

Refinitiv Global Diversity and Inclusion Index – Q&A

User guide | Version 1.1

1. Why the Global Diversity and Inclusion (D&I) Index from Refinitiv?

We identified an opportunity in the marketplace to rank companies based on a set of diversity and inclusion metrics and to build an index of the top 100 companies. Refinitiv has been able to leverage our unique content, expertise and technical capabilities to develop this index.

2. What does it do?

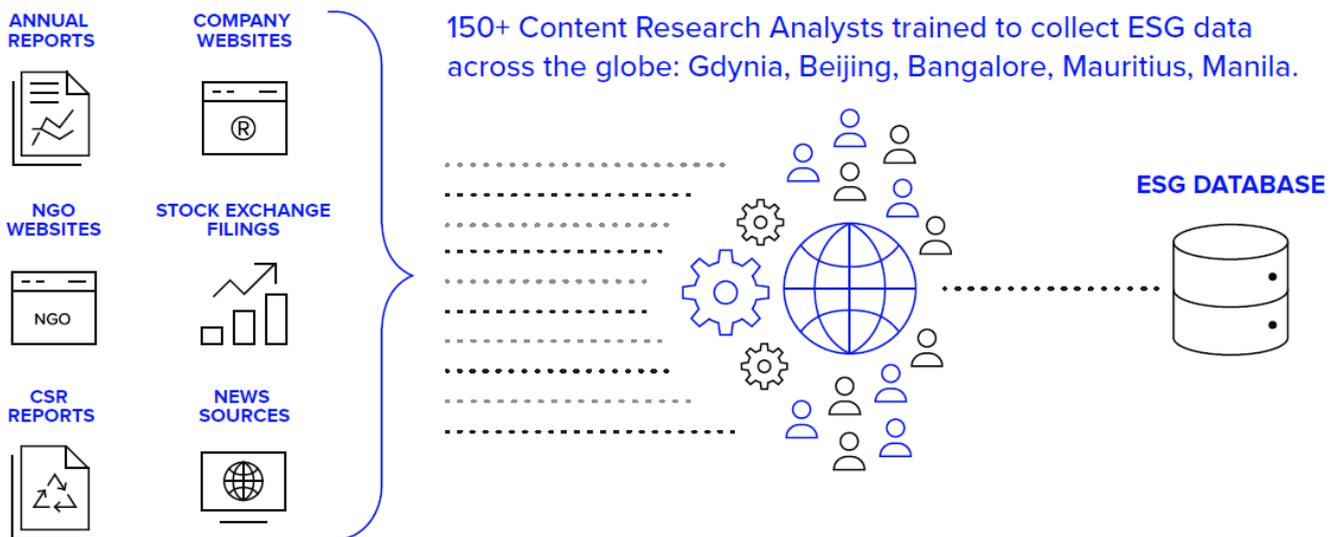
There are two main components to the Global D&I Index:

1. The first is a financial index, which tracks the returns of the 100 top-ranked companies, and is rebalanced every quarter. This index will help investors widen their responsible investment or environmental, social and governance (ESG) product offerings by focusing on a new and growing sector – that is, diversity and inclusion.
2. The second is the ability to analyse the D&I data, both at the aggregated level using our D&I scores for thousands of listed companies, and by analysing the 24 underlying D&I measures with the help of professional tools like Refinitiv® Eikon.

