

SOLUTION OVERVIEW

FTSE Global, Developed and Emerging All Cap indexes with controversy and product screens

Aligning investment choices with values

Overview

An increasing number of investors want to align portfolios with their values. One approach to accomplishing this objective is to select companies based on their impact on society and the environment.

The FTSE Global All Cap, FTSE Developed All Cap and FTSE Emerging All Cap indexes with controversy and product screens are part of the FTSE Global Choice index family. The indexes are market capitalisation weighted, with a rules-based methodology for defining how the products and conduct of a company impact society and the environment. The result is a framework for applying robust and customisable values-based exclusions to a broad market index.

Benefits

The index methodology provides a comprehensive set of product and conduct screens. In addition to the standard index family, clients can construct bespoke 'Choice' indexes based on particular subsets of the screens that align with their values and sustainable investment objectives.

The following indexes within the series are examples of what is available for certain client investment objectives:

FTSE Global Choice Index Series

FTSE Global All Cap Choice Index

FTSE Developed All Cap Choice Index

FTSE Developed Europe All Cap Choice Index

FTSE Emerging All Cap Choice Index

Features

- Based on the FTSE Global All Cap universe, which covers around 16,000 large, mid and small stocks in Developed and Emerging markets.
- Company screening based on fundamental research about a company's business lines, product involvement and conduct.
- Transparent, rules-based framework for applying values-based exclusions to a broad index.



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Definitions

These FTSE Global Choice indexes include negative screens in three product categories and one conduct category:

- The product-related screening criteria covers: Non-Renewable Energy (Fossil Fuel and Nuclear Power), Vice Products (Adult Entertainment, Alcohol, Gambling and Tobacco), and Weapons (Chemical & Biological Weapons, Cluster Munitions, Anti-Personnel Landmines, Nuclear Weapons, Conventional Military Weapons and Civilian Firearms)
- The conduct-related screening criteria covers: Controversies (based on the UN Global Compact Principles)

Product categories			Conduct categories
<p>Non-Renewable Energy</p> <ul style="list-style-type: none"> - Fossil Fuels - Nuclear Power 	<p>Vice Products</p> <ul style="list-style-type: none"> - Adult Entertainment - Alcohol - Gambling - Tobacco 	<p>Weapons</p> <ul style="list-style-type: none"> - Chemical & Biological Weapons - Cluster Munitions - Anti-Personnel Landmines - Nuclear Weapons - Conventional Military Weapons - Firearms 	<p>Controversies</p> <ul style="list-style-type: none"> - Anti-Corruption - Environment - Human Rights - Labor 

Companies in the underlying index universe are researched annually for eligibility against the screens based on publicly reported information.

Index construction process

Starting universe

Start with the market capitalisation weighted index universe, e.g. FTSE Global All Cap Index, FTSE Developed All Cap Index, FTSE Developed Europe All Cap Index, FTSE Emerging All Cap Index.

Step 1

Screening

Exclude companies based on the defined product and conduct screens:

- The indexes exclude companies across all the product and conduct screens: Non-Renewable Energy, Vice Products, Weapons and Controversies.

Step 1

Step 2

Publish and Review Index

The index is reviewed quarterly in March, June, September and December.

Supporting the sustainable investment market

FTSE Russell brings two decades of experience in sustainable investment data and benchmarks, and provides data analytics, scores and indexes covering thousands of companies worldwide.

As an index provider, FTSE Russell plays an active role in the major regional sustainable investment industry associations. Ahead of its launch, along with other pioneers in the industry, FTSE Russell also helped develop the United Nations-backed Principles for Responsible Investment (PRI), and became a founding signatory and the first index provider member.

FTSE Russell is part of London Stock Exchange Group (LSEG), which is a member of the Sustainable Stock Exchanges Initiative, and chaired its working group to develop Model Guidance on ESG Reporting for exchanges globally. This resulted in LSEG publishing its own Guidance in February 2017.

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