

# FTSE TPI Climate Transition Index Series

v2.8



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## Section 1

# Introduction

## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE TPI Climate Transition Index Series. Copies of the Ground Rules are available from <https://www.lseg.com/en/ftse-russell/>. TPI stands for the Transition Pathway Initiative.
- 1.2 The FTSE TPI Climate Transition Index Series is designed to reflect the performance of stocks, taking into account a specific set of TPI and climate data.
- The FTSE TPI Climate Transition Index Series is not designed to align with the minimum requirements for EU Climate Transition Benchmarks or the EU Paris-Aligned Benchmarks<sup>1</sup>.
- 1.3 This index series takes into account ESG factors in its index design.
- If a tilting approach is used for an ESG data input, the objective is for the index methodology to overweight and/or underweight constituents according to specific ESG criteria. This approach will not remove all companies with exposure to a specific ESG activity or sector.
- 1.4 These Ground Rules should be read in conjunction with the following index rules and guides, which are available at <https://www.lseg.com/en/ftse-russell/>:
- FTSE Global Equity Index Series Ground Rules
  - The Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indices
  - FTSE Global Factor Index Series Ground Rules
  - FTSE EU Climate Benchmarks Index Series
  - FTSE Global Climate Index Series Ground Rules
  - FTSE Green Revenues Index Series Ground Rules
  - FTSE Infrastructure Index Series Ground Rules
  - FTSE Capping Methodology Guide
- 1.5 Price and total return indices will be calculated on an end-of-day basis. The base currency of all indices is US Dollars (USD) and may also be published in other currencies. Total return indices include income based on ex-dividend adjustments. All dividends are applied as declared in the FTSE Total Return Index.

<sup>1</sup> The requirements are set out in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and the [Commission Delegated Regulation \(EU\) 2020/1818 of 17 July 2020 supplementing Regulation 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks](#).

**1.6 FTSE Russell**

1.7 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.

**1.8 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)**

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Product Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

1.9 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.10 Index users who choose to follow this index series or to buy products that claim to follow this index series should assess the merits of the index series rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules;
- any inaccuracies in these Ground Rules;
- any non-application or misapplication of the policies or procedures described in these Ground Rules; and/or
- any inaccuracies in the compilation of the index series or any constituent data.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index<sup>2</sup>.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index, and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out periodic index reviews of the index and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews; and
- disseminate the indices.

### 2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 Where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

<sup>2</sup> The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

## Section 3

# FTSE Russell index policies

## 3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents, which can be accessed using the links below:

### 3.1 Queries and Complaints

FTSE Russell's complaints procedure can be accessed using the following link:

[FTSE Russell Benchmark Determination Complaints-Handling Policy.pdf](#)

### 3.2 Index Policy for Trading Halts and Market Closures

Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

### 3.3 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.3.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

### 3.4 Recalculation Policy and Guidelines

3.4.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE TPI Climate Transition Index Series will be notified through appropriate media.

For further information, please refer to the FTSE Russell Recalculation Policy and Guidelines document, which is available on the FTSE Russell website using the link below:

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

### 3.5 Recalculation Policy and Guidelines – ESG Data and Scores

Where an inaccuracy in ESG data is identified, FTSE Russell will follow the guidelines set out in this document when determining if ESG data should be recalculated.

[Recalculation Policy and Guidelines ESG Products.pdf](#)

### 3.6 Policy for Benchmark Methodology Changes

Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

### **3.7 FTSE Russell Governance Framework**

To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>3</sup>, the European benchmark regulation<sup>4</sup> and the UK benchmark regulation<sup>5</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.8 Real Time Status Definitions**

For indices that are calculated in real time, please refer to the following guide for details of real-time status definitions:

[Real Time Status Definitions.pdf](#)

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<sup>3</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>4</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

<sup>5</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Eligible securities

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## 4. Eligible securities

- 4.1 The eligible securities of each FTSE TPI Climate Transition index are the constituents of the corresponding underlying index detailed in table one.
- 4.2 Securities that are members of the applicable exclusion list are not eligible for membership of the relevant index. The applicable exclusions lists are detailed in table one and the definitions are included in Appendix A.



