# Global GREEN growth

## Financing our future

Green Economy Report 2022

London Stock Exchange

An LSEG Business

# Contents

# Foreword

**To meet our greatest environmental challenges, whether that is in the form of the just transition to net zero, or tackling biodiversity loss, we must ensure that, globally, our financial ecosystem supports our natural ecosystem.**

Such a transformation requires the realignment of capital on a huge scale, backing our scientists and entrepreneurs, bold and coordinated policy-making, and for these to converge in new and innovative ways. The will is there: businesses are adapting; policy is evolving; and finance is mobilising. However, we need even greater momentum – more needs to change and at greater speed. We need to go further and faster in both setting and delivering sustainability targets. We must transform our global economy into a global green economy.

In London, there is no better example of how the real economy is mobilising behind this aspiration than that represented by the cohort of companies and funds that have earnt the Green Economy Mark.

In this green financial ecosystem, LSEG plays a pivotal role in three key areas: we are facilitating capital flows towards the green economy and the low-carbon transition; we are building and fostering dialogue between companies, investors and policy-makers; and we are advocating for higher, more uniform standards of disclosure and data to enable capital to flow in the right direction.

LSEG offers the broadest range of sustainability markets, products, and services of any global stock exchange. Our Green Economy Mark recognises London-listed companies generating more than half their revenues from green environmental products and services; our Sustainable Bond Market helps direct debt finance into the green economy, including the low-carbon transition, as well as projects working towards wider social goals. Our plans for a Voluntary Carbon Market designation will support the listing of carbon funds that will help channel the financing we need to the projects we need to fight climate change.

But our direction of travel is more profound and far-reaching: it is towards Environmental Social Governance (ESG) being "business as usual", a future in which ESG and the net-zero transition are embedded in the valuation of every asset, considered in every investment decision.

For investors, we are supporting better ESG disclosures so that they obtain more data from more companies. In October 2021, the London Stock Exchange was the first exchange to issue climate reporting guidance based on the UN Sustainable Stock Exchanges' Model Guidance on Climate Disclosure, which is aligned with the Task Force for Climate Related Financial Disclosures (TCFD) recommendations. The guidance provides a very practical template to support companies to evaluate the risks and opportunities related to climate change that are inherent in their operations.

LSEG is also a founding member of GFANZ – the Glasgow Financial Alliance for Net Zero – which has ambitions to be a powerful force for change. GFANZ has grown to include over 500 organisations, representing around 40% of global private financial assets, committed to achieving net zero by 2050. LSEG is proud to be part of this global coalition, and to be working alongside our peers in the Net Zero Financial Service Providers Alliance to align our products and services with net zero by 2050.

We support the Transition Pathway Initiative (TPI) and its research programme and future plans to increase the coverage of the transition data to over 10,000 corporate entities across different asset classes.

We are also a global provider of data and analytics and have a broad and comprehensive sustainability offering in this space. Through FTSE Russell and Refinitiv, we offer a range of ESG data products and green finance indexes to help investors identify green investment opportunities. For example, FTSE Russell now provides Paris Aligned tilts to all its major indices, allowing passive investors to align their portfolios to the transition to net zero. The enormous data capabilities of LSEG are enabling capital to flow in the right direction for a greener economy.

Finally, it is important that LSEG, as a listed business, holds itself to a high sustainability standard. We have therefore set a science-based target to reach net zero by 2040 and have published our Climate Transition Plan to deliver this where we explain our commitments and approach, covering both our near-term targets and how we will identify actions required beyond 2030.[1]

We are rapidly running out of time to create a sustainable, green economy. Through London's markets, new innovative companies, specialist investment funds and traditional global corporations are accessing the capital needed to accelerate the transition. Our third Green Economy Report celebrates the 108 companies and funds now accredited with the Green Economy Mark and recognises their efforts in building a greener future for everyone.

**Julia Hoggett**
CEO of London Stock Exchange plc

1 www.lseg.com/sites/default/files/content/documents/mobilising-capital-for-a-sustainable-global-economy.pdf

# Growing the green economy and the role of financial markets in supporting the transition to low carbon

**Estimates may vary but a successful and just transition to net zero will demand the mobilisation of public and private finance on an enormous scale. GFANZ estimates that $125trn will be needed by 2050.[2] The Energy Transitions Commission estimates that additional investments of approximately $1.6trn per annum over the next 30 years will be required to decarbonise the world's economy.[3]**

In the UK alone, the Government's Net Zero Strategy estimates that additional capital investment in key sectors and technologies must grow from present levels of £10–15bn per year to at least £50–60bn per year through the late 2020s and 2030 to support the nation's net-zero target.[4]

### The fifth industrial super-sector

The scale of the shift required represents an enormous growth market for emerging and innovative businesses, which is reflected in the growth of the global green economy to date. It has recorded a compound annual growth rate of approximately 14% over the last 12 years, increasing its market capitalisation from $2trn in 2009 to more than $7trn in 2021. It has almost doubled its share of the global investable market – from 4% to over 7% – between 2009 and 2021. If viewed as an industry, it would be the fifth largest sector by market capitalisation.[5]

### Global investors sharpen their focus

It is also reflected in the worldwide shift of focus among investors: in the FTSE Russell 2021 global survey of asset owners, 84% were evaluating or implementing sustainable investment considerations in their strategies – up from a little over half (53%) in 2018. This matters for companies: shareholders and potential investors now want much more detailed information on environmental performance and are looking for issuers to provide transparent, high-quality and comparable sustainability data.

The collective AUM represented by all signatories to the UN PRI rose to $121trn in 2021 and the number of investor signatories rose by 26% between 2020 and 2021.[6]

**26%**

**increase in investor signatories to the UN PRI between 2020 and 2021**

**159**

**new or revised policy instruments identified by PRI so far in 2021 – more than the whole of 2020**

**A global policy focus on sustainable finance**

Another major factor has been the growing intensity of focus among governments and policy-makers on sustainable finance and investment, which has sharpened dramatically since the start of the century. Of the policies identified by PRI, 96% have been developed since the year 2000. The weight of legislative pressure around the world is increasing: the PRI has identified 159 new or revised policy instruments so far in 2021 – more than the whole of 2020.[7]

## Cumulative number of policy interventions

In addition, other finance providers are exerting greater pressure. GFANZ is seeking to align loan books and portfolios to net zero.

Stronger sustainability disclosure rules can unlock the information required by the financial sector to drive the global transition; LSEG has made a number of policy recommendations for the mandatory reporting of all emissions, transition plans and green revenues so that capital and investment can be more efficiently allocated in the global green economy.

Further steps are accelerating the drive towards a global green economy. The EU Taxonomy is in place and the UK Government is in the process of drawing up its own taxonomy.

While debate remains about the inclusion of some sectors in these taxonomies, they provide a common language and clear definitions of what is ‘sustainable’ and ‘green’, enabling capital to be allocated more efficiently, addressing the issue of greenwashing and accelerating sustainable investment.[8]

2 Glasgow Financial Alliance for Net Zero (GFANZ) (2021), We need to reach net zero emissions by 2050; GFANZ, launched in April 2021 and co-chaired by Mark Carney and Mike Bloomberg, is a group made up more than 450 banks, insurers and asset managers – including the London Stock Exchange Group – dedicated to helping raise ambitions across the financial system to meet Net Zero by 2050.

3 www.energy-transitions.org/wp-content/uploads/2020/09/Making-Mission-Possible-Full-Report.pdf

4 www.gov.uk/government/consultations/update-to-green-finance-strategy-call-for-evidence/update-to-green-finance-strategy-call-for-evidence-accessible-webpage

