



RI TRANSPARENCY REPORT

2019

FTSE Russell

About this report

This report is an export of the individual Signatory organisation responses to the PRI Service Provider Reporting Framework during the 2019 reporting period. It shows your responses to mandatory indicators, as well as responses to voluntary indicators that your organisation has agreed to make public. You will be able to access the public RI Transparency report of your organisation and that of other signatories on the [PRI website](#).

The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is an **Index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Index

The Index summarises the response status for the individual indicators and modules. It can be used by stakeholders as an 'at a glance' summary of reported information and to identify particular themes or areas of interest.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

| Symbol | Status |
|--------|---|
| ✓ | The signatory has completed all mandatory parts of this indicator |
| ☑ | The signatory has completed some parts of this indicator |
| 🔒 | This indicator was not relevant for this signatory |
| - | The signatory did not complete any part of this indicator. |
| ⚠ | The signatory has flagged this indicator for internal review |

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Index

| Organisational Overview | | | |
|-------------------------|-------------------------------------|--------|------------------------------|
| Indicator | Short description | Status | Disclosure |
| OO 01 | Basic information | ✓ | Public |
| OO 02 | Reporting year | ✓ | Public |
| OO 03 | Signatory category and services | ✓ | Public |
| OO 04 | Other offerings/business activities | ✓ | Public |
| OO 05 | Breakdown of ESG coverage | ✓ | Asset mix disclosed in OO 06 |
| OO End | | ✓ | - |

| Strategy and Governance | | | |
|-------------------------|--|--------|------------|
| Indicator | Short description | Status | Disclosure |
| SG 01 | Responsible investment policy | ✓ | Public |
| SG 02 | Norms used to develop policies | ✓ | Public |
| SG 03 | Policy offerings to clients | ✓ | Public |
| SG 04 | ESG/RI in business offerings | ✓ | Public |
| SG 05 | Outsourcing of services | ✓ | Private |
| SG 06 | Providing training/education | ✓ | Public |
| SG 07 | Applying, advancing and promoting the PRI principles | ✓ | Public |
| SG 08 | Actions taken to promote responsible investment | ✓ | Public |
| SG 09 | Long term trends | ✓ | Public |
| SG 10 | Interaction with asset owners | 🔒 | n/a |
| SG 11 | Aligning approach with investor goals | ✓ | Public |
| SG 12 | ESG recommendations not aligned with investor goals | ✓ | Public |
| SG 13 | Seeking feedback from clients | ✓ | Public |
| SG 14 | Managing conflicts of interest | ✓ | Public |
| SG End | | ✓ | - |

| Research and Data Provision | | | |
|-----------------------------|------------------------------------|--------|------------|
| Indicator | Short description | Status | Disclosure |
| RDP 01 | Product type | ✓ | Public |
| RDP 02 | Sources for research and/or rating | ✓ | Public |
| RDP 03 | Stakeholder input | ✓ | Public |
| RDP 04 | Up-to-date assessment and ratings | ✓ | Public |
| RDP 05 | Balanced research and assessment | ✓ | Public |
| RDP 06 | Consistency and comparability | ✓ | Public |
| RDP 07 | Emerging ESG issues and trends | ✓ | Private |
| RDP 08 | Client use of outputs | ✓ | Private |
| RDP 09 | | - | n/a |
| RDP End | | - | n/a |

FTSE Russell

Reported Information

Public version

Organisational Overview

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Basic Information

OO 01

Mandatory

Public

Descriptive

OO 01.1 Select the location of your organisation's headquarters.

United Kingdom

OO 01.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2 - 5
- 6 - 10
- 11 - 50
- >50

OO 01.3 Indicate the regions where you have offices.

- Africa/Middle East
- Asia (excluding Japan & Korea)
- Australasia
- Canada
- Continental Europe
- Japan & Korea
- Nordic
- South America
- UK & Ireland
- US

OO 01.4 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

311

OO 01.5 Additional information.[OPTIONAL]

Additional information about OO 01.4 - Number of FTE is as of December 2018.

This report focuses on FTSE Russell's Sustainable Investment activities. FTSE Russell is a unit of London Stock Exchange Group's (LSEG) Information Services Division. FTSE Russell is wholly owned by LSEG. Where relevant, the broader Sustainable Finance activities from across LSEG are referenced (e.g. to highlight support for issuers on ESG reporting) in particular where these activities support, and are enhanced by, the Sustainable Investment activities within FTSE Russell.

Reporting Year

| | | | |
|-------|-----------|--------|-------------|
| OO 02 | Mandatory | Public | Descriptive |
|-------|-----------|--------|-------------|

OO 02.1 Indicate the year end date for your reporting year.

31/12/2018

Signatory category and services

| | | | |
|-------|-----------|--------|---------|
| OO 03 | Mandatory | Public | Gateway |
|-------|-----------|--------|---------|

OO 03.1 Indicate which of the following categories reflect your core offering or main business activity:

- Reporting
- Active Ownership Services
- Investment consultancy
- Research and Data Provision
- Other, specify (1)
Index Creation, Delivery, and Maintenance
- Other, specify(2)

OO 03.2 Indicate any other business activities that your organisation offers. Indicate whether you wish to report on these business areas.

- Reporting
- Active Ownership Services
- Investment consultancy
- Other, specify (3)
- Other, specify (4)
- None of the above

| | | | |
|-------|-----------|--------|-------------|
| OO 04 | Mandatory | Public | Descriptive |
|-------|-----------|--------|-------------|

OO 04.1 Please describe your core offering or main business activity.

FTSE Russell is a leading global provider of benchmarks, analytics, and data solutions with multi-asset capabilities.

