
FTSE4Good TIP Taiwan ESG Index and ESG Ratings

Frequently Asked Questions



Table of Contents

1. FTSE Russell ESG Rating	3
1.1 Who is FTSE Russell?	3
1.2 What are “FTSE Russell ESG Ratings”?	3
1.3 What is the purpose of FTSE Russell’s ESG Ratings?	3
1.4 Who can access the data?	3
1.5 Who is carrying out the research?	3
1.6 How often will companies be assessed?.....	4
1.7 How does applicability work? Why have certain themes been indicated as “not applicable” to our company?.....	4
1.8 How can I change the ICB classification of my company?.....	5
1.9 What sources of information do you use to assess companies?.....	5
1.10 Why do you only use public information?.....	5
1.11 Do you only use English information?.....	6
1.12 How can I see my ESG Ratings?	6
2. About the FTSE4Good TIP Taiwan ESG Index:	7
2.1 What is the the FTSE4Good TIP Taiwan ESG Index?	7
2.2 Why is my company included in the FTSE4Good Emerging Index and not in the FTSE4Good TIP Taiwan ESG Index?.....	7
2.3 When is the index reviewed?	7



FTSE Russell ESG Rating

1. FTSE Russell ESG Rating

1.1 Who is FTSE Russell?

[FTSE Russell](#) is a part of London Stock Exchange Group and a leading global provider of benchmarking, analytics and data solutions.

1.2 What are “FTSE Russell ESG Ratings”?

FTSE Russell’s ESG Ratings is a transparent measurement of how companies are performing with respect to their ESG (Environmental, Social and Governance) practices. The Ratings are based on an annual assessment of companies based on data collected from publicly available sources.

Further details on FTSE Russell’s ESG Ratings can be found [here](#).

1.3 What is the purpose of FTSE Russell’s ESG Ratings?

The FTSE Russell’s ESG Ratings can be used to inform investment decisions and dialogue with investee companies by investors who are interested in integrating ESG into their process.

FTSE Russell’s ESG Ratings are also used to determine the constituents of the FTSE4Good Index Series, including the FTSE4Good TIP Taiwan ESG Index.

1.4 Who can access the data?

FTSE Russell clients can access the ESG Ratings and underlying data upon subscription. Our major clients for the ESG Ratings include large institutional investors who integrate ESG performance data into their investment processes. Companies who are assessed are able to access their own ESG Ratings results.

1.5 Who is carrying out the research?

The data collection process is conducted by a global team of data analysts based around the world, who are trained to collect data to FTSE Russell’s specifications. They collect data from company reports and websites as well as from other public sources.

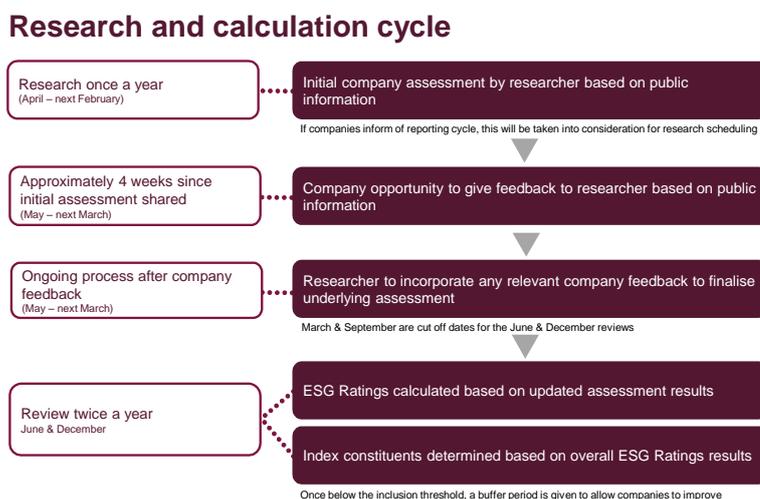
Once the data analysts have completed an initial assessment of a company, a copy will be sent to the company for review and input within a 4-week window. This is an opportunity for companies to see their assessment, and FTSE Russell encourages them to review and to identify gaps where the

analysts may have missed information. This data should already be in the public domain and companies are encouraged to provide the location of such information for the analysts to capture.

1.6 How often will companies be assessed?

Companies are assessed once a year within each research cycle which runs from April to the following February. Companies are assessed year-round but there is an effort, where feasible, to conduct this close after their annual reporting of relevant information, depending on the schedule of the company being researched.

