

FTSE Russell launches first climate index for the inflation-linked government bond market

- FTSE Russell expands climate risk-adjusted index range to multi trillion-dollar inflation linked market
- New index meets investor demand to mitigate both climate risk and inflation risk in global fixed income markets
- Launch follows BlackRock iShares’ selection of FTSE Russell’s FTSE Advanced Climate WGBI and the FTSE Advanced Climate EGBI as the basis of new climate risk-adjusted government bond ETFs

FTSE Russell, a leading global index, data and analytics provider, has launched the first climate risk-adjusted government bond index for the inflation-linked market. The new FTSE Climate Risk-Adjusted World Inflation-Linked Securities Index Series broadens FTSE Russell’s climate solutions to the “Linkers” market.

The market cap for the underlying index, the FTSE World Inflation-Linked Securities Index (FTSE WorldILSI) has grown to nearly \$4trillion by 2021, an increase of \$1.2 trillion over 2 years. With heightening inflation-expectations, the index methodology adjusts for climate risk while offering inflation protection by covering the inflation linked bond market.

The index measures the performance of inflation-linked fixed-rate, local currency, investment-grade sovereign bonds based on eligibility of the FTSE WorldILSI. The index is comprised of inflation-linked government bonds with fixed-rate coupon payments that are linked to a consumer price index, measuring the performance of debt from thirteen countries denominated in their respective local currencies

The methodology also incorporates a tilting methodology that adjusts index weights according to each country’s relative climate risk performance. The index tilts towards government markets that, on a relative basis, demonstrate a greater degree of resilience and preparedness to the risks of climate change. Thereby, offering enhanced diversification and inflation-protection while aligning with climate considerations.

FTSE Russell’s 2020 Smart Sustainability survey of global asset owner’s approach to integrating sustainability considerations found that climate risk tops the list of sustainability themes that asset owners focus on at 64%.

Scott Harman, Global Head of Fixed Income Product Management, FTSE Russell comments:

“Government bond investors face several significant risks to the long-term performance of portfolios, including climate risk and inflation risk. Yet, investors have faced no index solution that simultaneously seeks to address these risks in what is a multi-trillion-dollar market. Our new index combines FTSE Russell’s leading position in the global linkers market with its innovative climate risk-adjusted government bond market indexes.”

Robin Marshall, Head of Fixed Income Research, FTSE Russell comments:

“Market expectations for a global economic recovery from COVID-19 may drive inflationary pressures in the near term, as fiscal stimulus programs drive demand and the vaccine rollout gathers pace, particularly in developed markets. Investors are increasingly aware of how these inflationary pressures can impact returns in fixed income and equity markets, with the linkers market just one way of potentially mitigating the market impact.”

To find out more, please visit: [FTSE Climate Risk-Adjusted World Inflation-Linked Securities Index Series | FTSE Russell](#)

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For further information:

Global Media

Oliver Mann/Lucie Holloway

+44 (0)20 7797 1222

Newsroom@lseg.com

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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