

## SOLUTION OVERVIEW

# FTSE Women on Boards Leadership Index Series

Integrate leadership in gender diversity into a broad market benchmark

### Overview

Globally, there has been increased investor focus on gender diversity in corporate leadership.

The increased focus on gender diversity is part of a crucial and broader focus on diversity and inclusion. Diversity can be measured in many ways, and gender is seen as a starting point and proxy for a wider assessment of diversity. The benefits of diversity range from improved decision making, to social factors, such as better employee engagement and customer responsibility, all of which can potentially deliver greater shareholder value. When integrating gender diversity into passive solutions, it is also useful to consider the social impact of companies.

The FTSE Women on Boards Leadership Index Series integrates leadership in gender diversity and social impact into a broad market benchmark.

### Benefits

- This index solution enables investors to achieve increased exposure to companies demonstrating gender diversity leadership at board level and strong social impact
- The indexes contribute to the gender diversity movement to promote awareness and improve inclusive environments at all levels

The FTSE Women on Boards Leadership Index Series consists of the following indexes:

#### FTSE Women on Boards Leadership Index Series

FTSE All-Share® Women on Boards Leadership Index

Russell 1000® Women on Boards Leadership Index

### Features

- Consists of eligible securities in the relevant underlying FTSE All-Share® ex Investment Trust Index and the Russell 1000® Index
- Company weights within each index are “tilted” to integrate gender diversity and social impact
- Increased exposure to companies demonstrating gender diversity leadership at the board level. This tilt is based on the Women on Boards Ratio
- Increased exposure to companies demonstrating strong social impact. This tilt is based on the Social Pillar score in the FTSE Russell ESG data model
- An Industry Neutrality adjustment is applied to the Women on Boards adjustment
- Follows FTSE Global Factor Index Series methodology to address concerns about liquidity, capacity, diversification and turnover


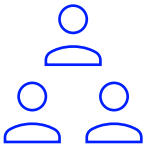


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## Gender diversity and social impact measures and definitions

Constituent weightings in the FTSE Women on Boards Leadership Index Series are adjusted based on two measures:

- 1) Leadership in gender diversity
- 2) Social impact

| Measure  | Objective  | Definition  |
|--|--|---|
| Gender Diversity adjustment<br> | The objective is to increase exposure to companies demonstrating gender diversity leadership at the board level. | Ratio of women board members to the total number of board members in excess of the Industry Classification Benchmark (ICB®) industry average. An Industry Neutrality adjustment is applied to the Women on Boards adjustment.   |
| Social Impact adjustment<br>    | The objective is to increase exposure to companies demonstrating strong social impact.                           | Based on the Social Pillar score as calculated by FTSE Russell's ESG data model.<br><br>FTSE Russell's ESG Ratings breaks down into one overall ESG Rating, three Pillars and 14 Thematic Exposures and Scores for each company. The Social Pillar is one of the three Pillars and is further comprised of five Themes; Customer Responsibility, Health and Safety, Human Rights and Community, Labor Standards and across all those areas is the Social Supply Chain.<br><br>Over 100 indicators are used to calculate a score from 0 to 5 (highest) for each company, and are across all five Themes. |

## Index construction process

### Starting universe

Start with market capitalization weighted index:

- FTSE All-Share ex Investment Trust Index
- Russell 1000 Index



Step 1

### Calculate Gender Diversity adjustment scores

- Obtain the Gender Diversity adjustment score for each company in the underlying index. This is the ratio of women board members to total board members in excess of the Industry Classification Benchmark (ICB®) average. The Women on Boards ratio is obtained from the FTSE Russell ESG Ratings and data model



Step 1 Step 2

### Apply industry neutral adjustment to Gender Diversity adjustment

- An Industry Neutrality adjustment is applied to the Gender Diversity adjustment. This adjusts the industry weights in the FTSE Women on Boards Leadership Index to match the industry index weights of the underlying universe



Step 1 Step 2 Step 3

### Calculate Social Impact adjustment scores

- Obtain the Social Impact adjustment score for each company in the underlying index. This is the Social Pillar score obtained from the FTSE Russell ESG Ratings and data model



Step 1 Step 2 Step 3 Step 4

### Translate Gender Diversity and Social Impact scores into index weights

- Combine Gender Diversity and Social Impact scores with weights in the underlying market capitalization index to form a gender diversity and social impact tilted index
- Companies with high Gender Diversity and Social Impact scores will have their weights increased, and companies with low combined scores have their weights decreased



Step 1 Step 2 Step 3 Step 4 Step 5

### Narrow index and constrain final weights

Remove stocks which do not contribute to the overall factor objective, whilst ensuring that diversification constraints are not breached.

The following constraints are applied during this process:

- Country and Industry weight constraints
- Maximum stock level capacity
- Minimum stock weight



Step 1 Step 2 Step 3 Step 4 Step 5 Step 6

### Publish and review index

- Indexes are fully reviewed annually in June

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