

# FTSE TPI Climate Transition Index

**Capturing the climate transition within  
a global equity portfolio**

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Overview

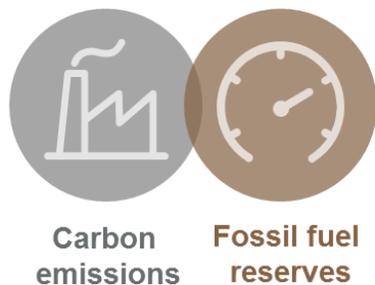
# FTSE TPI Climate Transition Index

# Integrating climate considerations

## An evolving landscape

Investor approaches to climate integration are increasing in sophistication

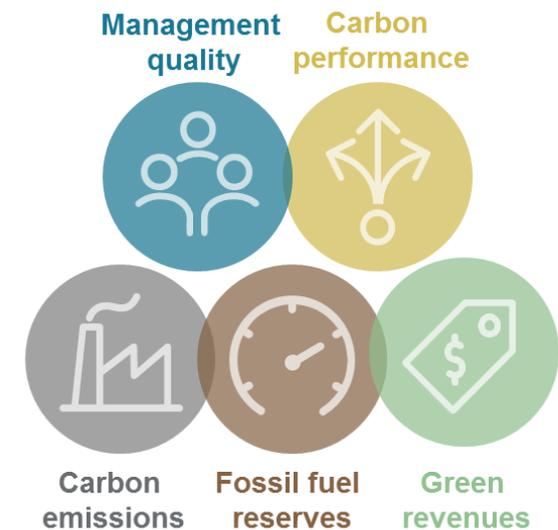
Managing risks...



Managing risks & opportunities...



Transition alignment



# FTSE TPI Climate Transition Index

## Objectives

Design a global equity index that:

Explicitly incorporates the TPI framework i.e. company assessments of:

- Management Quality
- Carbon Performance

Significantly improves index climate characteristics vs benchmark:

- Climate risk exposure (Emissions; FF Reserves)
- Transition-related opportunities (Green Revenues)

Provides investors with an engagement tool:

- Potential for signalling 2DC transition progress / performance to constituent companies

# FTSE TPI Climate Transition Index

## Overview – Climate criteria



### Fossil fuel reserves

- Underweight companies with fossil fuel reserves



### Carbon emissions

- Over or underweight companies according to their GHG emissions



### Green revenues

- Overweight companies engaged in the transition to a green economy



### Management quality

- Over or underweight companies according to their management quality (“climate governance”)