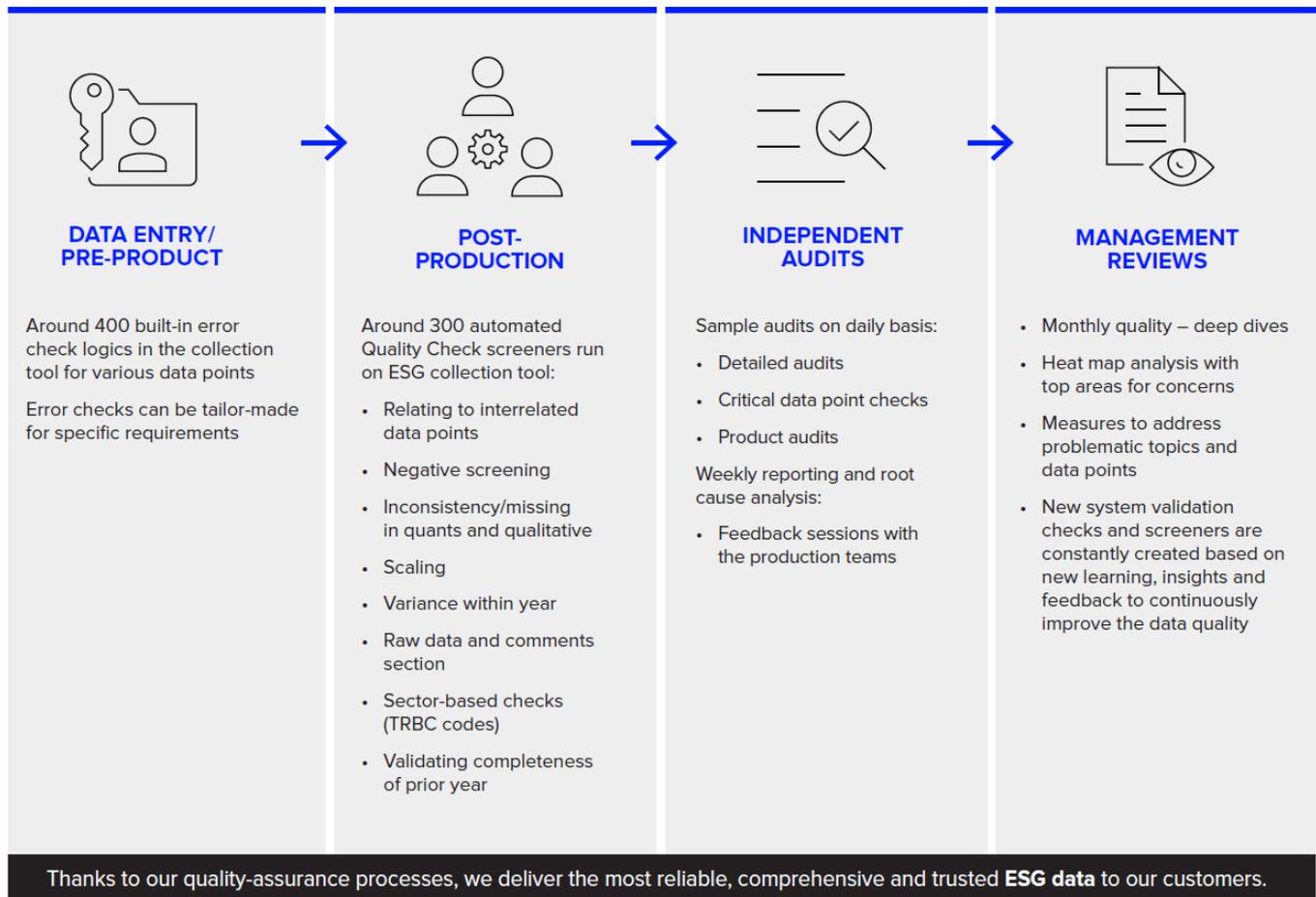
3. How is the information gathered?

With over 360 content research analysts trained to collect ESG data, we have one of the largest ESG content collection operations in the world. With local language experts operating from different locations across the globe, we process numerous publicly available information sources for each company, with the aim of providing up-to-date, objective and comprehensive coverage.

Our analysts manually process over 630 ESG measures for a single company; each measure goes through a careful process of standardisation to ensure it is comparable across the entire range of companies. In total, 24 of these measures were chosen for inclusion in the D&I scoring methodology.



Data quality is a key part of the collection process, which is why we use a combination of algorithmic and human processes to make sure we achieve data quality as close to 100% as possible. Below is an overview of the various methods we use to achieve that goal.



