

# REFINITIV FUTURE SUPER AUSTRALIA FOSSIL FREE INDEX

## Index Methodology

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## Intended Readership

This document provides details on the construction and maintenance of the Refinitiv Future Super Australia Fossil Free Index.

## Document Publication

This document is available on the Refinitiv website and on request.

## Feedback

Your questions about the document, suggestions, and contributions are welcome. Please address enquiries to: [IndexManagers@refinitiv.com](mailto:IndexManagers@refinitiv.com)

# 1. INTRODUCTION

## 1.1 Refinitiv Indices

Serving more than 40,000 institutions in over 190 countries, Refinitiv provides information, insights and technology that drive innovation and performance in global financial markets. Our heritage of integrity enables our customers to make critical decisions with confidence while our best-in-class data and cutting-edge technologies enable greater opportunity.

We enable the financial community to trade smarter and faster, overcome regulatory challenges, and scale intelligently.

Refinitiv provides trusted and innovative indices and index-related services to the investment community. Whether one requires indices for benchmarking, or for the development of investment vehicles, Refinitiv offers a range of index solutions to satisfy the requirements.

## 1.2 Future Super

Future Super Group is a specialist ethical investment company that directly manages over \$3 billion in superannuation for Future Super, Verve Super and Cruelty Free Super. The company also provides specialist ESG advice to investment managers totalling a further \$3 billion in FUM.

For more information: [Future Super | Ethical & Sustainable Superannuation](#)

## 1.3 The Index

An increasing number of investors are seeking to avoid exposure to the fossil fuel industry, which is considered to carry significant environmental social and governance (ESG), as well as financial, risks.

The fossil fuel divestment movement is one of the largest and fastest growing social movements in history. For many responsible investors, fossil fuels are now considered in the same category as tobacco, gambling and armaments, as key business activities that have lost their social licence.

Furthermore, as the world transitions to clean energy sources, fossil fuel assets are at a risk of becoming stranded assets. Some experts have suggested that up to 80% of the world's known fossil fuel reserves will need to stay in the ground if global leaders execute a plan to limit global warming to 2 degrees Celsius.

Global action on climate change is already having an effect on the valuation of some fossil fuel companies. As fossil fuel assets become stranded, the financial effects may flow on to those businesses who significantly rely on servicing the fossil fuel industry, or which have provided finance to fossil fuel projects.

While fossil fuel free indices have been operating in the United States and Europe for a number of years, the Refinitiv/Future Super Australia Fossil Free Index is the first fossil fuel free index to be offered in Australia.

## 1.4 Constituent Universe

The Fossil Free Index is derived from the stocks of the Refinitiv Australia Index, which is an index of approximately 300 of the largest Australian companies by market capitalization listed on the Australian Securities Exchange (ASX).

The Refinitiv Australia Index is a free float adjusted market capitalization weighted index. It is a broad market index including large, mid, small and certain micro caps, providing investors with exposure to stocks on the Australian Securities Exchange. The parent Refinitiv Australia Index has the following inclusion criteria:

- A minimum 15% free float (companies are dropped if free float falls below 10% after inclusion);
- A minimum of 3 months trading history;
- Companies with multiple international listings are included on the basis of country of incorporation, security's primary listing and volume. In most cases, the country of incorporation is same as primary listing. For few exceptions where the country of incorporation is not where the security has the primary listing, Refinitiv uses the security's primary listing to determine membership.
- Various liquidity measures are used to ensure illiquid companies are not included in the index, and all constituents need to satisfy the following criteria:
  - Be part of the top 99.5% of the free float market capitalisation of the exchanges under consideration;
  - Be part of the top 99.5% of the trading value of the exchanges under consideration;
  - Trade on at least 90% of trading days; and
  - Have a minimum unadjusted market cap of US\$150mn and free float adjusted market cap of US\$75mn

The parent index is rebalanced biannually every April and October.

For a complete description of the index rules, please refer to the methodology for Refinitiv Global Equity indices, [here](#)

## **2. CONSTRUCTION METHODOLOGY**

### **2.1 Universe**

The Index Universe is made of companies from countries as described in section 1.4

The universe is as observed on the review effective date.

### **2.2 Data**

The Investment Committee for Future Super have drawn on their knowledge and considerable history in responsible investment in creating the processes for the Australian Fossil Free Index and applying the company research to create the final Index.