Our expertise and products are used extensively by institutional and retail investors globally. Approximately \$16 trillion is currently benchmarked to FTSE Russell indexes. 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.

With the recent addition of The Yield Book business, FTSE Russell extends its expertise in analytics to a highly respected analytics platform that serves approximately 350 institutions globally including banks, central banks, insurance companies, pension funds, broker-dealers, hedge funds and investment management firms. The Yield Book offers analytical insights into a broad array of fixed income instruments with specific focus on mortgage, government, corporate and derivative securities.

FTSE Russell is also major provider of data solutions, from top down economic and demographic information, to detailed equity, debt and sustainability fundamental data analysis , to corporations, financial institutions, business academics and reference libraries. Through its acquisition of Mergent, a provider of business and financial information on public and private companies globally for more than 100 years, FTSE Russell provides solutions including advanced data collection, cloud-based applications, desktop analytics and print products.

FTSE Russell

Reported Information

Public version

Strategy and Governance

PRI disclaimer

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Policy on ESG beliefs

SG 01

Mandatory

Public

Gateway

SG 01.1

Describe how your organisation's philosophy incorporates environmental, social and governance factors, and the link to your business offerings.

For more than 17 years, since the launch of the FTSE4Good Index Series, FTSE Russell has been at the forefront of the accelerating trend towards Sustainable Investment. Our ESG Philosophy and approach is underpinned and guided by four pillars:

1. Supporting capital markets (investors, issuers and intermediaries) in the transition to a sustainable and green economy
2. Facilitating dialogue on sustainability and improving data along the investment chain to help integrate sustainability into financial markets and capital allocation
3. Enabling market participants to integrate sustainability into investment strategies and engagement/stewardship
4. Championing transparency and fostering both wider access and improved quality of the ESG data available to market participants

These four pillars inform all of our Sustainable Investment activities. More information on FTSE Russell's ESG Philosophy can be found here: <http://bit.ly/2DlayBD>

SG 01.2

Indicate whether you have policies that formalise the incorporation of your ESG beliefs in your business offerings.

Yes

SG 01.3

Indicate the components/types of your internal policy and provide the URL and/or an attachment of the document/s if they are publicly available.

Policy components/types

Policy setting out your overall ESG/RI approach

Public availability

URL

URL

<https://www.ftserussell.com/index-series/index-spotlights/sustainable-investment-data-and-indexes>

- Attachment
- Not publicly available
- Formalised guidelines on environmental factors
- Formalised guidelines on social factors
- Formalised guidelines on corporate governance factors
- Formalised guidelines on engagement approach
- Formalised guidelines on (proxy) voting approach
- Other, specify (1)
- Other, specify (2)
- None of the above

SG 01.4

Indicate how these are put into practice internally across the organisation.

- Regular employee training on RI/ESG
 - Regular RI/ESG policy awareness building for employees
 - Establishment of policy review committee/team
 - Remuneration linked to achieving ESG objectives
 - Annual performance incentives
 - Other, specify (1)
 - Other, specify (2)
 - Other, specify (3)
- No

SG 01.5

Additional information [OPTIONAL]

In addition to the ESG Philosophy set out above, FTSE Russell has developed detailed policies and guidance that support our Sustainable Investment activities (i.e. Data and Research; and Index Creation and Delivery).

More specifically, our ESG and Green Revenues data models - the building blocks of our Sustainable Investment indexes - are based on detailed, proprietary methodologies. We use these methodologies to assess companies across our core global benchmarks (e.g. the FTSE Global Equity Index Series). Additional details of our Sustainable Investment methodologies can be found here: <http://www.ftserussell.com/financial-data/sustainability-and-esg-data>

Related to this, LSEG (our parent company) published a Guide to ESG Reporting for issuers in 2017. The aim of this guide was to improve both dialogue and the flow of "investment grade" ESG data from issuers to investors. The LSEG ESG reporting guide can be found here: <http://bit.ly/2FK4Q1s>

SG 02

Mandatory

Public

Descriptive

SG 02.1

Indicate what frameworks and guidelines you have used to develop your organisation's policies. Tick all that apply.

- UN Principles for Responsible Investment
- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- UN Sustainable Development Goals
- International Bill of Human Rights
- International Labour Organisation Conventions
- IFC Performance Standards
- United Nations Convention Against Corruption
- OECD Principles of Corporate Governance
- OECD Guidelines for Multinational Enterprises
- GRI standards
- Other, specify (1)
 Sustainable Stock Exchanges initiative
- Other, specify (2)
- Other, specify (3)
- None of the above

SG 03**Mandatory****Public****Descriptive****SG 03.1**

Indicate whether you offer standard, off the shelf, policies to clients as part of your product offerings, and/or whether you create tailored versions for individual clients.

| | Off the shelf | Tailored |
|--|-------------------------------------|-------------------------------------|
| Asset class-specific RI guidelines | <input type="checkbox"/> | <input type="checkbox"/> |
| Sector-specific RI guidelines | <input type="checkbox"/> | <input type="checkbox"/> |
| Screening/exclusions policy | <input type="checkbox"/> | <input type="checkbox"/> |
| Engagement policy | <input type="checkbox"/> | <input type="checkbox"/> |
| (Proxy) voting policy | <input type="checkbox"/> | <input type="checkbox"/> |
| RI guidelines set out within the Investment Policy Statement (IPS) | <input type="checkbox"/> | <input type="checkbox"/> |
| RI guidelines set out in a freestanding RI policy | <input type="checkbox"/> | <input type="checkbox"/> |
| Multi-year RI implementation project plan | <input type="checkbox"/> | <input type="checkbox"/> |
| Conflict of interest management policy | <input type="checkbox"/> | <input type="checkbox"/> |
| Stockbroker allocation policy | <input type="checkbox"/> | <input type="checkbox"/> |
| Securities lending policy | <input type="checkbox"/> | <input type="checkbox"/> |
| Other, please specify (1) | <input type="checkbox"/> | <input type="checkbox"/> |
| Other, please specify (2) | <input type="checkbox"/> | <input type="checkbox"/> |
| Other, please specify (3) | <input type="checkbox"/> | <input type="checkbox"/> |
| None of the above | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

