

SOLUTION OVERVIEW

FTSE Canada Universe Ex-Fossil Fuels Bond Index Series

Recalibrating portfolio exposures to fossil fuels



Index overview

As investors increasingly look to manage the carbon exposure in their portfolios, it is critical that they have access to the right tools. There are many ways investors can address the carbon exposure in their portfolios, including explicit divestment, tilting, optimization and shifting assets towards companies that are developing greener solutions.

The FTSE Canada Universe Ex-Fossil Fuels Bond Index Series follows an exclusionary approach to achieve its sustainability objectives. The index series is the first of its kind in Canada's fixed income market to track the performance of constituents of the FTSE Canada Universe Bond Index after the exclusion of companies whose revenue and/or reserve exposure to fossil fuels exceeds a set threshold. The index series takes a comprehensive and stringent approach across the value chain of fossil fuels, based on revenue, for exclusion. It provides a benchmark for investors to use in the management of their fixed income portfolios and offers a range of indices to help investors recalibrate their portfolio exposures to fossil fuels.

The first release of the FTSE Canada Universe Ex-Fossil Fuels Bond Index includes the FTSE Canada Universe Ex-Fossil Fuels Sector Bond Index and the FTSE Canada Universe Ex-Fossil Fuels Enhanced Bond Index. The FTSE Canada Universe Ex-Fossil Fuels Sector Bond Index excludes certain energy sector subgroups according to the FTSE Canada sector classification scheme. The FTSE Canada Universe Ex-Fossil Fuels Enhanced Bond Index excludes those sector subgroups, as well as removing issuers that are identified as having exposure to fossil fuels through business sector, direct revenue involvement and company ownership. Custom solutions can be built by using the two indices as building blocks and applying custom thresholds regarding fossil fuel exposure.

The indices are based on the FTSE Canada Universe Bond Index, the broad measure of the investment-grade fixed-rate bond market in Canada. The Refinitiv Business Classification (TRBC) and Sustainalytics data are used to identify issuers with fossil fuels exposure.

Features

Transparent, consistent methodology

All FTSE Canada Fixed Income indices are built and maintained using a rules-based, transparent methodology. The FTSE Canada Universe Ex-Fossil Fuels Bond Index offers a level of transparency that is integral to the evolution of the sustainable fixed income market.

Representative

The FTSE Canada Universe Ex-Fossil Fuels Bond Index Series reflects new entries and exits, on a daily basis, consistent with the FTSE Canada Universe Bond Index, with a monthly review of issuers' fossil fuel exposure to ensure timely exclusion, where necessary.

Modular construction

The modular construction of the FTSE Canada Universe Ex-Fossil Fuels Bond Index Series provides granularity and a customization capability to the Canadian fixed income market. It facilitates robust market research and analytics with a rich set of constituent-level and index-level data.

Rich historical data

Over 15 years of history to December 30, 2005 is available, providing a rich set of constituent-level and index-level data to help investors track the market.



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Product highlights of Canada’s first ex fossil fuels bond index series

Sustainable investment	In-depth research	Custom capability	Consistency and accessibility
The new index series focuses on sustainable investment in the Canadian fixed income market. It allows climate-conscious investors to align their investment strategy and their financial interests and values.	In addition to the FTSE Canada index data, TRBC and Sustainalytics data are used to identify an issuer’s business activity, revenue involvement, and significant ownership in the fossil fuels industry.	Customization allows the index series to offer a spectrum of exclusionary approaches, with varying exclusion thresholds for investors with different needs.	With a transparent and rules-based index methodology, investors can access the bond-level and index-level analytics consistent with the FTSE Canada Universe Bond Index.

Methodology overview

	FTSE Canada Universe Ex-Fossil Fuels Bond Index Series
Currency	CAD
Base index	FTSE Canada Universe Bond Index
Security exclusion	<p>Universe Ex-Fossil Fuels Sector:</p> <ul style="list-style-type: none"> – Excludes the Energy-Distribution, Energy-Exploration, Energy-Integrated, and Energy-Pipelines subgroups based on FTSE Canada sector classification <p>Universe Ex-Fossil Fuels Enhanced:</p> <ul style="list-style-type: none"> – In addition, excludes the issuers that belong to the TRBC sectors that show exposure related to fossil fuels, and those that are identified by Sustainalytics as having direct involvement or significant ownership in fossil fuels
Additional exclusion	Excludes issuers that are identified by Sustainalytics as having exposure to controversial conduct and product involvements in the following categories: controversial weapons, tobacco, thermal coal extraction, UNGC controversies
Maturity	At least one year
Minimum amount outstanding	At least \$100MM at issuance
Minimum number of buyers	Minimum 10 buyers at issue
Rating	Investment Grade
Weighting	Market Cap
Rebalancing	The indices are rebalanced on a daily basis, with reconstitution on the last business day of each month for product involvement research update based on the monthly TRBC and Sustainalytics data
Settlement	T+0
Base date	December 30, 2005
Sub-indices available	Sector/Term/Rating sub-indices available

Index statistics (as of 2022/05/31)	Average yield	Average coupon	Modified duration	Number of bonds	Total market value (\$bn)
FTSE Canada Universe Bond Index	3.54	2.84	7.44	1,628	1,857
FTSE Canada Universe Ex Fossil Fuels Enhanced Bond Index	3.44	2.73	7.35	1,239	1,689
FTSE Canada Universe Ex Fossil Fuels Sector Bond Index	3.47	2.77	7.41	1,377	1,765

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