Global Investment Research
Market Maps

FTSE RUSSELL
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Sustainable Investment Insights

QUARTERLY REPORT | **JULY 2025**

SI rebounds in Q2, despite continued volatility

SI indices saw a strong rebound in relative performance in Q2, despite broad market volatility. This represents a significant turnaround from the underperformance in Q1 and the concern that continued volatility would lead to continued SI underperformance. EnvOps saw a particularly strong recovery, supported by momentum in clean energy investment and Green Bond indices, which also performed strongly, saw significant issuance. SI index performance benefited from weakness in the Energy sector due to falling oil prices.

Highlights

SI equity indices recover in Q2

SI indices outperformed in Q2, seeing a strong recovery compared to a weak Q1, despite continued market volatility. All of the global SI equity indices outperformed the market, except the more value focused ESG Low Carbon. EnvOps, focused on the green economy, had the strongest performance, driven by strength in Energy Efficiency and a recovery in Renewables, with evidence of continued growth in clean energy investment.

Technology vs Energy sector

Q2 saw a distinct turnaround in industry leadership, with Tech, which had been the worst performing in Q1, up almost 23%, while Energy, the best performing in Q1, fell by 1.5% as oil prices fell due to weak demand and over supply, despite unrest in the Middle East. This supported SI equity index performance, the majority of which are overweight Tech and underweight Energy.

Green bond and green infrastructure indices outperform

Green bonds indices outperformed in Q2, driven by their overweight in European vs US bonds, and also had strong issuance. Green Infrastructure outperformed as the overweight in Railroads, which had been a long-term headwind, added to performance.

SI flows see some stabilization, but remain under pressure

While 2025 remains challenging for sustainable investment, navigating both geopolitical uncertainty and volatile markets, outflows from SI focused bond and equity funds in March and April stabilized in May and June. The SI market is closely watching the potential impact of government support, corporate disclosure and trade policies, as well as the growing impact of climate physical risks.

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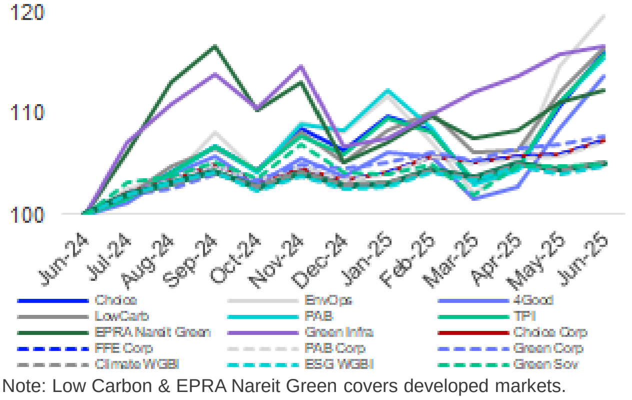
Chart 1. 12-month absolute performance of global SI equity, fixed income and alternatives indices, (TR, USD,%).



5.5% FTSE EnvOps Dev 3M (TR, USD)	**-2.1%** FTSE LowCarb Global 3M (TR, USD)
4.2% FTSE Green Infra Global 3M (TR, USD)	**3.0%** FTSE Green Sov Global 3M (TR, USD)
22.9% FTSE All World Tech Global 3M (TR, USD)	**-1.5%** FTSE All World Energy Global 3M (TR, USD)

Note: Low Carbon & EPRA Nareit Green covers developed markets.

Source: FTSE Russell / LSEG. Data as of June 30, 2025.

Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.
Index performance in this report is now in USD, unless otherwise noted

SI Equity Risk and Climate Characteristics – Q2 2025

Key Observations

Sustainable investing encompasses a range of strategies with different investment outcomes. In this section, we summarise the main risk and climate characteristics of the indices covered in this report. See next page for climate characteristic scores.

Global Choice divests from fossil fuels and other negative SI activities through product category screens. They obtain significant carbon intensity reductions (-45% to -60%) and underweights to Energy (-4.8% to -1.5%), except in the UK. Market-cap weighting the remaining stocks results in a risk profile close to the benchmark, global betas of around 1, and a low tracking error (1.7%). The UK is the most diversified, holding 96% of benchmark stocks, while the US is the least diversified, holding 81% of benchmark stocks

FTSE4Good's best-in-class ESG strategy results in significant ESG score uplifts (16% to 3%). The global tracking error is low (1.9%). Europe has the lowest ESG uplift (3%), but the highest absolute ESG score. By contrast, EM has the highest ESG uplift (16%), with a high tracking error (6.5%) but a 0.8 beta.

Environmental Opportunities (EO) selects companies with significant green revenues (>20%), resulting in high active green revenues (absolute increase of 49% to 34%). However, the focus on Industrials, Utilities & Technology leads to higher carbon intensity in most regions (130% to -8%). The indices are highly concentrated (8% to 17% of benchmark) and have higher tracking errors (6% to 9%).

ESG Low Carbon Target targets carbon reduction and ESG uplifts. It achieves significant carbon intensity reduction (-52% to -44%) and ESG score uplift (19% to 13%). Tracking errors are moderate (2.3% to 2.9%) and betas close to 1, except in the UK (5.1% and 1.0).

Paris Aligned Benchmark (PAB) has multiple SI targets. It reduces carbon intensity (-66% to -53%), increases TPI MQ score (9% to 2%), increases green revenues (absolute increase of 10% to 6%) and reduces Energy industry weighting (absolute reduction of -9% to -3%). Tracking error is slightly higher than some other SI indices (2.6% to 5.5%) and the indices are more concentrated (76% to 30% of benchmark).

TPI Climate Transition (TPI) targets multiple climate related uplifts. It achieves strong reduction in carbon intensity (-59% to -31%), significant increase in TPI MQ score (22% to 10%), while the global tracking error is relatively modest at 1.5%. EM has the highest tracking error at 4.1% but also has the highest TPI MQ uplift of 22%.

Risk characteristics: In green are lower risk (tracking error, beta) and more diversified (high % of stocks in benchmark, low weight in Top 10) indices; in red are the more risky, concentrated indices.

	FTSE Russell SI Index	US	UK	Europe	Japan	APAC	Emerging	Developed	Global
Tracking Error	Global Choice	2.1%	1.5%	2.2%		1.3%	1.7%	1.9%	1.7%
	FTSE4Good	2.6%	1.7%	2.3%	10.3%	2.0%	6.5%	2.0%	1.9%
	Environmental Ops	7.6%	9.3%	7.2%	6.1%	8.2%			5.6%
	ESG Low Carbon Target	2.9%	5.7%	2.8%	2.5%	2.8%	2.6%	2.3%	
	Paris Aligned		5.5%				3.4%	2.6%	2.8%
	Transition Pathway	1.9%			2.1%		4.1%	1.8%	1.5%
Beta	Global Choice	1.1	1.0	1.0		1.0	1.0	1.0	1.0
	FTSE4Good	1.0	1.0	1.0	0.8	1.0	0.8	1.0	1.0
	Environmental Ops	1.1	1.0	1.1	1.0	1.0			1.1
	ESG Low Carbon Target	0.9	1.0	1.0	1.0	1.1	1.0	0.9	
	Paris Aligned		1.0				1.0	1.0	1.1
	Transition Pathway	1.0			1.0		1.0	1.0	1.0
Number of stocks as % of benchmark	Global Choice	81.3%	96.0%	81.7%		86.6%	84.3%	83.5%	83.9%
	FTSE4Good	48.3%	39.6%	73.6%	53.0%	52.5%	33.1%	56.4%	44.1%
	Environmental Ops	9.9%	8.3%	16.6%	12.3%	8.5%			10.0%
	ESG Low Carbon Target	75.3%	76.6%	47.6%	47.0%	19.0%	31.1%	39.1%	
	Paris Aligned		76.0%				42.8%	49.6%	30.4%
	Transition Pathway	61.1%			82.1%		40.0%	51.4%	34.2%
Weight in Top 10 relative to benchmark	Global Choice	120.2%	102.4%	132.6%		117.1%	104.5%	124.4%	124.6%
	FTSE4Good	144.4%	126.0%	118.8%	132.4%	126.2%	120.3%	131.3%	135.1%
	Environmental Ops	169.6%	151.9%	275.5%	235.0%	164.8%			214.1%
	ESG Low Carbon Target	144.0%	142.5%	170.5%	216.2%	167.0%	120.8%	148.5%	
	Paris Aligned		99.2%				110.1%	139.2%	153.7%
	Transition Pathway	119.1%			139.9%		136.7%	135.1%	126.9%

Source: FTSE Russell/LSEG. All data as of June 30, 2025. Past performance is no guarantee of future results. This report should not be considered "research" for the purposes of MIFID II. Please see the end for important legal disclosures. Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.

Risk and Climate Characteristics – Q2 2025

Climate Characteristics: In green are indices achieving the highest uplift relative to the benchmark in the E,S,G and ESG Score, Green Revenues, TPI MQ and the largest carbon reduction. These reflect the different objectives embedded in the indices.

Climate	FTSE Russell SI Index	US	UK	Europe	Japan	APAC	Emerging	Developed	Global
Active E score	Global Choice	1.9%	0.4%	-2.6%		-1.1%	-2.0%	0.5%	0.3%
	FTSE4Good	11.5%	9.8%	3.6%	9.4%	9.3%	19.4%	10.6%	11.4%
	Environmental Ops	0.2%	-9.1%	2.6%	2.3%	9.0%			3.2%
	ESG Low Carbon Target	28.4%	20.8%	22.9%	23.2%	27.1%	22.8%	28.9%	
	Paris Aligned		3.6%				8.0%	4.7%	5.6%
	Transition Pathway	8.4%			10.9%		18.8%	12.9%	10.0%
Active S score	Global Choice	2.9%	-1.7%	-0.6%		-0.1%	0.9%	1.7%	1.7%
	FTSE4Good	13.2%	9.1%	2.9%	10.5%	8.7%	19.3%	11.4%	12.1%
	Environmental Ops	6.1%	-2.5%	-3.4%	-7.2%	10.3%			9.2%
	ESG Low Carbon Target	18.2%	12.8%	13.7%	19.7%	20.1%	21.8%	18.5%	
	Paris Aligned		1.1%				9.3%	2.7%	4.7%
	Transition Pathway	6.7%			6.1%		15.6%	6.8%	6.2%
Active G score	Global Choice	0.7%	-1.0%	-1.0%		-0.9%	-0.1%	0.1%	0.1%
	FTSE4Good	4.5%	6.8%	1.5%	7.9%	7.7%	11.3%	5.0%	5.6%
	Environmental Ops	5.0%	3.7%	-2.6%	-5.2%	0.4%			5.8%
	ESG Low Carbon Target	8.4%	4.8%	6.3%	15.1%	11.7%	13.2%	8.3%	
	Paris Aligned		-0.5%				7.3%	0.0%	1.4%
	Transition Pathway	1.0%			4.3%		10.2%	1.2%	1.8%
Active ESG score	Global Choice	1.9%	-1.0%	-1.3%		-0.6%	-0.2%	0.9%	0.8%
	FTSE4Good	9.5%	8.6%	2.7%	9.2%	8.6%	16.4%	8.9%	9.6%
	Environmental Ops	3.4%	-2.7%	-1.2%	-2.8%	5.5%			5.8%
	ESG Low Carbon Target	17.7%	12.5%	14.0%	19.3%	19.0%	18.8%	18.0%	
	Paris Aligned		1.1%				8.0%	2.4%	3.8%
	Transition Pathway	5.2%			7.0%		14.3%	6.6%	5.7%
Carbon Reduction	Global Choice	-59.5%	9.3%	-55.4%		-45.3%	-50.3%	-57.6%	-55.9%
	FTSE4Good	-39.6%	9.0%	4.8%	2.0%	-10.6%	17.4%	-25.0%	-16.1%
	Environmental Ops	89.5%	-8.3%	24.1%	33.3%	129.6%			60.6%
	ESG Low Carbon Target	-50.9%	-49.1%	-49.8%	-50.0%	-43.7%	-44.3%	-52.0%	
	Paris Aligned		-52.6%				-65.6%	-60.3%	-60.1%
	Transition Pathway	-49.6%			-30.5%		-58.6%	-50.0%	-40.9%
Active Green Revenues	Global Choice	0.06	0.44	-1.72		-0.07	1.12	-0.17	-0.05
	FTSE4Good	-0.41	-0.06	0.11	-1.24	-0.85	4.11	-0.37	0.01
	Environmental Ops	37.35	48.64	34.30	39.54	39.24			40.14
	ESG Low Carbon Target	-2.25	0.11	0.79	-0.86	2.06	1.58	-2.08	
	Paris Aligned		5.89				9.78	8.16	8.83
	Transition Pathway	2.02			4.24		9.21	2.35	3.27
Active TPI Management Quality Score	Global Choice	0.7%	4.4%	-3.7%		-0.3%	-3.0%	-0.1%	-0.3%
	FTSE4Good	8.4%	3.2%	1.2%	5.0%	4.0%	16.5%	6.3%	7.3%
	Environmental Ops	3.3%	0.2%	-1.7%	2.9%	6.5%			6.5%
	ESG Low Carbon Target	9.2%	-3.3%	4.0%	18.1%	16.7%	18.5%	9.9%	
	Paris Aligned		2.3%				8.7%	5.4%	7.0%
	Transition Pathway	9.6%			13.0%		21.9%	12.6%	10.2%

Note: All calculations are 12-month averages.
*TPI MQ is the TPI Management Quality score. Carbon reductions are normalised by revenues, except for the PAB benchmarks, where European law requires normalisation by EVIC. ESG Low Carbon Target index series target the minimum of a standard deviation of market capitalisation averaged index ESG score and a 20% uplift.

Macroeconomic Backdrop – Q2 2025

Developed Europe ex UK led regional performance again in Q2, largely thanks to EUR strength vs. USD, although all major markets saw positive returns over 3M. Additional trade policy uncertainty in April due to the liberation day tariffs announced on April 2 saw a brief sell-off in equities, however the subsequent pause of these tariffs on April 9 and the news of US-China negotiations in May saw the market enter a period of broad risk-on sentiment for the remainder of Q2. At an industry level, risk-on sentiment allowed Technology to return to the spot of top performer, with cyclical industries such as Industrials, Consumer Discretionary, and Financials, following close behind. Healthcare and Energy were the main laggards in Q2.

In support of the recent pause in US exceptionalism, IMF GDP growth forecasts show that, while US growth is expected to moderate in 2025 and 2026, other developed markets are expected a growth recovery in 2026 and beyond. For most DMs, 1-3-year inflation breakevens are now below 2%. In the US, short term inflation expectations have increased markedly over the past 12-months, adding additional complexity to Fed decision making. In response to higher inflation expectations, polls show that since the US election, the US has seen one of the sharpest reversals in forecasts for rate cuts in 2025. The US is now an outlier among DMs.

Despite bond funds experiencing net outflows in April, global fund flows have continued their positive trend in Q2.

For further in-depth analysis of asset classes see [Asset Allocation Insights - June 2025 | LSEG]

Chart 1: Select FTSE Equity Indices (TR %, USD) – Developed Europe ex UK led equity performance in Q2, helped by EUR strengthening vs. USD.

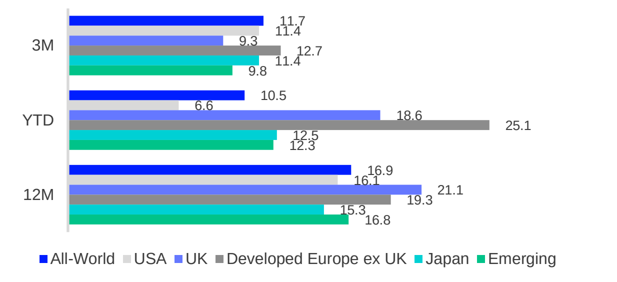


Chart 2: FTSE All World 3M Industry Returns (TR %, USD) – performance leadership switched back to technology in Q2, supported by risk-on sentiment in May. Healthcare lagged.

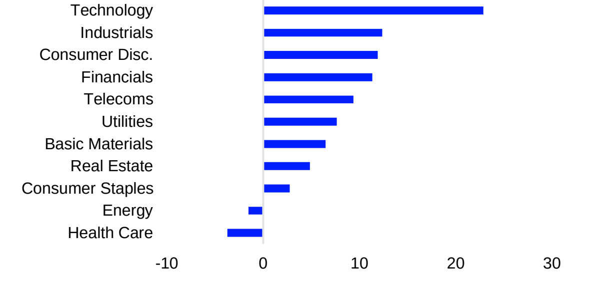


Chart 3: Historical GDP and forecasts across regions (%) – Looking out to 2026, growth is expected to pick up in the UK and Euro Zone but moderate in the US and China.

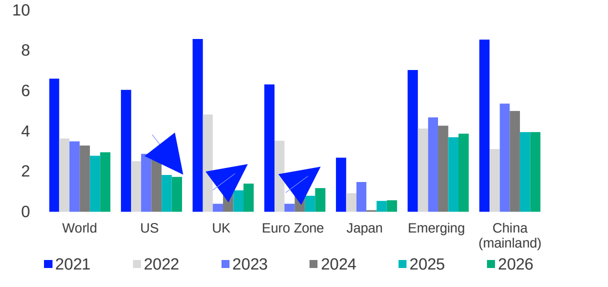


Chart 4: 1-3-year breakevens (%) – In the US, short-term inflation expectations have increased markedly, adding additional complexity to central bank decision making.

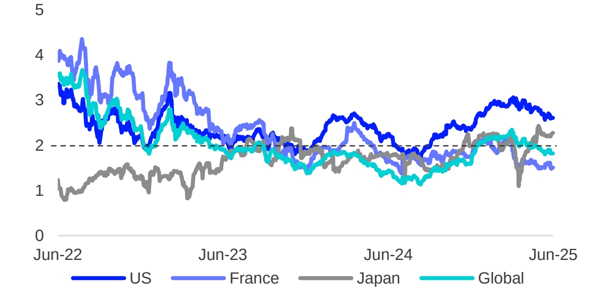


Chart 5: Reuters poll of economic forecasters median Q4 2025 policy rate – Since the US election, the US has seen a sharp rise in expected Q4 rates, reversing expected cuts.

