

# Asset owners widely adopting sustainable investment

2022 global survey findings from asset owners



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An LSEG Business

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# Introduction

Welcome to the sixth edition of the FTSE Russell survey findings of asset owners, which we adjust annually as the market adjusts. Similar to the past two years, our focus remains on the adoption and priorities of sustainable investment, but with a strategic lens on regulation.

By now, we're all aware that sustainable investment isn't a new phenomenon, idea or even a quick fix, but rather the current and future of investments. With that in mind, our findings demonstrate that asset owners globally have an ESG-focused approach in their decision-making. However, different regions place more emphasis on a particular pillar.

You'll notice in our report the way in which we compare and contrast the

attitudes and behaviors from asset owners this year to last year. The reason being is much has happened in the world, which has had a knock-on effect on everything from financial, political and social to environmental/climate. From this our asset owners have shown us what matters most to them during this time, and what they want to focus on in the long-term. Take a look at the priorities by region to understand their latest thinking towards sustainable investing.

I hope the findings this year fill you with confidence in the future of sustainable investment, because it's here to stay.

At FTSE Russell, we welcome your thoughts and responses to our study and look forward to hearing from you.

Best wishes,



**Sylvain Chateau**  
*Global Head of SI  
Product Management,  
Benchmarks & Indices,  
LSEG*

# Executive summary

## Asset owners agree sustainability requires a long-term view

Asset owners that took part in our research this year agree that successful approaches to sustainability mean they need to take a long-term view in order to manage their investment strategies well. The top reason for implementing sustainable investment among institutional investors continues to be mitigating long-term investment risk (57%).

A marketplace that features advanced climate and sustainability standards will have improved or more stable long-term returns, according to almost three-quarters (72%) of asset owners.

## Asset owners' priorities are shifting

There is a notable uptick in asset owners that focus on social themes this year: 73% of respondents, up from 60% in 2021, say social themes are a priority focus area in sustainability.

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86% of asset owners globally are implementing sustainable investment in their investment strategies.

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Underscoring the importance of data, asset owners say diversity and inclusion (52%), public policy (49%) and labor rights (47%) would be top priorities if the data were more readily available.

With many social themes, movements and challenges across the world in recent years, climate/carbon, while still important, is lower in priority according to our research. Just 41% of asset owners (down from 67% in 2021) are likely to consider climate/carbon a priority in 2022. But the level of concern with the investment impact of climate risk is roughly stable (52% very concerned in 2022, versus 47% in 2021).

## The positives of sustainable investment regulation

Thinking about regulatory and market developments that asset owners find helpful, 66% of them (up from 48% in 2021) cite consolidation of ESG reporting standards bodies, such as CDP, the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

## Sustainable investment is considered mainstream investing

Our research confirms that sustainable investment has become part of mainstream investing: 86% of asset owners globally are implementing sustainable investment in their investment strategies (76% in 2021).

As part of this growing trend, 44% of respondents are incorporating sustainable investment and climate considerations into their Strategic Asset Allocation (SAA) models or framework, up from 33% in 2021.

External investment managers remain an important source of credible information about sustainable

investment according to 50% of respondents. At the same time, asset owners are turning away from consultants (15% in 2022 vs 28% in 2021) and towards mainstream information sources, such as trade financial news media (38% in 2022 vs 23% in 2021) and journals (33% in 2022 vs 14% in 2021).

Asset owners have varied asset class allocations as part of their sustainable investment strategy. Fixed income (53%) now leads sustainable investment allocations, and nearly half of all portfolios implement sustainable considerations across all portfolio types.

In terms of preferred investment vehicles, more than three-quarters (77%) of our respondents choose separately managed accounts to accomplish sustainable investment goals—rising to 81% in Asia Pacific and 85% in EMEA.

We asked asset owners to share their approaches to overcoming the data challenge. The primary barrier to sustainable investing today is availability of ESG data and the use of estimated data (50%).

Our research also shows that asset owners opt for different approaches to index solutions: 38% use off-the-shelf (up significantly from 21% in 2021) and 32% prefer custom sustainable investment index solutions.

# 1

## ESG DRIVERS

### **Asset owners are taking a long-term view on sustainability**

As asset owners continue to embed their sustainable investment strategies into their institutional investment strategy, they are increasingly focused on long-term risk, improved or more stable long-term returns and incorporating ESG drivers into their approaches.

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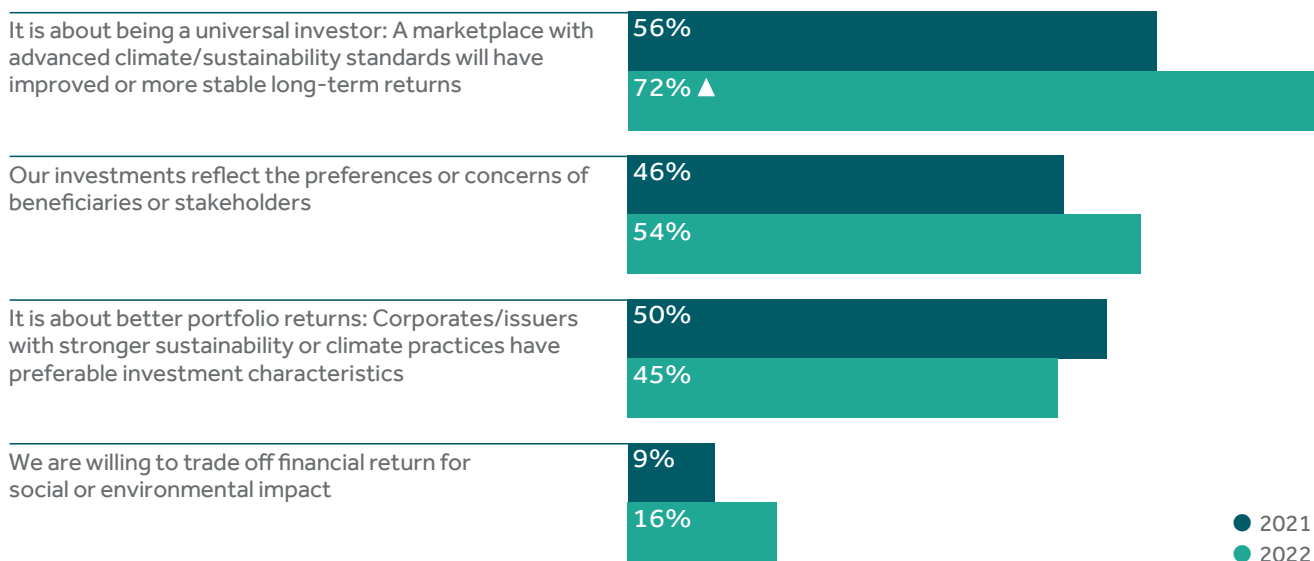
## How organizations view sustainable investment

As institutional investors continue to build long-term highly diversified portfolios, almost three-quarters (72%) of respondents agree that it's about being a universal investor and a marketplace with advanced climate/sustainability standards, which will provide improved or more stable long-term returns (see Exhibit 1.1). This finding represents a 16-percentage point increase (up from 56%) on last year's research.

It is also evident that asset owners are responding to demand from their customers and partners for allocations to sustainable investment, potentially supporting a generational preference for sustainability-driven investments. More than half (54%) of asset owners say their investments reflect the preferences or concerns of beneficiaries or stakeholders.

### Exhibit 1.1

#### Organizations' view on sustainable investment



Multi-pick. Which statements best reflect your organizations' views on sustainable investment?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment

## Risk management considerations fuel appetite for sustainable investment

Consistent with the findings in our 2021 asset owner survey, over half (57%) of this year’s respondents globally say the top reason for implementing sustainable investment is to mitigate long-term investment risk. This level is down from 64% in 2021 (see Exhibit 1.2).

Representing a shift in sentiment away from reputational risk, 38% of asset owners say their rationale to implement or

consider sustainable investment in their investment strategy is to avoid reputational risk, compared with 57% of asset owners in 2021.

Our research shows that fewer asset owners (45% in 2022, down from 52% in 2021) cite societal good as a reason for implementing or considering sustainable investment in their investment strategy.

### Exhibit 1.2

Rationale for implementing or considering sustainable investment in investment strategy (2021–2022)



Multi-pick. What is your rationale or motivation for implementing or considering implementing sustainable investment considerations in your investment strategy?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment

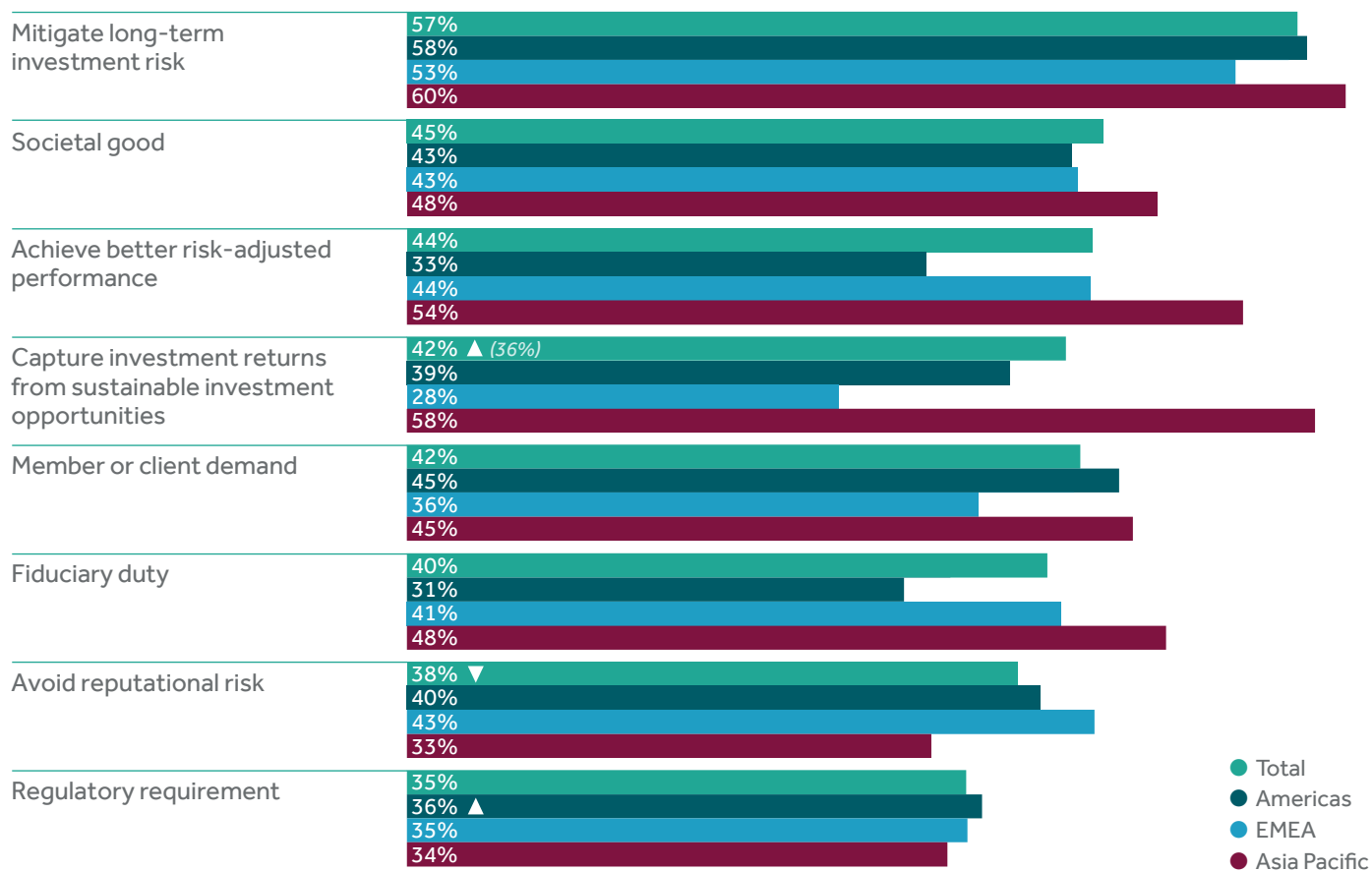
## Capturing returns from sustainable investments

