



FTSE Fixed Income ex Fossil Fuels Enhanced Index Series

v1.2



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Section 1

Introduction

1.0 Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Fixed Income ex Fossil Fuels Enhanced Index Series.
- 1.2 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series is designed to represent the performance of securities in FTSE Fixed Income indices after the exclusion of issuers that have exposure to fossil fuel sector through direct involvement and company ownership. Excluded issuers are involved in fossil fuel production, related products or services, as well as distribution, retail and power generation.
- 1.3 The Index Series consists of the following:
 - A. FTSE World Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index
 - B. FTSE Euro Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index
 - C. FTSE US Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index
 - D. FTSE Australian Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index
- 1.4 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series covers a broad array of asset classes and will have sub-indices available in any combination of currency, maturity and rating.
- 1.5 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series does take account of ESG factors in its design.
- 1.6 **FTSE Russell**

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- 1.7 FTSE Russell hereby notifies users of the index that it is possible that factors, including external factors 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 or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

- 1.8 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's 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 members of the FTSE Russell Policy Advisory Board (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 Fixed Income LLC (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 index series and will:

- maintain records of all the constituents.
- be responsible for the addition and deletion of bonds and changes of nominal amounts, in accordance with the Ground Rules.
- 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 best reflect the aim 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 Fixed Income 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). FTSE Fixed Income LLC administers the Index Series in line with the third country transitional provisions contained within Article 51(5) of the European Benchmark Regulation and the third country transitional provisions as amended by Article 42(5) of 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 or by contacting info@ftserussell.com. These policies are reviewed annually and any changes are approved by the FTSE Russell Product Governance Board.

3.1 Statement of Principles for FTSE Fixed Income Indices

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 for FTSE Fixed Income Indices 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 the FTSE Russell Index Governance Board.

The Statement of Principles for Fixed Income Indices can be accessed using the following link: [Statement of Principles Fixed Income Indices.pdf](#)

3.2 Queries and Complaints

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

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

3.3 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](#)

3.4 Recalculation Policy and Guidelines

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

[Fixed Income Recalculation Policy and Guidelines.pdf](#)

3.5 **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](#)

3.6 **FTSE Russell Governance Framework**

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 defense risk management framework and is designed to meet the requirements of 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](#) (the UK Benchmark Regulation).



Section 4

Eligible Securities

4.0 Eligible Securities

- 4.1 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series consists of the indices listed in the table below. Each index is based on an “Underlying Index” with exclusions defined in Appendix A.

FTSE Fixed Income ex Fossil Fuels Enhanced Index	Underlying Index
FTSE World Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	FTSE World Broad Investment-Grade Bond Index
FTSE US Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	FTSE US Broad Investment-Grade Bond Index
FTSE Euro Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	FTSE Euro Broad Investment-Grade Bond Index
FTSE Australian Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	FTSE Australian Broad Investment-Grade Bond Index

- 4.2 Unless otherwise stated in this document, the Ground Rules for each FTSE Fixed Income ex Fossil Fuels Enhanced Index follow the Ground Rules of the respective Underlying Index. For full details on the design criteria and calculation assumptions for the underlying index, please refer to the FTSE Fixed Income Index Guide which can be accessed using the following link: [FTSE Fixed Income Index Guide](#)

4.3 Exclusion lists

- 4.3.1 Fossil Fuels exclusions: Three exclusion approaches are implemented to capture fossil fuel issuers: The Refinitiv Business Classification (TRBC), FTSE Corporate Bond Sector (COBS) classification and product involvement research. Data for product involvement research is sourced from Sustainalytics. If an issuer is present in at least one of the three sources, it will be excluded. See Section 5 and Appendix B for further details.
- 4.3.2 Additional product involvement exclusions: issuers generating revenues from Tobacco or Controversial Weapons will be excluded. See Appendix A for further details.

