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# FTSE All Share ex Investment Trusts ESG Climate Select Index

v1.0

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## Section 1

# Introduction

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### 1.0 Introduction

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

1.1.1 The FTSE All Share ex Investment Trusts ESG Climate Select Index takes account of ESG factors in its index design. Please see further details in Section 5 and 6.

### 1.2 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 MTSNext Limited), Mergent, Inc., FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.

1.3 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.

1.4 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

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## 2.0 Management Responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the indexes.<sup>1</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE All Share ex Investment Trusts ESG Climate Select 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 All Share ex Investment Trusts ESG Climate Select 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.

### 2.2 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. 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.

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<sup>1</sup> 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

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### 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 Capitalisation Weighted Indexes using the following link:

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

#### 3.3 Queries and Complaints

3.3.1 FTSE Russell's policy for the handling of challenges received from index users and constituent companies with respect to ESG based exclusions and ratings can be accessed using the following link:

[Business Activity Screening for Exclusion-Based Indexes Challenges and Appeals.pdf](#)

3.3.2 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:

[Index Policy in the Event Clients are Unable to Trade a Market.pdf](#)

### 3.6 **Policy for Benchmark Methodology Changes**

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

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

### 3.7 **FTSE Russell Governance Framework**

3.7.1 To oversee its indexes, 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 Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

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

<sup>3</sup> 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

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019



## Section 4

# Sustainable Investment Data Inputs

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### 4.0 Sustainable Investment Data Inputs

The following Sustainable Investment datasets are used in the construction of the FTSE All Share ex Investment Trusts ESG Climate Select Index.

#### 4.1 FTSE ESG Ratings

An introduction to the FTSE ESG Ratings can be found in the following guide:

[Guide to FTSE Sustainable Investment Data used in FTSE Russell Indexes.pdf](#)

#### 4.2 FTSE Green Revenues

An introduction to the FTSE ESG Ratings can be found in the following guide:

[Guide to FTSE Sustainable Investment Data used in FTSE Russell Indexes.pdf](#)

#### 4.3 Carbon data

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.

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

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](#)

#### 4.4 Product involvement exclusions and UNGC controversies exclusions

Data for product involvement exclusions and UNGC controversies exclusions is sourced from Sustainalytics. This data subject to regular quality checks to identify discrepancies and ensure accuracy; these checks include trend analysis to assess data quality and detailed review of underlying data for significant score changes.

4.4.1 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](#)

#### 4.5 **Sustainable Investment Metrics**

4.5.1 Please see the FTSE Russell [Sustainable Investment Metrics](#) website for the ratings, scores and values of the environmental, social and governance (ESG) factors for the benchmarks within this index family as stipulated by the annex to the Commission Delegated Regulation (EU)\* supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.

\*regulation number to follow



## Section 5

# ESG and Carbon Data Definitions

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### 5.0 ESG ratings, Operational Carbon Emissions, Fossil Fuel Reserves and Green Revenues

#### 5.1 FTSE ESG Ratings (E)

Please see the [Guide to FTSE Sustainable Investment Data used in FTSE Indexes](#), for more information on FTSE ESG Ratings. The data cut-off date for the availability of ESG scores is the close of business on the last business day of the month prior to the review month.

#### 5.2 Operational Carbon Emissions Intensity (OE)

Operational Carbon Emissions Intensity is defined as the latest annual CO2 equivalent greenhouse gas (GHG) emissions in metric tons scaled by annual sales (in USD). CO2 equivalent GHG emissions data is defined as GHG Protocol Scope 1 and 2 emissions. Annual sales data is sourced from third party data providers. The data cut-off date for the availability of Operational Carbon Emissions Intensity is the close of business on the last business day of the month prior to the review month.

#### 5.3 Fossil Fuel Reserve Intensity (R)

Fossil Fuel Reserve Intensity is defined as the estimated CO2 equivalent GHG emissions in metric tons generated by the combustion of a company's fossil fuel reserves, divided by its full company market capitalisation (in USD). The data cut-off date for the availability of Fossil Fuel Reserve Intensity is the close of business on the last business day of the month prior to the review month.

#### 5.4 Green Revenues (GR)

Information on the FTSE Green Revenues dataset can be found here:

[Sustainability and ESG Data - Green Revenues Data Model.pdf](#).

