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.

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<thead>
<tr>
<th>ESG Scores</th>
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<tr>
<td><strong>Environmental</strong></td>
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<tr>
<td>Score: Measure of the quality of a company’s management of Environmental issues</td>
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<tr>
<td>Exposure: Measure of the relevance of Environmental issues for a company</td>
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<tr>
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<tr>
<td>Score: Measure of the quality of a company’s management of Social issues</td>
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<td>Exposure: Measure of the relevance of Social issues for a company</td>
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<tr>
<td><strong>Governance</strong></td>
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<td>Exposure: Measure of the relevance of Governance issues for a company</td>
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</table>

| **3 Pillars** |
| **14 Themes** |
| **300+ Indicators** |
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. 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>
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<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>
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</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.

<table>
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<th>FTSE All-World</th>
<th>FTSE UK All-Share</th>
<th>Indexes with exchange partners</th>
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- **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 5 Index and FTSE4Good Emerging Index
- **2017**: Launch of FTSE4Good Blossom Japan Index
- **2018**: Launched the FTSE Russell Stewardship, Transition and Engagement Program for Change (STEP Change)
- **2019**: Enhanced the FTSE ESG Scores - water criteria
- **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.

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