

Index Overview

FTSE
Russell

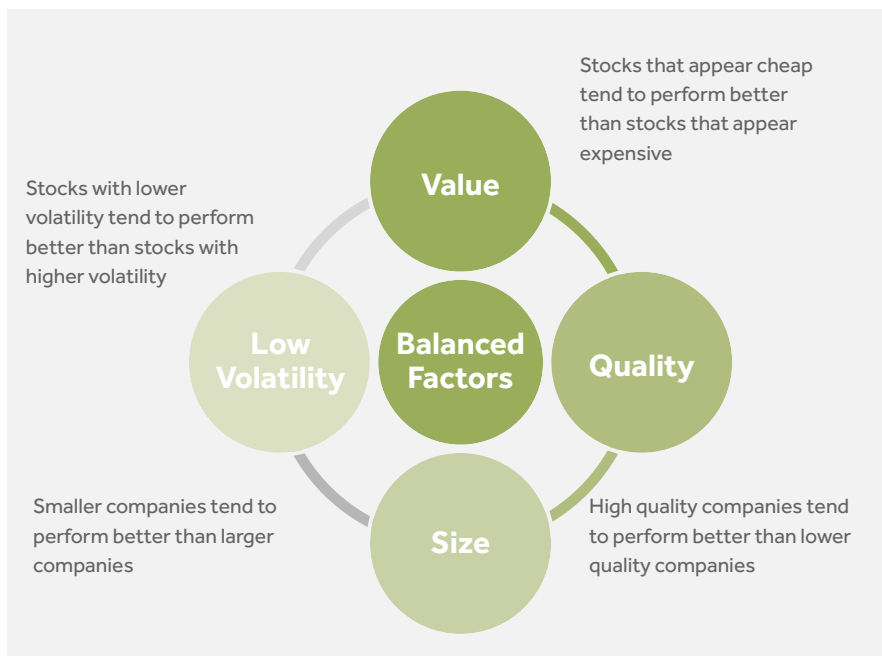
FTSE All-World Ex CW Climate Balanced Factor Index

Smart Beta Meets Smart Sustainability

The index methodology is designed to reflect the performance of a global and diversified basket of securities where their weights are varied to (i) achieve balanced exposures to Value, Quality, Low Volatility and Size factors and (ii) to account for risks and opportunities associated with climate change.

About Factors

A wide body of academic research has identified stock characteristics that are important in explaining performance. Factors have been understood and widely used by active portfolio managers for many years, but are now being systematically incorporated into rules-based indexes. The FTSE All-World Ex CW (Controversial Weapons) Climate Balanced Factor Index provides exposure to four of the most widely utilized factors: Value, Quality, Low Volatility and Size.



Features

- Targets stocks with high factor exposures whilst incorporating climate change considerations
- Green revenues determined by FTSE Russell's Green Revenues data model
- A transparent, rules-based construction process
- The universe of eligible securities is the FTSE All-World Index
- Reviewed with a phased rebalanced twice a year

Incorporating investment beliefs into index design

Climate change is expected to have profound impacts on the prospects and performance of companies across a variety of industrial sectors. Many investors now regard climate change as an investment issue. In portfolio design such investors aim to hedge climate risks and gain exposure to upsides climate change may bring to stocks with particular attributes.



Fossil Fuels

The index methodology reduces exposure to companies that own or are engaged in the exploration or production of fossil fuels or the suppliers of equipment and services to the fossil fuel industry.



Carbon Emissions

The index methodology reduces exposure to companies that emit high levels of CO₂ relative to other companies in the same ICB sector.



Green Revenues

The index methodology increases exposure to companies that produce goods, products and services that allow the world to adapt to, mitigate or remediate the impacts of climate change, resource depletion and environmental erosion.

Index Methodology Overview

- Starting Universe:** FTSE All-World Index. Over 3,000 securities from Developed and Emerging Markets
- Step 1:** Exclude companies that produce 'controversial' weapons: Cluster Munitions, Anti-Personnel Mines, chemical or biological weapons
- Step 2:** For each company we then calculate its exposure to the four factors (Value, Low Volatility, Size and Quality) and *tilt* the index towards those securities with the highest factor exposures
- Step 3:** Decrease the weight of constituents based on their exposure to fossil fuels or carbon emissions and increase weight of constituents with Green Revenues



- Step 4:** Apply standard stock capacity, industry and country constraints
- Step 5:** Publish index
- Regular Reviews** The index is reviewed twice a year in order to update for newly eligible stocks, changes in exposure to factors, fossil fuels, carbon emissions and green revenues

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

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