

FTSE Russell launch suite of Paris-aligned climate benchmarks for global equity markets

- FTSE Russell launches the 'FTSE EU Climate Benchmarks Index Series' a comprehensive range of climate-themed equity indexes aligned to the Paris Agreement
- FTSE Russell consulted Brunel Pension Partnership, a major asset owner with more than £35bn in assets under management, on the design of the FTSE Paris-aligned Benchmark range

FTSE Russell, the global index, data and analytics provider, has launched the FTSE EU Climate Benchmarks Index Series, a suite of climate-themed equity indexes that are aligned to the goals of the Paris Agreement to keep global warming below two degrees Celsius by 2050. The index series cover a broad range of developed and emerging equity markets including FTSE All-World, FTSE Developed, FTSE Emerging, Russell 1000, FTSE All-Share and FTSE Australia 200.

The index series, which includes the FTSE Paris-aligned Benchmark (PAB) Indexes, leverages FTSE Russell's expertise in climate data and index design in applying the FTSE Target Exposure Framework. The framework applies a transparent tilt exposure towards and away from index constituents according to several exposure objectives such as fossil fuel reserves, carbon reserves and green revenues to achieve Paris-alignment*.

The PAB index methodology meets the minimum requirements of the EU's Paris-aligned Benchmarks by achieving a 50% reduction in carbon emissions over a ten-year period, while also including Transition Pathway Initiative's (TPI) analysis of how the world's largest and most carbon exposed companies are managing the climate transition. Moreover, the indexes are classified under article 9 of the EU's SFDR legislation as financial products with 'sustainable investment' as the core objective. FTSE Russell also plans to launch a suite of equity indexes aligned to the EU Climate Transition Benchmark (CTB) criteria later in 2021

Brunel Pension Partnership, one of eight Local Government Pension Scheme (LGPS) providers in the UK, has licensed a FTSE Russell PAB index to give its clients the opportunity to adopt it for their passively-managed fund in September 2021.

Brunel Pension Partnership was consulted on the construction of FTSE Russell's new EU Climate Benchmarks Index Series. This included aligning both the PAB and CTB approaches to guidance such as the IIGCC Net Zero Investment Framework, which recommends investors to limit exposure to Thermal Coal and Oil Sands – activities identified as lacking a 'credible pathway towards global net zero emissions.' FTSE Russell's PAB and CTB indexes go further by applying index exclusions to companies that generate over 50% of revenues from these activities.

In addition, the indexes limit the active weight of banking sector constituents to no more than their underlying index weight – to reflect the sector’s funding role for large carbon emitters as a contributory factor to climate change, an impact not currently factored into current climate assessments.

The following indexes are set to go live in the coming weeks:

- FTSE All-World Paris-aligned (PAB) Index
- FTSE Developed Paris-aligned (PAB) Index
- FTSE Developed Europe ex UK Paris-aligned (PAB) Index
- FTSE Developed ex Australia Paris-aligned (PAB) Index
- FTSE Emerging Paris-aligned (PAB) Index
- FTSE All-Share Paris-aligned (PAB) Index
- FTSE Australia 200 Paris-aligned (PAB) Index
- Russell 1000® Paris-aligned (PAB) Index

Aled Jones, Head of SI Product Management, EMEA, FTSE Russell comments:

“Major asset owners are increasingly using climate benchmarks as an effective way to both quantify, and respond to, climate risks and opportunities. We are continuing to see rapid adoption of climate-themed indexes and data sets, especially in the UK and continental Europe. These indices represent the tools investors need to reallocate equity and fixed income portfolios and ultimately achieve climate objectives. Brunel Pension Partnership, who we closely worked with in the development of these indices, now plans to utilise one of the new Paris-Aligned Benchmarks for a passive equity fund, while also shifting performance benchmarks for its considerable suite of actively managed funds. We congratulate them on sending a powerful signal of intent.”

David Cox, Head of Listed Markets, Brunel Pension Partnership, says:

“The broader Brunel Pension Partnership has set out major ambitions on climate investing but also on encouraging wider industry change. This initiative with FTSE Russell enables us to do both, providing a new way to ensure our passive funds are Paris-aligned. Our work with our clients, investment managers and the broader industry has therefore enabled us to make rapid progress as a partnership in a challenging area, finding the climate solutions we need – even when they don’t yet exist.”

Faith Ward, Chief Responsible Investment Officer, Brunel Pension Partnership, says:

“Having Paris-aligned indices to support product design, risk tools and benchmarks was central to Brunel’s Climate Policy. Our work with the IIGCC to help launch the Net Zero Investment Framework and consulting FTSE Russell for its new Paris-aligned index series have been priority projects for Brunel. We hope these projects provide practical investor tools to reduce climate related financial risk and support the climate transition.”

To find out more about the FTSE EU Climate Benchmarks Index Series, please [click here](#). To read ‘Brunel’s index path to net-zero investing’, a Q&A interview with Faith Ward, Chief Responsible Investment Officer at Brunel Pension Partnership and Aled Jones, Head of SI Product Management, EMEA at FTSE Russell, please [click here](#).

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Notes to editors

*The table provides a summary of the FTSE EU Paris-aligned Benchmark Index methodology.

Fossil fuel reserves	Underweight or exclude companies with fossil fuel reserves
Carbon emissions	Underweight companies according to their GHG emissions
Green revenues	Overweight companies engaged in the transition to a green economy as defined by FTSE Russell’s Green Revenues 2.0 data model

TPI management quality	Over or underweight companies according to their management quality of climate issues
TPI carbon performance	Over or underweight companies according to their carbon performance
Net zero pathways	Apply annual decarbonisation targets (7% average annual carbon emissions reduction relative to the index base year) to reach 'net zero' over 10 years
Banking sector cap	Disallow overweight vs market in short-term

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Notes to editors:

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