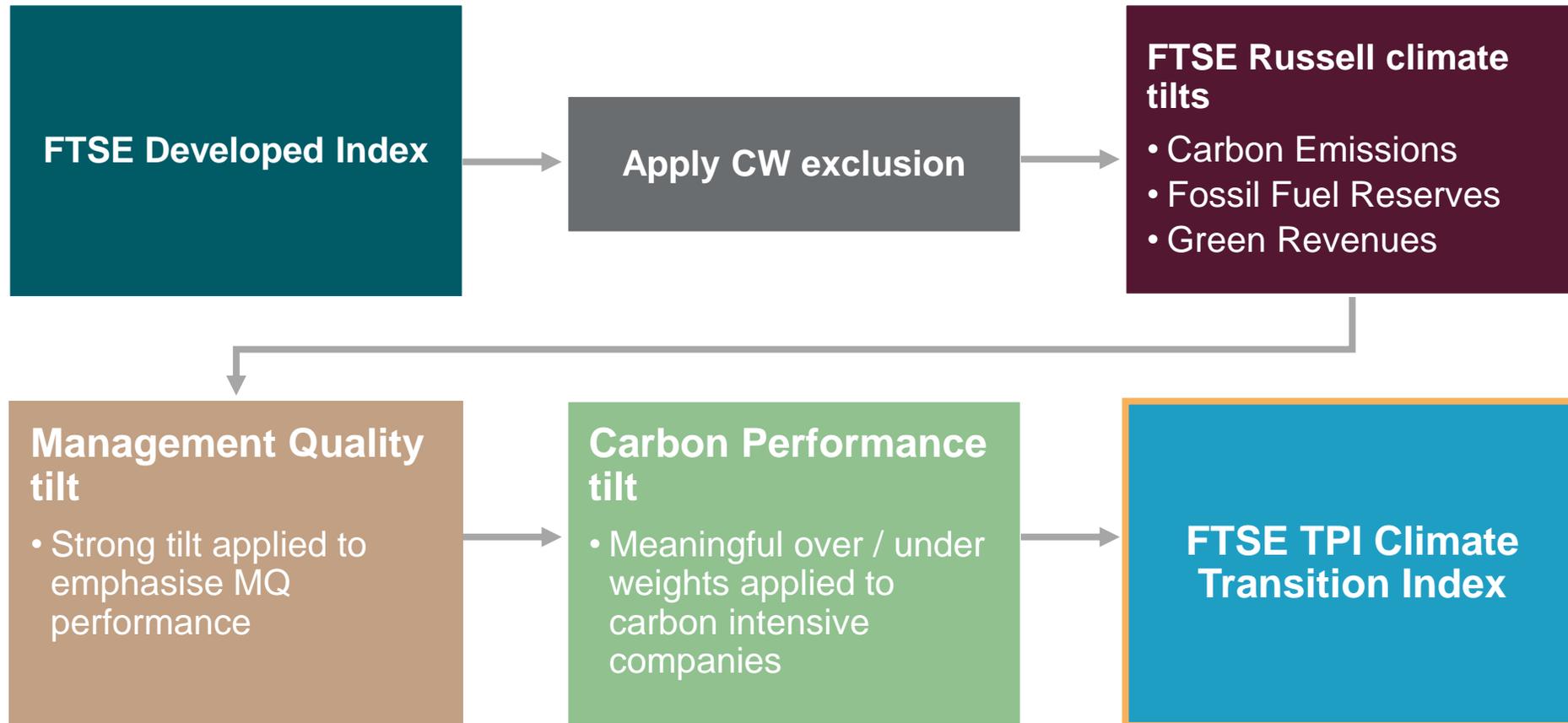


### Carbon performance

- Over or underweight companies according to their carbon performance (“2DC/1.5DC pathways”)

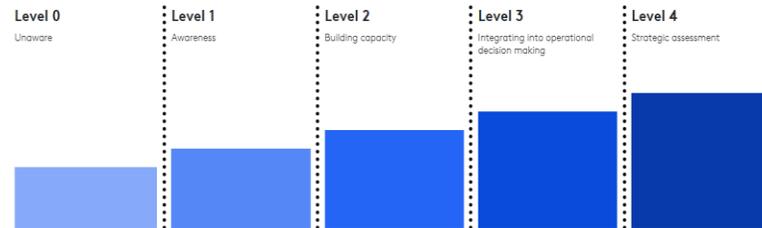
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## Overview – Index construction



# FTSE TPI Climate Transition Index

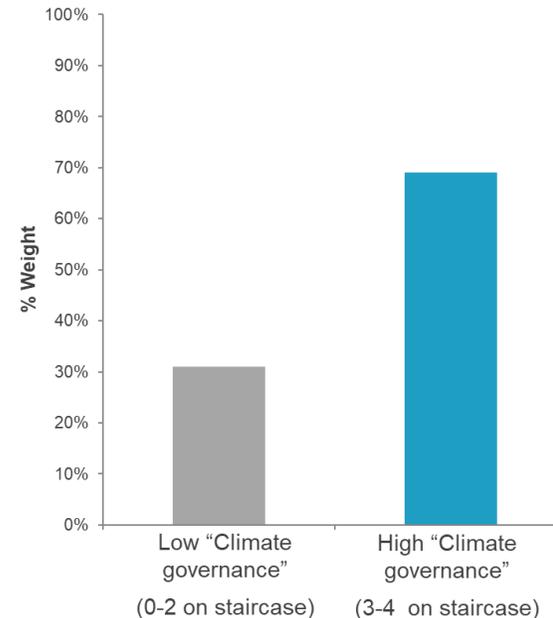
## Management Quality (MQ) – “climate governance”



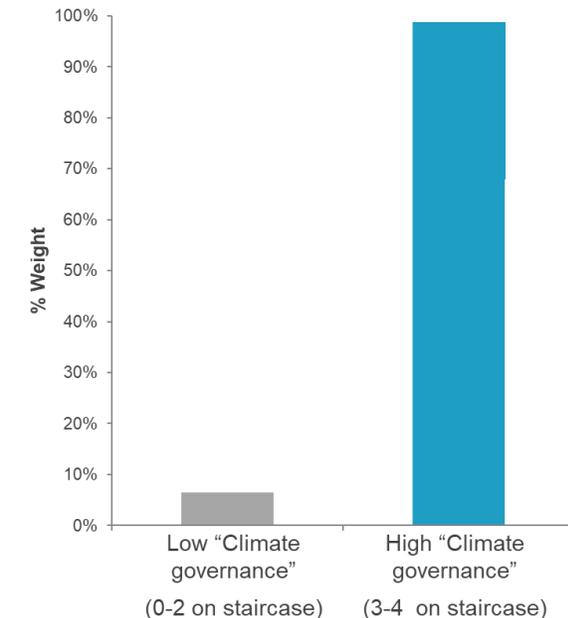
- TPI assesses company “climate governance”
- Companies are assigned Management Quality (MQ) scores from low to high (0-4)

