Ground Rules

FTSE Smart Sustainability Index Series
v1.6
Contents

1.0 Introduction ..................................................................................3
2.0 Management Responsibilities .......................................................5
3.0 FTSE Russell Index Policies .........................................................6
4.0 Eligible Securities .........................................................................8
5.0 Sustainable Investment Data Inputs .............................................10
6.0 Periodic Review of Constituent Companies .................................12
7.0 Index Construction ........................................................................13
8.0 Changes to Constituent Companies .............................................18
9.0 Corporate Actions and Events ......................................................19
10.0 Treatment of Dividends ...............................................................20
11.0 Indexes Algorithm and Calculation Method ...............................21
Appendix A: Index Opening and Closing Hours ...............................23
Appendix B: Further Information .......................................................24
Section 1

Introduction

1.0 Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE Smart Sustainability Index Series. Copies of these Ground Rules are available from www.ftserussell.com.

1.2 The FTSE Smart Sustainability Index Series is designed to reflect the performance of stocks representing a specific set of factor characteristics, climate change considerations and or ESG practices.

1.3 The FTSE Smart Sustainability Index takes account of ESG factors in its index design. Please see further details in Section 4.

1.4 These Ground Rules should be read in conjunction with the:
   - FTSE Global Factor Index Series Ground Rules
   - FTSE ESG Index Series Ground Rules
   - FTSE Global Climate Index Series Ground Rules
   - FTSE Green Revenues Index Series Ground Rules
   - FTSE Russell Corporate Actions and Events Guide for Non Market Cap Weighted Indexes

   which are available at www.ftserussell.com.

1.5 Price, Total Return and Net of Tax Indexes will be calculated on an end of day basis.

1.6 For the FTSE China Quality Dividend Sustainable Prosperity Index, a Net of Tax Index is also calculated in real time on an intra-second streaming basis.

1.7 The base currency of the benchmark is US Dollars except for the FTSE China Quality Dividend Sustainable Prosperity Index whose base currency is HK Dollars. Index values may also be published in other currencies.

1.8 FTSE Russell


1.8.1 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

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic 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;
- disseminate the index series.

2.1.3 These Ground Rules set out the methodology and provide information about the publication of the FTSE Smart Sustainability Indexes.

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.

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.

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).
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

3.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Cap Weighted Indexes using the following link:

Corporate_Actions_and_Events_Guide_for_Non_Market_Cap_Weighted_Indices.pdf

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

3.3.1 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 Product Governance Board.

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


3.4 Queries and Complaints

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

Benchmark_Determination_Complaints_Handling_Policy.pdf

3.5 Index Policy for Trading Halts and Market Closures

3.5.1 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
3.6 **Index Policy in the Event Clients are Unable to Trade a Market**

3.6.1 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](#)

3.7 **Recalculation Policy and Guidelines**

3.7.1 The FTSE Smart Sustainability Index Series is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Smart Sustainability 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.

[Recalculation Policy and Guidelines Equity Indexes.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](#)
Section 4

Eligible Securities

4.0 Eligible Securities

4.1.1 The eligible securities of each FTSE Smart Sustainability Index consist of the constituents of the corresponding underlying universe.

4.1.2 Securities that are members of the applicable exclusion list are not eligible for membership of the relevant FTSE Smart Sustainability Index.

