



FTSE Italia PIR Large & Mid Cap Index

v1.2



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Section 1

Introduction

1.0 Introduction

- 1.1 The FTSE Italia PIR Large & Mid Cap Index is a benchmark index for the Italian equity markets, measuring the performance of Italian large and mid capitalisation companies suitable for the personal savings plan (PIR) Law introduced in Italy in 2017.
- 1.2 The index is derived from the FTSE MIB and the FTSE Italia Mid PIR Cap Index, described in their specific Ground Rules. Please refer to the FTSE MIB Index and FTSE Italia PIR Mid Cap Index Ground Rules for further details.
http://www.ftse.com/products/downloads/FTSE_MIB_Index__English_.pdf?856
http://www.ftse.com/products/downloads/FTSE_Italia_PIR_Mid_Cap_Ground_Rules.pdf?856
- 1.3 The index has been created to be suitable as a benchmark index for Exchange Traded Funds (ETFs), and for tracking large-mid capitalisation stocks in the Italian market.
- 1.4 The FTSE Italia PIR Large & Mid Cap Index is market capitalisation weighted after adjusting constituents for free float. Individual constituent weights are capped.
- 1.5 This document sets out the Ground Rules for the construction and management of the FTSE Italia PIR Large & Mid Cap Index. Copies of the Ground Rules are available from FTSE Russell and on the website www.ftserussell.com. The rules will be available in English.
- 1.6 A FTSE Italia PIR Large & Mid Cap Price Index and a FTSE Italia PIR Large & Mid Cap Total Return Index are calculated in EUR in real time.
- 1.7 The base value of the FTSE Italia PIR Large & Mid Cap Index was set at the level of 10,000 at the close of trading on 30 December 2011.
- 1.8 **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.
- 1.9 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.

1.10 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

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE Italia PIR Large & Mid Cap Index 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 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 indexes.

2.1.3 The weights of constituents in the real time indexes shall be used in the calculation of the end of day indexes.

2.1.4 FTSE is responsible for monitoring the performance of the FTSE Italia PIR Large & Mid Cap Index throughout the day and will determine whether the status of the index should be Firm, Indicative or Held (see Appendix E).

2.1.5 FTSE is responsible for the Ground Rules and any other associated index methodology documents, and for approving all changes to the Ground Rules and any other associated index methodology documents.

2.2 Borsa Italiana

2.2.1 Borsa Italiana (BIt) operates the MTA and MIV markets upon which all index constituents must trade.

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).

2.3 **FTSE Italia Index Series Technical Committee**

2.3.1 The FTSE Italia Index Series Technical Committee has been established to advise on the periodic reviews of the index, to support the management of corporate actions affecting index constituents, to review changes to the Ground Rules and other methodology documents and to recommend other changes for subsequent review and approval by the FTSE Russell Product Governance Board.

2.3.2 The Terms of Reference of the FTSE Italia Index Series Technical Committee are set out on the FTSE Russell website and can be accessed using the following link:

[FTSE Italia Index Series Technical Committee.pdf](#)

2.4 **Amendments to the 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

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 Indexes (the Statement of Principles)

Indexes 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 the FTSE Russell Governance Board.

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

[Statement of Principles.pdf](#)

3.3 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](#)

3.4 **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**

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.pdf](#)

3.6 **Policy for Benchmark Methodology Changes**

3.6.1 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 4

Eligible Securities

4.0 Eligible Securities

- 4.1 The FTSE Italia PIR Large & Mid Cap Index comprises all constituents of the FTSE MIB and the FTSE Italia PIR Mid Cap Index.
- 4.2 All stocks, traded on Borsa Italiana's MTA and MIV markets, except for savings shares (azioni di risparmio) and preferred shares, are eligible for inclusion in the FTSE Italia PIR Large & Mid Cap Index.
- 4.3 Savings or preferred shares, however, may be eligible if the ordinary shares of a company are not listed or have consistently less liquidity than the savings or preferred shares.
- 4.4 Companies whose business is that of holding equity and other investments (e.g. Investment Trusts) which are classified as belonging to the Equity Investment Instruments Subsector within the Industry Classification Benchmark, and non-equity investment vehicles which are classified as belonging to the Non-Equity Investment Instruments Subsector within the Industry Classification Benchmark are not eligible for inclusion.

