

FTSE Sustainability-Linked Bond Index Series

Integrate impact investing into your fixed income strategy

Overview

Sustainability-linked bonds (SLBs) are general-purpose bonds whose structure and returns are linked to the achievement of pre-defined sustainability outcomes. They can help investors to integrate impact investing into their fixed income portfolio strategies.

As defined by the International Capital Markets Association (ICMA), SLBs are any bond whose financial and/or structural characteristics vary, depending on whether the issuer achieves specified sustainability or environmental, social and governance (ESG) objectives. The SLB market has grown notably since 2019, with cumulative issuance passing \$250 billion in Q2 2023¹.

In contrast to traditional green, social and sustainability bonds, the proceeds raised by SLBs are not earmarked for specific projects, but are instead used for general purposes. SLBs commit explicitly to future improvements in sustainability outcome(s) within a pre-defined timeline, as measured through Key Performance Indicators (KPIs) and assessed against Sustainability Performance Targets (SPTs). Therefore, ensuring market integrity and transparency lies at the heart of the index design approach.

Combining our index construction expertise with Refinitiv's data, FTSE Russell is developing a comprehensive range of sustainability-linked bond indices. Together with the FTSE Impact Bond index series, FTSE Russell offers a complete set of tools and benchmarks to cover the rapidly growing sustainable bond (green, social, sustainability and sustainability-linked bonds) universe.

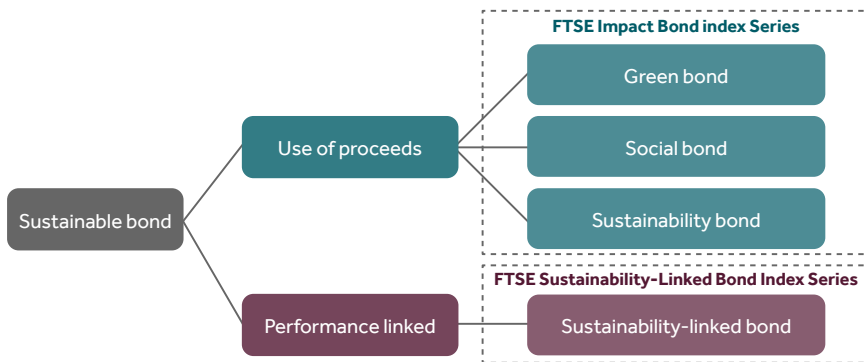
Features

The FTSE Sustainability-Linked Bond Index Series provides global coverage of the rapidly growing sustainability-linked bond market.

- **Underpinning market integrity:** Bonds within the series comply with five components of ICMA SLBP principles, with validation conducted by Refinitiv at both issuance and post-issuance stages.
- **Comprehensive coverage:** Based on established FTSE indices, including FTSE WGBI and FTSE WorldBIG, the series includes debt from over 20 countries, denominated in a variety of currencies.
- **Rich content:** A comprehensive set of hedged and unhedged sub-indices denominated in a variety of currencies, with more than three years of history available.
- **Customised solutions:** The index is fully customisable, based on a wide range of attributes including currency, ratings, capping methodologies and diversification requirements.
- **0+ Years offerings:** The Series tracks bonds through to a minimum of one month to maturity, aiding in the management of sustainable investment portfolios with a hold-to-maturity strategy.

¹ Source: Refinitiv data and calculated by FTSE

FTSE Sustainable Bond Indices proposition



The FTSE Sustainability-Linked Bond Index Series provides four indices covering the global, Euro and US sustainability-linked bond markets. The index series is designed to measure the performance of both investment-grade and high-yield, multi-currency SLBs that are aligned with the ICMA Sustainability-Linked Bond Principles (SLBP) and issued by governments, government agencies, supranationals, corporations and covered bond issuers. Sub-indices are available in different combinations of currency, country, maturity and credit rating.

Benchmarks are aligned to the International Capital Markets Association (ICMA) guidelines to promote market transparency and integrity.

The FTSE Sustainability-Linked Bond Index Series leverages Refinitiv data to identify eligible SLBs that are in line with the core five components of the ICMA SLBP, providing an investment opportunity with transparent sustainability credentials.

