

# Measuring green economy exposure of SDR funds with Weighted Average Green Revenue (WAGR)



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Transitioning to a green net-zero economy requires scalable climate and environmental solutions – such as renewable energy, electric vehicles, and recycling technologies – that enable decarbonisation across sectors. This structural shift is unlocking significant investment opportunities as US\$109-275 trillion of investment on climate solutions is required by 2050 to achieve the net-zero climate target.<sup>1</sup>

The green economy comprises companies delivering products and services with environmental benefits. It has demonstrated consistent expansion with a 10-year compound annual growth rate of 15%<sup>2</sup>, outperforming the market by 85% since 2008.<sup>3</sup> As global economies progress toward net-zero targets, this trend is likely to accelerate, reinforcing the green economy's importance as a long-term investment theme.<sup>4</sup>

Investors can access this opportunity through various strategies – from thematic funds concentrated in green stocks, an approach used by the FTSE Russell Environmental Markets Index Series<sup>5</sup>, to broader climate strategies combining green revenues with other factors such as transition scores like the FTSE TPI Climate Transition Index Series.<sup>6</sup>

To measure green economy exposures of portfolios with different investment strategies and sustainability goals, **Weighted Average Green Revenue (WAGR)** provides a robust, standardised metric. Compared to other climate solutions metrics such as green capex, green patents and avoided emissions, green revenues data is more readily available and comparable with direct links to companies' cash flows and real-world impact.<sup>7</sup> The granularity of the LSEG Green Revenues data also enable investors to identify specific environmental technologies within their holdings, enhancing transparency and thematic alignment.

With the growing complexity of sustainable investment strategies and products, regulatory frameworks are also evolving to provide clearer guidance.<sup>8</sup> In the UK, for example, the Financial Conduct Authority's Sustainability Disclosure Requirements (SDR) provide a systematic approach on labelling funds with sustainability objectives. Understanding how WAGR interacts with these labels is essential for evaluating the depth of a fund's green economy exposure.

### Box 1: SDR labels overview

Introduced by the UK's Financial Conduct Authority in November of 2023, the SDR framework aims to enhance transparency in sustainable investment products and mitigate the risk of greenwashing. Under the framework, UK funds that meet specific criteria can adopt one of four sustainability labels aligned with their investment objectives:

- **Sustainability Focus:** For funds aiming to invest in assets that are classified as environmentally and/or socially sustainable against a robust, evidence-based standard.
- **Sustainability Impact:** For funds aiming to achieve a measurable positive impact in relation to an environmental or social outcome.
- **Sustainability Improvers:** For funds investing in assets that are expected to improve their sustainability performance over time.
- **Sustainability Mixed Goals:** For funds that integrate elements of the other three labels.

Firms wishing to apply an SDR label to their sustainability fund products need to assess them against the framework's qualifying criteria, naming and marketing requirements, and prepare relevant disclosures. While formal FCA approval is not required, firms should notify the FCA of their use of the label.<sup>9</sup>

<sup>1</sup> FTSE Russell (2023). [Green equity exposure in a 1.5°C scenario](#)

<sup>2</sup> As of April 2025. LSEG (2025). [Green Economy Report - Investing in the green economy 2025](#)

<sup>3</sup> Outperformance compared to the benchmark FTSE Global All Cap index. FTSE Russell data as of June 2025.

<sup>4</sup> FTSE Russell (2023). [Green equity exposure in a 1.5°C scenario](#)

<sup>5</sup> Selection index series where companies meeting the green revenues threshold are eligible for inclusion.

<https://www.lseg.com/en/ftse-russell/indices/environmental-markets>

<sup>6</sup> Tilting index series where constituent weights vary to account for risks and opportunities associated with the transition to a low carbon economy. They have five key climate data inputs, including fossil fuel reserves, scope 1 and 2 carbon emissions, TPI management quality and TPI carbon performance alongside green revenue.

<https://www.lseg.com/en/ftse-russell/indices/tpi-climate-transition>

<sup>7</sup> WAGR calculates the share of green revenue in a portfolio by multiplying each constituent company's green revenue percentage by its portfolio weighting and then summing, generating a WAGR in percentage terms. More information: FTSE Russell (2023). [Weighted Average Green Revenue \(WAGR\): Integrating climate solutions into portfolio construction](#).

<sup>8</sup> Regulation frameworks on sustainable fund labelling include notably the EU Sustainable Finance Disclosure Regulation (SFDR) and the UK Sustainability Disclosure Requirements (SDR), where Australia has proposed a Sustainable Investment Product Labelling regime to be placed in 2027.

