Sustainable Investment Insights

BI-ANNUAL REPORT | **JULY 2026**

Sustainability navigates energy shocks and market volatility in H1 2026

H1 2026 saw strong performance of SI equity indices, despite the March volatility. Green bonds also outperformed and saw growing issuance. The energy shock, caused by the conflict in the Middle East, raised short term energy prices, but may accelerate the energy transition in the medium/long term. Physical risks and temperatures are rising due to the recently begun El Nino.

Effects of energy shock

2026 has seen an unprecedented energy shock, impacting ~20% of oil & gas supply and leading to a material rise in energy prices. Whilst this is leading to short term energy demand destruction and the use of alternative fossil fuels, in the medium/long term it has the potential to accelerate the energy transition. Now an energy security imperative, transition has happened following previous energy shocks, already has significant momentum and is driving performance in green economy related indices.

SI asset performance across asset classes

SI performance has been strong so far in 2026. Average 12m performance of FTSE SI equity indices was 3.9% ahead of the FTSE All-World, almost at its historical high seen in late 2020 and ahead of the 0.8% over 5 years. In contrast SI corporate bond performance has remained close to the market over 1 and 5 years. However green bonds outperformed the market in H1 2026 and saw growing issuance.

Volatility and divergence in H1 2026

Whilst H1 2026 saw strong performance, it was also subject to volatility, with periods of positive and negative AI sentiment, initial negative reaction to the conflict in the Middle East, followed by a strong recovery. Equities and bonds diverged over the period, with global yields rising, however US yields rose faster than European, driven by concerns around inflation and the direction of the Fed.

SI market fund flows and potential rising physical risk

Despite the strong performance seen in the SI market, this has not yet seen an increase in SI fund flows, as it did in 2020/21. Physical risk is a key current concern with the potential impact of the recently begun El Nino on global temperatures.

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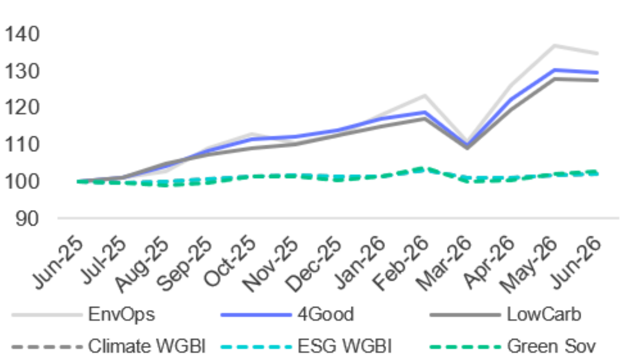
Chart 1. Top & bottom 3 absolute performance in global SI equity, fixed income & alternative indices (TR, USD,%).



Note: Low Carbon covers developed markets.

Chart 2. Top & bottom equity & non-equity SI indices and key metrics impacting performance (6m, TR, USD,%).

10.9% FTSE PAB Global 6M (TR, USD)	**19.9%** FTSE EnvOps Global 6M (TR, USD)
0.8% FTSE ESG WGBI Global 6M (TR, USD)	**2.2%** FTSE Green Sov Global 6M (TR, USD)
19.8% 1m Brent Oil Price 6M (USD)	**-0.28%** FTSE EGBI 7-10yr – US TSY 7-10yr 6M (Yield chg)

Source: FTSE Russell / LSEG. Data as of June 30, 2026.

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

Energy shock – driving energy transition?

2026 has seen an unprecedented energy shock, caused by the conflict in the Middle East. Affecting ~20% of global oil & gas supply it is reshaping fossil fuel demand and driving up energy prices. However the impact has not been homogenous. Asia, the destination of ~80% of Gulf oil & gas, was particularly affected. In March 2026 countries which had seen greater energy transition, building up resilience to shock, saw smaller stock market falls, e.g. China vs India/Japan or Spain vs Germany.

The short term reaction has been more fossil fuels, with increasing use of coal and diversion of oil & gas flows. There has also been significant policy action to reduce energy demand, particularly in Asian countries. However, in the medium to longer term the effect may be more energy transition. It's happened before, with 1970's energy shocks materially reducing oil & gas growth, driving energy efficiency improvements and disrupting numerous sectors, US energy (birth of fracking), European energy (French nuclear) and US automotives (Japanese imports). It's already happening, driven by electrification, renewables supplied all of the growth in electricity generation in 2025 and EVs reduced oil demand by 1.7mbpd. It is now driven by energy security and economics, with dramatically falling prices, particularly for solar, making solutions often the cheapest source of energy and helping energy importers reduce a ~$2trn fuel import bill.

Investors should be aware of transition risks and opportunities. For more analysis see [After the energy shock | LSEG]

Chart 1: Gas & oil prices[1] – Gas prices rose sharply following the conflict, with the largest rise in Asia and a relatively smaller rise in the US

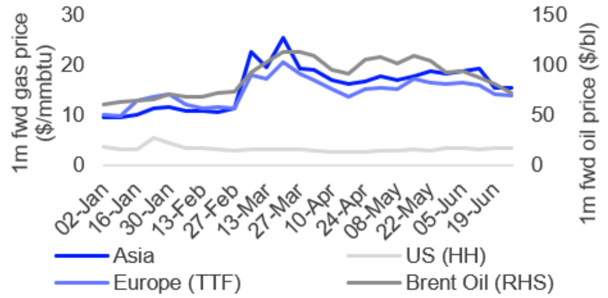


Chart 2: Equity market performance in March 26[2] – response to Middle East conflict was influenced by both energy import status and degree of energy transition

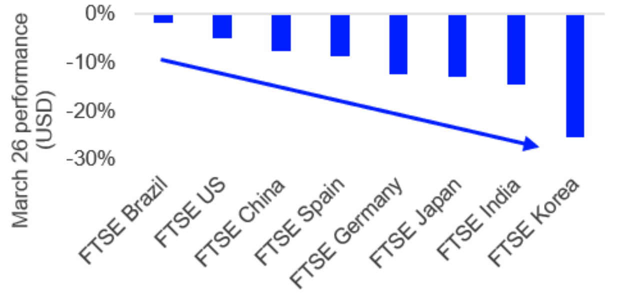


Chart 3: Long term primary energy demand[3] – 1970s energy shocks saw flattening fossil fuel demand growth, whilst nuclear and electricity use expanded

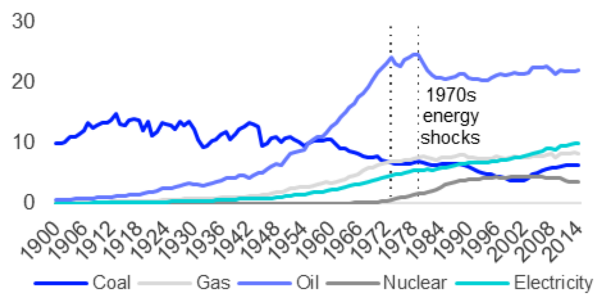


Chart 4: 2025 global electricity supply & demand growth[4] – renewables already supplied all global growth in 2025, particularly solar, while fossil generation fell

