

Sustainable Investment Insights

QUARTERLY REPORT | OCTOBER 2025

SI relative performance less volatile in Q3

Q3 saw strong absolute and relative performance for SI equities, against a backdrop of strong equity markets. However it was much more challenging for SI fixed income, where falling European yields and steepening yield curves acted as a headwind. Evidence backing the climate investment thesis, continued energy transition and rising physical risk, mounted as renewables delivered the majority of H1 25 electricity generation growth and Europe saw increasing wildfires. Global equity and corporate bond indices saw rising carbon disclosure and targets, but absolute emissions remain stubbornly flat.

Highlights

SI Equities continue to be strong in Q3

SI equities outperformed all other asset classes in Q3 and 5 out of 6 global/developed SI equity indices were ahead of the market. However the relative performance was closer to the market than the large underperformance in Q1 and large outperformance in Q2. PAB and EnvOps performed particularly strongly due to strength in Tech and Consumer Discretionary, whilst LowCarb underperformed due to its value focused positioning. EnvOps and 4Good stand out as the best performers over 5 years.

SI Fixed Income challenging due to rising European yields and steepening curves

SI fixed income had a challenging Q3, with European yields rising (EGBI 7-10 up 22bps) and US yields falling (US TSY 7-10 down 21bps) which negatively impacted most SI bond funds, which are typically overweight Europe. Steepening yield curves also negatively impacted SI bond funds due to their longer durations. Green bonds were particularly negatively impacted, however issuance remained steady.

SI Alternatives underperformed in Q3

Listed alternatives have lagged equities in 2025. SI infrastructure underperformed in Q3, from weakness in Utilities and SI real estate from weakness in Self Storage and Office.

Equity and corporate bond indices see flat carbon emissions

Absolute corporate emissions are flat in equities and slightly falling in corporate bonds. Recent Chinese emission cutting targets may help to bend the curve downwards as Emerging companies have historically seen rising emissions, whilst Developed companies have reduced emissions. This will be helped by the continued energy transition, solar saw the largest electricity generation growth in H1, whilst China and India both saw small falls in coal generation.

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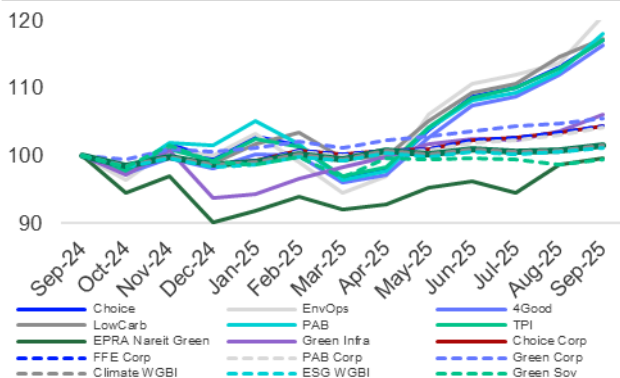
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AUTHOR

Lee Clements
Director, Applied Sustainable Investment Research
Lee.Clements@lseg.com

Henry Morrison-Jones
Manager, Global Investment Research
Henry.Morrison-Jones@lseg.com

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



9.1%
FTSE EnvOps
Dev 3M (TR, USD)

7.3%
FTSE LowCarb
Global 3M (TR, USD)

2.1%
FTSE Choice Corp Bond
Global 3M (TR, USD)

-0.2%
FTSE Green Sov
Global 3M (TR, USD)

14.1%
FTSE All World Tech
Global 3M (TR, USD)

+0.22%
FTSE EGBI 7-10yr
Europe 3M (Yield chg)

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

Source: FTSE Russell / LSEG. Data as of September 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 Spotlight – Q3 2025

Q3 saw continued development of the energy transition, but also increasing evidence of climate related physical risk. Green thematic equities saw strong performance, particularly in Energy Efficiency and a continued recovery in Renewable Energy stocks. Despite geopolitical headwinds renewables continue to deliver the majority of H1 electricity generation growth in response to rising electricity demand driven by data centers and the electrification of transportation and industrial processes. In H1 solar was the largest area of growth, as well as wind, China and India saw a rare fall in coal powered generation, whilst US saw a switch from gas to coal, largely driven by relative pricing. However there is also growing climate physical risk, with a hot summer and increased wildfires in Europe.

A recent LSEG research report highlights flat absolute carbon emissions from global equities, and slightly falling from corporate bonds, despite carbon intensity falling. The top quartile of companies have cut emissions at a net zero trajectory or better, but the lowest quartile of companies continue to increase emissions. However the recent Chinese announcement targeting a 7-10% reduction in emissions from peak levels by 2035 could begin to bend the global curve towards reducing emissions if it leads to overall Emerging company emissions starting to fall, similar to Developed companies. This is supported by the majority of companies now disclosing carbon emissions (79%) and having carbon targets (65%).

SI market remains under pressure, with persistent weak fund flows, particularly from SI focused equity funds.

Chart 1: Env Ops Green Sectors Performance – Energy Efficiency and Renewable Energy both saw strong performance in Q3.

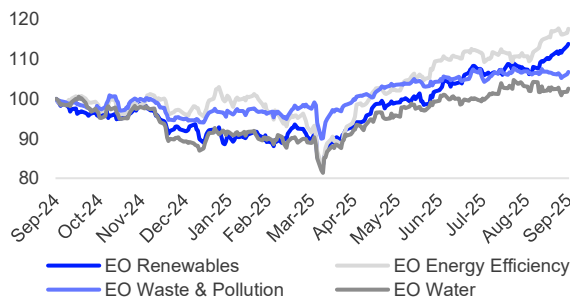


Chart 2: H1 2025 new electricity generation in selected countries/regions¹ – Solar saw the biggest growth, whilst coal fell in China and India.

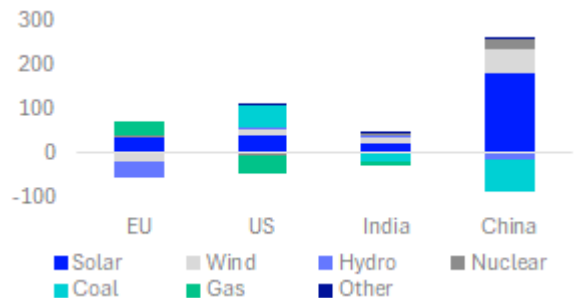


Chart 3: Cumulative areas burnt by wildfires in the EU (000's hectares)² – significant increase in European wildfire activity in 2025.

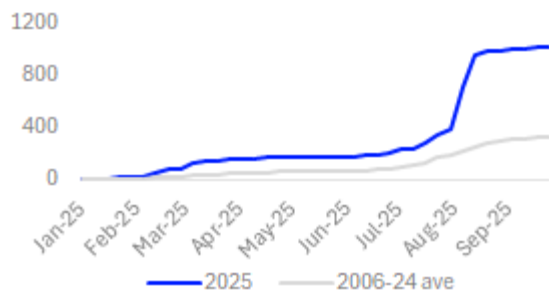


Chart 4: Annual change in absolute carbon emissions (scope 1&2) of the FTSE All World³ – Median emissions have been largely flat.

