Ground Rules

FTSE Nigeria IPF Index
v1.8
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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 Nigeria IPF Index calculated by FTSE International Limited (FTSE). Copies of these Ground Rules are available from FTSE Russell.

1.2 The FTSE Nigeria IPF Index is designed to reflect the performance of Nigerian securities that meet the Regulation on Investment of Pension Fund Assets, as stipulated by the National Pension Commission (PenCom).

1.3 The FTSE Nigeria IPF Index is calculated in Nigerian Naira and published on an End of Day basis.

1.4 A Price, Total Return and Net of Tax Index will be calculated. The Total Return Indexes include income based on ex dividend adjustments. All dividends are applied as declared.

1.5 A Net of Tax Total Return Index is calculated based on the tax rates applicable to dividends received by Nigerian pension funds.

The underlying tax rate information is available from FTSE Russell.

1.6 Index Objective and Intended Use

1.6.1 The indexes and index statistics are intended to reflect the investment markets included in the index definitions and to facilitate the detailed analysis of such markets.

1.7 FTSE Russell


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.

1.10 These Ground Rules

1.10.1 This document sets out the Ground Rules for the construction and maintenance of the FTSE Nigeria IPF Index.

1.10.2 These Ground Rules should be read in conjunction with the FTSE Frontier Index Series Ground Rules, FTSE Global Equity Index Series Guide to Calculation Methods and Corporate Actions and Events Guide for Market Capitalisation Weighted Indexes..which can be accessed using the links below:

   FTSE_Frontier_Index_Series_Ground_Rules.pdf

   FTSE_Global_Equity_Index_Series_Guide_to_Calc.pdf

   Corporate_Actions_and_Events_Guide.pdf
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 Nigeria IPF 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 of the FTSE Nigeria IPF Index and apply the changes resulting from the reviews as required by the Ground Rules.
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indexes.

2.1.3 Underlying companies are governed by their respective underlying Index rules and associated committees.

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review 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.

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).
2.2.2 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 for Market Capitalisation Weighted Indexes

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 for Market Capitalisation Weighted Indexes 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 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:


3.3 Queries and Complaints

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

Queries_and_Complaints_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

3.5.1 Details of FTSE Russell’s treatment can be accessed using the following link:
3.6 Recalculation Policy and Guidelines

3.6.1 The FTSE Nigeria IPF Index is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Nigeria IPF Index are notified through appropriate media.

3.6.2 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.

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:
Section 4

Security Inclusion Criteria

4.0 Security Inclusion Criteria

4.1 The universe of eligible constituents is all ordinary shares of public limited companies, listed on the Nigerian Stock Exchange, that are constituents of the FTSE Frontier Index Series.

4.2 At review securities are subject to the following additional screenings. These screens are based on the Regulation on Investment of Pension Fund Assets, as stipulated by the National Pension Commission (PenCom):

4.2.1 A company must have taxable profits in at least, three out of five preceding years prior to an index review.

4.2.2 The company must have paid a dividend or issued bonus shares in at least one of the last five years prior to an index review.

4.2.3 Financial statement items are sourced from Worldscope.

4.3 There are no liquidity requirements for entry to the FTSE Nigeria IPF Series.
Section 5

Investability Weightings

5.0 Investability Weightings
5.1 Constituents of the FTSE Nigeria IPF Index are adjusted for free float excluding foreign ownership limits.

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

5.2 Initial Weighting

Free float is calculated using available published information rounded to 12 decimal places. Companies with a free float of 5% or below are excluded from the index.
Section 6

Periodic Review of Constituent Companies

6.0 Periodic Review of Constituent Companies

6.1 Review Dates

The FTSE Nigeria IPF Index will be reviewed on a semi-annual basis in March and September. The review will be based on data from the close of business on the Monday 4 weeks prior to the review effective date taking into account any constituent changes that will be applied to the FTSE Frontier Index Series. The reviews will be implemented after the close of business on the third Friday (i.e. effective Monday) of March and September.

6.2 Steps for Conducting a Review

6.2.1 All ordinary shares of public limited companies, listed on the Nigerian Stock Exchange, that are constituents of the FTSE Frontier Index Series are selected.

6.2.2 Securities are screened according to the eligibility criteria set out in Rule 4.2.

6.2.3 Securities that pass the eligibility criteria are included in the FTSE Nigeria IPF Index.

6.3 Capping Dates

6.3.1 At the semi-annual review, the constituents of the FTSE Nigeria IPF Index are capped.

6.3.2 The calculation of the constituent capping factors (c) will be based on prices at close on the second Friday of the review month using shares in issue and investability weights as designated to take effect after close on the third Friday of the review month (i.e. taking effect on the review effective date).

6.3.3 The calculation will take into account any corporate actions/events that take effect after close on the second Friday of the review month up to and including the review effective date if they have been announced and confirmed by the second Friday of the review month.

6.3.4 Corporate actions / events announced after the second Friday of the review month that become effective up and including the review effective date will not result in any further adjustment.

