

Ground Rules



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# FTSE4Good IBEX Index

v2.9

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## Section 1

# Introduction

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### 1.0 Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE4Good IBEX Index. Much of the governance and methodology is drawn from the FTSE4Good Index Series and as such this methodology is to be read in conjunction with the FTSE4Good Index Series Ground Rules which are available at [www.ftserussell.com](http://www.ftserussell.com).
- 1.2 The index has been designed to identify Spanish companies with leading corporate responsibility practices.
- 1.3 The FTSE4Good IBEX Index is calculated in Euro on a real time basis.
- 1.4 Capital and Total Return Indexes are available on an end of day basis in Euro.
- 1.5 The base value for the Capital and Total Return indexes is 5000 as at 31 December 2002.
- 1.6 **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 MTSNext Limited), Mergent, Inc., FTSE Fixed Income LLC and The Yield Book Inc.
- 1.7 **IOSCO**
  - 1.7.1 FTSE considers that the FTSE4Good IBEX Index meets the IOSCO Principles for Financial Benchmarks as published in July 2013.
- 1.8 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 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.
- 1.9 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 for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any errors or 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 errors or inaccuracies in the compilation of the Index or any constituent data.

## Section 2

# Management Responsibilities

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## 2.0 Management Responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.

2.1.2 FTSE carry out an audit function on the FTSE4Good IBEX Index. This includes ensuring the correct calculation of the Index and the correct implementation of corporate events and actions according to the Ground Rules.

### 2.2 Bolsas y Mercados Españoles (BME)

2.2.1 Bolsas y Mercados Españoles (BME) is responsible for the calculation and dissemination of the FTSE4Good IBEX Index.

### 2.3 FTSE Russell ESG Advisory Committee

2.3.1 To assist in the oversight of the FTSE4Good Index Series FTSE has established the FTSE Russell ESG Advisory Committee (the “Committee”). The membership of the Committee includes independent investment professionals experienced in environmental, social and governance factors.

2.3.2 The Committee is responsible for providing guidance on the development of the criteria and the construction of the FTSE ESG ratings and ESG indexes including the FTSE4Good Index Series.

2.3.3 The Terms of Reference of the FTSE Russell ESG Advisory Committee are set out on the FTSE Russell website and can be accessed using the following link:

[FTSE Russell ESG Advisory Committee.pdf](#)

### 2.4 Amendments to these Ground Rules

2.4.1 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. 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 Product Governance Board before approval is granted.

2.4.2 As provided for in the Statement of Principles for FTSE Russell Equity Indexes, 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.

## Section 3

# FTSE Russell Index Policies

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### 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 Statement of Principles for FTSE Russell Equity Indexes (the Statement of Principles)

Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the 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 the FTSE Russell Product Governance Board.

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

[Statement\\_of\\_Principles.pdf](#)

#### 3.2 Queries, Complaints and Appeals

A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indexes from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

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

[Benchmark\\_Determination\\_Complaints\\_Handling\\_Policy.pdf](#)

FTSE Russell's Appeal Process can be accessed using the following link:

[Appeals\\_Against\\_Decisions.pdf](#)

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

3.3.1 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](#)

### 3.4 **Index Policy in the Event Clients are Unable to Trade a Market**

3.4.1 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.pdf](#)

### 3.5 **Recalculation Policy and Guidelines**

3.5.1 The FTSE4Good Index Series are recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE4Good Index Series are 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 Indexes.pdf](#)

### 3.6 **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](#)

### 3.7 **Policy for Benchmark Methodology Changes**

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

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



## Section 3

# Eligible Companies

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### 4.0 Eligible Companies

- 4.1 The FTSE4Good IBEX Index is based on the constituents of the FTSE Spain All Cap Index and the constituents of BME's IBEX 35 Index.
- 4.2 Companies whose business is only that of holding equity and other investments (e.g. investment trusts) will be excluded. Exchange Traded Funds and companies whose share price is a direct derivation of the values of the underlying holdings (e.g. mutual funds) are also excluded.
- 4.3 The entire quoted equity capital of a constituent company is included in the calculation of its market capitalisation, subject to the following free float restrictions.
- 4.4 Free float restrictions include:
- Shares directly owned by State, Regional, Municipal and Local governments (excluding shares held by independently managed pension schemes for governments).
  - Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated.
  - Shares held within employee share plans.
  - Shares held by public companies or by non-listed subsidiaries of public companies.
  - All shares where the holder is subject to a lock-in clause (for the duration of that clause)\*.
  - Shares held by an investor, investment company or an investment fund for strategic reasons as evidenced by specific statements to that effect in publicly available announcements, has an employee on the board of directors of a company, has a shareholder agreement, has successfully placed a current member to the board of directors or has nominated a current member to the board of directors alongside a shareholder agreement with the company.
  - Shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted.
- \* Free Float changes resulting from the expiry of a lock-in will be implemented at the next quarterly review subject to the lock-in expiry date occurring on or prior to the share and float change information cut-off date.

