Green Revenues 2.0 data model

Quantifying balance sheet exposure to environmental impact
Taking a mirror to the market, FTSE Russell’s enhanced Green Revenues 2.0 data model brings the world a closer look at the green economy; defining what it is and determining the companies and activities that compose it. The data set was designed to ensure broad global coverage, comprehensive classification of green activities, and granularity in the data provided.

**Broad coverage**

The Green Revenues data model is applied to nearly 99% of total global market capitalization, capturing over 16,000 public companies across 48 developed and emerging markets from micro cap to mega cap. This ensures coverage of FTSE Russell’s broadest equity indexes, including the full range of indexes in the FTSE Global Equity Index Series and the Russell US Indexes.

**Comprehensive**

The Green Revenues Classification System (GRCS) is a taxonomy used to define and measure the industrial transition to a Green Economy. FTSE Russell’s Green Revenues methodology comprehensively assesses all companies with revenue exposure to the green business activities defined by the Green Revenues Classification System.

**Green revenues classification system**

- **Sectors**: 10
- **Subsectors**: 64
- **Micro sectors**: 133
History

FTSE Russell has been researching and developing green industry taxonomies since it launched the FTSE Environmental Markets Index Series and accompanying FTSE Environmental Markets Classification System more than a decade ago. This classification system was developed to identify products and services that have a net positive environmental impact.

FTSE Russell has since extended the family of green taxonomies with the FTSE Green Revenues Classification System (GRCS), incorporating evolving global standards and best practices. Companies are researched and analysed based on their impact on climate change mitigation and adaptation, water, resource use, pollution, and agricultural efficiency.

In 2020, the Green Revenues 2.0 data model underwent significant transformation to provide greater granularity and precision to meet global demand for investment in the green economy and global climate and regulatory reporting, including the EU Taxonomy for Sustainable Activities.

In 2022 Green Revenues data became available via LSEG Data & Analytics Data Platform & Datastream Web Service with an expanded set of data items including:

- Tier1 Green Revenue Percentage
- Tier2 Green Revenue Percentage
- Tier3 Green Revenue Percentage
- Minimum Green Revenue Percentage Ex Nuclear
- Maximum Green Revenue Percentage Ex Nuclear

Enhanced utility

The Green Revenues 2.0 data model identifies companies providing green products and services and classifies associated revenues based on the Green Revenues Classification System. Using this data, a precise percentage of green revenues is derived at the sector, subsector and micro sector levels for each company.

The Green Revenues data model can be used for portfolio- and company-level analysis to understand climate transition risks and identify investment opportunities in the green economy, and can additionally be aggregated for analysis at a country- or sector-level.

Used for

- Portfolio analysis
- Index construction
- Regulatory and climate reporting (e.g., EU Taxonomy)
- Investment product input
- Research and analytics

Alignment to the EU Taxonomy

The EU Taxonomy and FTSE Russell’s Green Revenues Classification System are highly aligned on core activities to give investors an effective tool to identify companies involved in the green economy and quantify the share of their revenues that is likely to qualify under the EU Taxonomy.
# Classification system

The FTSE Green Revenues Classification System captures environmental products and services across the whole equity value chain, covering 10 green sectors, 64 subsectors and 133 micro sectors. It was developed with input and direction from the market through the FTSE Russell Green Industries Advisory Committee—an external advisory board—and influenced by the HLEG proposal for a sustainable taxonomy from the EU High-Level Expert Group on Sustainable Finance, ensuring that the classification system reflects best practices and addresses market needs.