4.2 Multiple Lines

4.2.1 All lines of the same company that are eligible securities are eligible for inclusion in the index.

4.3 Underlying Indexes and Exclusions of FTSE Smart Sustainability Indexes

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Underlying Universe</th>
<th>Exclusion List</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE All-World ex CW Climate Balanced Factor Index</td>
<td>FTSE All-World Index</td>
<td>Controversial Weapons (see Rule 4.3.1)</td>
</tr>
<tr>
<td>FTSE All-World ex CW Climate Balanced Factor (Mar) Index</td>
<td>FTSE All-World Index</td>
<td>Controversial Weapons (see Rule 4.3.1)</td>
</tr>
<tr>
<td>FTSE All-World ex CW Climate Balanced Factor (Sep) Index</td>
<td>FTSE All-World Index</td>
<td>Controversial Weapons (see Rule 4.3.1)</td>
</tr>
<tr>
<td>FTSE Developed ESG/2Val Factor Index</td>
<td>FTSE Developed Index</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>FTSE Developed Climate, Balanced Low Volatility Focused Factor Index</td>
<td>FTSE Developed Index</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>FTSE All-World Climate, Balanced Comprehensive Factor Index</td>
<td>FTSE All-World Index</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>FTSE All-World ex CW ex FF Climate Balanced Factor Index</td>
<td>FTSE All-World Index</td>
<td>Controversial Weapons (see Rule 4.3.1) Fossil Fuel</td>
</tr>
<tr>
<td>FTSE China Quality Dividend Sustainable Prosperity Index</td>
<td>A Shares (with constant 25% inclusion factor), H Shares and Red Chips in the FTSE China Index</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>
4.3.1 The Controversial Weapons (CW) exclusion list includes companies that manufacture or provide specific parts for anti-personnel mines, cluster munitions, chemical and biological weapons. The Controversial Weapons exclusion list will be reviewed semi-annually in March and September.

4.3.2 The Fossil Fuel exclusion list follows the exclusions defined in the FTSE ex Fossil Fuel Index Series Ground Rules.
Section 5

Sustainable Investment Data Inputs

5.0 Sustainable Investment Data Inputs

The following Sustainable Investment datasets are used in the construction of the FTSE Smart Sustainability Index Series.

5.1 FTSE ESG Ratings

5.1.1 An introduction to the FTSE ESG Ratings can be found here: https://www.ftserussell.com/data/sustainability-and-esg-data/esg-ratings.

Further details on the use of FTSE Sustainable Investment data can be found in the following guide: Guide_to_FTSE_Sustainable_Investment_Data_used_in_FTSE_Russell_Indexes.pdf

5.2 Product activity screening for index exclusions

5.2.1 Product and activity involvement data are collected from publicly available information by FTSE Russell analysts. Where data is not obtained by FTSE Russell analysts, external sources are used to supplement the data including from Sustainalytics.

5.2.2 All data undergo several layers of quality control including consistency checks over time, sector-relative checks, and knowledge checks. Where discrepancies are found analysts refer to primary data sources.

5.2.3 Where possible, the definitions for the products and activities refer to international standards and agreements such as the Convention on Cluster Munitions, Ottawa Treaty, and the Biological Weapons Convention.

5.2.4 Further information as to the definitions for product and activity screening can be found here: FTSE Global Choice Screening Definitions

5.3 Green Revenues

5.3.1 Information on the FTSE Green Revenues dataset can be found here: https://www.ftserussell.com/data/sustainability-and-esg-data/green-revenues-data-model

5.4 To construct the FTSE Green Revenues dataset, information is collected from publicly available reports by FTSE Russell analysts. Companies are also invited to provide more detailed information where the subsegmental revenue breakdown in their annual reports is not granular enough to facilitate the green revenues assessment.
5.4.1 To ensure data quality new green revenues assessments are reviewed by senior analysts and automated checks are applied.

5.5 The FTSE Green Revenues data model does not currently utilize international standards in its construction but can be used to determine the degree to which companies are exposed to sustainable activities.

5.5.1 Further details on the use of Green Revenues data can be found in the following guide:

Guide_to_FTSE_Sustainable_Investment_Data_used_in_FTSE_Russell_Indexes.pdf

5.6 Carbon data

5.6.1 Operational Carbon Emissions and Fossil Fuel Reserves data are subject to regular checks to identify discrepancies and ensure accuracy. These checks include trend analysis to assess data quality and detailed review of underlying data for significant changes in data values.

5.6.2 The carbon data does not currently utilize international standards in its construction.

5.6.3 Further details third party data can be found in the following guide:

Guide_to_Third_Party_Sustainable_Investment_Data_used_in_FTSE_Russell_Indexes.pdf
Section 6