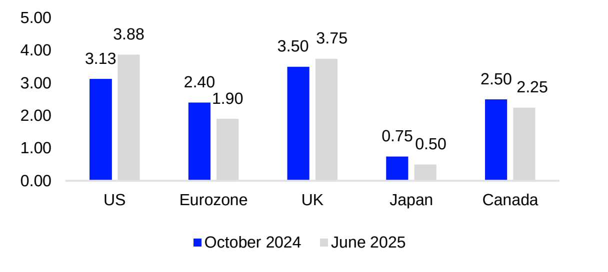
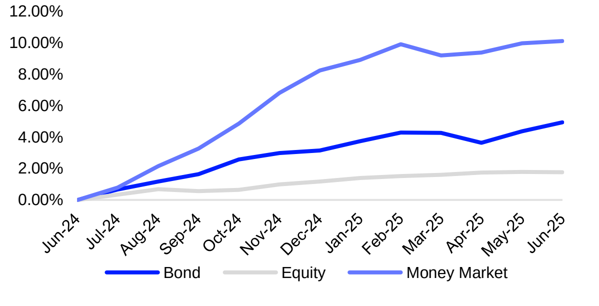


Chart 6: Global Bond, Equity & Money Market Cumulative Fund Flows (% of total net assets) – Although bond funds saw outflows in April, all three asset classes saw inflows in Q2.



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SI Backdrop – Q2 2025

Green economy outperformance in Q2 was led by Energy Efficiency stocks, the largest sub-sector, driven by the recovery in Tech & Industrials, while Renewables also saw a strong recovery.

The global energy transition showed evidence of continued momentum. Investment in global clean energy continues to grow in 2025, to an estimated $2.2trn[1]. Meanwhile, expected investment in fossil fuels is estimated to decline to ~half the level of clean energy. Part of this is due to higher investment in renewable energy, particularly solar, but also energy efficiency related investment which is expected to be at a similar level to renewables. Associated investments in grid and energy storage are also expected to grow, particularly given incidents like the large scale grid related blackout in Spain and Portugal. Electric vehicle sales also continue to grow, up 35% in Q1 25 compared with Q1 24[2]. Overall, 17 million electric vehicles were sold in 2024, representing 20% of new vehicle sales, ~50% in China, 20% in EMEA and 10% in the US. The growing electrification of transport, particularly in China, drives growing demand for electricity and weakens demand for oil and is expected to add further to the existing over capacity in the global oil market[6].

Despite the continued transition, the physical risk from climate change continues to rise, leading to growth in climate adaption, which has trailed climate mitigation; 34% of large and mid-sized companies disclosed that they were taking climate adaptation measures. The market for climate adaptation solutions is estimated to be ~$1trn, growing at 21% CAGR in the last 4 years[5].

Chart 1: Env Ops Green Sectors Performance – Q2 saw a recovery in EnvOps driven by the Energy Efficiency and Renewables sector, which had long been a laggard.

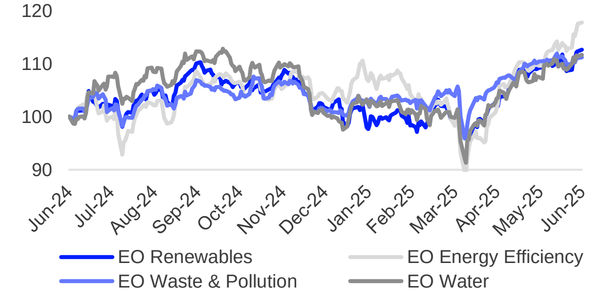


Chart 2: Global investment in clean energy vs fossil fuels ($bn)[1] Clean energy investment continues to grow and fossil fuel investment to contract, even in 2025.

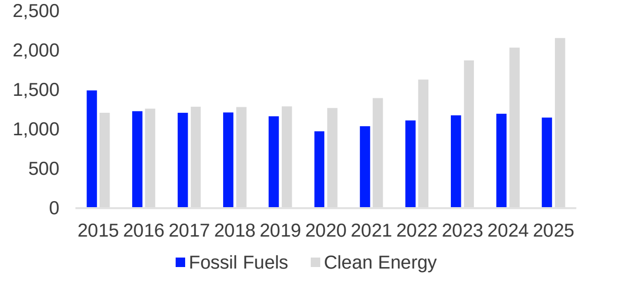


Chart 3: Quarterly global sales of electric vehicles (millions of units)[2] – Sales were up in Q1 2025 vs Q1 2024 and represented 20% of vehicle sales in 2024.

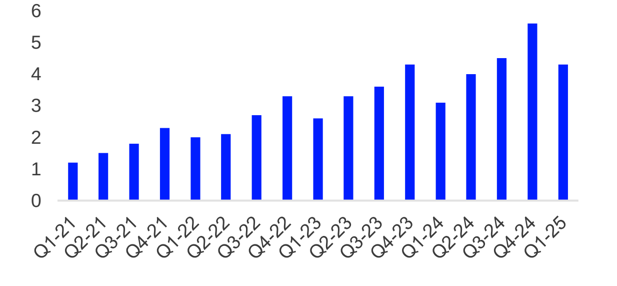


Chart 4: Companies disclosing adaptation measures (% of companies)[3] – 34% of large and mid-sized listed companies disclose some form of adaptation measures.

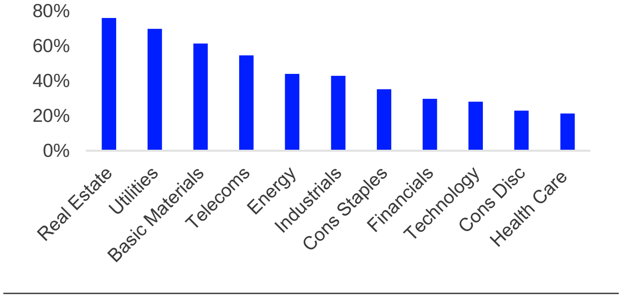
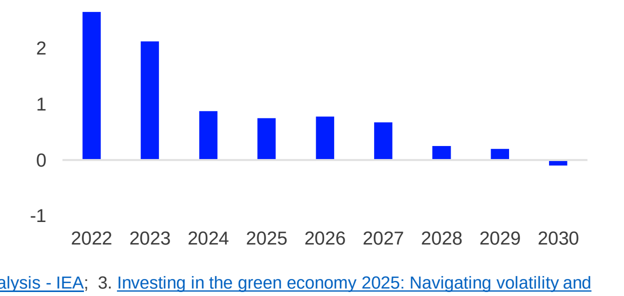


Chart 5: Adaptation solutions market, revenues and weighted market cap ($bns)[3,4] – Market now estimates to be ~$1 trillion.

Chart 6: Global growth in annual oil demand (mb/d)[5] – Oil demand growth is expected to weaken of the next five years, driven by electrification of transportation.



1. World Energy Investment 2025 – Analysis - IEA); 2. Global EV Outlook 2025 – Analysis - IEA; 3. Investing in the green economy 2025: Navigating volatility and disruptions | LSEG; 4; Market capitalisation of companies adjusted for % of revenues from adaptation solutions; 5. Oil 2025 – Analysis – IEA.

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SI Market Development – Q2 2025

2025 has been a challenging period for the sustainability investment market, facing the combination of geopolitical uncertainty and volatile global markets. However, so far, we see most sustainability focused investors maintaining their positions.

SI focused bond and equity fund flows have trailed the broader market since mid-2023. They have remained flat to slightly positive, rather than seeing outflows, until Q1, which saw more significant outflows, particularly in March and into April. However, May saw a recovery, with a small inflow, while June saw a smaller level of outflows. While the SI market remains under pressure, this stabilization, rather than sustained outflows, can be seen as positive trend. The recovery came primarily from SI bond funds, SI passives and European SI funds, while flows into SI equity funds and active SI funds have been weak[1].

Part of the reason for the recent outflows may have been the performance of SI funds versus the broader market. An analysis of SI focused global equity funds showed they were behind the market for most of the last 12M, but recovered in Q2. Only 17% of the SI funds were at, or ahead, of the market over the last 12M[2], which leave them vulnerable to outflows in periods of market volatility.

The SI market is closely watching the impact of potentially weaker fiscal government support for sustainability and climate, changing policy support for corporate disclosure (which should also drive simplification), and potential impact of trade policies.

Chart 1: SI bond & equity fund flows[1] – Sharply weaker SI fund flows in March and April 2025 stabilized in May and June, with improvements across regions and asset classes.

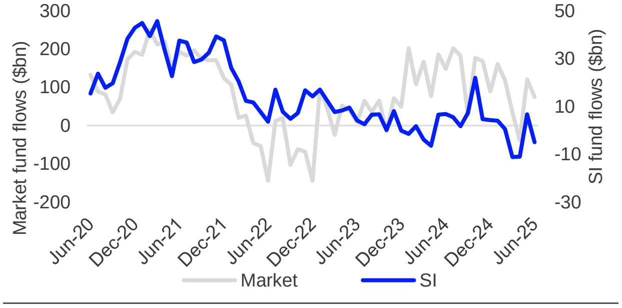


Chart 2: SI fund flows by fund type[1] – Passive SI fund flow has been stronger than active for most of the last two years and recovered in May and June from the dip in Q1.

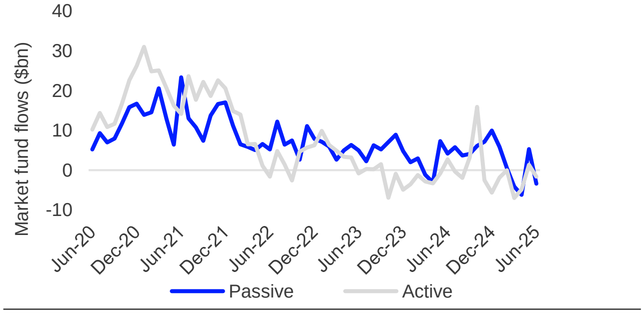


Chart 3: SI fund flow by region[1] – SI flows have been negative in North America since 2022, but European flows only turned negative in Q1, and partially recovered in May.

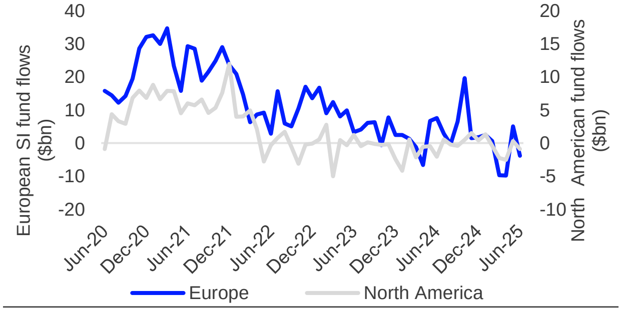


Chart 4: SI fund flow by asset class[1] – SI equity flows have been weak for the last 18M, while bond flows have largely remained positive, having recovered in May & June from Q1 dip.

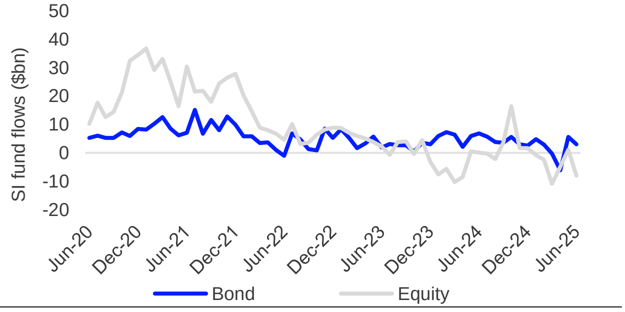


Chart 5: Weighted average performance of SI global equity market[2] vs FTSE All World[2] – SI equity indices trailed the market for most of the last 12M, but partially recovered in Q2.

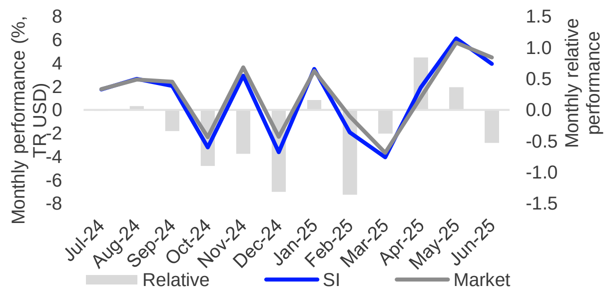
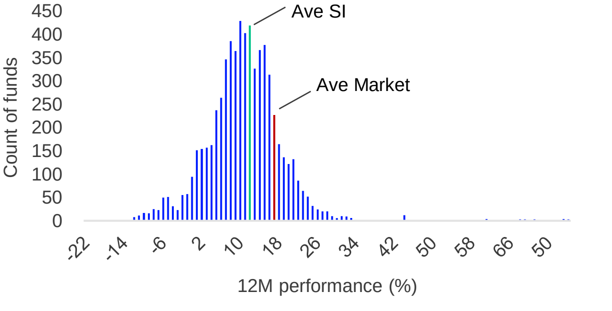


Chart 6: Distribution of 12M relative performance of SI focused global equity funds vs FTSE All World[2] – Only 17% of SI fund performance is equal, or ahead, of FTSE All World.



1. LSEG Lipper SI focused bond and equity ETFs and mutual funds; 2. LSEG Lipper SI focused global equity funds ETF and mutual funds, USD total return;

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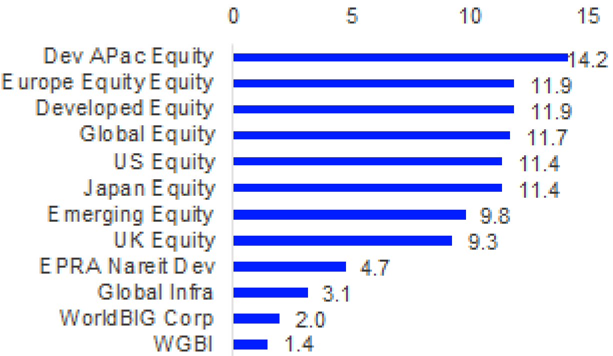
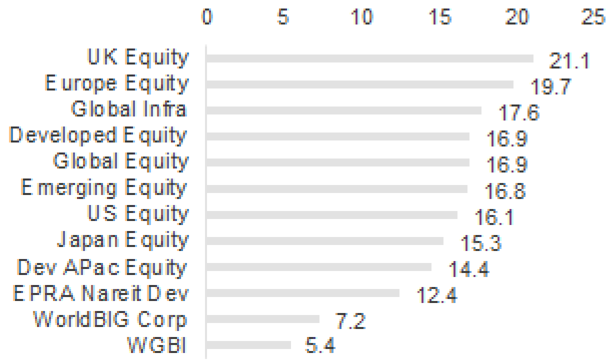
Absolute Returns – 3M & 12M (TR, USD %) Q2 2025

Q2 was volatile, with initial market falls driven by concerns around global trade but finished seeing strong performance across all regions of the equity markets, with USD-based returns helped by a weaker dollar. The US, European & Japanese equity performance was quite similar in Q2, while the UK and Europe remained ahead over 12 months. Concerns around trade, inflation and deficits kept US bond yields relatively flat over the quarter and yield curves steepened, leading to bond and alternative performance being weak compared to equities in Q2. EnvOps saw a strong recovery in Q2, reflecting continued strength in the energy transition, while the more value oriented LowCarb was weaker.

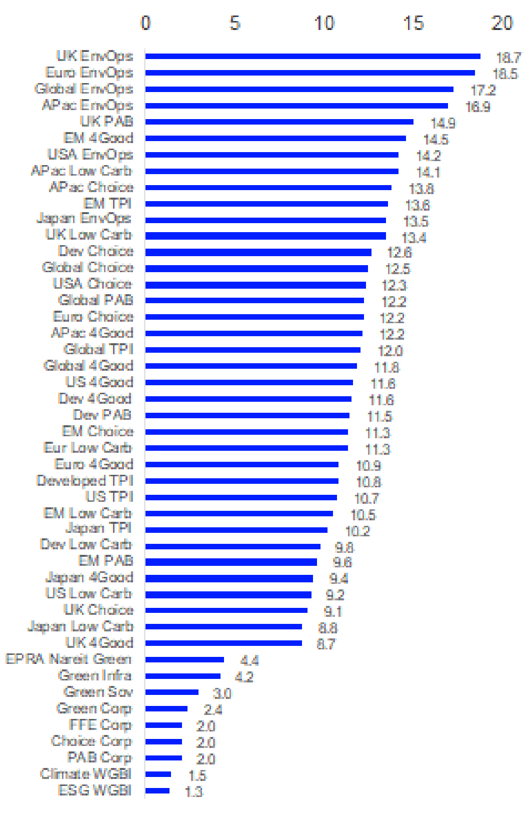
Regional 3M Absolute Returns* (TR, USD %): Dev APAC equities were the best performers, with European, US and Japanese equities showing a similar performance.



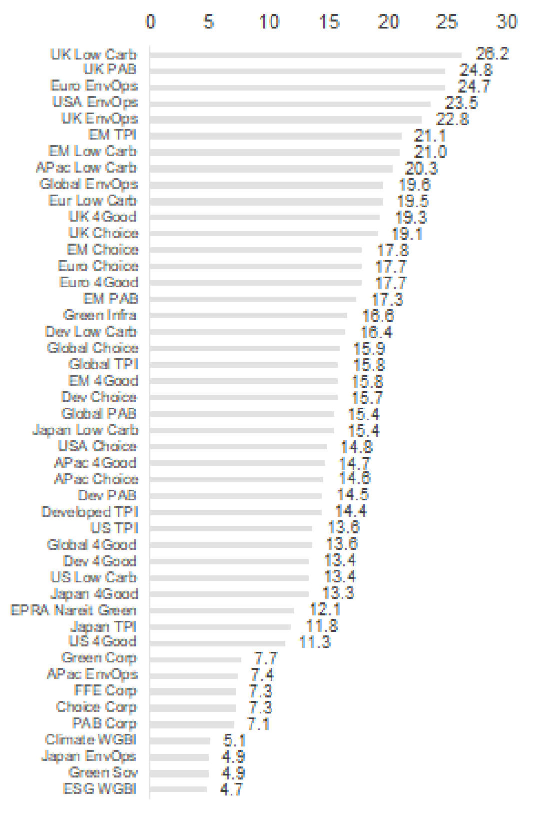
Regional 12M Absolute Returns* (TR, USD %): UK & European equities were the strongest performers, followed by infrastructure, while bond performance was weak.