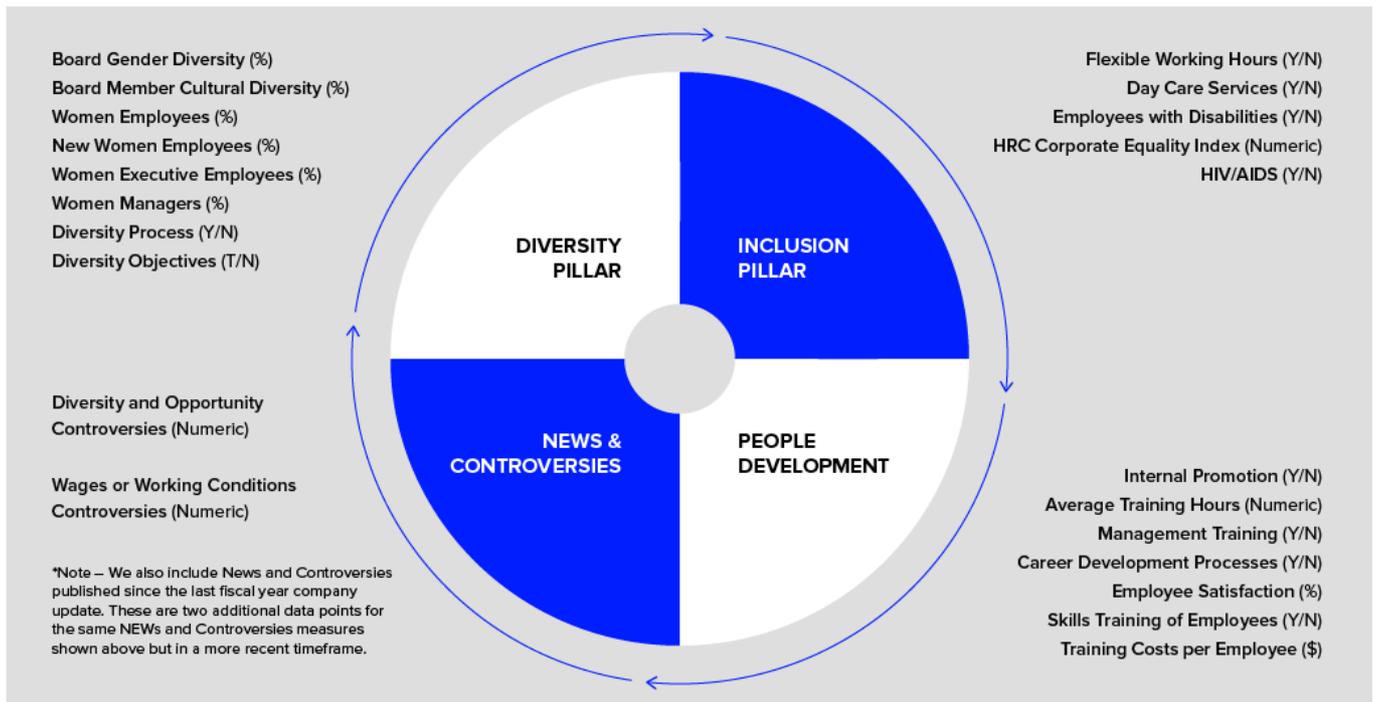
We gather information across a universe of over 15,000 public and private companies (and growing). We publish the latest fiscal year ESG data for existing and new companies added to the universe on a bi-weekly cycle.

4. How frequently is the index rebalanced?

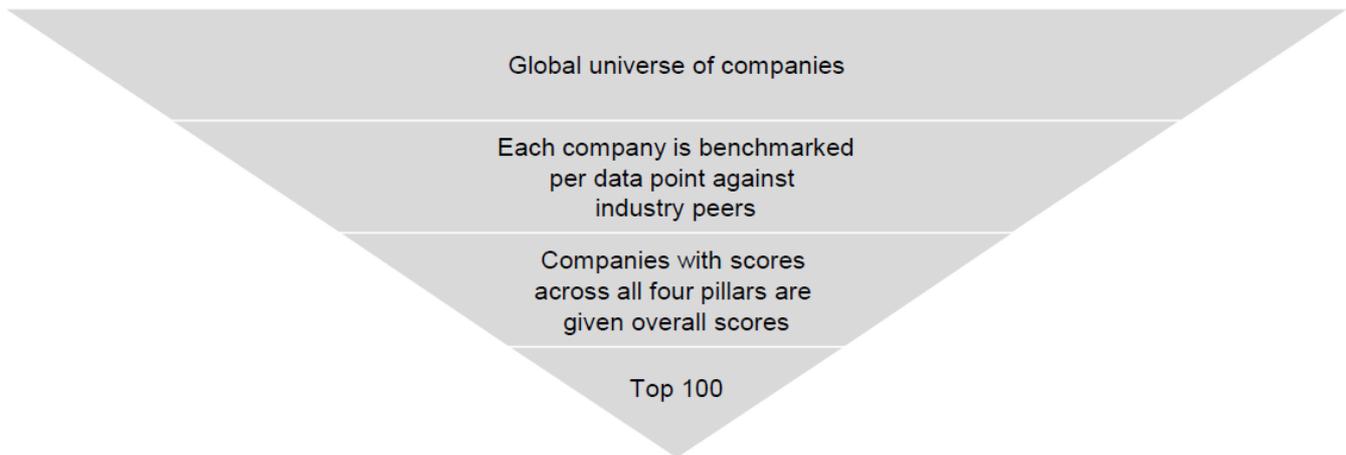
The Global D&I Index is rebalanced on a quarterly basis, after close of business on the final trading day of the month. We use the most recent bi-weekly data update from the ESG database to update the scores. The new rebalance is effective at market open on the first trading day of the month.