- MQ scores are over emphasised in the Index via stronger tilts
- Index weights shift significantly towards companies with higher MQ scores

*Benchmark*



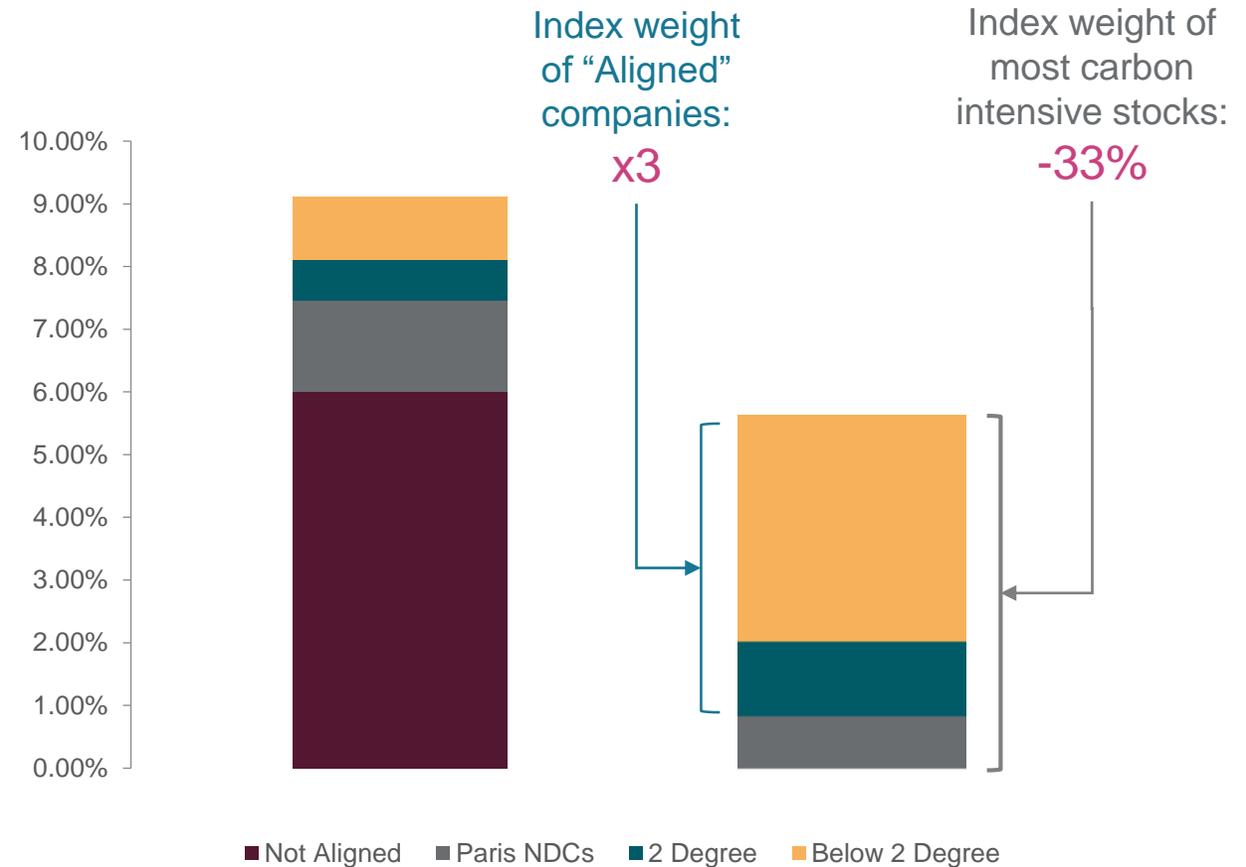
*TPI Climate Transition Index*



# FTSE TPI Climate Transition Index

## Carbon Performance – pathways to 2DC / 1.5DC

- **TPI assesses company commitments to 2DC/1.5DC emissions pathways**
- **Focus: Most carbon intensive companies globally**
- Significant adjustments applied to Aligned vs Not Aligned companies



Source: FTSE Russell. Data as at September 2019

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