



Guide to the Construction and Maintenance of FTSE Exclusion Lists

v1.1



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Section 1

Introduction

1.0 Introduction

1.1 This document sets out the guidelines for the construction and maintenance of the FTSE Exclusion Lists. The Exclusion Lists capture business activities (see below) for use in the construction of FTSE Russell indices.

1.2 **FTSE Russell identifies business activities in two distinct areas:**

1.2.1 **Product-related activities:** activities of companies with exposure to the products or services that are defined in Section 7.

1.2.2 **Conduct-related activities:** activities of companies that are directly or indirectly exposed to controversial conduct as defined in Section 7.

1.3 This Guide should be read in conjunction with the index specific Ground Rules which can be accessed on ftserussell.com.

1.4 **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.



Section 2

Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE manages the FTSE Exclusion Lists.

2.1.2 FTSE is responsible for the maintenance of the FTSE Exclusion Lists and will:

- maintain records of the exclusions data for all companies in the research universe (see Rule 3.1);
- make changes to the companies' exclusion data in accordance with the exclusion definitions found in this guide;
- carry out periodic updates to the FTSE Exclusion Lists and apply the changes resulting from the reviews as required by the guide;



Section 3

Exclusion Criteria

3.0 Exclusion Criteria

- 3.1 The Research Universe for the FTSE Exclusion Lists is the union of the universes for all the underlying indices for which variants are calculated that make use of the FTSE Exclusion Lists. See Appendix A for the list of underlying indices for which variants using FTSE Exclusions Lists exist. See Section 7 for a full list of exclusions and their definitions.
- 3.2 Information is collected from publicly available sources (see Rule 3.6.3) and third party data (see Rule 3.6.4) by FTSE Russell on an annual basis for each company following the publication of the company's annual report. For new issues the company prospectus is also considered.
- 3.3 A parent company that holds shares contributing more than 50% of ownership, directly or indirectly, of a subsidiary company that is involved in an excluded product or activity will be placed on the FTSE Exclusion List related to that activity. ¹
- 3.4 Exclusions do not apply in the following circumstances:
- 3.4.1 A parent company that holds shares contributing 50% or less of the ownership of a subsidiary company that is involved in an excluded product or conducted-related activity, will **NOT** be placed on the FTSE Exclusion List related to that activity (as the parent company is deemed not to have effective 'control' over the subsidiary company).
- 3.4.2 Where a parent company engages in an excluded product or conduct-related activities, a subsidiary company will **NOT** be placed on the FTSE Exclusion list provided that the subsidiary itself does not engage in excluded product or conduct-related activities regardless of the level of ownership by the parent (as the subsidiary company is deemed not to have effective 'control' over the parent company).
- 3.4.3 Financial firms (e.g., banks, asset management, insurance) are **NOT** placed on the FTSE Exclusion list if they invest in, or provide loans to, a company that engages in excluded product or conduct-related activities.
- 3.4.4 Investment Trusts are **NOT** placed on the FTSE Exclusion list if they invest in a company that engages in excluded product or conduct-related activities.
- 3.5 The treatment of companies with respect to their inclusion on one or more FTSE Exclusions Lists following their involvement in a corporate event is set out in Rule 5.3.

¹ If voting rights cannot be adequately determined, the parent's ownership stake of the subsidiary will be used instead.

In addition to the FTSE Exclusion Lists that are maintained for each excluded product or activity, FTSE Russell maintains an additional “No Data” FTSE Exclusion List for those companies for which their exclusion status has yet to be ascertained. This No Data FTSE Exclusion List contains companies that are new to the Research Universe, including IPOs, and new entrants to the Underlying Indices that have yet to be researched.

3.6 Data Sources

- 3.6.1 Business activity screens are used to identify companies that are involved in the relevant business activity. FTSE Russell proprietary data and third party data is used to construct the FTSE Russell Exclusion Lists.
- 3.6.2 FTSE Russell’s proprietary data is the primary source for determining business activity exclusions and takes priority over third party data. Third party data is used to supplement FTSE Russell data in those instances where FTSE Russell data is incomplete. Where third-party is used in the construction of the FTSE Exclusion Lists, FTSE Russell undertakes due diligence to confirm that appropriate quality controls are in place in data sourcing and delivery.
- 3.6.3 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 Indices.pdf](#)
- 3.6.4 Further details of the use of other third party data can be found in the following Guide:
[Guide to Third Party Sustainable Investment Data used in FTSE Russell Indices.pdf](#)



