

New Green Revenues model from FTSE Russell tracks global transition to a green economy

- **Ground-breaking data model tracks companies that generate green revenues, critical component missing from current sustainability models**
- **First time that investors can accurately identify and support their investment in the world's transition to a green economy**
- **More than 2,400 of 13,400 public companies globally already generating green revenues**
- **Green Revenues Index Series based on data model to be launched**
- **Aggregate value of green revenues in FTSE Global Equity Index Series is \$2.9 trillion, approaching the \$3.5 trillion market cap of Emerging Markets**

FTSE Russell, the global index and data provider, today announced the launch of its LCE data model, which measures the green revenues of 13,400 public companies, representing 98.5% of total global market capitalization. Revenues from a broad range of large, mid and small capitalization companies in 48 developed and emerging markets are mapped to 60 new green industrial subsectors, with FTSE Russell assigning each company in the model a low carbon industrial indicator (LOWCII) factor, representing the ratio of its green revenues to its total revenues.

Existing sustainability models are limited to tracking traditional ESG measures or focus on excluding hydrocarbon producers or heavy CO₂ emitters from portfolios. FTSE Russell's Green Revenues framework, based on the LCE data model, allows users to track revenues from goods, products and services that help the world to adapt to, mitigate or remediate the impact of climate change, resource depletion or environmental erosion.

More than 2,400 public companies in the LCE data model already generate green revenues from one or more of the 60 green industries. The model shows large cap companies increasingly involved in the delivery of green goods, products and services. Analysis of the FTSE Global Equity Index Series (FTSE GEIS) shows that nearly 7.2% (\$2.9 trillion) of the index value is derived from green revenues, compared to 8.3% (\$3.5 trillion) from Emerging Markets. Of the 7,711 companies in FTSE GEIS, more than 1,880, or 24%, already have some exposure to green revenues, and this has been increasing steadily over the last seven years.

FTSE Russell has developed a Green Revenues Index Series based on the new LCE data model, which is designed to provide investors with indexes capturing managed exposure to companies engaged in the transition on a country, regional or global basis. The initial ten indexes will cover the key FTSE and Russell universes, including the Russell 1000® and 2000®; the FTSE All World, developed and emerging indexes; the FTSE All Share in the UK; and the FTSE China Index Series. The indexes will also provide the basis for a series of exchange-traded products.



By incorporating this measure of green revenue exposure, FTSE Russell's framework provides the first complete picture of the scale and velocity of the structural shift to a green economy across public companies. The model provides the missing dimension of the green transition, providing portfolio managers, research analysts and product managers with consistent, transparent data to track green revenue exposure and support their investment in companies that stand to benefit from the increasing shift in the global economy.

The new indexes complement the pioneering FTSE Environmental Market Series which FTSE launched in 2008 in partnership with Impax Asset Management. Impax will continue to support FTSE Russell as an expert partner advising on the new and expanded service capability.

Mark Makepeace, Chief Executive of FTSE Russell, said:

"FTSE Russell has long been a pioneer in the development of ESG benchmarking tools. As such, we identified a significant gap in the ability of portfolio managers to track exposure to the increasing shift towards a green economy. We calculate that the green opportunity is equitable in size to emerging markets and the launch of our green revenue data model, and related indexes, provides the missing piece for investors, with a framework that captures the full picture of their green revenue exposure for the first time."

Christiana Figueres, Executive Secretary of UN Framework Convention on Climate Change (UNFCCC) said:

"FTSE Russell's Green Revenues Index Series and data model offers a unique and potentially powerful new way of assisting investors switch capital towards companies walking the talk in terms of green products, goods and services. The long term success of the Paris climate agreement will hinge on the greening of trillions of dollars of investment over the coming years and decades. Initiatives like this can, if widely used, play a real role in assisting asset managers and owners to accelerate the necessary transition to a green economy."

Jack Ehnes, Chief Executive Officer of CalSTRS and Chairman of the FTSE Environmental Markets Committee said:

"As long term investors, it's critical for pension plans like CalSTRS to understand the implications of major macroeconomic changes to our portfolio of investments. The industrial make up of the global economy is shifting as companies develop new products that provide solutions to the environmental challenges such as climate change. The new LCE dataset is an important aspect as it provides the ability to measure and understand these changes at a company or a portfolio level."

Mark Zinkula, Chief Executive Officer of Legal & General Investment Management, said:

"It is vital that investors are aware of the shift that is taking place, in relation to the transition to a green economy, and are able to measure and capture this opportunity. FTSE Russell's new indexes and data model allows us to do this on a global scale, helping to provide investment solutions that are suited to the needs of long term investors. This includes the opportunity to support companies whose products and services tackle the global environmental and climate challenges".

Ian Simm, Chief Executive, Impax Asset Management said:

"The LCE data model is a very welcome addition to the analytical tools available to investors seeking to understand the landscape and trends of the rapidly expanding green economy. Impax has been analysing green revenues and investing in high potential companies providing solutions to environmental problems since 1998, and we're delighted to be extending our long-term partnership with FTSE Russell in this area."

– Ends –



Press Release



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About FTSE Russell:

FTSE Russell is a global index leader that provides innovative benchmarking, analytics and data solutions for investors worldwide. FTSE Russell calculates thousands of indexes that measure and benchmark markets and asset classes in more than 70 countries, covering 98% of the investable market globally.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. Approximately \$10 trillion is currently benchmarked to FTSE Russell indexes. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on applying the highest industry standards in index design and governance and embraces the IOSCO Principles. FTSE Russell is also focused on index innovation and customer partnerships as it seeks to enhance the breadth, depth and reach of its offering.

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