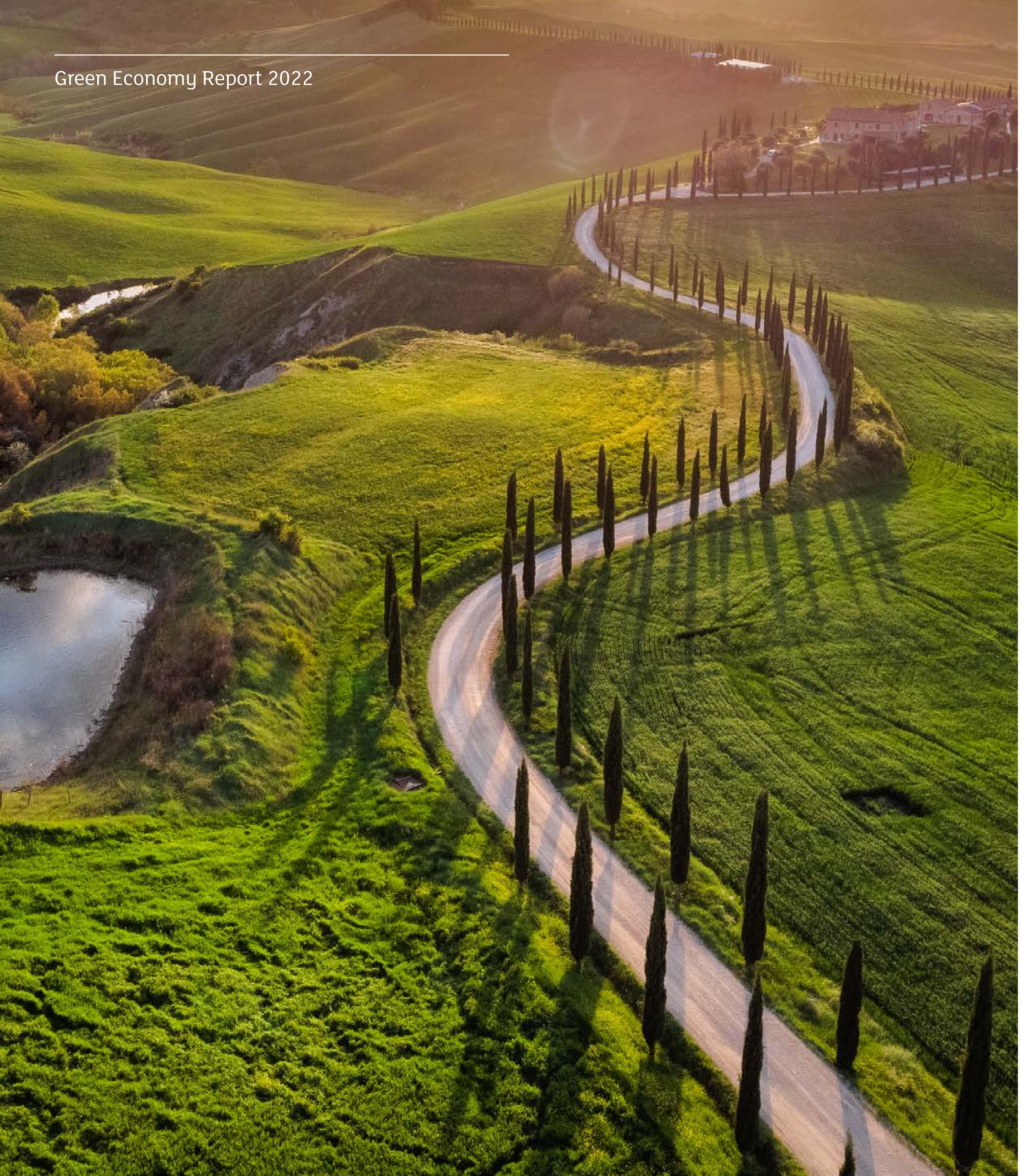
5 FTSE Russell GER 2022

6 www.unpri.org/annual-report-2021/how-we-work/building-our-effectiveness/enhance-our-global-footprint

7 www.unpri.org/policy/regulation-database

8 mobilising-capital-for-a-sustainable-global-economy.pdf (lseg.com)

# London: financing the global green economy



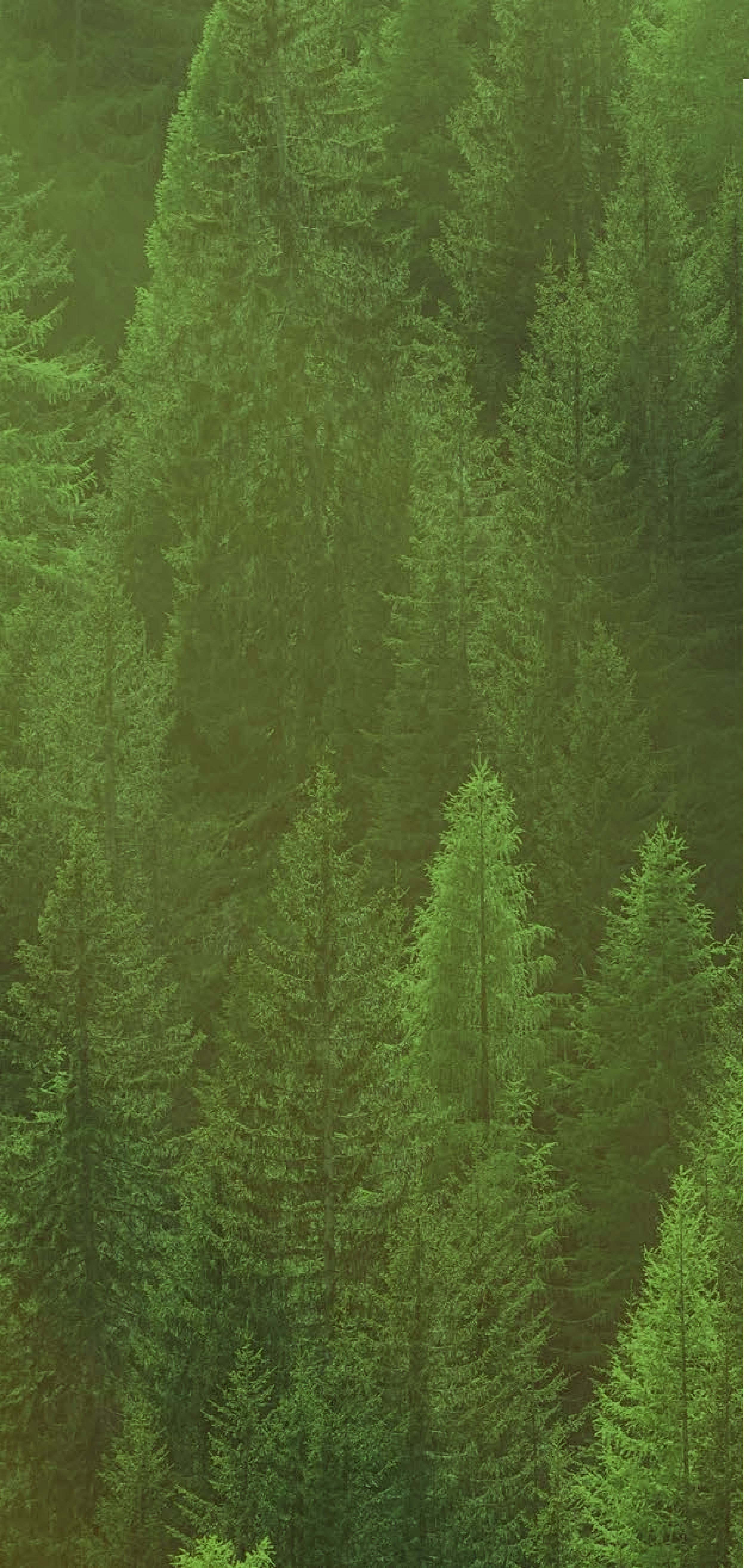


**The UK's robust, stable and forward-looking policy and regulatory frameworks play an important part in making London an epicentre for green finance.**

In 2019, the UK became the first major economy to commit in law to net-zero greenhouse gas emissions by 2050 and has since set in law a target to cut emissions by 78% by 2035 compared to 1990 levels. In 2020, the UK became the first country in the world to commit to making TCFD-aligned climate disclosures fully mandatory for large companies across the economy.[9] As part of its plans to deliver the world's first Net Zero-aligned Financial Centre, the UK Government is requiring large companies and certain financial sector firms to publish a transition plan from 2023. The Government has formed the Transition Plan Taskforce (TPT), which LSEG is part of, to support this initiative by developing a gold standard for firm-level net-zero transition planning.[10]

So, too, does the richness of the UK's green ecosystem. The UK Centre for Greening Finance and Investment (CGFI) has been established to accelerate the adoption and use of climate and environmental data and analytics by financial institutions internationally. The Green Finance Institute (GFI) sits at the nexus of the public and private sectors to convene and lead sectoral coalitions of global experts, identifying and unlocking barriers to investment towards impactful, real-economy outcomes. The UK is an academic leader on climate science with many of the world's leading climate advisers and scientists being associated with UK-based organisations; UK research publications rank second in terms of influence.[11]

Ultimately, though, the central role of London in financing the global green economy is most clearly seen in the rising amount of climate-aligned capital flowing through the London Stock Exchange's debt and equity markets.



## Green Economy Mark

"The London market is at the centre of the ESG and impact investing universe," says Steve Oyer, CEO of i(x) Net Zero, the worldwide investor in energy transition and sustainability in the built environment, and which was admitted to AIM in 2022. The company also received the Green Economy Mark, the world-first accreditation which recognises London-listed issuers that generate more than half their revenues from green products and services.

i(x) Net Zero is one of 108 companies to receive the Green Economy Mark in 2022. With a combined market capitalisation of £156bn, this cohort are playing an important role in the global green economy, making substantial and positive contributions towards meeting environmental objectives such as climate change mitigation, adaptation, waste and pollution reduction, the circular economy, and sustainable agriculture.

The Green Economy Mark plays a key part in expanding the universe of green equities beyond established 'pure play' sectors through the use of the FTSE Russell Green Revenues Classification System, enabling more targeted investment. By identifying green revenues in this way, the Mark clarifies how – and which – companies are contributing to sustainability goals through the solutions they provide. It also incentivises the development of innovative solutions to accelerate the global transition.

Classified as a sector in its own right, the 108 holders of the Green Economy Mark would be the fourth largest in terms of capital raising since 2020 – although they only represent 5% of all London listed companies.

"The Green Economy Mark is very important to us," says Giorgio Bonfanti, CFO of the AIM-quoted graphene production company Directa Plus which raised £7m in 2021 to accelerate its growth strategy (see the case study in this report). "It is a distinctive award, appreciated and recognised by our clients, suppliers, and investors. We are using it in all our marketing activities and in our investor roadshows."