Among the sources of input and data to the Index include, but are not limited to: company annual reports, sustainability reports and public statements; the Refinitiv Corporate Responsibility Ratings ethical research database and Eikon database; Corporate Analysis Enhanced Responsibility (CAER) and the EIRIS Global Platform; Project Finance Databases; and NGOs including Market Forces; the Ethical Consumer Guide; and the Business and Human Rights Resource Centre.

### **2.3 Composition list**

The index is market capitalization weighted. The constituent universe for the index construction is derived from the stocks that meet the eligibility criteria. This criterion is derived via following process:

“Removal of companies which are directly involved in the fossil fuel industry. Companies which are directly involved in the fossil fuel industry are those which have fossil fuel reserves, or are involved in the mining, extraction, burning or transportation of fossil fuels, as well as critical infrastructure such as gas pipelines.”

The remaining eligible securities form the Refinitiv/Future Super Australia Fossil Free Index. The securities in the Index are then weighted according to market capitalization.

### **2.4 Security types**

Only the common stocks types are included in the Index.

### **2.5 Index types, currencies, calculation frequency**

Price return and Total return, Currency: AUD. Ticks real time, pricing every 15 seconds.

### **3. CALCULATION METHODOLOGY**

The index follows the methodology of Refinitiv Global Equity Indices. For details on data requirement, construction and calculation methodology of Refinitiv Global Equity Indices, please refer Refinitiv Global Equity indices Methodology document [here](#).

## 4. MAINTENANCE

### 4.1 Daily Index Maintenance

The securities which form the Index are re-weighted due to changes in the price of the underlying securities change.

The index is maintained on a daily basis by a dedicated support team. This team is in direct collaboration with the Refinitiv Data Operations Global Corporate Actions teams, and is responsible for identifying all corporate action events that affect the capital structure of a constituent in the index including stock splits, delisting, and symbol changes and ensure these changes are implemented into the index. The team also monitors divisor movements and performs constituent pricing comparisons between independent constituent price sources to ensure the accuracy of the index return values. Where a security in the Index is subject to a merger or acquisition activity or delisting, the security will be deleted from the Index as set out in the Refinitiv Corporate Action Methodology that is available [here](#).

If a company begins to have direct exposure to fossil fuels, then the company may also be removed from the Index prior to the scheduled assessment and re-evaluation of the Index.

### 4.2 Index Rebalance

The index is rebalanced bi-annually, effective on the third Monday of April and October. This rebalance is the major source of additions and deletions to index. There are no additions to the Index outside of the re-balance process.

## **5. Quality Control**

### **5.1 Quality Control**

Refinitiv has quality control procedures in place to monitor any prices, whether they are obtained from a regulated exchange or other market, prior to calculation of indices as well as prior to publication.

### **5.2 Re-Statement Policy**

A retrospective recalculation will only be made when a manifest and material error has been identified. Any retrospective recalculation will be notified to users via the alert system on Refinitiv Eikon.

### **5.3 Insufficient Data and Market Disruptions**

Refinitiv endeavors to develop and publish indices only where Refinitiv has a high level of confidence of long-term availability and access to the necessary data to administer the indices.

A “Market Emergency” is herein defined as any unscheduled and extraordinary condition in which liquidity in the markets used to source input data is interrupted (such as an event resulting in the unscheduled closing of futures exchanges). Should a Market Emergency occur, Refinitiv reserves the right to take such action with respect to the Index as it deems appropriate given the circumstances and after consulting with the Index Action Committee as appropriate.

Refinitiv will attempt to notify interested parties of any such actions as well in advance as is practicable. There is no assurance, however, that following a Market Emergency, the actions taken in response to such Market Emergency, or any other force majeure event, will not have an adverse effect on the value of the Index or the way it is calculated.



## 6. GOVERNANCE

There are two committees to oversee the Australia Fossil Free Index. One is at Future Super that is responsible for the construction of the index and another is at Refinitiv Index Business that ensures that the attributes the index claims to possess – the necessary liquidity, capitalization assignment (large, mid or small-cap) or style considerations – are indeed present.

### 6.1 Investment Committee at Future Super

The following are the Key Personnel for Future Super in the construction of the Australian Fossil Free Index, including the members of Future Super’s Investment Committee.