SG 03.3

Additional information. [OPTIONAL]

FTSE Russell does not sell advice to clients on their own RI / ESG policies. Our Sustainable Investment research methodologies - for ESG Ratings and Green Revenues - have their own sector and related classifications but these are used for our own (research) purposes.

SG 04
Mandatory
Public
Descriptive
SG 04.1

Briefly describe how you include ESG/RI factors as part of your business offerings.

Business area

Research and Data Provision

How you include ESG/RI factors

FTSE Russell has more than 17 years of experience with Environmental, Social, and Governance (ESG) data and indexes. We provide investors with the ESG models and data tools necessary to understand a company from two perspectives - its operational practices and its product-related opportunities. These perspectives are provided via our two core ESG data models:

- ESG Ratings and data model
- Green Revenues data model

The ESG Ratings and data model allows investors to understand a company's exposure to, and management of, ESG issues in multiple dimensions. The ESG Ratings are comprised of an overall Rating that breaks down into underlying E, S and G "Pillars" and Thematic Exposures and Scores. The Pillars and Themes are built on 300+ individual ESG indicator assessments that are applied to each company's unique circumstances.

The Green Revenues data model tracks companies that generate revenue from a broadly defined set of green products and services. In our view Green Revenues are a critical component missing from current sustainability models. Using Green Revenues data investors can accurately identify and support their investment in companies that are engaged in the transition to a green economy with consistent, transparent data and indexes.

Other, specify (1)

Index Creation, Delivery, and Maintenance

How you include ESG/RI factors

FTSE Russell has been an innovator in the area of sustainable investment indexes since the launch in 2001 of the FTSE4Good Index Series - one of the longest running global ESG index series. In the 18 years since then, FTSE Russell has continued to create market-leading ESG indexes - such as our Environmental Markets Index Series, launched 10 years ago - and, more recently, our Smart Sustainability framework which allows investors to combine alternative risk premia (factors) and ESG parameters.

Indexes such as FTSE4Good and the Environmental Markets series combine traditional market capitalisation based indexes with ESG considerations using a rules-based approach to determine index weightings. Our Smart Sustainability indexes use FTSE Russell's multi-factor tilting methodology to determine index weightings (up or down) based on the specific ESG parameters under considerations e.g. Carbon emissions, fossil fuel reserves and Green Revenues. Other index families using the same factor tilting method to incorporate ESG considerations into index design include our ESG, Green Revenues and EPRA Nareit Green Index Series.

Details of our multi-factor tilting approach can be found here:
<http://www.ftserussell.com/files/research/multi-factor-indexes-power-tilting>.

Information on all of our Sustainable Investment indexes can be found on our website e.g. here:
<http://www.ftserussell.com/financial-data/sustainability-and-esg-data/sustainability-esg-indexes>

See SG5.6 for further information.

SG 04.2

Indicate the roles in your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for ESG/RI within the organisation.

| Roles present in your organisation | Oversight/accountability for ESG/RI | Implementation of ESG/RI |
|---|---|--|
| Board | <input type="checkbox"/> | <input type="checkbox"/> |
| Directors | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Chief Executive Officer (CEO), Chief Financial Officer (CFO) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Chief Operating Officer (COO), Chief Information Officer (CIO) | <input type="checkbox"/> | <input type="checkbox"/> |
| Other chief-level staff | <input checked="" type="checkbox"/> <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center; margin: 5px 0;">Please specify</div> <p>FTSE Russell's Chief Research Officer (CRO) and Chief Data Officer (CDO) have both oversight and implementation responsibility for Sustainable Investment.</p> | <input checked="" type="checkbox"/> <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center; margin: 5px 0;">Please specify</div> <p>FTSE Russell's Chief Research Officer (CRO) and Chief Data Officer (CDO) have both oversight and implementation responsibility for Sustainable Investment.</p> |
| Other heads of department | <input checked="" type="checkbox"/> <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center; margin: 5px 0;">Please specify</div> <p>An ESG Steering Committee was established in 2017 to oversee and implement a firm-wide ESG integration strategy. The ESG integration strategy will include all major FTSE Russell business functions (e.g. Analytics, Benchmarks, Data Operations, Products, Research and Sales & Marketing).</p> | <input type="checkbox"/> |
| Dedicated ESG/RI staff | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other role, specify (1) | <input type="checkbox"/> | <input type="checkbox"/> |
| Other role, specify (2) | <input type="checkbox"/> | <input type="checkbox"/> |
| Other role, specify | <input type="checkbox"/> | <input type="checkbox"/> |

| | | |
|-------------------|--------------------------|--------------------------|
| (3) | | |
| None of the above | <input type="checkbox"/> | <input type="checkbox"/> |

SG 04.3

Indicate how you ensure ESG/RI expertise for the roles where there are RI oversight/accountability or implementation responsibilities.

- Staff training on ESG/RI incorporation
- Including ESG/RI knowledge factors in personal development goals
- Having development plans that aim to enhance ESG/RI knowledge of certain departments/teams/individuals
- Including ESG in selection requirements when hiring new employees
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)
- Other, specify (4)

SG 04.4

Indicate whether your organisation has any ESG/RI linked incentives for its employees.

