



FTSE Custom ESG Screened Index Series

v1.3



Contents

1.0	Introduction	3
2.0	Management Responsibilities.....	5
3.0	FTSE Russell Index Policies	6
4.0	Eligible Securities	8
5.0	Sustainable Investment Data Inputs	9
6.0	Periodic Review of Constituents	10
7.0	Changes to Constituent Companies	11
8.0	Corporate Actions and Events.....	12
9.0	Index Calculation	14
Appendix A: ESG Exclusions		16
Appendix B: Further Information		18



Section 1

Introduction

1.0 Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Custom ESG Screened Index Series calculated by FTSE Russell.
- 1.2 The FTSE Custom ESG Screened Index Series is designed to represent the performance of FTSE Russell indices that exclude companies based on ESG screens (See Section 4 and 5).
- 1.3 The FTSE Custom ESG Screened Index Series takes account of ESG factors in its index design. Please see further details in Section 4 and 5.
- 1.4 The FTSE Custom ESG Screened Index Series consists of the following indices:
 - FTSE Custom Developed ex UK ESG Screened Index
 - FTSE Custom Developed Europe ex UK ESG Screened Index
 - FTSE Custom USA ESG Screened Index
 - FTSE Custom Japan ESG Screened Index
 - FTSE Custom All-Share ESG Screened Index

These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules and FTSE UK Index Series Ground Rules, which are available at www.ftserussell.com.
- 1.5 The indices are calculated on both end of day basis.
- 1.6 The indices are calculated in US Dollars and may be published in other currencies.
- 1.7 A Price Index, Total Return Index and Net of Tax Index will be available. The Total Return and Net of Tax Indices include income based on ex dividend adjustments.
- 1.8 The base currency of the benchmark is GBP. Index values may also be published in other currencies.
- 1.9 **FTSE Russell**

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.

FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the

index should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

- 1.7** Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:
- any reliance on these Ground Rules, and/or
 - any inaccuracies in these Ground Rules, and/or
 - any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
 - any inaccuracies in the compilation of the index or any constituent data.

Section 2

Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index Series.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE Custom ESG Screened Index Series and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indices.

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

¹ The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

Section 3

FTSE Russell Index Policies

3.0 FTSE Russell Index Policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

3.1 Corporate Actions and Events Guide

- 3.1.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

3.2 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by FTSE Russell's Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

3.3 Queries and Complaints

- 3.3.1 FTSE Russell's complaints procedure can be accessed using the following link:

3.3.2 [Benchmark Determination Complaints Handling Policy.pdf](#)

3.4 Index Policy for Trading Halts and Market Closures

Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

3.5 Index Policy in the Event Clients are Unable to Trade a Market or a Security

Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

3.6 Policy for Benchmark Methodology Changes

Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

3.7 FTSE Russell Governance Framework

- 3.7.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to ensure compliance with the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³, and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

³ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019

Section 4

Eligible Securities

4.0 Eligible Securities

- 4.1.1 The FTSE Custom ESG Screened Index Series will consist of constituents of the corresponding underlying index universe:

FTSE ESG Index	Underlying Universe
FTSE Custom Developed ex UK ESG Screened Index	FTSE Developed ex UK Index
FTSE Custom Developed Europe ex UK ESG Screened Index	FTSE Developed Europe ex UK Index
FTSE Custom All-Share ESG Screened Index	FTSE All-Share Index
FTSE Custom USA ESG Screened Index	FTSE USA Index
FTSE Custom Japan ESG Screened Index	FTSE Japan Index

- 4.1.2 All companies that are classified as “Excluded Companies” (see Rule 4.2) are excluded from the index series

4.2 Excluded Companies

- 4.2.1 FTSE Custom ESG Screened Index Series excludes companies based on ESG Screens (See Appendix A).
- 4.2.2 The FTSE Custom All-Share ESG Screened Index uses the FTSE All Share Index as its underlying index. The FTSE All Share Index includes Equity Investment Trusts (ICB Subsector Closed End Investments (30204000)). Investment Trusts are closed end collective investment schemes and as such may invest in companies that contravene one or more of the exclusion categories. Investment Trusts may not provide full disclosure of their holdings and are not covered by FTSE Russell or Third Party ESG research. Accordingly, the FTSE Custom All-Share ESG Screened Index does not apply exclusions to the Investment Trusts in the underlying index.
- 4.2.3 Stocks with missing product and activity involvement data are excluded from the index.

