

SOLUTION OVERVIEW

FTSE ESG Index Series

Integrate ESG considerations into a broad market benchmark



Overview

Market participants globally are developing investment strategies that integrate environmental, social and governance (ESG) considerations into core benchmarks.

The FTSE ESG Index Series is designed to help investors align investment and ESG objectives into a broad benchmark, whilst maintaining industry neutrality.

Company weights within each index are “tilted” using FTSE Russell’s ESG Scores. Subsequently, industry neutral re-weighting is applied so that the industry weights in each index match the underlying index universe.

As a result, the FTSE ESG Indices have risk/return characteristics similar to the underlying universe with the added benefit of improved ESG metrics.

The FTSE ESG Index Series consists of the following indices:

FTSE ESG Index Series

FTSE Developed ESG Index

FTSE Emerging ESG Index

FTSE All-Share® ESG Index

Russell 1000® ESG Index

Features

- Consists of eligible securities in the relevant underlying FTSE Global Equity Index Series, the Russell 1000® Index and the FTSE All-Share® Index
- ESG adjustments are applied based on FTSE Russell’s ESG Scores – a comprehensive measure of how well a company manages relevant ESG risks and impacts
- Enhanced exposure to companies that demonstrate strong ESG practices whilst decreased exposure to companies that do not
- Industry neutral re-weighting removes industry bias and delivers risk/return characteristics similar to the underlying benchmark index universe