While nearly half (44%) of global asset owners continue to focus on achieving better risk-adjusted performance, an increasing number (42%) aim to capture investment returns from sustainable investment opportunities, up from 36%

last year. More than half (58%) of respondents in Asia Pacific say they are focused on investment returns from sustainable investment opportunities (see Exhibit 1.3).

### Exhibit 1.3

#### Rationale for implementing or considering sustainable investment in investment strategy—by region (2022)



Multi-pick. What is your rationale or motivation for implementing or considering implementing sustainable investment considerations in your investment strategy?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment

(xx%) = 2021 percentage



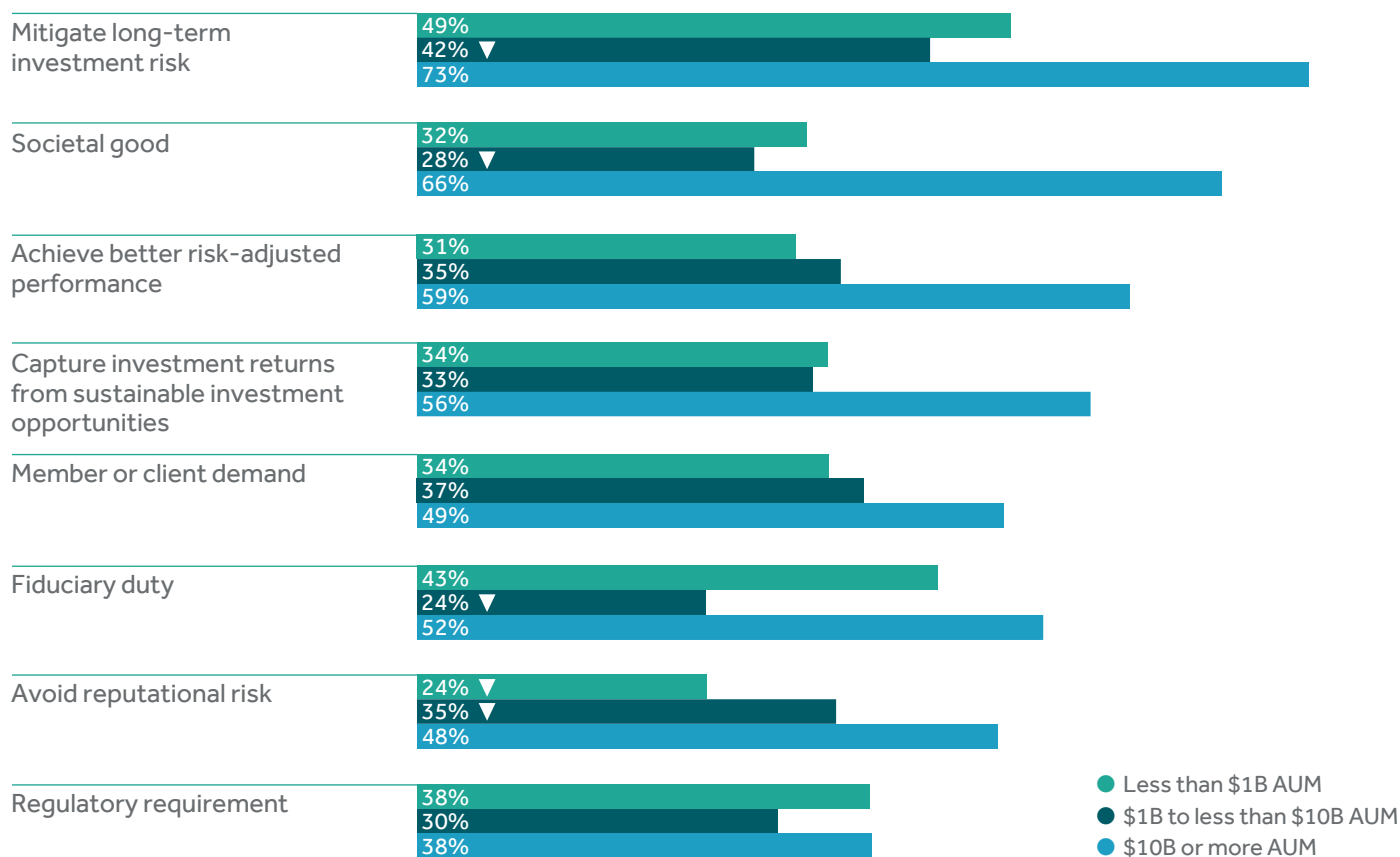
## Motivation correlates with asset size

Asset owner size has a bearing. Nearly three-quarters (73%) of respondents with Assets Under Management (AUM) of US\$10 billion or more want to mitigate long-term investment risk compared to just 42% of asset owners with AUM in the range US\$1-10 billion.

Two-thirds (66%) of all respondents with AUM of US\$10 billion or more choose societal good as part of their investment strategy rationale (see Exhibit 1.4).

## Exhibit 1.4

### Rationale for implementing or considering sustainable investment in investment strategy—by AUM tier (2022)



Multi-pick. What is your rationale or motivation for implementing or considering implementing sustainable investment considerations in your investment strategy?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment

## Greater priority focus on social

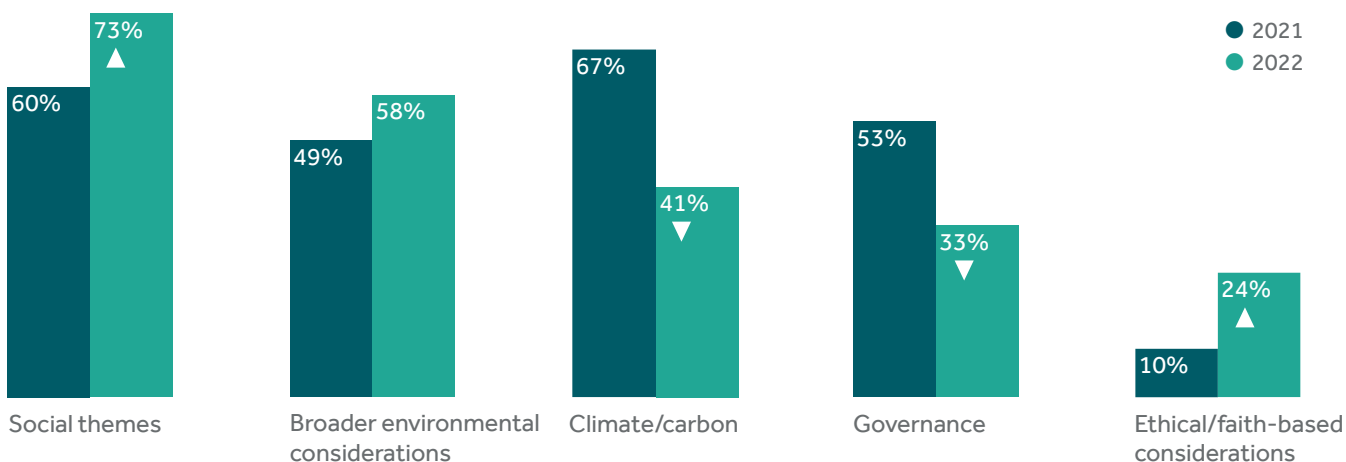
Considering priority focus areas, nearly three-quarters (73%) of all respondents choose social themes, up from 60% of respondents in 2021.

When it comes to climate and carbon, only 41% consider this to be a priority focus area, down from more than two-

thirds (67%) in the 2021 research (see Exhibit 1.5). Despite this, respondents are still focused on the planet. More than half (58%) of respondents say that broader environmental considerations form a priority focus area, an increase from 49% in 2021.