The data cut-off date for the availability of Green Revenues data is the close of business on the last business day of the month prior to the review month.

#### 5.5 Z-Scores and Missing Data Treatment

5.5.1 Individual stock quantities are normalised cross-sectionally to create Z-Scores within each eligible universe according to:

$$Z_{F,i} = \frac{F_i - \mu_F}{\sigma_F} \quad \text{where } F \in \{E, OE, GR, \text{Log}(R)\} \quad (1)$$

where  $F_i$  is the  $F$ -quantity of the  $i^{th}$  stock and  $\mu_F$  and  $\sigma_F$  are its cross-sectional factor mean and standard deviation respectively.

Z-Scores that are greater (less) than three (minus three) are truncated to a value of three (minus three). Post-truncation, individual Z-Scores are renormalized by the re-application of equation (1).

All Z-Scores, including truncated ones are included in this re-application. This process is repeated until all Z-Scores lie in a range between plus and minus three. Missing data is excluded from this process.

- Missing ESG ratings and Operational Carbon Emissions Intensities are assigned a Z-Score of 0 at the end of the process described in 5.5.1.
- Companies identified as having non-zero Fossil Fuel Reserves Intensities but with no available reserves data are treated as having missing data when calculating the Z-Scores in 5.5.1. However at the end of the process they are assigned a Z-Score in accordance with the following rules:
- Companies in the ICB sub-sector Coal (60101040) which do not have reserve data available are assigned the average Z-score of companies in the Coal sub-sector. If there are no companies in the Coal sub-sector with reserve data, the Z-score of 0 is assigned.
- Companies in the following ICB sub-sectors which do not have reserve data available are assigned the average Z-score of all companies in this group of sub-sectors. If there are no companies in this group of sub-sectors with reserve data, a Z-score of 0 is assigned.
  - Integrated Oil and Gas (60101000)
  - Oil: Crude Producers (60101010)
  - Offshore Drilling and Other Services (60101015)
  - Oil Refining and Marketing (60101020)
  - Oil Equipment and Services (60101030)
  - Pipelines (60101035)
- Companies in the ICB sub-sector General Mining (55102000) which do not have reserve data available, but that are identified from the FTSE Sustainable Investment data to own coal reserves are assigned the average Z-score of the remaining companies in the General Mining sub-sector which own reserves and for which data is available. If no companies in the General Mining sub-sector have reserve data, a Z-score of 0 is assigned.
- Companies outside of the specified ICB sub-sectors which do not have reserve data available, but which are identified from the FTSE Sustainable Investment data to own coal reserves are assigned the average Z-score of companies outside the list of ICB sub-sectors which own reserves and for which data is available.
- If there are no companies outside of the specified ICB sub-sectors with reserve data, a Z-score of 0 is assigned.

- Companies with zero Fossil Fuel Reserve Intensities or Green Revenues are treated as having missing data when calculating the Z-Scores in 5.5.1. At the end of the process they are assigned a Z-Score of -3.

5.6 Further details on the use of third party sustainable investment data used in FTSE Russell indexes can be found in the following guide:

[Guide to Third Party Sustainable Investment Data used in FTSE Russell Indexes.pdf](#)

## Section 6

# Index Construction

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### 6.0 Index Construction

#### 6.1 General Overview

- 6.1.1 At each quarterly review the product involvement exclusion list (see Appendix A) and the UNGC controversies exclusion list (see Appendix B) are applied to an underlying universe of free-float adjusted market capitalization weights  $W_{M_i}$  of the FTSE All Share ex Investment Trusts Index. The weights of the remaining stocks are rescaled in proportion to their size so that they sum to one, yielding stock weights which will be referred to as  $\widehat{W}_{M_i}$ .
- 6.1.2 The weights  $\widehat{W}_{M_i}$  are used as the starting point of a portfolio construction technique (see 6.2) that targets a minimum Operational Carbon Emissions Intensity reduction of 50%, a minimum Fossil Fuel Reserves Intensity reduction of 50%, a minimum Green Revenues increase of 50% and an ESG uplift of 10% relative to the underlying. All of this is subject to industry, maximum stock capacity, maximum stock weight deviation, maximum company weight, minimum diversification and minimum weight constraints. These “target exposure” weights will be referred to as  $W_{F_i}$ .

