Investment in Sustainable and Environmental Markets

Will Oulton
Director, Responsible Investment, FTSE Group
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Sustainable and Environmental Investment at FTSE Group

- Launched the FTSE4Good Index in 2001
- Research partners: Impax, KLD (now Riskmetrics) and Eiris
- Environmental Markets Indices since 2008
- Launched the FTSE Environmental Markets Classification System
- €23 bn linked to FTSE's sustainable and environmental indices
- Environmental markets indices are gaining most interest
- Clients include the world's largest public pension funds and fund managers

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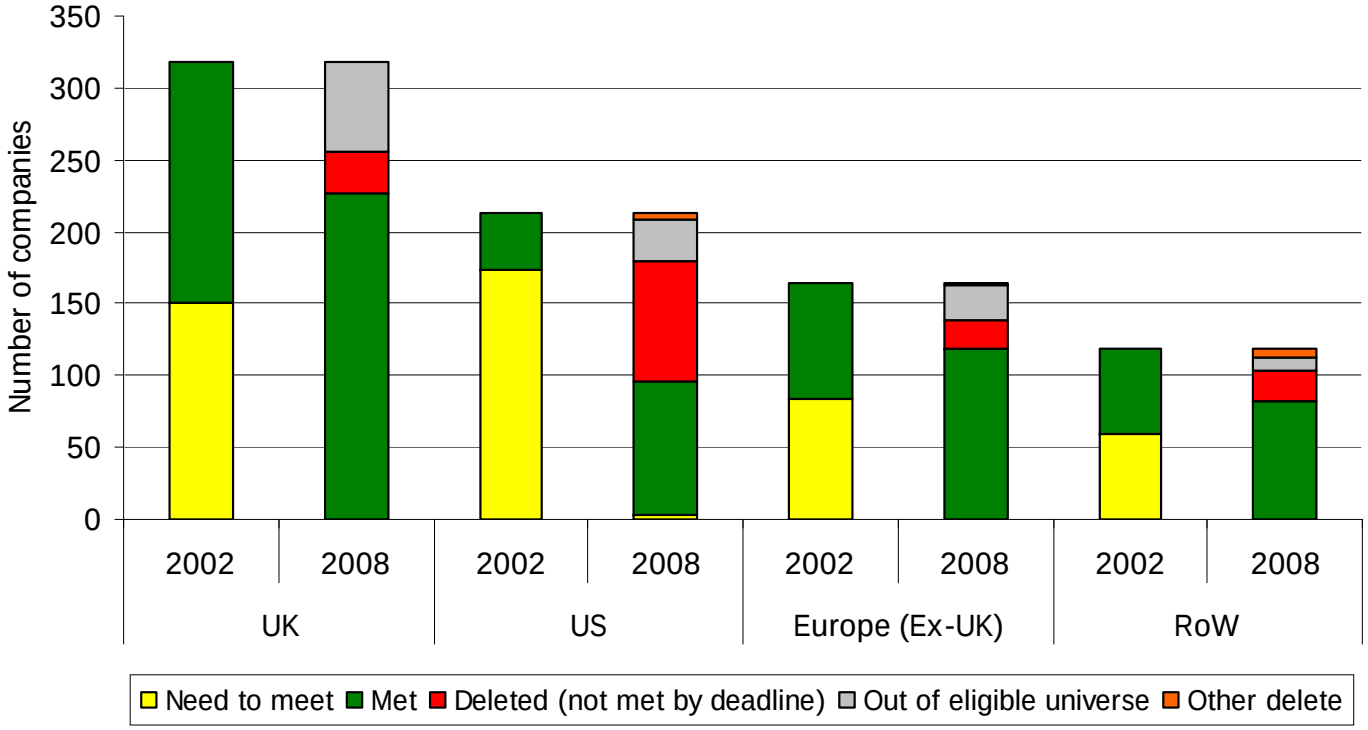
FTSE4Good Index – Environmental Practices

469 companies required to improve aspects of environmental practice

- 53% success rate (met full requirement)
- 46% deleted for failing to meet the criteria



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Growth in Environmental Markets

Climate change is one of the key drivers of interest environmental markets, others include;

- Energy security and supply
- Population growth
- Water scarcity
- Economic development
- Ecosystem degradation, and
- Policy and regulatory initiatives related to CO2 Emissions

These macro socio-political drivers including economic stimulus packages are are creating investment opportunities.