Index name	Underlying universe	Minimum set of exclusions	Exclusion categories									
			Conduct related	Product related								
				Controversies	Controversial weapons <sup>6</sup>	Military weapons	Nuclear weapons	Firearms	Tobacco (A)	Tobacco (B)	Fossil fuels reserves <sup>6</sup>	Coal reserves
FTSE Developed ex Korea TPI Climate Transition Index	FTSE Developed ex Korea Index	X		X								
FTSE Developed ex US TPI Climate Transition Index	FTSE Developed ex US Index	X		X								
Russell 1000 TPI Climate Transition Index	Russell 1000 Index			X								
FTSE Japan TPI Climate Transition Index	FTSE Japan Index	X		X								
FTSE All World ex Japan TPI Climate Transition Index	FTSE All World ex Japan Index	X		X								
FTSE All-World ex FF TPI Climate Transition Index	FTSE All-World Index	X		X							X	
FTSE All-World ex FF ex Tobacco ex Controversies TPI Climate Transition Index	FTSE All-World Index	X	X	X				X	X		X	
FTSE Developed TPI Climate Transition ex Coal ex Controversies ex Nuclear ex Tobacco Index	FTSE Developed Index	X	X	X		X		X	X			X
FTSE Developed ex Korea ex Tobacco ex Coal TPI Climate Transition Index	FTSE Developed ex Korea Index	X		X				X				X

<sup>6</sup> Exclusion list reviewed in March and September.

Index name	Underlying universe	Minimum set of exclusions	Exclusion categories								
			Conduct related	Product related							
				Controversies	Controversial weapons <sup>6</sup>	Military weapons	Nuclear weapons	Firearms	Tobacco (A)	Tobacco (B)	Fossil fuels reserves <sup>6</sup>
FTSE All-World Developed ex Weapons ex FF ex Tobacco TPI Climate Transition Index	FTSE Developed Index	X		X	X	X	X	X		X	
FTSE Emerging TPI Climate Transition ex Coal ex Controversies ex Nuclear ex Tobacco Index	FTSE Emerging Index	X	X	X		X		X	X	X	
FTSE Global Core Infrastructure TPI Climate Transition Index	FTSE Global Core Infrastructure Alternative Electricity (ICB 65101010) Index	X	X								
FTSE Australia 300 TPI Climate Transition Index	FTSE Australia 300 Index	X									
FTSE Australia 200 TPI Climate Transition Index	FTSE Australia 200 Index	X									
FTSE Australia 100 TPI Climate Transition Index	FTSE Australia 100 Index	X									
FTSE Developed ex Australia TPI Climate Transition Index	FTSE Developed ex Australia Index	X									
FTSE Emerging TPI Climate Transition Index	FTSE Emerging Index	X									
FTSE New Zealand TPI Climate Transition Index	FTSE New Zealand All Cap Index	X									
Russell 1000 TPI Climate Transition 2GR Index	Russell 1000 Index	X									

Index name	Underlying universe	Minimum set of exclusions	Exclusion categories									
			Conduct related	Product related								
				Controversies	Controversial weapons <sup>6</sup>	Military weapons	Nuclear weapons	Firearms	Tobacco (A)	Tobacco (B)	Fossil fuels reserves <sup>6</sup>	Coal reserves
FTSE Developed ex North America ex Korea ex Poland TPI Climate Transition 2GR Index	FTSE Developed ex North America ex Korea ex Poland	X										

The controversial weapons exclusion screen does not apply to the FTSE Global Core Infrastructure TPI Climate Transition Index as it is irrelevant to the FTSE Global Core Infrastructure Alternative Electricity Index universe.

### 4.3 **Minimum set of exclusions**

Indices in this Index Series will apply the minimum set of exclusions with effect from October 2023. The Russell 1000 TPI Climate Transition Index will apply the minimum set of exclusions with effect from June 2024.

The following FTSE TPI Climate Transition indices apply the minimum set of exclusions from the start of index launch:

- FTSE Australia 300 TPI Climate Transition Index
- FTSE Australia 200 TPI Climate Transition Index
- FTSE Australia 100 TPI Climate Transition Index
- FTSE Developed ex Australia TPI Climate Transition Index
- FTSE Emerging TPI Climate Transition Index
- FTSE New Zealand TPI Climate Transition Index
- Russell 1000 TPI Climate Transition 2GR Index
- FTSE Developed ex North America ex Korea ex Poland TPI Climate Transition 2GR Index

Details of the minimum exclusions can be found in the [Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf](#).