Periodic Review of Constituent Companies

6.0 Periodic Review of Constituent Companies

6.1 Review Dates

5.1.1 The FTSE Smart Sustainability Indexes will be reviewed in March and or September.

<table>
<thead>
<tr>
<th>FTSE Smart Sustainability Indexes</th>
<th>Review Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE All-World ex CW Climate Balanced Factor Index*</td>
<td>March and September</td>
</tr>
<tr>
<td>FTSE All-World ex CW Climate Balanced Factor (Mar) Index</td>
<td>March</td>
</tr>
<tr>
<td>FTSE All-World ex CW Climate Balanced Factor (Sep) Index</td>
<td>September</td>
</tr>
<tr>
<td>FTSE Developed ESG/2Val Factor Index</td>
<td>March</td>
</tr>
<tr>
<td>FTSE Developed Climate Balanced Low Volatility Focused Factor Index</td>
<td>September</td>
</tr>
<tr>
<td>FTSE All-World Climate Balanced Comprehensive Factor Index</td>
<td>March and September</td>
</tr>
<tr>
<td>FTSE All-World ex CW ex FF Climate Balanced Factor Index</td>
<td>March and September</td>
</tr>
<tr>
<td>FTSE China Quality Dividend Sustainable Prosperity Index</td>
<td>March and September</td>
</tr>
</tbody>
</table>

* Phased implementation - see (Rule 6.1).

1.1.2 The Index review will be implemented after the close of business on the third Friday of the review month.

1.2 Data Dates

1.2.2 Index reviews will use Factor, Green Revenue, Carbon and ESG characteristics data as at the last business day of the month prior to the review month (the data cut-off date).

1.2.3 Index reviews will use stock prices available as at the close of business on the Wednesday before the first Friday of the review month (price cut-off date).

1.2.4 Index reviews will incorporate constituent changes associated with reviews of the underlying universe.
Section 7

Index Construction

7.0  Index Construction

7.1  FTSE All-World ex CW Climate Balanced Factor Index – Phased Rebalance

7.1.1  The FTSE All-World ex CW Climate Balanced Factor Index employs a phased rebalance and consists of a combination of two annually reviewed indexes - the FTSE All-World ex CW Climate Balanced Factor (Mar) Index and the FTSE All-World ex CW Climate Balanced Factor (Sep) Index. The two indexes do not employ a phased rebalance and are reviewed annually in March and September respectively, and a set of constituent review weights determined following Rules 6.2 to 6.6. The effective weight of each constituent in the FTSE All-World ex CW Climate Balanced Factor Index is calculated as an equal combination of both annually reviewed indexes:

\[ w_{i,t}^* = 0.5 \times w_{i,t}^{Mar} + 0.5 \times w_{i,t}^{Sep} \]

Where:
- \( w_{i,t}^{Mar} \) is the weight of stock \( i \) in the FTSE All-World ex CW Climate Balanced Factor (Mar) Index.
- \( w_{i,t}^{Sep} \) is the weight of stock \( i \) in the FTSE All-World ex CW Climate Balanced Factor (Sep) Index.
- \( w_{i,t}^* \) is the effective weight of stock \( i \) in the FTSE All-World ex CW Climate Balanced Factor Index.

7.2  FTSE All-World ex CW ex FF Climate Balanced Factor Index

7.2.1  The FTSE All-World ex CW ex FF Climate Balanced Factor Index excludes companies in the Fossil Fuel exclusion list (see 4.3.2) from the FTSE All-World ex CW Climate Balanced Factor Index. The weights of the remaining constituents are normalised to sum up to 1.

7.3  Fixed Tilt Index Construction

7.3.1  The unconstrained periodic review weight of each constituent of the relevant Fixed Tilt Index without a Phased Rebalance is:

\[ w_i = \frac{v_i}{\sum_j v_j} \]

where:

\[ v_i = w_i' \times \prod_{j=1}^{K} F_{i,j} \times \prod_{j=1}^{N} A_{i,j} \]

and
• $w'_i$ is the weight of stock $i$ in the underlying universe
• $N (K)$ are the number of Climate and or ESG (Factor) tilts respectively
• $F_{ij}$ is the $j^{th}$ Factor tilt applied to stock $i$. See Rule 6.4.2 for details
• $A_{ij}$ is the $j^{th}$ Climate and or ESG tilt applied to stock $i$. See Rules 6.4.3 and 6.4.4 for the details of possible tilts.