SI Index 3M Absolute Returns (TR, USD %): EnvOps indices were the top performers in Q2, while bond and alternative indices were weak.



SI Index 12M Absolute Returns (TR, USD %): UK and EnvOps indices were strong performers over 12M. The weakest performers were mainly bond indices.



*The Broad regional indices above are: The FTSE USA, FTSE UK, FTSE Developed Europe, FTSE Japan, FTSE Developed Asia-Pacific and FTSE Emerging Markets. Benchmarks for the listed SI indices may vary. Appendix 1 shows the appropriate benchmark and market-cap coverage for the SI indices covered in this report.

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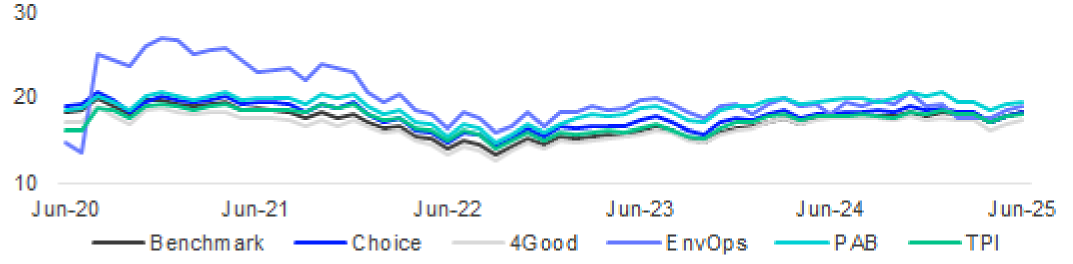
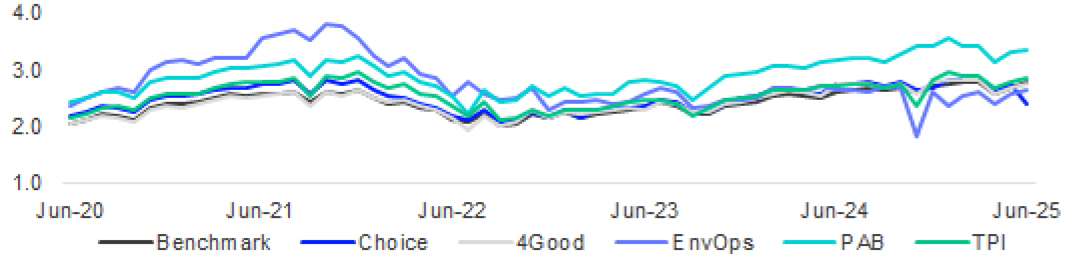
SI Equity Index Valuation – Q2 2025

The broad recovery in equity market performance in Q2 led to an increase in forward P/E valuations post a fall in April driven by concerns around the impact of tariffs on global trade. This left Choice, 4Good and TPI P/Es inline or slightly lower over the whole quarter, while EnvOps, PAB and the market were up. As such the P/E premium vs market fell for all of the global SI equity indices, except EnvOps, with 4Good and TPI both now cheaper than the market. Most SI indices (except FTSE4Good) retained their lower dividend yield than the market, with PAB the lowest. EnvOps remains cheaper on a price-to-book basis than the broader FTSE All World index, with 4Good and TPI close to the market. At a regional level, the US remains the most expensive market, although SI UK strategies exhibit the highest premia.

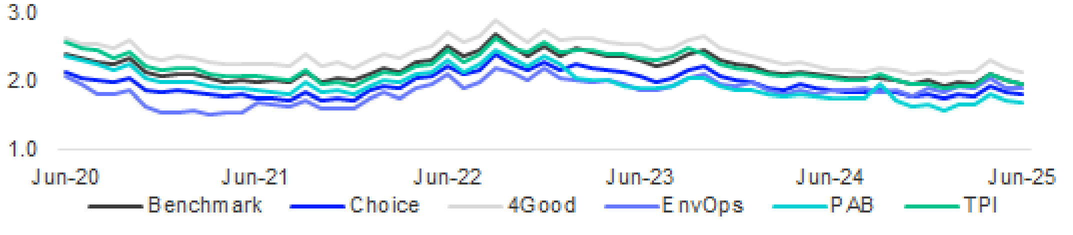
Global Markets – 12-month forward factor P/E ratios



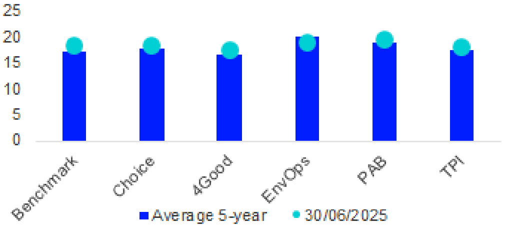
Global Markets – 12-month forward factor Price-to-Book ratios



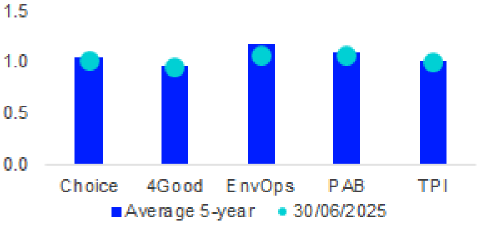
Global Markets – Dividend Yield



12-month forward P/E vs history



12-month forward P/E premium vs history



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SI Sovereigns – Q2 2025

Despite higher volatility on the back of high policy uncertainty, SI Sovereign performance was positive across the board in Q2, as lower growth expectations and softer inflation data resulted in lower sovereign yields. 1-year performance has also been positive, largely due to monetary policy easing, with most central banks having cut rates over the past 12 months. On a relative basis, performance was mixed, with ESG WGBI underperforming WGBI during Q2, Advanced Climate outperforming, and Climate WGBI performing roughly in line with WGBI. With additional uncertainty from changes in global trade policy having a varied effect on markets, yields and sovereign performance have begun to diverge regionally. Country allocation effects are likely to play a large role in performance attribution moving forward.

On country allocations, both climate indices remained heavily underweight the US in favor of select European sovereigns in Q2, while ESG WGBI has a slight overweight to US sovereign debt. As of June 30, ESG WGBI's largest country overweight was the UK, but it is worth noting that all three indices remain overweight the UK, France and Germany. All three indices continue to exhibit a quality bias vs. WGBI and there were no major changes in quality in Q2.

Since 2023, sovereign relative yields vs. WGBI have been trending higher, partly due to an underweight in China, where yields have fallen quickly in response to deflationary pressures in the region. Climate WGBI and ESG WGBI both have a higher duration than WGBI, while active duration for Advanced Climate remains negative. Active duration remained largely unchanged in Q2.

Chart 1: Selected SI Sovereign Returns (TR, USD Hedged) – returns were positive across the board in Q2 as lower growth expectations & softer inflation data resulted in lower sov yields.

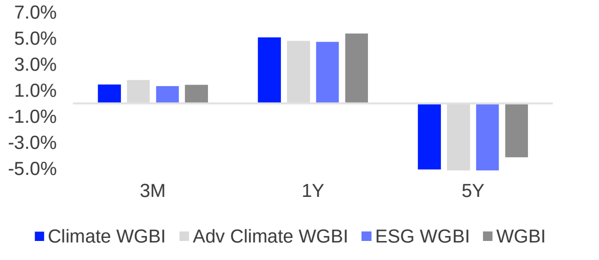


Chart 2: Selected SI Sovereign Relative Performance vs. WGBI (TR, USD Hedged) – Adv Climate outperformed in Q2, ESG WGBI underperformed and Climate was in-line.

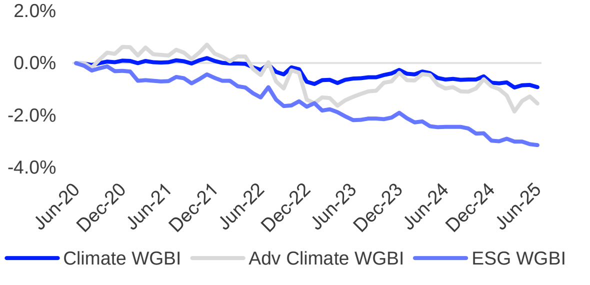


Chart 3: Selected SI Sovereign Active Weights vs WGBI – France remains the largest overweight for both Climate & Adv Climate, while the UK is the largest overweight for ESG WGBI.

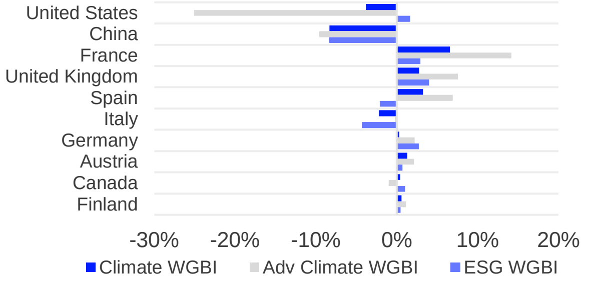


Chart 4: Selected SI Sovereign Relative Credit Weighting vs WGBI – All three indices exhibit a quality bias vs. WGBI. There were no major changes in quality in Q2.

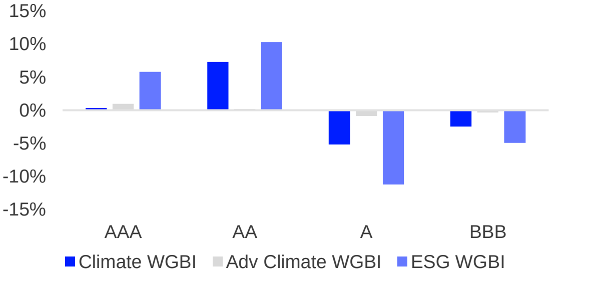


Chart 5: Selected SI Sovereign Relative Yield vs WGBI – SI sovereign relative yields vs. WGBI have been trending higher since the beginning of 2023 but were largely stable in Q2.

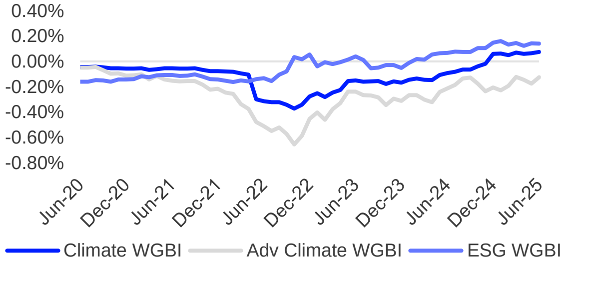
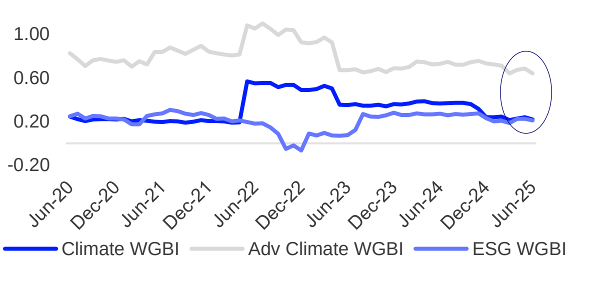


Chart 6: Selected SI Sovereign Active Duration vs WGBI – Active duration remained largely unchanged in Q2, with all three indices still exhibiting positive active duration vs. WGBI.



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SI Corporate Bonds – Q2 2025

SI Corporate performance was positive in Q2. Despite widening in April, spreads tightened in May and June, as trade policy uncertainty declined. SI Corporates have now outperformed SI Sovereigns over 3-month, 1-year and 5-year periods. On a relative basis, all three SI Corporate bond indices performed roughly in line with WBIG Corp in Q2 – a change from the trend of divergent relative performance. Duration has largely explained divergent relative performance between Choice Corp/FFE Corp and PAB Corp in recent years. More recently, sector allocation has also been a dominant driver of relative return, given that certain sectors and their respective spreads have been more at risk from disruptions to global trade. In Q2, Banks outperformed, which led PAB Corp to lag FFE Corp and Choice Corp slightly due to its underweight in the sector.

The SI Corporate indices' approach to sector weights differs greatest within Banks, Manufacturing and Electric Utilities. All three indices continue to have an overweight in Services and an underweight in Energy versus WBIG Corp. Relative to WBIG Corp, all three indices continue to show a quality bias and there were no major changes in quality in Q2.

Since end-2023, the SI Corporate indices have seen aggregate OAS converge, with all three indices now exhibiting lower OAS than WBIG Corp. Lower spreads and the quality bias of the SI Corporate indices vs. WBIG Corp should provide some relative insulation to spread volatility, which remains front of mind for investors given that option-adjusted spreads continue to trade near 5-year lows. Although duration has trended lower over 5Y for SI corporate indices, modified duration was largely unchanged in Q2. PAB Corp remains the only index with positive active duration.

Chart 1: Selected SI Corporate Returns (TR, USD Hedged) – Absolute performance was positive in Q1; despite widening in April, spreads narrowed in May and June.

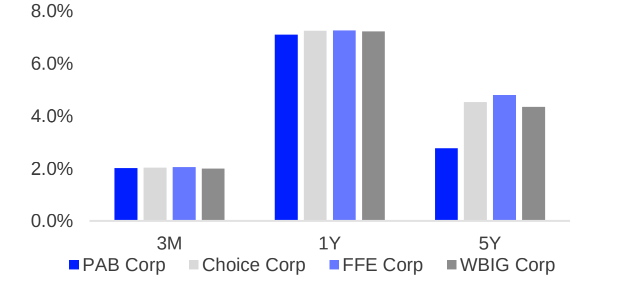


Chart 2: Selected SI Corporate Relative Performance vs. WBIG Corp (TR, USD Hedged) – All three SI Corporate bond indices performed roughly in line with WBIG Corp in Q2.

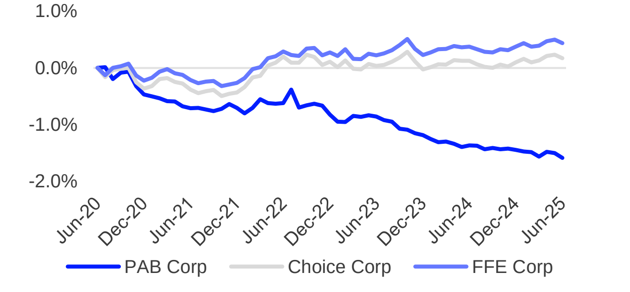


Chart 3: Selected SI Corporate Active Weights vs WBIG Corp – The indices' approach to active weights differ greatest within Banks, Manufacturing and Electric Utilities.

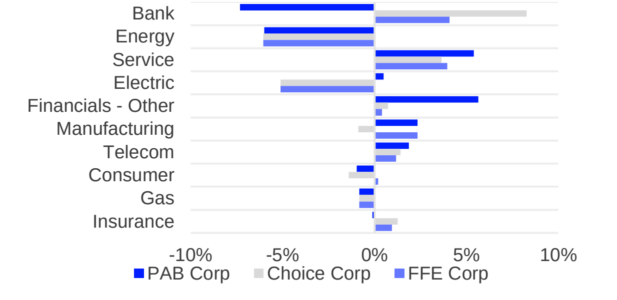


Chart 4: Selected SI Corporate Relative Credit Weighting vs WBIG Corp – All three indices continue to show a quality bias and there were no major changes in quality in Q2.

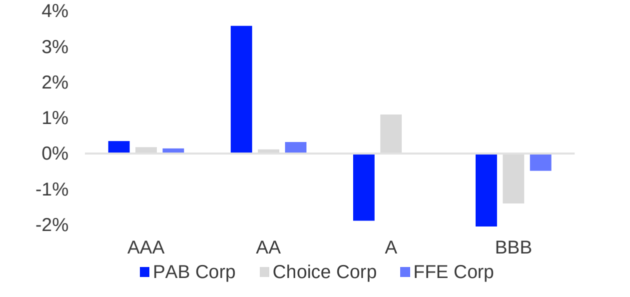


Chart 5: Selected SI Corporate Relative OAS vs. WBIG Corp – Since end-2023, all three indices have seen OAS converge. SI Corporates exhibit lower OAS than WBIG Corp.

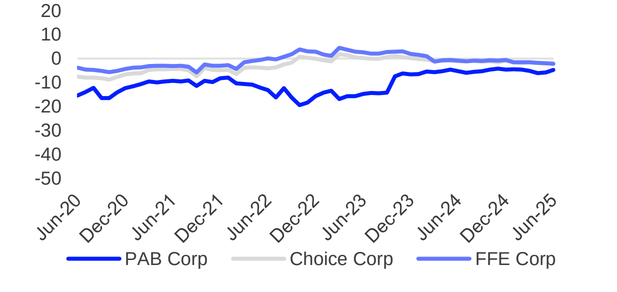
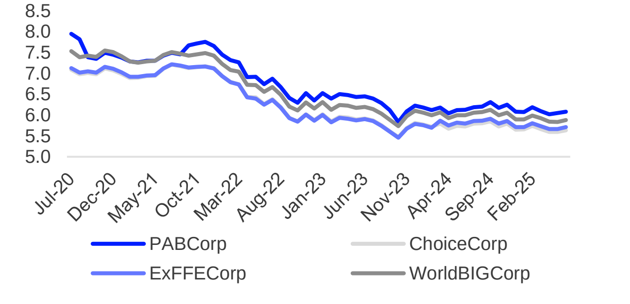


Chart 6: Selected SI Corporate Modified Duration – Although duration has trended lower over 5Y for SI Corporate indices, modified duration was largely unchanged in Q2.