## Exhibit 1.5

### Sustainability issues that are priority focus areas (2021–2022)



Multi-pick. Which sustainability issues does your organization consider as a priority focus?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

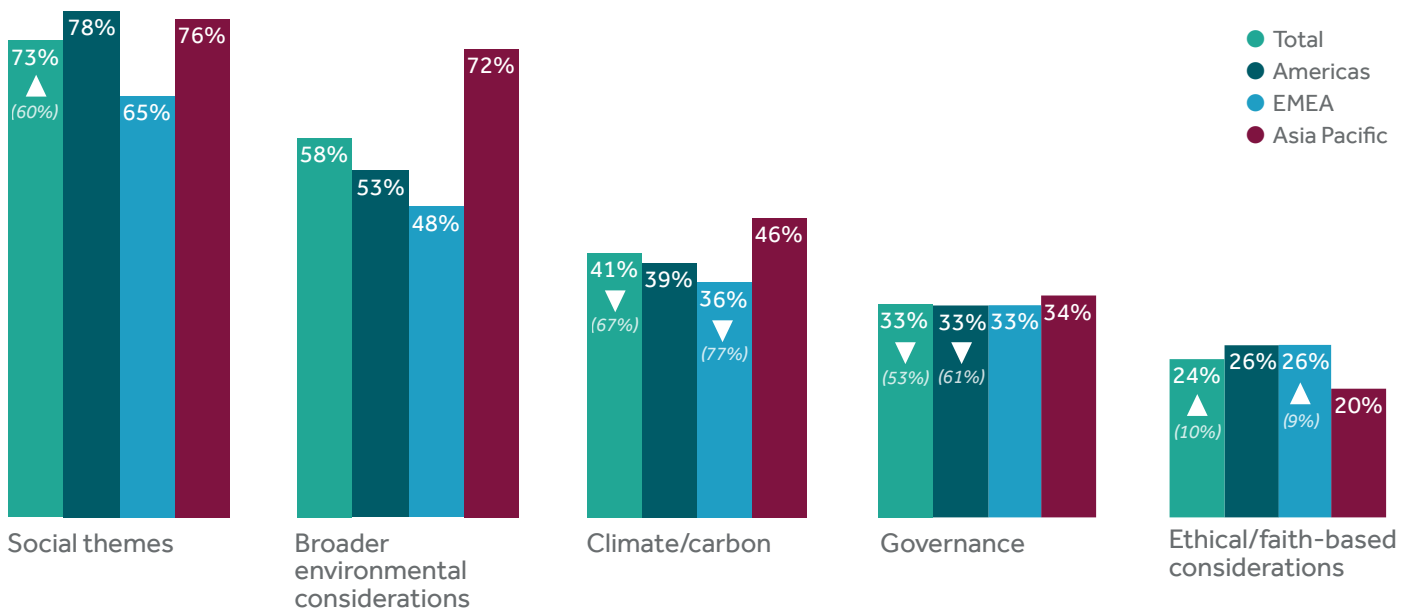
Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment

## Priority focus by region

In EMEA there is a significant decrease in climate and carbon being a priority —36% in 2022 and 77% in 2021 (see Exhibit 1.6).

### Exhibit 1.6

#### Sustainability issues that are priority focus areas—by region



Multi-pick. Which sustainability issues does your organization consider as a priority focus?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment

(xx%) = 2021 percentage

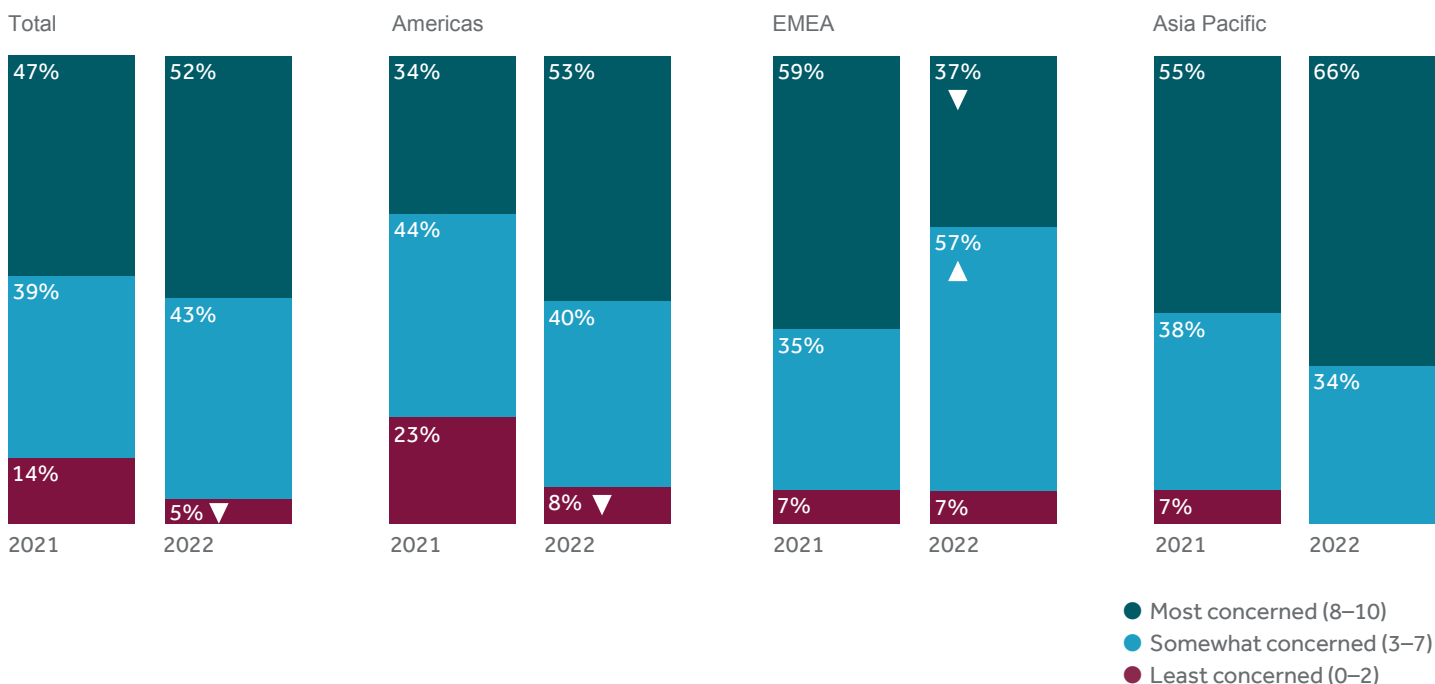
## Climate issues are now business as usual

The level of concern with the investment impact of climate risk remains roughly stable: 52% are most concerned in 2022, up from 47% in 2021.

Only slightly more than a third (37%) of asset owners in EMEA express the most concern (8, 9, or 10 rating on a zero-to-ten scale), compared to well over half (59%) in 2021 (see Exhibit 1.7).

### Exhibit 1.7

#### Level of concern with investment impact of climate risk



What level of concern do you have with the investment impact of climate risk? (asked on an 11-point scale; responses grouped into three buckets)

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Sample size in Asia Pacific in 2021 is 29, below the preferred threshold of 30.

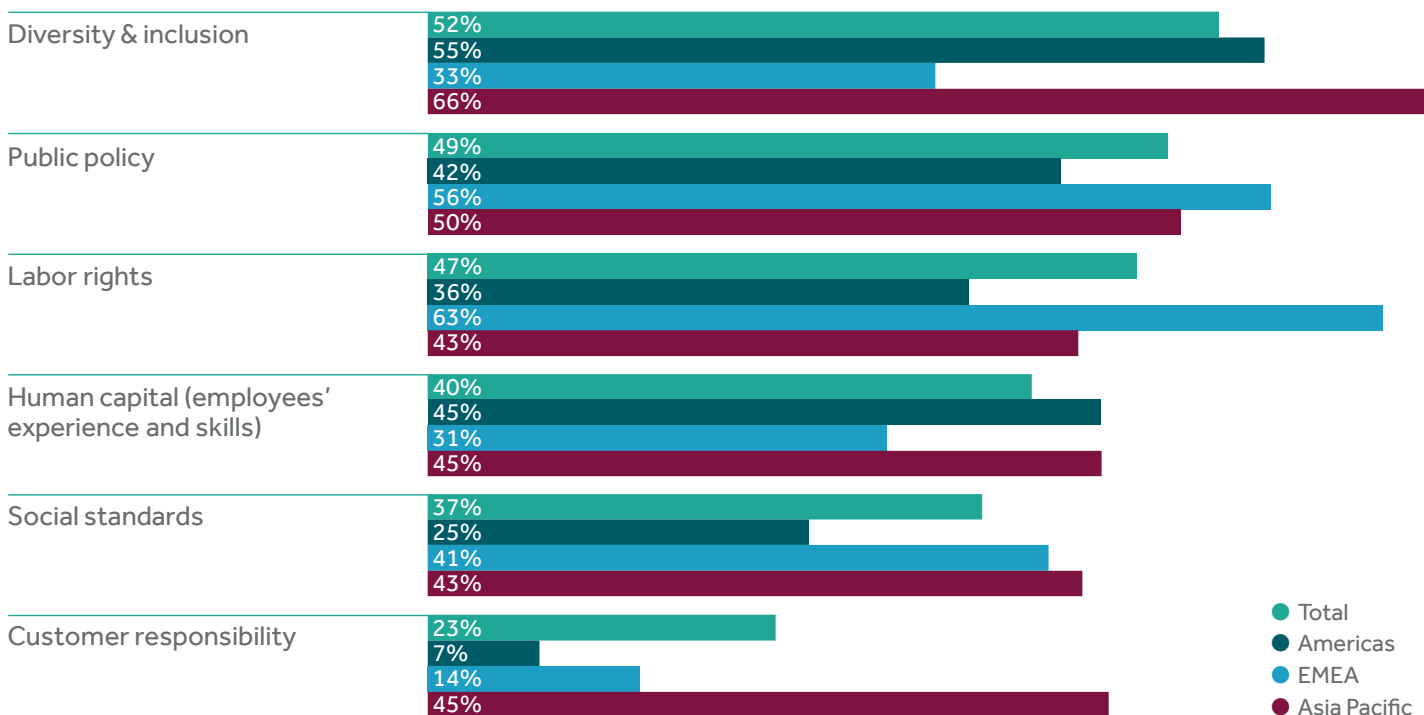
## Limited data is restricting asset owner priorities

Asset owners say they would change their priority areas if more data were available on sustainable investment. This year's research shows that diversity and inclusion (52%), public policy (49%), and labor rights (47%) would be top priorities for asset owners if data related to social themes became readily available (see Exhibit 1.8).

Regional variations show that 63% of respondents in EMEA would prioritize labor rights. In Asia Pacific, two-thirds of asset owners would prioritize diversity & inclusion (66%) while customer responsibility (45%) was almost double the level (23%) for all respondents globally.

### Exhibit 1.8

#### Priorities if sustainability data related to social themes were more readily available—by region



*Multi-pick. If data were more readily available for sustainable investment related to social themes, which would be a priority?  
Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment*

## Assessing whether regulation is a constraint or an enabler

More asset owners (33%) this year view sustainable investment regulation as a potential constraint compared with just 15% of all respondents in our 2021 research. This sentiment shift is significant among asset owners in the Americas (40% in 2022 up from 16% in 2021) and EMEA (37% in 2022 up from 12% in 2021) (see Exhibit 2.1).