5. How are companies selected for the Global D&I Index?

The starting universe of candidates for the Global D&I Index is the set of equities tracked by our ESG database at the rebalance date. There are a total of 24 D&I measures; each has its own defined benchmark and rolls up into one of four D&I pillars. The four pillars are: diversity, inclusion, people development and news and controversies. For a full list of the metrics, please see the Appendix. Each company is assigned a pillar score for each of the four pillars.



Equities with a non-zero score on each of the four pillars are assigned an overall score, which is simply the arithmetic mean of the pillar scores. Equities are ranked (in descending order) on the basis of the overall score, and the top 100 are selected as constituents.



The decision was made not to assign overall scores to companies scoring zero on one or more pillars. The rationale was that their inclusion would reduce the mean score, making the average significantly lower. For the overall rankings, the intent was to rank only those companies that are actively tracking on all four pillars.

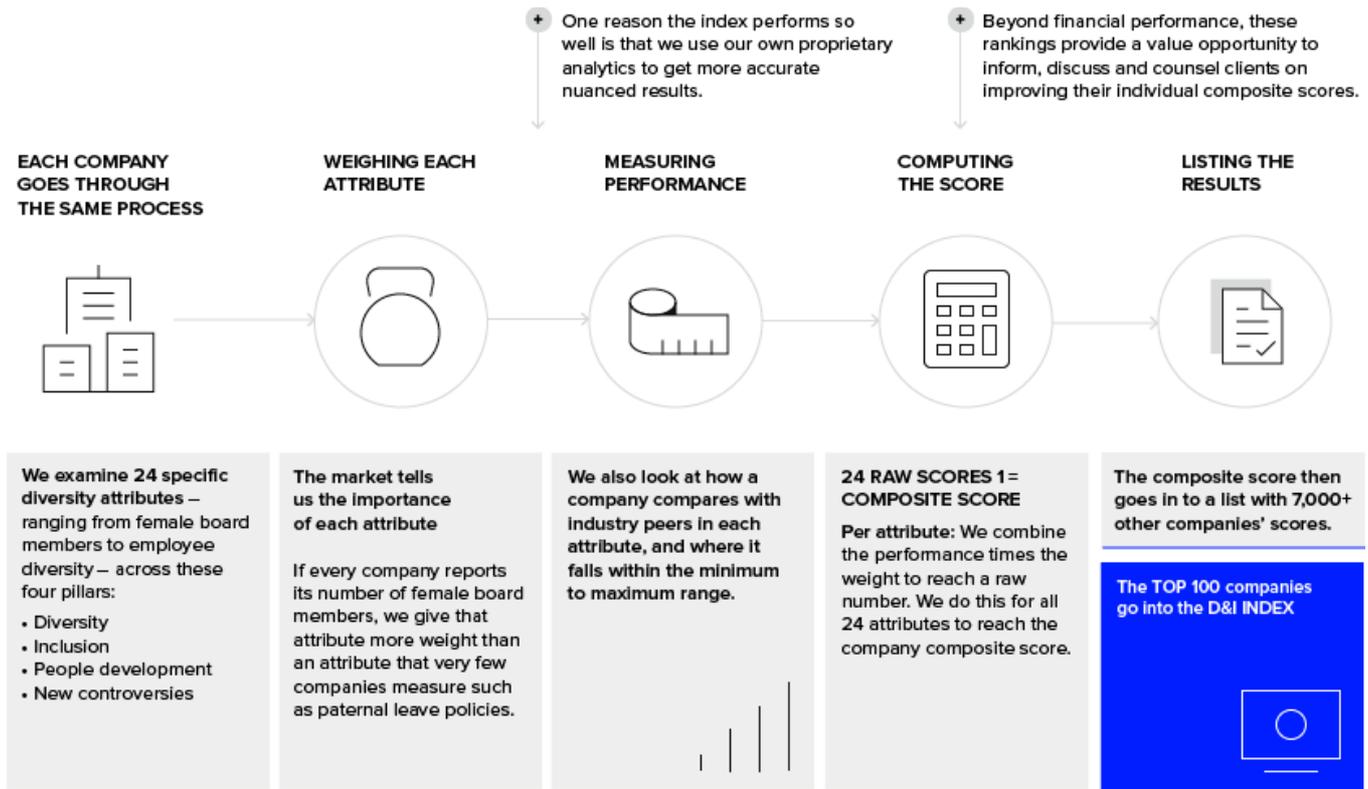
At rebalance, the companies are weighted by free float market capitalisation. Since the portfolio is rebalanced quarterly, the relative weight in each tier will drift as the year progresses. There is no effort between rebalances to control weighting.