Section 4

Quarterly Update of Exclusion Lists

4.0 Quarterly Update of Exclusion Lists

- 4.1 The FTSE Exclusion Lists are updated quarterly in March, June, September and December to allow for their incorporation in the quarterly/semi-annual/annual index reviews that are conducted in those months for the FTSE Russell indices that make use of exclusion lists.
- 4.2 The FTSE Exclusions Lists are updated based on data as at the end of the month prior to the effective date of the index reviews.
- 4.3 The preliminary FTSE Exclusions Lists may be updated on receipt of additional exclusions data or corrections to data previously supplied by a third party up until the Friday one week before the effective date of the index reviews.
- 4.4 In exceptional circumstances, the FTSE Exclusion Lists may be updated up until the Wednesday before the effective date of the index reviews.
- 4.5 The Ground Rules for each index making use of the FTSE Exclusion Lists will specify the cut-off date for the exclusions data to be included at the index review. Certain index methodologies, including methodologies for non-capitalisation weighted indices and capped indices, may not be able to take account of companies that are deleted from a FTSE Exclusion List after the Friday two weeks before the index review effective date.
- 4.6 Where exclusions data is updated after the cut-off date for an index review has passed, the Ground Rules for that index will specify the point when the updated data will be reflected in the index. This might be immediately after the index review is effective, or potentially implementation might be deferred until the next index review.
- 4.7 Constituents added to an underlying index at a review that were not previously in the Research Universe will have research undertaken within six months of their addition. In the intervening period these constituents will be added to the No Data list.



Section 5

Intra-Quarter Changes to Exclusion Lists

5.0 Intra-Quarter Changes to Exclusions Lists

5.1 Exclusion List Changes Arising from Corporate Events

- A. **Fast Entrants:** Fast entrants to the underlying indices will be assessed against the FTSE Exclusion Definitions (see Section 7) within six months following the IPO date and in the first instance will be based on information in the company prospectus. Until the research has been completed, fast entrants will be added to the No Data exclusions list.
- B. **Spin-offs (including demergers) resulting in a new company:** If a new company is added to the underlying Research Universe as a result of a demerger from a parent company in the Research Universe, the new company will inherit the parent company's exclusion whilst the exclusion status of the new company is researched. Research will be completed within a maximum of six months of the spin-off or demerger becoming effective.
- C. **Mergers and Acquisitions:** If a company in the Research Universe for the FTSE Exclusion Lists is acquired by another company in the Research Universe, the merged company will be included in a FTSE Exclusion List if the acquirer is a member of that FTSE Exclusion List or the merged entity is determined to be engaging in an excluded activity. Research on the merged entity will be completed within six months of the merger or acquisition becoming effective.

5.1.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the relevant Corporate Actions and Events Guide using the following links:

[Corporate Actions and Events Guide.pdf](#)

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

5.2 Intra-Quarter Exclusion List Additions

- 5.2.1 A company may be added to a FTSE Exclusion List at any time when there is evidence of involvement in the excluded business activity found upon research of the constituent as set out in the FTSE Exclusions Definitions (see Section 7).
- 5.2.2 Additions to Exclusion Lists will follow a pre-cautionary principle where evidence is inconclusive or unreliable; a company may be added to a FTSE Exclusion List at any time until research confirms that there is no involvement in the excluded business activity as set out in the FTSE Exclusions Definitions (see Section 7).

5.3 **Intra-Quarter Exclusion List Removal**

- 5.3.1 When a company no longer undertakes an excluded business activity as set out in the FTSE Exclusions Definitions (see Section 7) due to a corporate action or event, the company may be removed from a FTSE Exclusion List, where the research:
- A. Confirms that the company no longer undertakes the excluded business activity as set out in the FTSE Exclusions Definitions (see Section 7)
 - B. Determines that an event or action is final.
- 5.3.2 A company may be removed from a FTSE Exclusion List at any time as a result of a Challenge or Appeal (see Section 6).

5.4 **Index Implementation**

- 5.4.1 The Ground Rules for each FTSE Russell index that employs the FTSE Russell Exclusion Lists will specify when a constituent's status on the Lists is reflected in that index.