<sup>9</sup> FCA (2025). Sustainability disclosure and labelling regime. <https://www.fca.org.uk/firms/climate-change-and-sustainable-finance/sustainability-disclosure-and-labelling-regime>

## WAGR of SDR-labelled funds

As of June 2025, 88 funds with a total value of US\$40billion have adopted SDR labels.<sup>10</sup> The majority – 58 funds – have adopted the ‘Sustainability Focus’ label, where 15 funds used the ‘Sustainability Impact’ label. Only ten and five funds have adopted ‘Sustainability Improvers’ and ‘Sustainability Mixed Goals’ labels respectively.

Using WAGR, we analysed green economy exposure of these SDR-labelled funds, benchmarking against the FTSE All-World Index<sup>11</sup> and the FTSE Environmental Opportunities All-Share Index (EOAS).<sup>12</sup> FTSE-All World represents the broader listed equities market with a WAGR of 9%, while EOAS has a WAGR of 50% as a proxy for portfolios concentrated in green stocks (see Case Study 2 for more details).

We focused on 55 SDR-labelled funds with over 80% Green Revenues data coverage.<sup>13</sup> Key findings include:

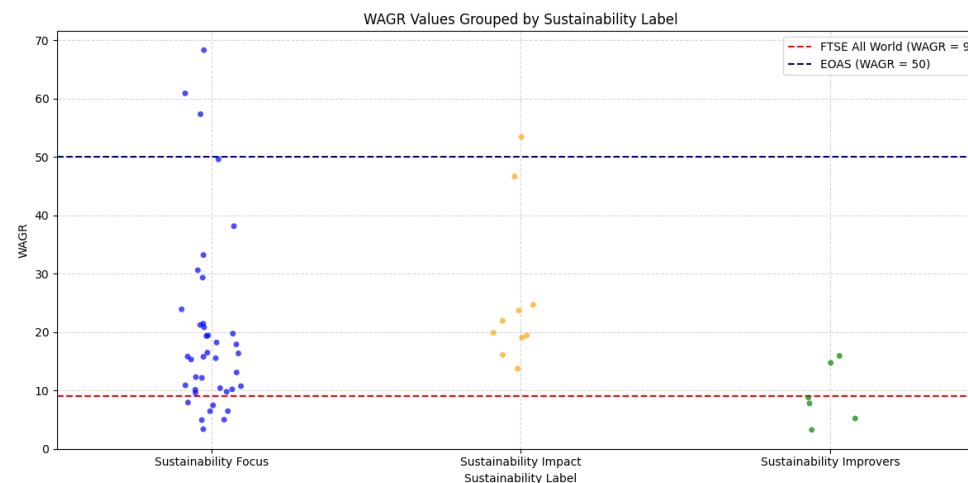
- **Overall, the majority of SDR-labelled funds (44) have green economy exposure above the broader market, ranging widely from 3% to 68%, with an average of 20%.** While four funds surpass EOAS, 11 fall below FTSE All-World. Note that while we used FTSE All-World Index for comparison, SDR-labelled funds may follow different portfolio benchmarks.
- **Sustainability Focus funds show the widest variation in green economy exposure.** Notably, 32 of these funds have exposures above the FTSE All-World and three exceed the FTSE EOAS. However, seven funds have green economy exposure below that of the market, and the average exposure across the group also stands at 20%.
- **All of the Sustainability Impact funds have green economy exposure above the FTSE All-World and one above the EOAS.** With a narrower range of exposure – from 14% to 53%, Sustainability Impact funds have an average exposure of 26%, which is higher than that of the Sustainability Focus funds.
- **Sustainability Improvers have significantly lower green economy exposures,** ranging from 3% to 16%, with an average of 9%.

<sup>10</sup> LSEG Lipper data. Total value refers to aggregated fund value.

<sup>11</sup> FTSE All World Index covers over 4,000 large and mid-cap companies in both developed and emerging markets. <https://www.lseg.com/en/ftse-russell/indices/global-equity-index-series#ft-methodology>