**"The London market is at the centre of the ESG and impact investing universe."**

**Steve Oyer** CEO, i(x) Net Zero

# Composition of the Green Economy Mark

Provided to

**108**

**companies** with a combined market capitalisation of

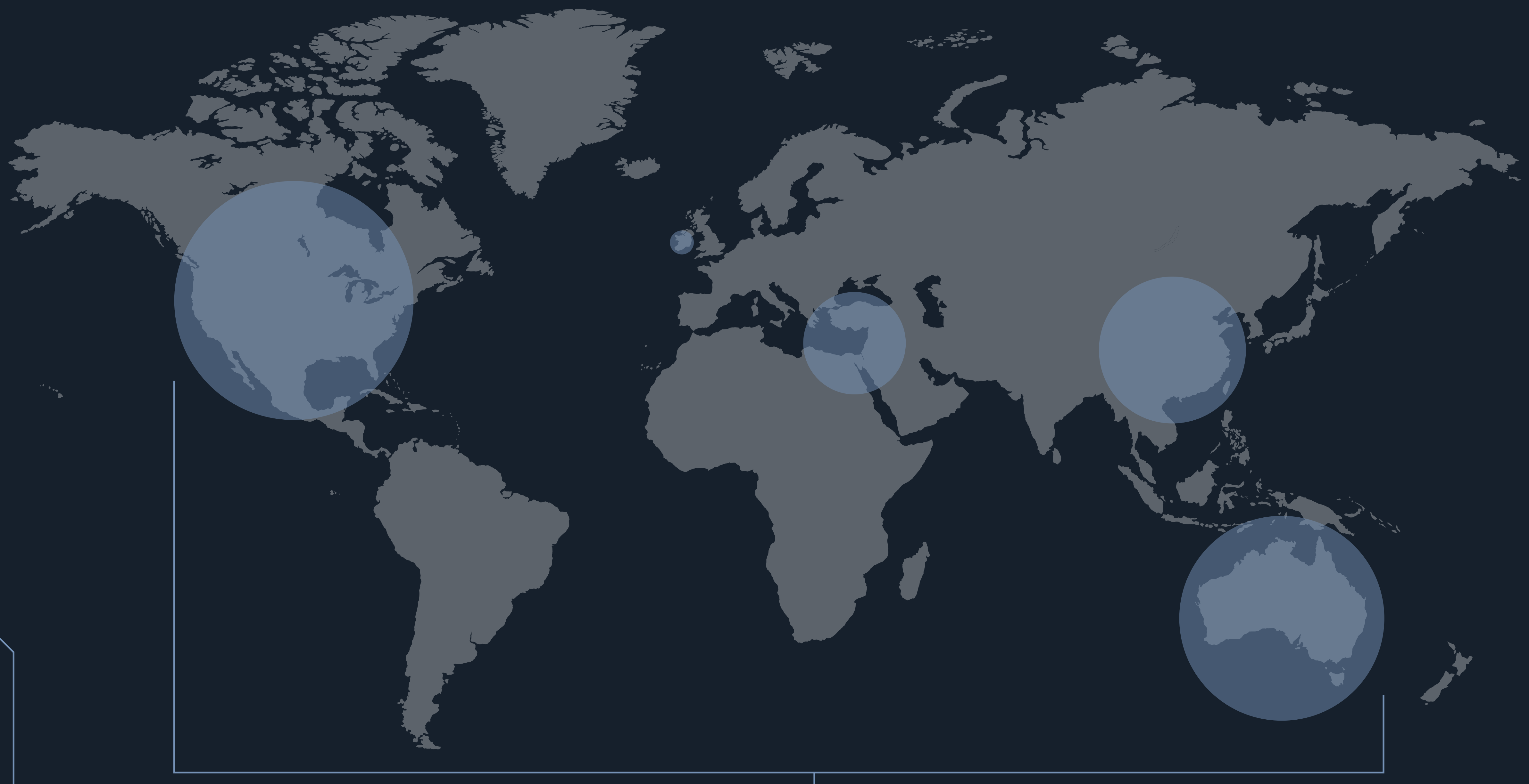
**£156bn**

**54%**
**financials and industrials**

Classified as a sector in its own right, the Green Economy Mark cohort would be the **fourth largest** in terms of capital-raising since 2020 – although they only represent **5%** of all London listed companies.

**1/3**
**green funds**

**Green funds** represent nearly one-third of the Green Economy Mark cohort and are the biggest constituent sector. Their market capitalisation has grown by **76%** in the past two years. The Renewables Infrastructure Group (TRIG) raised **£272m** in March 2022, the third largest capital raise since 2020 by a green fund in London.



Two sectors – **financials** and **industrials** – account for more than half (54%) of all Green Economy Mark issuers.

By market capitalisation, the **utilities** sector is the largest; its eight companies account for **nearly two-thirds** (60%) of the total market capitalisation of the Green Economy Mark cohort. The fastest-growing sector by market capitalisation is **consumer discretionary** which increased by **163%** from the previous year.

London's global appeal as a hub for sustainable finance is clear with international issuers accounting for **64%** of the total market capitalisation of Green Economy Mark companies.

## The 2022 Green Economy Mark cohort

| Issuer name | Industry | Market |
|---|---|---|
| ACCSYS TECHNOLOGIES PLC | Industrials | AIM |
| AFC ENERGY PLC | Energy | AIM |
| AGRONOMICS LIMITED | Health Care | AIM |
| ALUMASC GROUP PLC | Industrials | AIM |
| AMTE POWER PLC | Industrials | AIM |
| AQUILA ENERGY EFFICIENCY TRUST PLC | Financials | Main Market |
| AQUILA EUROPEAN RENEWABLES INCOME FUND PLC | Financials | Main Market |
| ATOME ENERGY PLC | Energy | AIM |
| ATRATO ONSITE ENERGY PLC | Financials | Main Market |
| BIFFA PLC | Utilities | Main Market |
| BIOME TECHNOLOGIES PLC | Basic Materials | AIM |
| BLACKBIRD PLC | Technology | AIM |
| BLUEFIELD SOLAR INCOME FUND LIMITED | Financials | Main Market |
| CAIRN HOMES PLC | Consumer Discretionary | Main Market |
| CAMBIUM GLOBAL TIMBERLAND LIMITED | Basic Materials | AIM |
| CAP-XX LIMITED | Industrials | AIM |
| CERES POWER HOLDINGS PLC | Energy | AIM |
| CHINA YANGTZE POWER CO., LTD | Utilities | Main Market |
| CLEAN POWER HYDROGEN PLC | Energy | AIM |
| CYANCONNODE HOLDINGS PLC | Telecommunications | AIM |
| DG INNOVATE PLC | Consumer Discretionary | Main Market |
| DIALIGHT PLC | Industrials | Main Market |
| DIRECTA PLUS PLC | Basic Materials | AIM |
| DOWNING RENEWABLES & INFRASTRUCTURE TRUST | Financials | Main Market |
| ECOFIN U.S. RENWEABLES INFRASTRUCTURE TRUST PLC | Financials | Main Market |
| EDEN RESEARCH PLC | Basic Materials | AIM |
| EENERGY GROUP PLC | Industrials | AIM |
| ENERAQUA TECHNOLOGIES PLC | Industrials | AIM |
| EQTEC PLC | Energy | AIM |
| EUROCELL PLC | Industrials | Main Market |
| FIRSTGROUP | Consumer Discretionary | Main Market |
| FORESIGHT GROUP HOLDINGS LIMITED | Financials | Main Market |
| FORESIGHT SOLAR & TECHNOLOGY VCT PLC | Financials | Main Market |
| FORESIGHT SOLAR FUND LIMITED | Financials | Main Market |
| FORESIGHT SUSTAINABLE FORESTRY COMPANY PLC | Financials | Main Market |
| GCP INFRASTRUCTURE INVESTMENTS LIMITED | Financials | Main Market |
| GELION PLC | Industrials | AIM |
| GENUIT GROUP PLC | Industrials | Main Market |
| GLENVEAGH PROPERTIES PLC | Consumer Discretionary | Main Market |
| GO-AHEAD GROUP PLC | Consumer Discretionary | Main Market |
| GORE STREET ENERGY STORAGE FUND PLC | Financials | Main Market |
| GREENCOAT RENEWABLES PLC | Utilities | AIM |
| GREENCOAT UK WIND PLC | Financials | Main Market |
| GRESHAM HOUSE ENERGY STORAGE FUND PLC | Financials | Main Market – SFS |
| GRESHAM HOUSE PLC | Financials | AIM |
| GRESHAM HOUSE RENEWABLE ENERGY VCT 1 PLC | Financials | Main Market |
| GRESHAM HOUSE REN-EWABLE ENERGY VCT 2 PLC | Financials | Main Market |
| HARMONY ENERGY INCOME TRUST PLC | Financials | Main Market – SFS |
| HARVEST MINERALS LIMITED | Basic Materials | AIM |
| HYDROGENONE CAPITAL GROWTH PLC | Financials | Main Market |
| I(X) NET ZERO PLC | Financials | AIM |
| ILIKA PLC | Industrials | AIM |
| IMPAX ENVIRONMENTAL MARKETS PLC | Financials | Main Market |
| INSPIRED PLC | Energy | AIM |
| INVINITY ENERGY SYSTEMS PLC | Industrials | AIM |
| ITACONIX PLC | Industrials | AIM |
| JLEN ENVIRONMENTAL ASSETS GROUP LIMITED | Financials | Main Market |
| JUPITER GREEN INVESTMENT TRUST PLC | Financials | Main Market |
| KINGSPAN GROUP PLC | Industrials | Main Market |
| LAMPRELL | Energy | Main Market |
| LIBERTINE HOLDINGS PLC | Industrials | AIM |
| MICROLISE GROUP PLC | Technology | AIM |
| MUSICMAGPIE PLC | Consumer Discretionary | AIM |
| MYCELX TECHNOLOGIES CORPORATION | Industrials | AIM |
| NANOCO GROUP PLC | Technology | Main Market |
| NEXTENERGY SOLAR FUND LIMITED | Financials | Main Market |
| OCTOPUS RENEWABLES INFRASTRUCTURE TRUST PLC | Financials | Main Market |
| PENNON GROUP PLC | Utilities | Main Market |
| PERSIMMON | Consumer Discretionary | Main Market |
| PLANT HEALTH CARE PLC | Basic Materials | AIM |
| PLEXUS HOLDINGS PLC | Energy | AIM |
| POD POINT GROUP HOLDINGS PLC | Energy | Main Market |
| PREMIER MITON GLOBAL RENEWABLES TRUST PLC | Financials | Main Market |
| PROTON MOTOR POWER SYSTEMS PLC | Energy | AIM |
| QUARTIX TECHNOLOGIES PLC | Technology | AIM |
| R.E.A. HOLDINGS PLC | Consumer Staples | Main Market |
| RENEWI PLC | Utilities | Main Market |
| SAIETTA GROUP PLC | Consumer Discretionary | AIM |
| SDCL ENERGY EFFICIENCY INCOME TRUST PLC | Financials | Main Market |
| SDIC POWER HOLDINGS CO., LTD | Utilities | Main Market |
| SEVERN TRENT PLC | Utilities | Main Market |
| SIMEC ATLANTIS ENERGY LIMITED | Energy | AIM |
| SYMPHONY ENVIRONMENTAL TECHNOLOGIES PLC | Industrials | AIM |
| SYNTHOMER | Basic Materials | Main Market |
| TEKMAR GROUP PLC | Energy | AIM |
| THE RENEWABLES INFRASTRUCTURE GROUP LIMITED | Financials | Main Market |
| THOMASLLOYD ENERGY IMPACT TRUST PLC | Financials | Main Market |
| TI FLUID SYSTEMS PLC | Consumer Discretionary | Main Market |
| TIRUPATI GRAPHITE PLC | Basic Materials | Main Market |
| TRAKM8 HOLDINGS PLC | Technology | AIM |
| TRIPLE POINT ENERGY EFFICIENCY INFRASTRUCTURE COMPANY PLC | Financials | Main Market – SFS |
| UNITED UTILITIES GROUP PLC | Utilities | Main Market |
| US SOLAR FUND PLC | Financials | Main Market |
| VERDITEK PLC | Energy | AIM |
| VH GLOBAL SUSTAINABLE ENERGY OPPORTUNITIES PLC | Financials | Main Market |
| VOLUTION GROUP PLC | Industrials | Main Market |
| XEROS TECHNOLOGY GROUP PLC | Industrials | AIM |
| ZOTEFOAMS | Basic Materials | Main Market |

