

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.

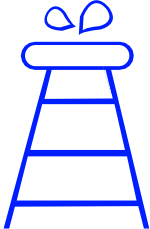
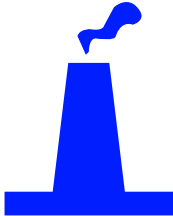

Features

- 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



**FTSE
RUSSELL**
An LSEG Business

Climate change measures and definitions

Measure	Objective	Definition	Mechanism
<p>Fossil Fuel Reserves¹</p> 	<p>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.</p> <p>The objective is to underweight companies with fossil fuel reserves.</p>	<p>Carbon Reserve Intensity is defined as the estimated CO₂ 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).</p>	<ul style="list-style-type: none"> – 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
<p>Operational Carbon Emissions¹</p> 	<p>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.</p> <p>The objective is to over or underweight companies according to their GHG emissions.</p>	<p>The annual Operational Carbon Emissions of CO₂ equivalent GHG emissions in metric tons scaled by annual sales in excess of the ICB[®] sector average.</p>	<ul style="list-style-type: none"> – Tilt to low operational carbon emissions (relative to Sector average) – Sector neutral adjustment
<p>Green Revenues</p> 	<p>The objective is to overweight companies providing solutions to environmental challenges that are part of the transition to a green economy.</p>	<p>Green Revenues as a percentage of total revenues</p>	<ul style="list-style-type: none"> – 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

© 2023 London Stock Exchange Group plc and its applicable group undertakings (the "LSEG"). LSEG includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. and FTSE Global Debt Capital Markets Limited (together, "FTSE Canada"), (4) FTSE Fixed Income Europe Limited ("FTSE FI Europe"), (5) FTSE Fixed Income LLC ("FTSE FI"), (6) The Yield Book Inc ("YB") and (7) Beyond Ratings S.A.S. ("BR"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB and BR. "FTSE", "Russell", "FTSE Russell", "FTSE4Good", "ICB", "The Yield Book", "Beyond Ratings" and all other trademarks and service marks used herein (whether registered or unregistered) are trademarks and/or service marks owned or licensed by the applicable member of LSEG or their respective licensors and are owned, or used under licence, by FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB or BR. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

All information is provided for information purposes only. All information and data contained in this publication is obtained by LSEG, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error as well as other factors, however, such information and data is provided "as is" without warranty of any kind. No member of LSEG nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the accuracy, timeliness, completeness, merchantability of any information or of results to be obtained from the use of FTSE Russell products, including but not limited to indexes, data and analytics, or the fitness or suitability of the FTSE Russell products for any particular purpose to which they might be put. Any representation of historical data accessible through FTSE Russell products is provided for information purposes only and is not a reliable indicator of future performance.

No responsibility or liability can be accepted by any member of LSEG nor their respective directors, officers, employees, partners or licensors for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analyzing, editing, transcribing, transmitting, communicating or delivering any such information or data or from use of this document or links to this document or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if any member of LSEG is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

No member of LSEG nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of LSEG nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset or whether such investment creates any legal or compliance risks for the investor. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index containing the asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

The information contained in this report should not be considered "research" as defined in recital 28 of the Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council ("MiFID II") and is provided for no fee.

Past performance is no guarantee of future results. Charts and graphs are provided for illustrative purposes only. Index returns shown may not represent the results of the actual trading of investable assets. Certain returns shown may reflect back-tested performance. All performance presented prior to the index inception date is back-tested performance. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. However, back-tested data may reflect the application of the index methodology with the benefit of hindsight, and the historic calculations of an index may change from month to month based on revisions to the underlying economic data used in the calculation of the index.

This document may contain forward-looking assessments. These are based upon a number of assumptions concerning future conditions that ultimately may prove to be inaccurate. Such forward-looking assessments are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially. No member of LSEG nor their licensors assume any duty to and do not undertake to update forward-looking assessments.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of LSEG. Use and distribution of LSEG data requires a licence from FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB, BR and/or their respective licensors.

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 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.

To learn more, visit lseg.com/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



**FTSE
RUSSELL**
An LSEG Business