

## SOLUTION OVERVIEW

# FTSE Impact Bond Index Series

Integrate ESG considerations into your fixed income strategy



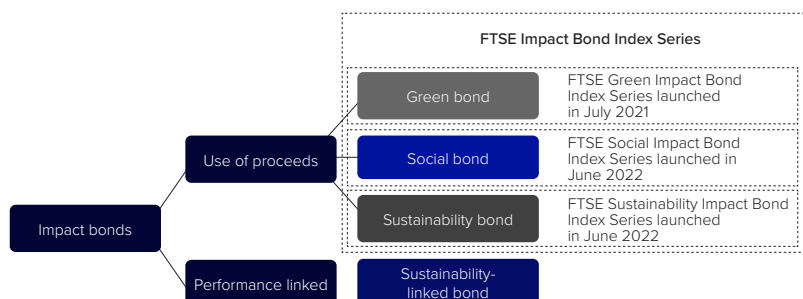
### Overview

The Impact Bond market plays a crucial role in attracting and directing private capital towards improved social and environmental outcomes, notably through Green, Social and Sustainability (GSS) Bonds.

Compared to traditional bonds, Impact Bonds have greater transparency in their use of proceeds and project impacts, providing a vehicle for investors who are looking for investments which yield direct climate, environmental or social benefits.

The Green Bond market has grown significantly since its inception in 2007, with cumulative issuance passing \$1 trillion in 2021. The social and sustainability impact bond market has also grown notably since 2020, in response to the COVID-19 pandemic.

Combining our index construction with LSEG's data, FTSE Russell is developing a comprehensive range of Social and Sustainability Impact Bond indices. Together with the FTSE Green Impact Bond Index (launched in 2021), the FTSE Impact Bond index series offers a complete set of tools and benchmarks to cover the rapidly growing GSS bond market.



### Features

**The FTSE Impact Bond index series provides global coverage of the rapidly growing green, social and sustainability (GSS) bond market.**

#### Underpinning market integrity:

- Green: the Climate Bonds Initiative (CBI) identifies green bonds that are in line with the Paris Agreement.
- Social and Sustainability: Bonds within the series comply with ICMA Principles and Guidelines, with validation conducted by LSEG at both issuance and post-issuance stage.

**Comprehensive:** Based on established FTSE indices, including FTSE WGBI and FTSE WorldBIG, the series includes debt from over 20 countries denominated in a variety of currencies.

**Accessible and replicable:** The FTSE Global Impact Bond Index covers 24% of issues but more than 68% of the eligible GSS bond market by market weight, providing liquid and deep coverage of the global GSS bond market.

**Rich content:** A comprehensive set of hedged and unhedged sub-indices denominated in a variety of currencies, with more than eight years of history available.

**Customised solutions:** The index is fully customisable, based on a wide range of attributes including currency ratings, capping methodologies or diversification requirements.



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The FTSE Impact Bond index series provides 16 flagship indices covering the global, Euro and US impact bond markets across green, social and sustainability sectors. The FTSE Impact Bond index series measures the performance of both investment-grade and high-yield, multi-currency GSS debt issued by governments, government agencies, supranationals, corporations and covered bond issuers. Sub-indices are available in any combination in the use of proceeds, currency, country, maturity, and rating.

### **Benchmarks are aligned to the Climate Bond Initiative (CBI) and the International Capital Markets Association (ICMA) guidelines.**

The ICMA's Green Bond Principles (GBP) and Social Bond Principles (SBP) have four core components (see below) to ensure transparency and governance of the green bond and social bond issuances, respectively. The ICMA's Sustainability Bond Guidelines (SBG) confirm the relevance of these principles.

The FTSE Impact Bond index series leverages both CBI and LSEG data to identify bonds that are in compliance with the corresponding international guidelines. Specifically, CBI data are used to identify eligible Green Bonds whose use of proceeds are in line with the Paris Agreement. LSEG data are used to identify eligible Social and Sustainability Bonds that are in line with the core components of the ICMA SBP and/or SBG. Bonds' index eligibility is checked via issuing documents such as a bond prospectus, or an external review such as a second-party opinion (SPO) report.

To comply with ICMA GBP or SBP, a bond has to meet the following requirements for **Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting**.