- Yes

SG 04.5

Describe the ESG/RI linked incentives.

All FTSE Russell employees that are focused wholly or partly on Sustainable Investment have ESG/RI related objectives. This includes members of the Sustainable Investment as well as the Marketing, Products, Research, Data Operations and Sales teams. Via the ESG SteerCo, members of FTSE Russell's Senior Management are also accountable for the integration of ESG into core functions within the business.

- No
- Not applicable, we ensure that employees incorporate ESG/RI into services through other mechanisms.

SG 04.7

Additional information [OPTIONAL]

In addition to our established, 'off the shelf' Sustainable Investment indexes, FTSE Russell works closely with investor clients to develop indexes to meet their specific Sustainable Investment objectives. One example of a recent Sustainable Investment index that is now available to the wider market is the FTSE All-World Climate Balanced Comprehensive Factor Index which was originally created with the UK-based Merseyside Pension Fund.

Merseyside Pension Fund (MPF) is one of the UK's top local government pension schemes. MPF's climate strategy is to align its responsible investment policy and activities with the goals of the 2015 Paris Climate Agreement. As a part of this, the Fund wanted to capture climate change risk and opportunities arising from climate change in their passive investment portfolios.

FTSE Russell worked closely with Merseyside Pension Fund to develop the FTSE All-World Climate Balanced Comprehensive Factor Index.

This index is designed to target improved long-term risk-adjusted returns through:

- Incorporating protection from climate change risks - through reduced exposure to carbon emissions and fossil fuel reserves

- Benefiting from the transition to a lower carbon economy - via increased exposure to companies with "green revenues" , and
- Balanced exposure to four financial risk premia factors (value, size, quality, low volatility and momentum)

The index uses the above risk premia factors and climate parameters to "tilt" constituent weights either towards or away from desirable characteristics within individual companies.

| | | | |
|-------|-----------|--------|-------------|
| SG 06 | Mandatory | Public | Descriptive |
|-------|-----------|--------|-------------|

| | |
|---------|--|
| SG 06.1 | Indicate whether you provide training/educational services on ESG/RI. Tick all that apply. |
|---------|--|

- Board/trustee training
- Investment manager training
- Regulatory bodies/authorities or public policy makers
- Corporate executive training
- ESG analyst training
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)
- Other, specify (4)
- None of the above

| | |
|---------|------------------------------------|
| SG 06.4 | Additional information. [OPTIONAL] |
|---------|------------------------------------|

FTSE Russell does not sell training services. However, as part of our role as an index and data provider we will provide support and materials to our clients to aid their knowledge and understanding of sustainable investment.

| | | | |
|-------|-----------|--------|-------------|
| SG 07 | Mandatory | Public | Descriptive |
|-------|-----------|--------|-------------|

| | |
|---------|---|
| SG 07.1 | Describe how your organisation applies, advances and promotes the PRI Principles. |
|---------|---|

FTSE Russell was part of the group that helped to develop the PRI and its Principles, and went on to be a founding signatory as well as the first Index Provider signatory. We have therefore been a promoter of the PRI since inception.

FTSE Russell's ESG Philosophy - and by extension all of our ESG products and services - are aligned with the objectives of the PRI e.g. the incorporation of ESG information into investment analysis and decision making, transparency, facilitating dialogue on sustainable investment etc.

Our ESG Philosophy and approach is underpinned and guided by the following four pillars:

5. Supporting capital markets (investors, issuers and intermediaries) in the transition to a sustainable and green economy
6. Facilitating dialogue on sustainability and improving data along the investment chain to help integrate sustainability into financial markets and capital allocation
7. Enabling market participants to integrate sustainability into investment strategies and engagement/ stewardship
8. Championing transparency and fostering both wider access and improved quality of the ESG data available to market participants

These four pillars overlap with the six principles of the PRI, in particular Principles 1 (ESG integration), Principle 2 (active ownership) and 3 (ESG disclosure). This report provides our commitment to Principle 6 (signatory reporting).

FTSE Russell has for many years had active involvement in collaborative activities within the industry - including initiatives created by the PRI (Principles 4 and 5).

We continue to be represented in and contribute to key industry policy initiatives - for example, most recently sitting on the EU Commission's High Level Expert Group on Sustainable Finance and the UK Government's Green Finance Task Force. FTSE Russell is also an active participant in the PRIs Working Group on passive investment and its Policy Reference Group.

| | | | |
|-------|-----------|--------|--|
| SG 08 | Mandatory | Public | |
|-------|-----------|--------|--|

| | |
|--------|---|
| SG 8.1 | Indicate which of the following actions your organisation has taken to promote responsible investments during the reporting year, independently of collaborative initiatives. |
|--------|---|

- Provided or supported education or training programmes for clients, investment managers, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoken publicly at events and conferences to promote responsible investment
- Written and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Written and published articles on responsible investment in the media
- Policy engagements and other interactions
- Other, specify
- None of the above

| | |
|--------|------------------------------------|
| SG 8.2 | Additional information. [OPTIONAL] |
|--------|------------------------------------|

As briefly described above, FTSE Russell has for many years been an active participant in industry initiatives that support the broader adoption of sustainable investment and the objectives of the PRI.

In 2018, FTSE Russell released the STEP Change report to showcase how we work with corporates, NGOs and investors to improve disclosure and foster transparency for the long-term benefit of the market and ultimately the societies we all operate within. See details here: <https://www.ftserussell.com/step-change>.