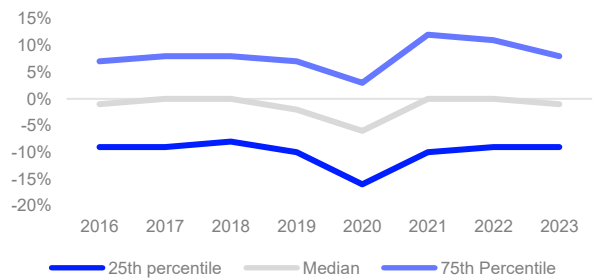


Chart 5: Median emission change of companies in the FTSE All World³ – Developed companies have consistently reduced emissions, while they have increased in Emerging.

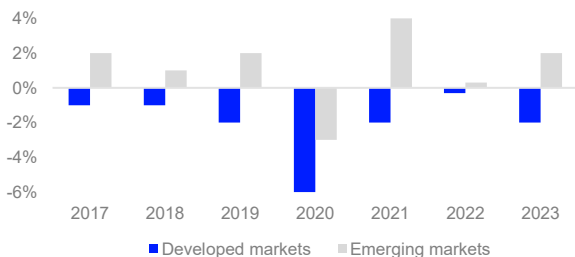
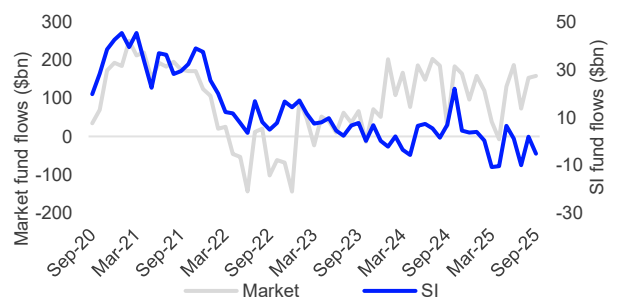


Chart 6: Global SI focused equity and bond fund flows⁴ – SI funds see slow, but persistent outflows, particularly from active equities.



1. [Electricity Mid-Year Update 2025 – Analysis - IEA](#); 2. [EFFIS - Statistics Portal](#); 3. [Decarbonisation in portfolio benchmarks: Tracking the portfolio carbon transition | LSEG](#); 4. LSEG Lipper SI focused equity and bond ETFs and mutual funds estimated net flows

Source: FTSE Russell/LSEG. All data as of September 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.

SI Equities– Q3 2025

Global SI indices predominantly outperformed the market in Q3 2025. EnvOps, saw the largest outperformance of the market, driven by positive selection in Consumer Discretionary, but hit by negative selection in Tech. PAB, 4Good and TPI also outperformed, all benefiting from overweight in Tech, and PAB from positive selection in Consumer Discretionary. Choice was slightly ahead of the market, despite strong Energy performance in late September. LowCarb underperformed due to it's more value oriented positioning with underweights in Tech and Consumer Discretionary and overweights in Consumer Staples, Telcos and Financials. EnvOps has significantly higher 5.5% tracking error than the other indices, compensated by higher long term performance, PAB and LowCarb are higher than average at 2.8% and 2.3% and TPI is the lowest at 1.5%

Chart 1: Active Performance (TR, USD %)

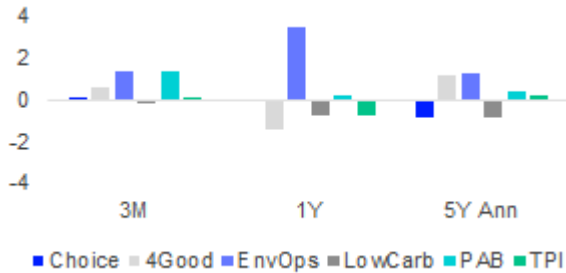


Chart 2: Index tracking error (%)

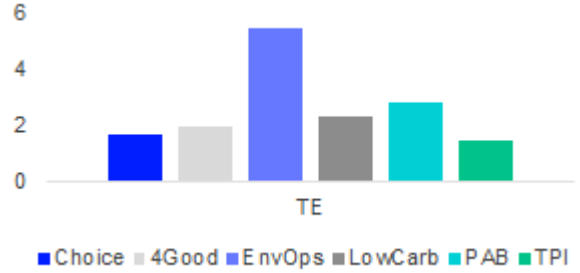


Chart 3: 3M industry allocation effect (%)

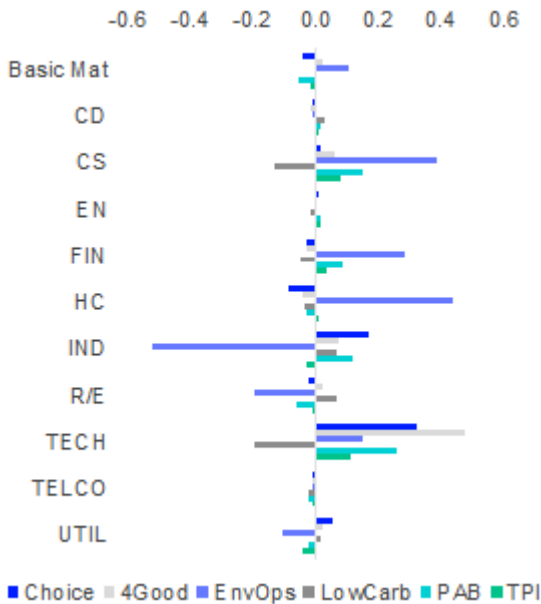


Chart 4: 3M industry selection effect (%)

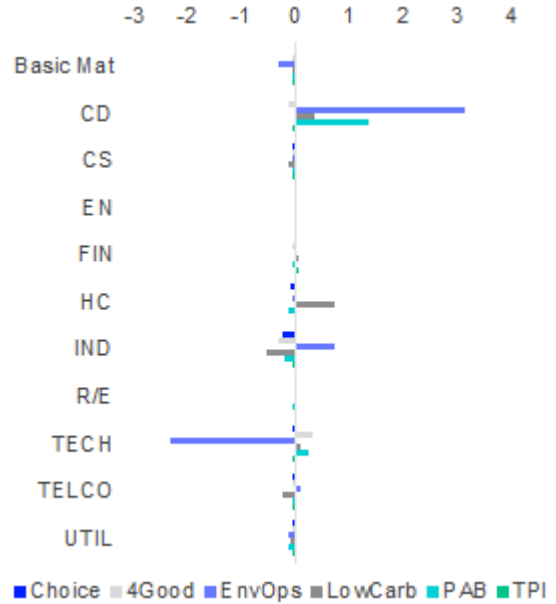
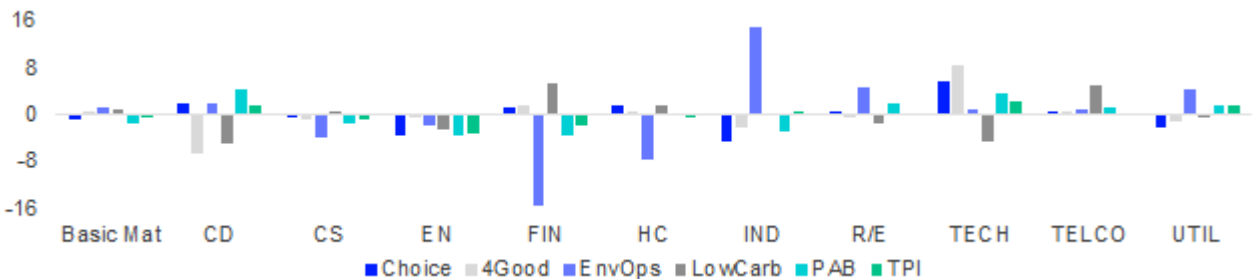