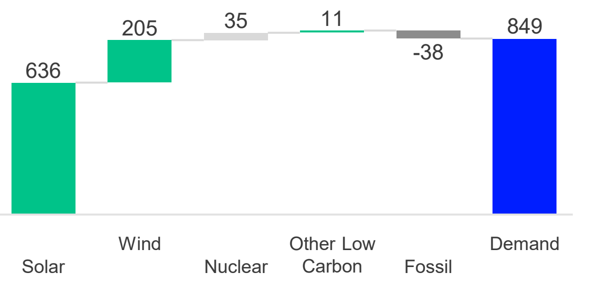


Chart 5: Global energy investment[5] – energy investment has already swung from fossil fuels (now ~1/3rd) to clean energy (now ~2/3rds)

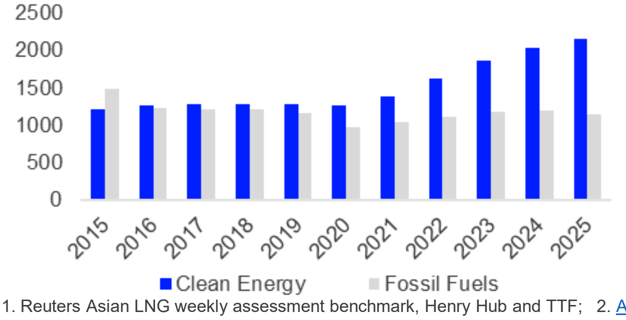
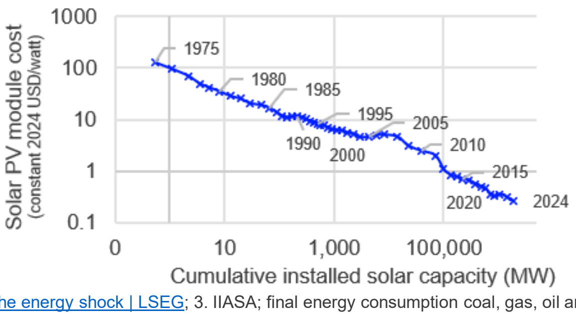


Chart 6: Solar panel price vs global installed capacity[6] – dramatic falls in the price of clean technologies have made them both economic and attractive for energy importers



1. Reuters Asian LNG weekly assessment benchmark, Henry Hub and TTF; 2. [After the energy shock | LSEG]; 3. IIASA; final energy consumption coal, gas, oil and electricity; primary energy consumption nuclear; 4. [Global Electricity Review 2026 | Ember]; 5. [World Energy Investment 2025 – Analysis - IEA]; 6. [Solar photovoltaic module prices vs. cumulative capacity]

Source: FTSE Russell/LSEG. All data as of June 30, 2026. 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.

SI Spotlight – strong performance but weak flows & coming physical risk?

Strong energy demand, driven by electrification and expectation of the energy shock driving further transition, led to strong performance for sustainable investment indices, particularly for EnvOps, which captures companies involved in the green economy. 12m performance relative to FTSE Global All Cap was 10.8% at the end of June 2026, high by historical standards, outside of 2020/21. Much of this performance came from strength in renewable energy.

However, the strong performance seen in sustainable investments has not seen a corresponding increase in investment flows into SI funds, as was the case in 2020/21, and has not seen the same recovery in flows as the broader market.

2025 also saw carbon emissions growth slow further, to only 0.4%, low compared with previous years. Driven by growing renewables, weaker growth in fossil fuels and improving energy efficiency.

Despite the strength in energy transition, climate physical risks represent a significant near term threat in 2026/7 as we enter a new El Nino period. 2025 saw moderate cooling, but temperature anomalies never fell back to the levels seen before the previous, mid-23 to mid-24, El Nino, which saw record temperatures and record natural disaster costs. Rising temperatures also run the risk of becoming circular, with hotter temperatures being a key source of energy demand, ~23% of net energy demand growth in 2024, given rising cooling loads and reducing efficiency of both fossil fuel and solar generation.

Chart 1: Environmental Opportunities Green Sector Performance – Renewable energy has performed strongly over 12m, underscoring electrification demand

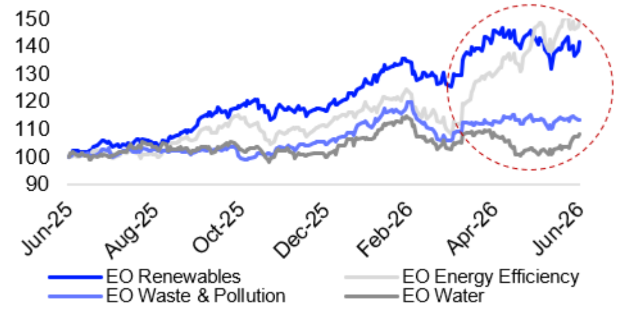


Chart 2: Rolling 12m relative performance of EnvOps vs FTSE Global All Cap – strongest performance vs history, outside 2020/21 period

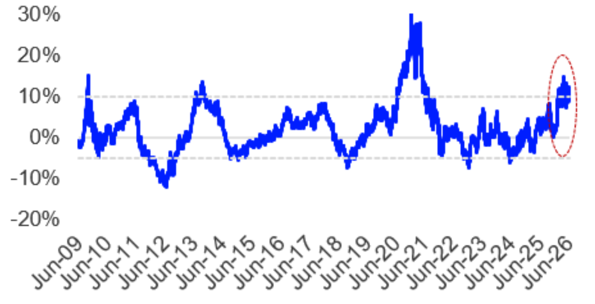


Chart 3: Market vs SI bond & equity flows[1] – SI flows fell in March, similar to market, but have been weak since, despite strong performance

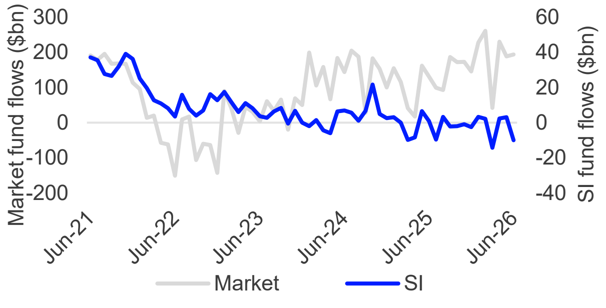


Chart 4: Annual growth rate in CO2 emissions[2] (%) – emission growth has fallen, particularly in 2025, however it remains positive