### 4.4 **Excluded companies**

4.4.1 Product and activity involvement data are collected from publicly available information by FTSE Russell. Where data is not obtained by FTSE Russell, external sources are used to supplement the data including from Sustainalytics.

### 4.5 **Multiple lines**

4.5.1 All lines of the same company that are eligible securities are eligible for inclusion in the index, where they are eligible for the underlying index.

## Section 5

# ESG data inputs

## 5. ESG data inputs

5.1.1 The following ESG datasets are used in the construction of the FTSE TPI Climate Transition Index Series.

ESG data inputs	Details	Used for selection, weighting or exclusion <sup>7</sup>
<b>FTSE green revenues</b>	FTSE Russell's green revenues data model identifies companies providing green products and services and classifies associated revenues based on the Green Revenues Classification System (GRCS). GRCS is a taxonomy used to define and measure the industrial transition to a green economy. More information can be found here: <a href="#">ftse-green-revenues-classification-system.pdf</a>	Weighting
<b>TPI management quality (MQ)</b>	FTSE Russell's TPI management quality (MQ) data evaluates and tracks the quality of companies' governance/management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition. More information can be found here: <a href="https://www.transitionpathwayinitiative.org/methodology">https://www.transitionpathwayinitiative.org/methodology</a>	Weighting
<b>TPI carbon performance (CP) scores</b>	TPI carbon performance (CP) scores assess how companies' carbon performance now and in the future might compare to the international targets and national pledges made as part of the Paris Agreement. More information can be found here: <a href="https://www.transitionpathwayinitiative.org/methodology">https://www.transitionpathwayinitiative.org/methodology</a>	Weighting
<b>FTSE carbon reserves</b>	FTSE carbon reserves data model provides granular coverage of fossil fuel reserve ownership among publicly listed companies in developed markets and emerging economies. More information can be found here: <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Weighting
<b>FTSE carbon emissions</b>	The FTSE carbon emissions dataset provides reported and estimated scope one, scope two and scope three emissions data for both the assets and activities controlled by global publicly listed companies and their entire value chain (upstream and downstream activities). More information can be found here: <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Weighting
<b>Product-related data – FTSE Russell</b>	FTSE exclusion lists on the activities of companies with exposure to the products or services that are listed in Section 7 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf</a> .	Exclusion
<b>Conduct related data – FTSE Russell</b>	FTSE exclusion lists on the activities of companies that are directly or indirectly linked to controversial conduct and diversity. More information can be found here: section 7 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf</a> .	Exclusion

<sup>7</sup> Definitions:  
Selection – ESG data is used to select or rank constituents or calculate minimum scores or thresholds.  
Weighting – ESG data is used to calculate the weight of a constituent in an index.  
Exclusion – ESG data is used to exclude companies from the index.

ESG data inputs	Details	Used for selection, weighting or exclusion?
<b>Conduct related data – Sustainalytics</b>	Sustainalytics Global Standards Screening (GSS) assess companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. More information can be found: <a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening</a>	Exclusion
<b>Conduct related data – RepRisk</b>	The RepRisk Index (RRI) captures and quantifies a company's reputational risk exposure to ESG issues. More information can be found: <a href="https://www.reprisk.com/news-research/resources/methodology">https://www.reprisk.com/news-research/resources/methodology</a>	Exclusion
<b>Minimum set of exclusions for ESG indices</b>	The minimum set of exclusions apply according to rule 4.3. Details of the minimum exclusions can be found in Section 8 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf</a> .	Exclusion
<b>Carbon emissions and carbon reserves data – Trucost</b>	Trucost environmental data measures environmental impact including greenhouse gas emissions and fossil fuel reserves. More information can be found: <a href="https://www.marketplace.spglobal.com/en/datasets/trucost-environmental-(46)">https://www.marketplace.spglobal.com/en/datasets/trucost-environmental-(46)</a>	Weighting

5.1.2 TPI Carbon Performance scores have lower data coverage in certain markets and for smaller companies. This may limit the re-weighting based on this data set for single market indices in this index series. It is expected that data coverage will increase over time.

5.1.3 Further information on ESG data provided by FTSE Russell and third parties used in this index (index series) can be found in the following guide:

[Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices](#) This includes information on the data and standards used for these ESG data inputs. These data sets may include estimated data.