FTSE Russell's ESG Ratings are reviewed twice a year in June and December, which will incorporate any updates from the annual research cycle as is illustrated below:



December Review: This mid-research-cycle index review includes all companies with a review process completed by September. Company assessments are finalized to take account of relevant company feedback, and enter a scoring process. ESG Ratings results are available only after implementation of the Index review, approximately three weeks into December.

June Review: The end-of-research-cycle review includes all companies with a review process completed by March, and comprises all companies assessed during the remainder of the research cycle. ESG Ratings results for this review are available only after implementation of the index review approximately three weeks into June.

1.7 How does applicability work? Why have certain themes been indicated as “not applicable” to our company?

For each Theme, a company is categorised as having an Exposure that is High, Medium, Low, or Negligible/Not Applicable (N/A), depending on how relevant and material the Theme is to the company. The Exposure categorisation is carried out for each company applying a rules-based methodology¹ to assess the Theme materiality. This draws from company fundamentals and characteristics including:

- **Subsector:** The ICB Subsector definitions are used to identify company relevance, and degree of relevance, for a Theme.² Diversified companies will also be identified for multiple Subsectors if it has significant operations in more than one.

¹ The methodology for the Exposure classification methodology is developed in consultation with external experts and the FTSE Russell ESG Advisory Committee.

² [The Industry Classification Benchmark \(ICB®\)](#) is a definitive system categorising over 70,000 companies and 75,000 securities worldwide. A company is allocated to the Subsector of ICB whose definition most closely fits the business that accounts for the primary source of the company's revenue.

- **Geography:** This assesses whether the company has operations in countries that are defined as being most relevant to the Theme and hence where the associated impacts are considered greatest. The country lists are developed according to a rules-based methodology which uses publicly available data.³
- **Multinational:** This assesses whether a company has over 30% of its revenues derived from outside its domestic region.⁴

So, if some Themes are not applicable to your company, it is because your company has not been identified through the application of this rules-based methodology as, for example, having involvement in the countries or subsectors relevant to that Theme.

1.8 How can I change the ICB classification of my company?

Each company is assigned a primary ICB subsector, which is used to categorise the company within all FTSE Russell indexes. This is not determined by the ESG research process; it is part of the a separate FTSE Russell industry classification process.

Should the assessed company disagree with their Primary ICB classification (marked as ICB-0 in the web-platform), please contact FTSE Russell Client Service Team (info@FTSERussell.com) and submit a request form and outline the rationale for the classification challenge. The relevant team will review the request and update if appropriate. Please note that the ICB review takes place quarterly.

For all other subsector activities, all companies are welcome to provide comments during the initial assessment feedback period.

1.9 What sources of information do you use to assess companies?

We use information that is disclosed in the public domain. Historically, many ESG rating systems were based on private surveys of companies' procedures and behaviors. A risk in investors using non-public data for ESG ratings is that standards of due diligence are frequently weaker, leading to a question of data credibility. In 2013 FTSE Russell ended its use of private surveys and now only makes use of public data in its ESG Ratings. Every company is individually contacted to check that all relevant publicly available information has been found, but no privately submitted information is accepted. This encourages transparency through the disclosure of ESG information and data, and benefits the wider market.

Data sources reviewed and assessed include company published information; such as their own websites, Annual Reports, CSR Reports, Sustainability Reports, Integrated Reports, Corporate Governance Reports, and Compliance handbooks.⁵

1.10 Why do you only use public information?

For the ESG analysis conducted by FTSE Russell, the methodology is to use publicly available information on companies. This is for the following reasons:

- **Change in data availability:** When the FTSE4Good Index was first launched in 2001 there was very little data available in the public domain and FTSE used privately sourced data. However, over time the data disclosed by companies improved and FTSE played a role in that through setting tougher criteria for companies to meet over time including better public disclosure. Over

³ A wide range of publicly available databases, statistics, indexes, listings and Ratings are used depending on the issue e.g. World Bank lists and indexes.

⁴ This draws from the FTSE Multinationals Index Series definition. Multinationals are defined as companies that derive 30% or more of their revenue from outside of the domestic region in which they are incorporated.

<http://www.ftse.com/products/indexes/Multinationals>

⁵ CDP Reports: we encourage companies to disclose their CDP responses on their websites so that the data is publicly available and therefore can be part of the assessment process.

time more and more information was published by companies. Eventually in 2013/14 there was a switch to using publicly disclosed data for the basis of the ESG Ratings and for the FTSE4Good Index Series.