#### 4.4.1 Free float restrictions where holding is 10% or greater:

- Shares that are held by Sovereign Wealth Funds-
- Shares held by founders, promoters, former directors, venture capital and private equity firms, private companies, individuals (including employees) and shares held by several holders acting in concert.

The shares will remain restricted until the holding falls below 10%

#### 4.4.2 Free float restrictions where holding is 30% or greater

For clarity, portfolio holdings (such as pension fund, insurance fund or investment companies) are generally not considered as restricted. However where a single portfolio holding is 30% or greater it will be regarded as strategic and therefore restricted. The shares will remain restricted until the holding falls below 30%.

If in addition to the above restricted holdings, the company's shareholders are subject to legal restrictions, including foreign ownership restrictions, that are more restrictive, the legal restriction will be applied.

#### 4.4.3 Nominee Accounts:

Shares disclosed as **being** held by a nominee account are typically regarded as **free** float. However if a restricted shareholder (as defined under sections 1-3) is identified as holding shares through a nominee account then that portion of shares will be restricted.

#### 4.5 **Highly concentrated number of shareholders:**

Where a company is the subject of a high shareholding concentration warning notice by a regulatory authority to the effect that the company is in the hands of a limited number of shareholders, the following rules apply:

- a) Companies that are the subject of a warning notice after the free float cut-off date but before an index review effective date are assessed on a case-by-case basis which may generally result in scheduled index review additions, investability weight and shares in issue changes no longer being implemented at the forthcoming review.
- b) Companies that are the subject of a warning notice after the free float cut-off date but before an index review effective date are assessed on a case-by-case basis. Index review additions impacted during this period will generally no longer be implemented at the forthcoming review.
- c) Companies that are the subject of a warning notice, which has not subsequently been rescinded, that was issued more than two years before the free float cut-off date ahead of a forthcoming index review, will only be considered for index eligibility at that review if FTSE Russell determine that the company has published sufficient information to demonstrate that the concerns that led to the issue of the warning notice no longer apply.
- d) Where a company has been the subject of a warning notice, but that notice has either subsequently been rescinded or FTSE Russell has determined that the conditions described in sub-clause (c) above have been met, the company will be treated as a new issue for the purposes of determining index eligibility.

#### 4.6 Free float will be calculated using available published information rounded to 12 decimal places. Companies with a free float of 5% or below are excluded from the index.

#### 4.7 For more information regarding eligibility please refer to the FTSE4Good Index Series and FTSE Global Equity Index Series Ground Rules.

## Section 4

# Index Qualification Criteria

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### **5.0 Index Qualification Criteria**

- 5.1 Constituents of the FTSE Spain All Cap Index or the IBEX 35 Index that pass the eligibility criteria detailed in the FTSE4Good Index Series Ground Rules qualify as constituent members of the index.

## Section 5

# Periodic Review of Constituents

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### **6.0 Periodic Review of Constituents**

#### **6.1 Review process**

- 6.1.1 The FTSE4Good IBEX Index is reviewed semi-annually in June and December, using market data as at the close of the last trading day in May and November respectively.
- 6.1.2 The semi-annual review and capping will be implemented after the close of business on the third Friday in June and December, in-line with the FTSE4Good Index Series.
- 6.1.3 Details of the outcome of the semi-annual review will be announced as soon as possible after the semi-annual FTSE ESG Advisory Committee meeting has concluded.
- 6.1.4 Capping will be implemented semi-annually after the close of business on the third Friday in June and December.

#### **6.2 Capping dates**

- 6.2.1 The constituents of the FTSE4Good IBEX Index are capped using prices adjusted for corporate actions as at the close of business on the second Friday in June and December. The capping is implemented after close of business on the third Friday in June and December based on the constituents, shares in issue and free float on the next trading day following the third Friday of the capping month.

See Appendix A for more details on the capping methodology.

## Section 6

# Changes to Constituent Companies

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### 7.0 Changes to Constituent Companies

#### 7.1 Intra-review additions and deletions

7.1.1 When a constituent is added to the underlying universe (Section 3), it will only be considered for inclusion at the next semi-annual review. For more information regarding new issues intra-review please refer to Rule 6.2 of the FTSE4Good Index Series Ground Rules.

7.1.2 If a constituent of the FTSE4Good IBEX Index ceases to be a constituent of the FTSE4Good Index Series it will be removed from the FTSE4Good IBEX Index.

#### 7.2 Mergers and take-overs

7.2.1 If a constituent is acquired by a non-constituent, the company will be removed from the FTSE4Good IBEX Index.

7.2.2 Where two index constituents merge, or one index constituent is acquired by another constituent, the resulting new company will be eligible for inclusion in the FTSE4Good IBEX Index.