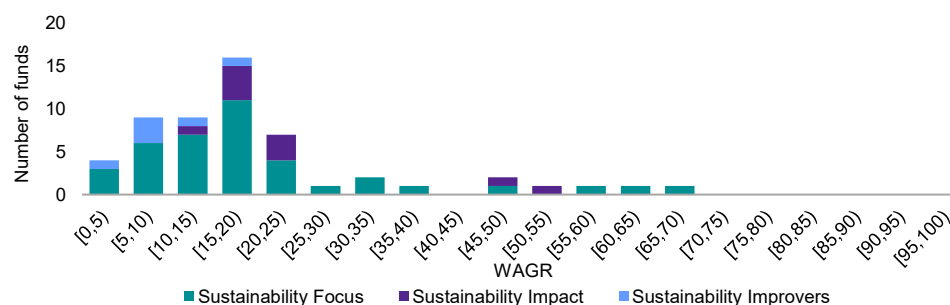
<sup>12</sup> Companies are required to have at least 20% of revenues derived from environmental products and services to be eligible for the FTSE Environmental Opportunities Index Series. <https://www.lseg.com/en/ftse-russell/indices/environmental-markets>

Figure 1. WAGR of SDR funds



Source: LSEG Green Revenues data and Lipper fund holdings data as of April 2025.

Figure 2. Distribution of WAGR of SDR funds

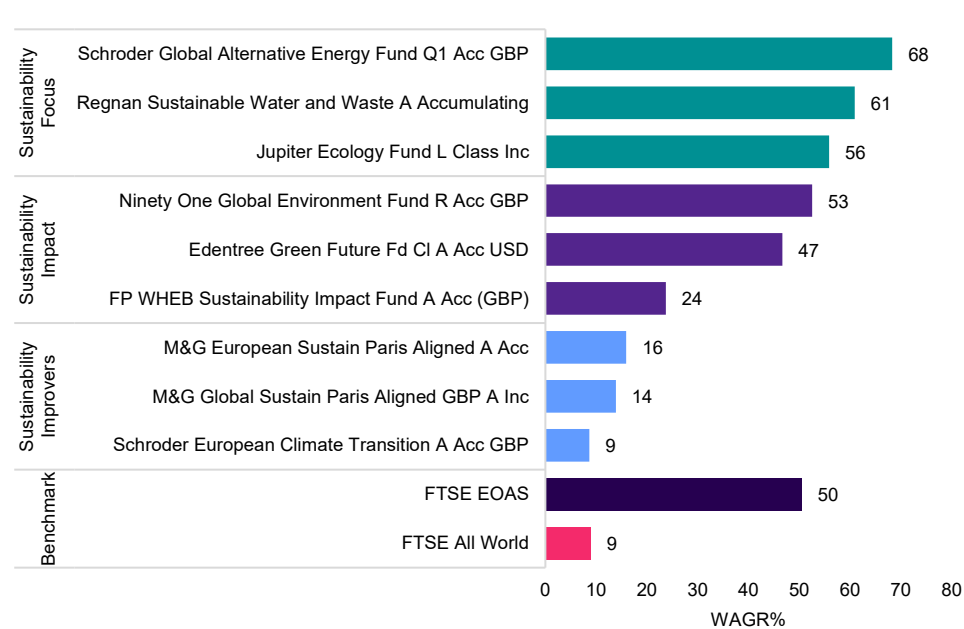


Source: LSEG Green Revenues data and Lipper fund holdings data as of April 2025.

<sup>13</sup> Source: LSEG Lipper fund holdings data and LSEG Green Revenues data as of April 2025. For funds lacking full Green Revenues data coverage, the weights of securities with available Green Revenues data are proportionally adjusted to account for the entire fund.

Using WAGR, we also assessed the specific climate solutions that each fund target and found that **green sector exposures vary significantly across funds**. For example, while both Ninety One Global Environment Fund and Edentree Green Future Fund are labelled as Sustainability Impact with similar levels of green economy exposure, the first focuses heavily on energy efficiency and transport equipment (45% of WAGR) and the latter spreads across energy efficiency, water infrastructure, environmental services and pollution control. Figure 3 and 4 present the WAGR and sector breakdown for a selection of SDR-labelled – specifically those with the highest green economy exposure under each SDR label.

