Benchmark Administration: Governance and Conflicts of Interest Management

v1.3
Contents

1. Introduction ........................................................................................................................................3
2. Identification and management of conflicts of interest ......................................................................4
3. Areas of potential conflicts of interest ...............................................................................................5
1. **Introduction**


1.2 As a benchmark administrator authorised by the FCA, FTSE International Limited has in place robust governance arrangements which include a clear organisational structure and a framework to identify and to prevent or manage potential conflicts of interest and to ensure that where any judgement or discretion in the benchmark determination process is required, it is independently and honestly exercised.

1.3 This document gives an overview of the main ways in which conflicts of interest are identified, prevented and managed.
2. Identification and management of conflicts of interest

2.1 FTSE Russell has processes in place to identify, assess and manage potential conflicts of interest. Any conflicts of interest are recorded in a conflicts of interest register and reviewed periodically in line with our governance framework.

2.2 Conflicts of interest may arise in areas including:
   – organisational ownership;
   – index design;
   – clients, partners or suppliers;
   – individual employees/directors.

2.3 These processes are subject to review by the FTSE Russell Index Management Board on an annual basis, or more frequently if the possibility of a conflict arises.

2.4 Following a conflict being identified, management and compliance assess the nature of the conflict and determine what controls may be put in place to manage the conflict adequately, and any disclosure that may be required. In the event that satisfactory controls cannot be established the activity will be declined or discontinued.

2.5 Given the range of mitigating processes, controls and governance in place to manage the potential conflicts identified as part of the framework, we do not consider there are any residual material conflicts.
3. **Areas of potential conflicts of interest**

### 3.1 Organisational ownership

FTSE Russell is wholly owned by London Stock Exchange Group plc (LSEG). Benchmark administration is the responsibility of FTSE International Limited, which is managed separately from other businesses owned and operated by LSEG.

Some data used within FTSE Russell indices are provided by Refinitiv, which is also wholly owned by LSEG. This is data which is widely used in the market and for which FTSE Russell has standard contracts in place, therefore no material conflict of interest is considered to arise.

To oversee its indices, FTSE Russell has developed a strong governance framework, including:

- the FTSE Russell Index Governance Board which approves all new index methodologies and enhancements to existing methodologies;
- working groups formed of knowledgeable and experienced employees to support the FTSE Russell Index Governance Board;
- external advisory committees formed of senior, experienced market practitioners, clients and index users that provide input to the FTSE Russell Index Governance Board and help to mitigate any potential for conflicts of interest; and
- the FTSE Russell Oversight Committee, which along with the other FTSE Russell internal forums and external advisory committees forms the Oversight Function required by the European Regulation on indices used as benchmarks (EU BMR) and the retained EU law in the UK (UK BMR) to ensure oversight of all aspects of the provision of the benchmarks administered by FTSE International Limited.

Consideration of any conflict of interest is undertaken at each forum. On identification of an actual or a possible conflict of interest, any measures needed to be taken to avoid or manage any conflict of interest will be put in place.

For further information on the FTSE Russell governance framework please refer to: [FTSE_Russell_Governance_Framework.pdf](mailto:FTSE_Russell_Governance_Framework.pdf)

### 3.2 Index design

#### 3.2.1 Index methodologies

Index methodologies are clearly defined and made publicly available on the FTSE Russell website ([www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)). The index methodologies and supporting policies are designed to minimise the need for the use of any expert judgement or discretion. Any expert judgement required is carried out according to the applicable Statement of Principles and the exercise of expert judgement in FTSE Russell Indices policy and is recorded and reviewed by the FTSE Russell Index Governance Board.

#### 3.2.2 Index methodologies

Index methodologies are subject to regular review to ensure they reflect the market they are seeking to represent. Criteria for index inclusion (e.g. country classification, eligible markets, listing regimes) are considered by the external advisory committees as well as the FTSE Russell Index Governance Board. Market consultations are required for substantial changes to index methodologies, as detailed in the FTSE Russell Policy for benchmark methodology changes.

### 3.3 Clients, partners and suppliers

#### 3.3.1 Index inclusion or exclusion

Index inclusion or exclusion is determined in accordance with the eligibility criteria detailed in the index methodology documents and administration is managed separately from any commercial relationships FTSE Russell may have in place with clients, partners or suppliers.

#### 3.3.2 Index changes

Index changes are notified to all index users at the same time, no advance notice is provided to any client, partner or supplier.
3.4 Individual employees and directors

3.4.1 To manage any potential conflicts of interest, all FTSE Russell employees are required to adhere to LSEG employee policies including those on:

- Conflicts of interest;
- Code of conduct;
- Personal account dealing;
- Confidentiality;
- Whistleblowing;
- Anti-bribery and corruption;
- Financial crime.

3.4.2 These LSEG-wide policies are supplemented by FTSE Russell procedures that cover conflicts of interest and the management of inside information.

3.4.3 Implementation and understanding of these LSEG-wide policies is supported by the LSEG-wide mandatory training programme. FTSE Russell employees are required to complete the mandatory training courses and answer questions to test their understanding of the material. Levels of completion of the training programme are recorded.

