

Press Release

15 May 2023



FTSE Russell launches the FTSE UK ESG Risk-Adjusted Index Series

- The new index series includes ESG adjusted variants of the flagship FTSE 100, FTSE 250, FTSE 350 and FTSE All-Share indices
- Methodology Risk and return characteristics are balanced with ESG characteristics to provide an investible ESG alternative to the standard UK Equity Index Series
- Index integrates ESG risks such as controversial products and conduct, carbon (emissions and reserves) and the management of ESG issues

FTSE Russell today announces it has launched the FTSE UK ESG Risk-Adjusted Index Series as part of the continued expansion of its multi-asset ESG and Climate index product range.

The UK ESG Risk-Adjusted Index Series applies a range of (product and conduct) exclusions, significantly reduces the carbon emissions and reserves exposure of the Index (vs the underlying benchmark) and tilts the weights of the universe towards companies with better ESG characteristics.

Index exclusions focus on controversial weapons, thermal coal production, energy generation based on thermal coal, Arctic oil & gas exploration, oil sands and shale energy extraction and production, tobacco production and retail, and controversial conduct.

Arne Staal, CEO of FTSE Russell, said:

“We have created the FTSE UK ESG Risk-Adjusted Index Series to further increase the options for clients incorporating ESG and Climate objectives into UK equity portfolios. This launch, while continuing to expand our multi-asset ESG and climate index range, is also our first ESG adjusted version of the FTSE 100, and something our customers have been asking for.”

Whilst fossil fuels are not fully excluded, index level fossil fuel reserves exposure is reduced by 50% (versus the benchmark) resulting in large underweights to e.g., Energy and Basic Materials Industries. Utilities and Industrials are also underweighted due to the 50% reduction in carbon emissions exposure versus benchmark levels.

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The FTSE Russell logo is a dark purple circle containing the text "FTSE" above "Russell" in white, sans-serif font.

UK companies achieve relatively high ESG scores (e.g. the aggregate ESG score of the FTSE 100 is almost 10% higher than the FTSE Developed ESG score). Due to the already high starting point, the ESG target of the UK ESG Risk-Adjusted indices is 5% above the aggregate benchmark ESG levels (based on FTSE's ESG scores) – to ensure that a consistently high level is achieved.

This new UK index series delivers broad ESG improvements whilst balancing index outcomes such as tracking error and other risk and return characteristics. While evolving over time to ensure that it remains aligned with market and client expectations, its launch is a starting point for incorporating key ESG considerations into the flagship UK Series.

Aled Jones, Head of Sustainable Investment Solutions at FTSE Russell said:

“Our aim with this launch is to fulfil client need in our ESG index product range, whilst also providing a straightforward ESG adjusted version of the flagship UK equity benchmark series, to support the growing range of implementation requirements that we see across our customer base.

“Relative to other developed markets, the UK is fairly concentrated, it is overweight carbon and performs well based on ESG scores. Our intention with this new series is to deliver something that works from both an ESG and an investment perspective while still underpinned by FTSE Russell's transparency, robust governance, and in-depth data and research.”

FTSE Russell's sustainable investment indices are currently tracked by over US\$296 billion¹ of passive assets and the launch of the FTSE UK ESG Risk-Adjusted Index Series enables investors to continue to remain invested in UK large-caps, whilst improving the broad ESG characteristics of their portfolio.

For further information:

- [FTSE UK ESG Risk-Adjusted Index Series | FTSE Russell](#)

¹ **FTSE Russell:** Data as of June 30, 2022. These assets include separate accounts, commingled funds, retail and institutional mutual funds and ETFs as reported directly from index licensed passive and ETF clients and their websites; third party data sources such as Morningstar and eVestment are used in cases when clients did not report assets.

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About FTSE Russell:

FTSE Russell is a global index leader that provides innovative benchmarking, analytics and data solutions for investors worldwide. FTSE Russell calculates thousands of indexes that measure and benchmark markets and asset classes in more than 70 countries, covering 98% of the investable market globally.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. Approximately \$17.9 trillion is currently benchmarked to FTSE Russell indexes. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on applying the highest industry standards in index design and governance and embraces the IOSCO Principles. FTSE Russell is also focused on index innovation and customer partnerships as it seeks to enhance the breadth, depth and reach of its offering.

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