Figure 3. WAGR of selected SDR funds

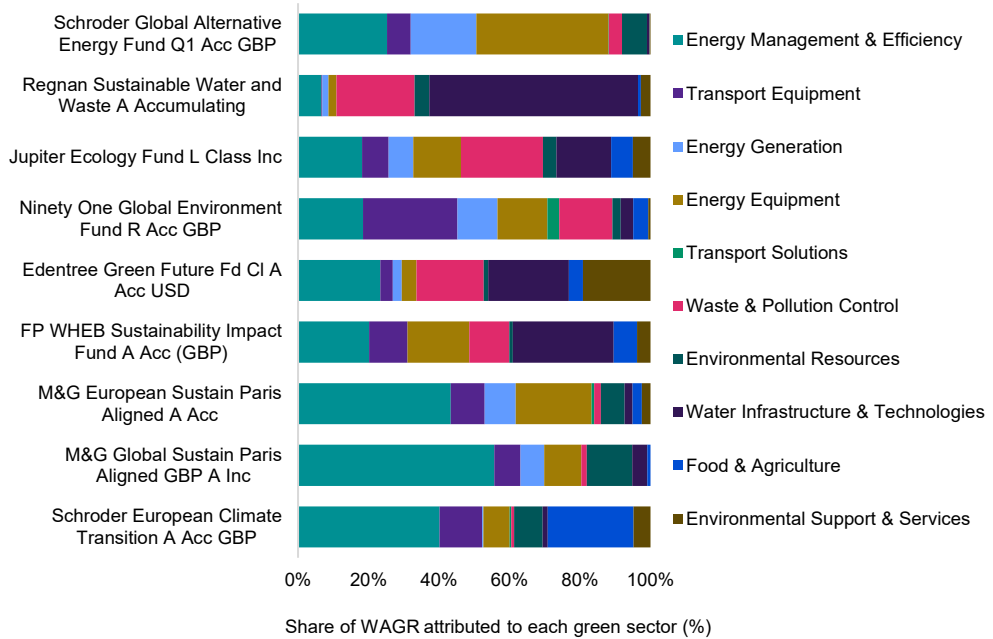


Source: LSEG Green Revenues data and Lipper fund holdings data as of April 2025.

The finding highlights both the opportunity and complexity of investing in climate-aligned strategies. While SDR labels signal intent on sustainability performance, actual exposure to climate solutions remains varied.

For investors seeking meaningful climate alignment, it is important to go beyond labels and examine fund holdings using metrics such as WAGR. This can support the construction of portfolios that are not only aligned with broader sustainability objectives but also positioned to benefit from the structural growth of the green economy.

Figure 4. Sectorial Contribution to WAGR in selected SDR funds



Source: LSEG Green Revenues data and Lipper fund holdings data as of April 2025.

## Case Study 1: Jupiter Ecology Fund

### The Strategy

The Jupiter Ecology Fund was launched in 1988 to provide clients with access to the long-term opportunities presented by environmental solutions investing. The Fund has adopted the FCA's Sustainability Focus label and takes a multi-thematic approach to investing globally in companies that generate or enable positive solutions to climate change and environmental degradation, seeking to allocate across six solution themes: Clean Energy, Green Mobility, Green Buildings & Industry, Sustainable Agriculture & Land, Sustainable Oceans & Water Systems, and the Circular Economy.

This approach allows the Fund to seek opportunities beyond climate change solutions alone, taking a view that the six themes are individually important, but collectively essential in delivering environmental and ultimately economic sustainability.

While increasing breadth and diversification of the opportunity set, a multi-thematic approach expands the investment universe significantly. To help identify and navigate this universe, the Fund uses a proprietary environmental solutions classification system that is supported by LSEG's Green Revenues dataset as a key independent data source. This provides robust, granular revenue exposure data across both climate and wider environmental themes such as water conservation and the Circular Economy.

Data inputs from LSEG provide supportive data analysis at the company-specific, portfolio and universe levels

- **Company-specific:** Revenue alignment is central to the Fund's sustainability standard, as it provides a robust and comparable measure of whether delivery of environmental solutions is a key strategic focus of management. This is a well-established practice that the Fund has employed during its long history and is aligned with the approaches more recently proposed by the EU Taxonomy as well as the IIGCC guidance for identifying portfolio exposure to climate solutions deemed to be critical to enabling a Net Zero economy.
- **Portfolio:** At least 70% of the Fund is consistently invested in companies with ≥50% of revenues aligned to one or more of the six themes. Weighted Average Green Revenues (WAGR) therefore serves as a key portfolio-level metric, allowing the investment team to monitor thematic alignment and provide clients with a simple measure of underlying revenue exposure to environmental solution activities.
- **Universe:** The granularity and historical richness of the data assists long-term universe analysis and idea generation. By supporting segmentation and comparison of company activities, LSEG Green Revenues can reinforce the Fund's bottom-up thematic approach.

### A dual approach to third-party and proprietary data analysis

Approximately 90% of the Fund's investment universe is recognised within the LSEG GR database. By combining this with proprietary and forward-looking analysis, a 'dual approach' provides:

- **Efficiency:** a scalable yet flexible approach to apply stricter or broader classifications, for example capturing emerging opportunities or recognising cross-cutting benefits where climate solutions also address natural capital challenges.
- **Validation:** LSEG's Green Revenues acts as a robust external reference point, strengthening compliance controls and oversight, a key requirement for SDR.
- **Partnership:** A constructive collaboration with LSEG supports continual refinement of green solutions data, reflecting the dynamic nature of environmental markets.

