

Ground Rules



FTSE Women on Boards Leadership Index

v2.0



Contents

1.0	Introduction.....	3
2.0	Management Responsibilities.....	5
3.0	FTSE Russell Index Policies	6
4.0	Eligible Securities	8
5.0	SI Data Inputs	9
6.0	Periodic Review of Constituents	10
7.0	Weighting Methodology	11
8.0	Changes to Constituent Companies	13
9.0	Corporate Actions and Events.....	14
10.0	Indices Algorithm and Calculation Method	15
	Appendix A: Further Information	17



Section 1

Introduction

1.0 Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Women on Boards Leadership Index Series. Copies of the Ground Rules are available from FTSE Russell.
- 1.2 FTSE Women on Boards Leadership Index Series is designed to represent the performance of companies that have a high proportion of women on their boards relative to their industry average and have specific social policies as defined by the FTSE Russell ESG Scores and Data Model.
- 1.3 The FTSE Women on Boards Leadership Index Series takes account of ESG factors in its index design. Please see further details in Section 4 and 5.
- 1.4 Capital return and total return indices are published at the end of each working day. The Total Return Indices are based on ex dividend adjustments. All dividends are applied as declared in the FTSE Total Return Index.
- 1.5 The base currency of the FTSE All-Share Women on Boards Leadership Index is GBP. The base currency of the Russell 1000 Women on Boards Leadership Index is US Dollars. Index values may also be published in other currencies.
- 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 FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.
- 1.7 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.
- 1.8 Index users who choose to follow this index series or to buy products that claim to follow this index series should assess the merits of the index series 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 (or any person concerned with the preparation

or publication of these Ground Rules) 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 series 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 periodic index reviews of the Index Series and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indices.

2.2 Amendments to These Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the 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) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK 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 Indices 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 Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

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

[Statement of Principles.pdf](#)

3.4 Queries and Complaints

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

[FTSE Russell 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 or a Security

- 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 or a Security.pdf](#)

3.7 **Recalculation Policy and Guidelines**

- 3.7.1 The FTSE Women on Boards Leadership Index Series are recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Women on Boards Leadership 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 Indices.pdf](#)

3.8 **Policy for Benchmark Methodology Changes**

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

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

3.9 **FTSE Russell Governance Framework**

- 3.9.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

³ 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

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019



Section 4

Eligible Securities

4.0 Eligible Securities

4.1 The eligible securities of each FTSE Women on Boards Leadership index are the constituents of the corresponding underlying index shown in the table below.

Index	Underlying Index
FTSE All-Share Women on Boards Leadership Index	FTSE All-Share ex Investment Trust Index
Russell 1000 Women on Boards Leadership Index	Russell 1000 Index

4.2 Multiple Lines

4.2.1 All lines of the same company that are eligible securities are eligible for inclusion in the relevant FTSE Women on Boards Leadership Index.



Section 5

Sustainable Investment Data Inputs

5.0 SI Data Inputs

5.1 Construction of the FTSE Women on Boards Leadership Index utilises Social Pillar Scores and the percentage of women on corporate boards; these datapoints are collected and calculated by FTSE Russell as part of the FTSE ESG Scores Model.

5.2 The FTSE ESG Scores model utilises several layers of quality control to ensure data quality including review by senior analysts, trend analysis and automated checks.

5.3 Social Pillar Scores make reference to a wide range of international standards including and not limited to International Labour Organisation's International Labour Standards, the United Nations Global Compact, and the United Nations Universal Declaration of Human Rights.

5.3.1 Further information on SI data provided by FTSE Russell and third parties used in this index series can be found in the following guide:

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

5.4 Minimum Set of Exclusions for Sustainable Investment Indices

5.4.1 The minimum set of exclusions will be applied to this Index Series with effect from June 2023. Details of the minimum exclusions can be found in the [Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf \(ftserussell.com\)](#).

5.5 Sustainable Investment Metrics

5.5.1 Please see the FTSE Russell [Sustainable Investment Metrics](#) website for the scores and values of the environmental, social and governance (ESG) factors listed in Annex II to Delegated Regulation (EU) 2020/1816 which are taken into account in the benchmark methodology for the benchmarks within this index series.



Section 6

Periodic Review of Constituents

6.0 Periodic Review of Constituents

6.1 Review Dates

- 6.1.1 The constituents of the FTSE Women on Boards Leadership Indices are reviewed annually in June using data available after the close of business on the last business day of month prior to the review month, taking into account any additions and deletions planned in the underlying indices.
- 6.1.2 Changes arising from the review of FTSE Women on Boards Leadership Indices derived from an underlying FTSE index will be implemented after the close of business on the third Friday of the review month.
- 6.1.3 Changes arising from the review of FTSE Women on Boards Leadership Indices derived from an underlying Russell index will be implemented on the same date as the Russell annual reconstitution in June.