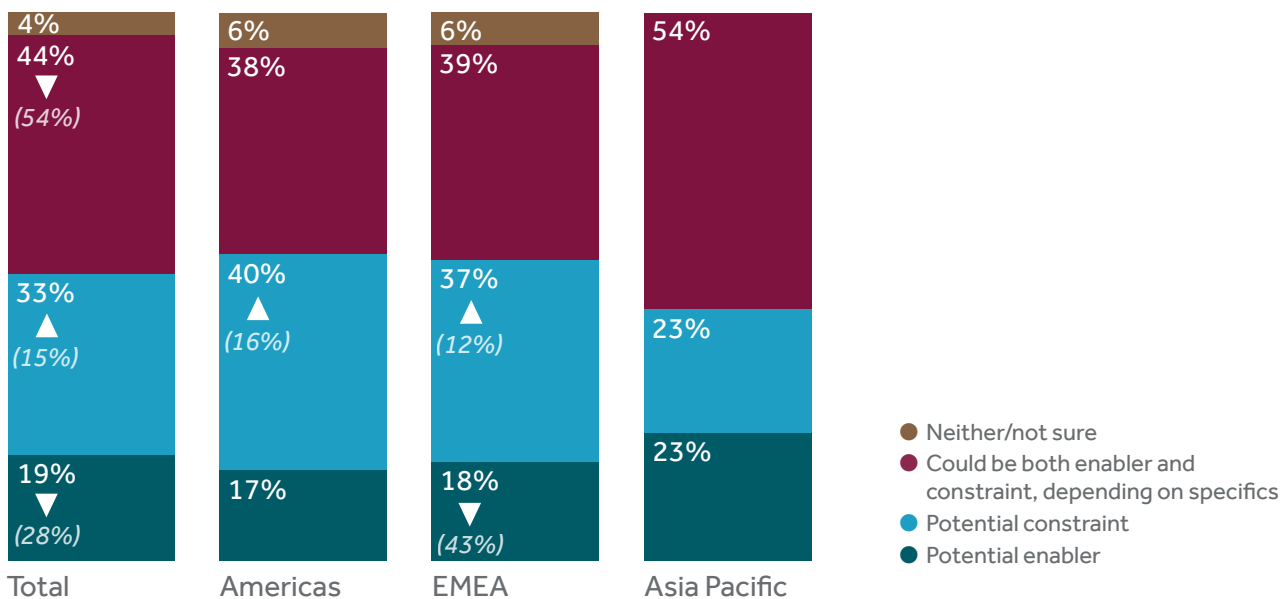
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## Viewing regulation as potential constraint

Our 2022 research showed that 44% of respondents viewed regulation as both an enabler and constraint depending on the specifics, (54% in 2021), while 19% said regulation was a potential enabler (28% in 2021) (see Exhibit 2.1).

### Exhibit 2.1

#### Whether sustainable investment regulation is perceived as a potential enabler, constraint or both



In your view, do you see sustainable investment or ESG regulation as a potential enabler, potential constraint, or both?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

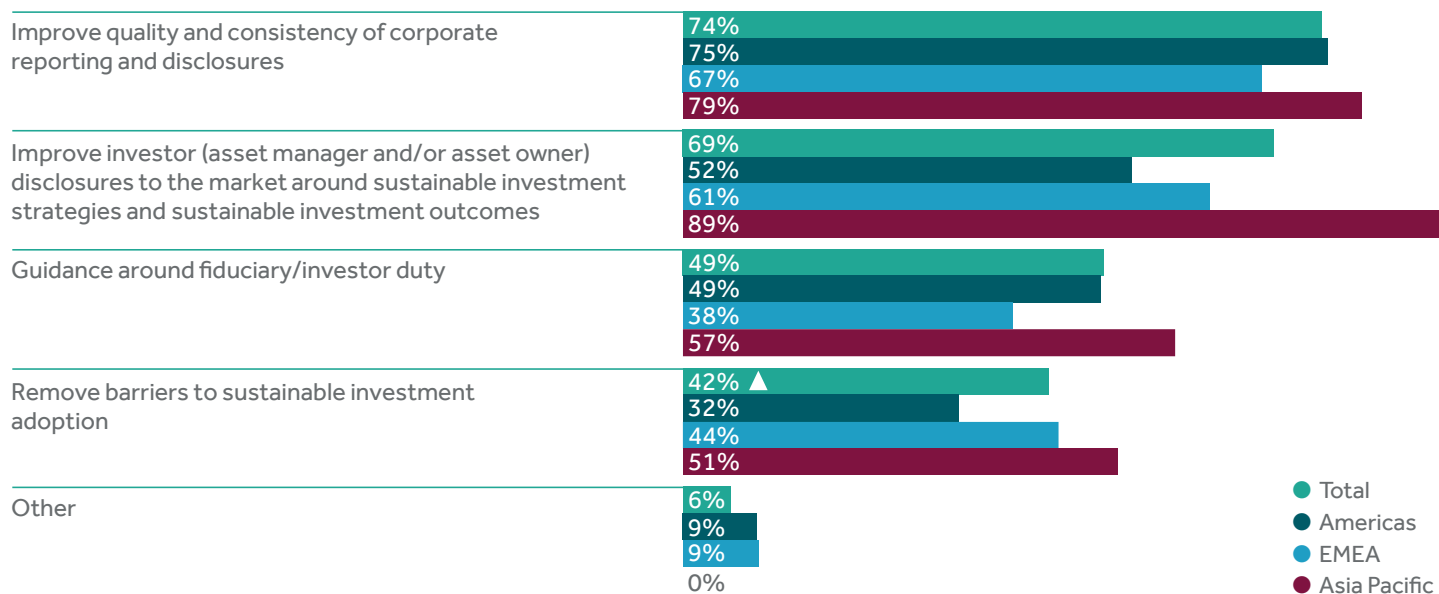
(xx%) = 2021 percentage

## Taking a positive view on the benefits of regulation

Among the respondents in our research that do not believe regulation is a constraint on their investment strategies, three-quarters (74%) say that regulation could improve the quality and consistency of corporate reporting and disclosures (see Exhibit 2.2).

### Exhibit 2.2

#### How sustainable investment regulation might be helpful



Multi-pick. In what ways might sustainable investment regulation be helpful?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment and do not see SI/ESG regulation as exclusively a constraint



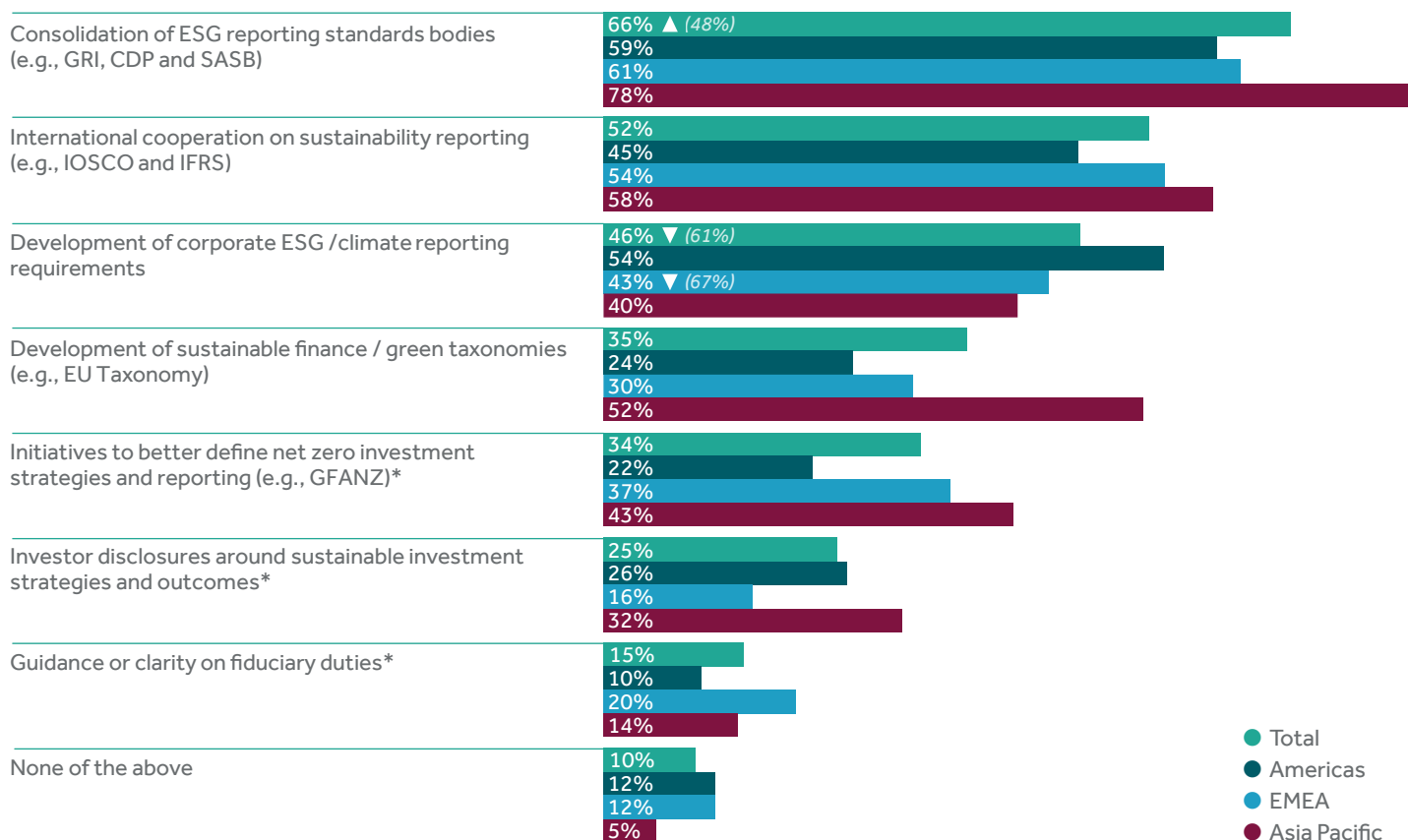
## How regulations help investors

Thinking about how regulatory and market developments can help investors, 66% of asset owners (up from 48% in 2021) cite consolidation of ESG reporting standards bodies, such as GRI, CDP and SASB. In terms of international cooperation on

sustainability reporting, more than half (52%) of respondents say that more joined-up approaches by organizations such as IOSCO and IFRS are helpful (see Exhibit 2.3).

### Exhibit 2.3

#### Regulatory/market developments considered to be helpful for investors



\*New answer choice in 2022 (not trended).

Multi-pick. Which, if any, of the following regulatory and market developments do you see as helpful for investors?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

(xx%) = 2021 percentage

# 3

## SUSTAINABLE INVESTMENT IMPLEMENTATION AND EVALUATION

### **Sustainable investment continues to mature in asset owners' investment strategies**

Nearly nine in ten (88%) asset owners globally are implementing or evaluating sustainable investment considerations in 2022—a nearly twofold increase from 5 years ago (see Exhibit 3.1).

