

## SOLUTION OVERVIEW

# FTSE MIB ESG Risk-Adjusted Index

Integrating broad ESG risks in Italian equity indices



### Overview

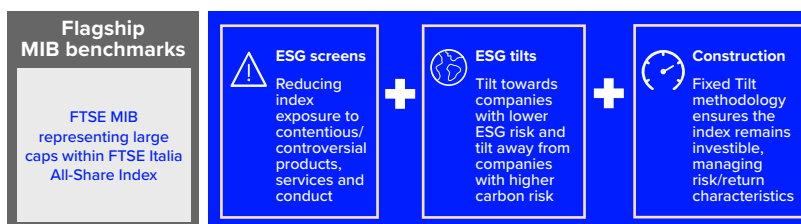
Investors are seeking the ability to incorporate sustainable investment considerations within a broad market portfolio without significantly impacting the risk and return characteristics of that industry standard benchmark.

FTSE MIB ESG Risk-Adjusted Index is an Italian equity index, constructed using robust screening criteria, FTSE Russell's ESG Scores, and carbon emissions and reserves data. The index provides investors with a tool to create equity market exposure whilst managing key ESG risks found in the stock universe.

### Benefits

The index can be used by market participants to benchmark the performance of active ESG funds, as a replacement for core market cap weighted passive portfolios, and in the creation of ETFs, structured products and index-based derivatives.

### FTSE MIB ESG Risk-Adjusted Index Construction



### Features

- Based on the FTSE MIB Index, the primary benchmark for the Italian equity market and represents the large cap component of the FTSE Italia All-Share Index. Capturing approximately 90% of the domestic market capitalisation.
- For 15 years, the FTSE MIB Index measures the performance of the most liquid and capitalised Italian shares and seeks to replicate the broad sector weights of the Italian stock market
- Reduces index exposure to specific products and services and controversial conduct
- Applies a tilt on carbon emissions reduction and fossil fuel reserve by 0.3
- Applies a tilt on ESG by 0.3
- Delivers risk/return characteristics similar to the underlying benchmark index universe



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## Index Construction Process



### Step 1

#### Starting Universe

Start with the market capitalisation weighted index: FTSE MIB.

### Step 1 > Step 2

#### ESG Screens

Companies involved in the following business operations are removed: Controversial Weapons, Tobacco, Thermal Coal (extraction and energy generation), Oil Sands, Shale Energy, and Arctic Exploration. Companies that potentially breach the United Nations Global Compact principles are also excluded.

The specific thresholds are outlined in the [index ground rules](#).

### Step 1 > Step 2 > Step 3

#### ESG Scores

The FTSE MIB ESG Risk-Adjusted index incorporates broad ESG and carbon risks by applying tilts on company weights. The index targets 0.3 tilts on operational carbon emissions intensity reduction, fossil fuel reserves reduction, and ESG score uplift.

### Step 1 > Step 2 > Step 3 > Step 4

#### Corrective Tilts

The Fixed Tilt methodology ensures the index remains investible, managing risk/return characteristics vs. the benchmark by considering possible adjustments to ESG and carbon risks, active industry weights, and max stock weight.

### Step 1 > Step 2 > Step 3 > Step 4 > Step 5

#### Publish and Review Index

The index is reviewed semi-annually in June and December.

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Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

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## Contact Us

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