7.2.3 In the case of a constituent taken over by a non-constituent, the resultant entity will not be eligible for inclusion in the FTSE4Good IBEX Index, unless it was a member of the eligible universe at the last period review. The eligibility of the resultant entity will be assessed in full at the next semi-annual review.

#### 7.3 Spin-off

7.3.1 If an index constituent has a complex reorganisation or demerger, the newly spun-off company will remain eligible for inclusion into the index as long as it remains a constituent in the FTSE4Good Index Series. The eligibility of the resulting companies will be assessed in full at the next semi-annual review.

#### 7.4 Suspension of dealing

7.4.1 If a constituent is the subject of a suspension, it may remain in the index at the price at which it is halted for up to 10 business days. During this time, FTSE Russell may agree to delete the constituent immediately either at its trading halt price or at zero.

7.4.2 Where a suspension of a constituent lasts beyond noon on the tenth business day (and the option to remove the constituent has not been exercised), the constituent will normally be deleted from the index on the eleventh trading day at zero or the trading halt price. Where the trading halt is for a

reason not to the detriment of the constituent, FTSE Russell may decide, following advice from the relevant Regional Index Advisory Committee, to retain or remove the stock at its trading halt price.

7.4.3 A company whose trading halt is lifted after it has been removed from an index will be reviewed for index eligibility at the next semi-annual review.

## 7.5 **Changes to constituent weights**

7.5.1 For the purposes of computing the FTSE4Good IBEX Index, the number of shares in issue for each constituent security is expressed to the nearest share and, to prevent a large number of insignificant weighting changes, the number of shares in issue for each constituent security is amended only when the total shares in issue held within the index system changes by more than 1% on a cumulative basis.

7.5.2 Adjustments to reflect a change in the amount or structure of a constituent company's issued capital must be made before the start of the Index calculation on the day on which the change takes effect (e.g. the Ex Date for a rights or capitalisation issue). Announcements after close of the Index calculation are normally deemed to be made on the following business day.

7.5.3 All adjustments are made before the start of the index calculation on the day concerned unless market conditions prevent this occurring. If this is the case, the adjustment will be made at the earliest practical opportunity.

## Appendix A: Application of Capping at the Semi-Annual Reviews

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Capping is applied semi-annually to the constituents of the FTSE4Good IBEX Index, if required, by the following methodology:-

The constituents in the appropriate sector index are ranked by investible market capitalisation and the weight for each constituent in the Index is determined.

### Stage 1

Any companies whose weights are greater than 10% are capped at 10%. The weights of all lower ranking companies are increased correspondingly. The weights of lower ranking companies are then checked and if they exceed 10% they are also capped at 10%. This process is repeated until no constituent weight exceeds 10%.

### Stage 2

#### (a) Capping the largest company at 10%

If more than one company is capped at 10% in Stage 1, then weights of all subsequent companies previously capped at 10% are changed in accordance with the rules detailed below.

For example, if the second largest company is capped at 10% its weight will be reduced to 9% as detailed in Stage 2b below. Thus only one company will have a 10% weight in the index.

#### (b) Capping the second largest company at 9%

If the weight of the second largest company is greater than 9% the company's weight is capped at 9% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto stage 2c.

Please note: Where the 40% threshold is breached we move to stage 2c even if the second largest company has not been capped.

#### (c) Capping the third largest company at 8%

If the weight of the third largest company is greater than 8% the company's weight is capped at 8% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto stage 2d.

Please note: Where the 40% threshold is breached we move to stage 2d even if the third largest company has not been capped.

**(d) Capping the fourth largest company at 7%**

If the weight of the fourth largest company is greater than 7% the company's weight is capped at 7% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto stage 2e.

Please note: Where the 40% threshold is breached we move to stage 2e even if the fourth largest company has not been capped.

**(e) Capping the fifth largest company at 6%**

If the weight of the fifth largest company is greater than 6% the company's weight is capped at 6% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto stage 2f.

Please note: Where the 40% threshold is breached we move to stage 2f even if the fifth largest company has not been capped.

**(f) Capping the sixth largest company at 4%**

If the weights of the sixth largest company and any lower ranking companies are greater than 4% those companies' weights are capped at 4% and the weights of lower ranking companies are increased correspondingly.

The process then moves to Stage 3.

**Stage 3**

Following the application of Stage 2, the weights of each company are checked. If the total index weight of those companies whose individual weights exceed 5% is greater than 40% in aggregate, then further capping is required and Stage 2 is repeated.

Companies are capped using prices as at the close of business on the second Friday in March, June, September and December and shares in issue and free float adjusted for corporate actions as at the Monday after the third Friday. The capping is implemented after the close of business on the third Friday of 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](#)

Further information on the FTSE4Good IBEX Index is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

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