



Market Consultation on exclusions aligned with ESMA Guidelines

12 November 2024

ESMA 'Guidelines on fund names' using ESG or sustainability-related terms' apply to EU funds using specific terms in the fund name. The Guidelines apply to Funds and not Benchmark Administrators, however we note that some clients of our indices may be considering whether to exclude investments in companies referred to in Article 12(1)(a) to (c) of CDR (EU) 2020/1818 (Climate Transition Benchmark/CTB exclusions) or Article 12(1)(a) to (g) of CDR (EU) 2020/1818 (Paris Aligned Benchmark/PAB exclusions) to meet specific ESMA Guidelines. PAB related exclusions would remove companies with specific involvement in controversial weapons, tobacco, controversies, coal, oil, gas and electricity generation.

In view of the above, FTSE Russell proposes to apply a minimum PAB aligned exclusion list to the indices listed below, in conjunction with the March 2025 index reviews.

If index users have any feedback on the below considerations, please respond to info@ftserussell.com by close of business 2 December 2024:

- 1) The proposed definitions to meet minimum PAB aligned exclusion requirements
- 2) The application of these exclusions to the specific indices below
- 3) The application of the minimum PAB aligned exclusion list in March 2025 to any indices not listed below

Final approval of any changes will be made by the FTSE Russell Index Governance Board. Index users and other stakeholders are informed via [Index Notices](#).

1) Proposed minimum PAB aligned exclusion list:

PAB exclusion category	BMR rules	Proposed minimum exclusions
Controversial weapons	<p>12(a) Companies involved in any activities related to controversial weapons...</p> <p>For the purposes of point (a), controversial weapons shall mean controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation.</p>	<p><u>Biological & Chemical weapons</u></p> <p>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.</p> <p>Secondary products and services to chemical & biological weapons that are specific to chemical & biological weapons.</p> <p><u>Cluster Munitions</u></p> <p>Companies producing cluster munitions as defined in the Convention on Cluster Munitions and their components, including all precursors, munitions, devices or equipment specifically designed for, and used directly in connection with, these weapons.</p> <p>Secondary products and services to cluster munitions that are specific to cluster munitions.</p> <p><u>Anti-Personnel Landmines</u></p> <p>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</p>

		<p>Destruction" ("Ottawa Convention").</p> <p>Secondary products and services to anti-personnel mines that are specific to anti-personnel mines.</p>
Tobacco	12(b) Companies involved in the cultivation and production of tobacco	<p>Companies producing tobacco products which includes cigarettes, roll your own tobacco, pipe tobacco, cigars, cigarillos, bidis, gutka, smokeless tobacco, and heated tobacco products (HTPs), electronic cigarettes (or 'e-cigarettes') and electronic nicotine delivery systems.</p> <p>This includes:</p> <ul style="list-style-type: none"> • 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 these Subsectors
Controversies	12(c) Companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	<p>Controversies are assessed related to the UN Global Compact principles. Companies are excluded if they meet the following criteria:</p> <ul style="list-style-type: none"> • Large/Mid cap: Companies have a Sustainalytics Global Standards Screening (GSS) non-compliant status, or have previously been non-compliant and are on FTSE's internal watchlist • Small cap: Companies with a GSS watchlist or non-compliant status <p>Please see Guide to the Construction and Maintenance of Exclusion Lists used in FTSE Russell indices rule 7.3.1 for more information.</p>
Coal	12(d) Companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite	<p><u>Thermal Coal Reserves</u></p> <p>Companies with proved or probable reserves in coal</p> <p><u>Thermal Coal Extraction</u></p> <p>Companies that extract thermal coal</p> <p><u>Thermal Coal Supporting Services</u></p> <p>Companies that provide tailor-made products & services that support thermal coal extraction. This includes companies that provide storage & transportation, mining, and coal refining services</p>
Oil	12(e) Companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels	<p><u>Oil & Gas Production</u></p> <p>Companies involved in oil and gas (including Oil Sands) exploration, production, refining, transportation and/or storage</p> <p><u>Oil & Gas Supporting Products & Services</u></p> <p>Companies providing tailor-made products and services that support oil and gas (including Oil Sands) exploration, production, refining, transportation, and storage.</p> <p>Threshold: Greater than or equal to 10% of revenues</p>
Gas	12(f) Companies that derive 50 % or more of their revenues from the exploration,	<p><u>Oil, Gas and Thermal Coal Power Generation</u></p> <p>Companies generating electricity from oil and/or gas, and/or</p>

	extraction, manufacturing or distribution of gaseous fuels	thermal coal Threshold: Greater than or equal to 50% of revenues
Electricity generation	12(g) Companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh	<u>Oil, Gas and Thermal Coal Power Generation</u> Companies generating electricity from oil and/or gas, and/or thermal coal Threshold: Greater than or equal to 50% of revenues

2. Proposed list of indices:

Index name	Code
FTSE EPRA Nareit Green Index Series	
FTSE EPRA Nareit Developed Green Index	FENGRE
FTSE EPRA Nareit Developed Green Focus Index	FENGRF
FTSE EPRA Nareit IdealRatings Developed REITs Islamic Green Index	FENGRRI
FTSE EPRA Nareit IdealRatings Developed REITs Islamic Green RIC Capped Index	FENGRIC

3. Clients who would like to request or discuss the addition of PAB exclusions should contact info@ftserussell.com

For further information please contact FTSE Russell Client Services at info@ftserussell.com or call:

Australia	+61 (0) 2 7228 5659
Hong Kong	+852 2164 3333
Japan	+81 3 6441 1430
London	+44 (0) 20 7866 1810
New York	+1877 503 6437

Alternatively please visit our website at lseg.com/ftse-russell