



## FTSE TPI Climate Transition Index Series: Eligible Securities - Ground Rule Update

28 September 2023

FTSE Russell would like to inform clients of the following updates to the FTSE TPI Climate Transition Index Series Ground Rules which are effective immediately.

Changes have been made to the following rules:

- 6.1.3
- 6.2.3
- 6.2.5
- 6.3.2

Please see below for a description of rule changes

**Rule 6.1.3** has been updated with the same the information as Rule 5.2.3 of the FTSE EU Climate Benchmarks Index Series ground rules (please refer to the Technical Notice) to reflect updated TPI Carbon Performance (CP) assessment groups.

**Rule 6.2.3** has been updated as follows:

**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 except the following indexes 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 2GR TPI Climate Transition Index
- FTSE Developed ex North America ex Korea ex Poland 2GR 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 missing fossil fuel reserve data treatment in above indexes 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.

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

**Rule 6.2.5** has been updated as follows:

The TPI Carbon Performance Adjustment <sup>ACP</sup><sub>T</sub> is assigned to each of the groups detailed in Rule 6.1.3 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
- Companies that are not aligned or have insufficient disclosures to enable such an assessment are assigned an adjustment factor of 0.2 for Russell 1000 2GR TPI Climate Transition Index and FTSE Developed ex North America ex Korea ex Poland 2GR TPI Climate Transition Index and 0 for all other indices
- Companies are that not assessed are assigned an adjustment of 1

**Rule 6.3.2 has been updated as follows**

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.

An updated copy of the FTSE TPI Climate Transition Index Ground Rules (v2.4) is now available using the following link: [FTSE\\_TPI\\_Climate\\_Transition\\_Index\\_Series\\_Ground\\_Rules.pdf](#)

Or on the FTSE Russell website: [www.ftserussell.com](http://www.ftserussell.com)

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For further information please contact FTSE Russell Client Services at [info@ftserussell.com](mailto:info@ftserussell.com) or call:

Australia	+1800 653 680
Hong Kong	+852 2164 3333
Japan	+81 3 6441 1430
London	+44 (0) 20 7866 1810
New York	+1866 551 0617

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