



Product overview



ESG Ratings and data model

Integrating ESG into investments

Overview

The era of 'ESG-aware' investing, whereby Environmental, Social and Governance (ESG) considerations are a part of investment and risk management decisions, is here to stay. FTSE Russell brings over 15 years of ESG experience and provides data analytics, ratings and indexes covering thousands of companies worldwide.

FTSE Russell's ESG Ratings and data model are tools for investors with a need for flexible, data-driven solutions to:

- Assist in managing exposure to ESG aspects
- Meet mandated stewardship requirements
- Integrate ESG data into securities and portfolio analysis
- Implement ESG-aware investment strategies

Transparent and objective ESG Ratings

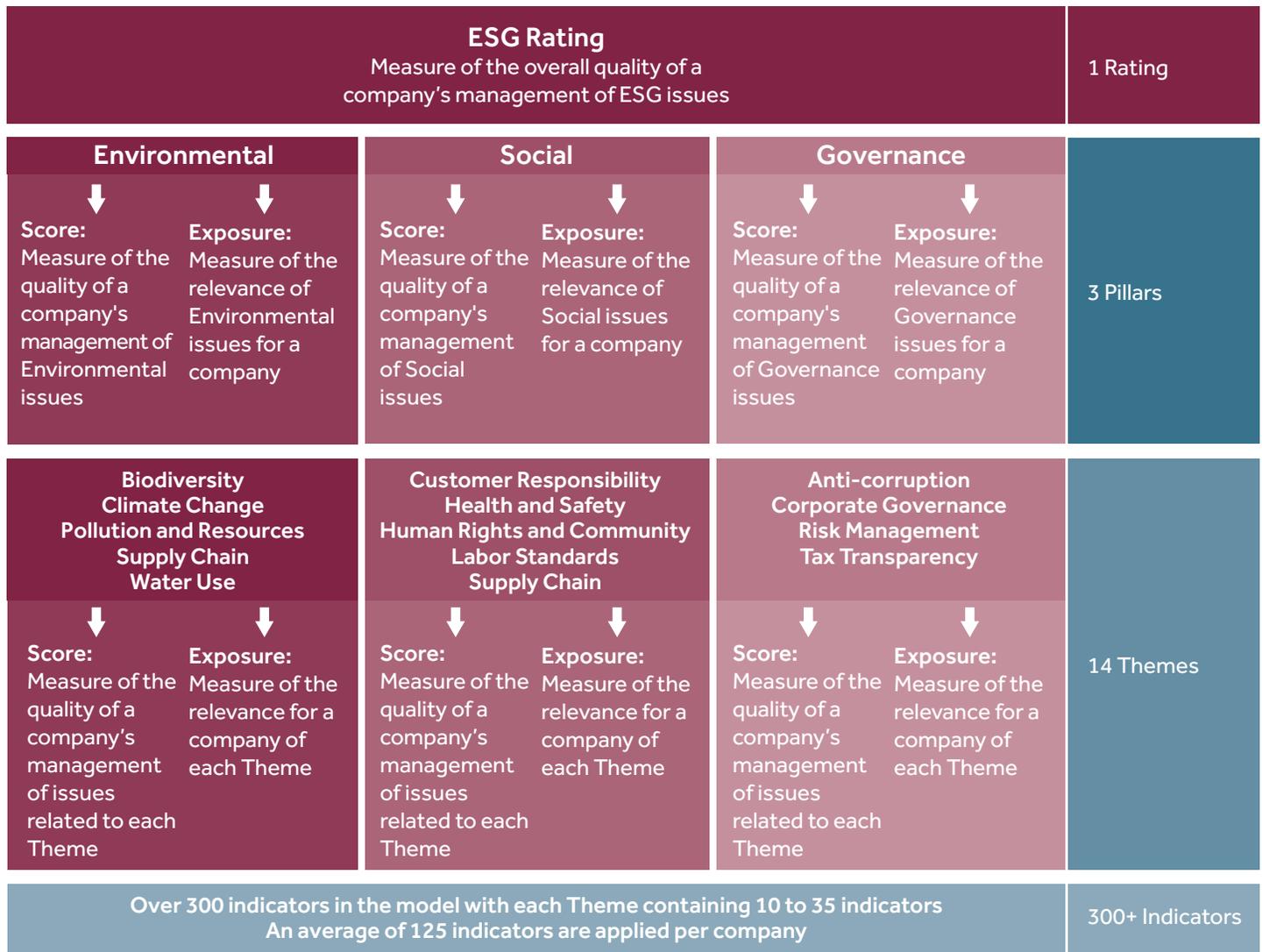


Using the ESG Ratings

- Access to all levels of ratings via the online, analytical ESG data model
- Search, screen and analyze the ESG ratings of over 4,100 companies
- Absolute and peer relative ratings for comparative analysis
- Easy identification of companies with strong/weak ESG practices
- Rapid design and upload of ESG portfolios or baskets
- Input ESG portfolios into the client platform (QSD)
- Portfolio and index foot printing for ESG ratings
- Understand ESG 'hotspots' across sectors and countries
- Attribution analysis compared with an index or another portfolio

ESG Ratings: data structure

The ESG Ratings and data model allows investors to understand a company’s exposure to, and management of, ESG issues in multiple dimensions. The ESG Ratings are comprised of an overall Rating that breaks down into underlying Pillar and Thematic Exposures and Scores. The Pillars and Themes are built on over 300 individual indicator assessments that are applied to each company’s unique circumstances.