Section 5

Sustainable Investment Data Inputs

5.0 Sustainable Investment Data Inputs

5.1 SI Data Inputs

- 5.1.1 Further information on SI data provided by FTSE Russell and third parties used in this index can be found in the following guide:

[Guide to FTSE and Third Party Sustainable Investment Data used in FTSE Russell Indices](#)

The following Sustainable Investment datasets are used in the construction of the FTSE Custom ESG Screened Index Series.

5.2 ESG exclusions

The ESG exclusions data is sourced from Sustainalytics. This data subject to regular quality checks to identify discrepancies and ensure accuracy; these checks include trend analysis to assess data quality and detailed review of underlying data for significant score changes.

Section 6

Periodic Review of Constituents

6.0 Periodic Review of Constituents

6.1 Periodic Review

- 6.1.1 The FTSE Custom ESG Screened Index Series is reviewed quarterly in March, June, September, and December any changes to the status of “Excluded Companies” are applied using data as at the close of business on the Monday 4 weeks prior to review effective date. Index reviews will be implemented after the close of business on the third Friday of the review month.

6.2 Weighting

- 6.2.1 The FTSE Custom ESG Screened Index Series is weighted by free float adjusted market capitalisation. The free float adjustments are in line with the corresponding underlying index.

Section 7

Changes to Constituent Companies

7.0 Changes to Constituent Companies

7.1 Intra-review Additions

- 7.1.1 Where applicable, fast entrants to the underlying index will be eligible for inclusion in the index series at the next quarterly index review.

7.2 Intra-review Deletions

- 7.2.1 If a constituent is removed from the underlying index (see Rule 4.1.1), it will be removed from the respective FTSE Custom ESG Screened Index. The removal will be concurrent with its removal from its underlying index.

7.3 Intra-review Exclusion Changes

- 7.3.1 If the exclusion status of an existing constituent of the underlying index changes, membership of FTSE Custom ESG Screened Index will be considered at the next index review.

Section 8

Corporate Actions and Events

8.0 Corporate Actions and Events

- 8.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

A Corporate 'Action' is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division) / Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate 'Event' is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE Russell will provide notice advising of the timing of the change.

8.2 Shares in Issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

8.3 Investability Weightings

- 8.3.1 Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

8.4 Suspended Companies

- 8.4.1 FTSE Russell's treatment can be found using the following link:

[Suspended Companies Rule.pdf](#)

8.5 Takeovers, Mergers and Demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Market Capitalisation Weighted Indices.

8.6 **Mergers, Restructuring and Complex Takeovers**

- 8.6.1 If the effect of a merger or takeover is that one constituent in the FTSE Custom ESG Screened Index is absorbed by another constituent, the resulting company will remain a constituent of the Index.
- 8.6.2 If a constituent company in the FTSE Custom ESG Screened Index is taken over by a non-constituent company, the original constituent will be removed.
- 8.6.3 If a constituent company is split to form two or more companies, then the resulting companies will be eligible for inclusion in the FTSE Custom ESG Screened Index.

Section 9

Index Calculation

9.0 Index Calculation

9.1 Prices

9.1.1 The FTSE Custom ESG Screened Index Series uses actual closing mid-market or last trade prices, where available, for securities with local market quotations. Further details can be accessed using the following link:

[Closing Prices Used For Index Calculation.pdf](#)

9.1.2 Reuters real time share prices are used during the intra-day calculation period.

9.2 Foreign Exchange Rates

9.2.1 Reuters real time exchange rates are used in the index calculations which are disseminated in real-time.

9.2.2 Exchange rates used in the End of Day calculations are WM/Reuters Closing Spot Rates™, collected at 16:00 UK time (further information on the WM/Reuters Closing Spot Rates service is available from The WM Company).

