

FTSE TPI Climate Transition Index Series

v2.3



**FTSE
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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 www.ftserussell.com. 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 characteristics.
- The FTSE TPI Climate Transition Index Series is not designed to align with the minimum requirements of the EU Climate Transition Benchmarks, nor the EU Paris-aligned Benchmarks¹.
- 1.3 This index series takes into account ESG factors in its index design.
- If a tilting approach is used for a sustainable investment (SI) data input, the objective is for the index methodology to overweight and/or underweight constituents according to specific SI criteria. This approach will not remove all companies with exposure to a specific SI activity or sector.
- 1.4 These ground rules should be read in conjunction with the following index rules and guides, which are available at www.ftserussell.com:
- 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.
- 1.6 FTSE Russell**
- 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, The Yield Book Inc and Beyond Ratings.

¹ 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](#).

1.7 Statement of Principles for FTSE Russell Non Market Capitalisation Weighted 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 FTSE Russell's Index Governance Board.

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

[Statement of Principles Non-Market Cap Equity Indices.pdf](#)

1.8 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.

1.9 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 index².

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.

² 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 \(ftserussell.com\)](https://www.ftserussell.com/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](https://www.ftserussell.com/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](https://www.ftserussell.com/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 The FTSE TPI Climate Transition Index Series is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE TPI Climate Transition Index Series are 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](https://www.ftserussell.com/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](https://www.ftserussell.com/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](https://www.ftserussell.com/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 Benchmarks³, the European benchmark regulation⁴ and the UK benchmark regulation⁵. 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](#)

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

⁴ 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.

⁵ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Eligible securities

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.

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

⁶ Exclusion list reviewed in March and September.

			Exclusion categories								
Index name	Underlying universe	Minimum set of exclusions	Conduct related	Product related							
			Controversies	Controversial weapons ⁶	Military weapons	Nuclear weapons	Firearms	Tobacco (A)	Tobacco (B)	Fossil fuels reserves ⁶	Coal reserves
FTSE All-World Developed ex Weapons ex FF ex Tobacco TPI Climate Transition Index	FTSE Developed Index			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
FTSE Global Core Infrastructure TPI Climate Transition Index	FTSE Global Core Infrastructure Alternative Electricity (ICB 65101010) Index		X								
FTSE Australia 300 TPI Climate Transition Index	FTSE Australia 300 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									

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 September 2023.

Details of the minimum exclusions can be found in the

[Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf \(ftserussell.com\)](https://www.ftserussell.com/~/media/FTSE%20Russell/Exclusion%20Lists/FTSE%20Exclusion%20Lists.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

Sustainable investment data inputs

5. Sustainable investment data inputs

5.1.1 The following sustainable investment (SI) datasets are used in the construction of the FTSE TPI Climate Transition Index Series.

SI data inputs	Details	Used for selection, weighting or exclusion ⁷
FTSE green revenues	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: https://research.ftserussell.com/products/downloads/FTSE_Green_Revenues_Classification_System.pdf	Weighting
TPI management quality (MQ)	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: https://www.transitionpathwayinitiative.org/methodology	Weighting
TPI carbon performance (CP) scores	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: https://www.transitionpathwayinitiative.org/methodology	Weighting
FTSE carbon reserves	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: Guide to FTSE and Third Party Sustainable Investment Data used in FT SE Russell Indices	Weighting
FTSE carbon emissions	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: Guide to FTSE and Third Party Sustainable Investment Data used in FT SE Russell Indices	Weighting
Product-related data – FTSE Russell	FTSE exclusion lists on the activities of companies with exposure to the products or services that are listed in Section 7 of the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf (ftserussell.com).	Exclusion

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

SI data inputs	Details	Used for selection, weighting or exclusion ⁷
Conduct related data – FTSE Russell	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 Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf (ftserussell.com) .	Exclusion
Conduct related data – Sustainalytics	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: https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening	Exclusion
Conduct related data – RepRisk	The RepRisk Index (RRI) captures and quantifies a company's reputational risk exposure to ESG issues. More information can be found: https://www.reprisk.com/news-research/resources/methodology	Exclusion
Minimum set of exclusions for sustainable investment indices	The minimum set of exclusions will be applied to this index series with effect from September 2023. Details of the minimum exclusions can be found in the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf (ftserussell.com) .	Exclusion
Carbon emissions and carbon reserves data – Trucost	Trucost environmental data measures environmental impact including greenhouse gas emissions and fossil fuel reserves. More information can be found: https://www.marketplace.spglobal.com/en/datasets/trucost-environmental-(46)	Weighting

5.1.2 Further information on SI 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 Sustainable Investment Data used in FTSE Russell Indices](#)

This includes information on the data and standards used for these SI data inputs. These data sets may include estimated data.