Chart 5: ICB Industry active weights (%)



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SI Sovereigns – Q3 2025

Sovereign yields diverged in Q3, with US yields falling on the back of softer employment numbers, while across the Atlantic, fiscal policy concerns in parts of Europe and the UK drove yields higher over 3M. In Japan, political uncertainty also resulted in higher yields, especially at the long end of the curve given concerns around already-high levels of public debt. As a result, regional sovereign performance was mixed over 3-months but strong positive contributions from US sovereigns helped deliver positive performance across all three SI Sovereign indices during the quarter. On a relative basis, underweights in US sovereign debt in favor of French and UK sovereigns detracted from performance for the climate indices, with both Climate WGBI & Advanced Climate WGBI underperforming WGBI over 3M. ESG WGBI performed roughly in-line with WGBI over 3M.

As of September 30, both climate indices remain heavily underweight the US in favor of select European sovereigns, however, we note that both Climate WGBI and Advanced Climate WGBI reduced their underweight in the US during the quarter. ESG WGBI has lower active weights than both the climate indices, with the UK its largest active overweight. All three indices continue to exhibit a quality bias vs. WGBI and there were no major changes to quality in Q3.

Despite all three SI Sovereign indices exhibiting a quality bias by credit-rating, only ESG WGBI has seen consistently tighter credit spreads than WGBI. Since their peak in 2022, spreads across all three indices have tightened but also converged. Active duration fell slightly in Q3 for both climate indices as these saw slight reductions in their US underweights (lower duration) and UK overweights (higher duration). Despite these changes, active duration remains positive for all three indices.

Chart 1: Selected SI Sovereign Returns (TR, USD Hedged)
– returns were positive across the board in Q3 as softer economic data in the US weighed on yields cross-regionally.

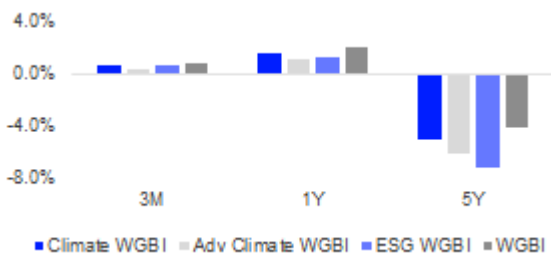


Chart 2: Selected SI Sovereign Relative Performance vs. WGBI (TR, USD Hedged) – Climate and Adv Climate underperformed WGBI in Q3. ESG WGBI performed in-line.

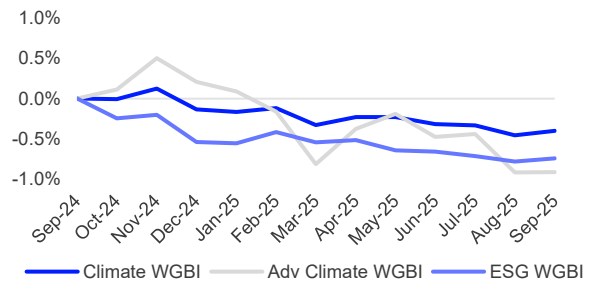


Chart 3: Selected SI Sovereign Active Weights vs WGBI – French sovereign overweights resulted in underperformance for the climate indices in August, given fiscal policy concerns.

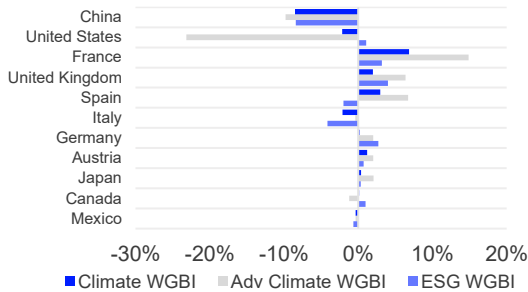


Chart 4: Selected SI Sovereign Relative Credit Weighting vs WGBI – ESG WGBI exhibits the largest quality bias of the SI Sovereign indices vs. WGBI.

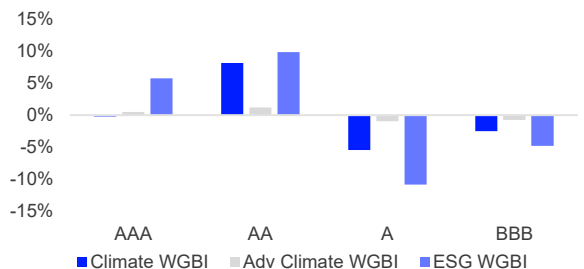


Chart 5: Selected SI Sovereign OAS (bps) – although all three SI Sovereign indices exhibit quality biases, only ESG WGBI has seen consistently tighter credit spreads than WGBI.

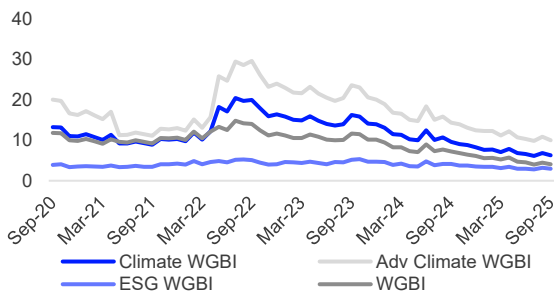
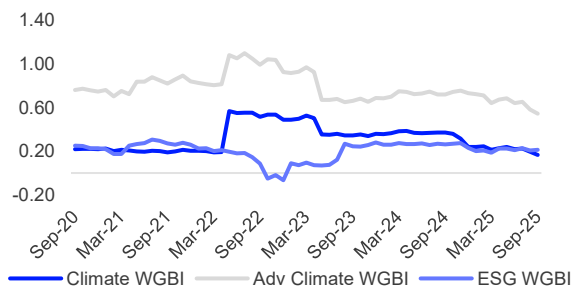


Chart 6: Selected SI Sovereign Active Duration vs WGBI – Active duration vs. WGBI fell in Q3 for Adv Climate but remains positive for all three SI sovereign indices.



