

Arctic Tern Equity Indices

Defining the universe of sustainable Arctic investing



Overview

The **Arctic Tern Equity Indices** define the universe and measure the performance of globally listed companies with economic exposure to the Arctic region. Developed by regional experts at Arctic Tern Consulting, the indices track over 180 public companies either domiciled in, having significant operations in, or providing services important to the Arctic.

Companies are organized around Arctic-specific economic themes¹:

- Arctic Blue Economy Index
- Arctic Eco-Tourism Index
- Arctic Clean Energy Index
- Arctic Industry & Infrastructure Index
- Arctic Technology & Finance Index

The thematic sub-indices are further aggregated to create an investable composite index of the broader Arctic economy:

- The Arctic Index

The Arctic Index is the first and only equity benchmark for the Arctic, both as a distinct geographic region and a 21st century sustainable investment theme. It can help raise the investment profile of the Arctic while serving as the backbone of future investment products.

Geographic Scope

The Arctic Tern Equity Indices adhere to the Arctic Council's Arctic Human Development Report (AHDR) definition of the Arctic. The AHDR boundary includes Alaska, Canadian territories north of 60°N together with northern Quebec and Labrador, Greenland, the Faroe Islands, Iceland, and the northernmost counties of Norway, Sweden and Finland.²

Following the 2022 Russian invasion of Ukraine all Russian companies and companies doing business in the Russian Arctic were removed from the Arctic Tern Equity Indices.

Methodology & Development

The universe of securities eligible for inclusion in the Arctic Tern Equity Indices is maintained by [Arctic Tern Consulting \(ATC\)](#), an index, advisory & research company wholly focused on the economy of the Arctic. After several years of research—including collaborations and consultations with the region's premier academic,



Map: Arctic Portal, AHDR

¹ Note: sub-indices tracked but not included in The Arctic Index due to investability and/or sanctions concerns: Arctic Oil & Gas Index, Arctic Precious Metals & Minerals Index, Arctic Russia Index.

² AHDR (Arctic Human Development Report) 2004. Akureyri: Stefansson Arctic Institute <http://hdl.handle.net/11374/51>



investment, civil society, and inter-governmental organizations—ATC has produced robust and pressure-tested equity selection and ESG screening criteria.

The index was developed using academic research methods and expert consultations (with governments, trade associations, and chambers of commerce) leveraging ATC's regional networks. Subsequently, a natural language processing (NLP) methodology was developed to search for Arctic keywords, themes, and locales across a range of company filings. The final universe is a combination of the NLP-generated and expert-maintained databases.

The indices are equal-weighted and are reconstituted & rebalanced quarterly (at the end of March, June, September, and December) after review by the Index Committee. History begins January 1, 2018. All global equity data are converted to USD daily. The methodology includes a minimum market capitalization requirement of \$250 million, a liquidity requirement, and ESG screening.

ATC closely monitors business developments across the region including maintaining a database of private companies and likely public listings as well as alerts for new entrants to the region to ensure that they are accurately incorporated in all quarterly rebalancing.

Index Rationale

The Arctic's advantages of geography, political stability, and resource endowment mean the region will play a growing role in the new climate economy. The Arctic Tern Equity Indices are designed to provide exposure to the growth potential of sustainable industries in the Arctic while promoting the responsible use and conservation of its natural resources.

The Arctic Tern Equity Indices include five thematic sub-indices to allow deeper insights into the performance and growth trajectory of the sustainable Arctic economy:

Blue Economy: The Arctic ocean is fertile ground for biomedical research, sustainable fisheries, and aquaculture, providing materials for new medicines and healthy protein alternatives to feed a growing world without the meat industry's climate impacts (~24% of global GHG emissions)

Eco-Tourism: The allure of the North, with its massive protected areas allowing access to untamed natural beauty, the aurora borealis, and unique tourism experiences draws global tourism every year with plenty of room for growth.

Clean Energy: Critical minerals for clean energy technologies, including rare earth elements, copper, zinc, cobalt, uranium, and iron are abundant and in-demand as restrictions grow on current production. The region is also a leader in renewables deployment.

Technology & Finance: The region is a hub for Europe's cutting-edge tech R&D, especially around battery technology, and an attractive area for data centers given its abundant clean energy and cool temperatures. The Arctic is strategically located for telecommunications development and its financial and real estate institutions have preferential placement to support development and are an important link to the emerging investment theme.

Industry & Infrastructure: The Arctic is poised for an explosion in infrastructure development, from ports and airstrips to roads and housing, with construction and engineering firms that boast the highest sustainability standards in the world.



Sustainable Development in the Arctic

The economic history of the Arctic has been defined by what can be extracted from it: from the 18th century when Arctic whale oil lit the streets of European capitals, to the 20th-century explosion of Arctic fossil fuel extraction. This commodity-based extractive approach to the region has produced boom and bust cycles that, while enriching some companies and individuals, have done little good for, and substantial harm to, communities and ecosystems.

For the last half century, the predominant talking point in the Arctic has been conservation. While fossil fuel and mineral extraction has grown (see Alaska's North Slope, Norway's Arctic oil fields, and Russia's natural gas expansion) investors in other sectors have largely shied away from ventures that touch the Arctic due to perceptions and reputational risk stemming from the extractive industries. Not only has this paradigm led Arctic economies to become over reliant on extractive industries, but it has also blinded investors outside the Arctic to the region's potential as a driver of global sustainable and climate-smart development.

The Arctic is a global center for sustainable development, with Iceland and Norway leading the world in fossil-fuel independence, and is home to 6 of the top-12 most fossil fuel-independent countries. The region is also a hub for Europe's cutting-edge tech R&D, an attractive area for data centers with its abundant clean energy and cool temperatures, a strategic location for new telecommunications and shipping routes, and boasts preferential placement of its financial institutions to drive development. The Arctic is poised for an explosion in infrastructure development, from ports and airstrips to hotels and housing, with construction and engineering firms that boast the highest sustainability standards and operating in strict regulatory environments.

The Arctic Tern Equity Indices track publicly traded firms touching all of these sub-sectors and themes. For the first time, investors have a way to monitor, track, and gain exposure to a broad swath of Arctic companies outside of the oil and gas and precious metals industries. This is an important aspect of raising the sustainable investment profile of the region and provides global investors a benchmark to track its economic performance.

Furthermore, the Arctic Tern Equity Indices will help direct capital (both institutional and retail) to Arctic companies and communities through linked investment products such as an Arctic ETF. Finally, Arctic Tern is leveraging its years of experience, research, and network building to support development of standards around Arctic-specific ESG factors to inform future products and services.

More Information

For more information see Arctic Tern Consulting's website:

www.arcticternllc.com

Contact

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