3.4.4 All directors, officers, employees, contractors, consultants, temporary workers and other personnel working for FTSE Russell are required to declare any internal or external positions, appointments or activities. Declarations must be completed in the electronic Central Compliance System on joining the company, or subsequently at the time any such position, appointment or activity arises. Annual declarations are required to ensure the information is still accurate.

3.4.5 All declared internal or external positions, appointments or activities are subject to pre-approval by the compliance team. On identification of an actual or a possible conflict of interest, the compliance team will decide whether measures need to be taken to avoid or manage any conflict of interest.

3.4.6 Each member of an external advisory committee receives a letter of appointment to the position, which details the process for managing conflicts of interest and the requirement for any to declared. Reminders of their obligations are given at the beginning of each meeting.

3.4.7 All directors, officers, employees, contractors, consultants, temporary workers and other personnel working for FTSE Russell are required to declare if they are in receipt of any material non-public price-sensitive information ("MNPI") or "inside information" and are required to act in accordance with the behaviours detailed in the LSEG-wide policies.

3.4.8 All members of staff of FTSE Russell are required to declare any holdings in the electronic central compliance system on joining the company and confirm the information is accurate on an annual basis.

3.4.9 When wishing to trade in relevant securities, all members of staff are required to seek permission through the electronic central compliance system prior to any such trading. Approval is given by the compliance team.

3.4.10 The whistleblowing policy details the whistleblowing arrangements in place to report any concerns regarding any behaviour that may be unethical or in breach of the code of conduct, laws or regulation. This policy and code are applied to all members of staff across LSEG, including FTSE Russell.

3.4.11 The whistleblowing policy applies to all staff and covers situations where a whistleblower may raise a concern about malpractice or wrongdoing that affects others, including other staff, LSEG, clients or suppliers. The number and nature of whistleblowing incidents identified are required to be reported anonymously, where applicable, to the board of directors of the relevant regulated entity affected by the incident.
For more information about our indexes, please visit ftserussell.com.

Disclaimer

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB and BR. “FTSE®”, “Russell®”, “FTSE Russell®”, “FTSE4Good®”, “ICB®”, “The Yield Book®”, “Beyond Ratings®” 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 FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB or BR. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

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 error 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 FTSE Russell products, including but not limited to indexes, data and analytics, or the fitness or suitability of the FTSE Russell products for any particular purpose to which they might be put. Any representation of historical data accessible through FTSE Russell products is provided for information purposes only and is not a reliable indicator of future performance.

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 error (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analysing, editing, transmitting, 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 cannot be invested in directly. Inclusion of an asset in an index 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 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.

Past performance is no guarantee of future results. Charts and graphs are provided for illustrative purposes only. Indexes returns shown may not represent the results of the actual trading of investable assets. Certain returns shown may reflect back-tested performance. All performance presented prior to the index inception date is back-tested performance. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. However, back-tested data may reflect the application of the index methodology with the benefit of hindsight, and the historic calculations of an index may change from month to month based on revisions to the underlying economic data used in the calculation of the index.

This document may contain forward-looking assessments. These are based upon a number of assumptions concerning future conditions that ultimately may prove to be inaccurate. Such forward-looking assessments are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially. No member of the LSE Group nor their licensors assume any duty to and do not undertake to update forward-looking assessments.

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 FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB or BR. FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

FTSE Russell is a leading global provider of benchmarking, analytics and data solutions for investors, giving them a precise view of the market relevant to their investment process. A comprehensive range of reliable and accurate indexes provides investors worldwide with the tools they require to measure and benchmark markets across asset classes, styles or strategies.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

FTSE Russell is focused on applying the highest industry standards in index design and governance, employing transparent rules-based methodology informed by independent committees of leading market participants. FTSE Russell fully embraces the IOSCO Principles and its Statement of Compliance has received independent assurance. Index innovation is driven by client needs and customer partnerships, allowing FTSE Russell to continually enhance the breadth, depth and reach of its offering.

FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit www.lseg.com/en/ftse-russell/.

To learn more, visit www.lseg.com/en/ftse-russell/ email info@ftserussell.com; or call your regional client service team office:

EMEA +44 (0) 20 7866 1810 North America +1 866 551 0617 Asia-Pacific
Hong Kong +852 2164 3333 Tokyo +81 3 4563 634

ABOUT FTSE RUSSELL
FTSE Russell is a leading global provider of benchmarking, analytics and data solutions for investors, giving them a precise view of the market relevant to their investment process. A comprehensive range of reliable and accurate indexes provides investors worldwide with the tools they require to measure and benchmark markets across asset classes, styles or strategies.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

FTSE Russell is focused on applying the highest industry standards in index design and governance, employing transparent rules-based methodology informed by independent committees of leading market participants. FTSE Russell fully embraces the IOSCO Principles and its Statement of Compliance has received independent assurance. Index innovation is driven by client needs and customer partnerships, allowing FTSE Russell to continually enhance the breadth, depth and reach of its offering.

FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit www.lseg.com/en/ftse-russell/.

To learn more, visit www.lseg.com/en/ftse-russell/ email info@ftserussell.com; or call your regional client service team office:

EMEA +44 (0) 20 7866 1810 North America +1 866 551 0617 Asia-Pacific
Hong Kong +852 2164 3333 Tokyo +81 3 4563 634