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SI Corporate Bonds – Q3 2025

All three SI Corporate bond indices saw positive returns in Q3 as credit spreads tightened, despite softening employment and activity data in the US. SI Corporates have now seen positive performance over 3-month, 12-month and 5-year horizons, despite weakness in 2022. On a relative basis, while both Choice Corp and FFE Corp have outperformed the broader WorldBIG Corporate bond index over 12M, PAB Corp has underperformed. Several factors have driven this divergence in performance over the past year, but most notable has been the varying allocations to Banks, which have outperformed the broader WorldBIG Corp index over 12M. Whilst PAB Corp holds a large underweight in Banks, both Choice and FFE continue to see an overweight in the sector.

On top of differing sector weights in Banks, the SI corporate bond indices also differ in their allocations to Manufacturing and Electric Utilities sectors. Looking at credit weightings, we note that all three indices continue to show a quality bias, although this is most evident with PAB Corp. There were no major changes in quality in Q3.

Since end-2022, credit spreads have tightened markedly for all three indices and have diverged from yields, which remain elevated. As a result, the contribution of credit to total YTM hit a 5-year low for PAB Corp at end-September of 16.3% and remains near 5-year lows of ~17% for both Choice Corp & FFE Corp. However, despite tight spreads and their dislocation with yields, the relative quality bias of the SI Corporate indices vs. WBIG Corp should provide some relative insulation to spread volatility. Although duration has trended lower over 5Y for SI corporate indices, active duration vs. WorldBIG Corp 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 across all three SI Corporate Bond indices in Q3 as spreads tightened slightly.

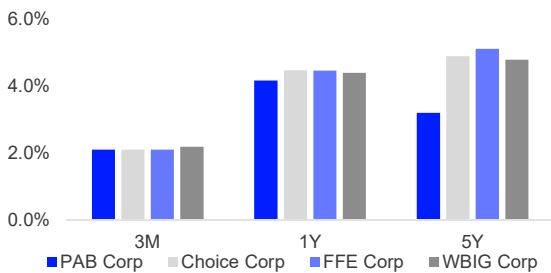


Chart 2: Selected SI Corporate Relative Performance vs. WBIG Corp (TR, USD Hedged) – Over 12M, Choice & FFE Corp have outperformed WBIG while PAB underperformed.

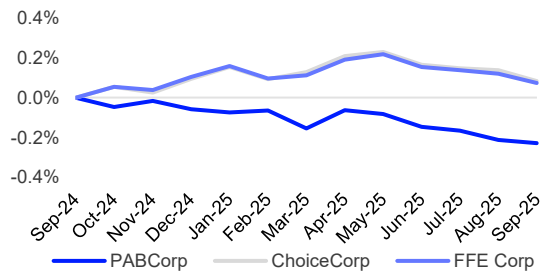


Chart 3: Selected SI Corporate Active Weights vs WBIG Corp – Banks and Electric Utilities continue to see the largest divergence in allocation between PAB Corp and Choice/FFE.

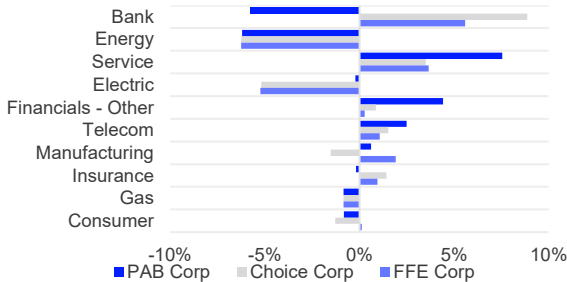


Chart 4: Selected SI Corporate Relative Credit Weighting vs WBIG Corp – All three indices continue to show a quality bias and there were no major changes in quality in Q3.

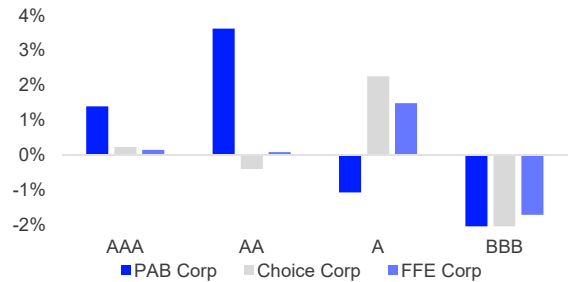


Chart 5: Selected SI Corporate OAS (bps) vs. YTM (%) – Since end-2022, credit spreads have tightened markedly for all three indices while yields have remained high.

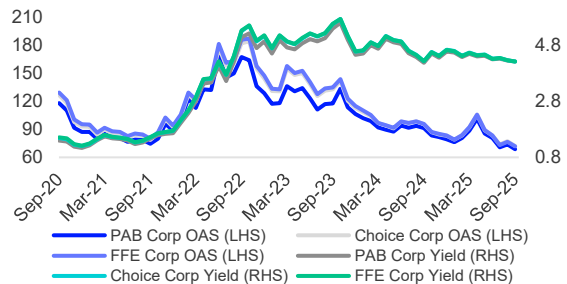
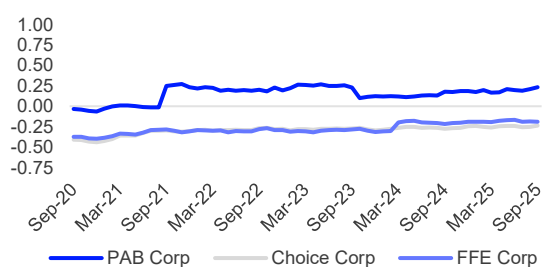


Chart 6: Selected SI Corporate Active Duration vs. WBIG Corp – Active duration has remained largely stable over the last 2 years, with PAB positive & Choice/FFE slightly negative.



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Green Bonds – Q3 2025

While Green Corporates have seen positive performance over 3M, 1Y and 5Y horizons, Green Sovereigns have instead seen negative returns over the same periods. In Q3, European overweights detracted from performance for all three indices, especially for sovereigns, as fiscal policy concerns in parts of Europe and the UK drove EUR- and GBP-denominated sovereign yields higher over 3M. Given the higher levels of green bond issuance in Europe and the resulting overweights in EUR-denominated debt, all three green bond indices underperformed their non-green counterparts in Q3. However, while Green Sovereigns have also underperformed over 12M, Green Corporates have outperformed the broader WorldBIG Corp index over the past year, with key sector overweights in electric utilities and banks outperforming and benefitting the index on a relative basis.

Within Green Sov, currency exposure remains heavily underweight USD-denominated debt in favor of EUR-denominated debt, due to the high issuance of green bonds in Europe and a lack of sovereign green bond issuance in the US. GBP denominated debt remains the only other major (>5%) overweight. For Green Corp, sector weights were largely unchanged in Q3 and Utilities (Electric and Other) as well as Banks continue to see the largest overweights. A look at credit exposure reveals a skew towards lower quality credit for Green Corp versus WBIG Corp.

Since mid-2025, Green Sov's relative yield has continued to climb as yields across Europe and the UK have risen at a higher pace than they have in the US. Absolute green bond issuance was softer in July & August but picked up in September as did the green bond ratio (green bond issuance as a % of total bond issuance), which rose to 5.6% and just above its 5-year mean.

