data inaccuracies and addressing challenges for companies' sustainability data is described in 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 sets 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.

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