

SOLUTION OVERVIEW

FTSE Ping An China ESG Index Series

Addressing ESG risk and opportunity in China equity indices

Overview

Representing the world's second largest economy, China plays a critical role in meeting global sustainability goals. A significant part of the effort required to achieve this will be in applying rigorous environmental, social, and governance (ESG) standards for Chinese corporations (A-shares) given the rapidly increasing global demand for sustainable assets. Aggregating, quantifying and analysing high quality ESG data and disclosure will require joint efforts from corporates, regulators, financial service providers and other industry players from both domestic and international markets.

Investors globally are developing investment strategies that aim to integrate ESG considerations into their passive approaches and are growing in sophistication. The Chinese sustainable market is no exception to this global trend and the inclusion of China A-shares into indexes brought renewed attention and interest from global investors on sustainability performance.

To support this investor demand, FTSE Russell and Ping An have partnered to create the FTSE Ping An China ESG Index Series, combining Ping An's China-specific ESG data and FTSE Russell's leading China benchmarks.

The **FTSE Ping An China ESG Index Series** enables investors to access opportunities and orient capital towards companies with strong ESG performance in China's dynamic and strategically important capital markets.

The initial launch of the FTSE Ping An China ESG Index Series consists of the following ESG indices:

- FTSE Ping An China A Free ESG Advanced 50 Index
- FTSE Ping An China A Free ESG Advanced 100 Index

Features

China-specific ESG score

China-specific ESG approach that best suits the country's unique development trajectory and its policy-led social and environmental circumstances.

Assesses China ESG opportunity and risk

Ping An CN-ESG Score provides unique insights into policy driven green thematic opportunities in the environmental and green industry space and material social and governance understanding perspectives.

Comprehensive and representative benchmarks

Based on the FTSE China A Free Index, which is a comprehensive and representative benchmark of the China A Shares market, incorporating large and mid-cap stocks listed on the Shanghai and Shenzhen Stock Exchange's including the ChiNext Board.

No foreign ownership limits

FTSE China A Free Indices do not apply foreign ownership limits, and therefore accurately reflect the Chinese market for domestic investors.



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**SUSTAINABLE
GROWTH**

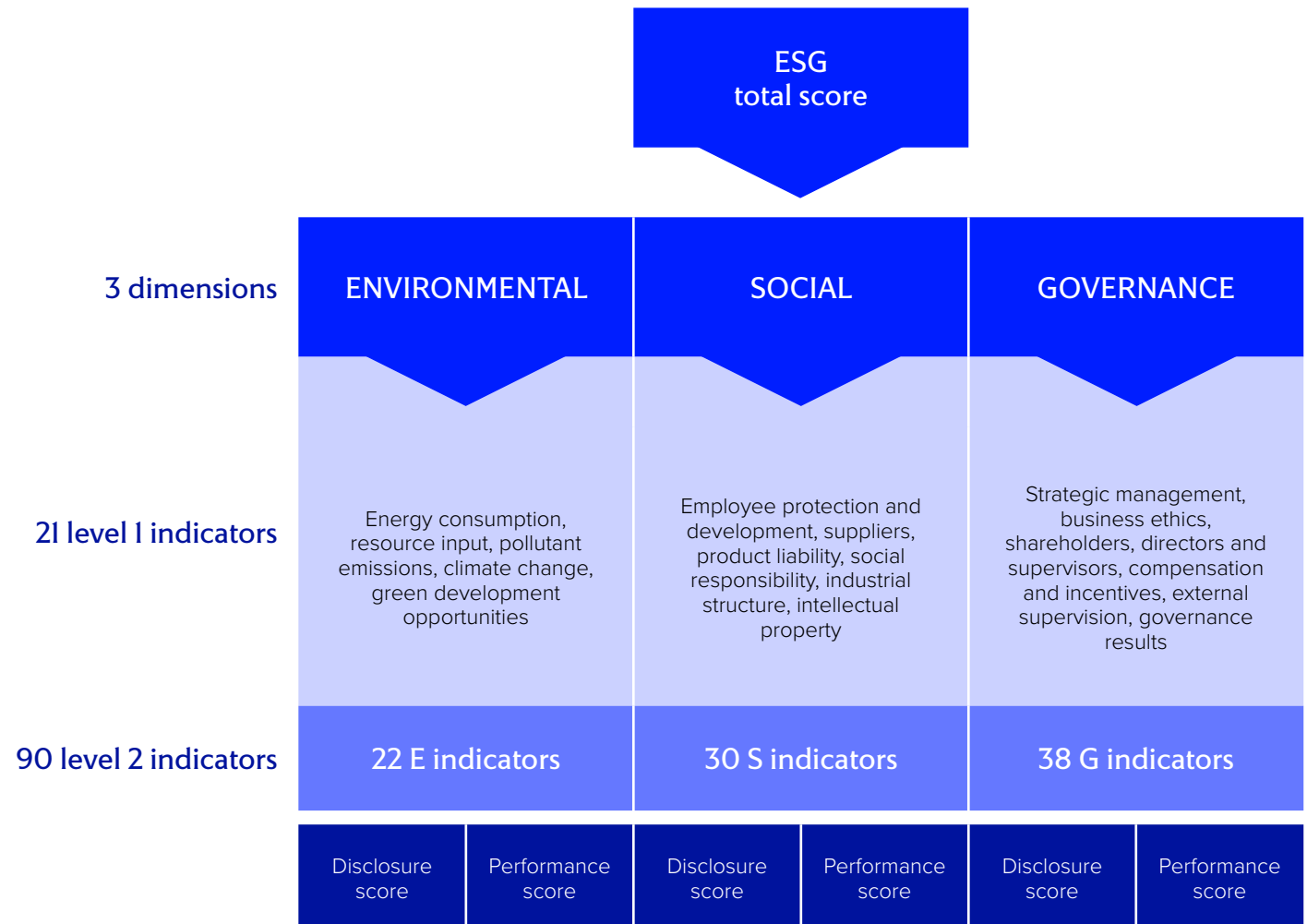
Utilising next generation ESG scores with Artificial Intelligence and China specificity

About Ping An CN-ESG evaluation framework

The FTSE Ping An China ESG Index Series is a China equity index family, utilising **Ping An CN-ESG scores**, designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG).

The indices use the overall score from Ping An CN-ESG framework to adjust the market capitalisation weight of its constituents.

Ping An CN-ESG framework covers over 4,000 China A-shares and has three main indicator types: general indicators, industry-specific indicators, and news sentiment indicators. On the basis of general indicators, the framework factors in industry-specific characteristics, government penalties and public news sentiment, so as to comprehensively evaluate the ESG performance of Chinese companies.



The index construction process

Starting universe

Start with market capitalisation weighted FTSE China A Free Index.



Step 1

Calculate ESG scores

Obtain the ESG Score for each company in the underlying index via Ping An's CN-ESG framework.



Step 1 Step 2

Translate scores into index weights

The stocks are ranked from highest to lowest by ESG Score in each of the 11 industries. The FTSE Ping An China ESG Advanced indices select the top 5 or top 10 companies ranked by ESG Score from 10 ICB industries (financial and real estate are considered as one industry) and weight the constituents by market capitalisation. Single constituent weights are capped at 10%.



Step 1 Step 2 Step 3

Publish and review index

The indices are reviewed semi-annually in March and September.

About Ping An



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