



Evolution of Sovereign Risk Monitor ESG Data used in FTSE ESG Government Bond Index Series

22 June 2023

Following a market [consultation](#) in April 2023, FTSE Russell announces that the enhanced FTSE Sustainable Sovereign Risk Assessment Methodology (2SRM) ESG data will be used instead of the Sovereign Risk Monitor (SRM) in the [FTSE ESG Government Bond Index Series](#) effective with September 2023 index profiles. Please see the [consultation](#) for a detailed projected impact analysis of this change based on February 2023 index profiles.

The FTSE ESG Government Bond Index Series incorporates a tilting methodology to adjust the index weights of government bonds according to each country's relative ESG score. The weight of each country is based on the market capitalisation of its index-eligible debt and relative ESG performance, measured across three distinct and quantitative Environmental, Social, and Governance pillars (E, S and G pillars) using the SRM methodology.

In a [notice](#) issued on 22 February 2023, FTSE Russell proposed specific enhancements to the environmental pillar of SRM and published a [research paper](#) and [methodology document](#) on 2SRM. The Sustainable Sovereign Risk Assessment Methodology (2SRM) responds to increasing market maturity, customers' needs and the World Bank's recommendations, delivering a renewed and strengthened methodology. 2SRM is a quantitative, relative and systematic approach, based on 36 indicators for 151 countries, divided into three pillars of sustainable sovereign risk assessment.

Beyond Ratings calculates a score on a quarterly basis for each indicator, starting from 1999 until the end of the latest quarter. All indicators are combined at (i) a risk theme level and (ii) a pillar level to obtain an aggregated score, which is derived from advanced statistical and econometric techniques discussed further in the [methodology document](#). Finally, the scores are aggregated from each pillar to obtain an aggregated ESG score.

The FTSE Russell Index Governance Board is responsible for the approval of this proposal. Index users and other stakeholders are informed of FTSE Russell's decisions via Index Announcements.

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