

FTSE ESG Data Recalculation Policy and Guidelines

v1.5



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ESG data recalculation policy

1. FTSE ESG data recalculation policy

- 1.1.1 This document sets out FTSE Russell's ESG Data Recalculation Process. This applies to FTSE ESG Data Products listed in the [Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices.pdf](#) and FTSE indices using these ESG data sets.
- 1.1.2 FTSE Russell makes every effort to maintain its data and indices 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 FTSE 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 inaccurate, incomplete or late data whether occurring internally or externally to FTSE Russell.
- 1.1.3 Where an inaccuracy in a FTSE ESG data product is identified, FTSE Russell will follow the guidelines set out in this document when determining if this 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.
- 1.1.4 It is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, a 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.
- 1.1.5 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.
- 1.1.6 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;
 - any errors or inaccuracies in these guidelines;
 - 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 data complaints process

2. Complaints

- 2.1.1 The FTSE Russell complaints procedure can be accessed using the following link:
[Benchmark_Determination_Complaints_Handling_Policy.pdf](#)
- 2.1.2 If a company wishes to challenge its ESG Data, it should contact FTSE4Good@FTSERussell.com; queries outside of this channel may be delayed or missed. The reasons for challenging ESG Data should be stated, have regard to the ESG Data 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 Data assessment.
- 2.1.3 When making its decision in line with ESG Data 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 aims to ensure that the correct ESG Data collection processes have been followed and that the methodologies have been applied consistently across companies.
- 2.1.4 FTSE Russell will review the company's ESG Data based on its own analysis and evidence provided by or on behalf of the company, with reference to the ESG Data Recalculation Guidelines. If a ESG Data change is supported, it will be implemented at a subsequent data update. If a data update is not supported by FTSE Russell, the complainant will be informed of this outcome with the rationale for the decision.

ESG data and index recalculation guidelines

3. ESG data and index recalculation guidelines

3.1 ESG data recalculation guidelines

Event type	Decision criteria	ESG data update
Challenge to the incorporation of company feedback	If FTSE Russell determines that the feedback process was not followed and that updates to the ESG data are required.	At the next update of ESG data
ESG data miscalculation	Following investigation by FTSE Russell, it is found there was a miscalculation of ESG data.	At the next update of ESG data
New information availability	ESG data takes into account publicly available information at the time of the assessment and not subsequent publications.	Information provided after the closing of the company feedback process will be considered at the next update of ESG data

3.2 Indices that use ESG data

- 3.2.1 An update in ESG data may impact ESG index inclusion and will depend on the frequency of the index rebalance.
- 3.2.2 ESG data sets can be used in index methodologies for selection, weighting or exclusion of securities¹. This information is included in FTSE Russell index ground rules.
- 3.2.3 ESG scores and data sets are often based on a qualitative assessment. As there is no universal market or regulatory standard or framework, multiple approaches and methodologies are used to assess or estimate ESG factors and considerations. This may also change over time. Therefore, an element of subjectivity is inherent in any ESG score or data set.
- 3.2.4 In the event of ESG data inaccuracies, FTSE Russell will follow the guidelines below when determining any index remedial action. In general, updated ESG data will be used at the next review (apart from inaccurate inclusions), index histories will not be restated, and ex-post analysis will not be available. A client notice will be issued if the remedy is actioned intra-review.
- 3.2.5 Changes to this approach will be considered for each case, taking into account the list of criteria below.
- 3.2.6 If there are inaccuracies in the underlying index, the FTSE Equity or Fixed Income Recalculation Policy will apply and the impact will depend on the ESG index methodology.

¹ Definitions
 Selection- ESG data is used to select or rank constituents, or calculate minimum scores or thresholds
 Weighting- ESG data is used to calculate the weight of a constituent in an index
 Exclusion- ESG data is used to exclude companies from the index

3.3 Guidelines for indices in case of ESG data inaccuracies

Event type	Guideline
Inaccurate inclusion If a security should not have been an index constituent as defined by the <i>exclusion criteria</i> outlined in the index ground rules	Remove the security from the index with a minimum of two trading days' notice
Inaccurate exclusion If a security should have been an index constituent as defined by the <i>exclusion criteria</i> outlined in the index ground rules	Add the security to the index in conjunction with the next review, or with a minimum of two trading days' notice according to the index methodology
Inaccurate ESG data input used for index weight calculation	Updated ESG data will be used at the next review Alternative remedial actions (e.g. an additional review or recalculation of history) will be considered based on the criteria listed below

3.3.1 As the individual circumstances of an inaccuracy may be complex, FTSE Russell reserves the right to determine the best course of remedial action, when these general guidelines might suggest otherwise. For complex cases, custom indices and indices which are tracked by a single index user, FTSE Russell reserves the right to consult index users and market participants on potential remedial action.

3.3.2 In interpreting these guidelines FTSE Russell will consider relevant criteria, including but not limited to:

- the asset class of the index constituents;
- the impact on constituent weights;
- the data set impacted;
- the number and weight of securities impacted;
- the methodology of the indices impacted;
- the impact on the total return of the broad, top-level index and sub-indices;
- the rebalance frequency of the indices;
- the time elapsed since the inaccuracy occurred;
- operational considerations;
- proximity to the next review;
- client impact;
- the implications for products known to track the index.

Further information

For further information on FTSE Russell Indexes, please visit www.lseg.com/en/ftse-russell/ or e-mail info@ftserussell.com.

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