## Green Economy Mark methodology

The Green Economy Mark is provided by the London Stock Exchange and draws upon FTSE Russell's Green Revenues Data Model, which identifies companies providing green products and services which achieve environmental objectives. Revenues are classified based on the Green Revenues Classification System (GRCS).

FTSE Russell has been at the forefront of research and development of green industrial taxonomies since 2008, starting with the launch of the FTSE Environmental Markets Index Series. The original Green Revenues data model was launched in 2015 and continuously enhanced in 2020 and 2021. The updated data model offers enhanced granularity and usability with an expanded classification system, a robust estimation model, tiering based on the level of "greenness," and eligibility of activities for the EU Taxonomy Regulation.

**Each business activity defined by the GCRS is evaluated against seven environmental objectives:**

- **Climate change mitigation**
- **Climate change adaptation**
- **Pollution prevention and control**
- **Protection of healthy ecosystems**
- **Sustainable use and protection of water and marine resources**
- **Transition to a circular economy, waste prevention and recycling**
- **Sustainable and efficient agriculture**

The latest iteration of the classification system was launched in 2020 and takes a broad, bottom-up view of the green economy.

The GRCS captures environmental products and services across the whole equity value chain, covering 10 green sectors, 64 sub-sectors and 133 micro-sectors. Using this data, a percentage of green revenues is derived at the sector, sub-sector and micro-sector level for each company.

This work is then turned into an overall strength of 'greenness', or net environmental impact, of companies' activities and revenues into three tiers:

**Tier 1** – Clear and significant environmental benefits

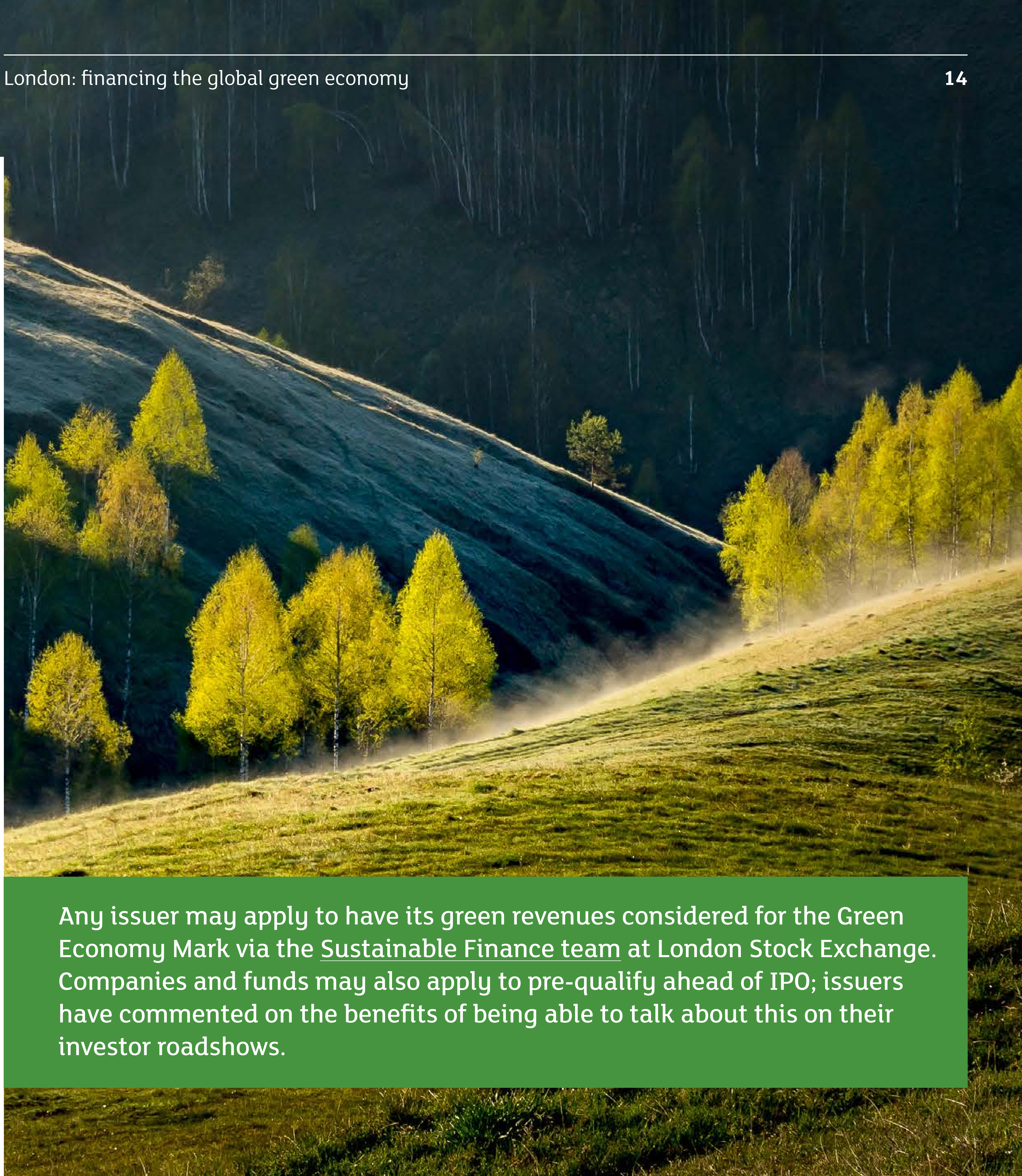
**Tier 2** – Limited but net positive environmental benefits

**Tier 3** – Some environmental benefits but are overall net neutral or negative

This tiering system means that companies with Tier 1 and 2 revenues can be accredited with the Green Economy Mark to reflect products and services with net positive environmental benefits.

The Green Economy Mark identifies companies and funds on all segments of the Main Market and AIM that generate between 50% and 100% of their total annual revenues from products and services that contribute to the global green economy, as defined by the above methodology.

Since its launch, the Green Revenues Classification System has been providing the investment community with a broad view of green activity and its material impact on companies' bottom line. In 2022, we standardised our methodology for both Main Market and AIM companies so that all companies were assessed on the same basis, using the GRCS as the underlying taxonomy for green revenues. This rebalancing means that there is now a higher standard for inclusion in the Green Economy Mark cohort, which is consistent across all of our markets, in recognition that every public company has a role to play in the green economy.