## 5.2 ESG metrics

5.2.1 Please see the FTSE Russell [ESG Metrics](#) website for the scores and values of the environmental, social and governance (ESG) factors listed in Annex II to Delegated Regulation (EU) 2020/1816.

Further details on the metrics methodology and calculation are available using the following links:

[Sustainability and ESG data](#)

[ESG Disclosures Methodology and Calculation Guide](#)

## Section 6

# Index construction

## 6. Index construction

### 6.1 The Transition Pathway Initiative (TPI)

6.1.1 TPI assesses companies' progress on the transition to a low-carbon economy on two dimensions: management quality and carbon performance.

6.1.2 TPI management quality (MQ) assesses the quality of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition. MQ scores are derived from the climate theme data from FTSE Russell's ESG data model based on TPI's methodology, which is published on the public website: <https://www.transitionpathwayinitiative.org/methodology>

6.1.3 TPI Carbon Performance (CP) assesses individual companies' current and projected future emissions pathways and how this compares to the international targets and national pledges made as part of the UN Paris Agreement. Companies that receive an assessment are categorized into different groups, which are described in the [Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices](#) and are provided by TPI on an annual basis.

### 6.2 Index construction

6.2.1 The unconstrained index weight of each constituent in the FTSE Climate TPI Transition Index Series  $w_i$  is:

$$w_i = \frac{v_i}{\sum_j v_j}$$

where:

$$v_i = w'_i \times A_i^{FF} \times A_i^{CE} \times A_i^{GR} \times A_i^{MQ} \times A_i^{CP}$$

and:

- $w'_i$  is the free float adjusted market capitalisation weight of stock  $i$  in the eligible universe.
- $A_i^{FF}$  is the fossil fuel reserve adjustment for stock  $i$  (see rule 6.2.3).
- $A_i^{CE}$  is the low operational carbon emissions adjustment for stock  $i$  (see rule 6.2.3).
- $A_i^{GR}$  is the green revenue adjustment for stock  $i$  (see rule 6.2.3).
- $A_i^{MQ}$  is the TPI management quality adjustment for stock  $i$  (see rule 6.2.4).
- $A_i^{CP}$  is the TPI carbon performance adjustment for stock  $i$  (see rule 6.2.5).

6.2.2 Indices in the FTSE Climate TPI Transition Index Series are constructed using either fixed tilt or target exposure tilt methodologies.

Fixed tilt indexes: the strength of the factor tilt is a fixed number for all rebalances.

Target exposure indexes: variable tilt strengths are chosen to satisfy fixed exposure targets.

See [FTSE Global Factor Index Series](#) for more details on index construction.

6.2.3 **Fossil fuel reserves** tilts, **operational carbon emissions** tilts and **green revenue** tilts are based on each company's fossil fuel reserves, operational carbon emissions and the FTSE Green Revenues Factor, respectively. These tilts follow the definitions and methodologies as detailed in FTSE Global Climate Index Series Ground Rules and the FTSE Green Revenues Index Series Ground Rules Rules except the following indices that have further modifications listed below:

- FTSE Australia 300 TPI Climate Transition Index
- FTSE Developed ex Australia TPI Climate Transition Index
- FTSE Emerging TPI Climate Transition Index
- Russell 1000 TPI Climate Transition 2GR Index
- FTSE Developed ex North America ex Korea ex Poland TPI Climate Transition 2GR Index
- FTSE Australia 100 TPI Climate Transition Index
- FTSE Australia 200 TPI Climate Transition Index
- FTSE New Zealand TPI Climate Transition Index

$A_i^{GR}$  in the above indexes are defined as  $(1 + GRR_i)$ , where  $GRR_i$  is the FTSE Green Revenues ratio defined in the FTSE Green Revenues Index Series Ground Rules. If constituent green economy data is not available,  $GRR_i$  will be set to 0.

