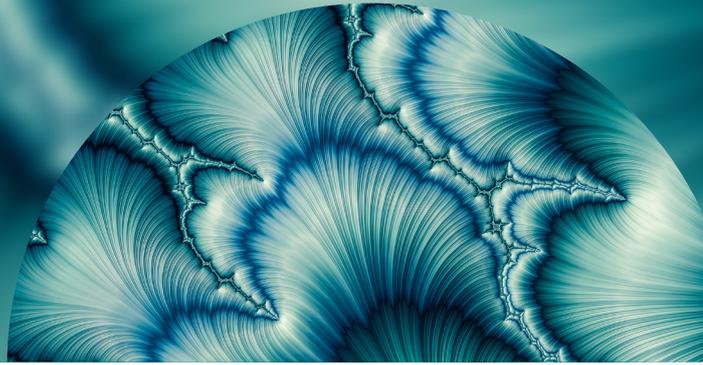


# SOLUTION OVERVIEW

# FTSE Environmental Markets Index Series



## Indices for environmental opportunities

It is estimated that US\$90 trillion of infrastructure investment is needed by 2030 to avert more than 2 degrees of global warming since pre-industrial levels.<sup>1</sup> This large-scale capital deployment provides a significant and growing opportunity for investors who align their portfolios with the green economy.

Research by FTSE Russell has identified a large, growing and diversified “green” economy that currently represents over 8.6% of global listed equity markets – around US\$7 trillion in market capitalisation if considered as a standalone sector, the green economy would be the 4th largest sector in the global equity market, surpassing the energy, retail and banking industry.<sup>2</sup> However, it will require further acceleration to achieve global environmental objectives.<sup>3</sup>

## Available indices

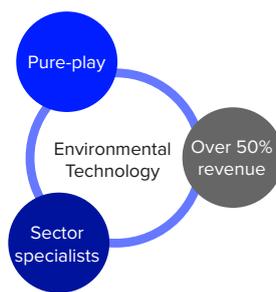
Based on the FTSE Russell Green Revenues Classification System (GRCS).

### FTSE Environmental Opportunities Index Series



Supports investors seeking to invest in a range of companies that provide products and services that deliver solutions to environmental challenges.

### FTSE Environmental Technology Index Series



Supports investors seeking to invest in pure-play companies whose core business is the development and deployment of environmental technologies.

<sup>1</sup> The Sustainable Infrastructure Imperative: Financing for Better Growth and Development, Global Commission on the Economy and Climate, October 2016

<sup>2</sup> Investing in the green economy 2024: Growing in a fractured landscape, FTSE Russell, July 2024

<sup>3</sup> Investing in the green economy 2024: Growing in a fractured landscape, FTSE Russell, July 2024

## Over a decade of history

Launched over a decade ago, the FTSE Environmental Markets Index Series provides investors with a focused way of defining and accessing the investment opportunities presented by the green economy.

This index series was developed in collaboration with Impax Asset Management and with input from the independent FTSE Russell Sustainable Investment Advisory Committee, which consists of senior and leading expert members from the investment community.

## 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 in order to be eligible

### FTSE Environmental Technology Index Series

- Measures the performance of pure play companies whose core business is in 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 in order to be eligible



## Green Revenues Classification System (GRCS)

The GRCS is used as a basis for the creation of the FTSE Environmental Markets indices. It identifies green products and services across the value chain, covering 10 sectors, 64 subsectors and 133 micro sectors.

<p><b>ENERGY GENERATION</b></p> <p><b>EG</b></p>	<p><b>ENERGY EQUIPMENT</b></p> <p><b>EQ</b></p>	<p><b>ENERGY MANAGEMENT &amp; EFFICIENCY</b></p> <p><b>EM</b></p>	<p><b>ENVIRONMENTAL RESOURCES</b></p> <p><b>ER</b></p>	<p><b>ENVIRONMENTAL SUPPORT SERVICES</b></p> <p><b>ES</b></p>
<p>Bio Fuels Cogeneration Clean Fossil Fuels Geothermal Hydro Nuclear Ocean &amp; Tidal Solar Waste to Energy Wind</p>	<p>Bio Fuels Cogeneration Equipment Clean Fossil Fuels Fuel Cells Geothermal Hydro Nuclear Ocean &amp; Tidal Solar Waste to Energy Wind</p>	<p>Buildings &amp; Property (Integrated) Controls Energy Management Logistics &amp; Support Industrial Processes IT Processes Lighting Power Storage Smart &amp; Efficient Grids Sustainable Property Operator</p>	<p>Advanced &amp; Light Materials Key Raw Minerals &amp; Metals Recyclable Products &amp; Materials</p>	<p>Environmental Consultancies Finance &amp; Investment Smart City Design &amp; Engineering</p>
<p><b>FOOD &amp; AGRICULTURE</b></p> <p><b>FA</b></p>	<p><b>TRANSPORT EQUIPMENT</b></p> <p><b>TE</b></p>	<p><b>TRANSPORT SOLUTIONS</b></p> <p><b>TS</b></p>	<p><b>WASTE &amp; POLLUTION CONTROL</b></p> <p><b>WP</b></p>	<p><b>WATER INFRASTRUCTURE &amp; TECHNOLOGY</b></p> <p><b>WI</b></p>
<p>Agriculture Aquaculture Land Erosion Logistics Food Safety, Efficient Processing &amp; Sustainable Packaging Sustainable Plantations</p>	<p>Aviation Railways Road Vehicles Shipping</p>	<p>Railways Operator Road Vehicles Video Conferencing</p>	<p>Advanced Irrigation Systems &amp; Devices Desalination Flood Control Meteorological Solutions Natural Disaster Response Water Infrastructure Water Treatment Water Utilities</p>	<p>Cleaner Power Decontamination Services &amp; Devices Environmental Testing &amp; Gas Sensing Particles &amp; Emission Reduction Devices Recycling Equipment Recycling Services Waste Management</p>