7.4 Factor, ESG, Climate and Green Revenue Tilts

7.4.1 The Table below summarises the alternative Factor and Sustainability tilts applied to each Fixed Tilt index:

<table>
<thead>
<tr>
<th>Fixed Tilt Index</th>
<th>Factor Tilts</th>
<th>ESG Tilt</th>
<th>Fossil Fuel Reserves Tilt</th>
<th>Operational Emissions Tilt</th>
<th>Green Revenue Tilt</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE All-World ex CW Climate Balanced Factor (Mar) Index</td>
<td>Quality, Size$^{0.25}$, Value, Volatility</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>FTSE All-World ex CW Climate Balanced Factor (Sep) Index</td>
<td>Quality, Size$^{0.25}$, Value, Volatility</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>FTSE Developed ESG/2Val Factor Index</td>
<td>Value$^2$</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FTSE Developed Climate Balanced Low Volatility Focused Factor Index</td>
<td>Quality, Value, Volatility$^{0.25}$, Size$^{0.25}$</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>FTSE All-World Climate, Balanced Comprehensive Factor Index</td>
<td>Quality, Size$^{0.25}$, Value, Volatility, Momentum</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

Superscripts denote the strength of the factor tilt. The tilt strength follows the definition used in the FTSE Global Factor Index Series Ground Rules.

7.4.2 Factor tilts are defined through the application of factor S-scores. The definition of each factor and the calculation of S-scores can be found in the FTSE Global Factor Index Series Ground Rules.

7.4.3 ESG tilts are defined through the application of S-scores based on the overall ESG ratings of the constituents with regional industry neutral adjustments. The ESG tilt follows the definition and methodology as detailed in FTSE ESG Index Series Ground Rules.

7.4.4 Fossil Fuel Reserves tilts, Operational Emissions tilts and Green Revenue tilts are based on the company fossil fuel reserve, operational carbon emission and the FTSE Green Revenues Factor respectively. These tilts follow the definitions and methodologies as detailed in FTSE Global Climate Index Series Ground Rules and the FTSE Green Revenues Index Series Ground Rules.

7.5 Narrowing

7.5.1 The FTSE Climate Balanced Low Volatility Focused Factor Index is narrowed with respect to the product of the factor S-scores and the Climate and Green Revenue tilts:

$$P_i = \prod_{j=1}^{K} F_{ij} \times \prod_{j=1}^{N} A_{ij}$$

The narrowing methodology is detailed in the FTSE Global Factor Index Series Ground Rules.

7.6 Capacity, Constraints and Minimum Stock Weights

The maximum stock level capacity ratio and country and industry constraints are applied to the index without narrowing as detailed in the FTSE Global Factor Index Series Ground Rules, with the exception of the FTSE Climate, Balanced Low Volatility Focused Factor Index where constraints are applied to the narrowed index.
The table below shows the minimum stock weight thresholds that are applied to the final indexes. Any stock weight that is less than the minimum weight threshold is treated as having a zero weight in the relevant index. Any resulting excess weight will be redistributed amongst the remaining constituents proportional to their index weights.

<table>
<thead>
<tr>
<th>Smart Sustainability Index</th>
<th>Minimum Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE All-World ex CW Climate Balanced Factor (Mar) Index</td>
<td>0.5bps</td>
</tr>
<tr>
<td>FTSE All-World ex CW Climate Balanced Factor (Sep) Index</td>
<td>0.5bps</td>
</tr>
<tr>
<td>FTSE Developed ESG/2Val Factor Index</td>
<td>2bps</td>
</tr>
<tr>
<td>FTSE Developed Climate Balanced Low Volatility Focused Factor Index</td>
<td>0.5bps</td>
</tr>
<tr>
<td>FTSE All-World Climate, Balanced Comprehensive Factor Index</td>
<td>2bps</td>
</tr>
</tbody>
</table>

### 7.7 Target Exposure Index Construction

#### 7.7.1
The detailed construction methodology for Target Exposure indexes is set out in the FTSE Global Factor Index Series Ground Rules.

#### 7.7.2
The weight of each Target Exposure index satisfies:

\[ w_i = \frac{v_i}{\sum_j v_j} \]

where:

\[ v_i = w_i' \times \prod_{j=1}^{K} F_{i,j}' \times \prod_{j=1}^{N} A_{i,j}' \times C_i \times I_i \times \Phi_i \times \Psi_i \]

and

- \( w_i' \) is the weight of stock \( i \) in the underlying universe
- \( N \) (\( K \)) are the number of Climate and or ESG (Factor) tilts respectively
- \( F_{i,j}' \) is the \( j^{th} \) Factor tilt applied to stock \( i \). See Rule 6.7.3 for details
- \( A_{i,j}' \) is the \( j^{th} \) Climate and or ESG tilt applied to stock \( i \). See Rules 6.7.4 to 6.7.6 for the details of possible tilts.
- \( C_i \) and \( I_i \) are country and industry tilts applied to stock \( i \) respectively
- \( \Phi_i \) is the maximum stock capacity/maximum weight tilt applied to stock \( i \)
- \( \Psi_i \) is the maximum turnover tilt applied to stock \( i \)

#### 7.7.3
Factor tilts are defined through the application of exponential function on factor Z-scores. The definition of each factor and the calculation of Z-scores can be found in the FTSE Global Factor Index Series Ground Rules.