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The FTSE Environmental Markets Classification System

For investors defining the opportunity set has been problematic.

"Companies that provide products and services offering solutions to environmental problems, or that improve the efficiency of natural resource use."

- 6 Sectors:
  1. Renewable & Alternative Energy
  2. Energy Efficiency
  3. Water Infrastructure & Technologies
  4. Pollution Control
  5. Waste Management & Technologies
  6. Environmental Support Services

- 24 Sub-Sectors...

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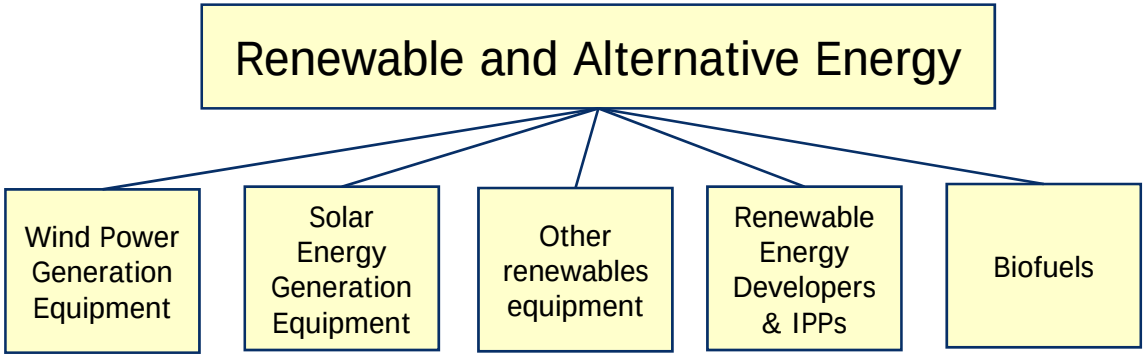
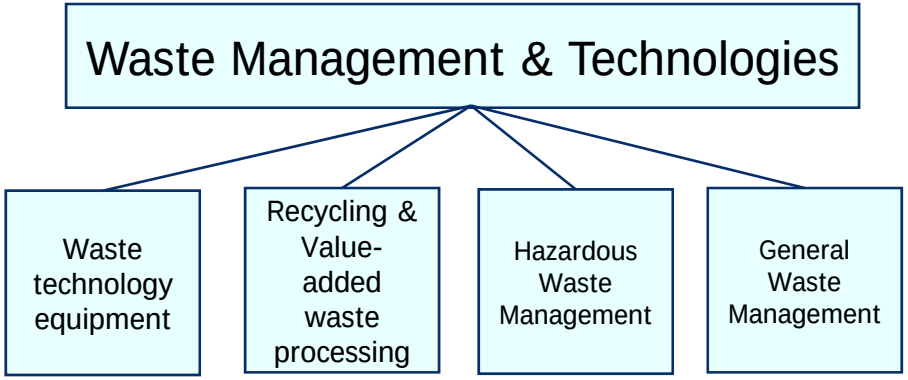
Classification of Environmental Markets

Example Sector and Sub-Sectors:





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Classification: UK Company Case Studies

PV Crystalox Solar plc:

- Leading manufacturer of multicrystalline silicon ingots and wafers, the key component in solar power systems.
- EO involvement: 100%.
- Classification: **Renewable Energy, Solar Energy Generation Equipment**

Chloride Group:

- Supplier of power protection solutions, including Uninterruptible Power Supplies (UPS) and battery backup systems to maintain critical power uses plus remote monitoring and other services relating to power management to a broad range of industries including wind and solar energy.
- EO involvement: 100%.
- Classification: **Energy Efficiency, Power Network Efficiency**

Ricardo:

- Technical consultant to the automotive industry, developing higher efficiency and lower emission engines along with development and commercialization of hybrid and electric vehicles.
- EO involvement: 71%.
- Classification: **Energy Efficiency, Transport Energy Efficiency**

Source: Impax Asset Management

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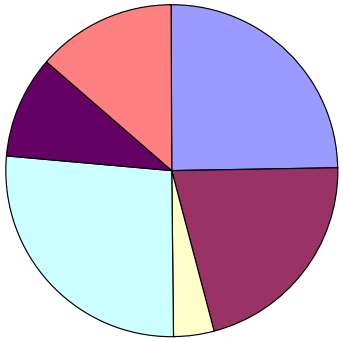
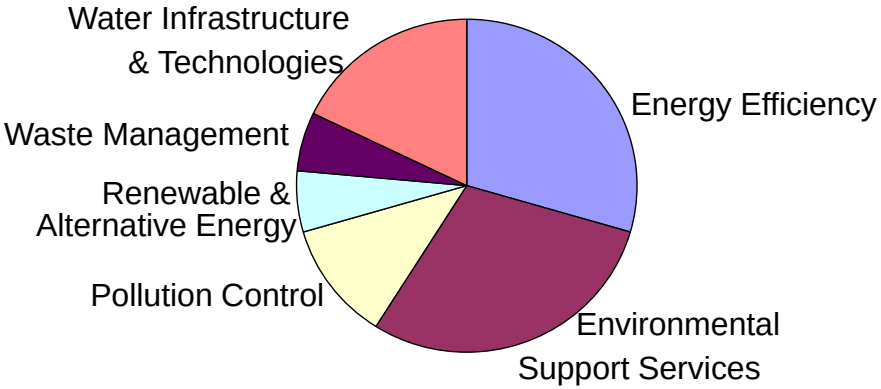
FTSE EO Indices – Sector Composition Comparisons

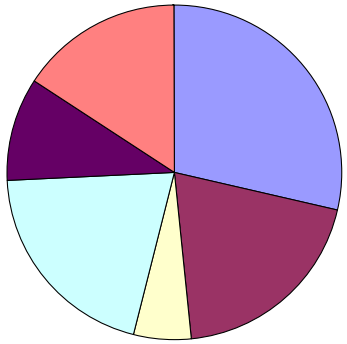
FTSE EO Europe



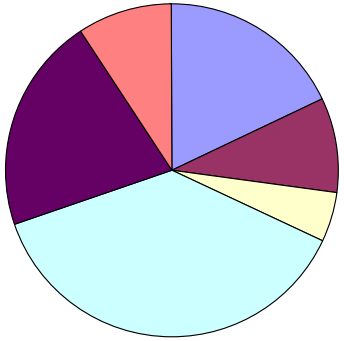
FTSE EO UK



FTSE EO Global



FTSE EO UK AIM



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FTSE Environmental Markets Indices

- Developed in association with Impax Group
- Overseen by an independent, practitioner advisory committee
- 2 key approaches – sector specialists (pure play) and broader environmental opportunities
- Revenues drive the selection process – 50% plus – sector pure play specialists; 20% plus - environmental opportunities
- Universe of 1000 companies (developed and emerging country representation)
- 18 indices in the series comprising over 500 companies
- €3bn AUM