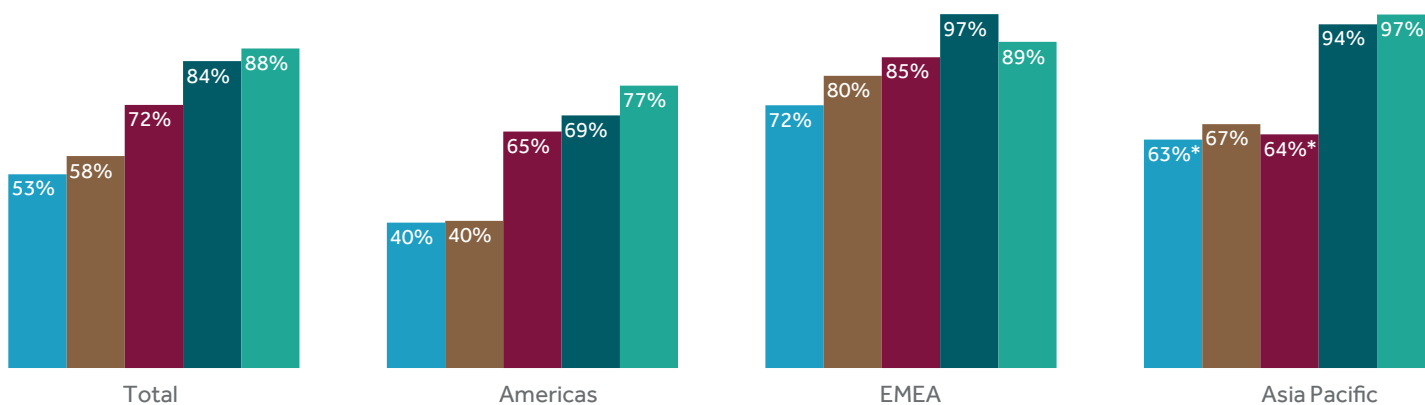
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## More asset owners implementing sustainable investment

There has been a steady uptick in asset owners implementing sustainable investment from 2018 (53%) to 2022 (88%) as sustainable investing becomes mainstream (see Exhibit 3.1).

### Exhibit 3.1

#### Sustainable investment implementation and evaluation by region (2018–2022)

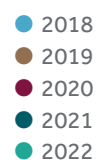


\*Base size for Asia Pacific is 16 in 2018 and 25 in 2020; below the preferred threshold of 30.

In 2018–2020, this metric was asked as one question: *Is your organization currently implementing or evaluating ESG/sustainability considerations in your investment strategy?*

In 2021–2022, it was derived through a series of more specific questions: 1) *Is your organization (or office) currently implementing any form of sustainability considerations in your investment strategy (i.e., exclusions, climate risk, fossil fuel/ high carbon divestment, green investment, thematic ESG investing, impact investing, social factors, ESG integration etc.)?*; 2) *Is your organization (or office) currently evaluating or has it previously evaluated implementation of sustainability considerations in your investment strategy?*

Sustainable investment implementation gains are traced to asset owners with AUM of \$1–10 billion where there has been an increase from 79% to 95% from 2021 to 2022.



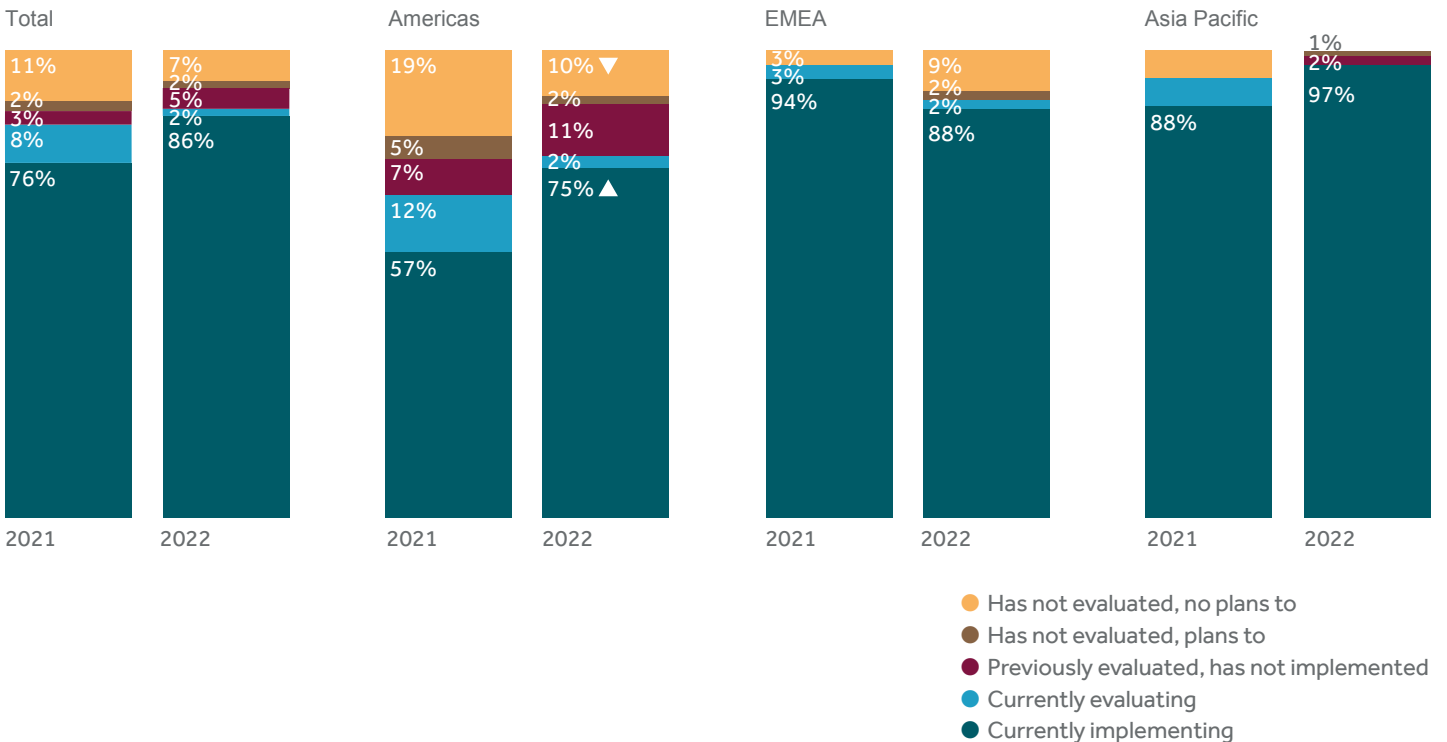
## Jump in sustainable investment adoption

Notably in the Americas there has been a significant jump (from 57% in 2021 to 75% this year) in the number of asset owners that say they are currently implementing sustainable investment. Just 10% of respondents in the Americas say they have not evaluated the asset class and do not intend to, which is half the 19% of asset owners in 2021.

As many more asset owners have successfully evaluated sustainability-themed investment as part of their investment strategies, 86% of respondents globally say they are currently implementing sustainable investment, up from 76% in 2021 (see Exhibit 3.2).

### Exhibit 3.2

#### Breakdown of Sustainable investment implementation and evaluation by region (2022)



Sustainable Investment Adoption Segment (Assigned based on three questions)

1. Is your organization currently implementing any form of sustainability considerations in your investment strategy?
2. Is your organization currently evaluating or has your organization it previously evaluated implementation of sustainability considerations in your investment strategy?
3. Do you anticipate evaluating the implementation of sustainability considerations in the next 18 months?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

## Incorporating sustainable investment and climate into SAA

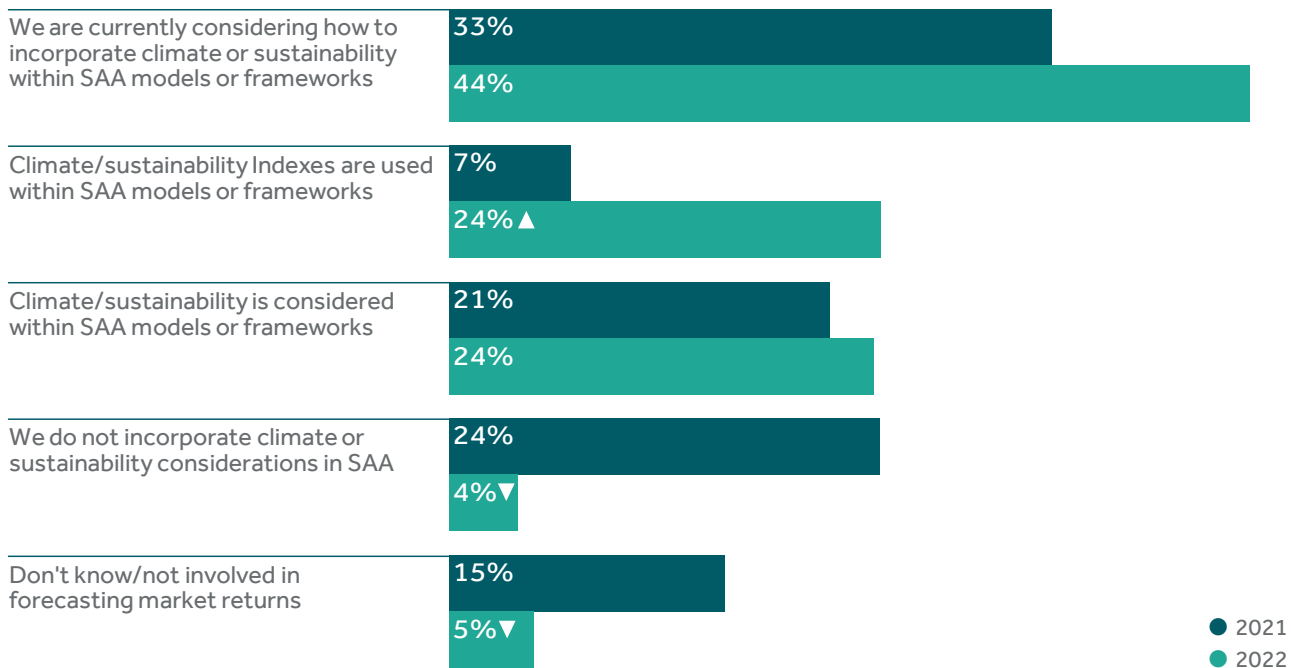
Highlighting a growing trend, 44% of respondents are incorporating sustainable investment and climate considerations into Strategic Asset Allocation (SAA) models or framework, up from 33% in 2021 (see Exhibit 3.3).

