



FTSE
Russell

FTSE Russell ESG Philosophy

ftserussell.com

September 7, 2017

Our ESG Philosophy

For more than 15 years, since the launch of the FTSE4Good Index Series, we have been at the forefront of the accelerating trend towards sustainable investment. Our ESG philosophy and approach is underpinned and guided by four pillars.

1

Supporting capital markets (investors, issuers and intermediaries) in the transition to a sustainable and green economy

2

Facilitating dialogue on sustainability and improving data along the investment chain to help integrate sustainability into financial markets and capital allocation

3

Enabling market participants to integrate sustainability into investment strategies and engagement/stewardship

4

Championing transparency and fostering both wider access and improved quality of the ESG data available to market participants

Supporting capital markets in the transition to a sustainable and green economy

Exchange partnerships

Exchanges around the world use our expertise to create local market ESG benchmarks, facilitating the growth of new index-linked ESG investment opportunities for investors and driving corporate engagement.

Engaging with policy makers

We actively engage with public policy makers to encourage the creation of better regulatory frameworks to support and catalyse sustainable finance. We are a member of the European Commission's Expert Group on Sustainable Finance and contribute to public policy debates such as the FSB's Task Force on Climate-Related Financial Disclosure and the US SEC Consultation on Disclosure.

A founding signatory to PRI

We are proud to have played a key role in the creation of the Principles for Responsible Investment (PRI) in 2006, a major driver of the incorporation of ESG into investment and ownership decisions. FTSE Russell was a founding PRI signatory and the first index provider signatory.

Industry associations

We play an active role globally in the leading sustainable and responsible investment associations including; UKSIF, US SIF, EUROSIF, Japan SIF, RIAA, PRI, ICGN.

An aerial photograph of a lush forest with a stream winding through it. The trees are in various shades of green and brown, suggesting an autumn or late summer setting. The stream is dark and flows from the top left towards the bottom right.

Facilitating dialogue on sustainability and improving data along the investment chain to help integrate sustainability into financial markets and capital allocation

Defining best practice

Together with other divisions of the London Stock Exchange Group, we are an active member of the UN Sustainable Stock Exchange Initiative and chaired their working group to develop Model Guidance on ESG Reporting for exchanges globally.

Setting our own guidance for companies

We launched our own LSEG ESG Reporting Guidance for issuers globally to improve both dialogue and the flow of “investment grade” ESG data from issuers to investors.

Driving convergence in standards

We facilitate the consolidation of global standards by drawing on the most established global standards and incorporating these into our ESG methodologies.

Supporting investor–company interaction

We catalyse investor-company discussions on ESG strategies and performance, notably by supporting the Transition Pathway Initiative – a combination of asset owners, asset managers and the London School of Economics, which provides an engagement framework around the transition to a green economy.



**Enabling
market
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into investment
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engagement/
stewardship**

Indexes

Since 2001 we have pioneered indexes for sustainable investment, innovating with new products and enhancing existing index families. Among the index families launched over the past 15 years are a growing family of FTSE4Good indexes, the FTSE Environmental Opportunities Index Series, FTSE Environmental Technology Index Series, FTSE/JSE Responsible Investment Index Series, FTSE All-World ex CW Climate Balanced Factor Indexes, and the FTSE Green Revenues Indexes.

Sustainable Investment Data

FTSE Russell has also developed and launched two Sustainable Investment Data Models with associated data services, ESG Ratings data model and Green Revenues data model.

Pioneering Smart Sustainability

We collaborated with the UK's largest asset manager and largest bank to pioneer a new "Smart Sustainability" index solution that combines risk premia and climate parameters with a goal of managing index risk associated with climate change. The HSBC Bank UK Pension Scheme has invested 100% of its defined contribution default equity fund into Legal & General's Future World Fund, which tracks the new FTSE All-World Ex CW Climate Balanced Factor Index.

Classification systems

To classify environmental markets and green revenues, FTSE Russell set up an Environmental Markets Advisory Committee comprised of experts in environmental sectors, who advise on the definitions of industrial green sectors and sub-sectors.



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Transparent Ground Rules and Criteria

We are committed to transparent and objective sustainable index methodologies.

Index Governance

We strive to lead the industry in best practice standards for index governance. Our governance process incorporates independent Advisory Committees and Sub-Committees, which help to establish the criteria for our index rules.

Improving disclosure

Through the FTSE4Good Index Series, we have engaged companies around improving ESG disclosure for more than 15 years. Academic studies* from Edinburgh and Nottingham Universities show the effectiveness of this.

Fostering corporate transparency

We contact over 4000 companies globally to encourage them to check the data we collect on them. We only employ publicly reported ESG data (no use of private surveys) which encourages corporate transparency.

*Source: William Rees et al. (2012) The FTSE4Good Effect: Evidence of the Impact of Responsible Investment Indices on Environmental Management. University of Edinburgh; Slager, Catharina Henrike (2012) SRI indices and responsible corporate behaviour: a study of the FTSE4GOOD index. University of Nottingham.

About FTSE Russell

FTSE Russell is a leading global provider of benchmarks, analytics and data solutions with multi-asset capabilities, offering a precise view of the markets relevant to any investment process. 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.

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The logo consists of a light purple circle centered on a dark purple background. Inside the circle, the words "FTSE" and "Russell" are stacked vertically in a white, bold, sans-serif font.

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