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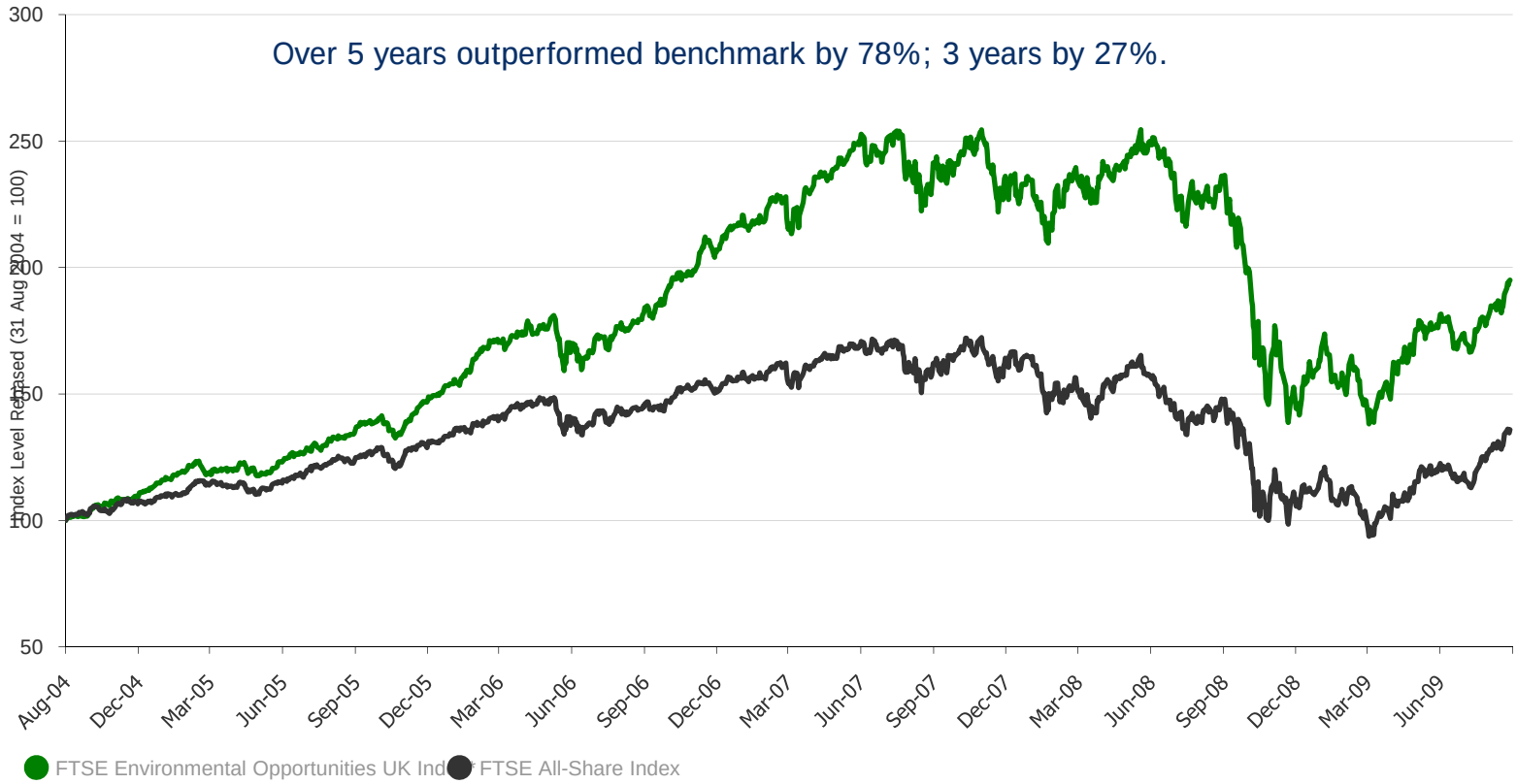
FTSE Environmental Opportunities UK Index