For further details on the Industry Classification Benchmark (ICB), please visit [Industry Classification Benchmark](#)

4.5 Minimum Voting Rights

- 4.5.1 Companies are required to have greater than 5% of the company's voting rights (aggregated across all of its equity securities, including, where identifiable, those that are not listed or trading) in the hands of unrestricted shareholders or they will be deemed ineligible for index inclusion.
- 4.5.2 Existing constituents who do not currently meet the above requirement have a 5 year grandfathering period to comply. If subsequently they continue to fail the minimum voting rights requirement they will be removed from the Index at the September 2022 review.

4.5.3 The percentage of a company's voting rights in public hands is calculated as:

$$\frac{\text{The number of votes in the hands of shareholders that are unrestricted as determined by the application of FTSE Russell free float definitions}}{\text{The total number of votes conferred by the shares outstanding of all the company's voting securities including those that have not been admitted to trading on a regulated venue}}$$

For example, Company A has 100m listed Class A shares each conferring one vote, free float is 65%. It also has 300m unlisted Class B shares each conferring 10 votes.

The test to assess whether the listed Class A line has the required greater than 5% of the company's voting rights is as follows:

$$\frac{65\text{m (i. e. 100m Class A voting rights * 65\% float)}}{3.1\text{bn (i. e. 100m Class A + 3bn Class B)}} = 2.097\% \text{ of the company's voting rights in public hands}$$

Section 5

Index Qualification Criteria

5.0 Index Qualification Criteria

A candidate pool for index constituent selection is identified by examining all stocks using the following criteria:

5.1 Market capitalisation

The float-adjusted market capitalisation is determined through an Investable Weight Factor (IWF):

$IWF = 100\% - \text{Sum of the \% of shareholdings held by restricted shareholders}$

5.1.1 Investability weighting

Constituents of the FTSE Italia PIR Large & Mid Cap Index are adjusted for free float and foreign ownership limits.

Further details on free float restrictions can be accessed using the following link:

[Free Float Restrictions.pdf](#)

A. Initial Weighting

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.

B. Quarterly Updates

June Updates

In June, a constituent's free float is updated regardless of size. No buffers are applied.

March, September and December Updates

At the March, September and December quarterly updates, a constituent with a free float greater than 15% will have its free float updated if it moves by more than 3 percentage points above or below the existing free float. For example, Company A on a free float of 30% would trigger a change if its free float moved to above 33% or below 27%.

A constituent with a free float of 15% or below will be subject to a 1 percentage point threshold. For example, Company B on a free float of 8% would trigger a change if its free float moved to above 9% or below 7%.

Quarterly updates to free float will be applied after the close of business on the third Friday of March, June, September and December. The data cut-off for these quarterly changes will be the close of business on the third Wednesday of the month prior to the review month.

C. Updates Arising from Corporate Events

Free float changes resulting from corporate events will not be subject to the buffers as detailed above and will be implemented in line with the event. Full details of changes to constituent companies due to corporate actions and events can be accessed in Section 8.

- 5.1.2 Treasury shares are always excluded from the shares in issue, regardless of their size.
- 5.1.3 The primary sources of shareholder information for Italian companies are CONSOB (Commissione Nazionale per le Società e la Borsa) and issuers' official communications (annual report, quarterly reports and prospectuses).
- 5.1.4 The analysis is based on the total stake held by the ultimate shareholder. In the case of stock lending contracts or nominee holdings, the analysis is based on the owner of shares and not on the person/entity having the voting rights. In the case of shares lent to banks, the analysis is based on the owner of the shares and not on the bank, and is independent of the allocation of voting rights.
- 5.1.5 Shares with a free float of 5% or below are not eligible for inclusion in the index.

5.2 Liquidity

- 5.2.1 Each security is tested for liquidity on a quarterly basis by calculation of its monthly median daily trading volume.

For each month, the daily trading volume for each security is calculated as a percentage of the shares in issue for that day adjusted by the free float at the review cut off date. These daily values are then ranked in descending order and the median is taken by selecting the value for the middle ranking day if there is an odd number of days and the mean of the middle two if there is an even number of days.

Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trading volume for that month.

- 5.2.2 Share which do not turnover at least 0.025% of their shares in issue (after the application of any investability weightings) based on their median daily trading volume per month in ten of the twelve months prior to a full market review, are not eligible for inclusion in the Index Series.
- 5.2.3 An existing constituent which does not turnover at least 0.02% of its shares in issue (after the application of any investability weightings) based on their median daily trading volume per month in eight of the twelve months prior to a full market review, will not be eligible for inclusion in the Index Series.
- 5.2.4 Newly listed shares will become eligible for inclusion at the next quarterly review providing they trade a minimum of 20 days. They must turnover at least 0.025% of their shares in issue (after the application of any investability weightings) based on their median daily trading volume per month. New issues will have their liquidity assessed on a pro-rata basis.

