

In January 2019 the Church of England Pensions Board announced a £600 million allocation to a new stock index that supports the transition to a low carbon economy.

The “FTSE TPI Climate Transition Index” was launched at the market open of the London Stock Exchange on 30th January 2020, and is the result of 18 months of collaboration and partnership between the Pensions Board, [FTSE Russell](#), and the [Transition Pathway Initiative](#) (TPI).

The Index seeks to integrate the insights of TPI into the Board’s passive investments, and provide us with further tools for our engagement with companies that need to transition. The index takes account of five measures that relate to climate change in generating the under- and over-weighted stocks, including Fossil Fuel Reserves, Carbon Emissions and Green Revenues. The methodology emphasises TPI assessment:

Companies that score poorly on TPI’s Carbon Performance methodology are not included in the index. They remain eligible, but will only be included if their disclosures and carbon performance targets improve.

FTSE Russell have called this “The next generation of Climate Indexes”, and the index results in significant improvements in climate metrics relative to capitalisation weighted benchmarks: reductions in carbon intensity (~50% reduction), lower carbon emissions (~40% reduction) and fossil fuel reserves (~70% reduction).

For the Pensions Board, a key element is the clarity of messaging that the index rules provide. Carbon intensive companies must align their business models to the transition to a low carbon economy. Those that do not will be left out of the index, and those that do will be rewarded.

More information

- The [FTSE TPI Climate Transition Index](#) page at FTSE Russell
- The [Pensions Board's Press Release](#)
- The [Transition Pathway Initiative](#)

Selected Media Coverage

- *Church of England joins passive push with climate index.* <https://www.ft.com/content/b1f8b262-41ae-11ea-a047-eae9bd51ceba> (29 January 2020)
- *Church of England Devises an Index for Climate-Conscious Investing* <https://www.nytimes.com/2020/01/31/business/church-of-england-climate-change.html> (31 January 2020)
- *Church of England Invests \$779 Million in New Climate Index* <https://www.bloomberg.com/news/articles/2020-01-30/church-of-england-invests-779-million-in-new-climate-index> (30 January 2020)

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