5.2 Sustainable investment metrics

5.2.1 Please see the FTSE Russell [Sustainable Investment 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, which are taken into account in the benchmark methodology for the benchmarks within this index series.

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

[Sustainability and ESG Data | FTSE Russell](#)

[Sustainable Investment Disclosures Methodology Document](#)

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 the carbon emission pathways of individual companies 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 categorised into four groups.
- A company's carbon emissions pathway is aligned with limiting global warming to below 2°C above pre-industrial levels.
 - A company's carbon emissions pathway is aligned with limiting global warming to 2°C above pre-industrial levels.
 - A company's carbon emission pathway is aligned with the public country-level commitments made on the Paris Agreement (known as nationally determined contributions – NDCs) but is not aligned with limiting global warming to 2°C.
 - A company's carbon emissions pathway is not aligned with limiting global warming to 2°C above pre-industrial levels or has insufficient disclosures to enable such an assessment.
 - A company has not yet been assessed for its carbon performance.
- 6.1.4 CP assessments are provided by TPI on an annual basis based on the methodology detailed in rule 6.1.3.

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.

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

$$A_i^{MQ} = (S_i^{MQ})^2 \times w'_k / w_k^{MQ}$$

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.

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 rule 6.1.3 as follows.

- Companies that are aligned to below 2°C are assigned an adjustment factor of 2.
- Companies that are aligned to 2°C are assigned an adjustment factor of 1.5.
- Companies are aligned at the NDCs level only 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.
- 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 2°C or below 2°C in the TPI carbon performance assessment with the index weight less than 0.5bps is set as 0.5bps.

6.3.3 A minimum stock level weight of 0.5bps 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.

Index back-histories

6.4.2 The annual fossil fuel reserves, operational carbon emissions and annual sales data prior to June 2017 are lagged by one year.

6.4.3 TPI data as of September 2018 is used in the index review process prior to 2018.

6.5 Fixed tilt indices

6.5.1 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

*See rule 6.3 for more detail.

**See rule 6.4 for more detail.

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

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

6.6 Target exposure indices

6.6.1 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 σ *	½ tilt	100%	0	0.1	5	0.5**	<20x

* σ 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

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 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](#).
- 7.1.4 Capping will be implemented quarterly after the close of business on the third Friday in March, June, September and December.

Section 8

Changes to constituent companies

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
Non-renewable energy	Fossil fuel reserves – coal, oil and gas	
	Companies that own proved or probable reserves in coal, oil or gas	Greater than 50% ownership
	Coal reserves	
	Companies that own proved or probable reserves in coal	Greater than 50% ownership
Tobacco	Tobacco	
	(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% 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	Not applicable
	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.	Greater than 0% 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% revenues
Controversial weapons	Chemical and biological weapons	
	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.	Greater than 0% revenues
	Secondary products and services to chemical and biological weapons that are specific to chemical and biological weapons	
	Cluster munitions	
	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.	Greater than 0% revenues
	Secondary products and services to cluster munitions that are specific to cluster munitions.	
	Anti-personnel landmines	
	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).	Greater than 0% revenues
	Secondary products and services to anti-personnel mines that are specific to anti-personnel mines.	
Nuclear weapons	Nuclear weapons	
	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% revenues

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

Conduct-related exclusions⁸

	Exclusions	Threshold
Controversies	Human rights	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.	
	Labor	
	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.	
	Environment	
	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.	
	Anti-corruption	
	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.

⁸ 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 Sustainable Investment Data used in FTSE Indices](#) for further details.

Appendix B

Further information

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

[Glossary.pdf](#)

The FTSE Russell Sustainable Investment Metrics website can be found using the following link: [Sustainable Investment 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.

Website: www.lseg.com/en/ftse-russell/

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