#### 7.7.4
ESG tilts are defined through the application of exponential function on ESG Z-scores based on the overall ESG ratings of the constituents. The creation of Z-scores follows the process described in the FTSE Global Factor Index Series Ground Rules.

#### 7.7.5
Fossil Fuel Reserves tilts and Operational Emissions tilts are defined through the application of exponential function on Z-scores of Carbon Reserve Intensity and Operational Carbon Emissions respectively. The definition of Carbon Reserve Intensity and Operational Carbon Emissions can be
found in the FTSE Global Climate Index Series Ground Rules. The creation of Z-scores follows the 
process described in the FTSE Global Factor Index Series Ground Rules.

7.7.6 Green Revenues tilts are defined through the application of exponential function on Green Revenues 
Ratios. The definition of Green Revenues Ratio can be found in the FTSE Green Revenues Index 
Series Ground Rules.

7.7.7 The Green Revenues target is given by:

$$\sum_i w_i GRR_i = 2 \times \sum_i w'_i GRR_i$$

where $GRR_i$ is the Green Revenues Ratio as detailed in the FTSE Green Revenues Index 
Series Ground Rules.

7.7.8 The tilts are chosen so that all targets and constraints are satisfied simultaneously. The relaxation 
rules should such a solution be infeasible are set out in FTSE Global Factor Index Series Ground 
Rules.

7.7.9 The table below summarises the factor exposure and sustainability targets applied to each Target 
Exposure index.

<table>
<thead>
<tr>
<th>Index</th>
<th>Active Factor Exposure Targets</th>
<th>Sustainability Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>V</td>
<td>Q</td>
</tr>
<tr>
<td>FTSE China Quality Dividend Sustainable Prosperity Index</td>
<td>0</td>
<td>0.5σ</td>
</tr>
</tbody>
</table>

7.7.10 The table below summaries the constraints applied to each Target Exposure index.

<table>
<thead>
<tr>
<th>Index</th>
<th>Beta Banding</th>
<th>Country</th>
<th>Industry</th>
<th>Max 2-Way T/O (%)*</th>
<th>Max Stock Weight (%)</th>
<th>Min Stock Weight (b.p.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE China Quality Dividend Sustainable Prosperity Index</td>
<td>0.7 - 1.3</td>
<td>-</td>
<td>Banded</td>
<td>25</td>
<td>5</td>
<td>2</td>
</tr>
</tbody>
</table>

Notes:

$\sigma$ is the market capitalization weighted standard deviation of factor Z-scores.

Country/Industry Neutral: $P = 0$ and $Q = 0$.


Beta Neutral: Beta = 1.

* Per review.

7.8 Index Back-Histories

7.8.1 The annual Fossil Fuel Reserves, Operational Carbon Emissions and annual sales data prior to 
September 2016 are lagged by one year.
7.8.2 The availability of factor data prior to August 2014 is simulated through the application of a six month lag on fundamental data. All index reviews prior to this date that utilise fundamental data incorporate a lag of six months.

7.8.3 For the FTSE China Quality Dividend Sustainable Prosperity Index, the A Shares in the underlying universe consisted of constituents of the FTSE China A Stock Connect CNY Index (with constant 25% inclusion factor) prior to March 2020 review.
Section 8

Changes to Constituent Companies

8.0 Changes to Constituent Companies

8.1 Intra-review Additions

8.1.1 Additions into the FTSE Smart Sustainability Indexes will be considered for inclusion at the next periodic review.

8.2 Intra-review Deletions

8.2.1 A constituent will be removed from the FTSE Smart Sustainability Indexes if it is also removed from the relevant underlying index. The deletion will be concurrent with its deletion from the underlying index and its weight will be distributed pro-rata amongst the remaining constituents in the corresponding FTSE Smart Sustainability Index.