6. How frequently are the D&I scores calculated?

The D&I scores are calculated once a quarter and published in Eikon and Workspace.

7. How are the D&I scores calculated?

There are a total of 24 measures; each has its own defined benchmark and rolls up into one of four D&I pillars. For a full list of these measures, please see the Appendix.



One of the innovative aspects of our D&I analytics is the concept of variable weightings for each data point based on reporting. In ESG, it is widely accepted that some measures are better compared at either industry or country level.

Weighing by industry group/country

Many individual data points are weighted based on the availability of that data point across companies in a particular industry group (Business Classification Level 3) or country. To determine those weights, it is necessary to first:

1. Perform a count for each data point, by both industry group and country. For Boolean data points, only Yes “Y” values are counted. Values that are missing, empty (null) or N/A are not counted.
2. Convert the raw counts to percentages, when there are more than 10 companies available. If there are 10 or fewer in the industry group or country, the percentage is set to zero.
3. Use the availability percentages to identify boundaries for assigning quartiles (i.e., for a given data point and industry group or country, determine which quartile that percentage falls into).

Once the steps above are complete, the quartile assignments can be used to determine the weighting (0%, 25%, 50%, 75% or 100%) for that data point within its industry group or country.

As a final step, each company is tagged if it belongs to either an industry or a country for which there are insufficient members to form a benchmark.

Calculating diversity/inclusion/people development scores

The diversity, inclusion and people development pillars all use the same methodology to calculate the pillar scores.

The steps are as follows:

1. Determine the data points involved in the pillar’s calculation (see the Appendix).
2. For each company:
 - a. For each data point used in the pillar:
 - i. Determine the data point weight (based on whether the data point is weighted relative to industry group or to country).

ii. Add the data point weight to the pillar weight total.

iii. If the data point is present:

1. Convert non-numeric values to the appropriate numeric value (i.e., Booleans are mapped to 0/1; strings are mapped as determined by a data file).
2. If the numeric value is not a number (e.g., the value was N/A or a Boolean 'N' (No) value), increase the transparency count.
3. Obtain the appropriate minimum/maximum value for the data point within the industry group.
4. Calculate the raw score as:

$$(\text{numericValue} - \text{minValue}) / (\text{maxValue} - \text{minValue}),$$

b. Use the raw scores for each data point to create the normalised scores for each data point. Each normalised data point score is computed as:

$$\text{rawScore} * (\text{dataPointWeight} / \text{sumOfWeights}).$$

c. The sum of the normalised scores, rounded to an integer value, forms the overall score for the company for that pillar.

Calculating news and controversies scores

The methodology for calculating the news and controversies score is considerably simpler. It is based on the company's market cap classification and, for each data point, whether any controversies were reported (the data points contain the number of controversies, but this is not taken into account).

The methodology steps are:

1. Determine the data points involved in the pillar's calculation.
2. For each company:
 - a. For each data point used in the pillar:
 - i. If the data point is not present for the company, or is N/A, score 100 for the data point (no controversies is considered a positive).
 - ii. If the data point is present and is a positive number, score based on market capitalisation (large = 50; mid = 25; small = 0).
 - b. The score for the news and controversies pillar is the average score for the individual data points, rounded to an integer value.