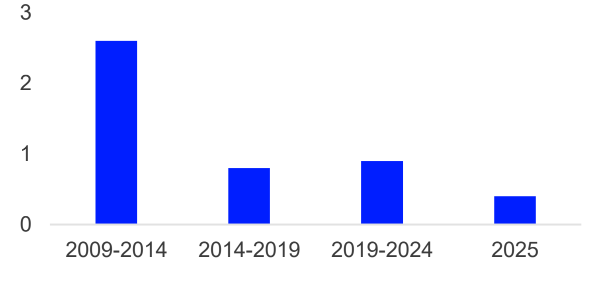


Chart 5: Global 1yr average temperature anomalies vs pre-industrial period[3] – anomalies never fell back below 1.4 degrees and looming new El Nino could set new records

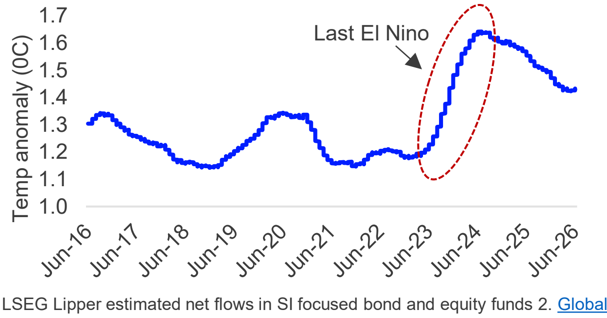
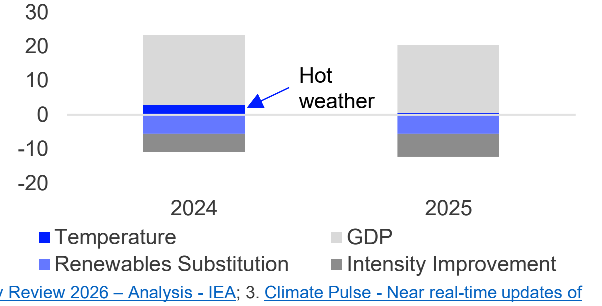


Chart 6: Drivers of energy demand growth by category[2] (EJ) – Whilst GDP was the largest driver of energy demand growth, weather drove 23% of net growth in 2024



1. LSEG Lipper estimated net flows in SI focused bond and equity funds 2. Global Energy Review 2026 – Analysis - IEA; 3. Climate Pulse - Near real-time updates of global climate variables

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SI Equities – strong performance in H1 2026

Global SI equity indices predominantly outperformed the market in H1 2026. Over 12m all of the SI equity indices outperformed the market and on average saw close to the highest historic relative performance, seen in late 2020. Environmental Opportunities ('EnvOps'), saw the largest outperformance in H1, driven by positive selection in Tech and Industrials plus underweight allocation in Healthcare and Financials. ESG Low Carbon ('LowCarb') and FTSE4Good also outperformed, whilst Paris Aligned ('PAB') saw the largest underperformance. Selection was a larger driver than allocation, however the largest areas, Tech and Industrials saw mixed selection between SI indices. Underweight Defense, a headwind in 2025, became a tailwind in 2026, despite rising global conflicts.

Chart 1: Active Performance vs parent benchmark[1] (TR, USD %)

Chart 2: Rolling 12m average performance of 6 SI equity indices vs FTSE All-World (%)

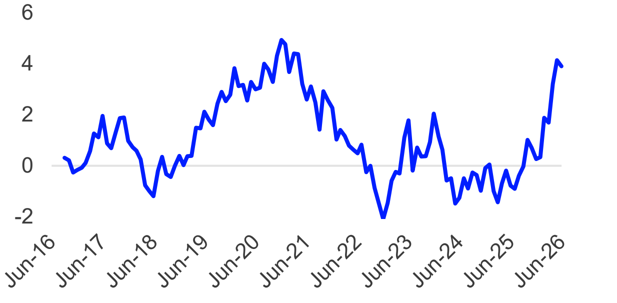


Chart 3: 6M industry allocation effect (%)

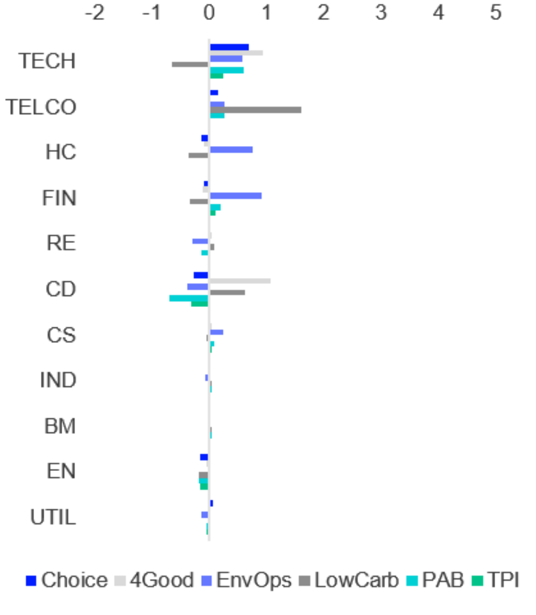


Chart 4: 6M industry selection effect (%)

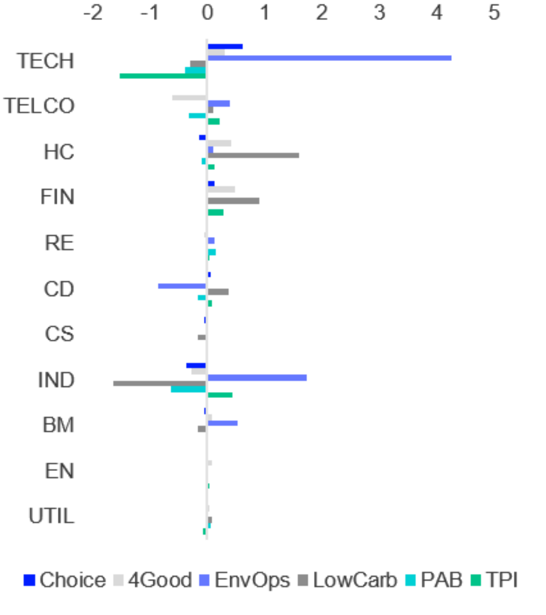
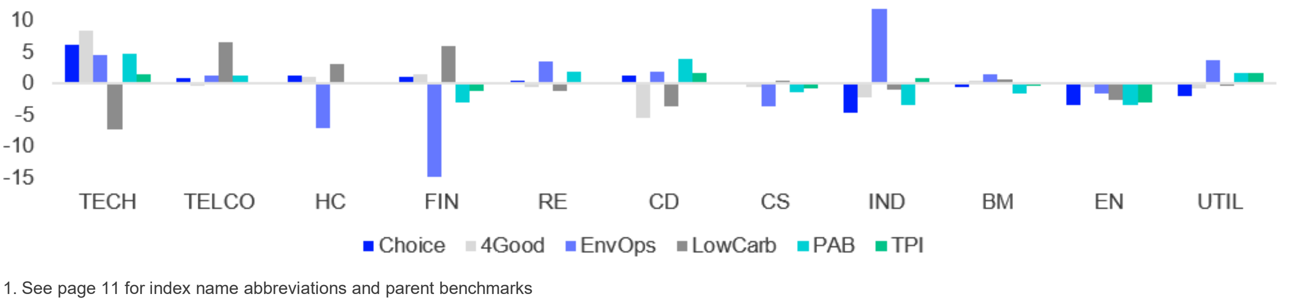