8.2.2 A constituent will be removed from the FTSE Smart Sustainability Indexes if it is added to the relevant exclusion list. The deletion will be concurrent with its addition to the exclusion list.
Section 9

Corporate Actions and Events

9.0 Corporate Actions and Events

9.1 If a constituent has a stock split, stock consolidation, rights issue, bonus issue, a change in the number of shares in issue or a change in free-float, the constituent’s weighting in the relevant FTSE Smart Sustainability Index remains unchanged pre and post such an event.

9.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Cap Weighted Indexes using the following link:

Corporate_Actions_and_Events_Guide_for_Non_Market_Cap_Weighted_Indices.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 will provide notice advising of the timing of the change.

9.3 Suspension of Dealing

Suspension of Dealing rules can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indexes.

9.4 Takeovers, Mergers and Demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indexes.
Section 10

Treatment of Dividends

10.0 Treatment of Dividends

10.1 Declared dividends are used to calculate the FTSE Smart Sustainability Index Series. All dividends are applied as at the ex-div date.

10.2 For the FTSE China Quality Dividend Sustainable Prosperity Index, a net of tax total return index is calculated based on the maximum withholding tax rates applicable to dividends received by international investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties. For each of the rest Smart Sustainability Indexes, a net of tax total return index is calculated based on dividends received following deduction of withholding tax at the rates applicable to a UK pension fund that benefits from double-taxation treaties.

Withholding tax rates used in the net-of-tax indexes can be accessed using the following link:

Withholding_Tax_Service

Please also refer to the FTSE Russell Withholding Tax Guide which can be accessed using the following link:

FTSE_Russell_Withholding_Tax_Guide.pdf
Section 11

Indexes Algorithm and Calculation Method

11.0 Indexes Algorithm and Calculation Method

11.1 Prices

11.1.1 The FTSE Smart Sustainability Index Series 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]

11.1.2 The FTSE China Quality Dividend Sustainable Prosperity Index receives share prices in real time.

11.2 Calculation Frequency

11.2.1 The FTSE Smart Sustainability Index Series will be calculated on an end of day basis and displayed to eight decimal points.

11.2.2 For the FTSE China Quality Dividend Sustainable Prosperity Index, a Net of Tax Index is also calculated in real time on an intra-second streaming basis.

11.3 Exchange Rates

11.3.1 The foreign exchange rates used in the intra-day calculation of the FTSE China Quality Dividend Sustainable Prosperity Index are Reuter’s real time spot rates. The real time foreign exchange rates are used throughout the period of calculation (see Appendix A). Therefore foreign exchange rate movements are taken into account in the index calculation for each constituent even though the underlying market for that constituent may be closed.

11.3.2 The foreign exchange rates received from Reuters at the closing time of the FTSE China Quality Dividend Sustainable Prosperity Index (see Appendix A) are used to calculate the end of day index values.

11.3.3 For the FTSE Smart Sustainability Indexes other than the FTSE China Quality Dividend Sustainable Prosperity Index, the WM/Reuters Closing Spot Rates™ collected at 16:00 London time, are used to calculate the end of day index values.

11.4 Index Calculation

The FTSE Smart Sustainability Index Series are calculated using the algorithm described below:

\[
\sum_{i=1}^{N} \left( \frac{p_i \times e_i \times s_i \times f_i \times c_i}{d} \right)
\]
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 (WAF) to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion 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: Index Opening and Closing Hours

<table>
<thead>
<tr>
<th>Index</th>
<th>Open</th>
<th>Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE China Quality Dividend Sustainable Prosperity Index</td>
<td>01:30</td>
<td>08:00</td>
</tr>
</tbody>
</table>

All times are GMT hours

The FTSE China Quality Dividend Sustainable Prosperity Index is calculated whenever at least one exchange is trading. The Index will not be calculated on 1 January.
Appendix B: Further Information

A Glossary of Terms used in FTSE Russell’s Ground Rule documents can be found using the following link [Glossary.pdf](#).

For further information on the FTSE Smart Sustainability Index Series visit [www.ftserussell.com](http://www.ftserussell.com) or e-mail info@ftserussell.com. Contact details can also be found on this website.

**Website:** [www.ftserussell.com](http://www.ftserussell.com)