News and controversies is the only pillar in which the data points are updated every two weeks, rather than on a fiscal year basis.

Final score assembly

The overall score is currently based on a simple average of the four individual pillar scores. A company must have non-zero scores on all four pillar scores to have an overall score computed.

Companies are ranked (in descending order) by overall score, and the top 100 are selected as the index portfolio. Each of the equities in the index is weighted based on its free float market capitalisation.

8. Why use country or industry benchmarks?

When we set about identifying the leading companies across the diversity and inclusion measures, we carefully considered how best to benchmark companies for each of the 24 measures. At the core was a desire to provide the best possible peer group for each measure. Sometimes this would mean using industry group peers (defined by business classification), and at other times criteria would be skewed in favour of using country benchmarks.

Would it be fair to compare the percentage of women on the board of a company headquartered in France, where there is a quota system, versus companies from other countries where there are no quotas? Should we penalise companies because regulations in their countries don't provide quotas, and/or should this be done using comply or explain-type regulations such as at the Australian Stock Exchange? When looking at the percentage of women employees, is it fair to compare a basic materials sector company with a healthcare sector company? We know that on average there are likely to be fewer women working in mining companies than in healthcare. Should we be penalising companies simply because of the sector they are in? For all these questions we took careful decisions by analysing the data and validating it both internally and externally over the course of the two years it took to build the index.

The above does not mean the system is perfect, either. In an ideal world we would like to have an even larger universe of companies so that we could really compare apples with apples at a more granular industry peer group level – something that with time we hope will be possible. Crucially, better and more reporting by international companies against these measures is needed to increase transparency and enable more detailed comparisons. It is difficult to measure performance if no one is reporting, and we hope this index will raise awareness and lead to better and more disclosure.

9. Why use weights?

As with the question "Why use country or industry benchmarks", we understand that reporting on these measures within countries and industries varies greatly. For example, we chose to benchmark companies on the Human Rights Campaign (HRC) Corporate Equality Index scores at a country level because these mostly pertain to American companies. HRC Corporate Equality scores are a great indicator and we did not want to exclude them from our index – but is it fair to weigh this measure heavily for companies headquartered in China, where virtually no companies have HRC scores, versus companies in the US, where over 480 have scores?

This is one reason why we introduced the concept of weights. It is designed to weigh each of the 20 measures (the news and controversies pillar uses a different approach) depending on the level of reporting, so that if reporting is low or non-existent for that industry/country relative to others, then it is reduced in terms of weight. The opposite is also true: if reporting is high relative to other countries/industries, then we allocate more weight to the measure. It is a dynamic system which adjusts as company reporting adjusts. If industries/countries report heavily on a given measure, then it is very likely to be relevant. In an ideal world all of these measures would be weighted 100%, but we understand that these issues are complex.

10. What does a high D&I score mean?

Companies with the highest overall D&I scores (theoretical max. 100) will not only have reported against the majority of the 20 measures (excluding the four controversy measures) but are also very likely to be the best in class relative to their industry and country peers.

11. How many companies are included?

We cover over 15,000 companies listed in the Refinitiv ESG database. The coverage universe is determined by a number of global indices that we monitor, with bi-yearly checks (carried out using the latest information) to see which new constituents have joined these indices.

S&P/TSX COMPOSITE INDEX	FTSE 100 INDEX	DJ STOXX INDEX	MSCI WORLD INDEX	SMI INDEX
DAX INDEX	FTSE 250 INDEX	RUSSELL 1000 INDEX	BOVESPA	S&P 500 INDEX
CAC 40 INDEX	NASDAQ 100 INDEX	RUSSELL 2000 INDEX* (2017)	NZS 50	MSCI EMERGING MARKETS INDEX
MERVAL	IPC35	IPSA 40	S&P ASX 300 INDEX	COLCAP
PERU GENERAL				

*Market cap >400 million USD

ESG global coverage



12. Where can I find the underlying information?

All the underlying information, either at company level or against lists, is available via Eikon and Workspace. We have developed templates to help our users view the information using our sample grid report templates, which are perfect for analysing lists of companies:

REPORT TEMPLATE MANAGER					
Search for Templates <input type="text"/>					
All [24]	Name		# of Fields	Last Modified	Actions
Personal Templates [4]	Earnings Quality	SAMPLE	13	Aug 03, 2016	
Sample Templates [20]	StarMine Model Scores	SAMPLE	15	Aug 03, 2016	
Shared Templates [0]	Balance Sheet	SAMPLE	9	Aug 03, 2016	
	Profitability	SAMPLE	9	Aug 03, 2016	
	Earnings Per Share	SAMPLE	11	Aug 03, 2016	
	Growth	SAMPLE	8	Aug 03, 2016	
	Momentum	SAMPLE	14	Aug 03, 2016	
	Revenue	SAMPLE	9	Aug 03, 2016	
	Valuation	SAMPLE	23	Aug 03, 2016	
	CO2 Data Template	SAMPLE	20	Aug 03, 2016	
	Compensation	SAMPLE	24	Aug 03, 2016	
	Diversity and Inclusion	SAMPLE	31	Aug 03, 2016	
	Negative Screening	SAMPLE	25	Aug 03, 2016	

Identifier	Company Name	Overall D&I Score (%)	Diversity Pillar Score (%)	Female on Board (%) (FY0, False)	Women Managers (%) (FY0, False)	Women Employees (%) (FY0, False)	New Women Employees (%) (FY0, False)	Board Cultural Diversity (%) (FY0, False)	Targets Diversity and Opportunity (FY0, False)	Pol- and (FY0)
ROG.S	Roche Holding AG	82.50	57.00	16.67	40.00	48.00	NA	41.67%	true	
MICP.PA	Compagnie Generale des Etablissements...	81.50	57.00	37.50	23.50	16.30	33.30	12.50%	true	
NOVN.S	Novartis AG	81.00	79.00	27.27	41.00	48.00	52.74	54.55%	true	
JNJ.N	Johnson & Johnson	79.75	58.00	27.27	41.70	45.40	48.00	9.09%	NA	
4503.T	Astellas Pharma Inc	79.00	74.00	14.29	29.90	42.60	NA	NA	NA	
CEN.NZ	Contact Energy Ltd	79.00	72.00	33.33	NA	44.00	NA	NA	NA	
LLY.N	Eli Lilly and Co	78.75	46.00	28.57	36.00	46.00	NA	14.29%	NA	
CLN	Colgate-Palmolive Co	78.00	36.00	27.27	35.00	37.00	NA	9.09%	NA	
CSCO.OQ	Cisco Systems Inc	77.75	43.00	27.27	NA	23.00	25.00	9.09%	NA	
FBU.NZ	Fletcher Building Ltd	77.25	49.00	25.00	NA	NA	NA	12.50%	NA	
EDP.LS	EDP Energias de Portugal SA	77.00	44.00	4.76	23.67	23.00	26.18	NA	true	
OGEL	Diageo PLC	77.00	77.00	50.00	29.89	29.02	37.70	50.00%	true	
NESN.S	Nestle SA	76.75	73.00	20.00	34.00	34.78	40.00	46.67%	true	
KMD.NZ	Kaithmandu Holdings Ltd	76.75	45.00	28.57	55.00	58.00	43.00	14.29%	NA	
MDT.N	Medtronic PLC	76.75	64.00	23.08	NA	49.00	47.60	NA	NA	

We also have a detailed company-level D&I template, which works using the Eikon add-in for Microsoft Office®. This provides a detailed breakdown of company performance and all source/click-through information.

13. Where can I find the index?

You can find the index via the feed. Or in Eikon, type the short code '.TRDI' and hit return, or simply type 'Diversity and Inclusion Index' into the search bar:

Refinitiv Divers | ADSGn.DE ▼ 307.1000 -1.7500 -0.5700% EUR

INDEX **Refinitiv Diversity and Inclusion Index** .TRDI
 US - Equity Index

- Overview .TRDI OV
- Quote .TRDI Q
- Significant Developments .TRDI SIGD
- Financial Chart .TRDI CHTF
- Option Watch .TRDI OPW

FUND **iShares Refinitiv Inclusion & Diversity USD** ISOPEN.L
 Equity ETF - IE00BD0B9B76 - USD - London Stock Exchange - OPEN

It is then possible to analyse index performance by clicking on the tab 'Price & Charts' followed by 'Chart'.