Chart 5: ICB Industry active weight vs benchmark[1] (%)



1. See page 11 for index name abbreviations and parent benchmarks

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SI Fixed Income – multiple yield differentials create headwinds and tailwinds

Fixed income performance in 2026 has been dominated by the potential effects of the energy shock on inflation, due to raised energy prices, and the potential actions of central banks in keeping it in check. This led to initial expectations of falling rates at the start of 2026 to become concerns about rising rates, particularly in the US, given better than expected growth, and Japan. However yields only rose slightly in Europe, which is seeing slower growth and was seen to be ahead of the curve in tackling inflation with a rate rise in June. China saw yields fall in 2026, as their efforts in transitioning their energy system put them at lower risk from the energy shock and weaker growth offset any inflationary pressures. It also led to a bear flattening of global yield curves.

SI sovereign indices saw mixed performance in 2026, with Climate & ESG WGBI slightly behind the market. Underweights in China were a headwind, partially offset by underweights in US and overweights in Europe. Advanced Climate WGBI outperformed in 2026 as it had a much larger US underweight and European overweight.

Three SI corporate indices underperformed in 2026. Underweights in Energy were a headwind, the best performing sector due to energy shock driven rising energy prices, particularly for PAB, which was also overweight in Industrial Services, an underperforming sector. TPI, which has the lowest active weights vs WBIG Corp[1], was in line with the market.

OAS spreads were approximately flat over 6m for both sovereigns and corporates, having fallen and converged over the previous 3 years.

Chart 1: Selected SI Sovereign Active[1] Performance vs. WGBI (TR, USD Hedged) – Adv Climate WGBI outperformed in H1 whilst Climate & ESG WGBI were behind the market

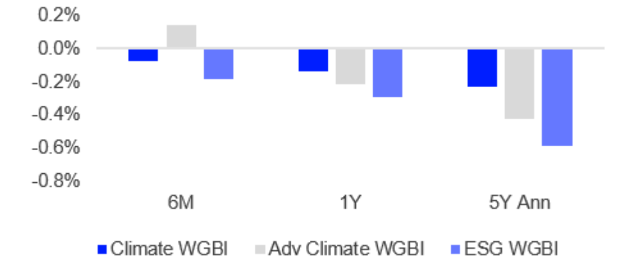


Chart 2: Selected SI Corporate Active[1] Performance vs. WBIG Corp (TR, USD Hedged) – PAB, Choice & Blossom underperformed in H1, whilst TPI was in line

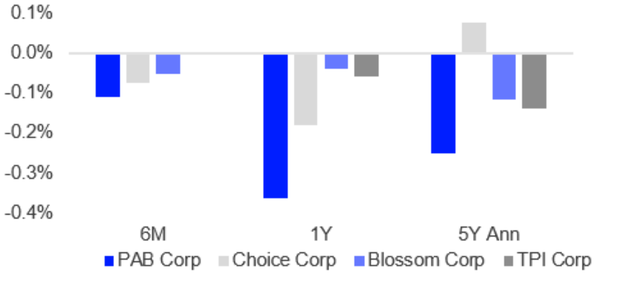


Chart 3: Selected SI Sovereign Active Weights vs WGBI Chinese underweight was a headwind in H1, whilst European overweights and US underweight were tailwinds.

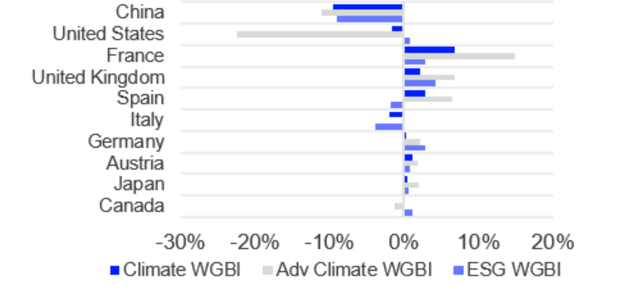


Chart 4: Selected SI Corporate Active Weights vs WBIG Corp – Energy underweights were a headwind in H1, particularly for PAB and Choice Corp

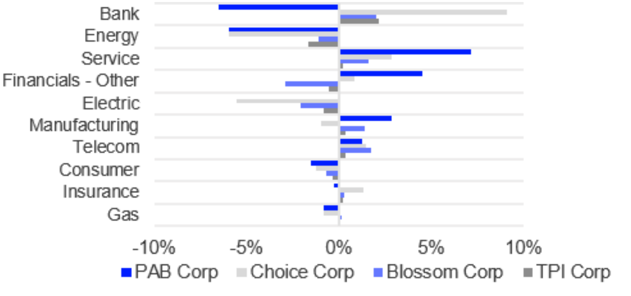


Chart 5: Selected SI Sovereign OAS (bps) – OAS spreads have fallen and over the last 3 years, but were ~ flat in H1. Adv Climate WGBI OAS remains higher than WGBI

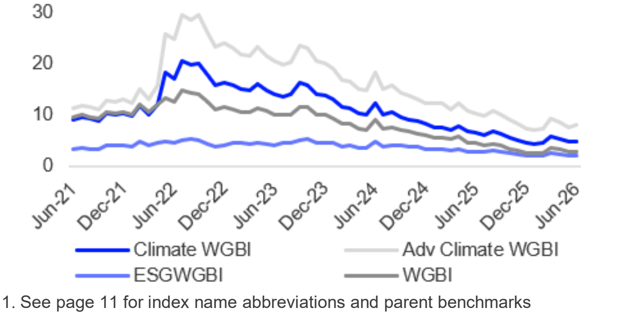
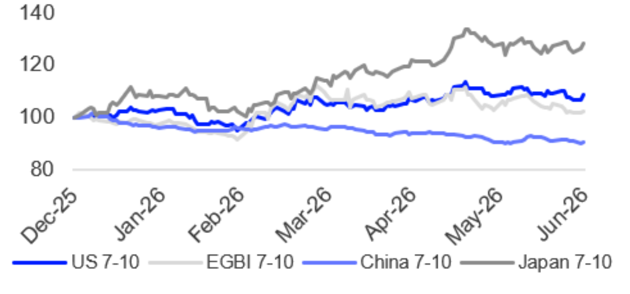


Chart 6: Rebased regional 7-10yr sovereign bond yields – Chinese yields fell, whilst Japanese and US yields rose, and European yields were approximately in-line



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Green Bonds – strong performance and issuance

Green bond indices outperformed the market in H1 2026 and also over the last 12m. The outperformance occurred both in Green Sovereigns (which have seen longer-term underperformance over 5 years) and Green Corporates (which have seen outperformance over 5 years). In H1 2026, European overweights and US underweight added to performance for all three indices, especially for sovereigns. Concerns around inflation, driven by higher energy prices and strong US economic growth, raised concerns around central banks having to raise rates, rather than the previously expected rate falls, with ECB raising rates in June. European 7-10 year (EGBI 7-10) yields only rose slightly, 28bps less than the rise in US 7-10 year sovereign yields. Green sovereigns also benefited from the bear flattening in 2026, as they have materially longer duration than the market due to their skew towards longer maturities. Green Corporates do not have the same degree of country/currency overweights/underweights and have a shorter duration than the market, however they benefited from an overweight in Gas Utilities and an underweight in Services, the best and worst performing sectors in H1 2026 respectively. However the underweight in Energy detracted from performance.