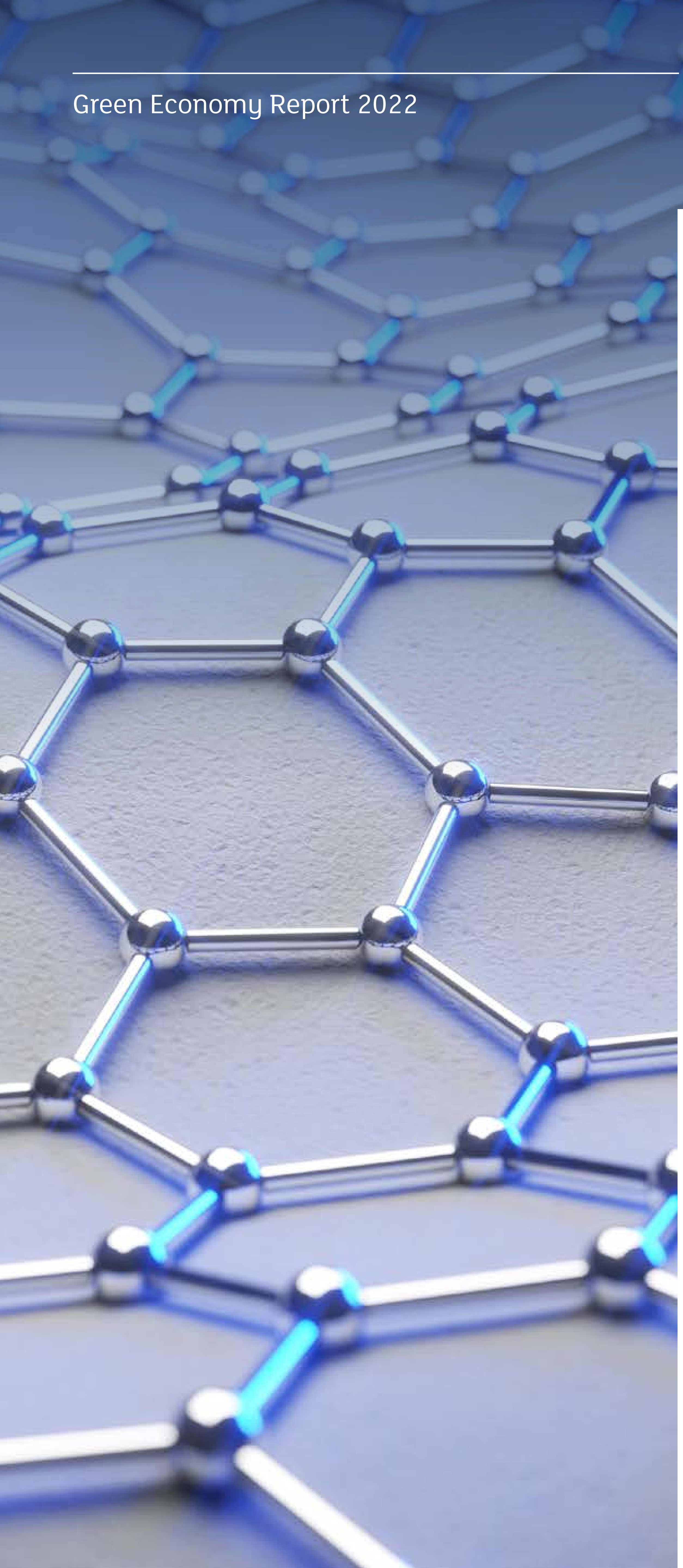
Any issuer may apply to have its green revenues considered for the Green Economy Mark via the Sustainable Finance team at London Stock Exchange. Companies and funds may also apply to pre-qualify ahead of IPO; issuers have commented on the benefits of being able to talk about this on their investor roadshows.

9 assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1031805/CCS0821102722-006_Green_Finance_Paper_2021_v6_Web_Accessible.pdf

10 www.gov.uk/government/publications/fact-sheet-net-zero-aligned-financial-centre/fact-sheet-net-zero-aligned-financial-centre

11 www.ey.com/en_lu/sustainability/green-money-flows

# Case studies



# Directa Plus

**"... the Green Economy Mark is very important to us. We are using it in all our marketing activities and in our investor roadshows."**

**Giorgio Bonfanti** CFO, Directa Plus

Based near Milan and founded in 2005, Directa Plus is a graphene pioneer that has been quoted on AIM since 2016. Its patented production process for making graphene nanoplatelets – platelet-shaped sheets of graphene stacked on top of one another – relies purely on physics rather than chemistry, says CFO Giorgio Bonfanti, so "our products are natural, chemical-free and sustainably produced".

Currently, the principal use for the company's graphene-based products is in environmental remediation such as draining, cleaning and washing oil tanks, recovering crude oil and treating sludge. It also supplies the textiles industry; during the Covid pandemic, the company designed anti-microbial, anti-viral facemasks and this breakthrough has provided the basis for entry into the global filter markets.

Directa Plus is also expanding into other applications such as paints, lithium-sulphur batteries and composites that can enhance asphalt road surfaces.

"The market has reached an inflection point," says Bonfanti, "as it is finally appreciating and understanding the potential of graphene." With so many market opportunities emerging, Directa Plus raised £7m in December 2021 to accelerate its growth across these different vertical sectors. "The market was very supportive of the fundraising," says Bonfanti.

This year, Directa Plus also qualified for the Green Economy Mark. Sustainability has been one of the pillars of the business from the start, says Bonfanti, so "qualifying for the Green Economy Mark is very important to us. It is a distinctive award, appreciated and recognised by our clients, suppliers, and investors. We are using it in all our marketing activities and in our investor roadshows".



## i(x) Net Zero

“... the London market is at the centre of the ESG and impact investing universe.”

**Steve Oyer** CEO, i(x) Net Zero

Created in 2015, i(x) Net Zero invests in companies in two broad sectors – energy transition and sustainability in the built environment. “These are the two areas that have the biggest impact on the climate crisis and address the inherent social issues that societies are trying to solve,” says its CEO Steve Oyer.

To date, the company has invested in direct air capture (carbon removal), wind and solar energy, sustainable workforce housing and net-zero construction technology. Green real estate is one of the best investments to tackle climate change, says Oyer: “more than 40% of the $CO_2$ that is released into the atmosphere comes from the built environment – the regulatory environment consumer and tenant demand are changing the way we construct and operate every sector of real estate and a lower carbon footprint will be the standard and not the exception. We are at the cusp of disruptive change that will provide significant long-term opportunity to investors”.

In February 2022, i(x) Net Zero was admitted to AIM, raising £10.7m. “It was always the dream of our founders to become a public company and democratise access for all investors to top-tier impact-focused returns while aligning their interests with their investments,” says Oyer, and London was the venue by design.

“One reason was that smaller companies in the US don’t have the same structural support that you have on AIM. There isn’t the research coverage or the banking resources.” And, he adds, “the London market is at the centre of the ESG and impact investing universe”.

The company also received the Green Economy Mark. “To be identified and affiliated with companies that have achieved the Mark is awesome and meaningful,” says Oyer. “This is a period when investors, regulators and the capital markets are going to demand more transparency and closer identification with standards that matter. So having the Green Economy Mark gives us a great way to begin conversations from a different level. It was another reason why the London Stock Exchange was attractive to us."

Joining AIM was also part of the company's ambition to become more global. "We have significant single-family offices in 12 countries around the world as our investors and we wanted to have access to more than just the North American markets."

> **"... having the Green Economy Mark gives us a great way to begin conversations from a different level. It was another reason why the London Stock Exchange was attractive to us."**
>
> **Steve Oyer** CEO, i(x) Net Zero

The focus for i(x) Net Zero is scaling up the companies in its current portfolio. Its largest holding is in a US-domiciled company called Waste Fuel which is partnering with shipping giant Maersk to enable container ships to run on bio-methanol. Another project is based in the Philippines, making sustainable aviation fuel for NetJets. In Seattle, Sustainable Living Innovations is building the world's first net-zero energy, high-rise multi-family rental apartments – and i(x) Net Zero is working with the company to expand internationally. But, Oyer adds, they are also looking at new areas such as hydrogen. "We're not trying to invest in an emerging technology, but our success has been to partner and build businesses around proven technologies that can scale."

## Pod Point

“This market is still in its infancy, but in the next 10 to 15 years, electric vehicles will be the main way of driving.”

**Eric Fairburn** CEO, Pod Point

Founded in 2009 by CEO Erik Fairbairn with a vision for travel that does not damage the earth, Pod Point develops, installs and operates charge points for all applications across all routes to market in the Electric Vehicle (EV) charging ecosystem: home, workplace, destination and en-route.

At present, only 1% of cars in the UK are fully electric, but with sales of new internal combustion engine vehicles ending in the UK in 2030 – and only zero-emission vehicles can be on sale from 2035 – the significant opportunities for Pod Point lie on the road ahead.

“This market is still in its infancy,” says Fairbairn, “but in the next 10 to 15 years, electric vehicles will be the main way of driving.” That means the charging infrastructure will have to keep pace with the number of EVs. Pod Point anticipates that approximately 25 million charge points will be needed in the United Kingdom by 2040.

In November 2021, Pod Point was admitted on the premium segment of the Main Market and received the Green Economy Mark.[12]

The proceeds of the IPO are being used to support Pod Point’s growth plans. “Last year, our growth was 86% and we need to continue to scale up,” says Fairbairn. “We are a hardware company, a software company and an installation company, so growing all these parts of the business is a wonderful challenge.”

He adds that “the company has built up strong relationships with its investors since our IPO and has seen great support from them for our strategy”.

Ultimately, says Fairbairn, Pod Point will become “a smart energy play”. He sees Pod Point becoming a key participant in smart energy distribution, with its charge points actively involved in managing load by controlling the flow of energy into EVs on a national and local level.

