Overview
Investors are increasingly incorporating Environmental, Social and Governance (ESG) considerations into core benchmarks and passive investments. FTSE Russell has been at the forefront of innovation in ESG indexing for nearly two decades, since the creation of the FTSE4Good Index Series in 2001, one of the world’s first global ESG index families.

Commitment to quality
The FTSE4Good Index Series is a market-leading tool for investors seeking to invest in companies that demonstrate good sustainability practices. It also supports investors that wish to encourage positive change in corporate behavior and align their portfolios with their values.

Benefits
• Deliver impact through engaging with companies on their FTSE4Good assessment; therefore encouraging companies to improve ESG practices
• Aligns ESG values/objectives regarding controversial business activities by excluding or applying strict criteria on companies involved with such activities
• Avoids investing in pure play coal or traditionally excluded sectors such as tobacco and weapons
• Captures a broad universe of companies that are demonstrating strong ESG practices
• Utilizes a globally recognized brand in FTSE4Good®

Features

Comprehensive
Includes more than 15 benchmarks, based on the ESG Scores of over 7,200 securities in 47 Developed and Emerging markets.

Nearly two decades of data history
There are almost 20 years of index level returns and over that time the ESG assessment process and inclusion criteria has evolved to keep them aligned with industry trends and investor needs.

Aligned with the UN Sustainable Development Goals
Supports alignment with the UN Sustainable Development Goals (SDGs). All 17 SDGs are reflected in the 14 ESG Themes that companies are assessed on in order to be included in the index series.

Precise rules and focus on data
Minimizes subjectivity by having clearly defined rules for constructing the indexes and assessing companies.

Transparent methodology
The index and scores methodologies are available to users, so they can determine how a company is assessed. The ESG Scores are based on publicly available data.

Strong governance
Overseen by an independent external committee comprising experts within the investment community, business, NGOs, unions and academia.
# About FTSE Russell’s ESG Scores

The FTSE4Good Index Series uses the overall Score from FTSE Russell’s ESG Scores and data model to select companies for inclusion. The ESG Scores include over 7,200 securities in 47 Developed and Emerging markets.

The ESG Scores are comprised of an overall Score, which is used to adjust stock weights in the FTSE4Good Index Series. The overall Score breaks down into underlying Pillar and Theme Exposures and Scores. The Pillars and Themes are built on over 300 individual indicator assessments that are applied to each company’s unique ESG risk exposures.

## ESG Scores

<table>
<thead>
<tr>
<th>ESG Scores</th>
<th>Description</th>
<th>Pillars</th>
<th>Themes</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental</strong></td>
<td>Score: Measure of the quality of a company’s management of Environmental issues</td>
<td>1 Scores</td>
<td>14 Themes</td>
<td>Over 300 indicators in the model with each Theme containing 10 to 35 indicators An average of 125 indicators are applied per company</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>Score: Measure of the quality of a company’s management of Social issues</td>
<td>3 Pillars</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Score: Measure of the quality of a company’s management of Governance issues</td>
<td>14 Themes</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Biodiversity</strong></td>
<td>Exposure: Measure of the relevance of Environmental issues for a company</td>
<td>300+ Indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Climate Change</strong></td>
<td>Exposure: Measure of the relevance of Environmental issues for a company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pollution and Resources</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supply Chain</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Water Security</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customer Responsibility</strong></td>
<td>Score: Measure of the quality of a company’s management of issues related to each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Health and Safety</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Human Rights and Community</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Labor Standards</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supply Chain</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corporate Governance</strong></td>
<td>Score: Measure of the quality of a company’s management of issues related to each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Risk Management</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tax Transparency</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Anti-corruption</strong></td>
<td>Score: Measure of the quality of a company’s management of issues related to each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supply Chain</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Biodiversity</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Climate Change</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pollution and Resources</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supply Chain</strong></td>
<td>Exposure: Measure of the relevance for a company of each Theme</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Index construction process

Starting universe
Start with the market capitalization weighted underlying index e.g. FTSE Developed Index, FTSE All-Share Index.

Constituent selection
The FTSE4Good selection criteria are designed to reflect strong ESG risk management practices. In order to be included in the FTSE4Good Index Series companies must have an overall ESG Score of 3.3 out of 5\(^1\). This ensures only companies demonstrating strong management of ESG risks are included.

<table>
<thead>
<tr>
<th></th>
<th>Developed markets</th>
<th>Emerging markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies newly included in the Index Series</td>
<td>ESG Score of 3.3 or higher</td>
<td>ESG Score of 2.5 or higher</td>
</tr>
<tr>
<td>Companies removed from the Index Series</td>
<td>ESG Score lower than 2.7</td>
<td>ESG Score of lower than 2.1</td>
</tr>
</tbody>
</table>

Exclude companies based on controversies and business activities
Companies with exposure to “significant controversies” are not eligible for addition to the Index Series, and in the most extreme cases current index constituents will be deleted.

