SOLUTION OVERVIEW

FTSE Environmental Markets Index Series

Identifying global companies involved in environmental business activities

Overview

The green economy is associated with increased financing of environmental solutions – from reducing greenhouse gas emissions to managing waste and addressing soil, water and air pollution. Over the past decade, revenues from green products and services across our equities' coverage have more than doubled to over US$5.1 trillion in 2024[1].

LSEG's recently published Green Economy Report, published annually since 2018, informs us that expansion in the green economy has been even faster in valuation terms. Between 2014 and 2024, the market capitalisation associated with the green economy grew at a compound annual growth rate (CAGR) of 14.7%. In this time frame, only the Technology sector expanded faster (18% CAGR)[2].

How can investors access the green economy?

The **FTSE Environmental Markets Index Series**, launched in 2008, offers a reliable proxy for the green economy, providing investors with a focused way of accessing it through equities with high green revenues. The series has input from the independent FTSE Russell Green Industries Advisory Committee, which consists of senior and leading expert members from the investment community. The series is broken down into two sub-series: the **FTSE Environmental Opportunities Index Series (EOIS)** and the **FTSE Environmental Technology (ET) Index Series** (see Figure 1).

Both index series' are based on FTSE Russell's Green Revenues Classification System, see Figure 2, which identifies green products and services across the value chain, covering 10 sectors, 64 subsectors and 133 micro sectors, and use the Green Revenues 2.0 data model[3]. which quantifies balance sheet exposure to environmental activities, for constituent selection.

Key Features

FTSE Environmental Opportunities Index Series

- Measures the performance of a range of companies that have significant involvement in environmental business activities
- Companies are required to have at least 20% of their business revenues derived from environmental markets and technologies to be eligible.

FTSE Environmental Technology Index Series

- Measures the performance of pure play companies i.e. those with a core business focused on the development and deployment of environmental technologies
- Companies are required to have at least 50% of their business revenues derived from environmental markets and technologies to be eligible.

1 Investing in the green economy 2025 report, LSEG

2 Investing in the green economy 2025 report, LSEG

3 [Green Revenues 2.0 Data Model | LSEG]

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Figure 1. The two index sub-series

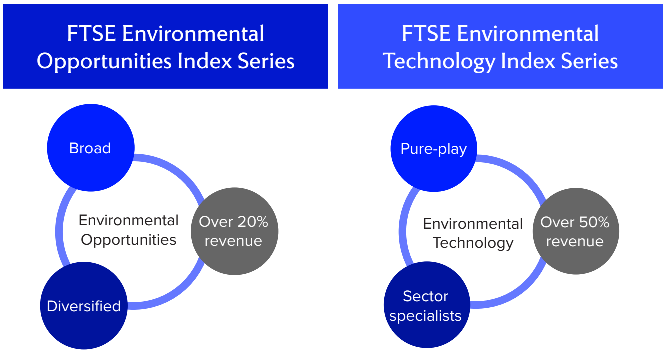
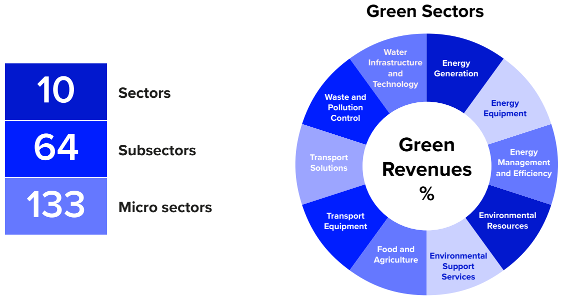