To comply with the ICMA SLBP, a bond must meet the following requirements:

- **Selection of Key Performance Indicators (KPIs):** KPIs are quantifiable metrics used to measure the performance of selected indicators. The SLBP recommend that KPIs should be material, quantifiable, externally verifiable and able to be benchmarked.
- **Calibration of Sustainability Performance Targets (SPTs):** SPTs are measurable improvements in KPIs to which issuers commit on a pre-defined timeline. The SLBP recommend that SPTs should be ambitious, comparable, consistent with the issuer's overall sustainability/ESG strategy and pre-determined.
- **Bond characteristics:** Information on KPIs, SPTs and the potential change of a bond's financial and/or structural characteristics (e.g., any potential variation of its coupon and/or redemption value) should be disclosed in the bond issuance documents. The SLBP recommend a clear process and transparent commitments for issuers.
- **Reporting:** The post-issuance report should include up-to-date information on the performance of the selected KPIs, any information enabling investors to monitor the level of ambition of the SPTs, and should be published annually. Refinitiv data is used to track the availability of post-issuance reporting for SLBP alignment and for index eligibility. If the post-issuance report is not available after the 12th month since the issuance or last reporting date, the SLB will be placed on a Watch List for six months. If an issuer fails to release a report within an 18-month period, the bond will be considered ineligible permanently.
- **Verification:** The SLBP suggest that issuers should seek independent and external post issuance verification/assurance of their performance level against each SPT for each KPI. The verification should be made publicly available.

The FTSE Sustainability-Linked Bond Index Series consists of several indices, including:

- **FTSE Global Sustainability-Linked Bond 0+ Years Index (Global SLB0+):** A multi-sector benchmark of global investment-grade and high-yield multi-currency sustainability-linked bonds, which is a superset of the other sustainability-linked bond indices.
- **FTSE World Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index (WorldBIG SLB0+):** Focuses on EUR, GBP, JPY, USD-denominated investment-grade sustainability-linked bonds.
- **FTSE Euro Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index (EuroBIG SLB0+):** Focuses on Euro-denominated investment-grade sustainability-linked bonds.
- **FTSE US Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index (USBIG SLB0+):** Focuses on US Dollar-denominated investment-grade sustainability-linked bonds issued in the US bond market.

Index design criteria & methodology

| | Global SLB0+ | WorldBIG SLB0+ | EuroBIG SLB0+ | USBIG SLB0+ |
|---|--|---|--|--------------------------------------|
| Currency | AUD, CHF, CNH, CNY, EUR, GBP, JPY, USD ² | USD, EUR, JPY, GBP ³ | EUR | USD |
| Quality | IG, HY, NR ⁴ | IG | IG | IG |
| Minimum amount outstanding ⁵ | AUD 100 million CHF 100 million CNH 1 billion CNY 1 billion EUR 500 million GBP 200 million JPY 20 billion USD 250 million | USD 500 million EUR 500 million JPY 50 billion GBP 300 million | EUR 500 million | USD 250 million |
| Base index | 20 Broad Fixed Income indices | World Broad Investment-Grade Bond Index | Euro Broad Investment-Grade Bond Index | US Broad Investment-Grade Bond Index |
| Securities excluded | Asset-backed and mortgage-backed securities | | | |
| SLB eligibility | ICMA Sustainability-Linked Bond Principles (SLBP) alignment by Refinitiv | | | |
| Minimum maturity | Entry: At least one year. Exit: At least one month. Fixed-to-floating rate bonds are removed one month prior to the fixed-to-floating rate date. | | | |
| Weighting | Market capitalization | | | |
| Calculation frequency | Daily | | | |
| Rebalancing | Once a month at month end | | | |
| Base date | October 31, 2019 | | | September 30, 2020 |

² Listed corporate sector only. For sovereign sector, the inclusion is determined by the FTSE Fixed Income Country Classification Framework with accessibility minimum: Level 1.

³ Listed corporate sector only. For sovereign sector, the inclusion is determined by the FTSE Fixed Income Country Classification Framework with accessibility minimum: Level 2.

⁴ No minimum S&P or Moody's rating requirements, non-rated bonds are included, defaulted bonds are excluded.

⁵ Varies by currency and sector. Listed corporate sector only, for sovereign sector, please see WGBI and EMGBI local currency minimum issue size.

For more information about our indexes, please visit ftserussell.com.

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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.

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EMEA

+44 (0) 20 7866 1810

North America

+1 877 503 6437

Asia-Pacific

Hong Kong +852 2164 3333

Tokyo +81 3 4563 6346

Sydney +61 (0) 2 8823 3521