

September 2023

Public minutes

FTSE Russell Sustainable Investment Advisory Committee

12 September 2023



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Attendees

Members: sixteen (16); apologies: nine (9)

Digital Assets Research: one (1)

FTSE Russell: nine (9) including the Chair and Committee Secretary

Attendees were reminded of their obligations in relation to confidentiality of information, conflicts of interest and competition law. There were no declarations.

1. **Statutory governance matters and committee information**

1.1 Membership changes

1.1.1 FTSE Russell welcomed three new members to the advisory committee.

1.1.2 FTSE Russell thanked three outgoing members for their contribution to the advisory committee.

1.2 Minutes

1.2.1 The minutes of the meetings held on Wednesday 01 March 2023 (Technical Committee), and Monday 06 March 2023 (Strategic Committee) were approved as presented.

1.2.2 The public minutes of the meetings held on Wednesday 01 March 2023 (Technical Committee), and Monday 06 March 2023 (Strategic Committee) were approved as presented.

1.3 Governance

1.3.1 New Committee Terms of Reference (presented for endorsement): the advisory committee endorsed the new Committee Terms of Reference following the merger of the Strategic and Technical advisory committees into one committee structure in August 2023.

1.3.2 Annual review of the Statement of Principles (presented for endorsement): the advisory committee raised no objections for the minutes to state that the Statement of Principles document continues to meet the purpose for which it was designed. There were no changes to the document apart from an update to the disclaimer date.

1.4 Action points and matters arising

1.4.1 There were no action points.

1.5 Key notices and updates

1.5.1 Recent key notices and research reports were highlighted for the committee's benefit. There were no comments.

2. **Index methodology and policy: Equity**

2.1 EU SFDR Article 8 and sustainable investment indices (presented for discussion): an overview of FTSE Russell's internal guidance on how specific concepts from the EU Sustainable Finance Disclosure Regulation (SFDR) Article 8 could be considered within FTSE Russell Sustainable Investment (SI) indices was provided in the meeting materials.

2.1.1 This guidance is based on FTSE Russell's current understanding of the SFDR regulations, and these views may change over time as the SFDR is reviewed or market consensus emerges. Although Benchmark Administrators such as FTSE Russell are not in scope of the SFDR, index users may need to be compliant. A discussion took place, and the committee members provided their feedback.

2.1.2 FTSE Russell thanked the committee members for their comments and said they would reflect on the feedback provided.

2.2 Controversies assessments – forced labour and trade policies for equity and fixed income indices (presented for information): at the March 2023 committee meeting, FTSE Russell had requested feedback from committee members on approaches to trade policy lists that ban products made under alleged forced labour conditions and whether these lists could be considered within SI indices. The advisory committee recognised the complexity of using these lists, particularly noting the practical challenges of using such lists for indices and had suggested FTSE Russell could consider the use of alternative lists. To this end, a summary of FTSE Russell’s findings was provided in the meeting materials. Overall, FTSE Russell concluded that these alternative lists were not suitable for index exclusion purposes. FTSE Russell will continue to engage with third party data providers on trade policy lists and controversies assessments.

2.2.1 A discussion took place, and the committee members provided their comments.

3. Index methodology and product update: Fixed Income

3.1 Enhancement to the FTSE Fixed Income ex Fossil Fuel Enhanced indices (ex-FFE) (presented for discussion): the ex-FFE index series is designed to represent the performance of securities after the exclusion of issuers with exposure to the fossil fuel sector through direct involvement and company ownership. Excluded issuers are involved in fossil fuel production, related products or services, as well as distribution, retail and power generation. The exclusions also include the minimum set of exclusions.

3.1.1 FTSE Russell invited the committee members to provide feedback on whether the ex-FFE index exclusions should be extended, given new data available for thermal coal activities.

3.1.2 A discussion took place, and the committee members provided their comments.

3.1.3 FTSE Russell thanked the committee members for their comments and said they would reflect on the feedback provided. *Post-meeting note:* FTSE Fixed Income ex Fossil Fuels Enhanced Index Series – Ground Rule Update – Published 15 March 2024

3.2 Cash flow assumptions for Sustainability-Linked Bonds (SLBs) (presented for discussion): SLBs are bonds where the structure and returns (i.e., coupon, redemption value) are linked to the achievement of predefined sustainability objectives. SLBs commit explicitly to future improvements in sustainability outcome(s) within a pre-defined timeline, as measured through Key Performance Indicators (KPIs) and assessed against Sustainability Performance Targets (SPTs).

3.2.1 The FTSE Sustainability-Linked Bond Index is designed to measure the performance of global SLBs which are aligned with International Capital Markets Association (ICMA) Sustainability-Linked Bonds Principles (SLBP). FTSE Russell invited the committee members to provide feedback with regard to future cash flow for SLB analytics purposes.

3.2.2 A discussion took place, and the committee members provided their comments.

3.2.3 FTSE Russell thanked the committee members for their comments and said that they would reflect on the feedback provided.

3.3 One item was discussed.

4. AOB

4.1 One item was discussed.

5. Meeting dates

5.1 The meeting dates for 2024 were included in the agenda and duly noted.

5.1.1 2024: 16 May / 04 November

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