Section 6

Challenges and Appeals

6.0 Challenges and Appeals

6.1 Challenges

If a company (or professional advisor acting on behalf of the company), an index user or other stakeholder wishes to challenge the exclusion status of a company, they should complete the Exclusion Data Form which can be found at: [Exclusion Data Form.pdf](#)

6.1.1 . The reasons for proposing a change to the exclusion should be stated having regard to this Guide to the Construction and Maintenance of the FTSE Exclusion Lists and attaching any publicly available documentary evidence in support of the claim. In considering the claim, FTSE Russell may only take account of publicly available information and will place the greatest weight on information in audited reports or official market notices. The form and any supporting evidence should be sent to FTSE Russell Client Services at info@ftserussell.com

6.1.2 The FTSE Russell ESG Technical Forum will review the company's exclusion based on its own analysis and evidence provided by the challenging party. For the purposes of considering the challenge, the FTSE Russell ESG Technical Forum may make use of publicly available data beyond that used in conducting the standard annual review of the company. Such data might include the results of internet searches and news articles related to the company.

6.1.3 If a change to the exclusion is supported, the change will be announced via a FTSE Russell client notice. If a change to an exclusion is not supported by FTSE Russell, the complainant will be informed of this outcome via the FTSE Russell Client Services team with the rationale for the decision.

6.2 Appeals

6.2.1 Should a complainant disagree with the decision reached by the FTSE Russell ESG Technical Forum and wish to submit an appeal, it may do so by contacting FTSE Russell Client Services at info@ftserussell.com. In such an event, the FTSE Russell ESG Advisory Committee will be requested to provide a recommendation based on the information provided by the complainant and FTSE Russell's analysis.

6.2.2 The recommendation of the advisory committee will be presented to the FTSE Russell Index Governance Board for a final decision. The FTSE Russell Index Governance Board's decision will be communicated to the complainant by the Secretary to the FTSE Russell Index Governance Board

via the FTSE Russell Client Services team, with an explanation, including relevant data. If a change in classification is supported, the change will be announced through a FTSE Russell technical notice.

6.3 Implementation

- 6.3.1 The index Ground Rules for each index affected by a change to a company's exclusion status sets out the timetable as to when changes to the exclusion status of a company will be implemented in the index.
- 6.3.2 The FTSE Russell complaints procedure can be accessed using the following link:
[**FTSE Russell Benchmark Determination Complaints-Handling Policy.pdf**](#)
- 6.3.3 The FTSE Russell Appeal Process can be accessed using the following link:
[**Appeals Against Decisions.pdf**](#)



Section 7

FTSE Russell Exclusion Definitions

7.0 FTSE Russell Exclusion Definitions

Below are the FTSE Russell Exclusions Definitions. Third party definitions may differ from FTSE Russell definitions.

Company Products	
Non-Renewable Energy	
Fossil Fuel Reserves - Coal, Oil & Gas	Companies that own proved or probable reserves in coal, oil, or gas.
Oil and Gas Production, supporting products and services	Any company with a primary business activity (as defined by their ICB subsector) in: <ul style="list-style-type: none"> the exploration for and drilling, production, refining and supply of oil and gas products (ICB Subsector Oil: Crude Producers 60101010 and Oil Refining and Marketing 60101020) the supply of equipment and services to oil fields and offshore platforms, such as drilling, exploration, seismic-information services and platform construction (ICB Subsector Oil Equipment and Services 60101030 and Offshore Drilling and Other Services 60101015) the operations of pipelines carrying oil, gas or other forms of fuel (ICB Subsector Pipelines 60101035) integrated oil and gas companies, providing a combination of the services listed above, including refining and marketing of oil and gas products (ICB Subsector Integrated Oil and Gas 60101000) companies that are not classified in these ICB Subsectors, but that have activity in these Subsectors generating less than 50% of revenue are NOT excluded Supporting products and services does not include the generation and distribution of energy from fossil fuels
Coal – Production, supporting products and services	Any company with primary business activity in the exploration for or mining of coal (ICB Subsector Coal 60101040) Supporting products and services does not include the generation and distribution of energy from fossil fuels.
Nuclear Power - Generation and Uranium Mining	Companies involved in the operation and supply of nuclear power generation, that harnesses the energy present within atomic nuclei or their components. Also those engaged in the development, processing, production and distribution of equipment and facilities used in the supply of nuclear power generation. This includes: <ul style="list-style-type: none"> nuclear power generation nuclear power plant equipment, components and construction uranium mining uranium processing and enrichment