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

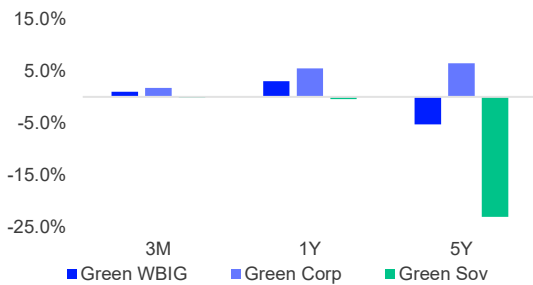


Chart 2: Selected SI Green Bond Index Relative Performance vs. WBIG, WBIG Corp, WBIG Sov (TR, USD Hedged) – EUR-debt weakness led to underperformance in Q3.

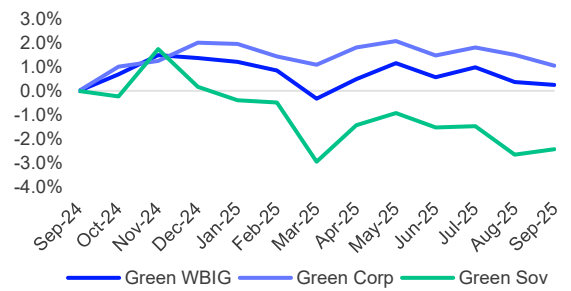


Chart 3: Selected SI Green Bond Active Weights vs. WBIG and WBIG Sov – Both Green Sov and Green WBIG continue to see overweights in EUR- and GBP-denominated debt.

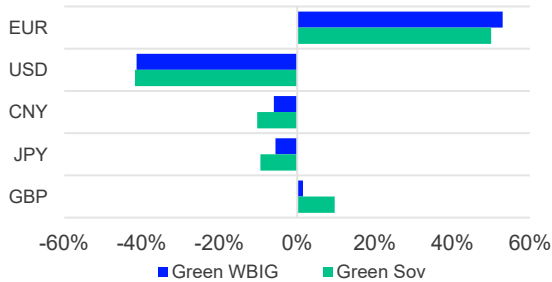


Chart 4: Green WBIG Corp Active Weights vs. WBIG Corp – Green Corp weights were largely unchanged in Q3. Utilities (electric & other) and Banks continue to see large overweights.

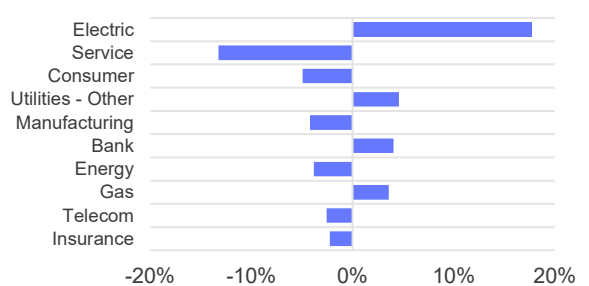


Chart 5: Selected SI Green Bond Relative Yield vs. WBIG, WBIG Corp, WBIG Sov (%) – since mid-2024, relative yield has continued to climb for Green Sov as EUR yields have climbed.

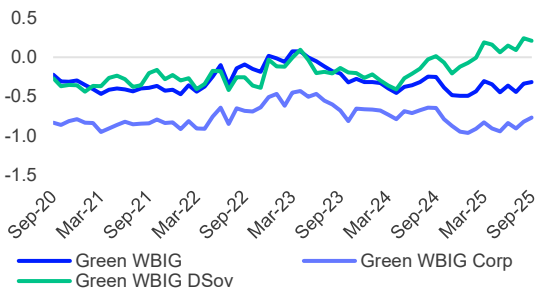
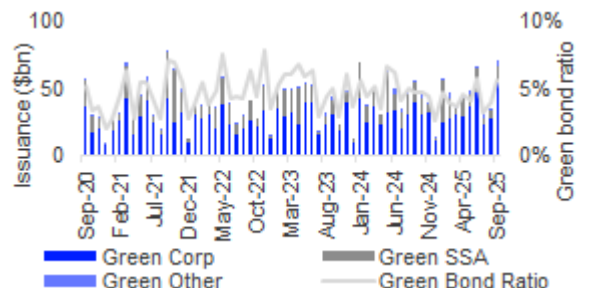


Chart 6: Green Bond Issuance – Absolute green bond issuance was softer in July & August but picked up in September. The green bond ratio rose to 5.6% in September.



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SI Alternatives (Real Estate & Infrastructure) – Q3 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 ('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') adjusts the weights of listed real estate stocks based on energy usage, carbon emissions and green building certification.

The listed infrastructure market partially recovered in Q3, with continued expectations of increased infrastructure spending in Europe and increased power demand from data centres, however it remains weak over 12m, behind broader equities. Green infrastructure underperformed the market in Q3, driven by an underweight and negative selection in Conventional Electricity Utilities, particularly in the US. Global Infrastructure has a significant weight in North America, however Green Infrastructure is underweight North America, slightly underweight EM and overweight EMEA.

The listed real estate market also partially recovered in Q3, with yield headwinds reducing in the US, however it remains weak with negative absolute performance over 12m. EPRA Nareit Green underperformed the broader market in Q3, driven by overweight in Self Storage and Residential and negative selection in Offices. EPRA Nareit Green is overweight EMEA and underweight APAC, neutral weighted in North America

Chart 1: FTSE Global Core Infrastructure TPI Climate Transition Active Performance – Q3 saw further underperformance, but lower than 5 year average.

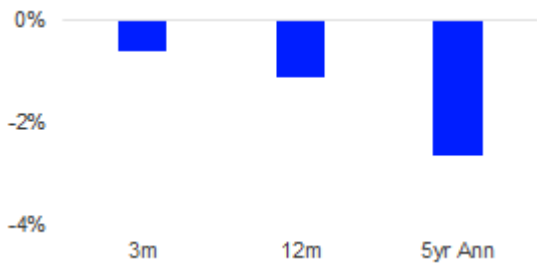


Chart 2: FTSE EPRA Nareit Developed Green Low Carbon Target Active Performance – Q3 saw further underperformance in Green Real Estate.

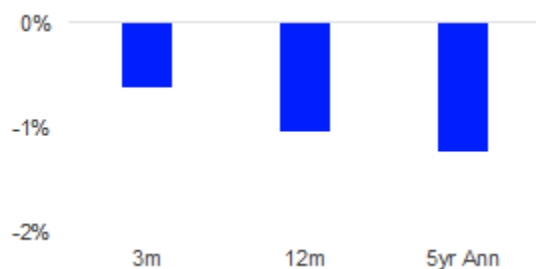


Chart 3: 12M Attribution vs FTSE Global Infrastructure – Underperformance came from overweight in Railroads and negative selection in Conventional Electricity Utilities.