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Green Bonds – Q2 2025

Green bond performance has been positive over 3M and 1Y, but negative for Green Sov over 5-years, given the absence of OAS compression and broadly higher interest rates affecting government bonds. On a relative basis, both Green Sov and Green Corp outperformed in Q2, with Green Corp benefitting from an overweight in Banks, which have outperformed in recent months, and with Green Sov benefitting from a combination of higher duration and overweights in the UK and Europe (where long-dated government bond yields declined over 3M) versus the US (where long-dated government bond yields rose over 3M). While over 5Y Green Sov has underperformed WBIG Sov, relative performance has stabilized since the beginning of 2023. On the other hand, Green Corp has outperformed over 5Y.

Within Green Sov, currency exposure remains heavily weighted towards EUR due to the large amount of sovereign Green bond issuance in Europe and a lack of sovereign Green bond issuance in the US (resulting in no USD holdings in the index). Sector weights were largely unchanged for Green Corp in Q2, but the index did see a slight increase in its weight in Banks as well as a slight decrease in Electric Utilities. Compared with the broader WorldBIG corporate bond index, Green Corporates tend to capture lower grade credit as evident through lower AAA, AA and A exposure, in favor of BBB-rated bonds.

Green Sov's active duration continued its trend lower in Q2 but remains heavily positive, while Green Corp exhibits negative active duration. On the issuance side, absolute green bond issuance increased in Q2, as did the green bond ratio, which saw levels slightly above the 5-year average (4.9% over 3M vs. 4.7% over 5Y).

Chart 1: Selected SI Green Bond Returns (TR Rebased, USD Hedged) – Green bond performance has been positive over 3M & 1Y, but negative for Green Sov over 5Y.

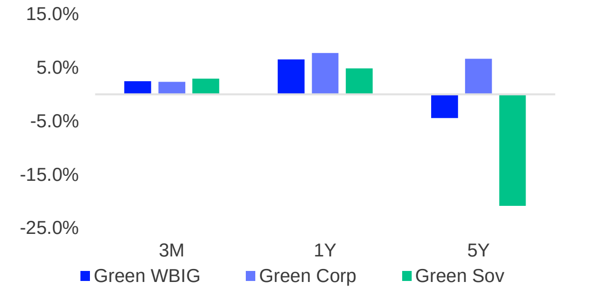


Chart 2: Selected SI Green Bond Index Relative Performance vs. WBIG, WBIG Corp, WBIG Sov (TR, USD Hedged) – All three indices outperformed in Q2.

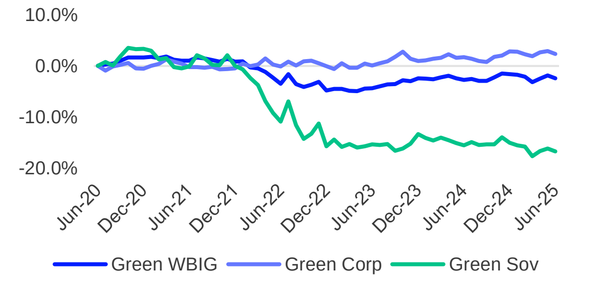


Chart 3: WBIG Sov and Green Sov Absolute Weight by Currency – Currency exposure remains heavily weighted towards EUR due to high Green bond issuance in the region.

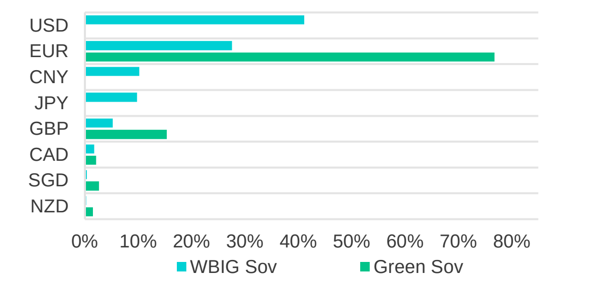


Chart 4: WBIG Corp and Green Corp Absolute Weight by industry – Green Corp weights were largely unchanged in Q2 but saw a slight increase in its weight in Banks.

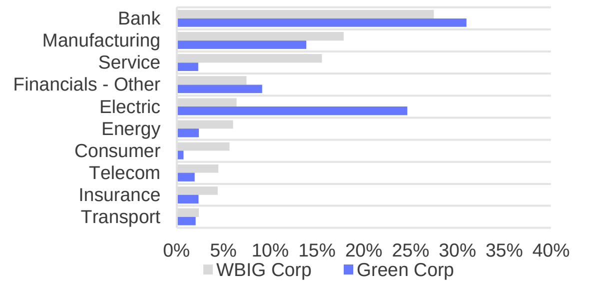


Chart 5: Selected SI Green Bond Active Duration vs WBIG, WBIG Corp, WBIG Sov – Green Sov active duration continued its trend lower in Q2 but remains heavily positive.

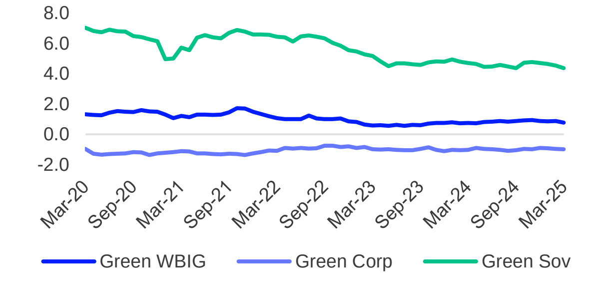
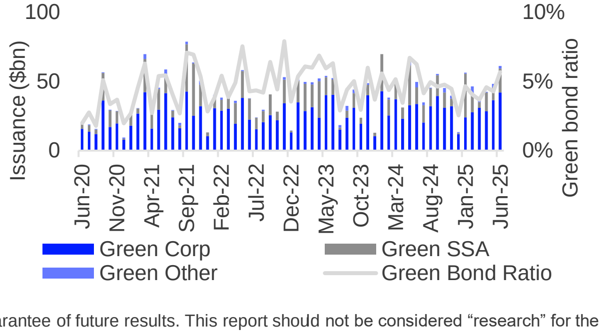


Chart 6: Green Bond Issuance – Absolute green bond issuance increased in Q2, as did the green bond ratio, which saw levels slightly above the 5-year average (4.9% vs. 4.7%).



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SI Alternatives (Real Estate & Infrastructure) – Q2 2025

SI alternatives offer different options for investors looking to diversify their portfolio, while also implementing an SI philosophy and maintaining exposure to liquid assets. FTSE Global Core Infrastructure TPI Climate Transition Index (‘Green Infra’) adjusts weights in the Global Core Infrastructure index based on risks and opportunities related to the climate transition, using TPI data. FTSE EPRA Nareit Developed Green Low Carbon Target (‘EPRA Nareit Green’) index adjusts the weights of listed real estate stocks based on energy usage, carbon emissions and green building certification.

The listed infrastructure market was weaker in Q2 than Q1, despite relatively flat bond yields and continued expectations of increased infrastructure spending in Europe. Green infrastructure outperformed the market in Q2, driven by a recovery in Railroads and positive selection in Multi-utilities, both of which had been performance headwinds over 12 months.

The listed real estate market was also weak compared to broader equities in Q2. EPRA Nareit underperformed the broader market in Q2, driven by negative selection in Industrial REITs and overweight allocation in Residential. Over 12M, EPRA Nareit Green performed close to the market, with positive selection in Residential REITs, overweight in Office REITs and underweight in Industrial REITs offset by underweight allocation to Healthcare REITs and negative selection in Speciality and Healthcare REITs.

Chart 1: FTSE Global Core Infrastructure TPI Climate Transition Active Performance – Underperforming the market over longer term but recovering, and ahead in Q2.

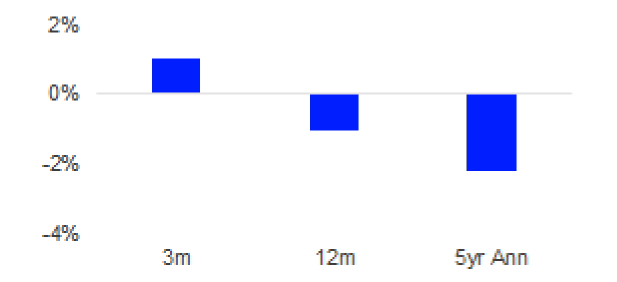


Chart 2: FTSE EPRA Nareit Developed Green Low Carbon Target Active Performance – Underperformance over longer term but close to market over 3M and 1 year.

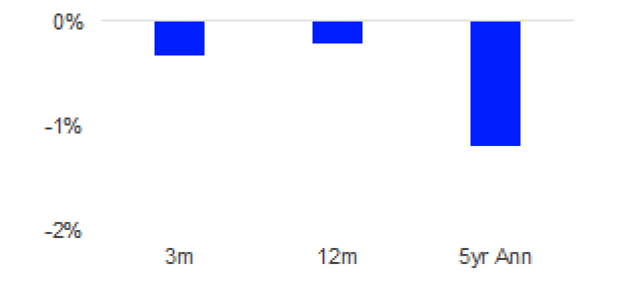


Chart 3: 12M Attribution vs FTSE Global Infrastructure – Underperformance came from Railroads and weak selection in Utilities over 12M, however Railroads recovered in Q2.

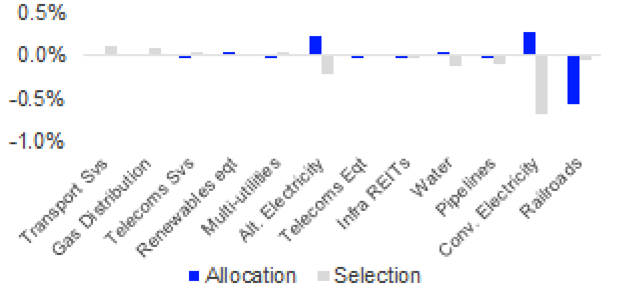


Chart 4: 12M Attribution vs FTSE EPRA Nareit Developed – In line over 12M, strength in Retail, Industrial & Office balancing weakness in Storage, Specialist & Healthcare.

Chart 5: Active weights vs FTSE Global Infrastructure – overweight Railroads and underweight in conventional Electricity Utilities.

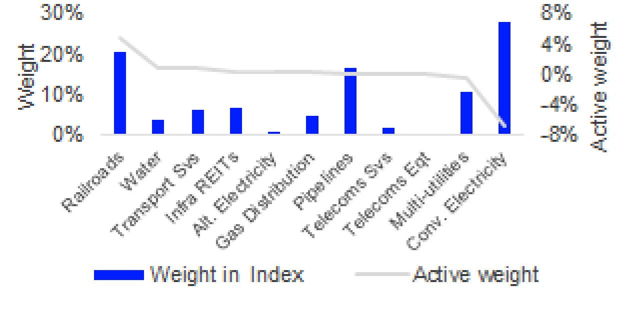
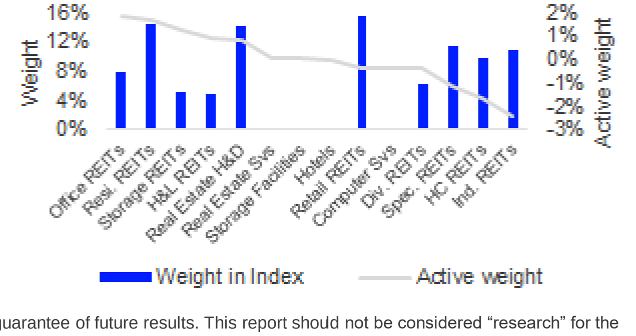


Chart 6: Active weights vs FTSE EPRA Nareit Developed – overweight Residential & Office, underweight Healthcare, Specialty and Industrial.



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SI Risk / Return – Q2 2025

The recovery in global equities has led to a return of the relationship between risk/return over 1 year. Most of the SI equity indices saw weaker return than All World over 1 year, with TPI showing the closest risk/return to the market. EnvOps stands out from the rest of the SI equity indices, having a consistently higher volatility, compensated by higher returns, over both 1 and 5 years.

SI corporate bond indices registered better returns, with a similar level of volatility, than SI sovereign bond indices over 1 year, but with a higher volatility over 5 years. SI corporate bond indices saw similar risk/return to the market (WorldBIG Corp) in both periods. SI sovereigns saw slightly lower returns and a higher volatility than the market (WGBI) over both periods, due to their slightly longer durations. Green corporates experienced a lower volatility and a higher return than the market, and Green sovereign saw a higher volatility and lower return than the market over both periods, driven by the latter's longer duration.

Infrastructure has seen a recovery in returns over 1 year vs 5 years, with similar risk/return to equities over the shorter term. EPRA Nareit real estate performances continue to lag equities in return with a higher volatility in both periods. Oil saw extremely high volatility in both periods.

Chart 1: 1 year risk vs return – EnvOps was the strongest equity performer, after the Q2 recovery, compensating for a higher volatility. Infra is now seeing similar risk/return to broader equities, while Real Estate continues to lag. Green Corp saw higher return and lower volatility than the other fixed income strategies.

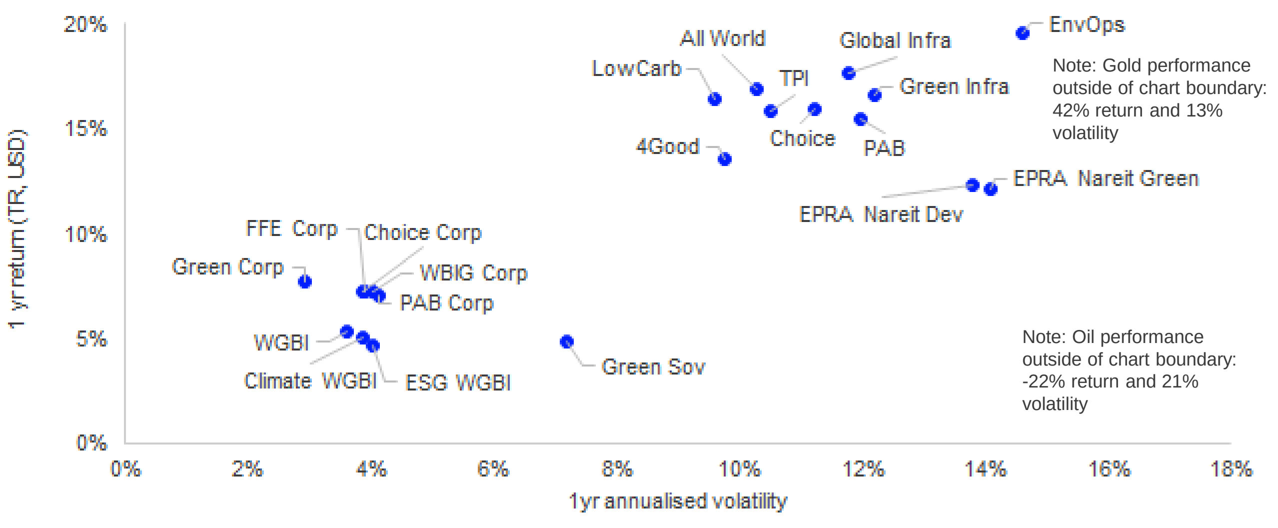
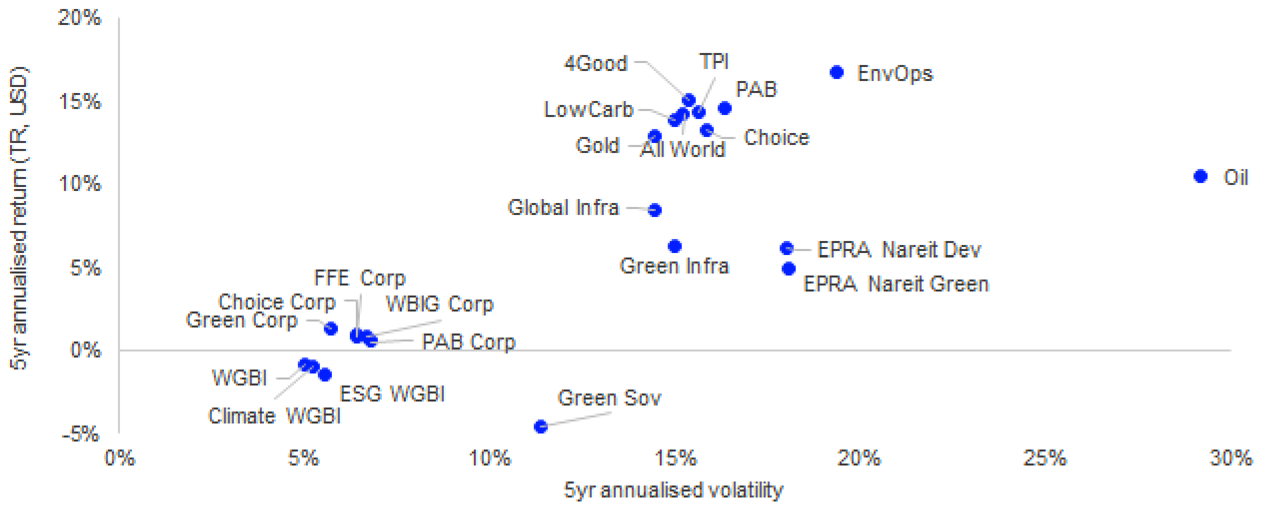


Chart 2: 5 year risk vs return – EnvOps had the strongest return, but with a higher volatility than other equity strategies, which all have similar risk/return, in line with gold. SI bond strategies have similar risk/return to parent indices, except Green Corp, which has lower volatility and Green Sov, which has higher volatility. Oil has a weak return and considerably greater risk.



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Risk calculated as the annualized monthly volatility

SI Correlation – Q2 2025

SI/broad market correlations are high over both periods but are generally lower over 1 year than 5 years. EnvOps, Green Infrastructure and EPRA Nareit Green see the lowest correlations with the All World, while TPI and Choice see the highest. Correlations with oil were low over five years and turned negative over one year.

SI fixed income strategies saw a lower correlation to SI equities (now lower over 1 year than over 5 years) but remain highly correlated to the broad market. EPRA Nareit and Infrastructure indices have become increasingly correlated with both corporate and sovereign bonds over one year, reflecting their exposure to the interest rate cycle. Green corporate bonds saw correlations to bond markets increase slightly over one versus five years, while Green sovereigns saw it reduce.

