

INDEX OVERVIEW

FTSE Fixed Income Corporate TPI Focused Glidepath Index

Designed to offer fixed income investors a low-turnover, low-tracking error decarbonisation solution to support their climate commitments



Increasingly, investors wish to integrate climate considerations into their investment strategies. Their implementation decisions are also increasing in sophistication.

FTSE Russell has addressed these trends through a variety of data and analytical partnerships, index designs and launches. The FTSE Fixed Income Corporate Transition Pathway Initiative (TPI) Focused Glidepath index series is developed to serve as a benchmark for investors wishing to implement a low-turnover, low-tracking error decarbonisation investment strategy.

The index series methodology supports engagement with fixed income issuers rather than immediate divestment from climate laggards, generating a steady reduction in carbon emissions and intensity over time by comparison with a market-weighted corporate bond index.

The FTSE FI Corporate TPI Focused Glidepath Index (Glidepath) series is designed to reflect the performance of corporate bonds, adjusted for the following data inputs from the Transition Pathway Initiative (TPI):

- TPI management quality (TPI MQ) scores: these reflect companies' climate governance activities (aligned with the Taskforce on Climate-related Financial Disclosures' recommendations)
- TPI carbon performance (TPI CP) scores: these reflect company commitments to emissions pathways that are aligned to the Paris Agreement and to 1.5°C/below 2°C warming scenarios

Engagement in fixed income

The glidepath approach supports the form of engagement that's popular amongst fixed income investors. By comparison with equities, which offer investors voting rights and therefore some collective control over the running of a company, fixed income investors typically have no direct say over corporate policies.

However, there is an argument that if, collectively, investors were not to refinance maturing fixed income issues, then the cost of capital would go up to the detriment of the issuer.

There is therefore real room for engagement in fixed income by using climate data and climate benchmarks to help influence funding decisions. For example, investors could use the FTSE Fixed Income Corporate TPI Glidepath methodology to engage with corporate issuers seeking to raise fixed income in the primary market (i.e., during issuer roadshows).



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Index Construction Approach

Set starting universe: The starting universe for this index series is the corporate bond component of the market capitalisation-weighted FTSE World Broad Investment-Grade Bond 0+ Index (WorldBIG). The FTSE WorldBIG index is a multi-sector, multi-currency benchmark which provides a broad-based measure of the global fixed income markets.

Apply PI/UNGC exclusions: We use product involvement data and global standards screening data from Sustainalytics to exclude issuers involved in undesirable product categories or in undesirable business activities (such as those breaching the United Nations Global Compact).

Apply TPI CP exclusions: We exclude issuers with non-aligned TPI carbon performance (CP) scores, those not assessed by TPI or those not disclosing relevant information. TPI CP exclusions are calculated only for highly carbon-intensive sectors, defined as Automobiles & Auto Parts, Construction Materials, Electric Utilities & IPPs, Metals & Mining, Multiline Utilities, Oil & Gas, Paper & Forest Products.

Tilt by TPI MQ scores: We tilt starting index weights by a factor of between 0-1.2, using TPI management quality (MQ) data. TPI MQ scores evaluate and track the quality of companies' governance/management of their greenhouse gas emissions and of the risks and opportunities related to the low-carbon transition.

← Exclusions →			← Tilting →	
Exclusion Item / Screen	TPI CP Assessment	Inclusion Rule	TPI MQ Score	Tilt Multiplier
UNGC Non-Compliant	1.5°C Aligned	Included	Score 4+	1.2 x
Controversial Weapons	Below 2°C	Included	Score 4	1.1 x
Nuclear Weapons	Paris, National or International Pledges	Excluded	Score 3	1.0 x
Civilian Firearms	Not Assessed	Excluded	Score 2	0.9 x
Thermal Coal (>50%)	Not Aligned	Excluded	Score 1	0.7 x
Oil Sands	No Disclosure	Excluded	Score 0	0x
Tobacco	Green Bond	Can be included		

Exclusions Notes:

CP exclusions apply only for highly carbon-intensive sectors.

Highly carbon-intensive sectors are defined as Automobiles & Auto Parts, Construction Materials, Electric Utilities & IPPs, Metals & Mining, Multiline Utilities, Oil & Gas, Paper & Forest Products. For pulp & paper companies, the inclusion rule is below or equal to 2°C.

Inclusion/exclusion of a bond is determined at the month it is added to profile, based on TPI CP, MQ and screening at the time, and its index membership remains throughout.

Source: Sustainalytics (Product Involvement Classification), FTSE Russell.

FTSE Russell Solution Offers



Core Features

Forward-looking Metrics	FTSE Russell has an exclusive partnership with the Transition Pathway Initiative (TPI), whose dataset provides forward-looking views on company alignment with the climate transition.
Inclusive Approach	FTSE Russell has an innovative approach to mapping fixed income issuers to public companies' fundamental data and to addressing data gaps, allowing us to be more inclusive in the index methodology.
Comprehensive SI Solution	FTSE Russell methodology combines market-leading insights from internal and external datasets, providing a comprehensive SI solution.
Granular Definition on Exclusions	FTSE Russell uses several data sources for exclusions to minimize any potential risk of exposure to undesirable sectors, product involvement and conducts.
Flexibility of Customisation	FTSE Russell allows flexibility to build fully customisable TPI solutions, tailored to each investor and reflecting a specific investment philosophy, view and purpose.

Product Information

FTSE Fixed Income Corporate TPI Focused Glidepath Index Series	
FTSE Global Corporate TPI Focused Glidepath Index	FTSE Euro Corporate TPI Focused Glidepath Index 0+
FTSE Global Corporate TPI Focused Glidepath Index 0+	FTSE Sterling Corporate TPI Focused Glidepath Index
FTSE US Corporate TPI Focused Glidepath Index	FTSE Sterling Corporate TPI Focused Glidepath Index 0+
FTSE US Corporate TPI Focused Glidepath Index 0+	FTSE Australia Corporate TPI Focused Glidepath Index
FTSE Euro Corporate TPI Focused Glidepath Index	FTSE Australia Corporate TPI Focused Glidepath Index 0+

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For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

Contact Us

To learn more, visit lseg.com/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

EMEA +44 (0) 20 7866 1810

Asia-Pacific

North America +1 877 503 6437

Hong Kong +852 2164 3333

Tokyo +81 (3) 6441 1430

Sydney +61 (0)2 7228 5659

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