- **Use of Proceeds:** Both GBP and SBP recommend that green and/or social projects should be appropriately described in the legal documentation of the bond. All designated eligible green and/or social projects should provide clear green and/or social benefits, which will be assessed and, where feasible, quantified by the issuer. The eligible categories defined by GBP include, but are not limited to, climate change mitigation, climate change adaptation, biodiversity, natural resource conservation, in addition to pollution prevention and control. Examples of eligible social projects under SBP include affordable basic infrastructure, access to essential services, affordable housing, employment generation, food security and sustainable food systems, reduction of food loss and waste, and socioeconomic advancement and empowerment. LSEG data track and validate the actual proceeds allocation based on the issuer's self-disclosure.
- **Process for Project Evaluation and Selection:** GBP and SBP both encourage issuers to provide information about the process for project evaluation and selection, which should be supplemented by an external reviewer.
- **Management of Proceeds:** the GBP and SBP require a high level of transparency and recommend that an issuer's management of proceeds be supplemented by the use of an external auditor or reviewer.
- **Reporting:** Both GBP and SBP suggest the issuer should release a postissuance report at least annually. The report should include the lists of green and/or social projects to which the bond proceeds have been allocated, amounts allocated, and their expected green and/or social impact.

### **Each FTSE Impact Bond Index consists of the below variants based on the underlying index:**

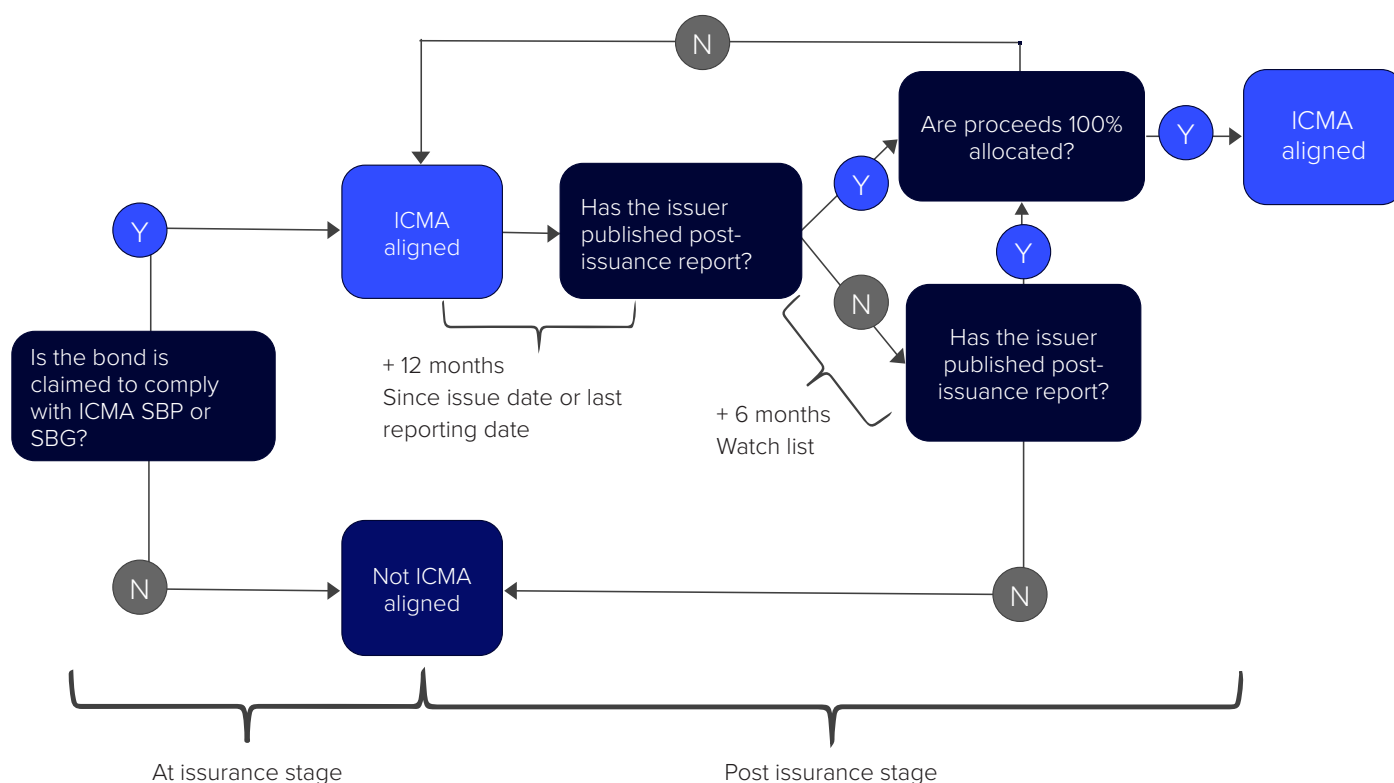
- **FTSE Global Impact Bond Index (Global Impact):** A multi-sector benchmark of investment-grade and high-yield multi-currency impact bonds, which is a superset of the other impact bond indices.
- **FTSE World Broad Investment-Grade Impact Bond Index (WorldBIG Impact):** Focuses on EUR, USD, GBP-denominated investment-grade impact bonds.
- **FTSE Euro Broad Investment-Grade Impact Bond Index (EuroBIG Impact):** Focuses on Eurodenominated investment-grade impact bonds.
- **FTSE US Broad Investment-Grade Impact Bond Index (USBIG Impact):** Focuses on US dollardenominated investmentgrade impact bonds issued in the US bond market.