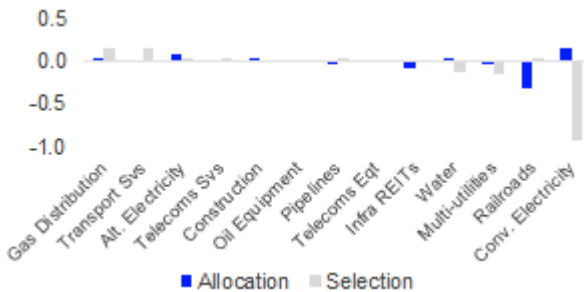


Chart 4: 12M Attribution vs FTSE EPRA Nareit Developed – Underperformance came from overweight in Self Storage and negative selection in Office.

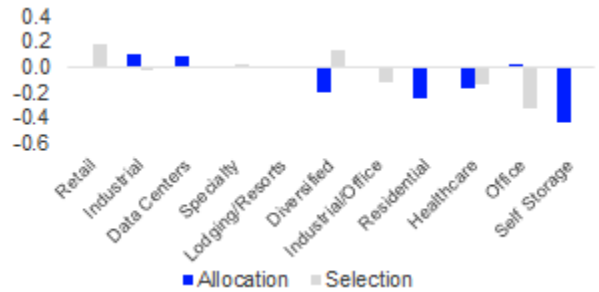


Chart 5: Active weights vs FTSE Global Infrastructure – whilst North America is the largest region it is underweight vs benchmark and EMEA is overweight.

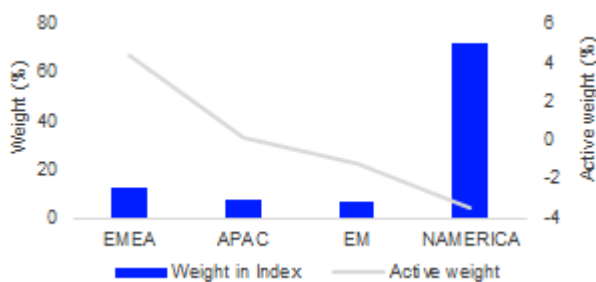
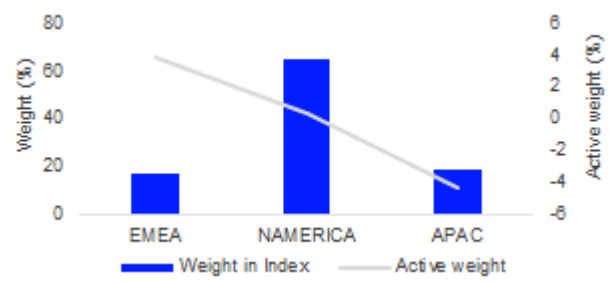


Chart 6: Active weights vs FTSE EPRA Nareit Developed – overweight EMEA and underweight APAC and neutral weight in largest region, North America.

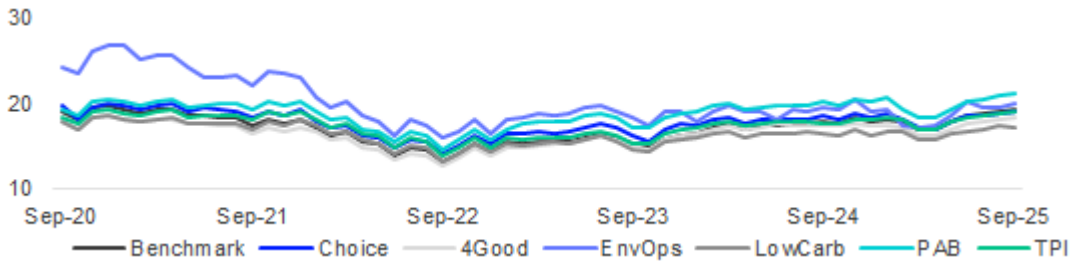


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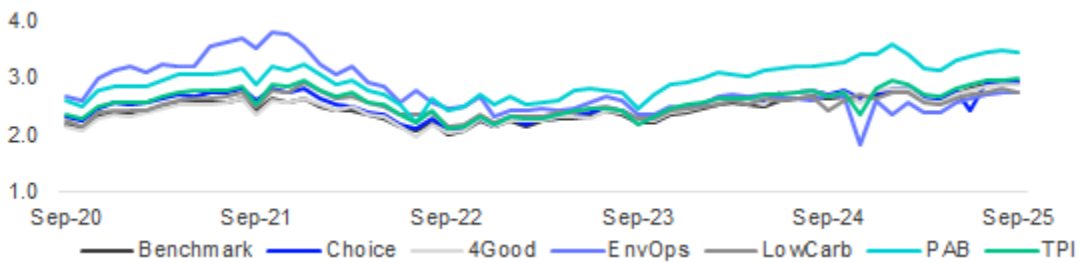
SI Equity Index Valuation – Q3 2025

Following valuation compression in Q1 and a recovery in Q2, continued risk-on sentiment in equity markets in Q3 led to an increase in forward P/E as concerns around the impact of tariffs on global trade continued to fade and as the possibility of additional monetary easing in the US increased. For Choice, 4Good, LowCarb, PAB and TPI this resulted in higher P/Es between June and September, with EnvOps was the only index to see valuation compression over the period. Consequently, EnvOps saw its P/E premium vs. market fall over the quarter. Except for FTSE4Good and Low Carb, all indices retained their lower dividend yield vs. the broader market, with PAB the lowest. EnvOps remains cheaper on a price-to-book basis than the broader FTSE All World index, with FTSE4Good and TPI trading close to market. At a regional level, the US remains the most expensive market although we note that the valuation premium of the US versus other markets has narrowed YTD.

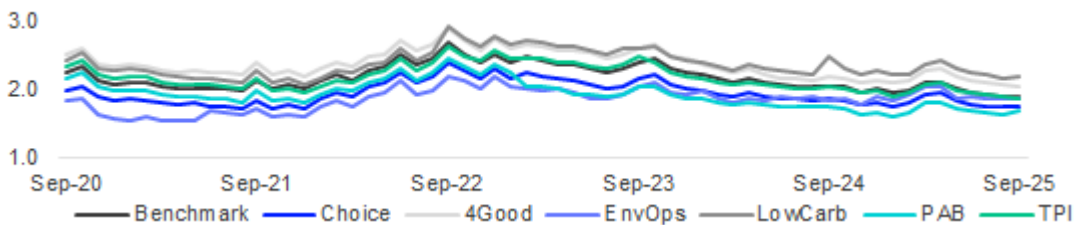
Global Markets – 12-month forward factor P/E ratios



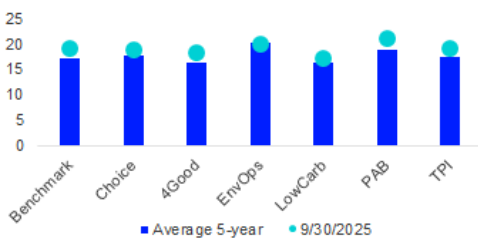
Global Markets – 12-month forward factor Price-to-Book ratios



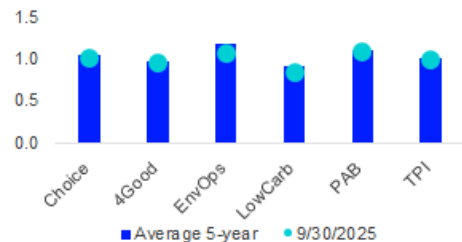
Global Markets – Dividend Yield



12-month forward P/E vs history



12-month forward P/E premium vs history



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SI Risk / Return – Q3 2025

The continued outperformance of global equities has extended their higher risk/return, particularly over alternatives. EnvOps and PAB continue to show higher return than the broader equity market, but with higher volatility over 1 year. However over 5 years 4Good now has a better return than EnvOps, with lower volatility, due to its better performance in 2022. TPI shows the closest risk/return to the market, whilst 4Good and LowCarb have shown lower volatility than the market over 1 year.