The above indices use FTSE in-house carbon emission and fossil fuel reserve data and the missing fossil fuel reserve data treatment is different than 5.4.3 in the FTSE Global Climate Index Series. It is defined and treated as following:

- Companies in the ICB sub-sector Coal (60101040) which do not have reserve data available are assigned the average Z-score of companies in the Coal sub-sector. If there are no companies in the Coal sub-sector with reserve data, the Z-score of 0 is assigned.
- Companies in the following ICB sub-sectors which do not have reserve data available are assigned the average Z-score of all companies in this group of sub-sectors. If there are no companies in this group of sub-sectors with reserve data, a Z-score of 0 is assigned.
  - Integrated Oil and Gas (60101000)
  - Oil: Crude Producers (60101010)
  - Offshore Drilling and Other Services (60101015)
  - Oil Refining and Marketing (60101020)
  - Oil Equipment and Services (60101030)
  - Pipelines (60101035)
- If there are no companies outside of the specified ICB sub-sectors with reserve data, a Z-score of 0 is assigned.

The Russell 1000 TPI Climate Transition 2GR Index and the FTSE Developed ex North America ex Korea ex Poland TPI Climate Transition 2GR Index uses company Green Revenue including tier 3 excluding nuclear.



6.2.4 The **TPI management quality adjustment** for stock *i* is defined as:

$$A_i^{MQ} = (S_i^{MQ})^a \times w'_k / w_k^{MQ}$$

where management quality Z-scores are mapped to a S-score  $S_i^{MQ} \in [0, 1]$ , using the cumulative normal distribution with mean zero and standard deviation one. The creation of S-scores follows the process described in the FTSE Global Factor Index Series Ground Rules; *k* is the ICB regional industry that stock *i* belongs to,  $w'_k$  is the free float adjusted market capitalisation regional industry weight of the eligible universe and  $w_k^{MQ}$  is the regional industry weight determined by applying a double tilt using the S-score  $S_i^{MQ}$  to the free float adjusted market capitalisation stock weights of the underlying universe, *a* equals 2 for all fixed tilt TPI indices except for the Russell 1000 TPI Climate Transition 2GR Index and the FTSE Developed ex North America ex Korea ex Poland TPI Climate Transition 2GR Index where *a* equal to 0.3

The FTSE TPI Climate Transition Index Series splits the eligible universe into the following regions: North America, Europe, Latin America, Middle East and Africa, Japan and Asia-Pacific ex Japan.

6.2.5 The TPI carbon performance adjustment  $A_i^{CP}$  is assigned to each of the groups detailed in the Guide to FTSE and Third Party ESG Data used in FTSE indices as follows:

- Companies that are aligned to below 2°C (Pulp and Paper) or 1.5°C (all other sectors) are assigned an adjustment factor of 2.
- Companies that are aligned to 2°C (Pulp and Paper) or 2°C (all other sector) are assigned an adjustment factor of 1.5.
- Companies are aligned to the Paris Pledges (Pulp and Paper) or National Pledges/International Pledges (all other sectors) level are assigned an adjustment factor of 0.8.
- Companies that are not aligned or have insufficient disclosures to enable such an assessment are assigned an adjustment factor of 0.2 for the Russell 1000 TPI Climate Transition 2GR Index and the FTSE Developed ex North America ex Korea ex Poland TPI Climate Transition 2GR Index and 0 for all other indices
- Companies are that not assessed are assigned an adjustment of 1.

### 6.3 Capacity constraints and minimum stock weights

6.3.1 The maximum stock level capacity ratio and constraints are applied to the index without narrowing as detailed in the FTSE Global Factor Index Series Ground Rules.

6.3.2 Any company that is aligned to below 2°C/1.5°C or 2°C/below 2°C or in the TPI Carbon Performance assessment with the index weight less than the minimum stock level weight is set as the minimum stock level weight listed in Table 1.

6.3.3 A minimum stock level weight in Table 1 is then applied to the remaining constituents that are not covered in rule 5.3.2. Any security level index weight that is less than this minimum weight threshold is treated as having a zero weight in the FTSE TPI Climate Transition Index Series. Any resulting excess weight will be redistributed amongst the remaining constituents and may cause breaches of the constraints in rule 6.3.1.

### 6.4 Country and industry exposure constraints

6.4.1 The maximum active country and industry exposure constraints are defined by the parameters *P* and *Q* are applied to the index as detailed in the FTSE Global Factor Index Series Ground Rules.

Alternative electricity stocks (ICB 65101010) in the FTSE Global Core Infrastructure TPI Climate Transition Index will be grouped as a separate industry when applying industry exposure constraints.

