SOLUTION OVERVIEW

FTSE All-World Climate Balanced Comprehensive Factor Index

Integrating climate change measures into benchmarks

Overview

Climate change is expected to have profound impacts on the prospects and performance of companies across a variety of industrial sectors. Many investors now regard climate change as an investment issue. In portfolio design, investors increasingly want to hedge climate risks and gain exposure to upsides that climate change may bring to companies.

The FTSE All-World Climate Balanced Comprehensive Factor Index provides broad exposure to the target equity universe (FTSE All-World® Index) and is constructed using FTSE Russell's innovative and transparent multi-factor weighting methodology. It tilts constituent weights to provide increased but balanced exposures to low volatility, momentum, quality, size and value factors. Alongside this, it also incorporates climate change considerations through three parameters; carbon efficiency, fossil fuel reserves and the green revenues of constituents, using FTSE Russell's Green Revenues data model.

Benefits

- Utilizes FTSE Russell's Green Revenues data model, which is a market leading dataset of company exposure to green product and service-related revenues
- Minimizes industry bias through sector neutral application of carbon emissions adjustment
- Follows FTSE Russell's leading 'Tilt-Tilt' methodology for multi-factor index construction – delivers greater exposure to climate adjustments in a more controlled manner than alternative methods
- Multi-factor combinations can help mitigate investment cyclicality by diversifying across several factors.

Features

- Constituent weights are adjusted based on three climate change-related measures:
  - Fossil Fuel Reserves
  - Carbon Emissions
  - Green Revenues
- FTSE Russell's Green Revenues data model can be used to incorporate potential upsides from expected rises in demand for green products
- Follows FTSE Global Factor Index Series methodology to address concerns about liquidity, capacity, diversification and turnover
- A transparent, rules-based construction process
- Multi-Factor Investing:
  - Value
  - Size
  - Momentum
  - Quality
  - Low Volatility

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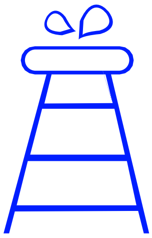
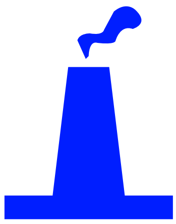
Climate change measures and definitions

Measure	Objective	Definition	Mechanism
Fossil Fuel Reserves[1] 	Most carbon risk is associated with what is frequently termed "stranded assets"; these are fossil fuels reserves. To achieve the targets agreed by governments at the COP21 Summit, a significant proportion of these reserves may never be usable. The objective is to underweight companies with fossil fuel reserves.	Carbon Reserve Intensity is defined as the estimated CO_2 equivalent greenhouse gas (GHG) emissions in metric tons through the use and combustion of the recoverable coal, oil and gas reserves scaled by full market capitalization (in USD).	– Exclude Pure Coal Miners – Coal Owners: Weight adjustment of 0.25 – Oil & Gas Producers and Oil Equipment, Services & Distribution: Weight adjustment of 0.75 – Oil & Gas Producers: Tilted to lower carbon intensity reserves per dollar of equity
Operational Carbon Emissions[1] 	Companies with higher levels of emissions per unit revenue (i.e. are less carbon efficient) will face greater costs, assuming costs associated with GHG emissions rise. The objective is to over or underweight companies according to their GHG emissions.	The annual Operational Carbon Emissions of CO_2 equivalent GHG emissions in metric tons scaled by annual sales in excess of the ICB® sector average.	– Tilt to low operational carbon emissions (relative to Sector average) – Sector neutral adjustment
Green Revenues 	The objective is to overweight companies providing solutions to environmental challenges that are part of the transition to a green economy.	Green Revenues as a percentage of total revenues	– 1+ Minimum Proportion of Green Revenues – Companies with no Green Revenues have a neutral adjustment of 1

1 Fossil Fuel Reserves and Operational Carbon Emissions data is sourced from Trucost

Disclaimer

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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 35 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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