- **Credibility of data:** When a company provides information privately there tends to be lower levels of due diligence applied than when information is published. Where information is publicly available a number of teams internally tend to check and confirm the accuracy of the disclosure. Ultimately in the future, key quantitative data points should be independently verified but public disclosure is an important first step in this direction.
- **Regulation:** Historically, benchmarks have not been regulated but following the controversies relating to benchmark manipulation, regulators are developing benchmark regulations, with the European Union Benchmark Regulation taking effect January 1, 2018. Removing reliance on private data is aligned with the need for increased transparency over data sources.
- **Objective approach:** Meetings, calls, interviews and surveys may be appropriate for active managers, but can lead to subjectivity which is to be avoided in benchmark creation. Whilst FTSE Russell is happy to explain the standard methodology to assessed companies via e-mail and/or phone calls, the assessments will consistently be based on public information and standard methodology.
- **Reduce duplication and questionnaire fatigue:** There are many requests for different but overlapping information to companies. It is very difficult for companies to support large volumes of information requests from index providers, ESG research firms, sell side brokers, asset managers, asset owners, NGOs and other stakeholders. It is much better if a company can provide comprehensive reporting that is public and available to all parties. By focusing on one set of disclosures the company can focus its resources to ensure that the information is complete and accurate.
- **Driving improvements market wide:** Since FTSE Russell engages companies regarding its ESG standards and criteria for index inclusion it catalyzes improvements in data and information disclosure by companies that improve information that is available to the whole market.
- **The future:** FTSE Russell believes that the future for all ESG indexes will allow for reliance on transparent and public data.

1.11 Do you only use English information?

Although English is the commonly used business language, FTSE Russell recognizes the importance of local languages. Therefore provision has been made in the research process for other languages.

The key languages covered are as follows: English, French, Spanish, German, Portuguese, Japanese and Chinese.

1.12 How can I see my ESG Ratings?

Please contact us at FTSE Russell Client Service Team (info@FTSERussell.com). They will provide you the latest ESG Rating.



FTSE4Good TIP Taiwan ESG Index

2. About the FTSE4Good TIP Taiwan ESG Index:

2.1 What is the the FTSE4Good TIP Taiwan ESG Index?

FTSE4Good TIP Taiwan ESG Index is designed to measure the performance of companies on the Taiwan Stock Exchange that meet the globally recognized ESG standards used by the FTSE4Good Index Series.

It is a partnership index with Taiwan Stock Exchange's ("TWSE") wholly-owned subsidiary, Taiwan Index Plus Corp. ("TIP").

2.2 Why is my company included in the FTSE4Good Emerging Index and not in the FTSE4Good TIP Taiwan ESG Index?

In addition to meeting the ESG standards which are aligned with the FTSE4Good Emerging Index, companies need to meet additional requirements including trailing 12-month Return on Equity (ROE) thresholds in order to gain inclusion in the FTSE4Good TIP Taiwan ESG Index. Therefore, companies may not be included in the FTSE4Good TIP Taiwan ESG Index due to this additional screening.

For further information on the inclusion criteria for the FTSE4Good TIP Taiwan ESG Index, please go to the Ground Rules at the following link:

http://www.ftse.com/products/downloads/FTSE4Good_TIP_Taiwan_ESG_Index_Ground_Rule.pdf

2.3 When is the index reviewed?

The index is reviewed at the same time as the rest of the FTSE4Good Index Series in June and December. For further information on the inclusion criteria for the FTSE4Good TIP Taiwan ESG Index, please go to the Ground Rules at the following link:

http://www.ftse.com/products/downloads/FTSE4Good_TIP_Taiwan_ESG_Index_Ground_Rule.pdf

For more information about our indexes, please visit ftserussell.com.

© 2017 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”) and (4) MTSNext Limited (“MTSNext”). All rights reserved.

FTSE Russell[®] is a trading name of FTSE, Russell, FTSE TMX and MTS Next Limited. “FTSE[®]”, “Russell[®]”, “FTSE Russell[®]”, “MTS[®]”, “FTSE TMX[®]”, “FTSE4Good[®]” and “ICB[®]” and all other trademarks and service marks used herein (whether registered or unregistered) are trade marks 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, or FTSE TMX.

All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for any errors or for any loss from use of this publication or any of the information or data contained herein.

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 results to be obtained from the use of the FTSE4Good Index Series or ESG Ratings or the fitness or suitability of the FTSE4Good Index Series or ESG Ratings for any particular purpose to which they might be put.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

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 index data and the use of their data to create financial products require a licence from FTSE, Russell, FTSE TMX, MTSNext and/or their respective licensors.

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:

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