### 6.5 Active Stock Level Capping

6.5.1 Companies are capped at 1.5% overweight to benchmark at each review for the Russell 1000 TPI Climate Transition 2GR Index and the FTSE Developed ex North America ex Korea ex Poland TPI Climate Transition 2GR Index

## **6.6 Index back-histories**

- 6.6.1 The annual fossil fuel reserves, operational carbon emissions and annual sales data prior to June 2017 are lagged by one year.
- 6.6.2 TPI data as of September 2018 is used in the index review process prior to 2018.

## 6.7 Fixed tilt indices

6.7.1 Table one displays the parameters used in the fixed tilt indices.

**Table one: fixed tilt index parameters**

Index	Tilt strengths					Constraints				
	Fossil fuel reserves	Operational carbon emission intensity	Green revenue	TPI management quality	TPI carbon performance	P**	Q**	Max stock weight (%)	Min stock weight (b.p.)	Max capacity ratio
FTSE Developed ex Korea TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x
FTSE Developed ex US TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x
Russell 1000 TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x
FTSE Japan TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x
FTSE All World ex Japan Climate Transition Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x
FTSE All-World ex FF TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x
FTSE All-World ex FF ex Tobacco ex Controversies TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x
*FTSE Developed TPI Climate Transition ex Coal ex Controversies ex Nuclear ex Tobacco Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x
FTSE Developed ex Korea ex Tobacco ex Coal TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x

Index	Tilt strengths					Constraints				
	Fossil fuel reserves	Operational carbon emission intensity	Green revenue	TPI management quality	TPI carbon performance	P**	Q**	Max stock weight (%)	Min stock weight (b.p.)	Max capacity ratio
FTSE All-World Developed ex Weapons ex FF ex Tobacco TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x
FTSE Emerging TPI Climate Transition ex Coal ex Controversies ex Nuclear ex Tobacco Index	1	1	1	2	1	0.2	0.05	***	0.5*	<20x
FTSE Australia 300 TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	***	0.5*	<20x
FTSE Developed ex Australia TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	***	0.5*	<20x
FTSE Emerging TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	***	0.5*	<20x
Russell 1000 TPI Climate Transition 2GR Index	1	1	2	0.3	0.5	0.2	0.05	****	2.5*	<20x
FTSE Developed ex North America ex Korea ex Poland TPI Climate Transition 2GR Index	1	1	2	0.3	0.5	0.2	0.05	****	2.5*	<20x
FTSE Australia 100 TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	***	0.5*	<20x
FTSE Australia 200 TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	***	0.5*	<20x
FTSE New Zealand TPI Climate Transition Index	1	1	1	1	1	0.2	0.05	20	0.5*	<20x

\*See rule 6.3 for more detail.

\*\*See rule 6.4 for more detail.

\*\*\*10% maximum stock weight applied prior to 12 December 2022.

\*\*\*\*1.5% overweight cap is applied at company level. See Rule 6.5 for more detail

+ Maximum stock weight is applied annually together with the review.

## 6.8 Target exposure indices

6.8.1 Table two displays the parameters used in the target exposure indices.

**Table two: target exposure index parameters**

Index	Factor exposure targets						Constraints				
	Fossil fuel reserves	Operational carbon emission intensity	Green revenue	TPI management quality	TPI CP tilt	TPI carbon performance not aligned companies emission reduction	P***	Q***	Max stock weight (%)	Min stock weight (b.p.)	Max capacity ratio
FTSE Global Core Infrastructure TPI Climate Transition Index	100% lower than the benchmark	40% lower than the benchmark	–	0.2 $\sigma$ *	½ tilt	100%	0	0.1	5	0.5**	<20x

\* $\sigma$  is the market capitalisation weighted standard deviation of Z-scores in the universe.

\*\*See rule 6.3 for more detail.

\*\*\*See rule 6.4 for more detail.

## Section 7

# Periodic review of constituents

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## 7. Periodic review of constituents

### 7.1 Review dates

- 7.1.1 The FTSE TPI Climate Transition Index Series will be reviewed annually in September with the exception of FTSE Global Core Infrastructure TPI Climate Transition Index, which will be updated semi-annually in March and September. The Russell 1000 TPI Climate Transition Index and the Russell 1000 TPI Climate Transition 2GR Index will be reviewed in June based on fossil fuel reserve, operational carbon emission, green revenue and TPI data as of the last business day of the month prior to review month.
- 7.1.2 Index reviews will use stock prices available as at the close of business on the Wednesday before the first Friday of the review month (price cut-off date) and use shares and free float adjustment as of effective date.
- FTSE TPI Climate Transition indices based on Russell indices will use stock prices available as at the close of business on the Wednesday before the second Friday of the review month (price cut-off date) and use shares and free float adjustment as of effective date.
- 7.1.3 The review will be implemented after the close of business on the third Friday of the review month.
- For FTSE TPI Climate Transition indices derived from a Russell index, the review will be implemented on the same day as the Russell annual reconstitution. For details of the implementation dates of Russell indices, please refer to the Russell US Equity Indices construction and methodology, available at [Russell-US](#).