Growing numbers of asset owners, asset managers and others involved in the investment chain now routinely consider stewardship and sustainability themes as core investment priorities. Around the world, they are taking action to integrate sustainability themes such as climate change into central aspects of their investments and operations.

Especially since the financial crisis, there has been widespread concern about shorttermism in institutional asset management, with investment managers often trying to maximize returns over each quarter, but potentially generating sub-optimal longterm returns as a result.

There is a growing view that insights from environmental, social and governance (ESG) data, the structuring of investment mandates to incentivize a longer-term performance outcome, and strong investor stewardship and engagement with the management of investee companies will collectively help address this potential market failure, and potentially contribute to better long-term risk-adjusted returns.

FTSE Russell has a long-standing commitment to sustainable investment and has been at the forefront of this trend for nearly two decades, since the launch of the FTSE4Good Index Series in 2001. Now the momentum towards sustainability is building amongst investors globally.

In addition, FTSE Russell has deep academic collaborations and partnerships. This includes funding industry research on sustainable investment and engagement, and organising the annual World Investment Forum which is focused on leading academic research.

Details of our Sustainable Investment activities - including examples of our thought leadership - are available here: <http://www.ftserussell.com/index-series/index-spotlights/esg>

| | | | |
|-------|-----------|--------|-------------|
| SG 09 | Mandatory | Public | Descriptive |
|-------|-----------|--------|-------------|

| | |
|---------|---|
| SG 09.1 | Indicate which of the following long-term trends are addressed in your product outputs. |
|---------|---|

- Changing demographics
- Climate change

| | |
|---------|--|
| SG 09.2 | Explain how this long-term trend affects your product outputs. |
|---------|--|

FTSE Russell maintains a range of indexes that capture climate change considerations from different perspectives - these include:

- **FTSE Environmental Markets Index Series:** In partnership with Impax Asset Management, FTSE Russell created the FTSE Environmental Markets Index Series, which is broken down into two sub-series: (1) the FTSE Environmental Technology Index Series and (2) the FTSE Environmental Opportunities Index Series. Both sub-series are based on the FTSE Environmental Markets Classification System (EMCS) - details of which are available here: <https://www.ftse.com/products/downloads/env-mkts-class-sys.pdf?226>. The family has been developed under the direction of the independent FTSE Environmental Advisory Committee, which is composed of clean technology analysts, scientists and experts drawn from asset owners/pension funds and market participants.
- **FTSE Divest-Invest Index Series:** This index series is designed to combine fossil fuel divestment with thematic investment in low carbon and green solutions. By excluding companies from certain fossil fuel sectors and replacing them with companies that provide products that are helping to enable the transition to green economy, the indexes provide the basis for investing according to "divest-invest" principles.
- **FTSE Green Revenues Index Series:** This index series is designed to obtain increased exposure to companies engaged in the transition to a green economy, based on FTSE Russell's Green Revenues data model. The indexes are designed to capture changes in the revenue mix of companies as their business models shift to the delivery of goods, products and services that allow the world to adapt to, mitigate or remediate the impacts of climate change, resource depletion and environmental erosion. Further information on FTSE Russell's Green Revenues data model can be found here: <http://bit.ly/2bc0NtP>
- **FTSE Global Climate Index Series:** This index series is designed to reflect the performance of a global and diversified basket of securities where their weights are varied based on three types of climate-related analysis - carbon emissions, fossil fuel reserves, and green revenues data. The index therefore incorporates both the risks and the opportunities associated with climate change and the transition to a green economy.
- **FTSE EPRA Nareit Green Index Series:** This index series provides investors with a useful tool for integrating climate risk into their listed real estate portfolio. These indexes provide a sustainability-focused extension to the FTSE EPRA Nareit Global Real Estate Index Series, the world's leading series of listed real estate benchmarks. The FTSE EPRA Nareit Green indexes weight constituents based on two sustainable investment measures; green building certification and energy usage, and follows the FTSE Global Factor Index Series methodology to address concerns about liquidity, capacity, diversification and turnover.

Full details of all of the above index series - including factsheets and ground rules - can be found on ftserussell.com under the Sustainable Investment section of the "Index Series" page.

- Resource scarcity

SG 09.2 Explain how this long-term trend affects your product outputs.

FTSE Russell's Green Revenues data model and indexes are designed to capture changes in the revenue mix of companies as their business models shift to the delivery of products and/or services that have a positive environmental utility: that help prevent, restore and adapt to issues deriving from climate change, natural resource limitations or environmental degradation. Further information on FTSE Russell's Green Revenues data model can be found here: <http://bit.ly/2bc0NtP>.

The Pollution and Resources theme within the ESG Model also captures the theme of resource scarcity.

- Technology developments

SG 09.2 Explain how this long-term trend affects your product outputs.

The development of green and lower carbon technologies is a core aspect of our Green Revenues data model and index series, details of which are summarised above.

- Other, specify (1)

Diversity

SG 09.2 Explain how this long-term trend affects your product outputs.

Diversity and equality is an increasingly high profile global trend, in particular the issue of gender equality. Many initiatives now exist around the world to promote greater representation of women on corporate boards of directors. In some markets specific targets have been introduced in order to increase female representation on corporate boards.

The FTSE Women on Boards Leadership Index Series is designed to integrate leadership in gender diversity into a broad market benchmark. These indexes increase exposure to companies based on the strength of their diversity leadership at the board level and how well they manage wider impacts on society. This is achieved by the use of a tilt (or stock weight adjustment) to integrate gender diversity and social impact.

