SOLUTION OVERVIEW

ESG Scores and data model

Integrating ESG into investments

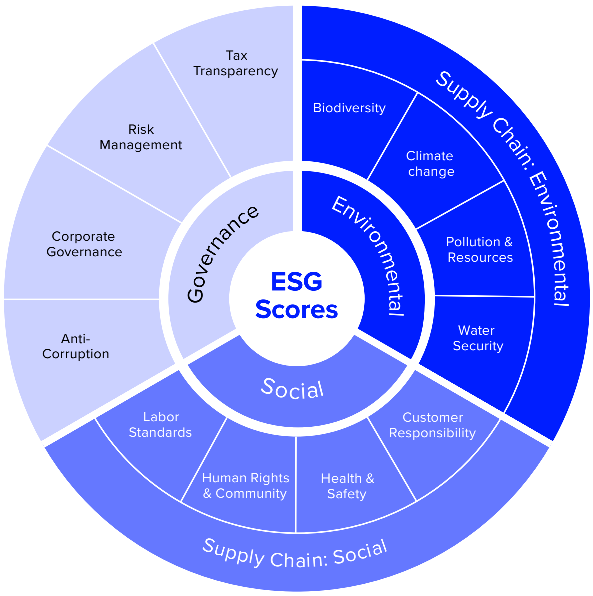
Overview

Investors are increasingly incorporating Environmental, Social and Governance (ESG) considerations into core benchmarks and passive investments. FTSE Russell brings nearly two decades of ESG experience and provides data analytics, scores and indexes covering thousands of companies worldwide.

FTSE Russell's ESG Scores and data model are tools for investors with a need for flexible, data-driven solutions to:

- Assist in managing exposure to ESG aspects
- Meet mandated stewardship requirements
- Integrate ESG data into securities and portfolio analysis
- Implement ESG-aware investment strategies

Transparent and objective ESG Scores



Features

Comprehensive

The Scores are accessed through the online data model and include approximately 8,000 securities in 47 Developed and Emerging markets, comprising the constituents of the FTSE All-World Index, FTSE All-Share Index and Russell 1000® Index.

Flexibility and customisation

Easily extract ESG data at multiple levels via the data model in order to assess and apply it in a variety of ways.

Emphasis on materiality

Having a separate measure for Exposure allows users to identify which ESG issues are most relevant for a given company.

Aligned with the UN Sustainable Development Goals

Supports alignment with the UN Sustainable Development Goals (SDGs). All 17 SDGs are reflected in the 14 Themes under the ESG framework.

Precise rules and focus on data

Minimises subjectivity by having very clearly defined rules for assessing and scoring companies. The ESG Scores are based on publicly available data.

Strong governance

Overseen by an independent external committee comprising of experts within the investment community, business, NGOs, unions and academia.

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SUSTAINABLE GROWTH

ESG Scores: data structure

The ESG Scores and data model allows investors to understand a company's exposure to, and management of, ESG issues in multiple dimensions. The ESG Scores are comprised of an overall Score that 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 circumstances.

ESG SCORES

Measure of the overall quality of a company's management of ESG issues			1 Score
Environmental	Social	Governance	3 Pillars
Score: Measure of the quality of a company's management of Environmental issues Exposure: Measure of the relevance of Environmental issues for a company	Score: Measure of the quality of a company's management of Social issues Exposure: Measure of the relevance of Social issues for a company	Score: Measure of the quality of a company's management of Governance issues Exposure: Measure of the relevance of Governance issues for a company	
Biodiversity Climate Change Pollution and Resources Supply Chain Water Security	Customer Responsibility Health and Safety Human Rights and Community Labor Standards Supply Chain	Anti-corruption Corporate Governance Risk Management Tax Transparency	14 Themes
Score: Measure of the quality of a company's management of issues related to each Theme Exposure: Measure of the relevance for a company of each Theme	Score: Measure of the quality of a company's management of issues related to each Theme Exposure: Measure of the relevance for a company of each Theme	Score: Measure of the quality of a company's management of issues related to each Theme Exposure: Measure of the relevance for a company of each Theme	
Over 300 indicators in the model with each Theme containing 10 to 35 indicators An average of 125 indicators are applied per company			300+ Indicators

Using ESG Scores in practice

The ESG Scores can be used as the building blocks for integrating ESG into investments in a variety of ways, including active portfolio management, benchmark construction, and company engagement.

Portfolio evaluation and manager due diligence

When selecting and evaluating asset managers, institutional investors are increasingly assessing how they integrate ESG aspects into their processes. The ESG Scores can help assess the range, average and variance of asset manager portfolios with respect to ESG integration.

Engagement and stewardship

As part of their stewardship responsibilities, an increasing number of fund managers and pension funds are engaging investee companies regarding their ESG practices. ESG Scores provide an independent and objective measure to identify companies for engagement and track progress.

Risk Management

The ESG Scores enable investors to identify companies with the greatest ESG exposures, and can be used alongside conventional risk measures to provide a complementary perspective.

Research and analysis

The risk and return relationships of different ESG aspects will vary. The ESG Scores provide a granular and comprehensive data set for research and analysis that allow users to develop their own views on how, or how not, to integrate ESG data.

Custom benchmarks

Many investors want a tailored benchmark to reflect their ESG preferences. The ESG Scores provide a comprehensive and flexible tool for creating bespoke indexes, and can also be used alongside fundamental or smart beta methodologies.

Active portfolio management

The ESG Scores can be used to help define ESG eligibility criteria for an investment universe, or can be applied into a propriety quant or fundamental model.

Disclaimer

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.

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