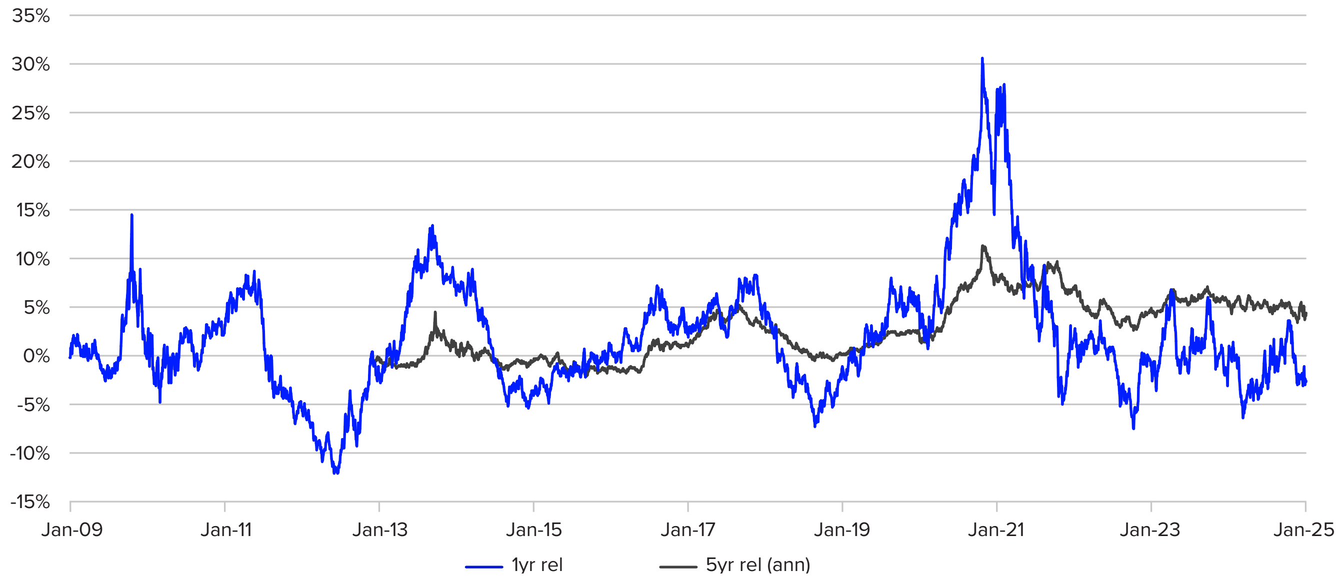
Figure 2. FTSE Russell's Green Revenues Classification System



The FTSE Environmental Opportunities Index Series (EOIS)

Indices within this series measure the performance of global companies that have significant involvement in environmental business activities as defined by the FTSE Green Revenues Classification System (GRCS). These include energy generation, energy equipment, energy management and efficiency, environmental resources, environmental support services, water infrastructure and technology, waste and pollution control, food and agriculture, transport solutions, and transport equipment. The series requires companies to have at least 20% of their revenues derived from environmental products and services.