- 4.3.3 Corporate issuers that are not covered by product involvement research will be excluded from the index.
- 4.3.4 Non-Corporate issuers such as governments, agencies and supranational issuers are out of the exclusion scope, thus they are not excluded unless further specified.
- 4.3.5 If the product involvement research is not available for an issuer, the research of its parent user will be applied, if available.
- 4.3.6 For controversial conduct exclusions, issuers who are non-compliant with UN Global Compact (UNGC) Principles will be excluded.

Section 5

Sustainable Investment Data Inputs

5.0 Sustainable Investment Data Inputs

The following Sustainable Investment datasets are used in the construction of the FTSE Fixed Income ex Fossil Fuels Enhanced Index Series.

5.1 Sustainalytics Data

The source of the product involvement and UN Global Compact compliance is Sustainalytics. The data are subject to regular checks to identify discrepancies and ensure accuracy; these checks include trend analysis to assess data quality and detailed review of data for significant score changes.

5.2 Categories of product involvement⁵

Product involvement areas track companies' involvement in certain products or services in terms of:

- Direct involvement: a company is directly involved in a product in one or more ways such as production, distribution, or related services; or
- Involvement through ownership: a company is indirectly involved in a product through ownership of an involved company ("significant ownership").
 - If a company holds a majority stake, i.e. more than 50%, of another company that is considered as direct involvement, the parent company is considered involved in the same category of involvement as the subsidiary. In these cases Sustainalytics attributes to the parent the revenues of the involved subsidiary.
 - In the case of a minority stake, i.e. 10-50%, of another company that is considered as the 'significant ownership' category. In this case, the revenues of the subsidiary are not attributed to the parent but instead the percentage of the ownership stake is captured in order to signal the level of control and influence present in the relationship.

5.2.1 The exclusions applied to this Index Series include the minimum set of exclusions set out in the [Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf \(ftserussell.com\)](https://www.ftserussell.com/guide-to-the-construction-and-maintenance-of-ftse-exclusion-lists.pdf).

⁵ Sustainalytics' Product Involvement Research Methodology

5.3 **Global Standards Screening (GSS)⁶**

Sustainalytics applies its own guidelines to assess company compliance with relevant international norms, assigning one of the following three statuses: Non-Compliant, Watchlist or Compliant.

Further details of the use of Sustainalytics and other third-party data can be found in the following guide.
[Guide to Third Party Sustainable Investment Data used in FTSE Russell Indices.pdf](#)

5.4 **Other product involvement exclusion data**

5.5 **The Refinitiv Business Classifications (TRBC)**

The Refinitiv® Business Classification (TRBC) is the global, comprehensive, industry classification system owned and operated by Refinitiv, TRBC is one of the sources for identifying product involvement.

The methodology of Refinitiv TRBC can be in the following guide:

[TRBC Business Classification Methodology.pdf](#)

5.6 **FTSE Fixed Income Corporate Bond Sector (COBS) Classifications**

A proprietary FTSE Russell Corporate Bond Sector (COBS) scheme is maintained for all bonds tracked by FTSE Fixed Income Indices. COBS subsectors are used as one of the approaches to screen the constituents of the underlying universe to determine Fossil Fuels issuers.

For more information please see FTSE Fixed Income Indexes Guide available [here](#).

⁶ Sustainalytics's Global Standards Screening Methodology

Section 6

Composition and Design Criteria

6.0 Index Construction

6.1 FTSE Fixed Income ex Fossil Fuels Enhanced Index Series Construction

- 6.1.1 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series excludes issuers as detailed in Section 4, the remaining eligible securities are then weighted by market value.
- 6.1.2 Sustainalytics data are refreshed on a quarterly basis in March, June, September and December.
- 6.1.3 The latest SI data inputs are used for the index rebalance.
- 6.1.4 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series is rebalanced on the same date as its underlying index.