5-YEAR PERFORMANCE (GBP TOTAL RETURN) versus FTSE All Share



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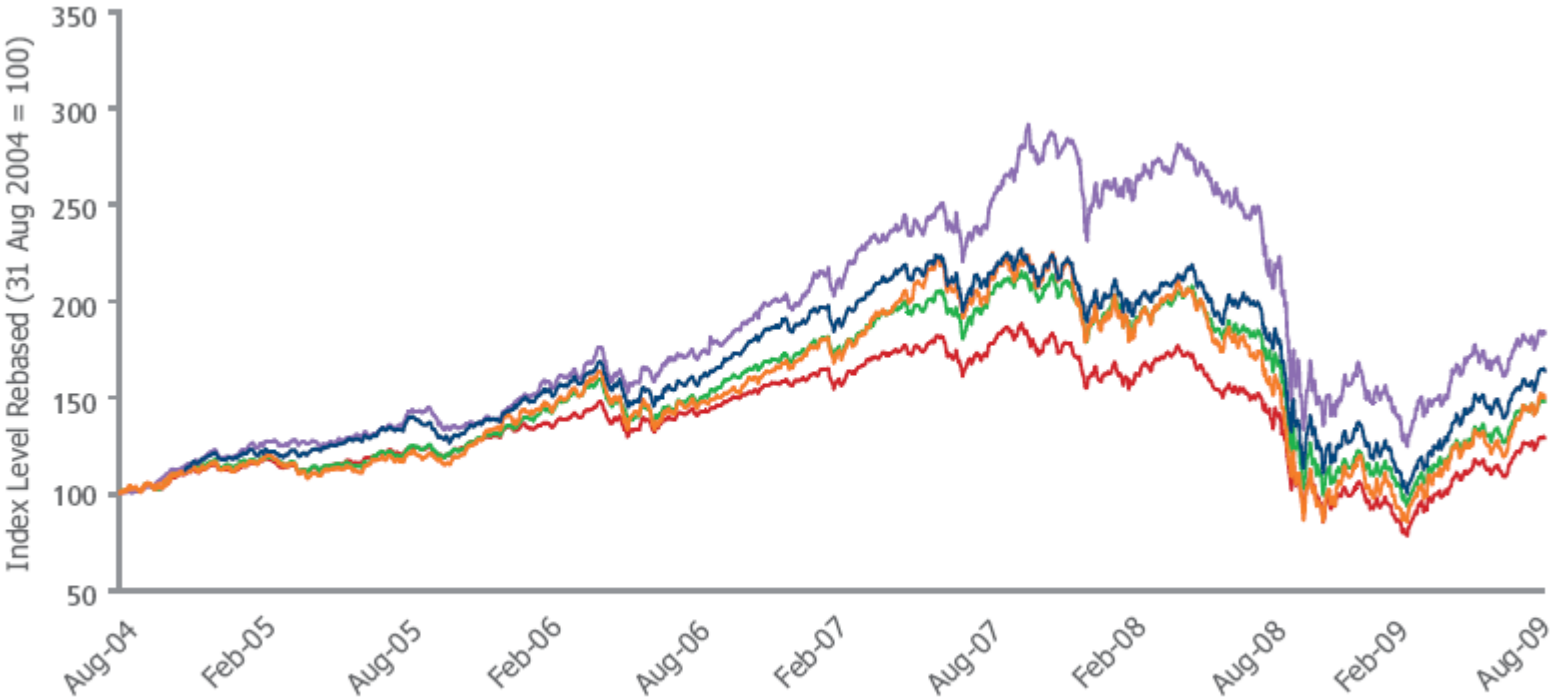
Global sector based investment opportunities



Source: FTSE Group, data as at 31 August 2009

- FTSE EO Water Technology Index
- FTSE EO Energy Efficiency Index
- FTSE EO Renewable and Alternative Energy Index
- FTSE EO Waste and Pollution Control Technology Index
- FTSE Global All Cap Index

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Summary

- Global trends re energy, emissions, etc
- New generation of informed public opinion
- Investors are behind the curve
- Standards and transparency
- Investment opportunities are emerging