Almost a quarter (24%) of asset owners are using climate/sustainability indexes in their SAA models or frameworks,

up from just 7% in 2021. Pointing to a potentially growing trend, the same number (24%) of respondents say they are considering climate and sustainability in their SAA models or frameworks.

### Exhibit 3.3

#### Whether asset owners are incorporating sustainable investment/climate considerations into SAA models or framework



Are you incorporating sustainability or climate considerations into your strategic asset allocation (SAA) framework, including around long-term market returns forecasting and investment risk?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = Currently implementing sustainable investment

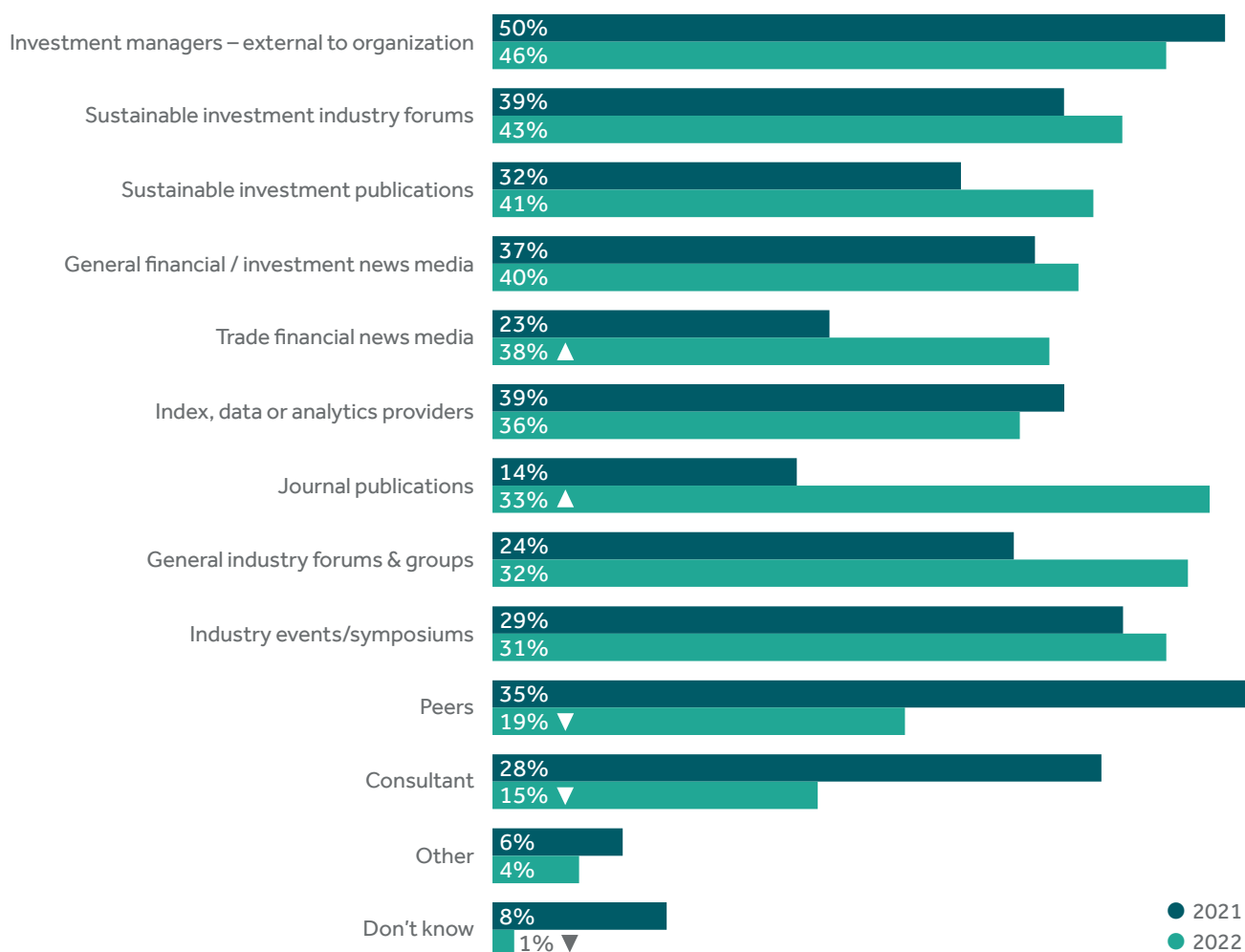
## Sustainable investment information is more accessible

While external investment managers remain an important source of credible information about sustainable investment according to 46% of respondents, asset owners are turning away from consultants (15% in 2022 vs 28% in 2021) and

towards mainstream information sources, such as trade financial news media (38% in 2022 vs 23% in 2021) and journals (33% in 2022 vs 14% in 2021) (see Exhibit 3.4).

### Exhibit 3.4

#### Sources of credible information about sustainable investment



Multi-pick. What sources of information do you rely on most for credible information about sustainable investment?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

## Fixed income is now the leading asset class

For all respondents globally, however, more than half (53%) are allocating to fixed income compared with 35% in 2021. And on a regional basis, nearly two-thirds (64%) of APAC asset owners are allocating to fixed income (see Exhibit 3.5).

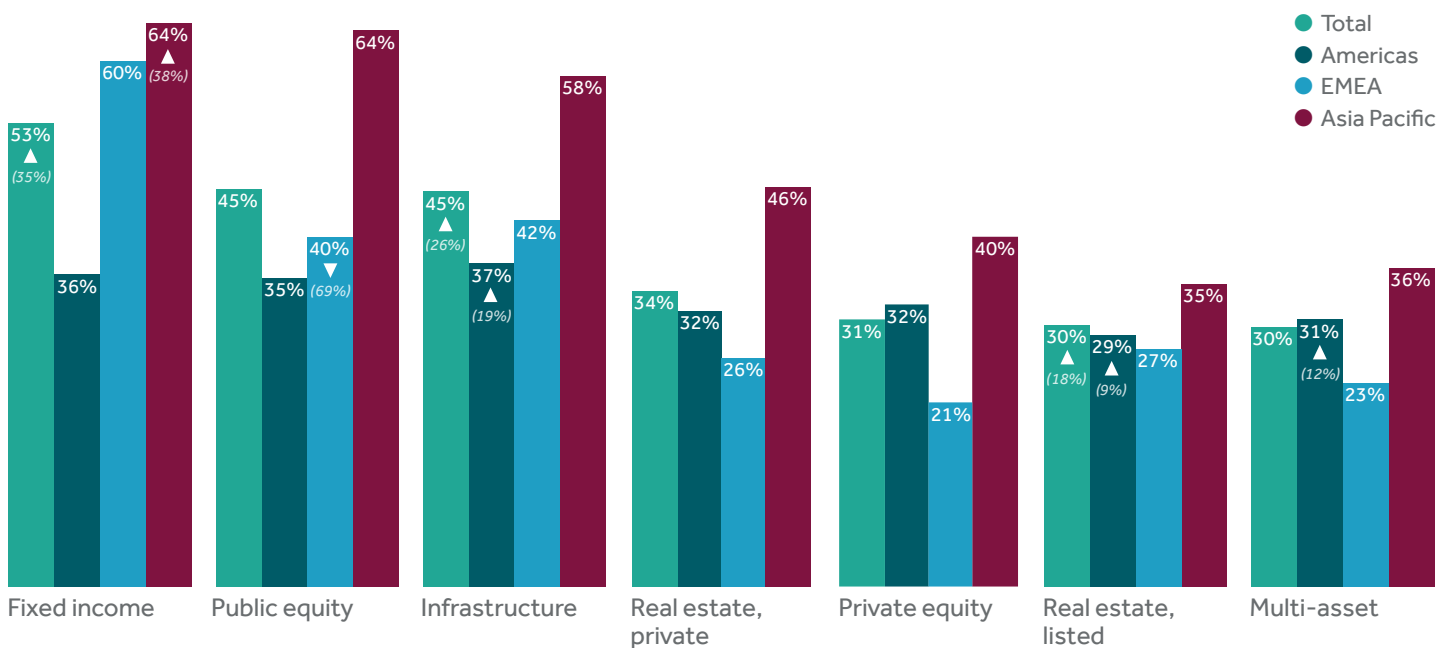
Infrastructure has also gained in popularity with 45% of respondents saying they are allocating to this long-term income-generating asset class, up from 26% in 2021. Over

the same time period in the Americas there has been a near-doubling of allocation to infrastructure from 19% to 37%.

Listed real estate allocations have also grown in appeal among asset owners: 30% globally say they are allocating to the asset class. The increase is more pronounced in the Americas where 29% of respondents say they are investing in listed real estate, up from just 9% in 2021.

## Exhibit 3.5

### Asset classes for which sustainability considerations have been implemented



Multi-pick. For which asset classes have you implemented or are you considering implementing sustainability considerations? (Summary of “implemented”)

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Fixed income gains are traced to asset owners with AUM of \$1–10 billion, representing an increase from 33% to 69% from 2021 to 2022.