Green bonds continued to see strong issuance with over $350bn in H1 2026, after having set a record in 2025, which represented ~4.8% of all bond issuance. Notable activity came from large issuance by sovereigns, which doubled in H1 2026 compared with H1 2025, particularly in Europe, and some notable large issuances from energy efficiency focused data center projects.

Chart 1: Selected SI Green Bond Active[1] Performance vs parent benchmarks (TR, USD Hedged) – All green bond indices outperformed in H1, particularly green sovereigns

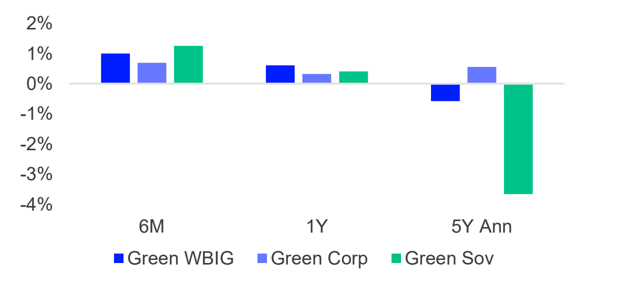


Chart 2: Selected SI Green Bond Index active[1] duration vs. WBIG, WBIG Corp, WBIG Sov (years) – whilst active duration has fallen, Green Sovereigns remain substantially longer

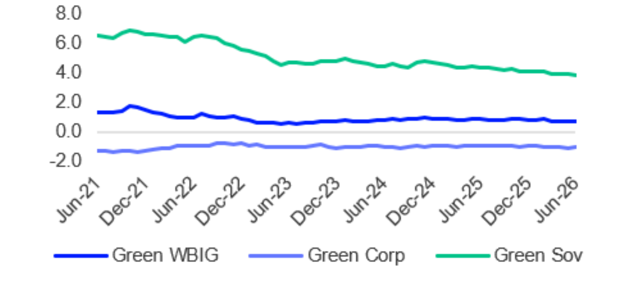


Chart 3: Selected SI Green Bond Active Weights vs. WBIG and WBIG Sov– EUR overweight and USD underweight positioning was positive to performance in H1 2026

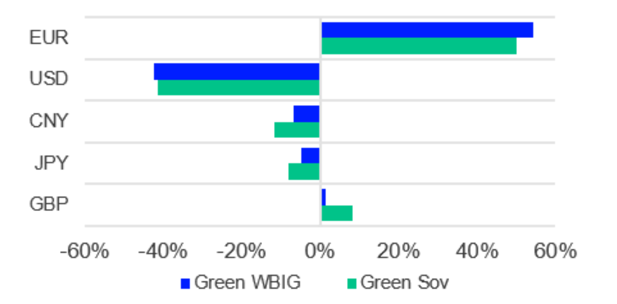


Chart 4: Green WBIG Corp Active Weights vs. WBIG Corp – Green Corp benefited from underweight Services and Overweight Gas, the worst and best performing sectors

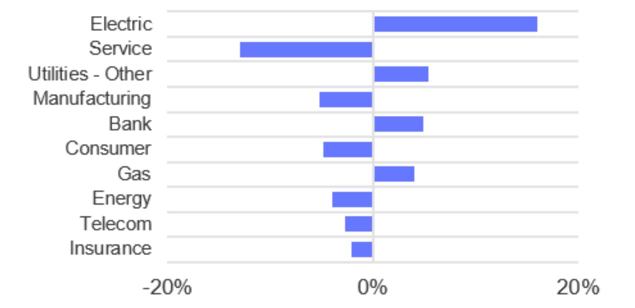


Chart 5: WGBI 7-10yrs – 1-3yrs yield curve (%) – Bear flattening led to reducing curve slope, particularly benefiting green sovereigns, which have a longer maturity than the market

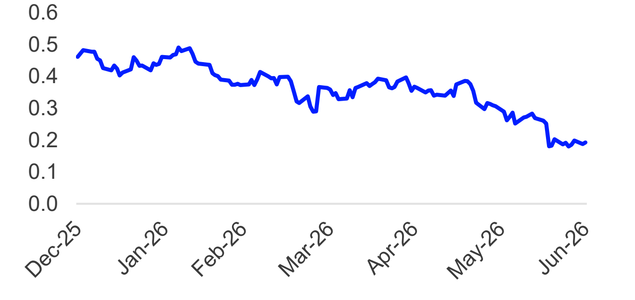
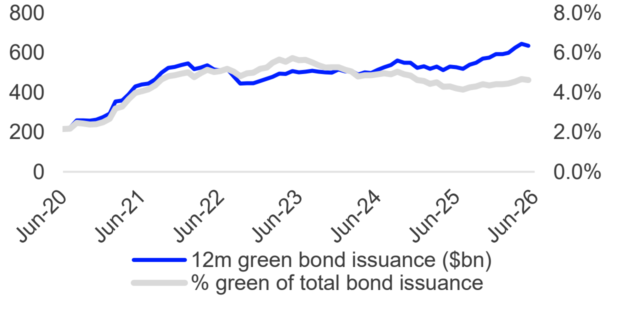


Chart 6: 12m rolling green bond Issuance (%) – 2026 has seen renewed growth in green bond issuance. It was driven by renewed green sovereigns and green data center bonds



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SI Alternatives – small underperformance in H1 2026

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 (‘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 (‘EN Green’) adjusts the weights of listed real estate stocks based on energy usage, carbon emissions and green building certification.

The listed infrastructure and listed real estate markets exhibit both bond like (yield sensitivity) and equity like (growth sensitivity) features in their performance characteristics. The last 12m have been a good example with both performing in line with bonds in H2 2025, but closing the gap with equities in Jan & Feb 2026, as growth looked strong and falling rates were expected. However the market shock from the Middle East conflict in March caused them to fall and then trade back in line with bonds in Q2 2026, ultimately ending the 12m with performance between bonds and equities.