Alternatives have been more challenging, showing materially lower returns than equities for similar levels of volatility, with the gap greater over 1 year than for 5 years, particularly for EPRA Nareit real estate. Green versions of the alternatives indices have seen weaker risk/return than the broader market over both 1 and 5 years.

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

Chart 1: 1 year risk vs return – EnvOps continues to be the strongest SI performer, compensating for a higher volatility. Infra performance has slipped back behind broader equities, while Real Estate continues to lag. Green Corp saw higher return and lower volatility than the other fixed income strategies.

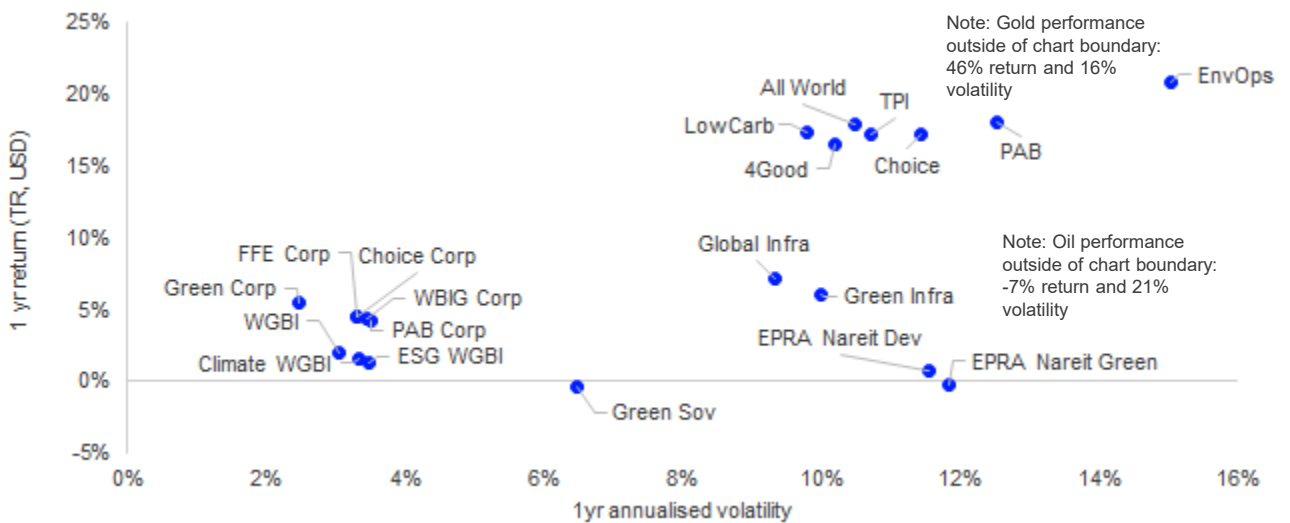
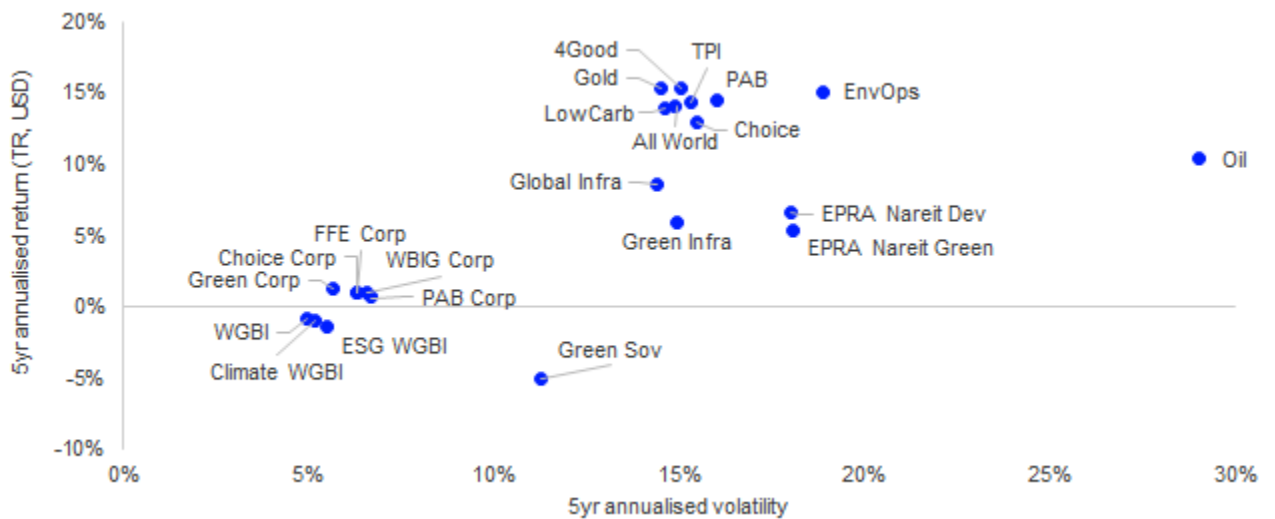


Chart 2: 5 year risk vs return – 4Good now has the strongest absolute return, but with lower volatility than EnvOps. Most other SI Equity indices have similar risk/return, in line with market. SI bond strategies have similar risk/return to parent indices, except Green Corp, which has lower volatility 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 Equity Risk and Climate Characteristics – Q3 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 (-46% to -61%) and underweights to Energy (-4.9% 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 (15% 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 (15%), with a high tracking error (6.3%) but a 0.8 beta.

Environmental Opportunities (EO) selects companies with significant green revenues (>20%), resulting in high active green revenues (absolute increase of 48% to 34%). However, the focus on Industrials, Utilities & Technology leads to higher carbon intensity in most regions (103% to -21%). The indices are highly concentrated (9% to 18% 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 (-53% 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 (5.6% and 1.0).

Paris Aligned Benchmark (PAB) has multiple SI targets. It reduces carbon intensity (-66% to -52%), increases TPI MQ score (8% to 3%), increases green revenues (absolute increase of 10% to 5%) and reduces Energy industry weighting (absolute reduction of -10% to -3%). Tracking error is slightly higher than some other SI indices (2.7% to 5.5%) and the indices are more concentrated (78% to 31% 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 (20% to 8%), while the global tracking error is relatively modest at 1.5%. EM has the highest tracking error at 4.4% but also has the highest TPI MQ uplift of 20%.

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.