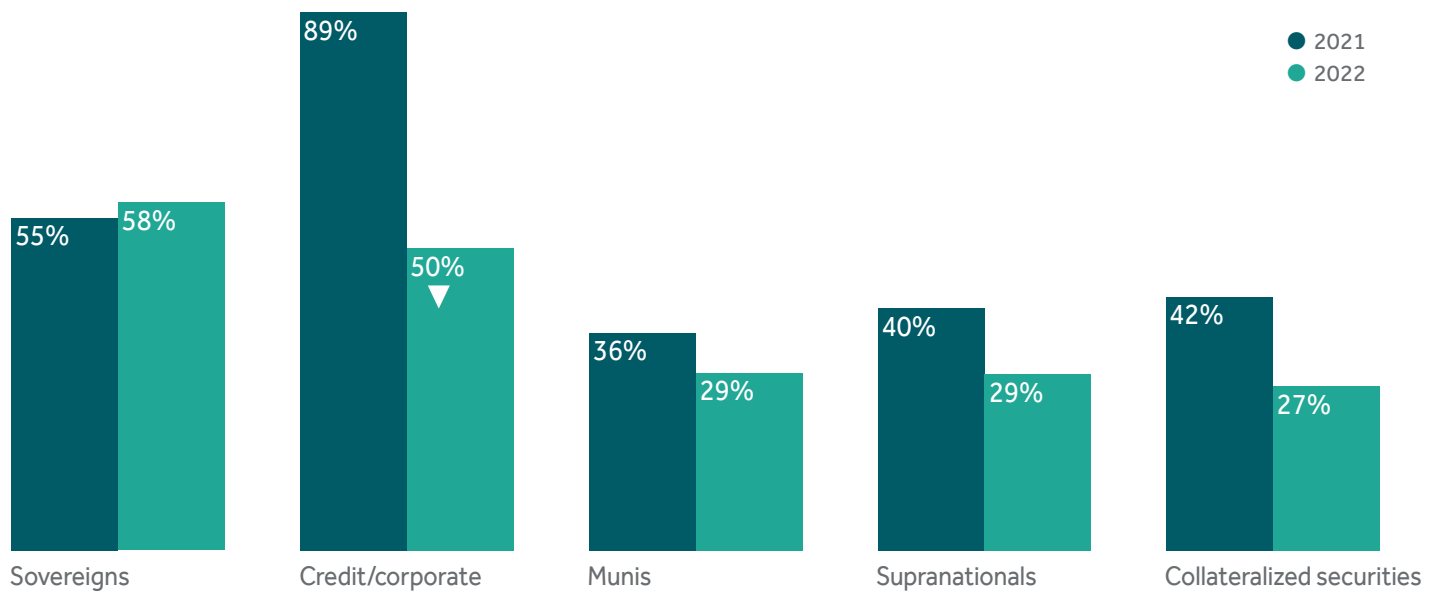
(xx%) = 2021 percentage

## Most common fixed income asset class with sustainability considerations

Sovereigns is the most common asset class of those with sustainability considerations within their fixed income portfolio. Those focusing on credit/corporate has dipped considerably since 2021 and can be directionally traced to EMEA and mid-sized institutions (see Exhibit 3.6).

### Exhibit 3.6

#### Fixed income asset classes for which sustainability considerations have been implemented



Multi-pick. For which fixed income asset classes have you implemented or are you considering implementing sustainability considerations?  
(Summary of "implemented")

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = Currently implementing sustainable investment considerations for fixed income



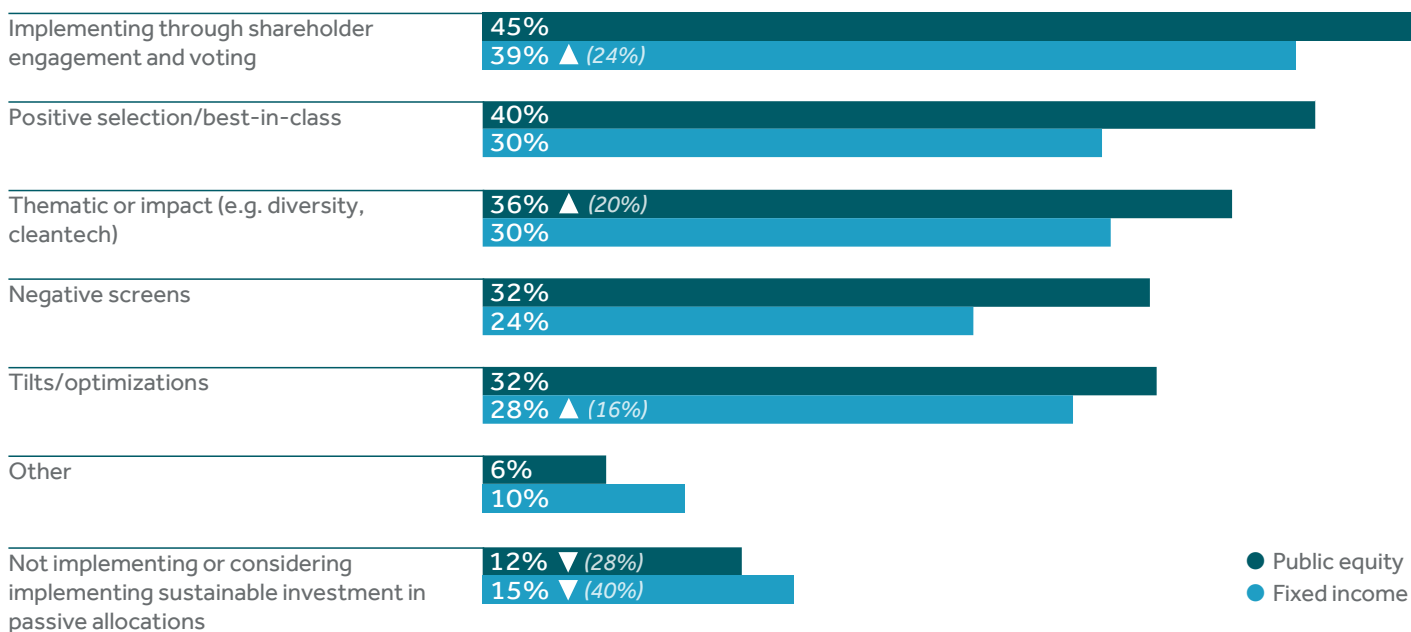
## Choosing between passive and active strategies

There has been a sizeable reduction in the number of asset owners that say they are not implementing or considering sustainable investment in passive equity and fixed income allocations in 2022. In 2021, while 28% said they would not

follow passive strategies in public equity and 40% would not choose such strategies in fixed income, the comparable results in 2022 are 12% and 15%, respectively (see Exhibit 3.7).

### Exhibit 3.7

#### Methods for implementing/considering sustainable investment in passive equity and fixed income allocation



Multi-pick. How are you implementing or considering implementing sustainable investment in passive equity and fixed income allocations?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment

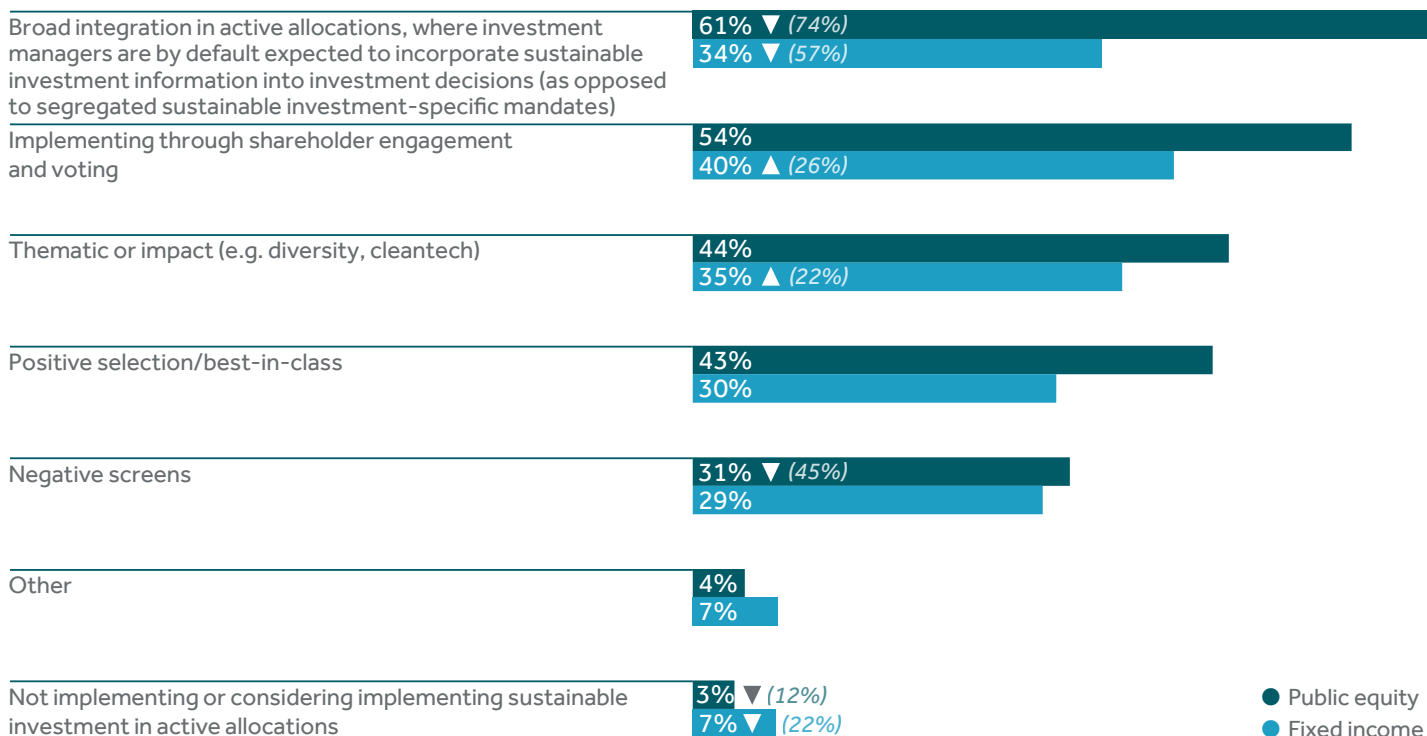
(xx%) = 2021 percentage

## Active equity and fixed income allocations

A similar picture emerges in active strategies where those not implementing sustainable investing from active public equity has dropped from 12% to 3%. For active fixed income, it has dropped from 22% to 7% (see Exhibit 3.8).

