

# 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. Hence 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

## 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 	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 	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.  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.  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

**For more information about our indexes, please visit [ftserussell.com](https://ftserussell.com).**

© 2018 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE TMX Global Debt Capital Markets Inc. and FTSE TMX Global Debt Capital Markets Limited (together, "FTSE TMX"), (4) MTSNext Limited ("MTSNext") (5) Mergent, Inc. ("Mergent"), (6) FTSE Fixed Income LLC ("FTSE FI") and (7) The Yield Book inc ("YB"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, YB, FTSE FI, FTSE TMX, MTSNext and Mergent. "The Yield Book®", "FTSE®", "Russell®", "FTSE Russell®", "MTS®", "FTSE TMX®", "Mergent®" 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 LSEG Companies or their respective licensors and are owned, or used under licence, by FTSE, Russell, YB, FTSE FI, MTSNext, FTSE TMX, Mergent.

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, merchantability of any information or of results to be obtained from the use of the FTSE Russell products or the fitness or suitability of the products for any particular purpose to which they might be put. Any representation of historical data accessible through FTSE Russell 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 material or links to this material 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 in this material or accessible through FTSE Russell, including statistical data and industry reports, should be taken as constituting financial or investment advice or a financial promotion.

This publication 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, YB, FTSE FI, FTSE TMX, MTSNext, Mergent and/or their respective licensors.

To learn more, visit [ftserussell.com](https://ftserussell.com); email [info@ftserussell.com](mailto:info@ftserussell.com); or call your regional Client Service Team office:

**EMEA**

+44 (0) 20 7866 1810

**North America**

+1 877 503 6437

**Asia-Pacific**

Hong Kong +852 2164 3333

Tokyo +81 3 3581 2764

Sydney +61 (0) 2 8823 3521