Key features

Comprehensive

The ESG Ratings can be accessed through the online data model and include over 4,100 securities in 46 Developed and Emerging markets, comprising the constituents of the FTSE All-World Index, FTSE All-Share Index and Russell 1000® Index.

Flexibility and customization

Easily extract ESG data at multiple levels via the data model in order to assess and apply it in a variety of ways. The data model is designed for customization by the user to enable the data to be 'sliced and diced' to meet each user's needs.

Emphasis on materiality

Having a separate measure for Exposure allows users to identify which ESG issues are most relevant for a given company. Furthermore, the ratings are calculated using an Exposure-weighted average, meaning that the most material ESG issues are given the most weight when determining a company's scores.

Precise rules and focus on data

The ESG Ratings and data model minimizes subjectivity by having very clearly defined rules for assessing and rating companies. The output is a data tool that is quantitative, rather than qualitative company research reports.

Objective and strong governance

The calculation methodology is made available, so users can determine why a company scores well or not. The ratings data is based on publicly available information only and is not collected via private surveys. All of the evaluated companies are given a chance to review and comment on their assessment. The ESG data model is overseen by an independent external committee comprising experts from the investment community, business, NGOs, unions and academia.

Sustainable Development Goals aligned

The ESG Ratings supports alignment with the UN Sustainable Development Goals (SDGs). All 17 SDGs are reflected in the 14 Themes under the ESG framework.

Accessible online client platform

The four levels of ESG Ratings and data model are available via the QSD client platform <https://qsd.ftserussell.com> or through a data download to a user's internal systems.

Dedicated client support

Clients benefit from access to a dedicated team of experts based in Europe, North America and Asia.

Using ESG Ratings in practice

The ESG Ratings can be used as the building blocks for integrating ESG into investments in a variety of ways, including active portfolio management, benchmark construction, and company engagement.

Portfolio evaluation and manager due diligence

When selecting and evaluating asset managers, institutional investors are increasingly assessing how they integrate ESG aspects into their processes. The ESG Ratings can help assess the range, average and variance of asset manager portfolios with respect to ESG integration.

Engagement and stewardship

As part of their stewardship responsibilities, an increasing number of fund managers and pension funds are engaging investee companies regarding their ESG practices. ESG Ratings provide an independent and objective measure to identify companies for engagement and track progress.

Risk Management

The ESG Ratings enables investors to identify companies with the greatest ESG exposures and can be used alongside conventional risk measures to provide a complementary perspective.

Research and analysis

The risk and return relationships of different ESG aspects will vary. The ESG Ratings provide a granular and comprehensive data set for research and analysis that allow users to develop their own views on how, or how not, to integrate ESG data.

Custom benchmarks

Many investors want a tailored benchmark to reflect their ESG preferences. The ESG Ratings is a comprehensive and flexible tool for creating bespoke indexes and can also be used alongside fundamental or smart beta methodologies.

Active portfolio management

The ESG Ratings can be used to help define ESG eligibility criteria for an investment universe or can be applied into a propriety quant or fundamental model.

About FTSE Russell

FTSE Russell is a leading global provider of benchmarking, analytics and data solutions for investors, giving them a precise view of the market relevant to their investment process. A comprehensive range of reliable and accurate indexes provides investors worldwide with the tools they require to measure and benchmark markets across asset classes, styles or strategies.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. 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.

FTSE Russell is a pioneer of sustainable investment tools and services with 15 years of direct client engagement delivering a range of transparent data models and associated indexes, including:

- The Environmental, Social and Governance (ESG) Ratings and data model of more than 4,100 companies from which the FTSE4Good Index Series is derived
- The carbon focused capabilities including the Coal Assets data model, FTSE All-World ex Fossil Fuels Indexes, FTSE All-World ex Coal Indexes and FTSE Divest-Invest Developed 200 Index
- The recently launched Green Revenues (LCE) data model of over 13,400 companies which tracks detailed exposures to green revenues across one or more of 60 green sub-sectors. This data significantly enhances FTSE Russell's position as a leading provider of green economy indexes which includes the FTSE Green Revenues Index Series and FTSE Environmental Markets Index Series

The Green Revenues (LCE) data model provides a critical component missing from current sustainability models as it facilitates institutional investors to engage from both a risk and return basis in the world's transition to a green economy.

This comprehensive range of capabilities provides data certainty for institutions looking to create tracker funds, ETFs and structured products, and as data to inform active management, investment research and performance benchmarking services.

FTSE Russell also plays an active role in all the major regional sustainable investment industry associations. As a founding signatory, FTSE Russell also helped develop the United Nations-backed Principles for Responsible Investment (PRI).

FTSE Russell is part of London Stock Exchange Group, which has been a part of the Sustainable Stock Exchanges initiative as a Partner Exchange since 2014.

For more information, visit ftserussell.com.

To learn more, visit ftserussell.com; email info@ftserussell.com, or call your regional Client Service Team office:

EMEA

+44 (0) 20 7866 1810

North America

+1 866 551 0617

Asia-Pacific

Hong Kong +852 2164 3333

Tokyo +81 3 3581 2764

Sydney +61 (0) 2 8823 3521

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