Chart 1: 1 year cross correlation – High SI/broad market correlations remain within assets classes, with correlation between equities and fixed income lower over one year than five years, but higher between alternatives and fixed income.

	Choice	EnvOps	4Good	LowCarb	PAB	TPI	All World	EPRA Nareit Green	EPRA Nareit Dev	Green Infra	Global Infra	Choice Corp	FFE Corp	PAB Corp	Green Corp	WBIG Corp	Climate WGBI	ESG WGBI	Green Sov	WGBI	Gold	Oil
Choice	100%																					
EnvOps	94%	100%																				
4Good	98%	90%	100%																			
LowCarb	94%	81%	95%	100%																		
PAB	97%	97%	92%	85%	100%																	
TPI	100%	94%	98%	94%	97%	100%																
All World	99%	92%	98%	97%	94%	99%	100%															
EPRA Nareit Green	60%	48%	63%	72%	48%	61%	66%	100%														
EPRA Nareit Dev	61%	49%	64%	73%	49%	62%	67%	100%	100%													
Green Infra	40%	32%	39%	52%	27%	38%	46%	90%	90%	100%												
Global Infra	36%	26%	36%	50%	23%	34%	43%	90%	90%	99%	100%											
Choice Corp	55%	42%	57%	68%	42%	54%	61%	90%	89%	83%	83%	100%										
FFE Corp	56%	43%	57%	68%	42%	54%	61%	90%	89%	83%	83%	100%	100%									
PAB Corp	55%	42%	57%	67%	42%	54%	60%	89%	89%	83%	83%	100%	100%	100%								
Green Corp	63%	55%	59%	67%	55%	61%	64%	80%	80%	73%	71%	90%	90%	91%	100%							
WBIG Corp	55%	41%	57%	68%	41%	54%	60%	89%	89%	83%	84%	100%	100%	100%	90%	100%						
Climate WGBI	43%	31%	42%	51%	32%	41%	46%	82%	82%	78%	78%	93%	93%	94%	93%	93%	100%					
ESG WGBI	41%	28%	41%	50%	29%	39%	44%	82%	82%	78%	79%	94%	94%	94%	90%	93%	100%	100%				
Green Sov	56%	49%	51%	58%	49%	53%	56%	71%	72%	70%	67%	79%	80%	81%	96%	79%	90%	87%	100%			
WGBI	41%	29%	41%	49%	30%	39%	44%	81%	81%	77%	77%	93%	93%	94%	91%	93%	100%	100%	87%	100%		
Gold	-43%	-35%	-44%	-45%	-43%	-41%	-38%	1%	1%	17%	18%	-10%	-11%	-11%	-24%	-11%	-5%	-3%	-23%	-4%	100%	
Oil	0%	-7%	0%	2%	1%	-1%	0%	-38%	-39%	-39%	-35%	-39%	-39%	-40%	-57%	-37%	-60%	-58%	-65%	-68%	-26%	100%

Chart 2: 5 year cross correlation – high correlations between SI strategies and broader market within similar asset classes.

	Choice	EnvOps	4Good	LowCarb	PAB	TPI	All World	EPRA Nareit Green	EPRA Nareit Dev	Green Infra	Global Infra	Choice Corp	FFE Corp	PAB Corp	Green Corp	WBIG Corp	Climate WGBI	ESG WGBI	Green Sov	WGBI	Gold	Oil
Choice	100%																					
EnvOps	96%	100%																				
4Good	98%	93%	100%																			
LowCarb	97%	91%	99%	100%																		
PAB	99%	97%	98%	97%	100%																	
TPI	99%	95%	99%	99%	99%	100%																
All World	99%	94%	99%	99%	99%	100%	100%															
EPRA Nareit Green	88%	81%	88%	89%	85%	88%	89%	100%														
EPRA Nareit Dev	88%	82%	88%	89%	85%	89%	89%	100%	100%													
Green Infra	76%	73%	78%	80%	74%	79%	79%	85%	85%	100%												
Global Infra	76%	72%	78%	81%	75%	79%	79%	85%	85%	99%	100%											
Choice Corp	76%	71%	73%	73%	73%	75%	75%	77%	76%	69%	67%	100%										
FFE Corp	77%	71%	73%	73%	74%	75%	75%	77%	76%	70%	67%	100%	100%									
PAB Corp	76%	71%	73%	73%	73%	74%	75%	77%	76%	70%	67%	100%	100%	100%								
Green Corp	73%	69%	69%	69%	71%	71%	71%	72%	72%	62%	60%	95%	95%	95%	100%							
WBIG Corp	77%	71%	74%	74%	74%	75%	75%	77%	77%	70%	67%	100%	100%	100%	94%	100%						
Climate WGBI	62%	60%	58%	59%	61%	61%	60%	63%	63%	58%	56%	91%	91%	92%	89%	91%	100%					
ESG WGBI	61%	59%	57%	58%	60%	60%	59%	63%	63%	59%	56%	92%	91%	92%	89%	91%	100%	100%				
Green Sov	62%	62%	57%	57%	61%	61%	59%	60%	60%	54%	52%	85%	85%	86%	90%	85%	95%	95%	100%			
WGBI	62%	59%	58%	58%	61%	61%	60%	63%	63%	59%	56%	92%	92%	93%	89%	92%	100%	100%	94%	100%		
Gold	18%	15%	18%	16%	17%	19%	19%	23%	23%	38%	35%	34%	33%	33%	29%	33%	33%	34%	25%	34%	100%	
Oil	18%	11%	25%	24%	18%	20%	23%	17%	17%	5%	7%	-12%	-12%	-12%	-15%	-11%	-30%	-30%	-28%	-30%	-20%	100%

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Correlation calculated based on monthly performance

3M & 12M rolling relative performance (equities & alternatives) – Q2 2025

10 years (or longest available) of rolling 12M and 3M performance relative to parent benchmark.

Chart 1: Choice – Outperforming ahead of Covid, with lower quarterly volatility; relative performance fell in 2021/22 and recovered in 2023/24.

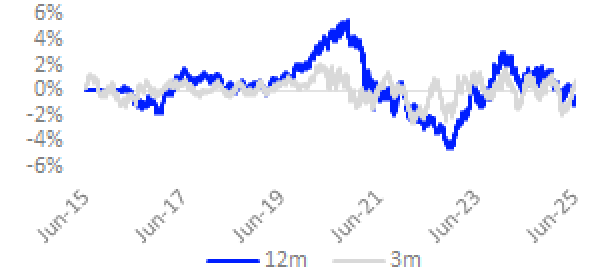


Chart 2: EnvOps – After seeing significant outperformance in 2020/21, EnvOps underperformed through 2022, strongly recovered in 2023, was weak in 2024 and recovered in Q2 25.

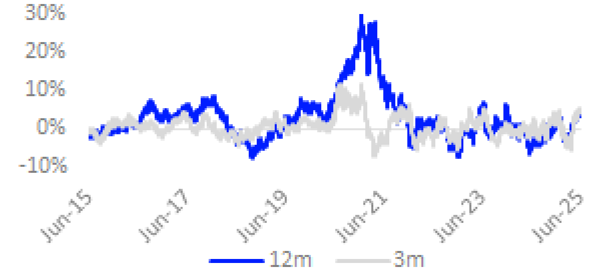


Chart 3: 4Good – Underperformed in the early covid period, recovered strongly in 2021, and continued to outperform in 2022 to Q3 2024, before underperforming since late 2024.

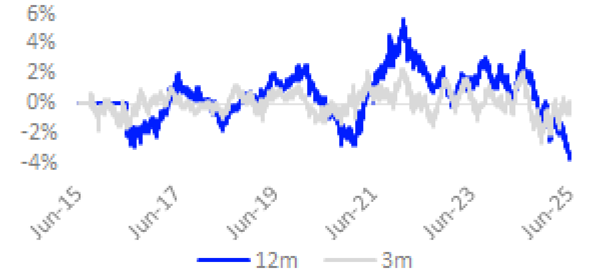


Chart 4: LowCarb – After a consistent pre-covid performance, LowCarb fell in 2020, but recovered in 2021. It under-performed from late 2022 and strongly recovered in Q1 25.

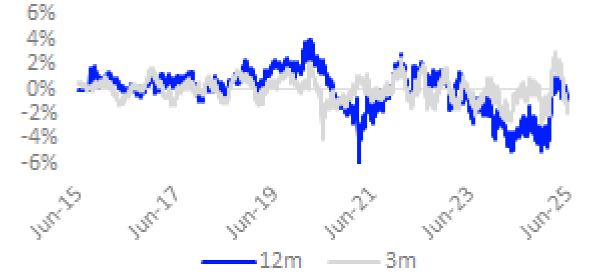


Chart 5: PAB – Strong performance from 2017 to late 2020, then fell and underperformed in 2021/22. The strategy recovered in 2023 but has been volatile since 2024.

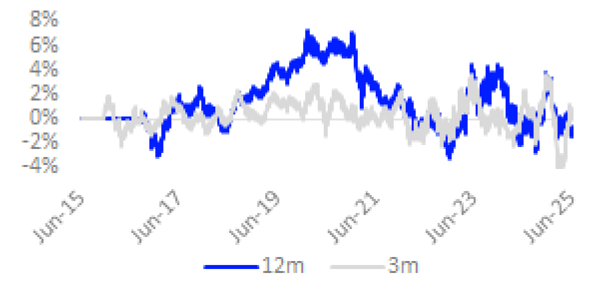


Chart 6: TPI – Relative performance difference is typically lower than other SI equity strategies, with underperformance in 2018 and 2021, recovering in 2022 and in line since.

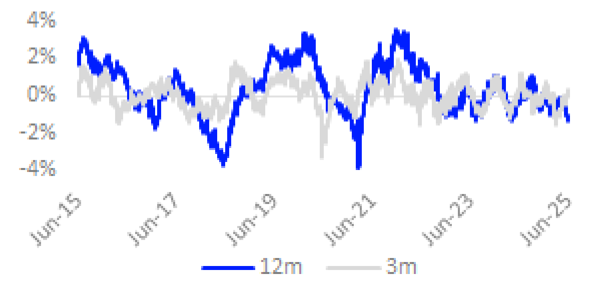


Chart 7: EPRA Nareit Green – Lower tracking error, except during the underperformance in the mid 2021, which persisted through 2022. Recent performance is closer to the market.

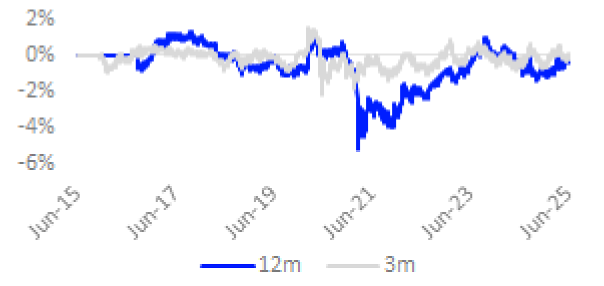
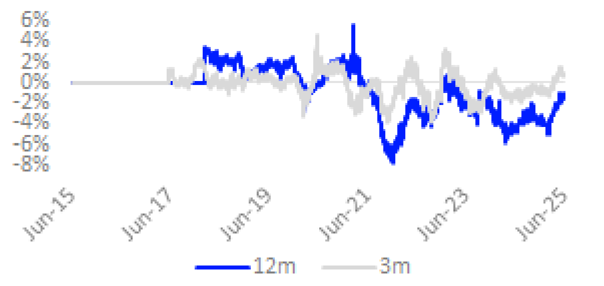


Chart 8: Green Infra – Weak relative performance in 2021, recovered in 2022. Further underperformance in 2023, stabilized in 2024 and recovering performance during 2025.



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1. Vs FTSE Global Core Infrastructure + ICB Alternative Electricity

Relative performance over time (fixed income) – Q2 2025

10 years (or longest available) of rolling 12M and 3M performance relative to parent benchmark.

Chart 1: Climate WGBI – Performed close to the market until 2022, when higher duration and European overweight led to weakness, strongly recovered in 2023 and fell more recently.

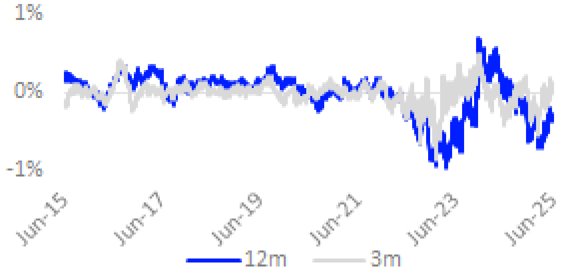


Chart 2: ESG WGBI – Gradual underperformance from mid 2019, particularly from early 2022, before recovering from mid 2023 and a weak performance since Q4 2024.

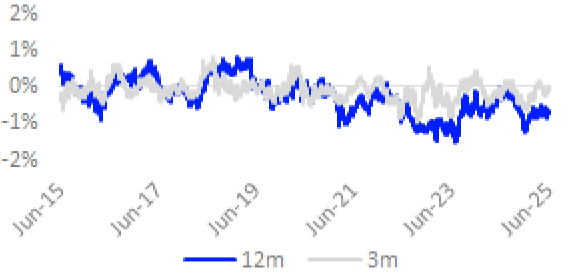


Chart 3: Choice Corp – tracking closely with market, out/underperformance typically <1%, except for in 2016/17.

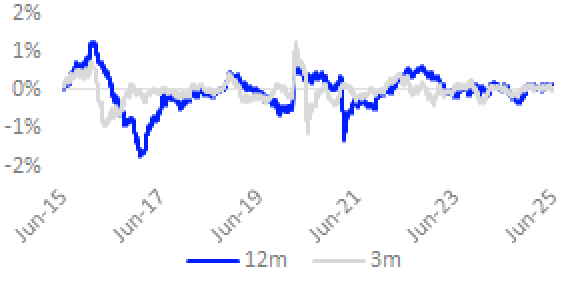


Chart 4: FFE Corp – tracking closely with market, out/underperformance typically <1%, except for in 2016/17.

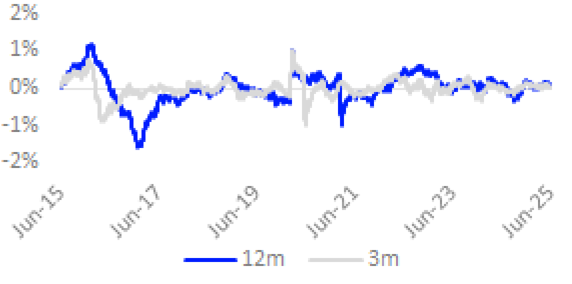


Chart 5: PAB Corp – larger underperformance spikes in 2017 and 2021 and outperformance in 2020, with performance close to market in other periods & slightly below market recently.

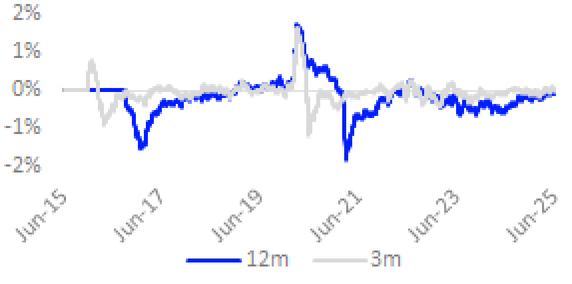


Chart 6: Green Sov – Outperforming pre-covid, before underperforming from 2020 to 2022, due to longer duration. Recovered in 2023/24, was weak in Q1, and recovered in Q2.

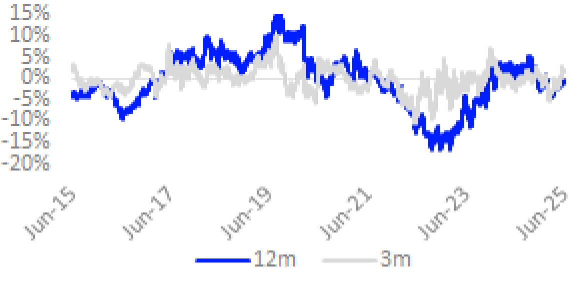


Chart 7: Green Corp – Performed closer to the market than Green sovereigns. Predominantly outperforming since 2021, although more volatile over the last year.

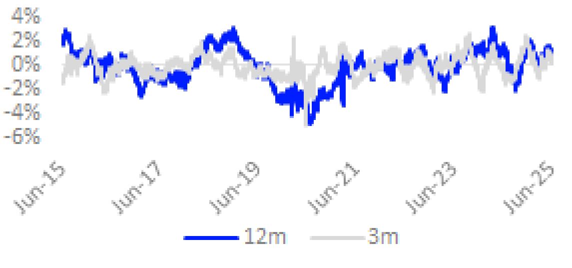
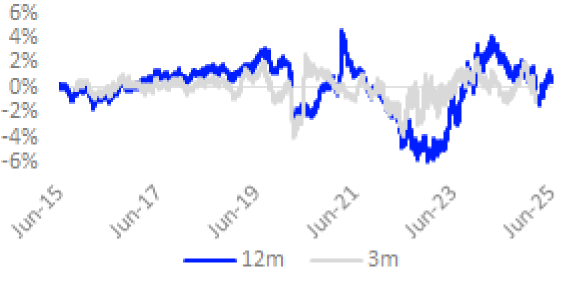


Chart 8: Green WBIG – Overall, green bonds outperformed up to 2019, before going through a series of cycles, notably an underperformance in 2021/22 and outperformance in 2023/4.



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Global Index Comparisons – Q2 2025

Global SI indices outperformed the market in Q2 2025. This was a reversal of the broad underperformance in Q1. EnvOps, saw the largest outperformance of the market, driven by an overweight allocation and positive selection in Tech, underweight allocation in Healthcare and positive selection in Consumer Discretionary and Industrials. Choice, PAB, TPI and 4Good also outperformed in Q2, however they remain behind the market over 1 year. They all benefited from being underweight Energy and overweight Tech. Choice, 4Good, PAB and TPI are trading slightly below their 5-year relative P/E premium, while EnvOps is trading ~10% below its historic premium. PAB and EnvOps remain the most expensive strategies, whereas 4Good remains the cheapest.