The FTSE Women on Boards Leadership Indexes can be used to assist in the integration of gender diversity and social impact into a diversified investment strategy. These indexes also provide a strong basis for corporate engagement by highlighting those companies that demonstrate leadership in these two areas. Thus, the FTSE Women on Boards Leadership Index Series contributes to the gender diversity movement to promote awareness and improve inclusive environments at all levels.

Detailed information, including factsheets, index ground rules can be found here: <http://www.ftse.com/products/indices/women-on-boards>

In addition, a white paper on the issue is available here: <http://www.ftse.com/products/downloads/incorporating-diversity-into-passive-investments.pdf>.

In addition, more diversity measures were added to the ESG model for the current research cycle.

- Other, specify (2)

- None of the above

| | | | |
|-------|-----------|--------|-------------|
| SG 11 | Mandatory | Public | Descriptive |
|-------|-----------|--------|-------------|

SG 11.1

Describe how you typically align your organisation's philosophy and approach to ESG/RI with your investor clients' goals.

Describe

For more than 17 years, since the launch of the FTSE4Good Index Series, FTSE Russell has been at the forefront of the accelerating trend towards sustainable investment. Our ESG philosophy and approach is underpinned and guided by four pillars.

9. Supporting capital markets (investors, issuers and intermediaries) in the transition to a sustainable and green economy
10. Facilitating dialogue on sustainability and improving data along the investment chain to help integrate sustainability into financial markets and capital allocation
11. Enabling market participants to integrate sustainability into investment strategies and engagement/ stewardship
12. Championing transparency and fostering both wider access and improved quality of the ESG data available to market participants

These four pillars inform all of our Sustainable Investment activities. More information on FTSE Russell's ESG Philosophy can be found here: <http://bit.ly/2DlayBD>

This is not relevant for my organisation

SG 12**Mandatory****Public****Descriptive****SG 12.1**

Describe what steps you take, if any, when your ESG recommendations are not in line with your investor clients' goals.

Describe

This is not relevant for my organisation

SG 13**Mandatory****Public****Descriptive****SG 13.1**

Indicate whether you seek feedback from clients on your RI/ESG services and product offerings

Yes

SG 13.2

Describe how you use this feedback in your RI/ESG services and product offerings.

Client and market feedback is an important element of the ongoing process of creating and refining the products we offer to investors.

In developing and refining our ESG methodology we receive detailed feedback from investors, companies and other experts including NGOs. This feedback is used to make enhancements to our criteria and methodologies, which are implemented annually in May. This varies from introducing whole new Themes (e.g. Tax Transparency)) through to indicator modifications, and to varying the applicability of criteria to different industrial Subsectors.

The process of obtaining client and market feedback is an extension of our approach to developing our Sustainable Investment data and index methodologies, which have always been developed based on independent expert input, provided by two separate Advisory Committees:

13. The FTSE Russell ESG Advisory Committee, and
14. The FTSE Environmental Markets Advisory Committee.

By incorporating the independent views and expertise of our Advisory Committee members - both individually and collectively - we are able to build objective and robust sustainable investment

products. Additional information on these Advisory Committees (including details of the Committee members) can be found on ftse.com (e.g. page six of this document: <https://bit.ly/2FSFUI4>).

No

| SG 14 | Mandatory | Public | Descriptive |
|-------|-----------|--------|-------------|
|-------|-----------|--------|-------------|

| | |
|---------|---|
| SG 14.1 | Indicate whether your organisation has a policy for managing potential conflicts of interest. |
|---------|---|

Yes

| | |
|---------|--|
| SG 14.2 | Describe how you manage potential conflicts of interest. |
|---------|--|

FTSE Russell has an established reputation for transparent, robust, rules-driven index construction methodologies and is committed to leading global best practice standards in index governance.

In line with this philosophy, FTSE Russell publishes a Statement of Compliance with respect to the recommendations made by the International Organization of Securities Commissions (IOSCO) in the Principles for Financial Benchmarks Final Report (the IOSCO Principles). Independent assurance of the assertions by FTSE Russell in its Statement of Compliance has been received from KPMG LLP.

FTSE Russell fully embraces the IOSCO Principles and endorses IOSCO's objective to address conflicts of interest in the benchmark-setting process, enhance the reliability of benchmark determinations, and promote transparency and openness.

The current version of the Statement of Compliance is published on our website and can be viewed at <http://www.ftse.com/products/indices/iosco>. Principle 3 of the IOSCO Principles states "To protect the integrity and independence of Benchmark determinations, Administrators should document, implement and enforce policies and procedures for the identification, disclosure, management, mitigation or avoidance of conflicts of interest. Administrators should review and update their policies and procedures as appropriate." FTSE Russell's response to this principle can be found in its Statement of Compliance beginning on page 43.

| | |
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| SG 14.3 | Describe how you ensure that company employees do not derive any personal gain from the use of information collected during your work process. |
|---------|--|

See response provided under 14.2.

No

FTSE Russell

Reported Information

Public version

Research and Data Provision

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Product level

RDP 01

Mandatory

Public

RDP 01.1 Indicate your product type. Tick all that apply.

- Analysis
- Benchmarking reports
- ESG ratings
- Credit ratings
- ESG indices
- Raw data
- Second party opinion on green or social bonds
- Surveys
- Other, specify

RDP 01.2 Indicate whether you make any of your products publicly available.

- Yes, all products
- Yes, some products
- No, we do not

RDP 01.3 Additional information. [OPTIONAL]

Additional information regarding FTSE Russell Products - (1) ESG ratings and raw data (2) ESG indexes (3) Research reports

(1) ESG ratings and raw data

FTSE Russell provides investors with the ESG models and data tools necessary to understand a company from two perspectives - its operational practices and its product-related opportunities. These perspectives are provided via our two core ESG data models:

- The ESG Ratings and data model allows investors to understand a company's exposure to, and management of, ESG issues.
- The Green Revenues data model tracks companies that generate green revenues. Using Green Revenues data investors can accurately identify and support their investment in companies that are engaged in the transition to a green economy.