#### **Lee Brennan - Executive Chairperson**

Previous: Alternatives and Impact Portfolio Manager, Future Super Group  
Community Asset Specialist, Bendigo Bank  
Head of Research, Ethical Investment Services

#### **Dan East**

Current: Strategic Adviser, Future Super Group  
Previous: Chief Investment Officer, Future Super Group  
Chief Executive Officer, Grosvenor Pirie Management Ltd

#### **Geraldine Barlow**

Previous: Executive General Manager of Investments, Australian Unity  
Head of Real Return and Real Estate, New Mexico State Investment Council  
Investment Director, Hastings Funds Management USA

#### **Tim Macready**

Current: Chief Investment Officer, Brightlight Impact Advisory  
Previous: Chief Investment Officer, Christian Super

#### **Karen McLeod**

Current: Principal, Ethical Investment Advisers  
Chairperson, Ethical Advisers Co-Op

#### **Adam Verwey**

Current: Executive Director, Investments & Co-Founder, Future Super Group  
Previous: Senior Relationships Manager, Australian Ethical Investment

#### **Emily Flood**

Current: Head of ESG and Impact  
Previous: Senior Grants Coordination and Public Ancillary Fund Administrator, Good2Give  
Other: Australian Sustainable Finance Initiative Working Group Four / RI Certification Ratings Initiative  
Technical Input Group Impact Measurement and Management Community of Practice

## **6.2 Index Action Committee at Refinitiv**

There is an internal index action committee (IAC) at Refinitiv Indices. The IAC reviews country and region indices and rebalances. It is composed of the Refinitiv Equity Indices Benchmarks Manager, Refinitiv Commodity Indices Benchmarks Manager, Head of FX Benchmarks Research & Design, Development Manager and Head of Data Operations.

The main activity of this Index Action Committee is to insure that the attributes the index claims to possess – the necessary liquidity, capitalization assignment (large, mid or small-cap) or style considerations – are indeed present. These reviews take place at each rebalance and at each quarterly review. The Index Action Committee also deals with unusual corporate actions which are not handled by the pricing methodology or by the internal data management team that makes hand- adjustments to the index for items such as mergers and delistings. These reviews take place on a monthly or more frequent basis. Finally, as each index needs a minimum number of constituents in order for its price to be computed, the Index Committee decides if an index should be discontinued or possibly resurrected. This decision will normally be made during the rebalance period but could happen more often.

## **6.3 Benchmark Manager**

The Benchmark Manager is a subject matter expert and is responsible for the integrity and quality of the Index which includes the following specific responsibilities:

- Interpreting the Index Methodology and implement the change procedure (if any)
- Reviewing feedback received from the Index stakeholders.
- Developing and implementing changes to the Index Methodology pursuant to feedback from Index stakeholders or in response to market events, subject to Section 7.2, Cessation of an Index.
- Managing interaction with Index stakeholders

## **6.4 Index Stakeholder Feedback**

The Benchmark Manager may seek the views of market participants and other Index stakeholders on a bilateral basis from time to time or through one or more Index Advisory Groups. Issues on which the Benchmark Manager may consult Index stakeholders include conditions in the underlying markets that the Index represents, the representativeness of the input data used in the determination of the Index, the performance of the index with respect to the underlying markets that it represents, potential changes to the index calculation methodology, the weight calculation algorithm and exceptional market events.

## **7. METHODOLOGY REVIEWS AND CHANGE PROCEDURES**

### **7.1 Review of the Methodology**

The Refinitiv Future Super Australia Fossil Free Index Methodology is reviewed once a year and, if required by market events, more frequently. Any potential changes to the Methodology are reviewed by the Index Action Committee.

### **7.2 Cessation of An Index**

Refinitiv aims not to stop the publication of any index that is used as a benchmark.

For those cases where Refinitiv does decide to stop the publication of an index, Refinitiv will look to find a suitable successor to its role as Administrator of the index. Should no successor be found, Refinitiv will conduct a consultation with any relevant stakeholders, the Index Action Committee and the Refinitiv Independent Oversight Committee. Refinitiv will publish a notice on its website about the possibility of stopping the publication of the Index and inviting anyone to provide feedback.

Such notice will be posted at least 6 months, where possible, prior to cessation of publication of the index, or on a best efforts basis for circumstances beyond the control of Refinitiv. After the consultation period, Refinitiv will publish externally the timeline for cessation. Internally, detailed operating procedures will be drafted to ensure a managed cessation.

**CONTACT US:**

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