5.3 New listings

- 5.3.1 Newly listed shares are eligible for inclusion in the selection procedure providing they have traded a minimum of 20 days.

5.4 Shares outstanding

- 5.4.1 The primary source of information for Italian shares is the Borsa Italiana Official List.

5.5 Selection criteria

The FTSE Italia PIR Large & Mid Cap Index comprises all constituents in the FTSE MIB and in the FTSE Italia PIR Mid Cap Index. Please refer to the FTSE MIB Index and FTSE Italia PIR Mid Cap Index Ground Rules for further details.

http://www.ftse.com/products/downloads/FTSE_MIB_Index_English_.pdf?856

http://www.ftse.com/products/downloads/FTSE_Italia_PIR_Mid_Cap_Ground_Rules.pdf?856

Section 6

Periodic Review of Constituents

6.0 Periodic Review of Constituents

6.1 Review dates

- 6.1.1 The index will be reviewed on a quarterly basis in March, June, September and December. Any constituent changes will be implemented after the close of business on the third Friday of the review month.
- 6.1.2 If the third Friday of the review month is a holiday, the preceding closing days prices will be used.
- 6.1.3 FTSE is responsible for publishing the outcome of the periodic review.

6.2 Steps for conducting a review

- 6.2.1 The FTSE Italia PIR Large & Mid Cap Index review is based on the constituents of the FTSE MIB and FTSE Italia PIR Mid Cap indexes.

6.3 Capping methodology

- 6.3.1 The constituents of the FTSE Italia PIR Large & Mid Cap Index are capped monthly according to the methodology detailed in Appendix B.

Section 7

Changes to Constituent Shares

7.0 Changes to Constituent Shares

7.1 Corporate actions and events

Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Market Capitalisation Weighted Indexes 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. The index will be adjusted in line with 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.

7.2 New issues

7.2.1 Additions to the FTSE MIB or the Italia PIR Mid Cap Index are applied to the FTSE Italia PIR Large & Mid Cap Index. The addition will be concurrent with the addition to the underlying index.

7.3 Deletions

Deletions outside quarterly reviews can occur due to deletions from the FTSE MIB or from the FTSE Italia PIR Mid Cap Index and will be concurrent with the deletion from the underlying index.

7.4 **Suspended Companies**

7.4.1 If a constituent of the FTSE Italia PIR Large & Mid Cap Index is suspended, FTSE Russell will follow the same treatment as the FTSE MIB or the FTSE Italia PIR Mid Cap Index.

7.5 **Mergers / takeovers**

7.5.1 If a constituent of the FTSE Italia PIR Large & Mid Cap Index is involved in a merger takeover, FTSE Russell will follow the same treatment as the FTSE MIB or the FTSE Italia PIR Mid Cap Index.

7.5.2 When there is a merger, there will be a full rebalance of the index. Constituent weights will be based on the closing price and the number of shares following the merger.

7.6 **Splits/demergers**

If a constituent of the FTSE Italia PIR Large & Mid Cap Index is involved in splits / demergers, FTSE Russell will follow the same treatment as the FTSE MIB or the FTSE Italia PIR Mid Cap Index.

7.7 **Shares in issue**

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



Section 8

Industry Classification Benchmark (ICB)

8.0 Industry Classification Benchmark (ICB)

8.1 Classification structure

8.1.1 The FTSE Italia PIR Large & Mid Cap Index constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).

8.1.2 Details of the Industry Classification Benchmark are available from FTSE Russell and published on the FTSE Russell website (www.ftserussell.com) and can be accessed using the following link:

[ICB](#)



Section 9

Index Calculation

9.0 Index Calculation

9.1 Prices

- 9.1.1 The FTSE Italia PIR large & Mid Cap Index uses prices from actual trades on MTA and MIV electronic share trading platform, of the Borsa Italiana during Official Market Hours.
- 9.1.2 The last index value is calculated using Closing Auction prices or, if there is no Closing Auction price for a particular constituent, the last price traded as at the end of the Continuous Trading phase.
- 9.1.3 Borsa Italiana's closing price is used by Borsa Italiana's Market Supervision division in the calculation of K factors to be applied to the index for corporate actions. Borsa Italiana's Reference price plays no part in the FTSE Italia PIR Mid Cap Index calculation.