Section 7

Weighting Methodology

7.0 Weighting Methodology

7.1 Index Weights

7.1.1 Constituent weightings in the FTSE Women on Boards Leadership Index Series are based on the proportion of female board members and social policies.

7.1.2 The unconstrained review weight of each constituent in the FTSE Women on Boards Leadership Indices is:

$$w_i = \frac{v_i}{\sum_j v_j}$$

where

$$v_i = w_i' \times A_i^{WoB} \times A_i^{WoBI} \times A_i^{SP}$$

where

- w_i' is the market capitalisation weight of stock i in the underlying universe.
- A_i^{WoB} and A_i^{WoBI} are the Women on Boards and Women on Boards Industry Neutrality adjustment respectively for stock i (Rule 6.2).
- A_i^{SP} is the Social Impact adjustment of stock i (Rule 6.3).

7.2 Gender Diversity Adjustment

7.2.1 The Gender Diversity Adjustment A_i^{WoB} is defined as the natural logarithm of the proportion of female board members (Women on Boards Ratio) in excess of the ICB⁵ industry average. Stocks with missing data or with zero female board representation are allocated a Z-Score of -3.

7.2.2 Board membership data is the most recently available data as of the data cut-off date derived from annual company reports.

7.2.3 The Women on Boards Ratio is converted to a Z-Score and subsequently to an S-Score as detailed in FTSE Global Factor Index Series Ground Rules. The Women on Boards Industry Neutrality adjustment, A_i^{WoBI} adjusts stock weights to limit industry effects arising from the Women on Boards

⁵ Russell US related indices migrated to the new ICB classification system in September 2020. FTSE related indices will migrate to the new ICB classification system in March 2021.

stock adjustment described in Rule 6.2.1. For constituent i of industry H , the adjustment is calculated as:

$$A_i^{WOB} = \frac{\sum_{j \in H} w_j'}{\sum_{j \in H} A_j^{WOB} \times w_j'}, \forall i \in H$$

7.2.4 Where w_j' is the market capitalisation weight of stock j in the underlying eligible universe.

7.3 Social Impact adjustment

7.3.1 The Social Impact adjustment is defined by the Social Pillar score calculated by FTSE Russell according to the FTSE Russell ESG Data model. The FTSE Russell ESG scores can be accessed using the following link: [ESG Scores](#).

7.3.2 The Social Pillar score is converted to a Z-Score and subsequently to an S-Score as detailed in FTSE Global Factor Index Series Ground Rules. The S-Score is the Social Impact adjustment: A_i^{SP} .

7.4 Capacity, Constraints and Minimum Stock Weights

7.4.1 The maximum stock level capacity ratio, and constraints are applied to the index as detailed in the FTSE Global Factor Index Series Ground Rules.

7.4.2 A minimum security level weight of 2 basis points is applied to each index.

7.5 Capping

Company level capping of 10 percent is applied to the review weights. using prices as at the close of business five days prior to the review date in June. Capping is implemented using the constituents, shares in issue and free float on the review effective date.



Section 8

Changes to Constituent Companies

8.0 Changes to Constituent Companies

8.1 New Issues

8.1.1 Additions into the FTSE Women on Boards Leadership Index Series will be considered for inclusion at the next annual review.

8.2 Deletions

8.2.1 If a constituent ceases to be a constituent of the relevant underlying index it will be removed from the FTSE Women on Boards Leadership Index Series. The removal will be concurrent with its removal from the relevant underlying index.

Section 9

Corporate Actions and Events

9.0 Corporate Actions and Events

9.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indices 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.

9.2 Suspension of Dealing

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

9.3 Takeovers, Mergers and Demergers

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

Section 10

Indices Algorithm and Calculation Method

10.0 Indices Algorithm and Calculation Method

10.1 Prices

- 10.1.1 The FTSE Women on Boards Leadership 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](#)

10.2 Calculation Frequency

- 10.2.1 The FTSE Women on Boards Leadership Index Series will be calculated on an end of day basis and displayed to eight decimal points.

10.3 Index Calculation

- 10.3.1 The FTSE Women on Boards Leadership Index Series are calculated using the algorithm described below:

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

Where,

- $i=1,2,\dots,N$
- 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: Further Information

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

The FTSE Russell Sustainable Investment Metrics website can be found using the following link: [Sustainable Investment Metrics](#)

Further information on the FTSE Women on Boards Leadership Index Series 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

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