Green Infra underperformed in H1 2026, primarily because it missed out on the energy shock related outperformance from the Pipelines and Conventional Electricity sectors, offset by outperformance from an overweight in Railroads. In contrast the performance impacts on EN Green were more spread across sectors, with the underweight in the outperforming Data Centers sector, driven by AI related expansion, creating a particular headwind.

Chart 1: FTSE Global Core Infrastructure TPI Climate Transition & FTSE EPRA Nareit Developed Green Low Carbon Target Active[1] Performance

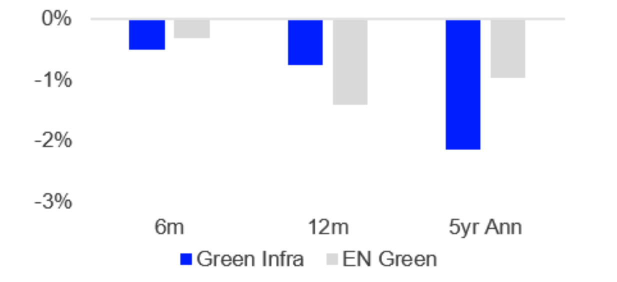


Chart 2: SI alternatives vs equity & bond market – SI alternatives tracked bonds in H2 2025, caught up with equities in Jan & Feb 2026, ending up halfway between the two

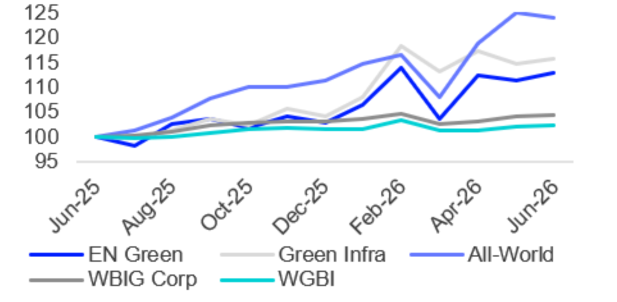


Chart 3: 6M Attribution vs FTSE Global Infrastructure – Underperformance came from underweight Pipelines and selection in Conv. Electricity offset by overweight Railroads

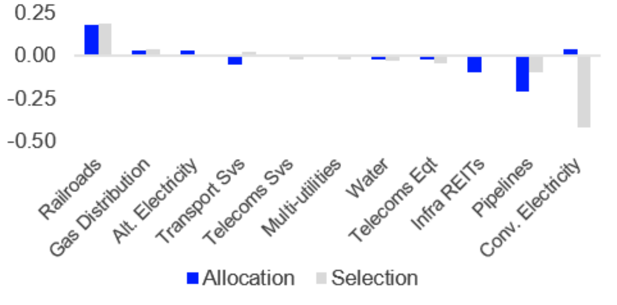


Chart 4: 6M Attribution vs FTSE EPRA Nareit Developed – Underperformance came from Residential and Office overweights and Data Center underweight

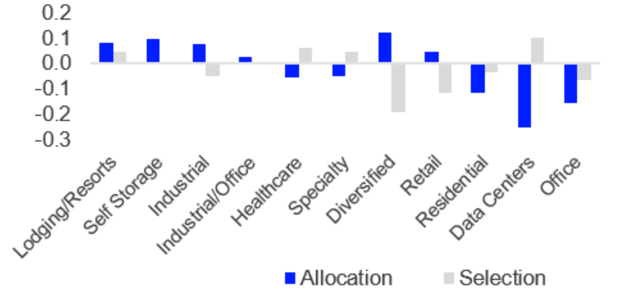


Chart 5: Active weights vs FTSE Global Infrastructure – Railroads is the largest overweight, offset by underweight in Conventional Electricity utilities.

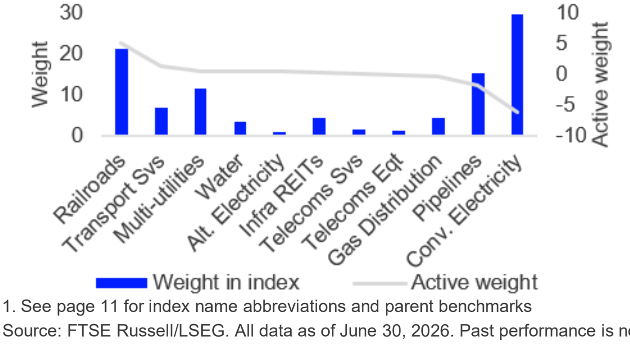
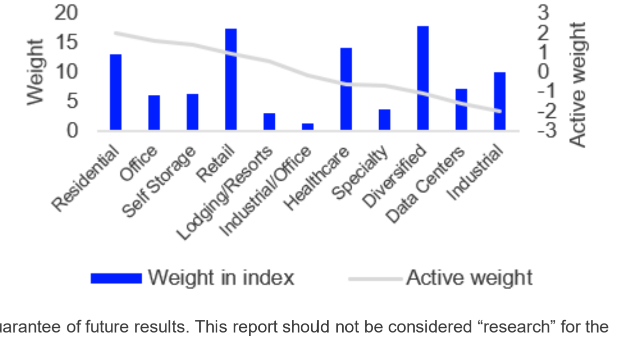


Chart 6: Active weights vs FTSE EPRA Nareit Developed – overweight Residential, Office & Self Storage vs underweight Diversified, Data Centers & Industrial.



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SI Risk / Return – strength in equities, bonds more challenging

Despite the geopolitical, macroeconomic and energy risks in 2026 the equity market has seen continued strength, leading to average 1 year returns over double the 5 year annualised figures, whilst the annualised volatility remains the same. All SI equity indices analysed outperformed the market (All-World) over 12m and all but one outperformed over 5 years. The average SI equity index outperformed by 3.9% in the 12m to June 2026 vs 0.8% over 5 years. EnvOps saw highest return and highest volatility over both 1 and 5 years. The other SI indices saw typically higher returns, but higher volatility than the market (particularly over 1 year) except LowCarb, which saw lower volatility.

Bonds also saw higher returns over 1 year than 5 years, with lower volatility, for both sovereigns and corporates, with the volatility of both converging over 1 year. SI bond indices saw both returns and volatility close to the market over both periods, with corporate bond volatility particularly converging over 1 year. Green sovereigns continued to show a bigger difference vs the market, with weaker returns and higher volatility, however it was closer over 1 year than 5 years.

Green infrastructure has been catching up with the market return and volatility over 1 year, and infrastructure continues to offer a risk/return mid-point between bonds and equities. In contrast real estate underperformed equities in return for the same risk.

Chart 1: 1 year risk vs return[1] – Strong performance in 2026 leaves all SI equity indices ahead of the market, with EnvOps returning to strong performance offset by higher volatility. Bonds saw materially lower returns, with corporates seeing higher returns for the same volatility as sovereigns and tight spreads between SI and market.