Additional information on our ESG and Green Revenues data models are available here:
<http://www.ftserussell.com/financial-data/sustainability-and-esg-data>

(2) ESG indexes

FTSE Russell provides investors with a range of ESG indexes to help investors integrate their ESG objectives into passive investment solutions. Below are a few examples:

- The FTSE4Good Index Series identifies companies that demonstrate strong ESG practises for investors. This is achieved by selecting companies that effectively manage ESG issues as reflected in their ESG Ratings.
- The FTSE Global Climate Index Series is designed for investors seeking broad market returns and improved exposure to three climate change parameters - fossil fuel reserves, operational carbon

emissions, and green revenues. The indexes underweight companies with fossil fuel reserves and high carbon emissions (relative to sector peers) and overweight companies with green revenues.

- The FTSE All-World ex CW Climate Balanced Factor Indexes are designed for investors seeking improved exposure to three climate change parameters - fossil fuel reserves, operational carbon emissions, and green revenues (as described above) and to risk premia factors (size, low volatility, quality and value).

Detailed information on all of our Sustainable Investment indexes is available via the "Index Series" tab on ftserussell.com.

(3) Research

FTSE Russell develops and makes publicly available Research analysing ESG themes. As an example, in 2018 we published research on managing climate risk in real estate investing. For the full paper see: https://www.ftserussell.com/files/research/building-blocks-low-carbon-economy-managing-climate-risk-real-estate-investing?_ga=2.167573182.1414004299.1551464240-888786294.1548859744

In addition, we published a report on the transition to the Green Economy. For the full paper see: <https://www.ftserussell.com/files/research/investing-global-green-economy-busting-common-myths>

| Research/process level | | | |
|------------------------|-----------|--------|--|
| RDP 02 | Mandatory | Public | |

| | |
|-----------------|---|
| RDP 02.1 | Indicate the types of sources you use for research and/or ratings of companies/sectors/geographies or similar. Tick all that apply. |
|-----------------|---|

- Your organisation's independently collected data from public sources
- Regulatory sources
- Information from NGOs and other stakeholders
- In-person meetings or calls with company or industry representatives
- Primary data (self-reported from companies or other organisations)
- Secondary data (from other research provider databases)
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

RDP 02.2

Indicate how ESG factors are incorporated into your research and/or rating methodology

- Identifying exposure and risk to ESG factors
- Considering responses to self-assessment questions on ESG
- Assessing current and future capacity to manage or mitigate ESG risks
- Assessing past and potential future performance on ESG factors
- Assessing alignment and compliance to different policies and regulations
- Assessing alignment and compliance explicitly to the Sustainable Development Goals (SDGs)
- Assessing current and future positive ESG impacts
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

RDP 02.3

Describe how you define materiality and how this is captured in your research and/or rating methodology as well as final product.

FTSE Russell's ESG Ratings data model have an emphasis on materiality, whereby the most material ESG issues are given the greatest weight in determining a company's ESG scores and overall rating.

Each company is assigned an Exposure (i.e. materiality) level for each of our 14 ESG Themes – from 0-3, corresponding to N/A, Low, Medium or High Exposure. The Exposure level is determined by the company's industrial activities, where the company operates and its products. For example, a global Mining company operating in markets with higher environmental (e.g. water) stresses would have a "High" Exposure to the Water Theme. A Paper company would have a High Exposure to the Biodiversity Theme. This is a simple, rules-based system to ensure consistency in application.

Our ESG Ratings are calculated using an Exposure-weighted average, meaning that the higher the Theme Exposures, the better a company must manage the related issues captured by our Theme-specific indicators in order to achieve a higher Theme Score. Our ESG ratings process is summarised in RDP 2.4 (below).

RDP 02.4

Additional information. [OPTIONAL]

Additional information regarding RDP 02.1.

FTSE Russell uses data from different sources for different products - (1) ESG Ratings and Raw Data (2) ESG indexes.

(1) ESG Ratings and Raw Data

FTSE Russell's ESG Ratings data relies upon publicly disclosed information. Our primary sources of data are reports and other disclosures from companies. However, we will also use data from other sources such as governments and NGOs etc.

FTSE Russell's Green Revenues model is sourced from the audited financial statements, website and other public sources of each of the approximate 13,500 companies. We will accept information reported to us directly from companies (but our preference is for the information to be provided publicly).

(2) ESG indexes

FTSE Russell's ESG Ratings and Green Revenues data are used when constructing our ESG indexes. When additional ESG data is needed (i.e. ESG topics not covered by ESG Ratings / Green Revenues), we will source data from / partner with external research providers for index construction.

Additional information regarding RDP 02.3.**Summary of FTSE Russell's ESG Ratings process**

FTSE Russell's ESG data model consists of four hierarchical levels for each company in the research universe.

(1) Indicators: There are over 300 indicators in the ESG data model that are applied to each company's unique circumstances.

(2) Themes: A comprehensive set of 14 ESG Themes covers key areas across the ESG spectrum. Themes are assessed for their relevance (materiality) to an individual company and then all indicators within the relevant Themes are scored based on the quality of a company's management of the underlying issues. If a Theme has greater relevance to a company then they must demonstrate stronger management of the underlying issues within that Theme to achieve a higher score.

(3) Pillars: The 3 Pillars cover the core components of the ESG Rating (i.e. E, S & G). Pillars represent a cumulative, materiality-weighted score of the underlying Theme scores and as such also reflect the relevance of underlying issues to each company.

