

Product overview

FTSE
Russell

ESG Ratings and data model

Integrating ESG into investments

Overview

Investors are increasingly incorporating Environmental, Social and Governance (ESG) considerations into core benchmarks and passive investments. FTSE Russell brings nearly two decades 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



Features

Comprehensive

The Ratings are accessed through the online data model and include approximately 7,200 securities in 47 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.

Emphasis on materiality

Having a separate measure for Exposure allows users to identify which ESG issues are most relevant for a given company.

Aligned with the UN Sustainable Development Goals

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

Precise rules and focus on data

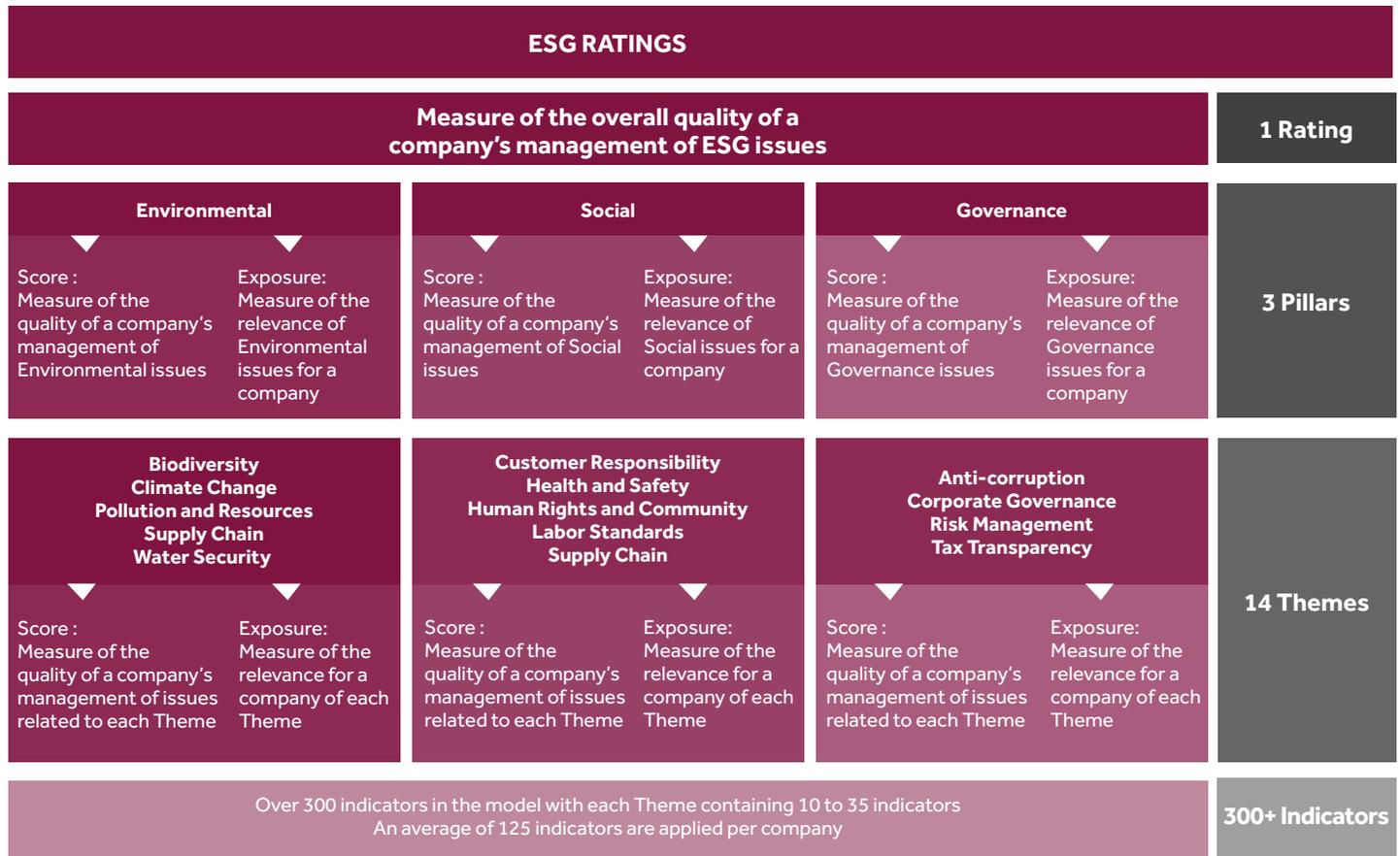
Minimizes subjectivity by having very clearly defined rules for assessing and rating companies. The ESG Ratings are based on publicly available data.

Strong governance

Overseen by an independent external committee comprising experts within the investment community, business, NGOs, unions and academia.

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.



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 enable 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 provide 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 index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

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 investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

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 index innovation and customer partnership applying the highest industry standards and embracing the IOSCO Principles. FTSE Russell is wholly owned by London Stock Exchange Group.

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