Figure 3. 1yr & 5yr rolling relative performance



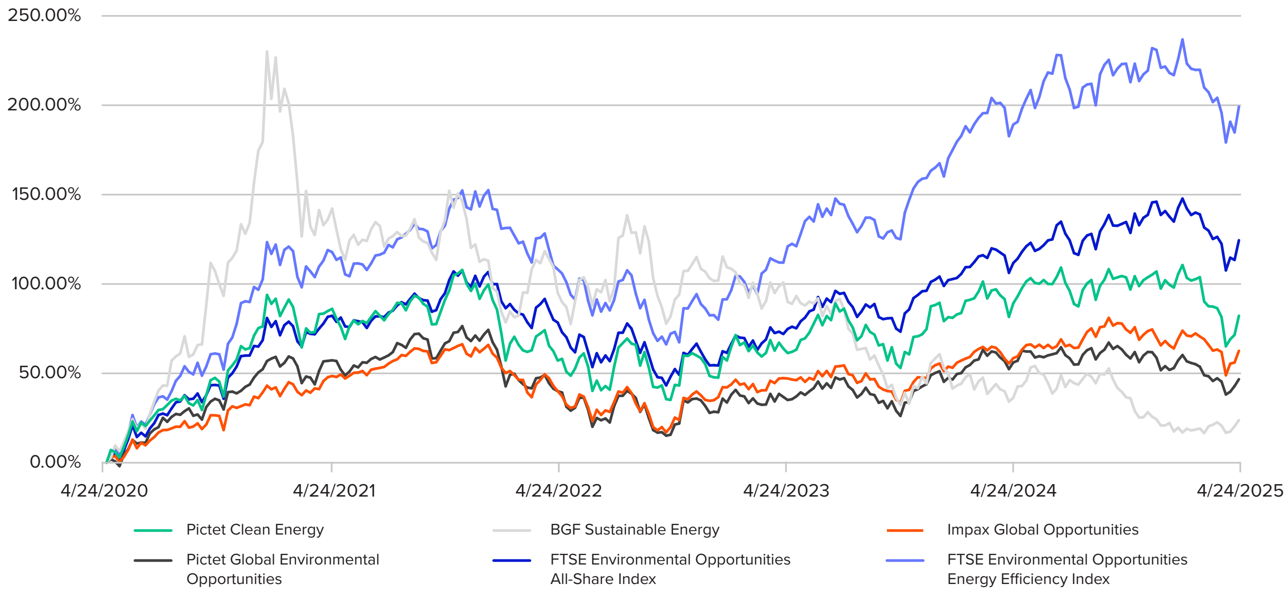
Source: FTSE Russell index performance data from January 2008 to 15th April 2025.

Figure 3 shows:

- In 2024, EOIS started the year outperforming its benchmark – the FTSE Global All Cap index – by 5%, then dropping to -6% in June. It then recovered to finish the year roughly in line with the broader market.
- In contrast, long-term performance has been more stable: The EOIS five-year annualised rolling return has averaged +5.6% since 2020.

The EOIS Index also performs well in comparison to many current existing green thematic funds. Figure 4 compares total returns of the EOIS index, as well as one of the Environmental Opportunities Sectoral Indices, against four of the largest green thematic funds over the last five years. Over the period the EOIS outperformed all of the comparable funds, the same result also holds over three years and year-to-date.

Figure 4. Environmental Opportunities Indices 5 Year Returns* Compared to Leading Environmental Thematic Funds



Source: Weekly Total Returns data taken from disclosures on LSEG Workspace. Data as at 24 April 2025. Past performance is no guarantee of future results. Please see disclaimer for important legal information.

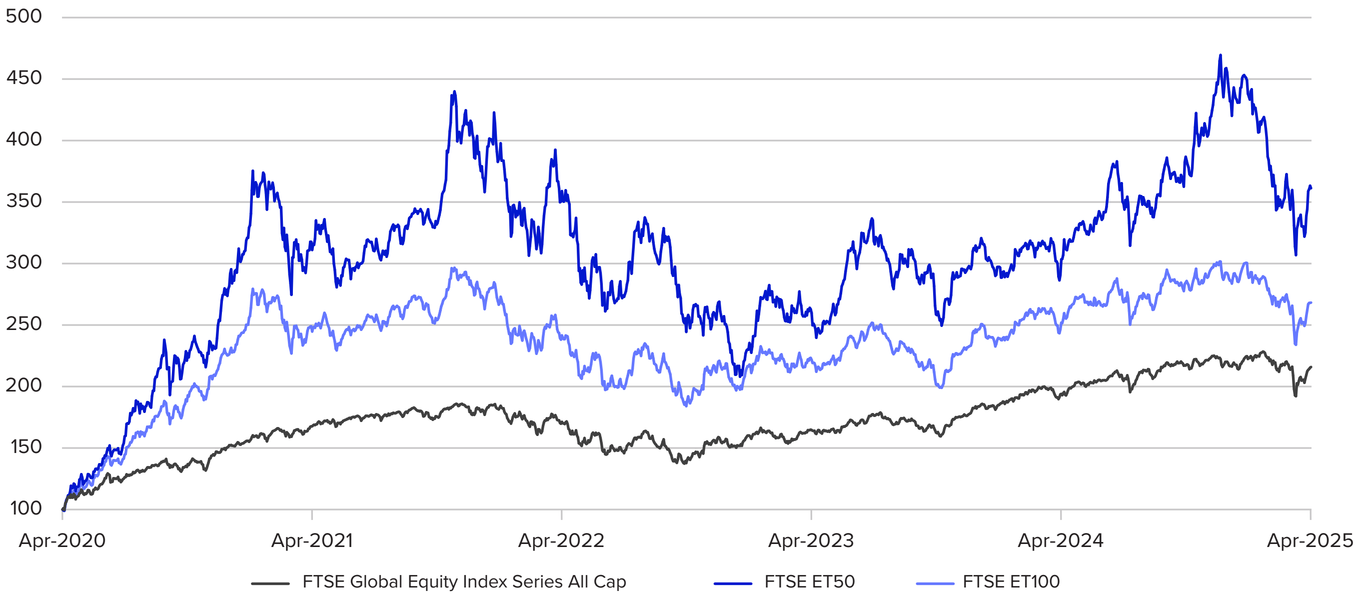
The Green Economy Report discusses in more detail the performance of our environmental opportunities indices, as well as providing some attribution analysis.