(4) ESG Rating: The final ESG Rating aggregates the Pillar scores into a single, numeric ESG Rating from 0-5. This Rating provides a measure of the overall quality of a company's management of ESG issues.

Additional information on our ESG Ratings and data model is available here: <http://www.ftserussell.com/financial-data/sustainability-and-esg-data/esg-ratings>

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| RDP 03 | Mandatory | Public | Descriptive |
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| RDP 03.1 | Describe how you actively include input and information, wherever possible, from relevant stakeholders or interested parties, in the research process or in reaching assessment conclusions. |
|----------|--|

Forthcoming

| | | | |
|--------|-----------|--------|-------------|
| RDP 04 | Mandatory | Public | Descriptive |
|--------|-----------|--------|-------------|

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|----------|---|
| RDP 04.1 | Indicate how you ensure that your ESG assessment of companies/ sectors/ geographies or similar is up-to-date and that new information is incorporated or new assessments are conducted at reasonable intervals. |
|----------|---|

- Regular update cycles (annual or more frequent)
- Allowing assessments/ ratings to be adjusted at any time by your organisation
- On-going alerts systems in place for new events and information that might have implications on the original assessment/ ratings
- On-going monitoring of possible controversies and compliance to conventions, regulations and similar
- Providing tools for companies/ sectors or others to update the researcher, rating agency or data provider with new information
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

| | |
|----------|------------------------------------|
| RDP 04.2 | Additional information. [OPTIONAL] |
|----------|------------------------------------|

The FTSE Russell ESG Ratings and Green Revenues data for each company is reviewed and refreshed annually.

All companies that are assessed by FTSE Russell in either our ESG Ratings or Green Revenues research processes are given the opportunity to review and respond to the data we have collected. Companies can review and comment on the data we have collected using an online portal. In addition, companies are able to contact FTSE Russell directly.

| | | | |
|--------|-----------|--------|-------------|
| RDP 05 | Mandatory | Public | Descriptive |
|--------|-----------|--------|-------------|

RDP 05.1

Indicate how you typically ensure a balanced approach to your research methodology and assessing/rating of companies/sectors/geographies or similar. Tick all that apply and explain your approach to each option.

Type of indicators

- Balancing quantitative and qualitative indicators

Explain your approach

FTSE Russell's ESG research process is based on an objective, rules-based approach that enables us to capture a wide range of largely quantitative data points on each company assessed. Where we collect qualitative data (e.g. the existence of specific policies) this is based on clear rules, set out in our ESG Methodology.

- Balancing management/process oriented indicators and performance indicators

Explain your approach

We believe that it is equally important to have policies and strategies in place as it is to measure performance, as performance may be limited to the immediate action of the company whilst the overall structure may be relevant for a longer time period.

We view that measuring actual performance is very important, however, we need to have sufficient relevant and comparable disclosure by companies before we assess performance. Therefore, the first step is to assess companies on their quality of quantitative data disclosure. Further, in some areas it is not possible to make a sensible performance assessment with the quantitative data, hence understanding the systems and controls of the company can be important.

- Balancing reference to past and current performances, such as whether the rating object's performance is improving or deteriorating

Explain your approach

For any quantitative data points that we cover, the general stance is to collect three years worth of data in order to be able to review trend within the company.

For some qualitative performance indicators we will assess both performance against peers and performance improvements over time.

- Balancing environmental, social and governance indicators

Explain your approach

There are currently 14 themes that are covered by FTSE Russell's ESG model, which fall under the Environmental, Social, and Governance Pillars.

The weight of E, S, or G may differ for each company based on each company's business characteristics.

For example, an agricultural company may have a greater environmental weight, whereas a financial service company may have less on environment but more weight on the governance pillar. This is driven by the rules-based Theme Exposures outlined in RDP 02.3 (above).

- Balancing self-reported and public data

Explain your approach

For the ESG assessments, we rely primarily on public disclosure by the companies themselves. We do not accept any internal private information. In the past we used a survey-based approach but from 2013 onwards we took the position that privately submitted data was less credible and from this point on we required companies to publish all information. Through this requirement we have

catalysed improved corporate reporting. We also give additional credit for externally verified quantitative data.

In addition, we review news sources regarding controversies and allegations.

Other, specify (1)

Other, specify (2)

None of the above

| | | | |
|---------------|------------------|---------------|--------------------|
| RDP 06 | Mandatory | Public | Descriptive |
|---------------|------------------|---------------|--------------------|

| | |
|-----------------|---|
| RDP 06.1 | Describe the control processes in place to ensure quality of research. |
|-----------------|---|

Quality control for FTSE Russell ESG ratings and Green Revenues methodology

Please see RDP 03.01

Quality control for FTSE Russell ESG Ratings and Green Revenues data

FTSE Russell conducts regular quality control checks of the data submitted by research analysts (that are themselves peer-reviewed before submission). This is done in both automated and manual “spot-checking” fashion. Errors detected or data which appear to be wrong are relayed to the analysts for immediate correction or further investigations. Indicator level verifications are ones where FTSE Russell verifies the consistency of one indicator across a random sample of the underlying dataset. All QC results are shared with the analysts and further actions taken.

In addition, every company is contacted to enable them to check the data that has been collected on them – to identify if there is information that is missing. The companies can only provide public information and it is in a controlled, web-based environment.

Quality control for FTSE Russell indexes

Quality assurance measures are applied during the index build and review processes, whereby historical index data is reviewed by the Research and ESG teams and then reviewed once again by the Quality Control team prior to being released into production.