12 www.londonstockexchange.com/discover/news-and-insights/london-stock-exchange-welcomes-pod-point-main-market

# Driving investment into the green economy through data and disclosure

**Robust data and analytics underpin sustainable equity issuance. The Green Economy Mark highlights issuers who are sustainability leaders. Of the c.4,000 large and mid-sized constituents in the FTSE All World Index, more than half currently disclose operational emissions data. There is however a considerable variation in reporting levels according to company size, region and sectors.**

Transitioning to low carbon starts with each company understanding their own preparedness for a future in which their emissions must be drastically reduced. Our climate transition offering, available through our Issuer Services platform assesses companies carbon management practises and their incorporation of climate change considerations into their strategy. Online tools and training sessions can then help companies understand climate-related disclosure requirements of investors and regulators.

**London Stock Exchange listed companies are at the forefront of the transition:**

- Over half of the FTSE 100 are part of Race to Zero
- Nearly 200 support the Science Based Targets Initiative: again including over half of the FTSE and over a quarter of the FTSE 250
- Approximately 60% of the FTSE 100 by market capitalisation have already published net-zero pledges that are aligned to the Paris Agreement's target of limiting warming to 1.5 degrees Celsius

To further support issuers in raising sustainable equity finance, London-listed companies can access the ESG data and scores of Refinitiv, one of the industry's most comprehensive ESG databases covering 10,000 companies across 76 countries including more than 300 different ESG metrics. Companies can use the data to gain a global view of ESG performance in their sector and benchmark against industry peers, generating greater levels of awareness for best practice ESG data used by investors in their capital allocation decisions.

However, investors need better data and better ways to build sustainability considerations into their funds and investment products and to align their portfolios to the transition to net zero. Asset owners believe there are notable benefits of improved reporting and standardisation: 61% say that the development of corporate ESG and climate-reporting requirements are beneficial to their institutions' investment approaches.[13] More than two-thirds of the asset owners who participated in the annual FTSE Russell asset owner survey said that climate and carbon are their priority focus areas when seeking to invest sustainably.

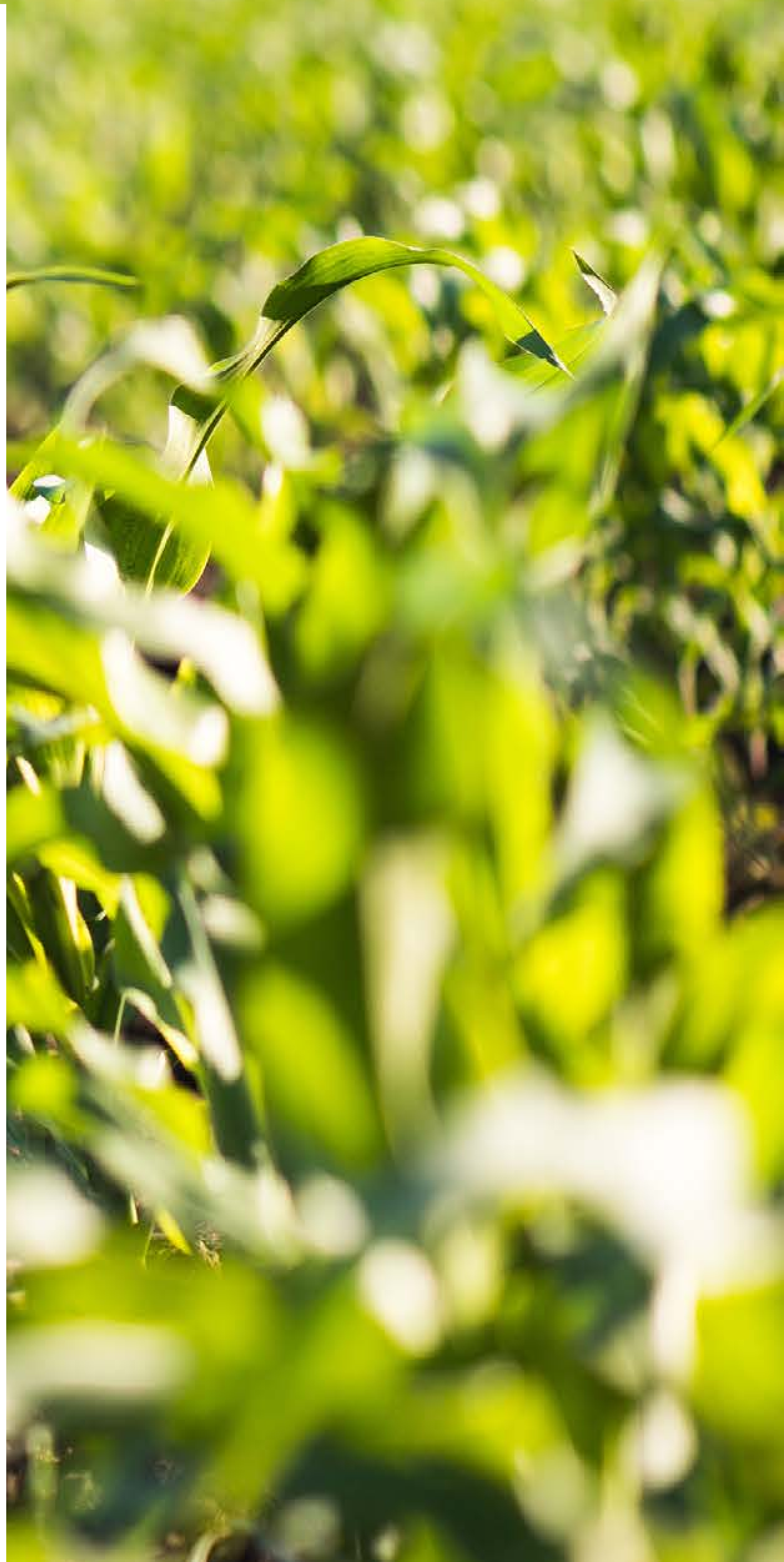
Within LSEG's Data and Analytics division, we now have 4m data points on the sustainability performance of the world's 12,000 largest listed companies.[14]

Indices play an important role in driving sustainable investment. For more than 20 years, the FTSE4Good Index Series has measured the performance of companies demonstrating strong ESG practices. The FTSE4Good indexes are used by a wide variety of market participants in a wide variety of ways: as tools to create index-tracking investments, financial instruments or fund products focused on sustainable investment; for research to identify environmentally and socially sustainable companies; as a transparent and evolving global ESG standard against which companies can assess their progress and achievement; and as a benchmark index to track the performance of sustainable investment portfolios.

More recently, FTSE Russell launched the FTSE TPI Climate Transition Index (CTI) series. FTSE Russell is the data partner of the Transition Pathway Initiative (TPI), a global asset-owner led initiative supported by 127 investors jointly representing over $50trn combined assets under management and advice.

The CTI combines FTSE Russell's expertise in climate data and sustainable investment index design with the TPI's analysis of how the world's largest and most carbon-intensive public companies are managing the climate transition. The CTI examines companies' fossil fuel reserves, carbon emissions, green revenues, management quality and carbon performance, to evaluate their efforts to transition to the emerging net-zero economy. The CTI provides investors with a robust data-driven tool enabling them to invest in corporations that are ensuring their businesses are ready for the low-carbon transition.

In 2021, LSEG backed TPI's plans to establish the TPI Global Climate Transition Centre at the London School of Economics' Grantham Institute to dramatically increase the universe of companies assessed by the TPI from 400 to 10,000 and expand coverage from global equities into other asset classes such as fixed income. In doing so, it is helping provide critical insights into how companies are transitioning to the low carbon economy, supporting shareholder engagement, and the reallocation of capital needed to align portfolios with the Paris Agreement.



13 www.ftserussell.com/press/sustainable-investment-now-standard-according-global-asset-owner-survey

14 Julia Hoggett speech notes

# A suite of sustainability asset classes needed for a truly global green economy



## Green investment funds

Funds applying ESG criteria now account for one-third of AUM in North America, Europe and Japan – growing from $35trn in 2020 to $50trn by 2025.[15] According to a study by Deloitte, ESG-mandated assets are on track to represent half of all professionally managed assets globally by 2024.[16] In 2020, inflows into European sustainability funds almost doubled to $364bn.[17]

The impact that green investment funds can have on meeting global net-zero targets should not be understated; they are key to directing capital towards environmental products and services. In doing so, they can reduce the cost of capital for companies in the green economy and incentivise sustainable business practices.

In London, green investment funds form an increasingly important component of sustainable equities. They represent nearly one-third of the total of the Green Economy Mark cohort and are the biggest constituent sector. Their market capitalisation has grown by 76% in the past two years.

The number of these investment funds – which provide exposure to technologies and projects across wind, solar, energy storage and efficiency, and other renewable infrastructure – continue to grow and evolve in scale and in scope. The Renewables Infrastructure Group (TRIG) raised £272mn in March 2022, the third largest capital raise since 2020 by a green fund in London.

