

FTSE Russell index selected by BlackRock for first climate risk-adjusted government bond ETF

- FTSE Russell's 'Advanced Climate EGBI' selected as benchmark for the first climate risk-adjusted government bond ETF in the market
- The iShares € Govt Bond Climate UCITS ETF consists of sovereign debt from European Monetary Union (EMU) countries
- The index adjusts country weights based on a forward-looking assessment of climate risk faced by sovereigns in the EMU using three pillars, physical risk, transition risk and resiliency
- The UCITS product starts trading on 5 October in Germany

FTSE Russell, the global index, data and analytics provider, has been selected for the launch of the iShares € Govt Bond Climate UCITS ETF (the Fund), which began trading on Deutsche Börse's ETF venue, Xetra, on 5 October 2020. The Fund offers access to Eurozone government bonds while seeking to provide a higher exposure to countries less exposed to climate change risks and a lower exposure to countries that are more exposed to climate change risks.

Building on the launch of the FTSE Climate Risk-Adjusted European Monetary Union (EMU) Government Bond Index ('Climate EGBI') in January 2020, the Advanced Climate EGBI differs from the parent index by applying scores for physical risk, transition risk and resiliency in equal measure. The index is designed for index users with an increased focus on climate performance of their government bond portfolios and is the result of close collaboration with Blackrock's team over recent months.

The FTSE Advanced Climate Risk-Adjusted EMU index incorporates a tilting methodology that adjusts index weights according to each country's relative exposure to climate risk, with respect to resilience and preparedness to the risks of climate change. This includes an assessment of the expected economic impact of transitioning to greenhouse gas emissions levels aligned with the Paris Accord target of less than 2°C by 2050, known as transition risk. An assessment of the physical risk of climate change such as sea level rises and the resiliency of countries to tackle these risks is also assessed.

The Advanced Climate EGBI is on average 26% better aligned to a 2-degree pathway and provides an average annual GHG reduction of 204 MtCO₂, or 7% reduction vs the underlying EGBI index.

Arne Staal, Global Head of Research and Product Management, FTSE Russell, said:

"The decision by a leading investor and ETF provider such as Blackrock to license FTSE Russell's Advanced Climate EGBI for an ETF listing marks an important juncture in climate themed investing in European fixed income markets. Both institutional and private asset owners are increasingly including climate objectives in their decision making and are adjusting fixed income portfolios based on climate concerns. We expect growing interest from investors in this area."

Brett Olson, Head of iShares fixed income, EMEA, at BlackRock, said:

"Sovereign issuers are facing increasing pressure to meet sustainability criteria, as more investors consider the ESG profile of their fixed income portfolios. Until today, investors have had very limited options for cost effective



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exposure to government bonds that incorporate climate risk. This launch is yet another example of our commitment to providing investors with more choice to build sustainable portfolios.”

Index methodology:

The FTSE Advanced Climate Risk-Adjusted European Monetary Union (EMU) Government Bond Index follows the rebalancing mechanics of the standard EGBI and applies the scores for physical risk, transition risk and resiliency in equal measure. Climate scores are calculated based on a transparent methodology and updated on an annual basis each May.

The country climate scores are derived by assessing each country’s relative climate risk across three core climate risk pillars (each with multiple sub-indicators):

- **Transition risk** represents the level of climate related risk exposure of the country’s economy as measured by the distance to reach the modelled emissions needed to meet a 2-degree alignment
- **Physical risk** represents the level of climate related risk exposure to the country and its economy from the physical effects of climate change
- **Resilience** represents a country’s preparedness and actions to cope with its level of climate related risk exposure

Countries are scored across each of the pillars and a single combined score is derived for each country. Country scores are then used to reweight the country’s exposure in the index to provide higher exposures to countries that are better prepared for climate change risks and lower exposures to countries that are more threatened by climate change risks.

– Ends –

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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.

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