

## FTSE Russell launches new Russell US ESG Indexes based on flagship US equity benchmarks

- FTSE Russell introduces six Russell ESG indexes for investors seeking an ESG index that performs like the benchmark
- Based on the Russell 1000, 2000 and 3000 benchmarks, the indexes use screens to ensure that specific controversial business operations are eliminated
- Target exposure methodology ensures risk/return characteristics similar to the underlying benchmarks

FTSE Russell, a leading global index, data and analytics provider, has launched the Russell US ESG Indexes, designed to integrate ESG into institutional-grade US equity indexes. The six new indexes are constructed using robust ESG screening criteria and the target exposure methodology ensures they closely match risk and return characteristics of the underlying benchmarks. FTSE Russell's target exposure approach provides a transparent mechanism for exercising complete and precise control over both investability and ESG objectives.

Based on FTSE Russell's widely used US equity benchmarks, the Russell 1000, Russell 2000 and Russell 3000 indexes, the new index series contains two sub-groups: the Russell ESG Screened Target Exposure Indexes and the Russell ESG Enhanced Target Exposure Indexes. Currently, the Russell US indexes capture 98% of the US investable market capitalization and are tracked by USD 10.6 trillion in passive and active funds.

The ESG Screened versions are for investors who want to remove harmful products or controversial activities and still maintain broad US market exposure. The ESG profile of the underlying index is improved by eliminating exposure to companies involved in the following business operations: Controversial Weapons, Firearms, Tobacco and Fossil Fuels. In addition, companies with the highest ESG controversies are excluded.

The ESG Enhanced versions are designed for investors seeking ESG score enhancement alongside the risk and return characteristics of the underlying benchmark. These indexes not only remove exposure to the same set of controversial business operations as the screened versions, but also incorporate sustainability issues by targeting specific ESG score improvement versus the benchmark. The ESG Enhanced indexes use Refinitiv ESG scores, an innovative framework that measures a company's ESG performance, commitment and effectiveness relative to its industry peers.

**Tony Campos, Head of Sustainable Investment, Americas, FTSE Russell, said:**

"When it comes to sustainable investment, choosing an appropriate index truly matters. The Russell US ESG Indexes was developed for investors looking to incorporate sustainability considerations within a broad market portfolio without impacting the risk and return characteristics of the headline benchmark. Moreover, the two sub-groups were constructed with different client use cases in mind, giving investors options based on their preferences for ESG."

Soaring investor interest in ESG has translated to a growth in assets in the US, with up to \$550 billion AUM now in ESG/SRI funds, an 88% increase since 2018, leading to new index developments, sustained inflows into passive ESG funds, and the mainstreaming of ESG into passive investing. The Russell US ESG indexes can be

used by market participants to benchmark the performance of active ESG funds; as a replacement for core market cap weighted passive portfolios; as a building block in model portfolios; and in the creation of ETFs, structured products and index-based derivatives.

The range of indexes includes:

- Russell 1000 ESG Enhanced Target Exposure Index
- Russell 2000 ESG Enhanced Target Exposure Index
- Russell 3000 ESG Enhanced Target Exposure Index
- Russell 1000 ESG Screened Target Exposure Index
- Russell 2000 ESG Screened Target Exposure Index
- Russell 3000 ESG Screened Target Exposure Index

– Ends –

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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 \$17.9 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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