Chart 1: Active Performance (TR, USD %)

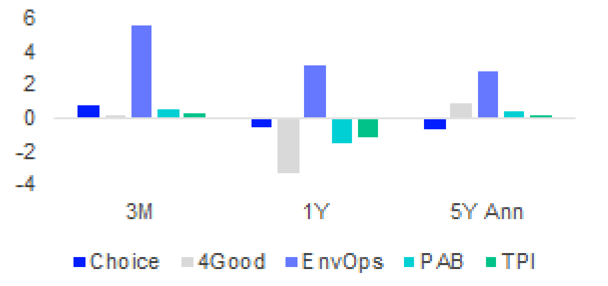


Chart 2: Index tracking error (%)

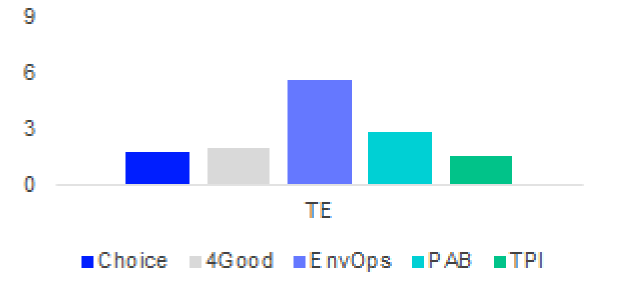


Chart 3: Industry active weight (3M average %)

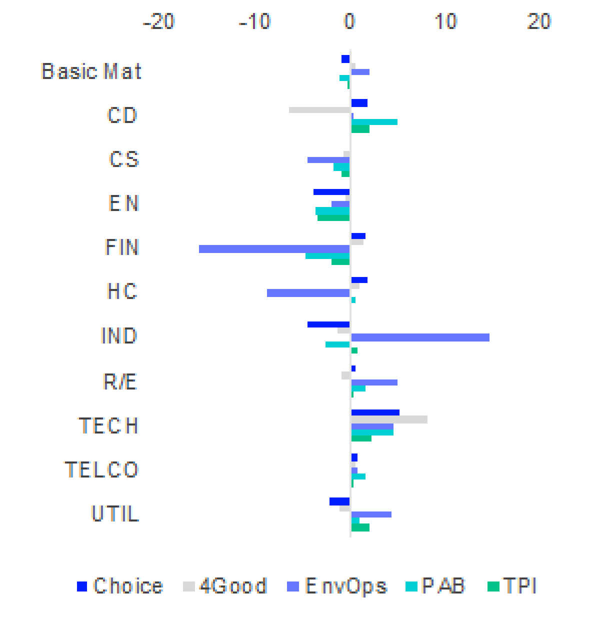


Chart 4: 3M industry allocation effect (%)

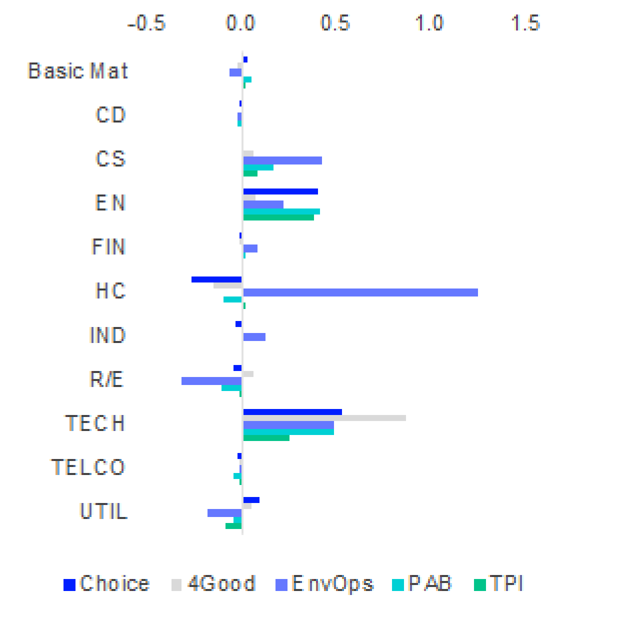
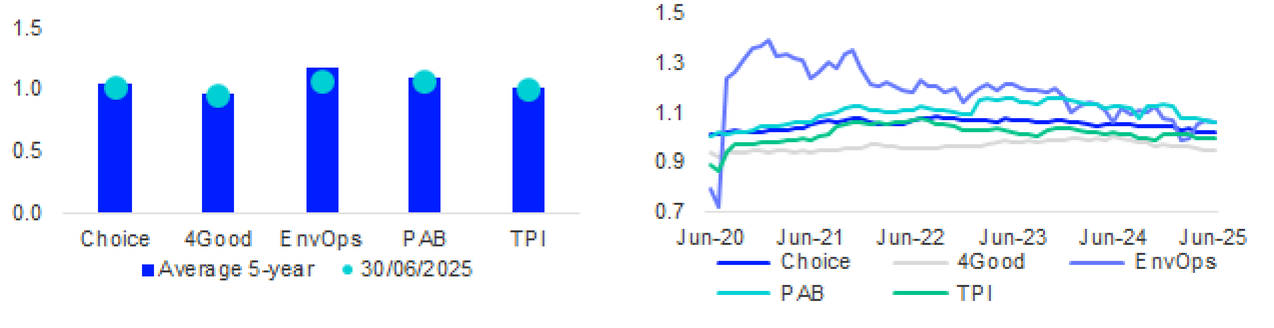


Chart 5: Global indices Relative Valuation: Latest 12-month Forward P/E relative to 5-year average



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FTSE Global Choice indices – Q2 2025

Global Choice outperformed at the global level in Q2. Geographically performance was mixed, with the US and Emerging seeing the greatest outperformance, while APAC, Europe and UK underperformed. The majority of outperformance came from an overweight allocation in Tech, underweight in Energy and positive selection in Financials. This was offset by an overweight allocation in Healthcare and negative selection in Industrials. Emerging outperformance was also driven by positive selection in Tech. The underperformance in APAC was driven by negative selection in Industrials, and in Europe by overweight Healthcare and underweight Industrials. In addition to exclusions, Global Choice indices are effective at reducing carbon intensity across all regions, except in the UK, through underweights in Energy, Utilities and Basic Materials.

Chart 1: Active Performance (TR, USD %)

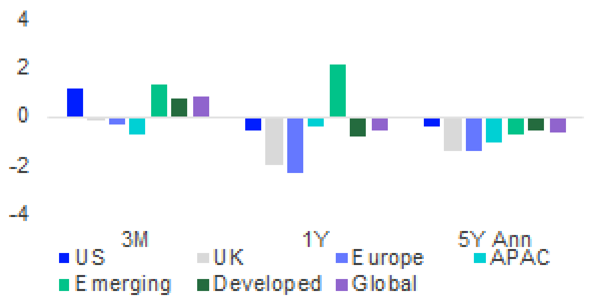


Chart 2: Global Choice carbon emissions / revenues

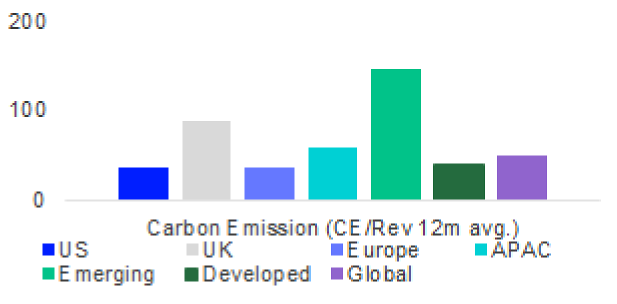


Chart 3: 3M Attribution of global index (TR, USD %)

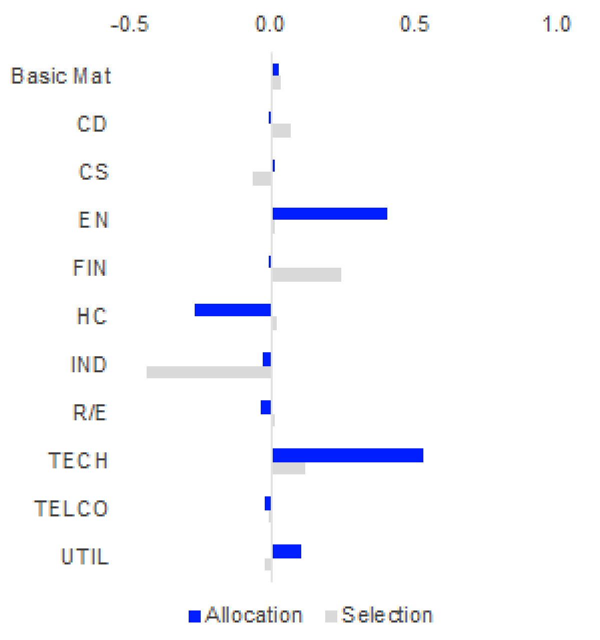


Chart 4: Contribution to carbon reduction (%)

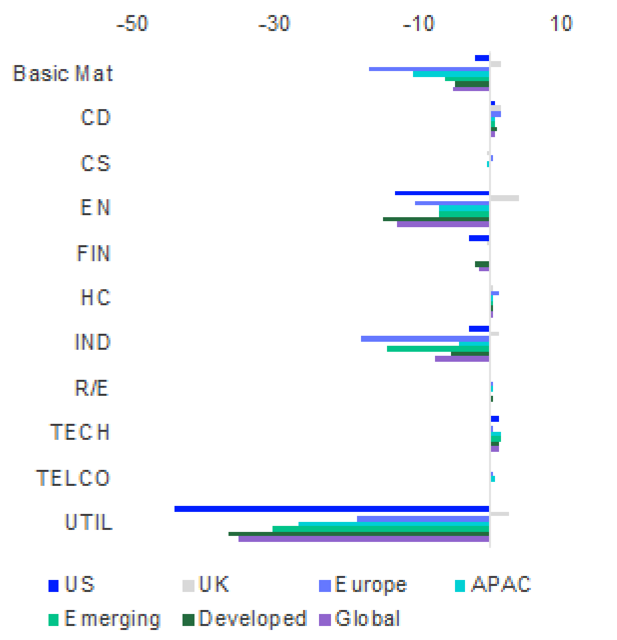
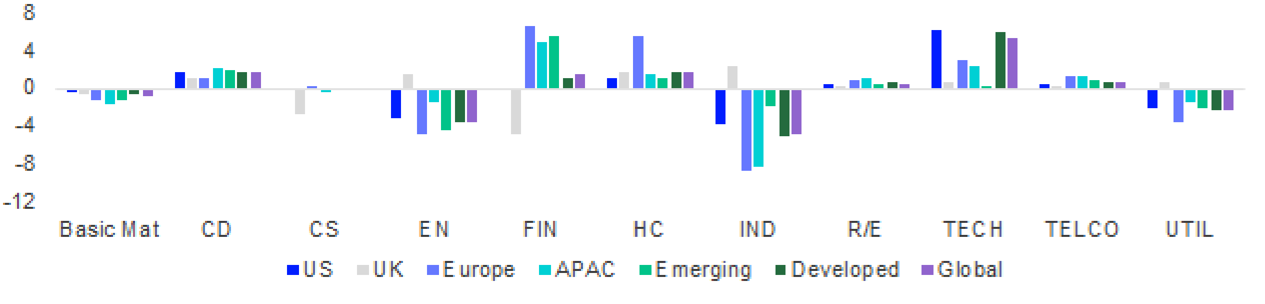


Chart 5: Active industry weights (%)



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FTSE4Good indices – Q2 2025

FTSE4Good slightly outperformed at the global level in Q2. Geographical performance was mixed, with Emerging seeing a strong outperformance, the US, being slightly ahead of the market, and Europe, UK, Japan and APAC behind the market. The majority of outperformance came from an overweight allocation to Tech and Financials, and an underweight in Consumer Discretionary, partially offset by negative selection in Tech, Consumer Discretionary and Industrials. Emerging outperformance was also driven by positive selection in Tech, while an underperformance in Europe, Japan and APAC was driven by negative selection in Industrials and Consumer Discretionary.

Chart 1: Active Performance (TR, USD %)

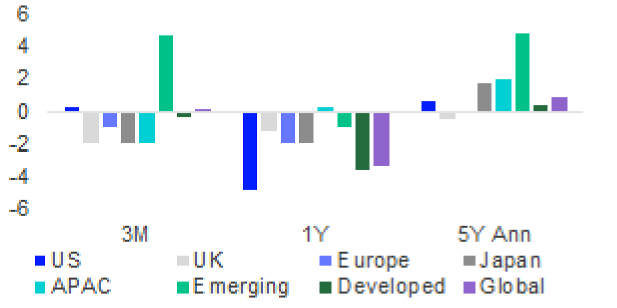


Chart 2: FTSE4Good ESG scores

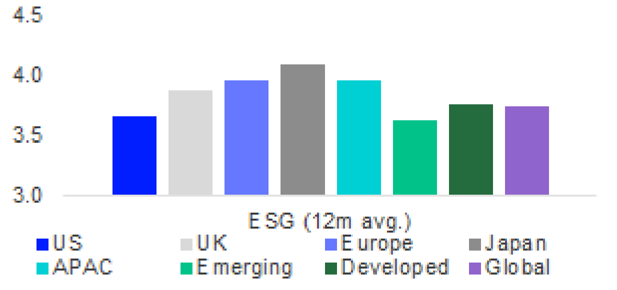


Chart 3: 3M Attribution of global index (TR, USD %)

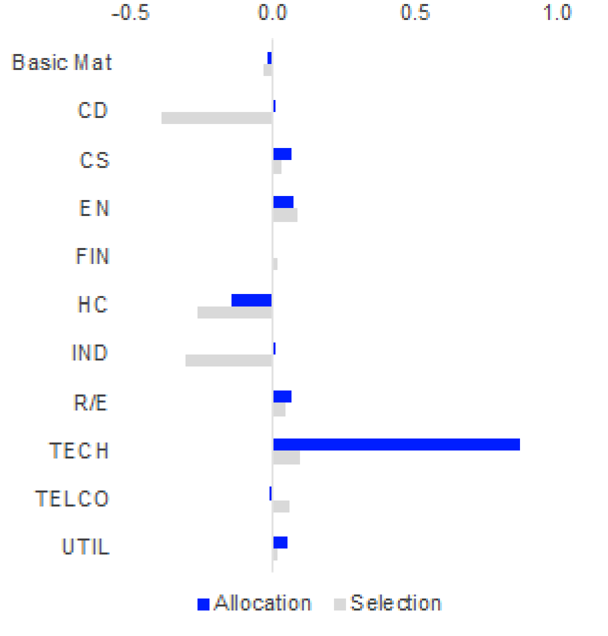


Chart 4: Contribution to ESG uplift (%)

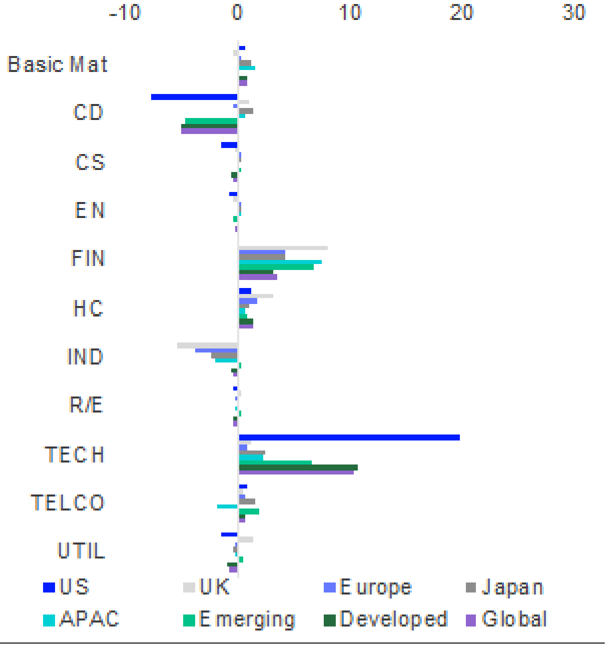
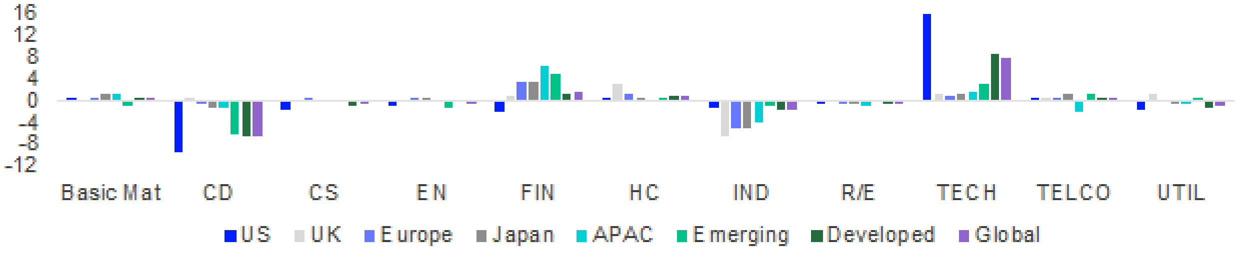


Chart 5: Active industry weights (%)



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FTSE Environmental Opportunities (EO) indices – Q2 2025

EnvOps strongly outperformed the market at the global level in Q2. This is a significant recovery from a strong Q1 underperformance, with EnvOps ahead of the market over 1 year. Geographically, all regions outperformed, with UK and Europe seeing the greatest outperformance and Japan the least. The majority of outperformance came from an overweight allocation and positive selection in Tech, underweight allocation in Healthcare, and positive selection in Consumer Discretionary and Industrials. European outperformance was driven by an overweight allocation in Industrials and positive selection in Energy. EO indices are overweight Industrials, Technology and Utilities (& Consumer Discretionary in Japan).