6.4 Capping Methodology

6.4.1 Step 1: Any ICB Industry whose weight is greater than 45% is capped at 45%. The weights of all uncapped industries are increased in proportion to their investable market capitalisation.

6.4.2 Step 2: Any company whose weight is greater than 4.5% is capped at 4.5%. The weights of all uncapped companies are increased in proportion to their investable market capitalisation.
6.4.3 Steps 6.4.1 and 6.4.2 are repeated until no industry weight is greater than 45% and no company weight is greater than 4.5%.

6.4.4 Where the target weights in rule 6.4.3 cannot be reached the company capping limit (Step 2) is relaxed in steps of 0.5% until all target weights have been reached. Each time the capping limit is relaxed the capping process is restarted Steps 1 and 2 are repeated.

6.5 Multiple Lines

6.5.1 The FTSE Nigeria IPF Index follows the FTSE Frontier Index Series treatment of multiple lines. Further details can be accessed using the following link:

[FTSE Frontier Index Series Ground Rules.pdf]
Section 7

Additions Outside of a Review

7.0 Additions Outside of a Review

7.1 Additions to the FTSE Nigeria IPF Index will be considered for inclusion at the next semi-annual review.
Section 8

Corporate Actions and Events

8.0 Corporate Actions and Events

8.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide 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. 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.

These Ground Rules should also be read in conjunction with the FTSE Frontier Index Series Ground Rules which are available at [www.ftserussell.com](http://www.ftserussell.com).

8.2 Deletions

Deletions to constituents of the FTSE Nigeria IPF Index due to corporate actions and events will not be replaced.

8.3 Shares in Issue

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

8.4 Investability Weightings

8.4.1 Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide for Market Capitalisation Weighted Indexes.
8.5 **Spin-offs**

The treatment of spin-offs is covered in the FTSE Frontier Index Series Ground Rules and the Corporate Actions and Events Guide for Market Capitalisation Weighted Indexes.

If a constituent company is split and forms two or more companies by issuing new equity to existing shareholders, then the resulting companies will be eligible to continue as constituents in the index providing they pass the criteria outlined in the FTSE Frontier Index Series Ground Rules.

8.6 **Suspension of Dealing**

Suspension of dealing rules can be found within the Corporate Actions and Events Guide for Market Capitalisation Weighted Indexes.

8.7 **Takeovers, Mergers and Demergers**

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

If the non-constituent is added to the FTSE Frontier Index Series as a result of the stock merger or acquisition, it will be considered for inclusion in the FTSE Nigeria IPF Index at the next semi-annual review.
Section 9

Industry Classification Benchmark (ICB)

9.0 Industry Classification Benchmark (ICB)

9.1 Classification Structure

9.1.1 The FTSE Nigeria IPF Index constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).

9.1.2 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:

Industry Classification Benchmark
Section 10

Announcing Changes

10.0 Announcing Changes

10.1 Changes to Constituents

10.1.1 Decisions regarding the addition of new constituents (which are unrelated to existing index constituents or changes to the investable weighting of existing constituents) are announced at the earliest possible time before their inclusion in the Index. However, the announcement may be contingent upon the confirmation of the listing date of the security and passing all the screens.

10.1.2 In order to allow users sufficient time to manage any revisions, FTSE Russell will endeavour to make no further amendments to the published quarterly changes beyond 2 business days following publication. Where further revisions are identified after this date they will normally be addressed at a subsequent review (unless those revisions are resultant of corporate events, in which case they will be applied at the same time as the corporate event). However FTSE reserves the right to determine the most appropriate timing for revisions with reference to the Statement of Principles.

10.1.3 Implementation of any quarterly changes will happen after the close of business on the third Friday in March, June, September or December.

10.1.4 Corporate action announcements made after the close of the index calculation are normally made on the following business day.

10.2 Index Methodology Changes

10.2.1 Users of the FTSE Nigeria IPF Index are notified of such policy changes through appropriate media before implementation.
Section 11

Algorithm and Calculation Method

11.0 Algorithm and Calculation Method

11.1 Prices

11.1.1 The FTSE Nigeria IPF Index uses last trade prices for securities listed on the Nigeria Stock Exchange.

11.2 Calculation Frequency

11.2.1 The FTSE Nigeria IPF Index will be calculated on an end of day basis.

11.3 Index Calculation

11.3.1 The FTSE Nigeria IPF Index will be displayed to eight decimal points.

11.3.2 The FTSE Nigeria IPF Index is calculated using the following formula:

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

Where,

- \( i=1, 2, \ldots, N \)
- \( N \) is the number of securities in the index.
- \( p_i \) is the latest trade price of the component security (or the price at the close of the index on the previous day).
- \( e_i \) is the exchange rate required to convert the security’s currency into the index’s base currency.
- \( s_i \) is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- \( f_i \) is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- \( c_i \) is the Weight Adjustment Factor to be applied to a security to correctly weight that security in the index.
- \( d \) is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.
Appendix A: 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 Nigeria IPF 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.

Website: www.ftserussell.com