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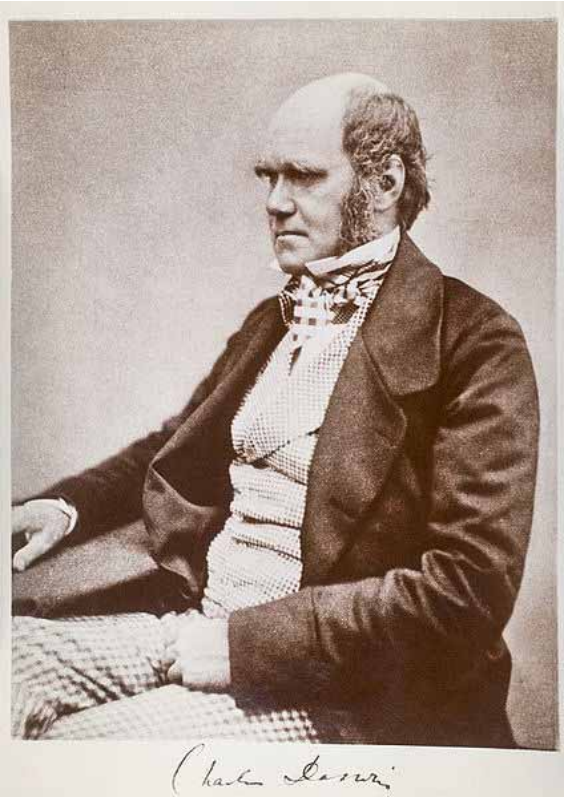

“It is not the strongest species that survive, nor the most intelligent;

it is the ones most adaptable to change."

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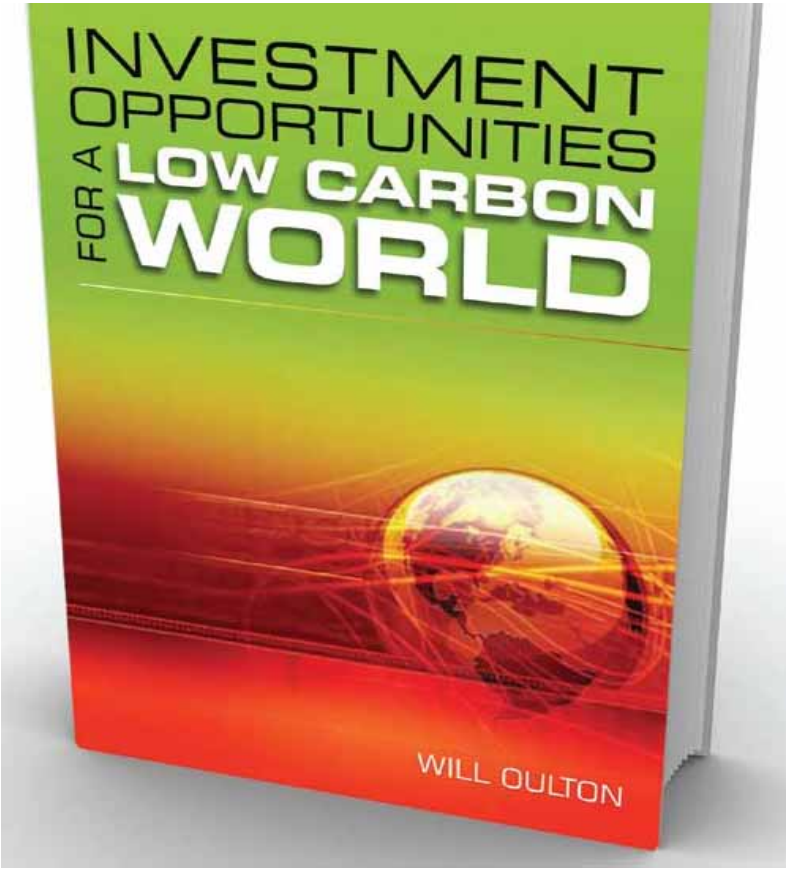
Thank you.



Will Oulton
Director, Responsible Investment
FTSE Group
Tel No: +44(0)20 7866 1853

Email: will.oulton@ftse.com

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