Chart 1: Active Performance (TR, USD %)

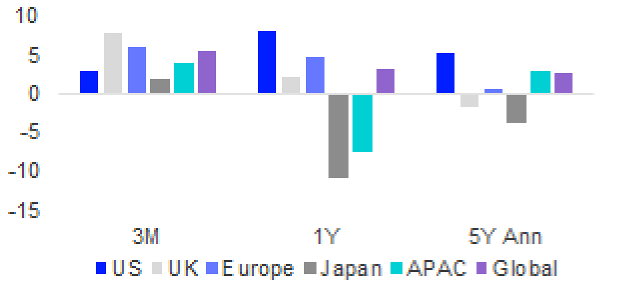


Chart 2: Environmental Ops Green Revenues scores

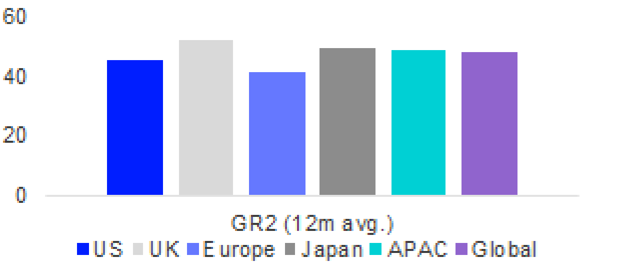


Chart 3: 3M Attribution of global index (TR, USD %)

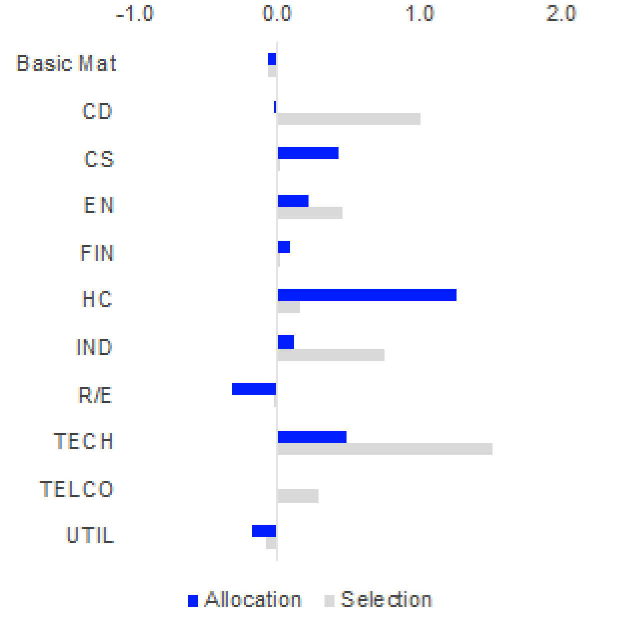


Chart 4: Contribution to Green Revenues uplift (%)

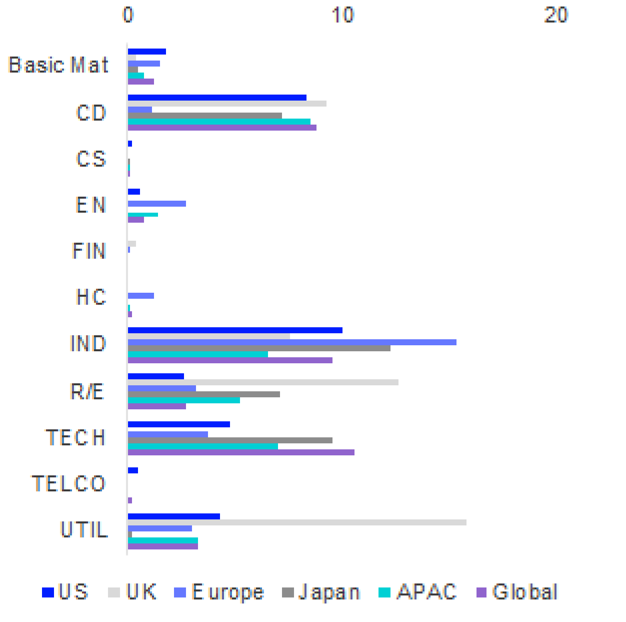
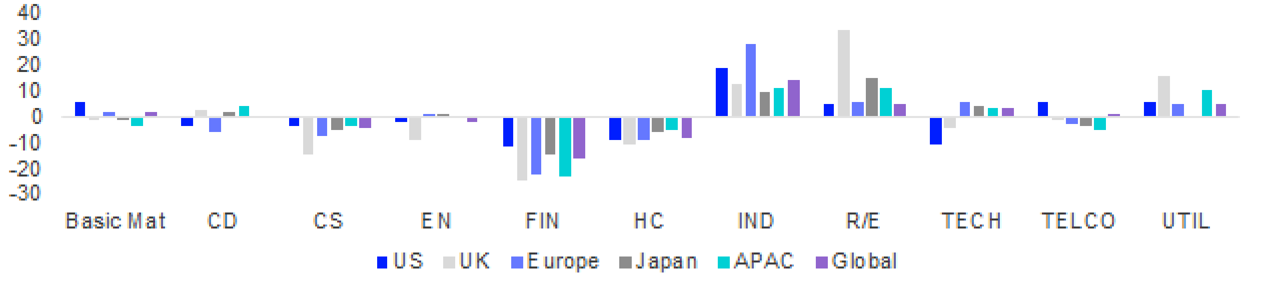


Chart 5: Active industry weights (%)



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FTSE ESG Low Carbon Target Exposure indices – Q2 2025

FTSE ESG Low Carbon underperformed in the Developed market in Q2. Geographical performance was mixed: US, Japan and Europe underperformed, while UK, APAC and Emerging outperformed. The underperformance was driven by negative selection in Industrials, Tech and Consumer Discretionary, partially offset by positive selection in Financials. US underperformance was also negatively impacted by an overweight allocation in Healthcare. Outperformance in Emerging and APAC were driven by positive selection in Tech. ESG Low Carbon generates both lower carbon intensities and higher ESG scores from multiple industries, particularly Financials, Tech and Telecoms.

Chart 1: Active Performance (TR, USD %)

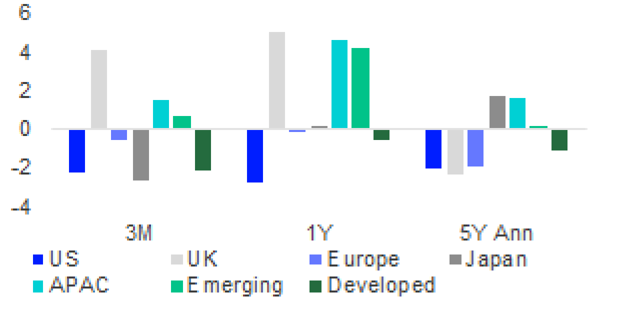


Chart 2: ESG Low Carbon ESG scores

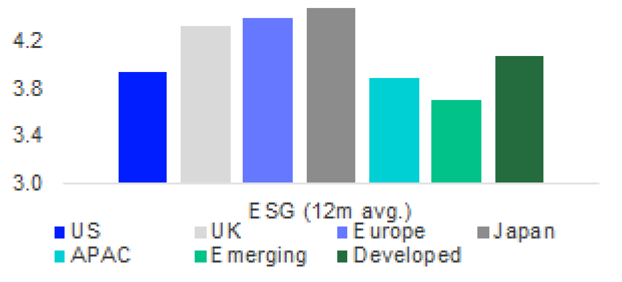


Chart 3: 3M Attribution of developed index (TR, USD %)

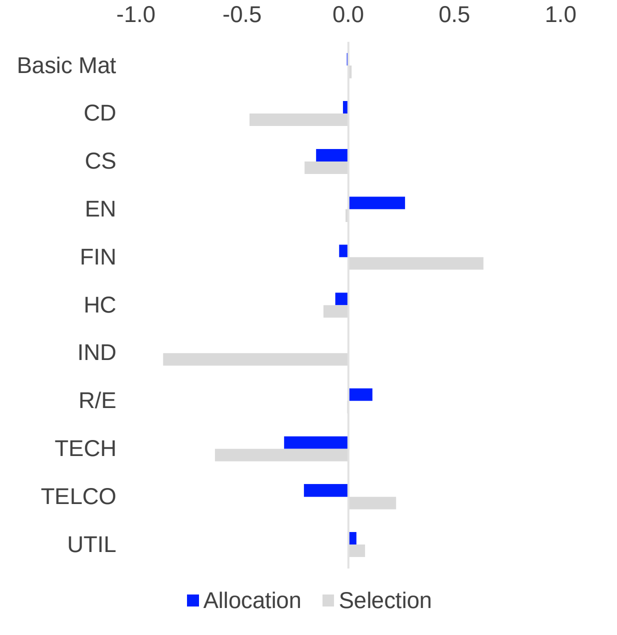


Chart 4: Contribution to ESG uplift (%)

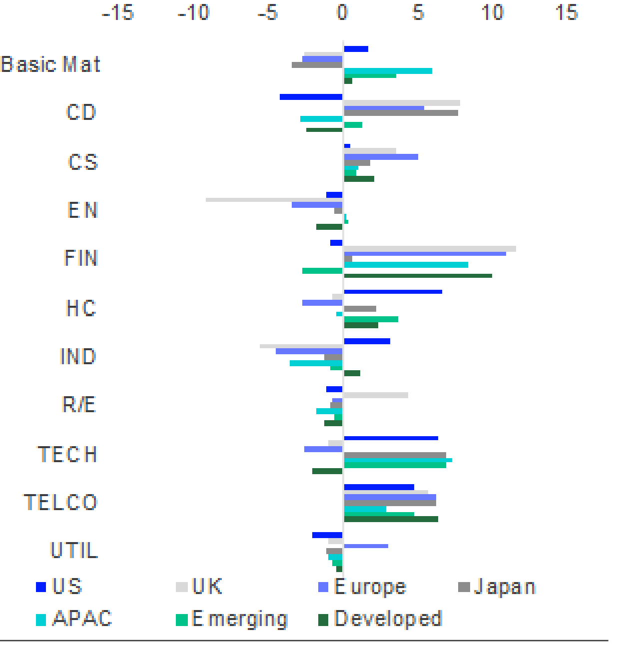
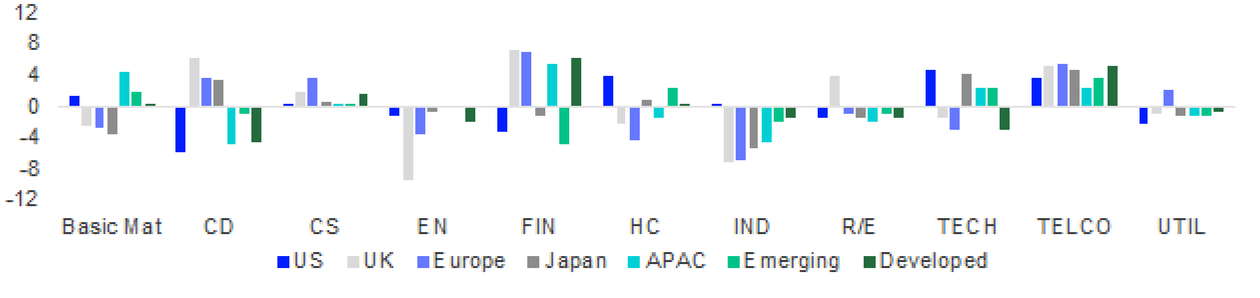


Chart 5: Active industry weights (%)



Source: FTSE Russell/LSEG. All data as of June 30, 2025. Past performance is no guarantee of future results. This report should not be considered "research" for the purposes of MIFID II. Please see the end for important legal disclosures. Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.

FTSE EU Paris-Aligned Benchmark (PAB) indices – Q2 2025

PAB outperformed at the global level in Q2. Geographical performance was mixed: the UK outperformed, while Developed and Emerging slightly underperformed. The majority of outperformance came from an overweight allocation in Tech, underweight in Energy and a positive selection in Consumer Discretionary, which was offset by a negative selection in Tech. Developed underperformance came from a greater negative selection in Tech, while Emerging underperformance came from an overweight allocation and a negative selection in Consumer Discretionary. UK outperformance came from a larger underweight in Energy. The carbon reduction in PAB comes primarily from underweights in Energy, Basic Materials, and lower carbon Utilities.

Chart 1: Active Performance (TR, USD %)

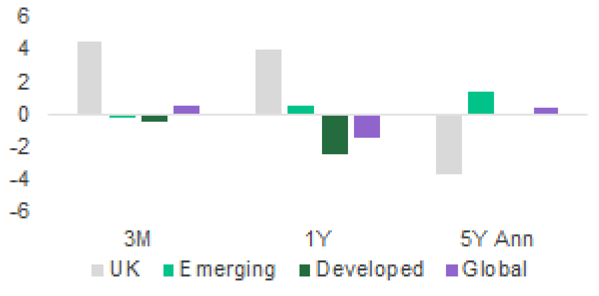


Chart 2: PAB Carbon Emissions / EVIC

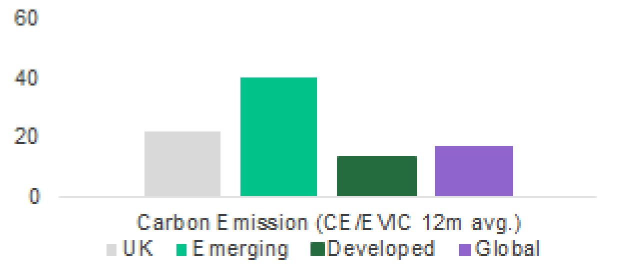


Chart 3: 3M Attribution of global index (TR, USD %)

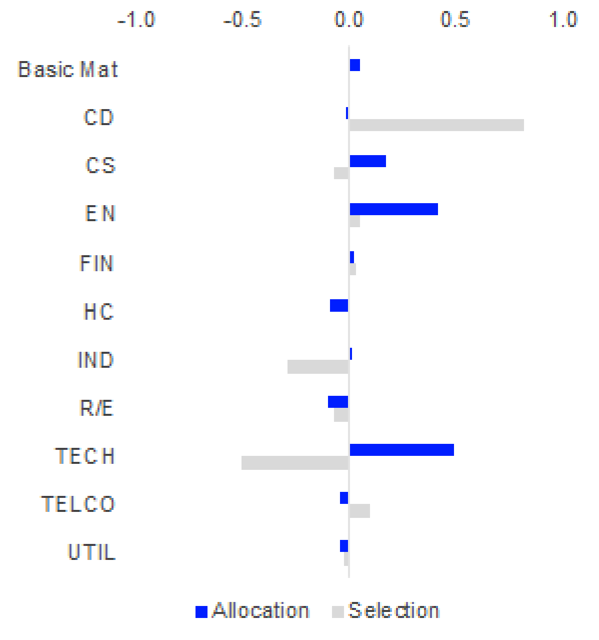


Chart 4: Contribution to Carbon Reduction (%)

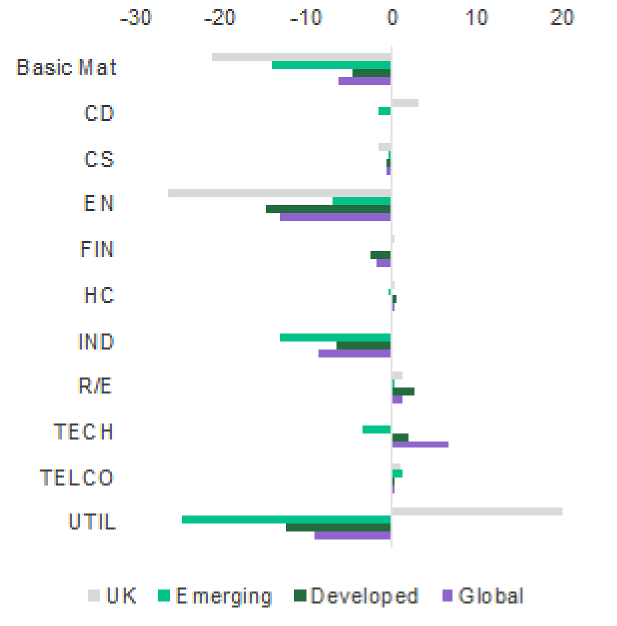
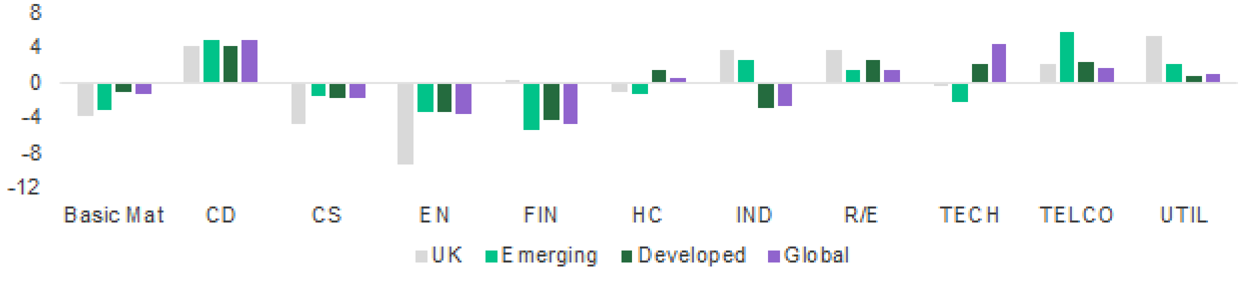


Chart 5: Active industry weights (%)



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FTSE TPI Climate Transition indices – Q2 2025

TPI outperformed the market at the global level in Q2. Geographical performance was mixed: Emerging saw strong outperformance, while the US, Japan and Developed underperformed. The majority of outperformance came from an overweight allocation in Tech and underweight allocation in Energy, offset by a negative selection in Tech. Emerging outperformance came from strong positive selection in Tech. Underperformance in the US was driven by negative selection in Tech, and an underperformance in Japan was driven by negative selection in Consumer Discretionary. TPI MQ scores are similar across developed markets, while EM is materially lower. Uplift came from a wide range of industries, offset by the underweight in Energy.