Vice Products	
Adult Entertainment	Companies producing adult entertainment content, or that package or curate adult entertainment content for consumption (such as dedicated magazines, TV channels, websites, streaming services, or strip clubs). This includes: <ul style="list-style-type: none"> • movies • print publications • online content • live entertainment.
Alcohol	Companies producing alcoholic beverages for human consumption, such as beer, cider, wine and spirits. This includes: <ul style="list-style-type: none"> • all companies that are classified in the ICB Subsector Distillers and Vintners 45101015, • companies that are not classified in ICB Subsector Distillers and Vintners 45101015, but that are identified as having any activity in these Subsectors
Gambling	Companies involved in the provision of gambling operations including physical betting facilities - whether at casinos, betting shops, racetracks or sports stadiums - or other venues, or the production of online gambling content. The production of purpose-built gambling machines and equipment that are exclusively intended for use in gambling, including both hardware and software. This includes: <ul style="list-style-type: none"> • all companies that are classified in the ICB Subsector Casinos & Gambling 405010200 • companies that are not classified in ICB Subsector Casinos & Gambling 405010200, but that are identified as having any activity in this Subsector
Tobacco	Companies producing tobacco products including cigarettes, roll your own tobacco, pipe tobacco, cigars, cigarillos, bidis, gutka, smokeless tobacco, and heated tobacco products (HTPs), as well as electronic cigarettes (or 'e-cigarettes') and electronic nicotine delivery systems (ENDS) This includes: <ul style="list-style-type: none"> • all companies that are classified in the ICB Subsector Tobacco 45103010 and Cannabis Producers 20103020 • companies that are not classified in ICB Subsector Tobacco 45103010 and Cannabis Producers 20103020, but that are identified as having any activity in this Subsector
Weapons	
Chemical & Biological Weapons	Companies producing chemical or biological weapons and their components, including all precursors, munitions, devices or equipment specifically designed for, and used directly in connection with, these weapons.
Cluster Munitions	Companies that produce cluster munitions as defined in the Convention on Cluster Munitions, or that produce specific and critical parts or services for cluster munitions.
Anti-Personnel Landmines	Companies that produce anti-personnel mines as defined in the "1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction", or that produce specific and critical parts or services for anti-personnel mines.
Nuclear Weapons	Companies that produce nuclear weapons or their components. This includes companies that provide delivery systems (e.g. ballistic missile submarines) or critical services (e.g. maintenance or IT) that are directly related to and specifically designed for nuclear weapons.
Conventional Military Weapons	Companies producing lethal military weapons, their components and ammunition, and those engaged in the commercial provision of personnel to serve in military roles often in combat zones. Note that this does not capture companies producing only non-lethal military equipment (such as protective equipment or communications systems) or hand-to-hand military combat weapons (such as knives). This includes: <ul style="list-style-type: none"> • munitions • vehicles designed exclusively to carry military weapons (mounted or demountable)



	<ul style="list-style-type: none"> weapons delivery systems; including mounting and launching systems as well as targeting and guidance systems
Firearms	<p>Companies that produce firearms and ammunition sale to the public (Note that retailers of firearms are not captured).</p> <p>This includes:</p> <ul style="list-style-type: none"> handguns shotguns rifles semi-automatic weapons
Company Conduct	
Controversies	
Human Rights	<p>Controversies related to Principles 1 and 2 of the UN Global Compact, which is derived from the Universal Declaration of Human Rights.</p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.</p>
Labor	<p>Controversies related to Principles 3, 4, 5, and 6 of the UN Global Compact, which is derived from the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.</p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.</p>
Environment	<p>Controversies related to Principles 7, 8, and 9 of the UN Global Compact, which is derived from the Rio Declaration on Environment and Development.</p> <p>Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>
Anti-Corruption	<p>Controversies related to Principle 10 of the UN Global Compact, which is derived from the United Nations Convention Against Corruption.</p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>
Diversity	
Diversity	<p>For this criterion an "Excluded Company" will fail to meet two out of three diversity indicators:</p> <ol style="list-style-type: none"> Woman/women on the Board Diversity policies Diversity management systems



Appendix A: Research Universe

List of underlying indices for which variants using FTSE Exclusion lists exist

FTSE Global Equity Index Series (All Cap)

FTSE UK All-Share Index

Russell 3000 Index

FTSE JSE Africa Index Series

FTSE Australian Equity 300 Index

FTSE MIB Index

FTSE TWSE Taiwan Index Series

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 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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