

# FTSE Environmental Opportunities & FTSE Environmental Technology Index

## Ground Rule Updates

01 June 2021

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FTSE Russell would like to inform clients of the following updates to the FTSE Environmental Opportunities Index Series and the FTSE Environmental Technology Index Series which will be effective after the close of business on 18 June 2021.

### Eligible Securities

#### **The Green Revenues Data Model (update in bold)**

The FTSE Russell Green Revenues data model helps investors understand the global industrial transition to a green and low carbon economy with consistent, transparent data and indices.

Companies are analyzed and categorized using a unique industrial taxonomy for green goods, products, and services that covers 10 sectors, 64 subsectors, and 133 micro sectors. For companies classified in one or more of the green **micro** sectors, a total percentage(s) of revenue from green products is provided.

**Company green revenues are assessed and measured under one of three categories:**

- **Disclosed information when a company has sufficient disclosure to measure green revenues.**
- **Company-specific estimates when a company has limited revenue disclosures but there is additional non-revenue data (e.g. production volumes) or relevant market or peer data (e.g. market share of a product) that can form a reasonable basis for estimating green revenues.**
- **Sector-specific estimates when a company has insufficient disclosure to generate company-specific estimates. A quantitative estimation model is used to estimate green revenues using disclosed and company-specific data from sector peers.**

At the company activity level, each of the 133 micro sectors is mapped to one of three tiers, defined as the following:

- Tier 1 covers activities (micro sectors) with significant and clear environmental benefits (e.g. EG08.0 Energy Generation - Solar).
- Tier 2 covers activities (micro sectors) with more limited but net positive environmental benefits (e.g. WI08.0 Water Utilities).
- Tier 3 covers activities (micro sectors) which have some environmental benefits but are overall net neutral or negative (e.g. EG06.0 Energy Generation - Nuclear).

A company will be eligible for inclusion in the FTSE EO Index Series if its Green Revenues percentage is 20% or above, calculated as the following:

- Green Revenues percentage for a company, which is the portion of green revenues as classified by the FTSE Green Revenues Classification System to total company revenue.
- Green Revenues application excludes Tier 3 activities, as defined in Rule 4.4.2.
- Company assessments using sector-specific estimates of green revenues are not used for determining index eligibility.

In order to reduce index turnover, a buffer threshold will also be employed. **At reviews of the index, new constituents will only be eligible for inclusion if they have 20% or more Green Revenues.** In addition, at reviews of the index, current constituents will only be ineligible if they fall below 15% in Green Revenues.

#### FTSE Environmental Technology Index

- Green Revenues application only includes Tier 1 activities, as defined in Rule 4.3.2, with the exception of TS 01.2 Electrified Railways which is not eligible for the FTSE Environmental Technology Index Series.

Updates copies of the Ground Rules are now available from FTSE Russell: [www.ftserussell.com](http://www.ftserussell.com)  
[FTSE\\_Environmental\\_Opportunities\\_Index\\_Series\\_new.pdf \(ftserussell.com\)](#)  
[FTSE\\_Environmental\\_Opportunities\\_UK\\_Index\\_new.pdf \(ftserussell.com\)](#)  
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