Chart 1: Active Performance (TR, USD %)

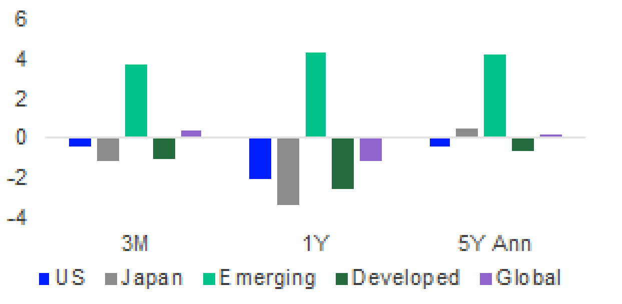


Chart 2: TPI Index TPI Management Quality scores

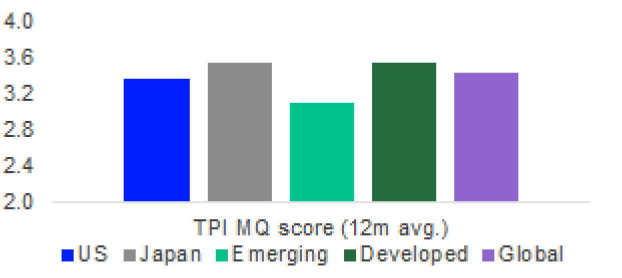


Chart 3: 3M Attribution of global index (TR, USD %)

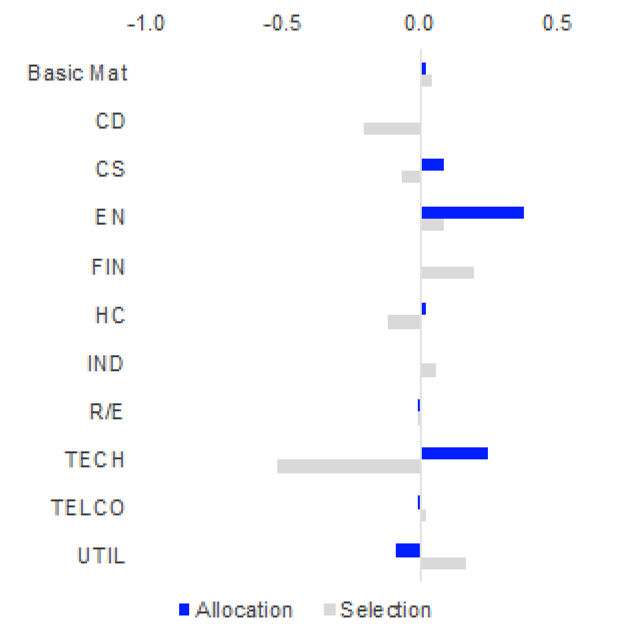


Chart 4: Contribution to TPI Management Quality uplift (%)

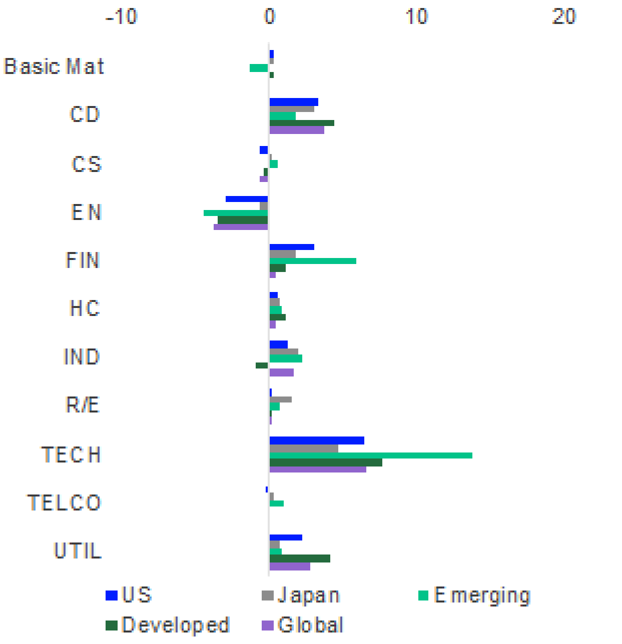
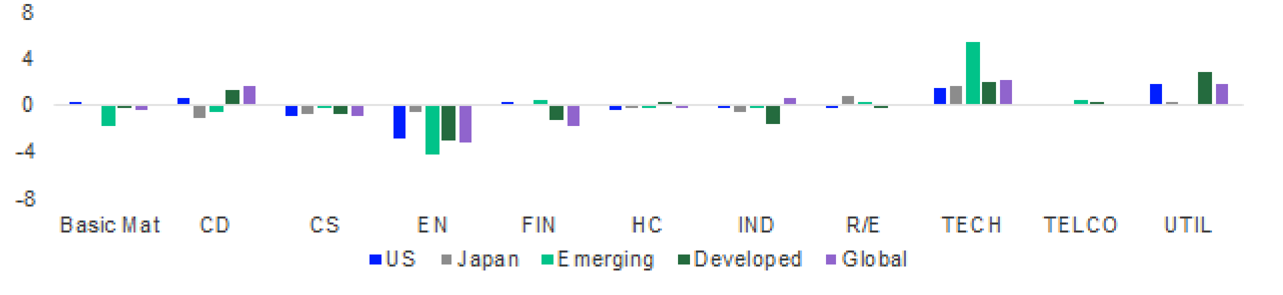


Chart 5: Active industry weights (%)



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Appendix 1: SI Index Coverage and Benchmarks

At FTSE Russell, sustainable investing includes a range of index strategies that aim to provide purpose-driven outcomes aligned with investors' sustainable investment policies. Investors seeking close alignment with the benchmark can choose to apply screens to exclude companies with undesirable features or to overweight those with strong ESG practices. A more concentrated option, Thematic indices, can help address specific social or environmental issues, and the transition to a greener economy, focusing on specific sectors. These indices share rules-based selection methodologies and are market-cap weighted.

The FTSE Russell tilting and target exposure methodologies is for investors looking to integrate multiple climate-change objectives, such as hedging specific climate risks, into an index, while gaining exposure to potential upsides from rising demand for green products. It is also used to support investor's decarbonization or net-zero strategies, such as European investors' requirement to align with the minimum standards for EU Low Carbon Benchmarks Requirements.

ESG — **Investment Solutions** — **Climate**

Low Risk — High Risk — Medium Risk

Select rules followed by market-cap weighting			Tilting away from market-cap weighting	
Exclusion Rules	**Inclusion Thresholds**	**Thematic**	**Targeted /Tilted**	**EU Taxonomy**
Designed for investors who want to **filter out** controversial business areas, while maintaining the profile of the traditional benchmark.	Designed for investors who want to apply **minimum ESG standards** for inclusion and select firms with best-in class sustainability practices.	Designed for investors who want **focused** exposure to companies offering solutions to specific social or environmental issues.	Designed for investors who want to **"precisely align"** with climate, ESG and factor exposure objectives, while minimizing off-target exposures.	Designed for investors who recognize the importance of **a taxonomy**, identifying companies engaged in the transition to the new economy,

Market-Cap Weighted indices*

Equity

FTSE Global Choice Index Series | LSEG exclude companies based on the impact of their products and conduct on society and the environment.
FTSE4Good Index Series | LSEG include companies with an ESG and climate-change scores above a minimum threshold, with exclusions.
Environmental Markets Index Series | LSEG include companies that derive at least 20% of their revenue from green.

Note: The report is now using capped versions of the FTSE Environmental Markets/Opportunities indices

Fixed Income

FTSE Fixed Income Global Choice Index | LSEG designed to represent the performance of securities in FTSE Fixed Income indexes that exclude issuers based on their conduct or product involvement in specific sectors.
FI Ex Fossil Fuels Enhanced Index | LSEG designed to represent the performance of securities in FTSE Fixed Income indexes after the exclusion of issuers that have certain exposure to fossil fuels.
FTSE Green Impact Bond Index Series | LSEG comprehensive measure of the global green bond market across various asset classes and credit sectors.

Tilted / Target Exposure indices*

Equity

FTSE ESG Low Carbon Target Exposure targets a 20% uplift in the ESG score ** and a 50% reduction in carbon emissions, controlling for country and ICB industry exposures.
EU Climate Benchmarks Index Series | LSEG Paris Aligned Benchmark (PAB) targets a 50% reduction in carbon emissions, 100% uplift in Green Revenues and high climate governance.
FTSE TPI Climate Transition Index Series | LSEG over/underweights companies based on fossil fuel reserves, carbon emissions, green revenues, TPI management quality and TPI carbon performance.

Fixed Income

Climate Risk Adjusted Gov Bond Index | LSEG quantitatively incorporates climate transition, physical and resilience risk into government bond index.
FTSE ESG Government Bond Index Series | LSEG adjusts index weights according to each country's relative Environmental, Social and Governance (ESG) performance.
FTSE Fixed Income EU Climate Benchmarks Index Series | LSEG achieving the required minimum targets as stipulated by the EU 2019 Regulation on EU Climate Transition Benchmarks.

Alternative

FTSE EPRA Nareit Green index of eligible real estate equities worldwide, with an improved climate and sustainability performance based on two sustainable investment measures; green building certification and energy usage.
FTSE Green Infrastructure index of companies from three core infrastructure sectors (transportation, energy and telecommunications) and adjusts stock weights to account for the risks and opportunities associated with the transition to a low-carbon economy

* Please refer to FTSE | The Right Index for Your Sustainable Investment Objectives (lseg.com) I for the full range of FTSE Russell sustainable investment products
** ESG uplift target is the minimum of a standard deviation of market capitalization averaged index ESG score and a 20% uplift.

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Appendix 1: SI Index Coverage and Benchmarks

Region	SI FAMILY	FTSE Russell Index	FTSE Russell Benchmark	Regional Coverage		Market Cap Coverage	
				DM	EM	Large + Mid Cap	Large + Mid + Small Cap
		Equities					
Global	Global Choice	FTSE Global All Cap Choice	FTSE Global All Cap	✓	✓		✓
	FTSE4Good	FTSE4Good All World	**FTSE All World**	✓	✓	✓	
	Environmental Ops	FTSE Environmental Opportunities All Share	FTSE Global All Cap	✓	✓		✓
	Paris Aligned	FTSE All-World Paris-Aligned (PAB)	**FTSE All World**	✓	✓	✓	
	TPI Climate Transition	FTSE All-World TPI Climate Transition ex FF	**FTSE All World**	✓	✓	✓	
US	Global Choice	FTSE USA All Cap Choice	FTSE Global Equity USA All Cap	✓			✓
	FTSE4Good	FTSE4Good US	**FTSE USA**	✓		✓	
	Environmental Ops	FTSE Environmental Opportunities USA	FTSE Global Equity USA All Cap	✓			✓
	ESG Low Carbon Target	FTSE USA ESG Low Carbon Target Exposure	**FTSE USA**	✓		✓	
	TPI Climate Transition	Russell 1000 TPI Climate Transition	Russell 1000	✓		✓	
UK	Global Choice	FTSE UK ex Controversies ex CW	**FTSE UK**	✓		✓	
	FTSE4Good	FTSE4Good UK	FTSE All-Share	✓			✓
	Environmental Ops	FTSE Environmental Opportunities UK	FTSE All-Share	✓			✓
	ESG Low Carbon Target	FTSE UK ESG Low Carbon Target Exposure	**FTSE UK**	✓		✓	
	Climate Transition	FTSE Climate Transition Benchmark	FTSE All-Share ex Investment Trusts	✓			✓
	Paris Aligned	FTSE Paris Aligned Benchmark	FTSE All-Share ex Investment Trusts	✓			✓
Europe	Global Choice	FTSE Developed Europe All Cap Choice	FTSE Developed Europe All Cap	✓			✓
	FTSE4Good	FTSE4Good Europe	**FTSE Developed Europe**	✓		✓	
	Environmental Ops	FTSE Environmental Opportunities Europe	FTSE Developed Europe All Cap	✓			✓
	ESG Low Carbon Target	FTSE Developed Europe ESG Low Carbon Target	**FTSE Developed Europe**	✓		✓	
Japan	FTSE4Good	FTSE4Good Japan	**FTSE Japan**	✓		✓	
	Environmental Ops	FTSE Environmental Opportunities Japan	FTSE Global Equity Series Japan All Cap	✓			✓
	ESG Low Carbon Target	FTSE Japan ESG Low Carbon Target Exposure	**FTSE Japan**	✓		✓	
	Climate Transition	FTSE Japan Climate Transition Benchmark	FTSE JPX Japan 500	✓		✓	
	TPI Climate Transition	FTSE Japan TPI Climate Transition	**FTSE Japan**	✓		✓	
APAC	Global Choice	FTSE Developed Asia Pacific All Cap Choice	FTSE Developed Asia Pacific All Cap	✓			✓
	FTSE4Good	FTSE4Good Developed Asia Pacific	**FTSE Developed Asia Pacific**	✓		✓	
	Environmental Ops	FTSE Environmental Opportunities Asia-Pacific Ex	FTSE Asia Pacific All Cap ex Japan	✓	✓		✓
	ESG Low Carbon Target	FTSE Asia ex Japan ESG Low Carbon Target Exposure	FTSE Asia Pacific ex Japan	✓	✓	✓	
EM	Global Choice	FTSE Emerging All Cap Choice	FTSE Emerging All Cap		✓		✓
	FTSE4Good	FTSE4Good Emerging	**FTSE Emerging**		✓	✓	
	ESG Low Carbon Target	FTSE Emerging ESG Low Carbon Target Exposure	**FTSE Emerging**		✓	✓	
Dev.	Global Choice	FTSE Developed All Cap Choice	FTSE Developed All-Cap	✓			✓
	FTSE4Good	FTSE4Good Developed	**FTSE Developed**	✓		✓	
	ESG Low Carbon Target	FTSE Developed ESG Low Carbon Target Exposure	**FTSE Developed**	✓		✓	
	Paris Aligned	FTSE Developed Paris-Aligned (PAB)	**FTSE Developed**	✓		✓	
	TPI Climate Transition	FTSE Developed TPI Climate Transition ex Coal ex FF ex Tobacco	**FTSE Developed**	✓		✓	
		Alternative					
Global	EPRA Nareit Green	FTSE EPRA Nareit Developed Green Low Carbon Target	**FTSE EPRA Nareit Developed**	✓			✓
	Green Infrastructure	FTSE Global Core Infrastructure TPI Climate Transition	**FTSE Global Core Infrastructure Index**	✓	✓		✓
		Fixed Income					
Global	SI Sovereign	FTSE Climate Risk Adjusted WGBI	**FTSE WGBI**	✓	✓		
		FTSE ESG WGBI	**FTSE WGBI**	✓	✓		
Global	SI Corporate Bond	FTSE WorldBIG Choice Corporate Bond Index	**FTSE WorldBIG Corporate**	✓	✓		
		FTSE WorldBIG ex Fossil Fuel Enhanced Corporate Bond Index	**FTSE WorldBIG Corporate**	✓	✓		
		FTSE WorldBIG PAB Corporate Bond Index	**FTSE WorldBIG Corporate**	✓	✓		
Global	Green Bond	FTSE WorldBIG Green Impact Corporate Bond Index	**FTSE WorldBIG Corporate**	✓	✓		
		FTSE WorldBIG Green Impact Domestic Sovereing Index	FTSE WorldBIG Domestic Sovereign				

*The indices in bold are used as representative benchmarks on page 7

Source: FTSE Russell/LSEG. This report should not be considered “research” for the purposes of MIFID II. Please see the end for important legal disclosures.

Appendix 2: Reference Guide

Report calculations

- Unless noted otherwise, all performance calculations are total return in US dollar currency terms (fixed income indices are USD hedged).
- Tracking error and Beta are calculated from 5-years of daily returns. All other calculations on pages 2 & 3 are 12-month averages.
- Page 6: Regional benchmark performance are for representative benchmarks of the region and not the official benchmark for all listed SI indices. Appendix 1 shows the full list of SI indices covered in this report with their official benchmarks, which are used in the calculations throughout the report.
- Index climate exposures are calculated as the index weighted average. Benchmark climate aggregates are absolute climate exposures. The percent deviations of index exposures from benchmark exposures are labelled “uplift” for ESG and Green Revenues and “reduction” for carbon.
- Contributions to climate “uplift” or “reduction” are the share of total index percent deviation such that the sum over industries equals the total index percent deviation. For Green Revenues it is the absolute increase in weighted average green revenues.
- Three-month industry allocation & stock selection effect is based on a Brinson attribution.

Sustainable Investment data inputs

- Carbon emissions: estimated annual CO2 equivalent GHG emissions (Scope 1 and 2) in metric tons scaled by annual sales (in USD) (metric tons/$m), with the exception of EU Regulated Climate Benchmarks which use CO2 equivalent GHG emissions (Scope 1 and 2) scaled by enterprise value including cash (EVIC).
- Green Revenues: the ratio of green revenues as classified by the FTSE Green Revenues Classification System to total revenues.
- FTSE Russell’s ESG Data Model scores are objective measures of ESG exposure and performance in multiple dimensions.
- TPI Management Quality Data from the Transition Pathway Initiative.
- An introduction to the FTSE ESG scores can be found in the following guide: [ESG Metrics Methodology and Calculation (lseg.com)].

Naming convention

FTSE Russell Sustainable indices are abbreviated in the report as follows:

Official Name	Report Abbreviation	Official Name	Report Abbreviation
FTSE Global Choice	Choice	FTSE Climate WGBI	Climate WGBI
FTSE4Good	4Good	FTSE Advanced Climate WGBI	Adv Climate WGBI
FTSE Environmental Opportunities	Env Ops or EO	FTSE ESG WGBI	ESG WGBI
FTSE ESG Low Carbon Target Exposure	Low Carb	FTSE Choice Corporate Bond	Choice Corp
FTSE Paris-Aligned Benchmark	PAB	FTSE Ex Fossil Fuel Enhanced Corporate Bond	FFE Corp
FTSE TPI Climate Transition	TPI	FTSE PAB Corporate Bond	PAB Corp
FTSE EPRA Nareit Developed Green Low Carbon Target	EPRA Nareit Green	FTSE Green Impact Corporate Bond	Green Corp
FTSE Global Core Infrastructure TPI Climate Transition	Green Infra	FTSE Green Impact Domestic Sovereign	Green Sov

Source: FTSE Russell/LSEG. Please see the end for important legal disclosures.

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ABOUT FTSE RUSSELL

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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.
For over 40 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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