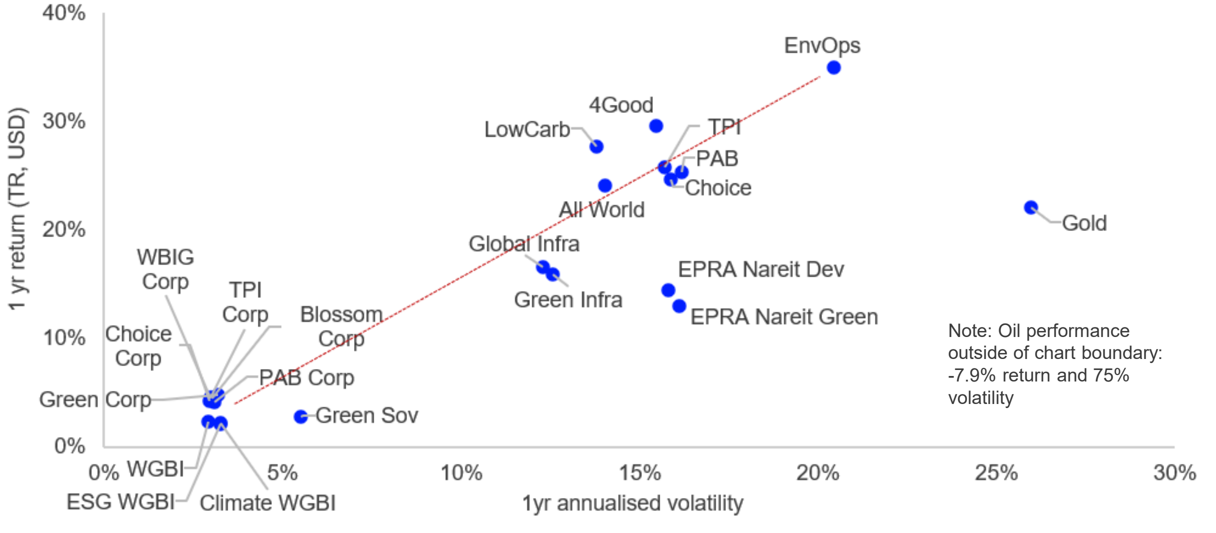
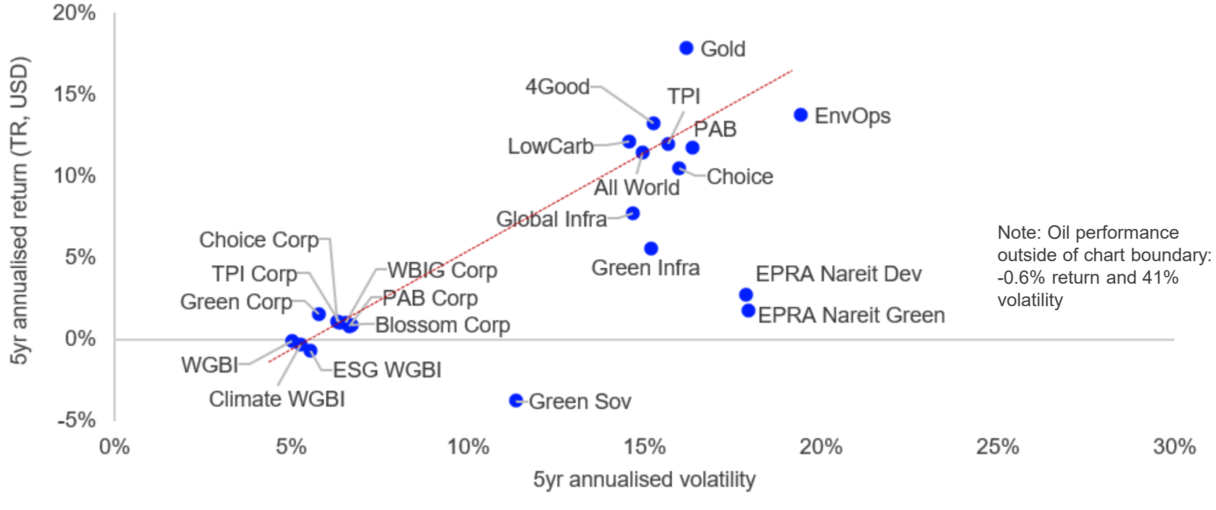


Chart 2: 5 year risk vs return[1] – Most SI Equity indices have similar risk/return, slightly ahead of the market, except Choice. EnvOps has higher returns with higher volatility. SI bond strategies have similar risk/return to market, except Green Corp, with lower volatility, and Green Sov, which has higher volatility. Infrastructure sits between bonds and equity in risk/return.



1. See page 11 for index name abbreviations and parent benchmarks

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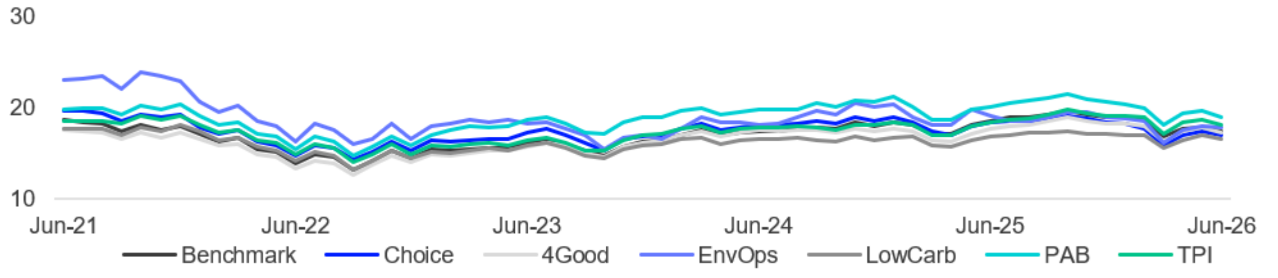
Risk calculated as the annualized monthly volatility

Equity Risk and Climate Characteristics

Global SI Equity Indices – 12-month forward P/E ratios



Risk characteristics: In green are lower risk (tracking error), more diversified (high % of stocks in benchmark) and achieving the highest uplift relative to the benchmark in ESG Score, Green Revenues, TPI MQ and carbon reduction.