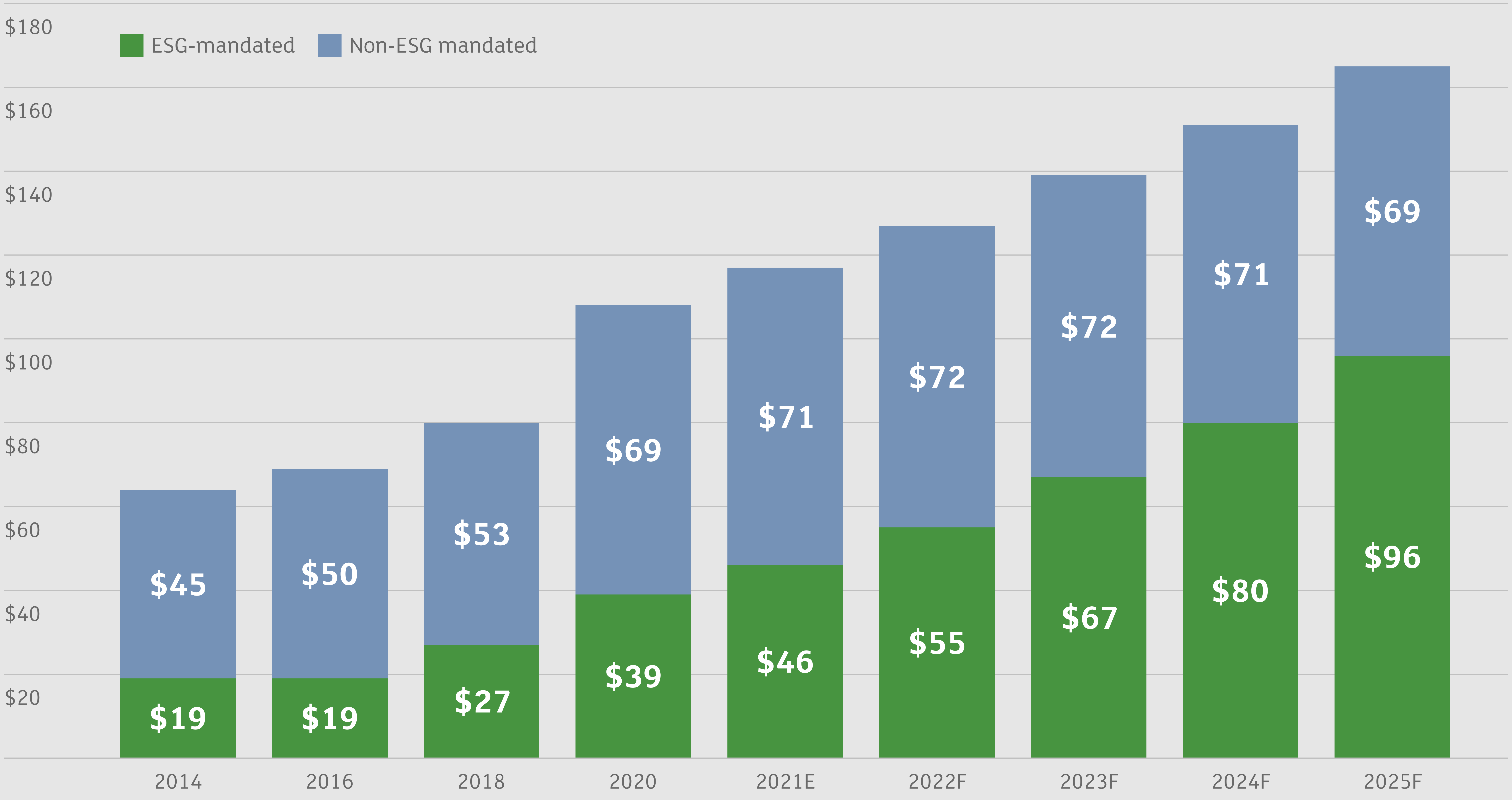
A new type of sustainable investment fund is also emerging, owing to a growing consensus on the need to scale the voluntary carbon markets to accelerate the net-zero transition.

In October 2021, the London Stock Exchange announced the development of a new designation for funds which have investing policies related to climate change mitigation projects. The objective is to utilise the public markets to direct capital into projects that are reducing the level of carbon and other greenhouse gases in our atmosphere.

A consultation on the rules to govern the designation is underway, and is expected to launch later in 2022. This will have the dual effect of driving capital into funds that are investing into climate mitigation projects and supporting companies net-zero strategies by providing a solution for managing residual and unavoidable carbon emissions along their decarbonisation journeys. Investors in the fund may receive a dividend in specie in the form of a carbon credit instead of, or in addition to, a financial return from holding an equity share.

**ESG-mandated assets are projected to make up half of all professionally managed assets globally by 2024**

Global assets under professional management ($trn)



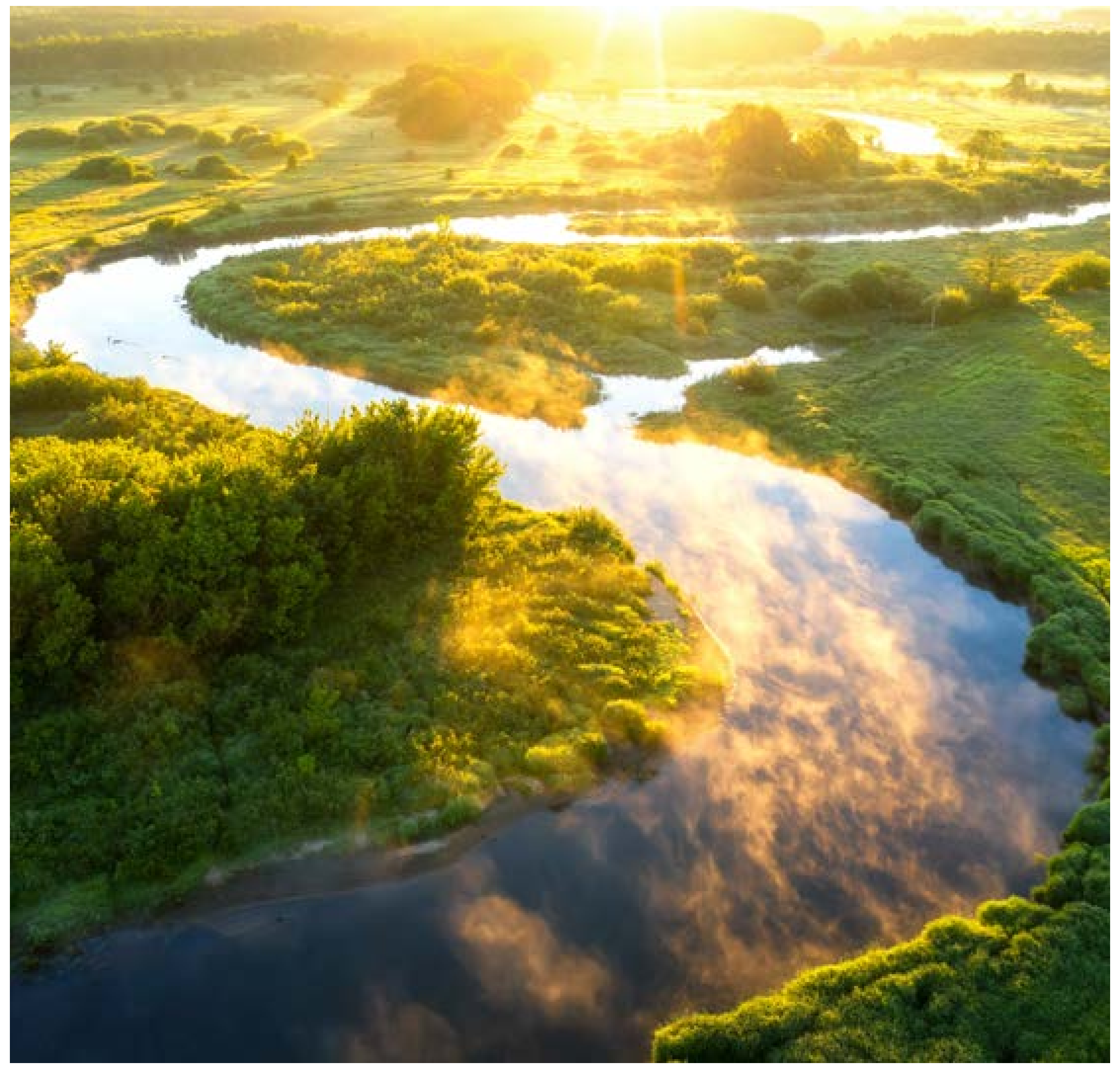

Note: All amounts are in US dollars. Source: Proportion of ESG-mandated data through 2020 from Global Sustainable Investment Alliance; DCFS analysis through 2025 | Deloitte Insights | deloitte.com/insights

## ESG ETFs

The market for ESG ETFs has grown exponentially in recent years, appealing to investors who are increasingly seeking exposure to companies with strong ESG characteristics and want to address their climate concerns.

Nearly half of all new ETF listings on London's markets in 2021 were ESG-linked funds – over 80 new ESG ETF listings, up from 61 in 2020. There are almost 300 ESG ETFs listed on the London Stock Exchange.

ESG ETFs are one of London's fastest growing finance instruments[18] with their growth being driven by investors, as they provide a cost effective and efficient wrapper offering opportunity to invest in a particular theme. The products are becoming more customised and targeted, enabling stronger flows of sustainable investment into a growing variety of niches in the green economy.



