# FTSE EPRA Nareit Green Index Series

## Integrating climate risk into listed real estate portfolios

## Overview

Real estate investing has historically lacked the appropriate tools to allow investors to assess their exposure to climate risk and to integrate it effectively in their investment strategies.

To help address this gap, the FTSE EPRA Nareit Green Index Series has been designed to allow investors to identify real estate companies with strong sustainability performance. These indices are a sustainability-focused extension to the FTSE EPRA Nareit Global Real Estate Index Series, leading listed real estate benchmarks, with approximately US$407 billion of active and passive assets tracking this family[1]

### Features

- Consists of eligible securities in the underlying FTSE EPRA Nareit Developed Real Estate Index
- Constituent weights are adjusted based on three sustainable investment measures:
  - Green building certification
  - Energy usage
  - Carbon emissions
- Managed in partnership with the European Public Real Estate Association (EPRA), and the US-based association for REITs and publicly traded real estate companies, Nareit
- Follows the FTSE Global Factor Index Series methodology to address concerns about liquidity, capacity, diversification and turnover
- Constructed with FTSE's target exposure framework, allowing a transparent tilt exposure towards and away from index constituents according to a number of exposure objectives
- Transparent, rules-based process

## Key Benefits

Allows for significant improvements in climate and sustainability characteristics, specifically the increase in floor space under eligible green certified constituents, reduction in energy per unit of floorspace and reduction in the carbon emissions per enterprise value including cash (EVIC)
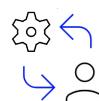
Takes an alternative approach to address the lack of comparable sustainable data disclosures. The indices utilise bottom-up building data to assess the sustainability characteristics of real estate companies, combining this with our data partner Measurabl's machine learning real estate data model leveraging over 15 billion square feet of assets[2]

Includes both fixed tilt and target exposure indices, targeting transparency at either the constituent or index level

1   Data as of December 31, 2021 as reported on April 1, 2022 by eVestment for active institutional funds, Morningstar for active retail mutual funds, insurance products, and ETFs, and passive assets directly collected by FTSE Russell.

2   As reported by Measurabl: 19th March, 2025

# Green building measures and definitions

| Measure | Objective | Definition |
|---|---|---|
| Green building certification | Increase/decrease constituent weights based on the percentage of buildings that have eligible green building certification | Share of the total net leasable area in the company's real estate portfolio that is certified as part of an eligible green building certification scheme |
| Energy usage | Increase/decrease constituent weights based on energy usage | Average estimated energy use per square foot in a company's real estate portfolio |
| Carbon emissions | Increase/decrease constituent weights based on carbon emissions | Average estimated carbon emissions per $million EVIC in a company's real estate portfolio |

# Index construction process

### Starting universe

Select a subset of the FTSE EPRA Nareit Developed Real Estate Index as a starting universe (e.g. FTSE EPRA Nareit Developed Europe Index)

**Step 1**

### Apply green certificate, carbon emissions and energy usage targets

- Green building certification: Share of the total net leasable area in the company's real estate portfolio that is certified as part of an eligible green building certification scheme
- Energy usage: average estimated energy use per square metre in a company's real estate portfolio
- Carbon emissions: average estimated carbon emissions per $million EVIC in a company's real estate portfolio

**Step 1** > **Step 2**

### Target exposure corrective tilts

The target exposure methodology allows for targeting specific levels of improvement in index level sustainable investment measures while controlling for diversification, capacity, and concentration to ensure the index remains investable

The following constraints can be applied during this process:

- Country and real estate sector objectives are stated as a targeted set of active weights that satisfy upper and lower bounds
- Beta, capacity, turnover, maximum stock weight objectives may also be set

**Step 1** > **Step 2** > **Step 3**

### Publish and review index

The index is reviewed annually in September to update for newly eligible stocks, changes in exposure to emissions, energy usage and green building certification.

## About FTSE Russell

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Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

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