Risk	FTSE Russell SI Index	US	UK	Europe	Japan	APAC	Emerging	Developed	Global
Tracking Error	Global Choice	2.1%	1.6%	2.1%		1.6%	1.7%	1.9%	1.7%
	FTSE4Good	2.8%	1.8%	2.4%	10.7%	2.4%	5.8%	2.0%	2.0%
	Environmental Ops	6.5%	9.8%	7.5%	6.0%	7.6%			5.6%
	ESG Low Carbon Target	3.3%	5.9%	2.9%	3.1%	3.2%	2.7%	2.7%	
	Paris Aligned		5.5%				3.5%	2.8%	2.9%
	Transition Pathway	2.1%			2.4%		7.6%	2.1%	1.5%
Number of stocks as % of benchmark	Global Choice	79.4%	95.8%	80.4%		85.5%	82.7%	82.1%	82.4%
	FTSE4Good	50.7%	40.7%	76.0%	57.6%	56.9%	39.9%	58.9%	48.8%
	Environmental Ops	10.9%	10.0%	19.1%	14.1%	10.1%			11.5%
	ESG Low Carbon Target	62.3%	80.0%	60.6%	48.8%	19.0%	28.7%	35.0%	
	Paris Aligned		76.2%				38.9%	51.6%	30.5%
	Transition Pathway	61.2%			86.1%		42.1%	50.3%	34.2%
Active ESG score	Global Choice	2.3%	-1.0%	-0.2%		-0.2%	1.1%	1.4%	1.3%
	FTSE4Good	9.1%	7.9%	2.8%	7.8%	7.5%	11.6%	8.4%	8.8%
	Environmental Ops	4.2%	-3.5%	-0.9%	0.1%	3.9%			7.9%
	ESG Low Carbon Target	18.5%	12.9%	13.3%	18.6%	17.2%	17.5%	18.2%	
	Paris Aligned		2.0%				8.0%	2.6%	3.8%
	Transition Pathway	6.3%			7.2%		10.8%	7.8%	6.2%
Carbon Reduction	Global Choice	-59.6%	12.7%	-60.2%		-43.8%	-54.5%	-58.4%	-57.2%
	FTSE4Good	-36.0%	8.9%	1.5%	1.0%	-11.4%	10.8%	-23.5%	-14.1%
	Environmental Ops	138.0%	-31.6%	41.6%	23.8%	46.2%			59.6%
	ESG Low Carbon Target	-47.0%	-55.2%	-56.5%	-48.2%	-45.6%	-43.2%	-50.3%	
	Paris Aligned		-53.4%				-65.5%	-61.4%	-59.9%
	Transition Pathway	-44.9%			-32.3%		-51.4%	-46.9%	-36.6%
Active Green Revenues	Global Choice	0.01	0.50	-1.31		0.20	1.95	-0.21	0.03
	FTSE4Good	-1.00	-0.21	0.12	-0.37	0.22	4.60	-0.60	-0.03
	Environmental Ops	34.45	47.23	33.30	36.27	37.31			39.86
	ESG Low Carbon Target	-0.86	1.05	0.32	0.27	2.92	1.32	-0.69	
	Paris Aligned		5.38				10.95	8.66	10.02
	Transition Pathway	1.82			4.98		5.32	3.02	3.81
Active TPI Management Quality Score	Global Choice	0.2%	3.6%	-3.4%		0.2%	-1.1%	-0.5%	-0.6%
	FTSE4Good	6.7%	4.9%	1.3%	4.5%	3.6%	11.9%	5.7%	6.2%
	Environmental Ops	2.2%	-2.8%	3.3%	3.3%	3.1%			5.2%
	ESG Low Carbon Target	10.6%	1.6%	7.8%	15.5%	17.1%	16.8%	11.5%	
	Paris Aligned		3.6%				5.8%	4.8%	5.6%
	Transition Pathway	11.4%			13.3%		13.6%	14.7%	10.8%

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. Active green revenues is absolute percentage points.
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Appendix 1: SI Index Coverage and Benchmarks

For over 20 years FTSE Russell has been a trusted name among global investors for its sustainable benchmarks and indices. Our client-centric approach drives our innovation in sustainable index product development. We collaborate closely with clients and industry leaders to deliver tailored products and services.

FTSE Russell leverages proprietary LSEG data models and leading external data to design and build climate, sustainable and thematic indices. Our commitment to innovation is reflected in our cutting-edge research and analytics. Our diverse range of sustainable indices covers equities, fixed Income and alternatives. As market demands evolve, so does our index offering, ensuring we continue to meet the needs of our clients.

Cross-Asset Class Sustainable Investment Tools for Investors*

Climate

Our climate indices are designed to capture the risks and opportunities arising from climate change. Comprehensive datasets are utilised to create these indices including carbon emissions, green revenues and decarbonisation targets.
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Sustainable

Our sustainable indices incorporate a wide range of sustainability issues into their benchmark design. These indices include those that apply specific exclusions and those that adjust constituent weights based on how companies manage broader sustainability risks.

SI Thematic

Our thematic indices offer targeted exposure to key sustainability themes, including the global green economy.
These index series enable investors to target exposure to investment opportunities arising from the climate transition and significant sustainable trends.

Climate indices*

Equity

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 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
FTSE Fixed Income TPI Index Series | LSEG over/underweights companies based on fossil fuel reserves, carbon emissions, green revenues, TPI management quality and TPI carbon performance

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
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.

Sustainable 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.
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.

Fixed Income

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 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.
FTSE Blossom Index Series | LSEG adjusts index weights according to each company's FTSE Environmental, Social and Governance (ESG) scores.

SI Thematic indices*

Equity

Environmental Markets Index Series | LSEG include companies that derive at least 20% of their revenue from green.

Fixed Income

FTSE Green Impact Bond Index Series | LSEG comprehensive measure of the global green bond market across various asset classes and credit sectors.

* Please refer to FTSE | The Right Index for Your Sustainable Investment Objectives (lseg.com) 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 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 page 9 are 12-month averages.
- 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.
- 12-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	Parent Benchmark	Official Name	Report Abbreviation	Parent Benchmark
FTSE Global All Cap Choice	Choice	FTSE Global All Cap	FTSE Advanced Climate WGBI	Adv Climate WGBI	WGBI
FTSE4Good All-World	4Good	FTSE All-World	FTSE ESG WGBI	ESG WGBI	WGBI
FTSE Environmental Opportunities All Share	EnvOps	FTSE Global All Cap	FTSE WorldBIG Choice Corporate Bond	Choice Corp	WorldBIG Corporate
FTSE Developed ESG Low Carbon Target Exposure	LowCarb	FTSE All-World Developed	FTSE Blossom World Fixed Income	Blossom Corp	WorldBIG Corporate
FTSE All-World Paris-Aligned (PAB)	PAB	FTSE All-World	FTSE WorldBIG TPI Corporate Bond	TPI Corp	WorldBIG Corporate
FTSE All-World TPI Climate Transition ex FF	TPI	FTSE All-World	FTSE WorldBIG PAB Corporate Bond	PAB Corp	WorldBIG Corporate
FTSE EPRA Nareit Developed Green Low Carbon Target	EPRA Nareit Green	FTSE EPRA Nareit Developed	FTSE WorldBIG Green Impact Corporate Bond	Green Corp	WorldBIG Corporate
FTSE Global Core Infrastructure TPI Climate Transition	Green Infra	FTSE Global Core Infrastructure	FTSE WorldBIG Green Impact Domestic Sovereign	Green Sov	WorldBIG DSov
FTSE Climate Risk Adj WGBI	Climate WGBI	WGBI			

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

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ABOUT FTSE RUSSELL
FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.
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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