9.3 Index Calculation

9.3.1 The index levels will be displayed to eight decimal points.

9.3.2 The index is calculated using the following formula:

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where,

- $i=1,2,\dots,N$
- N is the number of securities in the index.
- p_i is the latest trade price of the component security (or the price at the close of the index on the previous day).
- e_i is the exchange rate required to convert the security's currency into the index's base currency.
- s_i is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.

- f_i is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- c_i is the Capping Factor to be applied to a security to correctly weight that security in the index.
- d is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

Appendix A: ESG Exclusions

At each review, FTSE Russell will exclude companies from the underlying eligible universe of each Index that meet the criteria in the table below. This data is provided by third party data vendor, Sustainalytics.

Exclusions	Threshold
UN Global Compact (UNGC) violation	
Companies responsible for egregious and severe violations of commonly accepted international norms related to human rights, labour rights, the environment and business ethics	All companies deemed to be non-compliant
Weapons: Anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions	
Companies providing core weapon systems or components/services of the core weapon system for these weapons.	Any involvement
Companies having significant corporate ownership in core weapon systems or components/services of the core weapon system for these weapons.	Over 20% revenues
Small arms	
Companies manufacturing and selling assault weapons to civilian customers.	Any involvement
Companies manufacturing and selling key components of small arms.	Any involvement
Companies involved in retail and/distribution of assault weapons.	Over 5% revenues for small arms
Companies involved in retail and/or distribution of non-assault weapons.	Over 5% revenues for small arms
Companies producing and selling non-assaults weapons to civilian customers.	Any involvement

Oil Sands	
Oils sands extraction	Over 5% for oil sands
Coal	
Thermal coal extraction	Over 5% revenues for thermal coal
Companies generating electricity from thermal coal	Over 5% revenues for thermal coal

These Ground Rules may contain Sustainalytics proprietary information that may not be reproduced, used, disseminated, modified nor published in any manner without the express written consent of Sustainalytics. Nothing contained in these Ground Rules shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. The information is provided “as is” and, therefore Sustainalytics assumes no responsibility for errors or omissions. Sustainalytics cannot be held liable for damage arising from the use of these Ground Rules or information contained herein in any manner whatsoever.

A Glossary of Terms used in FTSE Russell’s Ground Rule documents can be found using the following link: [Glossary.pdf](#)

Further information on the FTSE Custom ESG Screened Index Series is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

Website: www.ftserussell.com



Appendix B: Further Information

A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link: [Glossary.pdf](#)

Further information on the FTSE Custom ESG Screened Index Series is available from FTSE Russell.

The FTSE Russell Sustainable Investment Metrics website can be found using the following link: [Sustainable Investment Metrics](#)

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

Website: www.ftserussell.com

© 2023 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. and FTSE Global Debt Capital Markets Limited (together, "FTSE Canada"), (4) FTSE Fixed Income Europe Limited ("FTSE FI Europe"), (5) FTSE Fixed Income LLC ("FTSE FI"), (6) The Yield Book Inc ("YB") and (7) Beyond Ratings S.A.S. ("BR"). All rights reserved.

The FTSE Custom ESG Screened Index Series is calculated by or on behalf of FTSE International Limited or its affiliate, agent or partner. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB and BR. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "The Yield Book®" "Beyond Ratings®" and all other trademarks and service marks used herein (whether registered or unregistered) are trade marks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB or BR.

All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for any errors or for any loss from use of this publication or any of the information or data contained herein.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of FTSE Custom ESG Screened Index Series or the fitness or suitability of the Index Series for any particular purpose to which it might be put.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset. A decision to invest in any such asset or whether such investment creates any legal or compliance risks for the investor. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index containing the asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group index data and the use of their data to create financial products require a licence with FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB, BR and/or their respective licensors.