.TRDI | Index Overview

.TRDI REFINITIV DIVERSITY AND... ▼ 328.92 USD +1.33 0.41% ○ 327.51 L 327.10 H
 United States

Overview | News & Research | **Price & Charts** | Constituents | Filings | Events | Ownership | Derivatives | 360 Menu

PROFILE

ISIN

Exchange

Index Series

Weighting

Index Provider

Provider Country/Region

PRICE

Price History

Index Price Performance

CHARTS

Chart

Datastream Chart Studies

Currency

USD

Scheme

THOMSON REUTERS BUSINESS CLASSIFICATION

SERIES

Exposure

UNITED STATES

RRENCY

Futures

Options

UNITED STATES



Orange line: Global D&I Index

Purple line: Global D&I Total Return Index

14. Does the index adhere to IOSCO principles?

We fully support the International Organization of Securities Commissions (IOSCO) approach, which applies a common set of principles across all jurisdictions, and we have been working to ensure full observance of these principles across all the benchmarks that we administer.

15. Is the index investable and available for license?

The D&I Index is licensable for the basis of investment products.

Appendix: ESG measures using Pillar Eikon item code

Pillar	Eikon item code	Description	Benchmark group
News and controversies	TR.ControvDiversityOpportunity	Number of controversies published in the media linked to workforce diversity and opportunity (e.g., wages, promotion, discrimination and harassment)	Market cap classification
News and controversies	TR.RecentControvDiversity	Number of controversies linked to workforce diversity and opportunity (e.g., wages, promotion, discrimination and harassment) published since the last fiscal year company update	Market cap classification
News and controversies	TR.ControvWorkingCondition	Number of controversies published in the media linked to the company's relations with employees or relating to wages or wage disputes	Market cap classification
News and controversies	TR.RecentControvWorkingCondition	Number of controversies linked to the company's relations with employees or relating to wages or wage disputes published since the last fiscal year company update	Market cap classification
Diversity	TR.AnalyticBoardCulturalDiversity	Percentage of board members that have a cultural background different from the location of the corporate headquarters	Country
Diversity	TR.PolicyDiversityOpportunity	Does the company have a policy to drive diversity and equal opportunity?	Industry
Diversity	TR.TargetsDiversityOpportunity	Has the company set targets or objectives to be achieved on diversity and equal opportunity?	Industry
Diversity	TR.WomenEmployees	Percentage of women employees	Industry
Diversity	TR.NewWomenEmployees	Percentage of new women employees	Industry
Diversity	TR.WomenManagers	Percentage of women managers	Industry
Diversity	TR.AnalyticBoardFemale	Percentage of women on the board	Country
Diversity	TR.AnalyticExecutiveMembersGenderDiversity	Percentage of female executive members	Country
Inclusion	TR.USLGBTEqualityIndex	The company's score in the HRC Corporate Equality Index	Country
Inclusion	TR.FlexibleWorkingHours	Does the company claim to provide flexible working hours or working hours that promote a work-life balance?	Industry
Inclusion	TR.DayCareServices	Does the company claim to provide day care services for its employees?	Country
Inclusion	TR.EmployeesWithDisabilities	Percentage of employees with disabilities or special needs	Country
Inclusion	TR.HIVAIDSProgram	Does the company report on policies or programs on HIV/ AIDS for the workplace or beyond?	Country
People development	TR.PolicySkillsTraining	Does the company have a policy to improve the skills training of its employees?	Industry
People development	TR.PolicyCareerDevelopment	Does the company have a policy to improve the career development paths of its employees?	Industry
People development	TR.AvgTrainingHours	Average hours of training per year per employee	Industry
People development	TR.InternalPromotion	Does the company claim to favor promotion from within?	Industry
People development	TR.MgtTraining	Does the company claim to provide regular staff and business management training for its managers?	Industry
People development	TR.AnalyticTrainingCosts	Training costs per employee in U.S. dollars	Industry
People development	TR.EmployeeSatisfaction	The percentage of employee satisfaction as reported by the company	Industry

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Refinitiv, an LSEG (London Stock Exchange Group) business, is one of the world's largest providers of financial markets data and infrastructure. With \$6.25 billion in revenue, over 40,000 customers and 400,000 end users across 190 countries, Refinitiv is powering participants across the global financial marketplace. We provide information, insights, and technology that enable customers to execute critical investing, trading and risk decisions with confidence. By combining a unique open platform with best-in-class data and expertise, we connect people to choice and opportunity – driving performance, innovation and growth for our customers and partners.