## Index review of post issuance reporting

On an ongoing basis, the availability of post issuance reports, which bond issuers have committed to comply with in accordance with relevant ICMA principles, will be confirmed for index inclusion purposes. The search for a post-issuance report will be conducted as the one-year anniversary of the issuance date approaches. For example, if a bond is issued on January 15, the search will take place in January of the following year.

The index treatment of post-issuance reports is as follows:

- Post issuance report is available
  - If the post issuance report is available and all net proceeds have been fully allocated, the bond will be considered to have fulfilled the reporting commitment permanently.
  - If the latest post issuance report is available and the proceeds have not been fully allocated, the bond will be subject to follow-up post issuance report confirmations on an annual basis until the proceeds are fully allocated.
- Post issuance report is not available
  - If its first post issuance report is not available immediately after the twelve-month since a bond was issued, it will be placed on a Watch List for an additional six months. For example, if a bond is issued on January 15, and the post issuance report is not available in January of the following year, the bond will remain index-eligible, subject to a subsequent search for a post-issuance report in July of the same year.
  - A bond will be removed from the index if the issuer fails to release a post-issuance report publicly in the 18-month period since the issue date. For example, if a bond is issued on January 15 and the post-issuance report is not available by the end of July of the following year, it will be removed from the index at the July month-end rebalance.
  - If an issuer fails to release a report for an 18-month period since its latest post-issuance report in which proceeds had been fully allocated, the bond will also be removed from the index.
  - When an index bond is removed, it is no longer considered eligible for inclusion in the future.



## FTSE Impact Bond index series design criteria & methodology

		Global impact	WorldBIG impact	EuroBIG impact	USBIG impact
Base date		December 31, 2013			
Green eligibility		Climate Bonds Initiative (CBI) Green Bond Database			
Social eligibility		ICMA Social Bond Principles (SBP) alignment by LSEG			
Sustainability criteria		ICMA Sustainability Bond Guidelines (SBG) alignment by LSEG			
Currency		AUD, CHF, CNH, CNY, EUR, GBP, JPY, USD	EUR, GBP, USD	EUR	USD
Quality		IG, HY, NR*	IG	IG	IG
Amount outstanding		AUD 100 million	EUR 500 million	EUR 500 million	USD 250 million
		CHF 100 million	GBP 300 million		
		CNH 1 billion	USD 500 million		
		CNY 1 billion			
		EUR 500 million			
		GBP 200 million			
		JPY 20 billion			
		USD 250 million			
Minimum maturity		At least one year to maturity			
Weighting		Market capitalisation			
Rebalancing		Once a month at the end of the month			
Calculation frequency		Daily			
Settlement date		Monthly – Settlement is on the last calendar day of the month. Daily – Same-day settlement except if the last business day of the month is not the last calendar day of the month; then, settlement is on the last calendar day of the month.			
Fixing date		Each month, the upcoming month’s index constituents are “fixed” on the profile fixing date. Each year’s scheduled fixing dates are published on the website.			
Base index		20 Broad Fixed Income indices	World Broad Investment-Grade Bond Index	Euro Broad Investment-Grade Bond Index	US Broad Investment-Grade Bond Index
June 2022 Constituents	Impact	1563	973	689	230
	Green impact	1053	636	480	138
	Social impact	229	134	111	19
	Sustainability impact	281	203	98	73

\* No minimum S&P or Moody's rating requirements, non-rated bonds are included, defaulted bonds are excluded.