## Environmental impact

Tier 1	Tier 2	Tier 3
		
Clear and significant	Net positive	Limited

### Tiering assessment

In order to assess net environmental impact of company activities, FTSE Russell evaluates each of the 133 activities (micro sectors) defined by the Green Revenues Classification System through the lens of seven environmental objectives and allocate them to three tiers of greenness. The tiering assessment allows users to assess exposure to various levels of green products and services and provides the basis of eligible activities for the FTSE Environmental Opportunities (EO) and Environmental Technology (ET) indices.

## 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 indices apply UCITS capping which starts at 10% to reduce concentration in large constituents.

Step 1

Step 2

Step 3

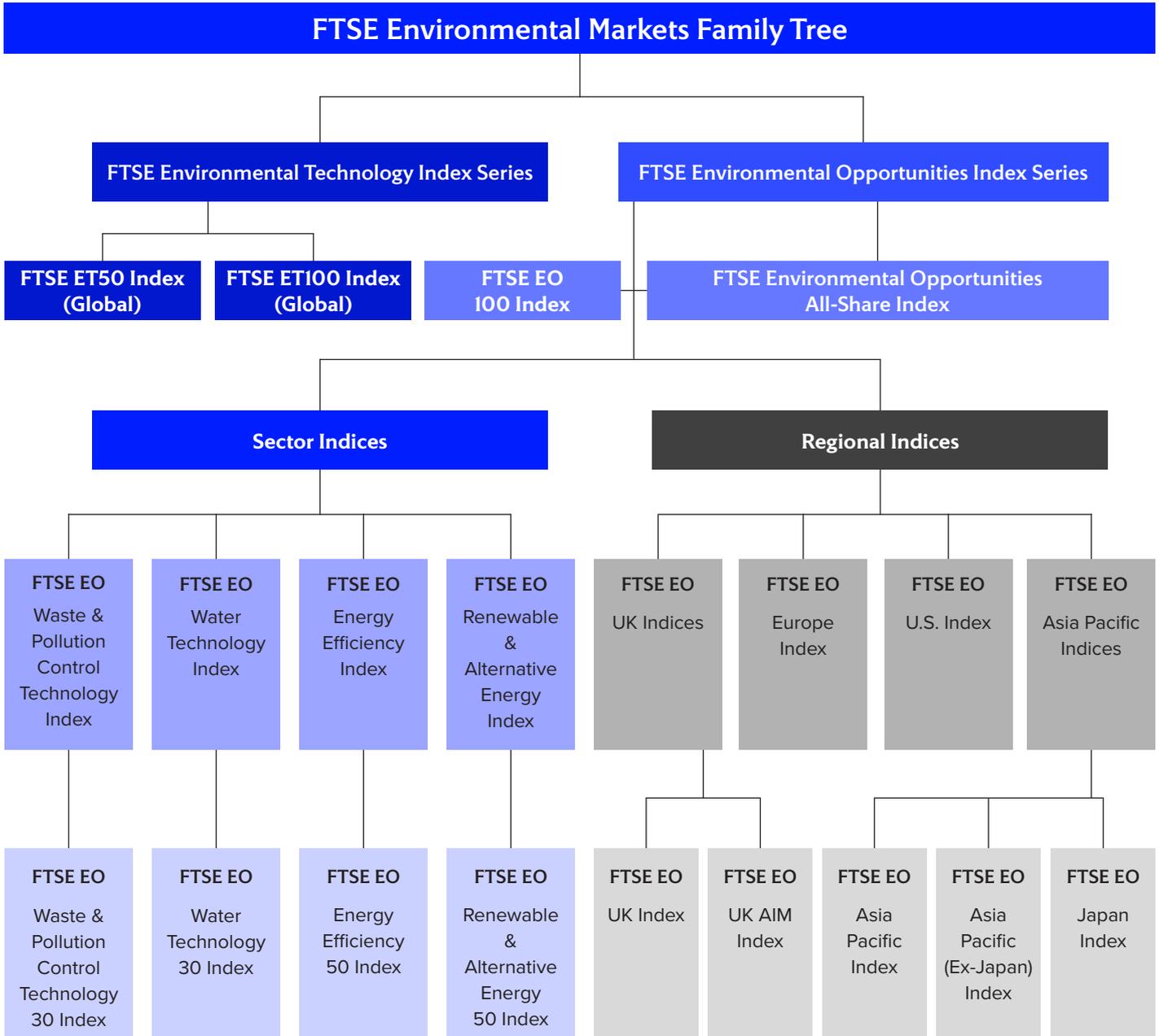
Step 4

### Publish and review index

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

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

## An environmental family of indices



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