

## 208 FTSE4Good constituents at risk of deletion after implementation of new climate performance standards

- 208 companies, over 10% of the FTSE4Good All World have 12 months to improve climate performance or be deleted from FTSE4Good indexes
- FTSE Russell has utilised the Transition Pathway Initiative (TPI) Climate Change Scores to make the assessments
- Tougher Score requirements set for most carbon intensive industries

FTSE Russell, the global index, data and analytics provider, has identified 208 existing constituents of the FTSE4Good All World that have failed to meet new climate performance standards first introduced at the FTSE4Good 8<sup>th</sup> June 2021 semi-annual index review.

The changes, which also set minimum climate scores for FTSE4Good index inclusion, give constituents until the June 2022 semi-annual index review to meet the required standard or be deleted from FTSE4Good Index Series. Of the 208 companies at risk of deletion, 105 are from higher-emission sectors.

FTSE Russell has utilised Transition Pathway Initiative's (TPI) innovative methodology for analysing the climate performance of listed companies to determine the Climate Change Score. Thresholds are determined by FTSE Russell's classification of developed and emerging markets, as well by a company's sub-sector classification, with the most carbon intensive sectors set higher standards. For further information on these thresholds please visit: [https://research.ftserussell.com/products/downloads/FTSE4Good\\_Index\\_Series\\_Ground\\_Rules.pdf](https://research.ftserussell.com/products/downloads/FTSE4Good_Index_Series_Ground_Rules.pdf)

The changes to the methodology also include aligning the Climate Theme of FTSE Russell's ESG Ratings product with TPI. ESG Ratings scores are determined using over 300 individual indicators across 14 themes.

In July 2020, FTSE Russell issued a market consultation on whether to revise its climate standards for the FTSE4Good index series in recognition of the growing importance of climate considerations in ESG indexes. Respondents were overwhelmingly supportive of the proposed enhancements to the existing Climate Change theme within FTSE Russell's ESG Ratings.

These new climate requirements apply to all indexes within the FTSE4Good index series family, including the FTSE Blossom Japan index, FTSE4Good TIP Taiwan ESG Index and FTSE4Good Bursa Malaysia Index. Multiple Exchange Traded Funds (ETFs) utilise FTSE4Good Indexes, including funds managed by LGIM, Royal London and Japanese Government Pension Investment Fund (GPIF)

The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Transparent management and clearly-defined ESG criteria make FTSE4Good indexes suitable tools to be used by a wide variety of market participants when creating or assessing sustainable investment products.



# Press Release



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The Transition Pathway Initiative (TPI) is a global initiative led by asset owners and supported by asset managers, aimed at investors to help assess companies' preparedness for the transition to a low-carbon economy. FTSE Russell has been the data provider for the TPI since 2017.

**Arne Staal, CEO, FTSE Russell comments:**

"These tougher climate requirements reflect a groundswell of investor demands for companies to develop credible climate transition strategies and emission reduction targets. The introduction of the TPI score will impact all companies but set the highest hurdles for those in the most carbon-intensive industries. Over the next 12 months, we will work closely with constituents at risk of deletion to ensure they understand what is required to retain index membership. It has been 20 years since the launch of FTSE4Good, which has proven to be a leading ESG benchmark family around the world, with a proven track record of driving improvements in corporate standards and environmental, social and governance performance."

**Chad Rakvin, Global Head of Index Funds, Legal & General Investment Management (LGIM), added:**

"We have been managing FTSE4Good benchmarks for over 15 years on behalf of our clients. The industry has moved very fast with respect to the integration of more advanced metrics and best thinking in terms of index construction. Given our support as a Research Funding Partner of the Transition Pathway Initiative (TPI) and our experience in working with FTSE Russell to bring the TPI scoring frameworks into one of our flagship Future World Funds, we are delighted to see this evolution of the FTSE4Good series. We look forward to tackling the ongoing challenges our clients face by equipping them with the right tools to meet their investment, climate, and broad ESG objectives."

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**Notes to editors:**

**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 \$16 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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