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<tr>
<td>Cogeneration</td>
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<td>Controls</td>
<td>Key Raw Minerals</td>
<td>Aquaculture</td>
<td>Railways</td>
<td>Road Vehicles</td>
<td>Decontamination</td>
<td>Decontamination Devices</td>
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<td>Clean Fossil Fuels</td>
<td>Energy Management</td>
<td>Geothermal</td>
<td>Land Erosion</td>
<td>Road Vehicles</td>
<td>Video Conferencing</td>
<td>Services &amp; Devices</td>
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<td>Fuel Cells</td>
<td>Logistics &amp; Support</td>
<td>Hydro</td>
<td>Logistics</td>
<td>Shipping</td>
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<td>Environmental Testing &amp; Gas</td>
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<td>Energy Management</td>
<td>Nuclear</td>
<td>Food Safety, Efficient Processing</td>
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<td>Sensing</td>
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<tr>
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<td>IT Processes</td>
<td>Lighting</td>
<td>Solar</td>
<td>Efficient Processing &amp; Sustainable</td>
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<td>Natural Disaster</td>
<td>Natural Disaster Response</td>
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<td>Lighting</td>
<td>Power Storage</td>
<td>Sustainable</td>
<td>Packaging</td>
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<td>Response</td>
<td>Natural Disaster Response</td>
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<tr>
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<td>Smart &amp; Efficient</td>
<td>Smart &amp; Efficient Grids</td>
<td>Sustainable</td>
<td>Packaging</td>
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<td>Water Infrastructure</td>
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<td>Sustainable Property</td>
<td>Sustainable Property Operator</td>
<td>Plantations</td>
<td>Recycling</td>
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<td>Treatment</td>
<td>Water Treatment</td>
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<td>Wind</td>
<td>Operator</td>
<td></td>
<td></td>
<td>Recycling Services</td>
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<td>Utilities</td>
<td>Water Utilities</td>
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</tbody>
</table>

Please contact FTSE Russell directly for access to sample data and further information on micro sectors.

**Green Revenues 2.0 data model**
Tiering assessment

Green, greener, greenest

In order to assess net environmental impact of individual companies, FTSE Russell evaluates each business activity defined by the Green Revenues Classification System through the lens of seven environmental themes (including all six EU Taxonomy objectives and one addition). An overall score is derived for each micro sector based on impact—both positive and negative—of each environmental objective. This work is then turned into an overall strength of greenness in three tiers. The micro sector tiering assessment allows users to assess exposure to various levels of green products and services and provides the flexibility to focus on activities with higher net environmental impact.

Environmental impact

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Tier 3</th>
</tr>
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<tbody>
<tr>
<td>Clear and significant</td>
<td>Net positive</td>
<td>Limited</td>
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</tbody>
</table>

Company activities are assessed against seven environmental objectives and allocated to micro sector tiers based on overall impact:

1. Climate change mitigation
2. Climate change adaptation
3. Pollution prevention and control
4. Protection of healthy ecosystems
5. Sustainable use and protection of water and marine resources
6. Transition to a circular economy, waste prevention and recycling
7. Sustainable and efficient agriculture*

* Additional to EU Taxonomy objectives, included to capture products and services with significant environmental benefit.
Point data insight

Enhanced estimation modelling

The leading challenge with capturing green revenues data is the gap in company disclosure on green activities. The Green Revenues data model relies on reporting that many times simply wasn’t created to accommodate tracking these categories. In response, FTSE Russell has developed a proprietary estimation model to calculate best estimates of Green Revenues data. Using a structured, transparent, repeatable process, the FTSE Green Revenues estimation model builds on data hierarchy based on availability of reported data.

- This estimation model has allowed the Green Revenues 2.0 data model to provide point estimate data for all companies that have been identified to generate green revenues.
- Data on the use of estimates is included to offer transparent insight into the conviction underlying green revenues data points.
- The tiered estimation approach provides disclosed data, company specific estimates, or sector specific estimates depending on the level of information available.

<table>
<thead>
<tr>
<th>Estimation types</th>
<th>Disclosed</th>
<th>Company specific</th>
<th>Sector specific</th>
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<tbody>
<tr>
<td></td>
<td>Green Revenues percentage is calculated from detailed company disclosure. Sufficient revenues data is provided.</td>
<td>When partial disclosure data is available, an estimate is based on other available non-revenue company, peer or sector/country data.</td>
<td>For companies with known green revenues but no available disclosures, a quantitative model is used to make an estimate based on sector performance.</td>
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</tbody>
</table>
Who’s the greenest of them all?

Quantifying company level exposure to the green economy has been a journey in discovery—solidifying perceptions and industry standards in a rapidly evolving space. Reflecting the market as it changes, we have recorded substantial growth in green economic activity. We expect the pace to accelerate and look forward to continuing to expand Green Revenues and our environmental data capability.

Contact us at info@ftserussell.com for a data trial or to learn more about how it can be used to support EU Taxonomy reporting, investing and research needs.
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