## Top 10 issuers by market value in FTSE Global Impact Bond Index

Issuers	Number of bonds	Par amount*	Market value*	Market value (%)	Sector	Country
<b>Top 10 Green Impact Bond Issuers</b>	<b>93</b>	<b>251.46</b>	<b>222.77</b>	<b>16.55%</b>		
FRANCE, REPUBLIC OF (GOVERNMENT)	2	48.34	43.92	3.26%	Domestic Sovereign	France
KFW	14	34.85	32.21	2.39%	Agency	Germany
EUROPEAN INVESTMENT BANK	23	31.90	29.60	2.20%	Supranational	Supranational
GERMANY, FEDERAL REPUBLIC OF (GOVERNMENT)	4	28.92	25.32	1.88%	Domestic Sovereign	Germany
EUROPEAN UNION	2	24.64	20.36	1.51%	Supranational	Supranational
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (GOVERNMENT)	2	21.12	18.06	1.34%	Domestic Sovereign	United Kingdom
SOCIETE DU GRAND PARIS	9	21.43	16.06	1.19%	Agency	France
TENNET HOLDING BV	22	16.71	15.27	1.13%	Utility	Netherlands
ENGIE SA	14	12.37	11.20	0.83%	Utility	France
BELGIUM, KINGDOM OF (GOVERNMENT)	1	11.17	10.75	0.80%	Domestic Sovereign	Belgium
<b>Top 10 Social Impact Bond Issuers</b>	<b>113</b>	<b>243.78</b>	<b>212.63</b>	<b>15.80%</b>		
EUROPEAN UNION	11	96.02	79.12	5.88%	Supranational	Supranational
CAISSE AMORTISSEMENT DE LA DETTE SOCIALE	17	70.67	64.36	4.78%	Agency	France
UNEDIC	10	30.00	26.04	1.93%	Agency	France
NEDERLANDSE WATERSCHAPSBANK NV	11	11.55	10.29	0.76%	Agency	Netherlands
EAST NIPPON EXPRESSWAY CO LTD	34	8.78	8.73	0.65%	Industrial	Japan
CHILE GOVERNMENT	7	10.15	8.17	0.61%	Foreign Sovereign	Chile
WEST NIPPON EXPRESSWAY CO LTD	8	4.51	4.50	0.33%	Industrial	Japan
KOREA HOUSING FINANCE CORP	6	4.34	4.15	0.31%	Covered	South Korea
CAIXABANK SA	4	4.29	4.03	0.30%	Finance	Spain
CASSA DEPOSITI E PRESTITI SPA	5	3.48	3.25	0.24%	Agency	Italy
<b>Top 10 Sustainability Impact Bond Issuers</b>	<b>89</b>	<b>193.46</b>	<b>174.01</b>	<b>12.93%</b>		
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	36	103.57	94.51	7.02%	Supranational	Supranational
INTERNATIONAL DEVELOPMENT ASSOCIATION	12	21.68	19.34	1.44%	Supranational	Supranational
NORTH-RHINE WESTPHALIA, STATE OF	9	16.34	14.31	1.06%	Regional Government	Germany
INTER-AMERICAN DEVELOPMENT BANK	4	10.01	9.00	0.67%	Supranational	Supranational
BNG BANK NV	8	9.77	8.73	0.65%	Agency	Netherlands
AGENCE FRANCAISE DE DEVELOPPEMENT EPIC	4	7.50	6.84	0.51%	Agency	France
ASIAN INFRASTRUCTURE INVESTMENT BANK	3	6.76	6.28	0.47%	Supranational	Supranational
EUROPEAN INVESTMENT BANK	6	6.08	5.20	0.39%	Supranational	Supranational
CHILE GOVERNMENT	4	6.00	5.17	0.38%	Foreign Sovereign	Chile
ALPHABET INC	3	5.75	4.62	0.34%	Finance	United States
<b>Global Impact Bond Index</b>	<b>1,563</b>	<b>1,495.59</b>	<b>1,346.02</b>	<b>100.00%</b>		

\* Data as of 31 May 2022. In USD billions.

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