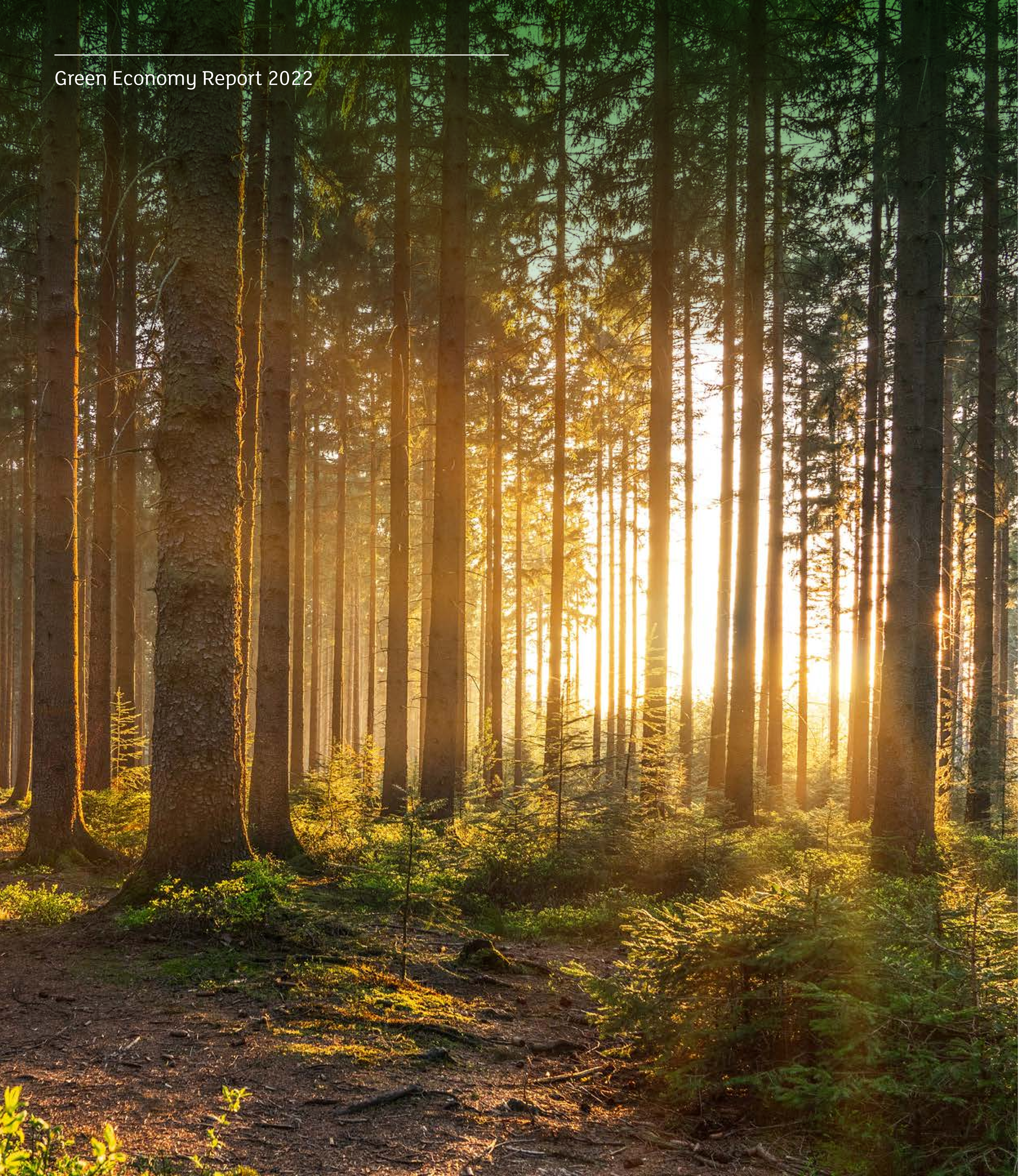
Recent products that have launched in London include an Electric Vehicle Charging Infrastructure UCITS ETF, which aims to capture the trend of electric vehicle (EV) transition and provide investors a specific opportunity to gain exposure to the EV charging infrastructure industry,[19] and the world's first recycling decarbonisation UCITS ETF which provides exposure to global companies involved in waste-to-energy and recycling technologies.[20]

## Sustainable debt finance

The issuing of green and sustainable bonds continues to hit new important milestones in enabling nations and corporations to finance the global green economy through sustainable debt finance.

In 2021, more than $1trn of sustainable bonds were issued, representing a 20-fold rise from 2015 and accounting for 10% of global debt markets. Globally, an all-time record of more than 1,000 green bonds were issued during 2021, representing a 54% increase on the previous year. The market also saw sustainability-linked loans rise by 300% to more than $700bn – more than three times the previous record.[21]

In 2021, issuers raised more than £50bn on London Stock Exchange's Sustainable Bond Market – four times the amount of capital raised in 2020.





This includes the landmark £10bn listing in London of the UK's first Green Gilt – which was the largest inaugural green issuance by any sovereign – and subsequent £6bn second issue.

In London, over 100 bonds were admitted to the Sustainable Bond Market (SBM) in 2021, raising over £50bn. By the end of the year, the SBM had supported issuers to raise more than £100bn through active bonds on the market. To date, there are more than 380 bonds have been admitted on the Sustainable Bond Market, raising £130bn+, from issuers in 31 countries and bonds in 20 currencies.

London's debt markets are enabling nations to support their commitments to Paris Agreement targets: Chile's sovereign sustainability-linked bond – a world first – is tied to its $CO_2$ emission targets and that 60% of its electricity production be derived from renewable energy by 2032.[22]

London's debt markets are enabling financial institutions to direct more capital towards sustainable development: the Bank of China issued the first-ever sustainability re-linked bond, the coupon payments of which are linked to the ESG performance of a portfolio of underlying sustainability-linked loans in industries as diverse as tourism, trade, manufacturing and warehousing.[23]

In 2021, the London Stock Exchange began listing a new category of sustainable finance instrument – the transition bond – on a specifically designed segment of the Sustainable Bond Market. Those bonds, which are aligned with the International Capital Markets Association's (ICMA) Climate Transition Handbook, can be used by companies in carbon-intensive sectors to help fund credible net-zero transition strategies. One such example is Cadent Gas, which issued the first transition bond. It used some of the proceeds to commence a project to minimise gas leakage, which currently represents the majority of its greenhouse gas emissions. Through its debt financing it has been able to future proof its distribution network to transport green gases, which are an increasing area of interest.

## Green sukuks

Islamic finance is underpinned by a framework of principles that encourages aspects such as mutual co-operation and avoiding harm, leading to a natural alignment with the UN Sustainable Development Goals. Green sukuk – Shari'ah compliant equivalent of green bonds – provide a significant opportunity for Islamic finance to raise funds by sovereign nations, financial institutions and corporates for projects that have a positive climate impact. The Islamic Finance Council UK (UKIFC) estimate that green and sustainability sukuk could raise an additional US$30–50bn of capital towards the SDGs by 2025.[24]

As a global centre for Islamic finance, there has been growing activity and appetite for green sukuk issuance in London's markets. Two Saudi Arabian institutions – Riyad Bank and Saudi National Bank – have collectively issued $1.5bn in sustainability linked sukuk in 2022. The Bahraini institution Infracorp, which has a diverse portfolio of businesses including social infrastructure, mixed-use developments and development solutions, listed a $900m green sukuk, the first of its kind to be listed in London by a Bahraini entity.

## Green equity companies

The green economy is global and diversified, representing all company sizes, industries and sectors. London Stock Exchange's focus on the green economy is prevalent across asset classes and across all our markets, including equity issuers that are on the Main Market and AIM. Of the total 108 companies that have the Green Economy Mark 45 companies are quoted on AIM and 30 on the Main Market. Of the 75 companies 14 are international and 61 are UK and the total market capitalisation of these companies combines is £136.9bn. These green companies not only encompass renewable energy but covers a myriad of products from advanced batteries and energy efficient lighting, to waste recycling, flood defense construction and desalination technology.

15 Julia Hoggett speech notes

16 www2.deloitte.com/uk/en/insights/industry/financial-services/esg-investing-and-sustainability.html

17 FTSE Russell GER 2022 source: Refinitiv Lipper data on net ESG fund flows, as of 31/03/2022

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## Conclusion

**The global green economy is large, diversified and expanding. The rising tide of sustainability-focused investment means that capital is flowing every more strongly towards the green economy and low-carbon transition. Globally, it has almost doubled its share of the global investable market between 2009 and 2021. Nowhere is this better exemplified than in London, where the 108 companies and funds accredited with the Green Economy Mark – if defined as a sector – represent the fourth largest in terms of capital raising since 2020.**

Investors around the world are increasingly looking for exposure to rapidly growing environmental markets. London provides a beacon of sustainable investment. As a leading market convenor in the sustainability ecosystem, the London Stock Exchange has the broadest range of markets focused on sustainability of any global stock exchange.

The Green Economy Mark is an important signpost for such interest, raising the profile of companies who are contributing to the green economy – whether they are innovative young companies with pioneering environmental technologies, investment funds specialising in green technologies, or major corporations with substantial green revenues. It will be a clear indicator – a green light, so to speak – of progress to see the number of Green Economy Mark holders continue to grow.

But these levels of investment must scale up even more rapidly and dramatically to address the challenges of global climate change and the depletion of our natural resources. London Stock Exchange's comprehensive and constantly evolving sustainable finance platform will continue to help issuers meet investor demands for greater and more consistent disclosures and to increase the visibility and access for investment in the global green economy.

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To find out more about London Stock Exchange's sustainable finance offering, visit **www2.lseg.com/sustainablefinance** or get in touch with the team at **sustainablefinanceenquiries@lseg.com**