Manufacturers/ producers of:
• Tobacco
• Weapons systems
• Controversial weapons (cluster munitions, anti-personnel mines, depleted uranium, chemical/biological weapons and nuclear weapons)
• Coal (ICB® Subsector)

Publish and Review Index
The FTSE4Good Index Series is reviewed semi-annually in June and December.

Any company with a Score that has fallen below the minimum threshold is allowed a 12 month grace period to improve its Score before the company is removed from the index. This incentivizes improvements in corporate practices and reduces the index turnover should the company improve, therefore meeting the standards needed.

\(^1\) The threshold is lower for Emerging markets to reflect market differences.
**A global family of indexes**

The FTSE4Good Index Series is calculated in real-time and is suitable for creating OTC and on-exchange derivative products as well as ETFs. Values are available on all the major vendor screens.

### FTSE All-World
- **Developed**
  - FTSE4Good Developed Index
  - FTSE4Good Developed 100 Index
- **Emerging**
  - FTSE4Good North America Index
  - FTSE4Good Europe Index
  - FTSE4Good Developed Asia Pacific Index
  - FTSE4Good Japan Index
  - FTSE4Good Emerging Index
  - FTSE4Good Emerging Latin America Index
  - FTSE4Good 50 Index
  - FTSE4Good Australia 30 Index
  - FTSE4Good Blossom Japan Index
  - FTSE4Good Indonesia Index

### FTSE UK All-Share
- FTSE4Good UK Index
- FTSE4Good UK 50 Index
- FTSE4Good 100 Index

### Indexes with exchange partners

#### FTSE4Good US Index
- FTSE4Good US Index
- FTSE4Good Developed US Index
- FTSE4Good Developed 100 Index
- FTSE4Good Japanese Index
- FTSE4Good Emerging US Index

#### FTSE4Good US 100 Index
- FTSE4Good Developed US 100 Index
- FTSE4Good Developed Japan Index
- FTSE4Good Asia Pacific Index

#### FTSE4Good Europe 50 Index
- FTSE4Good Europe 50 Index
- FTSE4Good Europe Index
- FTSE4Good European Index
- FTSE4Good European 100 Index
- FTSE4Good Europe 30 Index

#### FTSE4Good Emerging Index
- FTSE4Good Emerging Index
- FTSE4Good Emerging 50 Index
- FTSE4Good Emerging 30 Index
- FTSE4Good Emerging Latin America Index

### Timeline

- **2001**
  - FTSE4Good: One of the first global ESG index families
- **2004**
  - FTSE4Good US Select Index created, today used as a benchmark for the largest passive ESG mutual fund
- **2007**
  - FTSE4Good Environmental Leaders indexes introduced, highlighting best in class companies
- **2012**
  - ESG Scores based on FTSE4Good methodology launched
- **2013**
  - FTSE4Good Global Minimum Variance Index launched reducing index volatility
- **2014**
  - Expansion of ESG Scores coverage and methodology and launch of FTSE4Good Bursa Malaysia Index Series
- **2015**
  - Launch of FTSE JSE Responsible Investment Index Series
- **2016**
  - Launch of FTSE4Good ASEAN S Index and FTSE4Good Emerging Index
  - Launch of ESG data analytics platform including access to all underlying data
- **2017**
  - Launch of FTSE Blossom Japan Index
- **2018**
  - Launched the FTSE Russell Stewardship, Transition and Engagement Program for Change (STEP Change)
  - Enhanced the FTSE ESG Scores - water criteria
- **2019**
  - Launch of the FTSE4Good BIVA Index, FTSE4Good North America Index and FTSE4Good Developed Asia Pacific Index
- **2020**
  - Launch of the FTSE4Good Indonesia Index
About FTSE Russell

FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

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 investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on index innovation and customer partnership applying the highest industry standards and embracing the IOSCO Principles. FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit ftserussell.com.

To learn more, visit ftserussell.com; email info@ftserussell.com; or call your regional Client Service Team office:

<table>
<thead>
<tr>
<th>EMEA</th>
<th>North America</th>
<th>Asia-Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>+44 (0) 20 7866 1810</td>
<td>+1 877 503 6437</td>
<td>Hong Kong +852 2164 3333</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tokyo +81 3 6441 1430</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sydney +61 (0) 2 8823 3521</td>
</tr>
</tbody>
</table>
For more information about our indexes, please visit ftserussell.com.


FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, MTSNext, Mergent, FTSE FI, YB and BR. “FTSE®, “Russell®, “FTSE Russell®”, “MTS®”, “FTSE4Good®”, “ICB®”, “Mergent®”, “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, MTSNext, FTSE Canada, Mergent, FTSE FI, 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 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, transcribing, 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 contained herein or accessible through FTSE Russell products, including statistical data and industry reports, should be taken as constituting financial or investment advice or a financial promotion.

Past performance is no guarantee of future results.Charts and graphs are provided for illustrative purposes only. Index 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-test 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, MTSNext, Mergent, FTSE FI, YB, BR and/or their respective licensors.