

Transition Pathway Initiative (TPI)

Management Quality Scores, powered by LSEG

Overview

Management measures adopted by companies to reduce emissions can take several years before they produce real-world reductions. Investors, therefore, need a way to measure the quality of climate transition commitments and management to complement emissions-based metrics.

The Transition Pathway Initiative (TPI), launched in 2017, is a global initiative led by asset owners and supported by asset managers, in partnership with FTSE Russell, an LSEG business, and the TPI Global Climate Transition Centre (TPI Centre), part of the Global School of Sustainability at the London School of Economics and Political Science. Aimed at investors, TPI assesses companies' preparedness for the transition to a low-carbon economy, supporting efforts to address climate change. Full details on TPI, including its research methodologies, are available at transitionpathwayinitiative.org.

TPI inputs provide forward-looking views on company alignment with the climate transition via the Management Quality (MQ) Scores, which assess companies' climate governance activities in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Up to 23 specific MQ indicators are used to map companies from Level 0 - Level 5.

LSEG via FTSE Russell is a data partner to TPI and provides the data that underpins the Management Quality assessment. We are also a member of TPI's Technical Advisory Group.

TPI's Management Quality framework tracks the progress of companies through the following levels:



Source: [2023-methodology-report-management-quality-and-carbon-performance-version-5-0](#)

The evolution of the TPI Management Quality methodology

In 2024, Level 5 was introduced as an enhancement to the TPI Management Quality framework. Level 5 tests companies on whether they have transition plans that include defined, quantified and financed actions to reach net zero. This gives greater insight into the rigour of companies' transition plans and the associated likelihood of their implementation. The number of indicators within the levels has also increased from 19 to 23 to provide greater differentiation of high-performing companies.

Features

The TPI MQ dataset is a unique dataset that evaluates and tracks the quality of companies' governance of their GHG emissions, and risks and opportunities related to the low-carbon transition.

It evaluates companies against 23 indicators which cover policies, reporting, target-setting, responsibilities and accountabilities. Each indicator is assessed on a Yes/No basis based on information and evidence published by the company. The MQ12 indicator also features a 'Not Applicable' score option.

The LSEG TPI MQ Bulk service includes the 23 indicators used in the Management Quality assessment and the overall MQ score across all companies in the LSEG Climate company universe. The underlying data points used to derive the indicators are included in the [LSEG Climate data Bulk service](#).

Benefits

- Expanded **company coverage across more than 16,000 active and inactive companies**, including ~15,500 public companies and 700 private companies
- The TPI MQ scores are based on a **transparent and robust assessment methodology** that can serve as a data-led input into the dialogue between investors and management on transition strategies
- The 23 TPI MQ indicators are mapped against the TCFD recommendations, facilitating **aligned reporting**
- With more than **150 investors having pledged their support** for the TPI globally, representing over US\$90 trillion* in combined assets under management and advice, the TPI MQ scores are among the most-used tools for assessing climate transition management within the global investor community
- The TPI MQ dataset, powered by LSEG allows for **data standardisation and interoperability** with other LSEG datasets including: ESG, Climate, Green Revenues, regulatory or financial data

Using TPI Management Quality data in practice

Examples of how investors use TPI data include:

ESG integration and portfolio analysis

Many investors want to understand whether their holdings align with the pathways set by the Paris Agreement, so build TPI data into their portfolio construction, stock selection or risk management processes.

Active ownership

Investors use TPI's robust data as a foundation for a broad engagement strategy or for individual corporate engagements (often with laggards on this issue).

Product creation

Investors can integrate the data into climate-sensitive product offerings, such as proprietary scores and analytics, to drive more climate-aware company behaviours.

Voting

Investors use it to shape approaches to proxy voting.

Exclusions

Investors use it to shape a sophisticated exclusion policy.

Due diligence

Investors use it as part of investee due diligence procedures or to vet potential clients.

Delivery

The TPI MQ Scores dataset is available in LSEG Workspace, LSEG's flagship data and analytics workflow solution, and via the LSEG Data Platform, which is cloud-native and uses the latest technologies to ensure highly scalable and secure delivery. The Bulk Service allows for pre-canned files containing the entire universe to be downloaded to the client machine – ideal for financial professionals to actively integrate TPI MQ factors into their models, workflows and analysis.

**This figure is subject to market-price and foreign-exchange fluctuations and, as the sum of self-reported data by TPI supporters, may double-count some assets.*

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