Client engagement story

FTSE Russell

A multi-asset, green investment approach

"From our perspective, FTSE Russell were ahead of the curve, relative to the competition, in having a really impressive, granular set of green revenue data. That, for us, was obviously very appealing."

– DANIEL BOWIE-MACDONALD, INVESTMENT SPECIALIST, MULTI-ASSET INVESTING
  ABERDEEN STANDARD INVESTMENTS

Aberdeen Standard Investments

ABOUT THE CLIENT

Profile

Aberdeen Standard Investments (ASI) manages £455.6bn of assets for governments, pension funds, insurers, companies, charities, foundations and individuals across 80 countries.

Objectives

ASI was seeking a data model to help identify new investment opportunities and support regulatory reporting in its new Multi-Asset Climate Solutions Fund.

Solution

FTSE Russell's Green Revenues 2.0 data model measures the green revenue exposure of more than 16,000 listed companies across 48 developed and emerging markets.

Aberdeen Standard Investments: Client profile

Aberdeen Standard Investments (ASI) offers solutions that span equities, multi-asset, fixed income, liquidity, sovereign wealth funds, real estate and private markets. The firm's aim is to transform new investment ideas into practical investment products, designed to deliver real value for money to investors.

As at 30 June 2020, ASI managed a total of £455.6bn (€501.2bn/$562.9bn) of assets on behalf of governments, pension funds, insurers, companies, charities, foundations and individuals across 80 countries.

Objective: Find cross-asset climate opportunities

In early 2021, ASI launched the Multi-Asset Climate Solutions (MACS) fund in partnership with The Big Issue Group (TBIG), which works with over 1,700 vendors who earn a living by selling the Big Issue magazine. ASI has committed to sharing 20% of the net revenue generated by the fund to support TBIG's social causes. The Fund is available for sale in the U.K.

The MACS fund seeks to invest in companies whose products and services play a decisive role in mitigating climate change and building a more sustainable future. These companies are expected to grow rapidly as the world accelerates its shift towards net zero carbon emissions. As a multi-asset fund, MACS enables investors to participate in the climate shift whilst spreading risk across climate-focussed equities and bonds, renewable infrastructure trusts and real estate.

The key aims of the MACS fund are to:

- Find companies driving the shift to a zero-carbon green economy

- Use a multi-asset approach to diversify risk

- Help investors fund the climate transition with historically less volatile returns

- Promote investment in renewable energy, electric vehicles, smart working, energy-efficient buildings and other green technologies

- Exclude investment in fossil fuel producers and controversial activities

Solution: FTSE Russell's Green Revenues data model

To help identify the cross-asset-class climate change investment opportunities that most aligned with its objectives, ASI turned to FTSE Russell's Green Revenues 2.0 data model.

This model measures the green revenue exposure of more than 16,000 listed companies across 48 developed and emerging markets, covering over 98% of the total global equity market capitalization.

FTSE Russell identifies any company with revenues derived from environmental products and services, classifies the green revenues based on FTSE Russell's Green Revenues Classification System (GRCS), and calculates a green revenues percentage, representing the portion of green revenues generated in a single fiscal year as a percentage of the company's overall revenues.

Aberdeen Standard Investments Multi-Asset Climate Solutions (MACS) fund

Launched in February 2021, the ASI MACS fund is designed for those who want to invest in companies whose products and services play a decisive role in mitigating climate change and building a more sustainable future.

These companies are expected to grow rapidly as the world accelerates its shift towards net zero carbon emissions.

FTSE Russell's Green Revenues Classification System (GRCS)
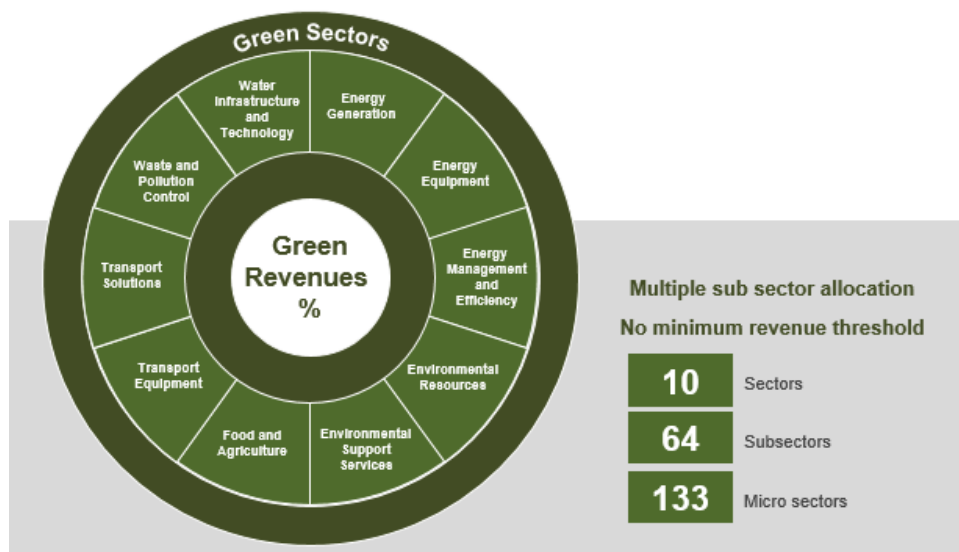
The Green Revenues 2.0 data model was launched in 2020 to offer enhanced granularity and usability, featuring:

- An expanded taxonomy based on a broad range of green products and services, covering 10 sectors, 64 subsectors, and 133 micro sectors.

- A green tiering system to assess the level of net environmental impact over seven environmental objectives, assigned to three tiers.

- An estimation methodology for all companies that do not disclose this data based on additional non-revenue disclosures and modeling of available data at the industry sub-sector level.

Green revenues data can be mapped over time, calculated across any of the green sectors, subsectors, and micro sectors, and aggregated by company size, traditional industrial classifications, country, region or globally.

A detailed corporate financial history, dating back to 2008, allows users of the model to identify and analyze the structural shift to a green economy across public companies.

Meeting new regulatory reporting requirements

Under a new action plan on sustainable finance, adopted in 2018, the European Union (EU) took steps to integrate sustainability considerations into its financial policy framework and to mobilize future financial flows to support sustainable growth.

The plan included ten key actions, the first of which was to establish a clear EU taxonomy—a formal classification system for sustainable economic activities. This taxonomy will come into force at the end of 2021 and will impose a number of obligations on companies that offer investment products for sale within the EU.

Soon, providers of financial products focused on sustainability will be required to disclose how, and to what extent, the underlying investments support economic activities that are aligned with the taxonomy. And companies within the scope of the EU's Non-Financial Reporting Directive, which came into effect in 2018, now have to disclose whether and to what extent their activities are associated with environmentally sustainable economic activities.

The proposed EU taxonomy and FTSE Russell's Green Revenues Classification System are similar in structure and highly aligned on core activities. Although the GRCS is somewhat broader in scope than the EU taxonomy, its modular structure allows GRCS users to exclude these elements when calculating taxonomy-aligned revenues.

Additional information

Get more information about FTSE Russell's green revenues data model.

For other information on our products and services, visit ftserussell.com.

About FTSE Russell

FTSE Russell is a leading global provider of benchmarks, analytics and data solutions with multi-asset capabilities, offering a precise view of the markets relevant to any investment process. 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 investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for performance benchmarking, asset allocation, investment strategy analysis and risk management.

To learn more, visit ftserussell.com; email info@ftserussell.com; or call your regional Client Service Team office

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