### Exhibit 3.8

#### Methods for implementing/considering sustainable investment in active equity and fixed income allocations



Multi-pick. How are you implementing or considering implementing sustainable investment in active equity and fixed income allocations?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment

(xx%) = 2021 percentage

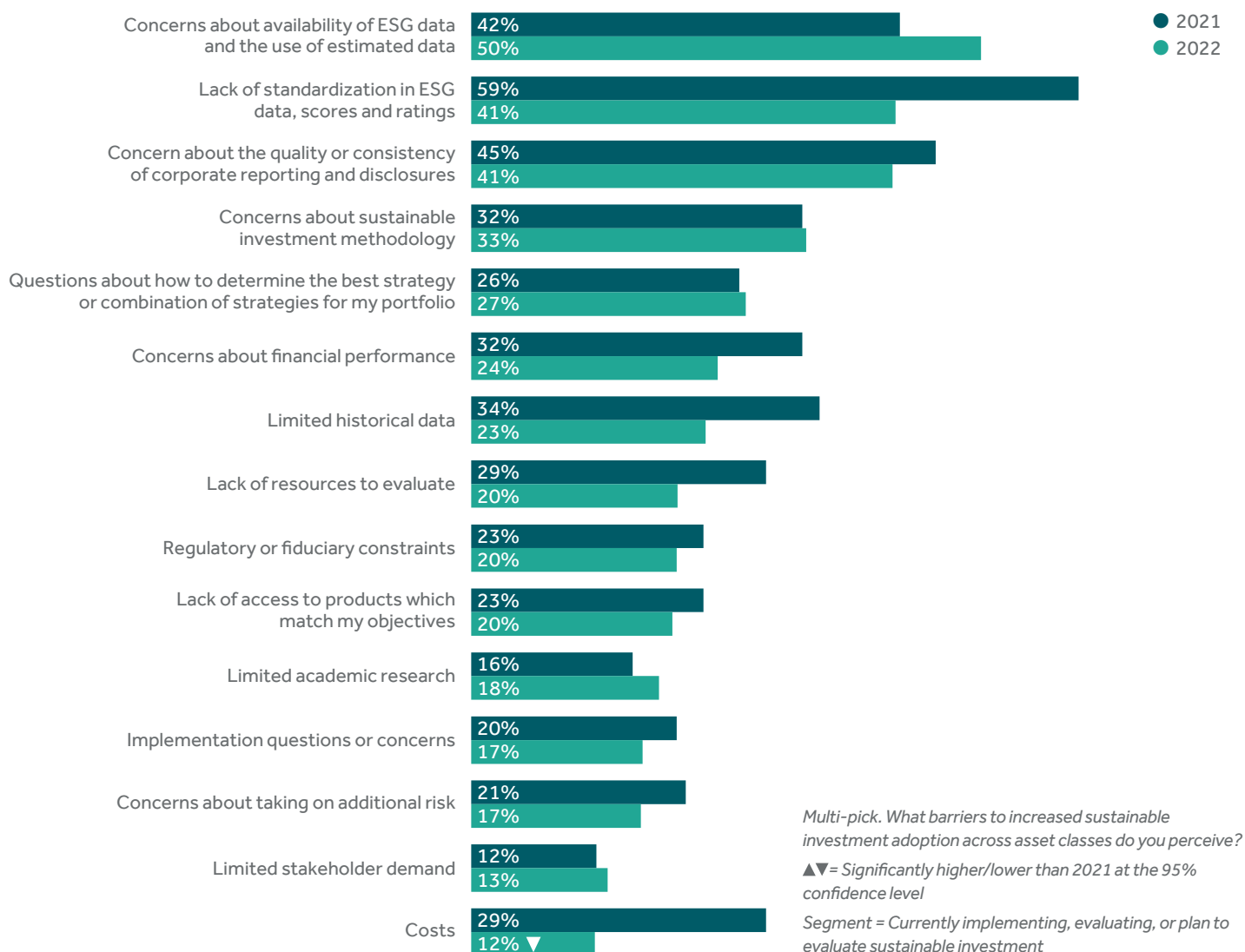
## How asset owners are reacting to key data challenges

Our research shows that half (50%) of all asset owners say the primary barrier to sustainable investing today is the availability of ESG data and the use of estimated data, up from 42% in 2021 (see Exhibit 3.9).

However, a smaller number (41%) of respondents say the lack of standardization in ESG data, scores and ratings is a barrier, compared with 59% in 2021. This notable decrease is traced to changing opinions among respondents with AUM in the range of US\$1–10 billion.

### Exhibit 3.9

#### Barriers to increased sustainable investment adoption across all asset classes

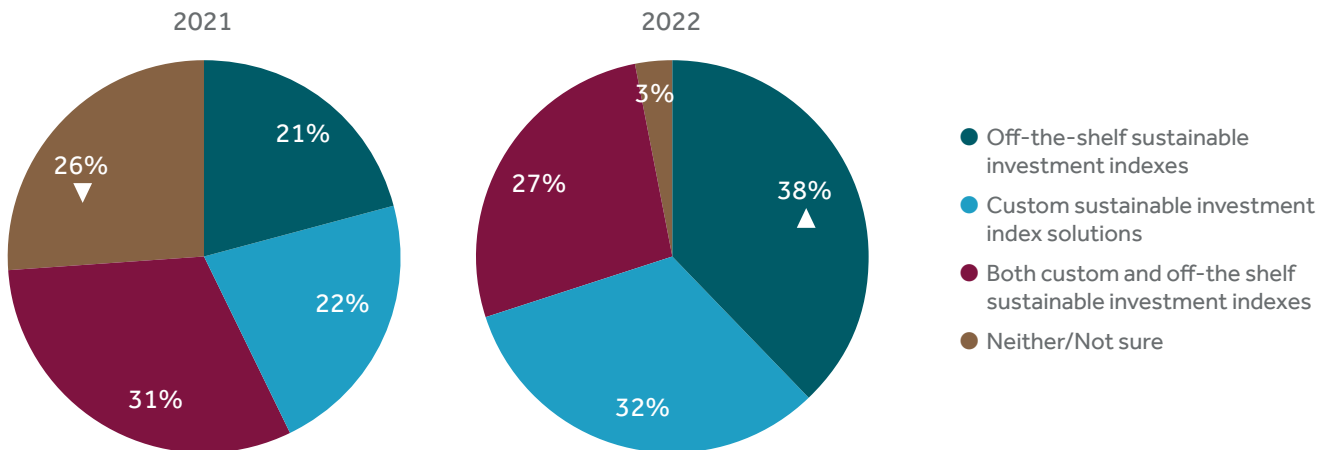


## Custom index solutions for passive allocations

Thinking about indexes, there is an inconsistent approach. Some asset owners use off-the-shelf (38%, up from 21% in 2021) and some prefer custom sustainable investment index solutions (32%, up from 22% the year before) (see Exhibit 3.10).

### Exhibit 3.10

#### Type of index solution(s) being used for passive portfolios



With respect to passive allocations where you have implemented sustainable investment considerations, are you using custom sustainable investment index solution(s) developed for your firm, off-the-shelf sustainable investment index solution(s), or both?

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

Segment = At least some of passive portfolio is currently implementing sustainable investment

# Conclusion

Our research has year-on-year demonstrated the steady shift of sustainable investment into the mainstream. This is more evident than ever with nearly nine in ten (88%) of asset owners globally implementing or evaluating sustainable investment strategies across their portfolios. The main motivating factor for implementing sustainable investment continues to be managing long-term risk.

While the view on regulation has changed and is now seen as a potential constraint, it may well be driving consistency and standardization across the market. Positively, this year there emerged a more widely agreed view on what sustainable investment means to organizations.

There continues to be a high level of concern with the investment impact of climate risk for asset owners. Despite this, the research highlights that asset owners are now prioritizing other areas of sustainable investment, for example social themes.

Asset owners' sustainable investment approaches with respect to their stated ESG priorities differ depending on their location or assets under management. What unifies their approach is commitment to implementing sustainable practices, while acknowledging the need for continual evolution and improvement.

# About the research

We're grateful to the 184 asset owners for taking time out of their schedules to participate.

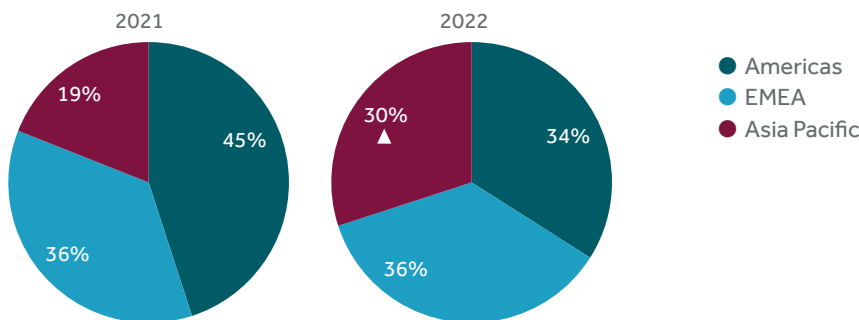
We partnered with Radius to survey asset owners around the world between April and May 2022 to understand their priorities and challenges. To qualify, respondents had to meet specific job role, responsibility and organization criteria. Those job roles included executives, portfolio management and investment management among others. Organizations included pension

funds/plan sponsors, insurance, government, healthcare, endowments and foundations.

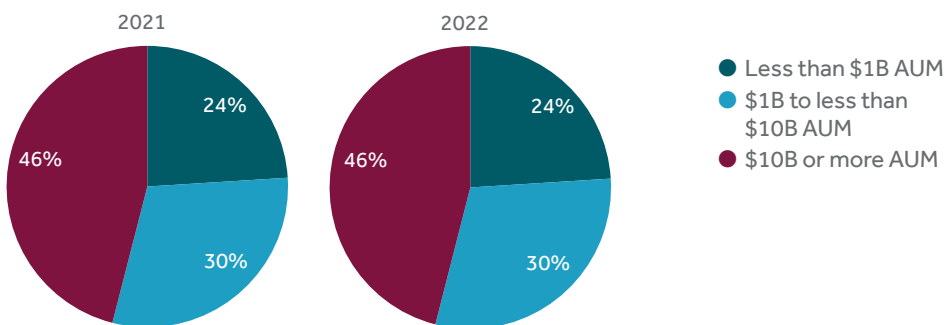
Since we first began surveying global asset owners about their awareness, attitudes and behaviors about sustainable investing in 2017, we've seen a clear and consistent rise in sustainable investment implementation.

The research spanned 26 countries, with the survey translated into Japanese, Mandarin, French and German alongside English. We surveyed 63 asset owners in the Americas, 66 in EMEA and 55 in Asia Pacific (made up of 89% in Asia and 11% in Australia and New Zealand). The combined total assets under management of all respondents ranges between US\$1.1 trillion to 3 trillion.

## Region distribution



## AUM tier distribution



▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

In 2022 we intentionally focused efforts on asset owners in Asia Pacific, to ensure readable results from this group. Responses this year were received

from FTSE Russell customers, Refinitiv customers, and panel sample through SG Analytics.

Organization type	2021	2022
Pension fund/plan sponsor	42%	29% ▼
Insurance company	18%	24%
Government	12%	21% ▲
Health care organization or hospital	1%	8% ▲
Endowment/foundation	10%	7%
Other	14%	12%

Top plan types	2021	2022
DB	59%	52%
Insurance Company General Account	21%	44% ▲
E/F	21%	43% ▲
DC	31%	42%
Sovereign Wealth	8%	33% ▲

Title	2021	2022
Executive (CEO, CFO, CIO, EVP)	29%	25%
Portfolio Management / Investment Management	22%	18%
Other	49%	57%

▲▼ = Significantly higher/lower than 2021 at the 95% confidence level

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