9.2 Calculation frequency

- 9.2.1 The FTSE Italia PIR Large & Mid Cap Index is calculated on a real-time basis in EUR.

9.3 Methodology

- 9.3.1 The FTSE Italia PIR Large & Mid Cap Index is calculated using a base-weighted aggregate methodology. This means the level of an index reflects the total float-adjusted market value of all of the constituent stocks relative to a particular base period. The total market value of a company is determined by multiplying the price of its stock by the number of shares in issue (net of treasury shares) after adjusting for float. An Indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. The index is calculated in real time.

9.4 Index calculation

The FTSE Italia PIR Large & Mid Cap Index value I_t , at time t , is calculated using the following formula:

$$I_t = M_t / D_t$$

Where M_t = total free float adjusted market capitalisation at time t , equal to:

$$M_t = \sum_i p_{it} \times q_{it} \times IWF_{it}$$

And

p_{it} = The last traded price, at time t , of the i^{th} -share. Where the shares of one of the constituents are suspended, the index is calculated using the price of the latest trade concluded before the suspension.

q_{it} = Number of shares in the index. The number of shares in issue for the security i^{th} , as defined in these Ground Rules, net of treasury shares.

IWF_{it} = Investable Weighting Factor (adjusted for capping) for the i^{th} share.

D_t = Value of the index divisor at time t .

9.5 Total return indexes

9.5.1 The FTSE Italia PIR Large & Mid Cap index is additionally calculated as a total return index. The total return index includes dividend income based on ex-dividend adjustments. The total return calculation for the FTSE Italia PIR Mid Cap Index calculation can be expressed as:

$$TRI_t = TRI_{t-1} * C_t / [C_{t-1} - (AD_t / D_t)]$$

Where:

t = time period t .

TRI_t = Total Return Index at time t .

C_t = Capital Index at time t .

C_{t-1} = Capital Index at time $t-1$.

AD_t = Aggregate dividend effective at time t .

D_t = Divisor at time t .

Note the formula (AD_t / D_t) is the XD adjustment for an index.

Aggregate dividend

The aggregate dividend (AD_t) represents the sum of the dividend payments of all stocks included in the index:

$$AD_t = \sum_{i=1}^n ad_{i,t} * n_{i,t} * f_{i,t}$$

Where:

$ad_{i,t}$ = the actual dividend of stock i on day t .

$n_{i,t}$ = the number of shares issued and outstanding on day t .

$f_{i,t}$ = the investability weight of stock i on day t .

9.6 Dividend Yield

The dividend yield for a stock is calculated as follows:

$$\text{Stock Annual Dividend} / \text{Stock Price} = \text{Stock Yield (\%)}$$

The dividend yield for an index is calculated as follows:

$$\text{Dividend Mkt Cap} / \text{Index Mkt Cap} = \text{Index Yield (\%)}$$

Notes:

1. Dividend Market Capitalisation is the sum of the stock dividend market values within the index e.g. annual dividend x shares x weight. Dividends will need to be converted into euro if different.
2. Index Market Cap is the net market cap for the index.



Appendix A: Index Opening and Closing Hours

| Index | Open | Close |
|---------------------------------------|-------|--------|
| FTSE MIB Index | 09:01 | 17:36* |
| FTSE Italia PIR Mid Cap Index | 09:01 | 17.36* |
| FTSE Italia PIR Large & Mid Cap Index | 09:01 | 17.36* |

Notes:

- * Subject to receipt of final closing prices.
- The indexes will be calculated on all business days of the year, except those defined as market holidays according to the Borsa Italiana market calendar.
- Timings are CET.

Appendix B: Capping Methodology

The algorithm is applied to each constituent of the FTSE Italia PIR Large & Mid Cap Index that requires capping.

The Constituent Capping Factor c_i is given by:

$$c_i = \frac{Z}{I \times (p_i \times s_i \times f_i)} \sum_{j \in J} (p_j \times s_j \times f_j)$$

Where,

- i denotes the security to be capped.
- j denotes an uncapped security.
- J is the subset of securities that are uncapped.
- p_k is the official closing price of the k^{th} security.
- s_k is the number of shares in issue of the k^{th} security.
- f_k is the free float factor of the k^{th} security.
- I is the percentage of the index represented by all uncapped constituents.
- Z is the percentage capping level.

The starting point for the capping procedure limits the weight of constituents from the FTSE MIB Index to 75% (**Stage 0**).