6.2 Index Back-Histories

- 6.2.1 The Sustainalytics data as of December 2020 are applied to the history between January 1999 to Dec 2020.
- 6.2.2 Historical corporate issuers that are not in the researched universe of product involvement or norms-based research are excluded from the index.
- 6.2.3 The inception date of the indices within the FTSE Fixed Income ex Fossil Fuels Enhanced Index Series is as follows:

Index	Inception Date
FTSE World Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	December 31, 1998
FTSE US Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	December 31, 1998
FTSE Euro Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	December 31, 1998
FTSE Australian Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	June 30, 2000

For full details on the design criteria and calculation assumptions for the FTSE fixed income indices, please refer to the [FTSE Fixed Income Index Guide](#)

6.3 Data availability and accessibility

- 6.3.1 Index information, including index profiles, analytics and returns, and historical data, for the FTSE Fixed Income ex Fossil Fuels Enhanced Index Series is available on www.ftserussell.com/index. FTSE Russell also makes data for its indices available through a number of data and analytic vendors.

6.4 Chronological summary of events

FTSE Fixed Income ex Fossil Fuels Enhanced Index Event Summary

Year	Highlight
2022	August: Launch of FTSE Fixed Income ex Fossil Fuels Enhanced Index Series

Appendix A: Exclusions

Exclusions	Threshold
Controversial Weapons (Anti-personnel mines, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions)	
Companies involved in the core weapon system that are considered tailor made and essential for the lethal use of the weapons.	Greater than 0% of revenues
Tobacco	
Companies manufacturing tobacco products	Greater than 0% of revenues
Companies that derive revenue from the distribution and/or retail sale of tobacco products.	Equal to or greater than 10% of revenues
UNGC Controversies	
Companies involved in controversies related to the UNGC principles. The principles are classified into four categories: Human Rights, Labor, Environment and Anti-corruption.	All companies deemed to be non-compliant

Appendix B: Fossil Fuels Exclusions

Sustainalytics Product Involvement	Exclusions	Threshold
	Oil & Gas	
	Production: Involvement in exploration, production, refining, transportation and storage of oil and/or gas. Direct involvement and ownership of 10% and above	Greater than 0% of revenues
	Supporting Products/Services: involvement in exploration, production, refining, transportation and storage of oil and/or gas. Direct involvement and ownership of 10% and above	Greater than 0% of revenues
	Generation: Involvement in exploration, production, refining, transportation and storage of oil and/or gas. Direct involvement and ownership of 10% and above	Greater than 0% of revenues
	Oil Sands	
	Extraction: Involvement in extraction of oil sands. Direct involvement and ownership of 10% and above	Greater than 0% of revenues
	Arctic Oil & Gas Exploration	
	Extraction: Involvement in oil and gas exploration in Arctic regions. Direct involvement and ownership of 10% and above	Greater than 0% of revenues
	Shale Energy	
	Extraction: Involvement in extraction of shale energy exploration and/or production. Direct involvement and ownership of 10% and above	Greater than 0% of revenues
	Thermal Coal	
	Extraction: Involvement in the extraction of thermal coal. Direct involvement and ownership of 10% and above	Greater than 0% of revenues

	Power Generation: Involvement in the generation of electricity from thermal coal. Direct involvement and ownership of 10% and above		Greater than 0% of revenues
Corporate Bond Sector	Sub-sector Description		COBS Code
	Secondary Oil & Gas Products		SOGP
	Oil Equipment		OILE
	Oil Service		OILS
	Oil Refining & Marketing		OILR
	Integrated Oil		OILI
	Retail Propane Distributors		PPAN
	Gas Utility – Local Distributors		GASL
Refinitiv Business Classification	TRBC	TRBC Classification Hierarchy	TRBC Hierarchical ID
	Coal	Industry Group	501010
	Oil & Gas	Industry Group	501020
	Oil & Gas Related Equipment and Services	Industry Group	501030
	Fossil Fuel Electric Utilities	Activity	5910101012
	Fossil Fuel IPPs	Activity	5910102011



Appendix C: Further Information

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

Website: www.ftserussell.com

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