FTSE Environmental Technology (ET) Index Series

Indices within this series measure the performance of companies globally whose core business is in the development and deployment of environmental technologies as defined by the GRCS. This series requires companies to have at least 50% of their revenues derived from environmental products and services with clear and significant impact.

It includes the FTSE ET50 Index and the FTSE ET100 Index, which, respectively, comprise the 50 and 100 largest pure play companies globally, by full market capitalisation. Figure 5 shows the 5-year performance (Total Return) of these two indices against the benchmark.

Figure 5. 5-Year Performance - Total Return



Source: FTSE Russell as at 30 April 2025. Past performance is no guarantee of future results. Returns shown before the index launch date reflect hypothetical historical performance. Please see disclaimer for important legal information.

Index construction process

Starting universe

Start with the market capitalisation weighted underlying index from the FTSE Global Equity Index Series.

Step 1

Environmental Opportunities (EO)	Map company activities to Green Revenues Classification System (GRCS) sectors. Generate at least 20% of Green Revenues from Tier 1 and Tier 2 activities (micro sectors). FTSE Environmental Opportunities Renewable & Alternative Energy Index: Eligible activities from Energy Generation and Energy Equipment sectors FTSE Environmental Opportunities Energy Efficiency Index: Eligible activities from the Energy Management & Efficiency sector FTSE Environmental Opportunities Waste and Pollution Control Index: Eligible activities from the Waste & Pollution Control sector FTSE Environmental Opportunities Water Technology Index: Eligible activities from the Water Infrastructure & Technology sector.
Environmental Technology (ET)	Map company activities to GRCS sectors but with the following qualifications: To qualify for these indices companies' activities must generate at least 50% of Green Revenues from Tier 1 activities (micro sectors), excluding TS01.2 Electrified Railways.

Step 1 Step 2

Threshold analysis

Environmental Opportunities	To qualify for this index series companies must derive at least 20% of their revenues from eligible GRCS sectors.
Environmental Technology	To qualify for this index series companies must derive at least 50% of their revenues from eligible GRCS sectors. These activities must demonstrate environmental benefits.

Step 1 Step 2 Step 3

Narrow index and constrain final weights

The indexes apply UCITS capping which starts at 10% to reduce concentration in large constituents.

Step 1 Step 2 Step 3 Step 4

Publish and review index

The indexes are reviewed semi-annually in June and December.

15% deletion threshold applies for EO indexes 40% deletion threshold applies for ET indexes.

About FTSE Russell

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