Start with the constituent shares in issue and investment weighting factors following the capping process as detailed in the FTSE MIB and FTSE Italia PIR Mid Cap Ground Rules. Stage 0 then requires the investment weighting factors of FTSE MIB constituents included within the FTSE Italia PIR Large & Mid Cap Index to be adjusted using the following formula:

$$C = (AMC_{NFM} \times 3.0) / AMC_{FM}$$

(Stage 0)

where:

- AMC = the sum of the free-float adjusted market capitalisation of all constituents
- AMC_{FM} = the sum of the free-float adjusted market capitalisation of constituents from FTSE MIB Index
- AMC_{NFM} = the sum of the free-float adjusted market capitalisation of constituents not from FTSE MIB Index.

The resulting constituents are then managed according to the steps described below:

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%.

If the total index weight of those companies whose individual weights exceed 5% is greater than 40% in aggregate, the procedure moves onto Stage 2 below. Otherwise no further capping is required.

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 weight of companies from the FTSE MIB Index are greater than 75% or the total index weight of all companies whose individual weights exceed 5% is greater than 40% in aggregate, then further capping is required.

Firstly, Stage 0 is repeated and if the largest company's weight has risen above 10%, the weight is again capped at 10% and the weights of the other companies are adjusted accordingly. Then Stage 3 is repeated. This process is repeated until companies from the FTSE MIB Index are limited to 75% and the total index weight of all companies whose individual weights exceed 5% are not greater than 40% in aggregate.

Timing of capping

Capping procedures will be run on a monthly basis.

Companies are capped using prices as at the close of business on the second Friday of each month. The capping is implemented after the close of business on the third Friday of each month. If Monday falls in a day when Borsa Italiana MTA and MIV markets are closed, capping will be effective on the next day.



Appendix C: Communications and Notices

| Event | Timing | Days Notice |
|---|-----------------------------------|--|
| Constituent change stemming from a quarterly review | Effective using end of day prices | 12 business days – Technical Notice |
| Share changes stemming from the quarterly reviews | Effective using end of day prices | 2 business days – Technical Notice |
| Capping changes stemming from the quarterly reviews | Effective using end of day prices | 2 business days – Technical Notice |
| Share change greater than 10% - standard | Effective using end of day prices | 2 business days – Technical Notice |
| IWF change greater than 10% - standard | Effective using end of day prices | 2 business days – Technical Notice |
| Intra quarter constituent change | Effective using end of day prices | 2 business days – Technical Notice |
| Share and/or IWF changes stemming from a tender offer | Effective using end of day prices | 2 business days – Technical Notice |
| Constituent changes stemming from a tender offer | Effective using end of day prices | 2 business days – Technical Notice |
| Treatment of a rights issue | End of last <i>cum</i> day | On <i>ex</i> date |
| Changes resulting from a spin-off | End of day | 2 business days notice where practicable |

(For the sake of clarity, the wording “business days” refers to unaffected days between the announcement and the implementation date (both excluded): 2 business days means for example announcement on Friday, implementation from start of trading of Wednesday.)



Appendix D: Status of Index

The FTSE Italia PIR Mid Cap Index is calculated on a real-time basis in EUR.

The FTSE Italia PIR Mid Cap Index may exist in the following states:

A) Firm

The index is active and being calculated during Official Market hours (see Appendix A).

B) Closed

The index has ceased all calculations for the day. The message 'CLOSE' will be displayed against the index values calculated by FTSE Russell.

C) Held

During Official Index period, an index has exceeded pre-set operating parameters and the calculation has been suspended pending resolution of the problem. The message 'HELD' will be displayed against the last index value calculated by FTSE Russell.

D) Indicative

If there is a system problem or situation in the market that is judged to affect the quality of the constituent prices at any time when the index is being calculated, the index will be declared indicative. The message 'IND' will be displayed against the index value calculated by FTSE Russell.

The official opening and closing hours of the FTSE Italia PIR Mid Cap Index series are aligned with those of Borsa Italiana markets and are set out in Appendix A. Variations to the official hours of the Indexes will be published by FTSE.

The FTSE Italia PIR Mid Cap Index is calculated and published on all days when Borsa Italiana is open for trading.

(For clarity, the value Borsa Italiana adopts for the settlement of FTSE Italia PIR Mid Cap derivatives is based on constituents' auction prices; the value may not coincide with the FTSE Italia PIR Mid Cap initial values).



Appendix E: 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 Italia PIR Mid Cap 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.

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