

# FTSE4Good Custom Developed Exclusions Index

v1.8



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## Section 1

# Introduction

## 1. Introduction

### 1.1 FTSE4Good Custom Developed Exclusions Index

- 1.1.1 The FTSE4Good Custom Developed Exclusions Index takes the FTSE4Good Developed Index as the underlying universe and then excludes companies involved with anti-life and stem cell activities. The exclusion list is supplied by State Street Global Advisors Limited.
- 1.1.2 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules and FTSE4Good Index Series Ground Rules, and associated index policy documents, which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/). Unless stated in these Ground Rules, the index will follow the same process as the FTSE4Good Index Series.
- 1.2 The base currency for the FTSE4Good Custom Developed Exclusions Index is US Dollars (USD).
- 1.3 The FTSE4Good Custom Developed Exclusions Index takes account of ESG factors in its index design. Please see the FTSE4Good Index Series Ground Rules for further details.

### 1.4 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, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.

- 1.4.1 FTSE Russell hereby notifies users of the index series 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 series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.4.2 Index users who choose to follow this index series or to buy products that claim to follow this index series 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 for any losses, damages, claims and expenses suffered by any person as a result of:
- any reliance on these Ground Rules;
  - any inaccuracies in these Ground Rules;
  - 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. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series<sup>1</sup>.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the 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 series 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; and
- disseminate the indices.

### 2.2 State Street Global Advisors Limited

2.2.1 State Street Global Advisors Limited will provide an exclusion list on a semi-annual basis in June and December.

### 2.3 Amendments to these Ground Rules

2.3.1 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.

2.3.2 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 rules should subsequently be updated to provide greater clarity.

<sup>1</sup> 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. 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

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

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

#### 3.4 Index Policy for Trading Halts and Market Closures

3.4.1 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

3.5.1 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 Recalculation Policy and Guidelines

3.6.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE4Good Custom Developed Exclusions Index will be notified through appropriate media.

For further information, refer to the FTSE Russell Recalculation Policy and Guidelines document, which is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

### **3.7 Recalculation Policy and Guidelines – ESG Data and Ratings**

Where an inaccuracy in an ESG data product is identified, FTSE Russell will follow the guidelines set out in this document when determining if an ESG Data Product should be recalculated.

[Recalculation Policy and Guidelines ESG Products.pdf](#)

### **3.8 Policy for Benchmark Methodology Changes**

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

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

### **3.9 FTSE Russell Governance Framework**

3.9.1 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 meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.10 Prices**

3.10.1 The FTSE4Good Custom Developed Exclusions Index 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](#)

### **3.11 Real Time Status Definitions**

3.11.1 For indices that are calculated in real time, please refer to the following guide for details of real time status definitions:

[Real Time Status Definitions.pdf](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> 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.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

## ESG data inputs

## 4. ESG data inputs

## 4.1 ESG data inputs

4.1.1 The following ESG datasets are used in the construction of the indices.

ESG data inputs	Details	Used for selection, weighting or exclusion <sup>5</sup>
<b>FTSE ESG Scores</b>	Information on FTSE ESG Scores and data model is available in the Guide to ESG Data and here: <a href="https://www.lseg.com/en/ftse-russell/esg-scores">https://www.lseg.com/en/ftse-russell/esg-scores</a> . <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Selection
<b>Product-related data – FTSE Russell</b>	FTSE exclusion lists on the activities of companies with exposure to the products or services that are listed in section 7 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf</a>	Exclusion
<b>Product-related data – Sustainalytics</b>	Sustainalytics Product Involvement data identifies the nature and extent of a company's involvement in a range of product and business activities. More information can be found here: Controversial Product Involvement ( <a href="https://www.sustainalytics.com">sustainalytics.com</a> ) and <a href="https://connect.sustainalytics.com/controversial-weapon-radar">https://connect.sustainalytics.com/controversial-weapon-radar</a> .	Exclusion
<b>Conduct related data – FTSE</b>	FTSE exclusion lists on the activities of companies that are directly or indirectly linked to controversial conduct and diversity. More information can be found: Section 7 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf</a>	Exclusion
<b>Conduct related data – RepRisk</b>	The RepRisk Index (RRI) captures and quantifies a company's reputational risk exposure to ESG issues. More information can be found: <a href="https://www.reprisk.com/news-research/resources/methodology">https://www.reprisk.com/news-research/resources/methodology</a>	Exclusion
<b>Minimum Set of Exclusions for ESG Indices</b>	The minimum set of exclusions apply to this Index Series with effect from December 2023. Details of the minimum exclusions can be found in Section 8 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf</a> .	Exclusion
<b>Client Exclusion List</b>	State Street Global Advisors Limited will provide an exclusion list on a semi-annual basis in June and December.	Exclusion

<sup>5</sup> Definitions

Selection – ESG data is used to select or rank constituents or calculate minimum scores or thresholds.

Weighting – ESG data is used to calculate the weight of a constituent in an index.

Exclusion – ESG data is used to exclude companies from the index.

4.1.2 Further information on ESG data provided by FTSE Russell and third parties used in this index (index series) can be found in the following guide:

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

This includes information on the data and standards used for these ESG data inputs. These data sets may include estimated data.

## Section 5

# Custom inclusion criteria

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## 5. Eligibility criteria

FTSE4Good Custom Developed Exclusions Index follows the eligibility criteria laid out in the [FTSE4Good Index Series Ground Rules](#), in addition to custom inclusion criteria detailed below.

### 5.1 Standard Exclusions

5.1.1 The FTSE4Good Custom Developed Exclusions Index applies a Minimum Set of Exclusions and Thermal Coal Extraction Exclusions as outlined in Appendix A.

### 5.2 Custom inclusion criteria

#### 5.2.1 Excluded companies

Any company in the eligible universe that is involved in one or more of the following business activities will be classified as an excluded company and will not be included in the index:

- Anti-life
- Stem cell

5.2.2 State Street Global Advisors Limited provide the exclusion list, which is applied to the FTSE4Good Developed Index. All companies that are classified as excluded companies (see rule 4.1) are excluded from the index effective after close on the third Friday of June and December.

## Section 6

# Periodic review of constituents

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## 6. Periodic review of constituents

### 6.1 Index reviews

- 6.1.1 The FTSE4Good Custom Developed Exclusions Index is reviewed semi-annually in June and December using data as at the close of business on the Monday four weeks prior to review effective date.
- 6.1.2 Any constituent changes resulting from the index reviews will be implemented after the close of business on the third Friday (i.e. effective from the open on the following Monday) of June and December.
- 6.1.3 The index will reflect any intra-review deletions to the underlying FTSE4Good Developed Index.

## Section 7

# Corporate actions and events

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## 7. Corporate actions and events

7.1 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); and
- 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 will provide notice advising of the timing of the change.

### 7.2 Shares in issue

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

### 7.3 Investability weightings

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

## Appendix A

# Exclusions

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The following exclusion is applied to the indices as well as the minimum exclusions and custom client exclusion list:

Exclusions Category	Definition	Threshold
Thermal Coal	Extraction Companies that extract thermal coal	Greater than 0% of revenues

These exclusion lists are refreshed quarterly in March, June, September and December.

## Appendix B

# Further information

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A Glossary of Terms used in FTSE Russell's ground rule documents can be found using the following link:

[Glossary.pdf](#)

[Glossary ESG.pdf](#)

The FTSE Russell ESG Metrics website can be found using the following link:

[ESG Metrics](#)

For further information on the FTSE4Good Custom Developed Exclusions Index, please e-mail FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

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