## Section 8

# Changes to constituent companies

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## 8. Changes to constituent companies

### 8.1 Intra-review additions

8.1.1 Additions to the corresponding underlying index will be assessed for inclusion to the FTSE TPI Climate Transition Index at the next annual review of the relevant FTSE TPI Climate Transition Index, respectively.

### 8.2 Intra-review deletions

8.2.1 A constituent will be removed from a FTSE TPI Climate Transition Index if it is being removed from its corresponding underlying index and its weight will be distributed pro-rata amongst the remaining constituents in their respective FTSE TPI Climate Transition Index.

### 8.3 Intra-review changes to exclusion lists

8.3.1 A constituent will be deleted from the FTSE TPI Climate Transition Indices if it is added to the corresponding exclusion lists detailed in table one in rule 4.1. The deletion will be concurrent with its addition to the exclusion lists.

8.3.2 A stock that is removed from a relevant exclusion list detailed in table one in rule 4.1 will be considered for inclusion at the next periodic review.

## Section 9

# Corporate actions and events

## 9. Corporate actions and events

9.1 If a constituent in the underlying index has a stock split, stock consolidation, rights issue, bonus issue, a change in the number of shares in issue or a change in free float, the constituent's weighting in the FTSE TPI Climate Transition Index Series will remain unchanged pre and post such an event.

9.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Cap Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

A corporate action is an action on shareholders with a prescribed ex-date. The share price will be subject to an adjustment on the ex-date. The index will be adjusted in line with the ex-date.

These include the following:

- capital repayments;
- rights issues/entitlement offers;
- stock conversion;
- splits (sub-division)/reverse splits (consolidation); and
- scrip issues (capitalisation or bonus issue).

A corporate event is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required, FTSE will provide notice advising of the timing of the change.

### 9.3 Suspension of dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indices.

### 9.4 Takeovers, mergers and demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indices.



## Section 10

# Indices algorithm and calculation method

## 10. Indices algorithm and calculation method

### 10.1 Prices

10.1.1 The FTSE TPI Climate Transition Index Series use actual closing mid-market or last trade prices, where available, for securities with local market quotations. Further details can be accessed using the following link: [Closing Prices Used For Index Calculation.pdf](#)

### 10.2 Calculation frequency

10.2.1 The FTSE TPI Climate Transition Index Series will be calculated on an end-of-day basis and displayed to eight decimal points.

### 10.3 Index calculation

10.3.1 The FTSE TPI Climate Transition Index Series calculated using the algorithm described below:

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where:

- $i=1,2,\dots,N$
- $N$  is the number of securities in the index.
- $p_i$  is the latest trade price of the component security (or the price at the close of the index on the previous day).
- $e_i$  is the exchange rate required to convert the security's currency into the index's base currency.
- $s_i$  is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- $f_i$  is the investability weighting factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- $c_i$  is the Weighting Factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index.
- $d$  is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