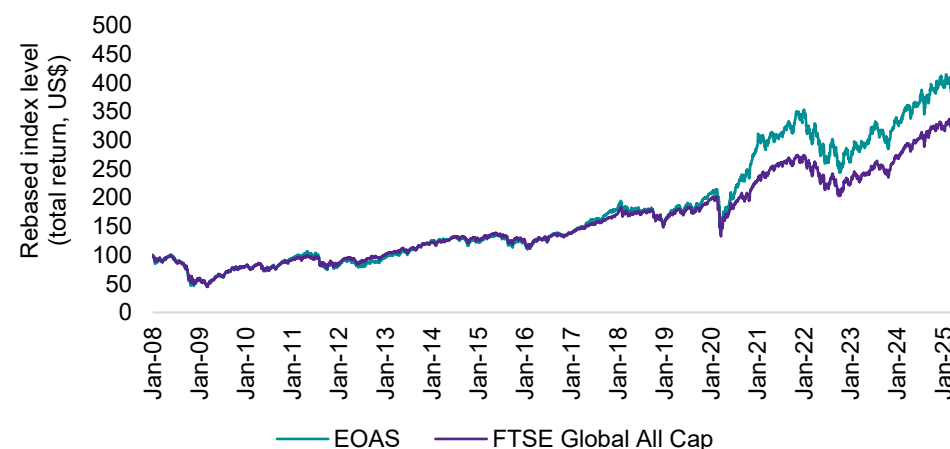
## Case Study 2: FTSE Environmental Opportunities All Share Index

The FTSE Environmental Opportunities All Share (EOAS) Index is part of the FTSE Environmental Markets Index Series, which provides investors with a focused way of accessing the global green economy through equities with high green revenues exposure. Launched in 2008, the index series has a broad coverage with FTSE Global All Cap as its parent index, supported by the LSEG Green Revenues data as well as FTSE Russell's broader index infrastructure and governance oversight. The index family allows investors to breakdown the green economy by different green revenue thresholds, green sub-sectors and geographical regions.

As the broadest index in the family, EOAS has delivered strong long-term performance – 85% ahead of the FTSE Global All Cap between 2008 and June 2025 (Figure 5). However, this outperformance comes with higher volatility than the broader equity market, with its strongest 12-month relative performance at +31% in early 2021 and its weakest at -12% in early 2012.

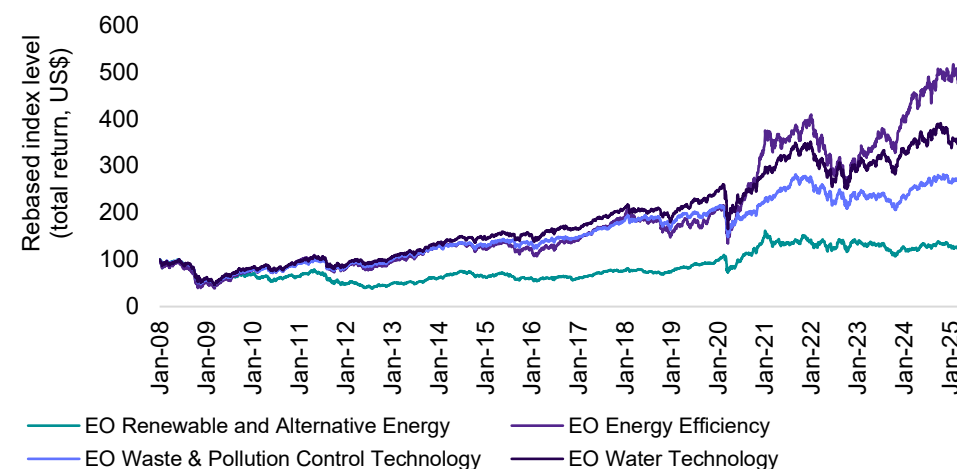
A key advantage of the EOAS, which has contributed to outperformance, is the diverse range of the green economy it covers, in particular the large energy efficiency sector, rather than purely focusing on the volatile renewable energy sector (Figure 6).

**Figure 5. Performance of FTSE Environmental Opportunities All Share index vs FTSE Global All Cap index**



Source: FTSE Russell data to June 30, 2025

**Figure 6. Long term performance of EOAS by green sub-sector**



Source: FTSE Russell data to June 30, 2025

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