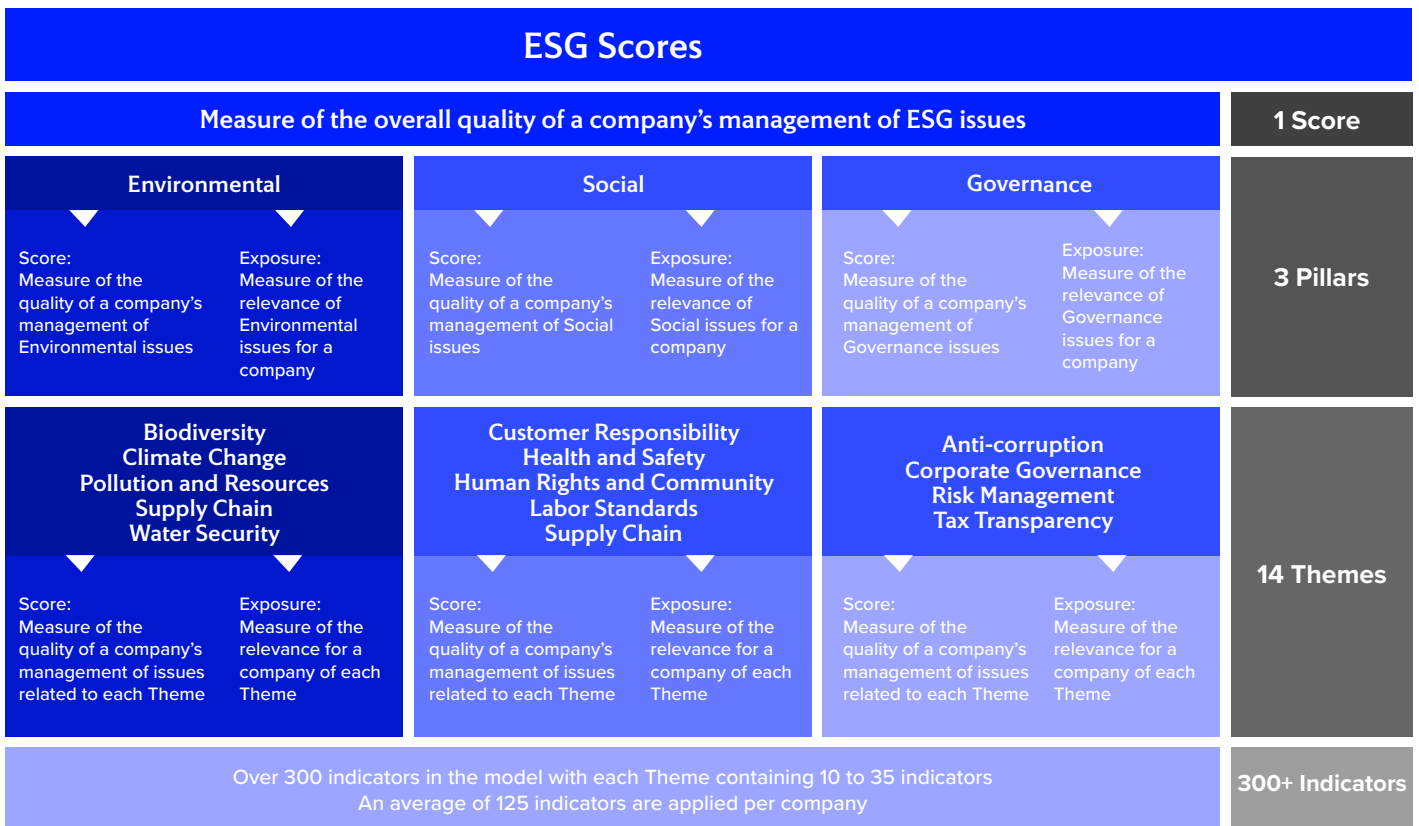
**FTSE
RUSSELL**
An LSEG Business



About FTSE Russell’s ESG Scores

The FTSE ESG Index Series uses the overall Score from FTSE Russell’s ESG Scores and data model to adjust the market capitalisation weight of its constituents. The ESG Scores include over 8,000 securities in 47 Developed and Emerging markets.

The ESG Scores are comprised of an overall Score, which is used to adjust stock weights in the FTSE ESG Index Series. The overall Score breaks down into underlying Pillar and Thematic Exposures and Scores. The Pillars and Themes are built on over 300 individual indicator assessments that are applied to each company’s unique ESG risk exposures.



The ESG index construction process

Starting universe

Start with market capitalisation weighted index:

- FTSE Developed Index
- FTSE Emerging Index
- FTSE All-Share Index
- Russell 1000 Index



Step 1

Calculate ESG scores

- Obtain the ESG Score for each company in the underlying index via FTSE Russell's ESG Scores and data model
- Remove outliers and normalise results (Z Score)¹



Step 1 Step 2

Translate ESG scores into index weights

- Combine ESG scores with weights in the underlying market capitalisation index to form a broad ESG index
- The resulting ESG index can be understood as an 'ESG Tilt' on the underlying index, by tilting the underlying weights according to the ESG score
- Companies with high scores have their weights increased and companies with low scores have their weights decreased



Step 1 Step 2 Step 3

Apply industry neutral adjustment

- The ESG index industry weights are rescaled to match the industry index weights of the underlying universe



Step 1 Step 2 Step 3 Step 4

Narrow index and constrain final weights

Remove stocks which do not contribute to the overall factor objective, whilst ensuring that diversification constraints are not breached.

The following constraints are applied during this process:

- Country and Industry weight constraints
- Maximum stock level capacity ratio
- Minimum stock weight



Step 1 Step 2 Step 3 Step 4 Step 5

Publish and review index

- Indices derived from the FTSE Developed and FTSE Emerging Indices are reviewed annually in March
- Indices derived from the FTSE All-Share and the Russell 1000 Indices are reviewed annually in June

¹ A 'Z-Score' is a statistical measurement of a score's relationship to the mean in a group of scores. A Z-Score of 0 means the score is the same as the mean. A Z-Score can be positive or negative, indicating whether it is above or below the mean.

Disclaimer

© 2023 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group 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 Scores 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 Scores" 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 the LSE Group 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 the LSE Group, 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 the LSE Group 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 the LSE Group 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, analysing, 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 the LSE Group is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

No member of the LSE Group 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 the LSE Group 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 the LSE Group 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 the LSE Group. Use and distribution of the LSE Group 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 lse.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