# Appendix A

## Exclusions

### Product-related exclusions

	Product involvement categories	Involvement threshold for exclusion
<b>Non-renewable energy</b>	<b>Fossil fuel reserves – coal, oil and gas</b>	
	Companies that own proved or probable reserves in coal, oil or gas	Greater than 50% ownership
	<b>Coal reserves</b>	
	Companies that own proved or probable reserves in coal	Greater than 50% ownership
<b>Tobacco</b>	<b>Tobacco</b>	
	(A) Tobacco products including cigarettes, roll your own tobacco, pipe tobacco, cigars, cigarillos, bidis, gutka, smokeless tobacco and heated tobacco products (HTPs). Electronic cigarettes (or e-cigarettes) and electronic nicotine delivery systems.	Greater than 0% of revenues
	This includes: all companies that are classified in the Industry Classification Benchmark (ICB) subsectors tobacco (3785) (new ICB subsector tobacco 45103010) and cannabis producers 20103020); and companies that are not classified in ICB subsector tobacco (tobacco 45103010) and cannabis producers 20103020), but that are identified as having activity in this subsector.	Not applicable
		Greater than 0% of revenues
	(B) Companies providing inputs into tobacco products/manufacturing, but not including retail. This includes rolling papers, tobacco flavouring and tobacco-specific packaging.	Greater than 0% of revenues
<b>Controversial weapons</b>	<b>Chemical and biological weapons</b>	
	Companies producing chemical or biological weapons and their components, including all precursors, munitions, devices or equipment specifically designed for, and used directly in connection with, these weapons. Secondary products and services to chemical and biological weapons that are specific to chemical and biological weapons	Greater than 0% of revenues
	<b>Cluster munitions</b>	
	Companies producing cluster munitions as defined in the convention on cluster munitions and their components, including all precursors, munitions, devices or equipment specifically designed for, and used directly in connection with, these weapons. Secondary products and services to cluster munitions that are specific to cluster munitions.	Greater than 0% of revenues
	<b>Anti-personnel landmines</b>	
	Companies that produce anti-personnel mines as defined in the 1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (Ottawa Convention). Secondary products and services to anti-personnel mines that are specific to anti-personnel mines.	Greater than 0% of revenues
<b>Nuclear weapons</b>	<b>Nuclear weapons</b>	
	Companies that produce nuclear weapons or their components. This includes companies that provide delivery systems (e.g. ballistic missile submarines) or critical services (e.g. maintenance or IT) that are directly related to and specifically designed for nuclear weapons.	Greater than 0% of revenues

	Product involvement categories	Involvement threshold for exclusion
<b>Military weapons</b>	<b>Military weapons</b>	
	Companies that produce other weapons for military use. This includes: <ul style="list-style-type: none"> <li>• munitions;</li> <li>• vehicles designed to carry military weapons (mounted or demountable);</li> <li>• weapons delivery systems; including mounting and launching systems as well as targeting; and</li> <li>• guidance systems</li> </ul>	Greater than 0% of revenues
<b>Firearms</b>	<b>Firearms</b>	
	Companies that produce firearms or ammunition for non-military use. This includes: <ul style="list-style-type: none"> <li>• shotguns</li> <li>• rifles; and</li> <li>• semi-automatic weapons.</li> </ul>	Greater than 0% of revenues

### Conduct-related exclusions<sup>8</sup>

	Exclusions	Threshold
<b>Controversies</b>	<b>Human rights</b>	All companies deemed to be non-compliant
	Controversies related to principles 1 and 2 of the UN Global Compact, which is derived from the Universal Declaration of Human Rights. Principle 1: businesses should support and respect the protection of internationally proclaimed human rights. Principle 2: make sure that they are not complicit in human rights abuses.	
	<b>Labor</b>	
	Controversies related to Principles 3, 4, 5, and 6 of the UN Global Compact, which is derived from the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.	
	<b>Environment</b>	
	Controversies related to principles 7, 8, and 9 of the UN Global Compact, which is derived from the Rio Declaration on Environment and Development. Principle 7: businesses should support a precautionary approach to environmental challenges. Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
	<b>Anti-corruption</b>	
	Controversies related to principle 10 of the UN Global Compact, which is derived from the United Nations Convention Against Corruption. Principle 10: businesses should work against corruption in all its forms, including extortion and bribery.	

### Minimum exclusions

Please refer to Section 8 of the [Guide to the Construction and Maintenance of FTSE Exclusion Lists](#) for the description of minimum exclusions applied.

<sup>8</sup> Conduct-related exclusions regarding controversies utilise data sourced from Sustainalytics' Global Standards Screening (GSS) dataset, FTSE Russell and RepRisk. Please refer to the [Guide to FTSE and Third Party ESG Data used in FTSE Indices](#) for further details.

## Appendix B

# Further information

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A Glossary of Terms used in FTSE Russell's Ground Rules documents can be found using the following link:

[Glossary.pdf](#)

The FTSE Russell ESG Metrics website can be found using the following link: [ESG Metrics](#)

Further information on the FTSE TPI Climate Transition Index Series is available from FTSE Russell.

For contact details, please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

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