Risk	FTSE Russell SI Index	US	UK	Europe	Japan	APAC	Emerging	Developed	Global
Tracking Error	Global Choice	2.0%	1.5%	2.2%		1.4%	1.7%	1.9%	1.7%
	FTSE4Good	2.7%	1.7%	2.4%	10.5%	2.0%	6.3%	2.0%	1.9%
	Environmental Ops	7.2%	9.4%	7.3%	6.1%	8.1%			5.5%
	ESG Low Carbon Target	2.9%	5.6%	2.8%	2.6%	2.8%	2.6%	2.3%	
	Paris Aligned		5.5%				3.3%	2.7%	2.8%
	Transition Pathway	1.9%			2.1%		4.4%	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	1.1			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	80.7%	95.9%	81.3%		86.3%	83.9%	83.1%	83.5%
	FTSE4Good	48.9%	39.8%	74.2%	54.2%	53.8%	34.6%	57.2%	45.2%
	Environmental Ops	10.9%	9.6%	17.6%	12.9%	9.9%			10.4%
	ESG Low Carbon Target	74.4%	80.6%	49.4%	46.4%	16.9%	29.8%	38.7%	
	Paris Aligned		77.7%				41.7%	52.2%	30.8%
	Transition Pathway	61.1%			82.9%		40.3%	51.0%	34.0%
Weight in Top 10 relative to benchmark	Global Choice	120.6%	101.3%	132.7%		117.7%	104.3%	124.9%	125.0%
	FTSE4Good	143.4%	124.5%	119.0%	131.8%	125.9%	118.6%	130.7%	134.4%
	Environmental Ops	165.1%	148.1%	256.6%	239.0%	168.1%			210.6%
	ESG Low Carbon Target	140.6%	139.1%	178.0%	215.3%	163.3%	118.7%	144.0%	
	Paris Aligned		95.1%				108.9%	135.4%	155.0%
	Transition Pathway	118.9%			138.5%		133.6%	137.7%	127.5%

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Risk and Climate Characteristics – Q3 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.

Category	FTSE Russell SI Index	US	UK	Europe	Japan	APAC	Emerging	Developed	Global
Active E score	Global Choice	2.1%	0.6%	-2.0%		-1.0%	-1.6%	0.8%	0.6%
	FTSE4Good	12.1%	9.7%	3.8%	9.1%	8.9%	18.4%	10.9%	11.6%
	Environmental Ops	1.8%	-10.4%	3.5%	3.6%	7.6%			5.2%
	ESG Low Carbon Target	27.7%	21.4%	22.8%	23.6%	27.4%	23.2%	29.0%	
	Paris Aligned		4.8%				8.0%	4.8%	5.5%
	Transition Pathway	9.8%			10.8%		17.3%	13.4%	10.7%
Active S score	Global Choice	2.9%	-1.8%	-0.3%		-0.1%	1.3%	1.7%	1.7%
	FTSE4Good	13.1%	9.2%	3.1%	10.2%	8.4%	18.3%	11.3%	12.0%
	Environmental Ops	6.4%	-3.5%	-3.7%	-8.3%	9.3%			9.3%
	ESG Low Carbon Target	18.2%	13.1%	13.8%	19.6%	19.7%	21.6%	18.4%	
	Paris Aligned		0.8%				9.0%	2.4%	4.3%
	Transition Pathway	6.9%			5.9%		14.9%	7.2%	6.4%
Active G score	Global Choice	0.7%	-1.1%	-0.9%		-0.8%	-0.2%	0.2%	0.1%
	FTSE4Good	4.4%	6.5%	1.6%	7.6%	7.5%	10.2%	5.0%	5.5%
	Environmental Ops	4.6%	5.2%	-2.6%	-3.1%	-0.3%			5.5%
	ESG Low Carbon Target	8.1%	4.9%	6.5%	18.9%	11.2%	12.8%	7.7%	
	Paris Aligned		-0.7%				6.8%	0.1%	1.3%
	Transition Pathway	1.2%			4.3%		9.1%	1.7%	1.8%
Active ESG score	Global Choice	2.0%	-1.0%	-1.0%		-0.5%	0.0%	1.0%	0.9%
	FTSE4Good	9.7%	8.4%	2.9%	8.9%	8.3%	15.4%	9.0%	9.6%
	Environmental Ops	3.8%	-2.0%	-0.9%	-1.7%	4.7%			6.3%
	ESG Low Carbon Target	17.5%	12.8%	14.1%	18.4%	18.9%	18.8%	17.8%	
	Paris Aligned		1.4%				7.7%	2.3%	3.6%
	Transition Pathway	5.7%			7.0%		13.2%	7.1%	6.0%
Carbon Reduction	Global Choice	-60.8%	10.5%	-58.1%		-45.7%	-52.4%	-59.1%	-57.5%
	FTSE4Good	-39.6%	9.3%	4.7%	2.4%	-10.2%	18.3%	-25.3%	-15.7%
	Environmental Ops	-64.9%	-20.7%	25.7%	24.8%	-103.2%			56.7%
	ESG Low Carbon Target	-52.6%	-52.1%	-49.3%	-51.2%	-44.3%			
	Paris Aligned		-51.8%				-68.3%	-61.6%	-60.9%
	Transition Pathway	-49.9%			-30.9%		-59.0%	-47.8%	-38.3%
Active Green Revenues	Global Choice	0.05	0.45	-1.59		0.02	1.29	-0.19	-0.04
	FTSE4Good	-0.54	-0.05	0.16	-0.94	-0.69	4.07	-0.42	-0.02
	Environmental Ops	35.58	48.22	33.77	36.62	38.81			39.23
	ESG Low Carbon Target	-2.30	0.19	0.06	-0.12	1.87	1.30	-2.28	
	Paris Aligned		5.00				10.40	8.70	9.51
	Transition Pathway	2.01			4.08		8.36	2.67	3.50
Active TPI Management Quality Score	Global Choice	-0.2%	5.5%	-3.8%		0.0%	-2.7%	-0.9%	-1.0%
	FTSE4Good	4.4%	2.9%	1.2%	4.4%	3.3%	15.3%	3.8%	4.8%
	Environmental Ops	-1.9%	1.3%	-1.8%	4.1%	7.0%			-0.4%
	ESG Low Carbon Target	12.6%	-4.0%	2.8%	18.7%	15.3%	18.7%	12.2%	
	Paris Aligned		2.7%				8.3%	5.3%	6.5%
	Transition Pathway	7.5%			13.5%		18.4%	11.7%	9.6%

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.

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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.



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.

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.

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

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.

* 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 pages 10 & 11 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.
- 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 \(lseg.com\)](https://www.lseg.com/en/insights/ftse-esg-metrics-methodology-and-calculation).

Naming convention

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

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

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

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To learn more, visit lseg.com/en/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

EMEA +44 (0) 20 7866 1810
North America +1 877 503 6437

Asia-Pacific
Hong Kong +852 2164 3333
Tokyo +81 3 6441 1430
Sydney +61 (0) 2 7228 5659

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