#### 6.2 Target Exposure Index Construction

- 6.2.1 The detailed construction methodology for Target Exposure indexes is set out in the FTSE Global Factor Index Series Ground Rules.
- 6.2.2 The weights of each target exposure index satisfy:

$$W_{F_i} = \frac{S_{E,i}^n \times S_{OE,i}^p \times S_{R,i}^q \times S_{GR,i}^r \times I_i \times \Phi_i \times \Psi_i \times \widehat{W}_{M_i}}{\sum_j S_{E,j}^n \times S_{OE,j}^p \times S_{R,j}^q \times S_{GR,j}^r \times I_j \times \Phi_j \times \Psi_j \times \widehat{W}_{M_j}} \quad (2)$$

where  $S_{E,i}^n$ ,  $S_{OE,i}^p$ ,  $S_{R,i}^q$  and  $S_{GR,i}^r$  are ESG, Operational Carbon Emissions Intensity, Fossil Fuel Reserve Intensity and Green Revenues tilts of strengths  $n$ ,  $p$ ,  $q$  and  $r$  respectively,  $S_{F,i} = \text{Exp}(Z_{F,i})$ ,  $I_i$  are a set of industry tilts,  $\Phi_i$  is a max capacity/max deviation/max company weight tilt,  $\Psi_i$  is the turnover tilt and  $\widehat{W}_{M_i}$  are the weights defined in 6.1.

The tilts in equation (2) are chosen so that the resultant target exposure weights  $W_{F_i}$  satisfy each of the following targets and constraints. The solution method is described in FTSE Global Factor Index Series Ground Rules.

6.2.3 The Operational Carbon Emissions Intensity, Fossil Fuel Reserve Intensity and Green Revenue constraints are given by:

$$\sum_i W_{F_i} OE_i \leq 0.5 * \sum_i W_{M_i} OE_i, \quad \sum_i W_{F_i} R_i \leq 0.5 * \sum_i W_{M_i} R_i$$

$$\text{and } \sum_i W_{F_i} GR_i \geq 1.5 * \sum_i W_{M_i} GR_i$$
(3)

where  $OE_i$ ,  $R_i$  and  $GR_i$  are the Operational Carbon Emissions Intensity, the Fossil Fuel Reserve Intensity and the Green Revenues of stock  $i$ .

This is equivalent to the requirement that the target exposure index has at most 50% of the weighted Operational Carbon Emissions Intensity and weighted Fossil Fuel Reserve Intensity and at least 150% of the Green Revenues of the underlying index.

6.2.4 The ESG rating target is given by:

$$\sum_i W_{F_i} E_i = 1.1 * \sum_i W_{M_i} E_i$$
(4)

where  $E_i$  is the ESG rating of stock  $i$ .

This is equivalent to the requirement that the target exposure index has a 10% uplift in the weighted ESG rating compared to the underlying index. Where a 10% uplift represents an increase of more than one market capitalization weighted standard deviation, a percentage increase corresponding to one market capitalization weighted standard deviation is targeted.

6.2.5 The aggregate stock weight of the target exposure index in the  $H^{th}$  ICB industry  $J_H$  satisfies:

$$\sum_{i \in J_H} W_{F_i} = T_{J_H} \quad \text{where } H = 1, \dots, J$$
(5)

where  $T_{J_H}$  is a target industry weight that sits between lower and upper bounds satisfying:

$$J_{H_L} = \text{Max} \left[ \sum_{i \in J_H} W_{M_i} + P_j, 0 \right] \quad \text{and} \quad J_{H_U} = \text{Min} \left[ \sum_{i \in J_H} W_{M_i} + Q_j, 1 \right]$$
(6)

with  $P_j = -0.02$  and  $Q_j = 0.02$ .

This is equivalent to requiring that the industrial weightings of the target exposure index deviate by no more than +/-2% from the underlying industrial weightings.

6.2.6 A maximum capacity constraint is imposed so that:

$$\frac{W_{Fi}}{W_{Mi}} \leq 5 \quad \text{for all } i \quad (7)$$

along with the constraints that the maximum weight of a company is 7.5%, the maximum stock weight deviation from the underlying is 3% and the minimum stock weight is 5 basis points.

6.2.7 A maximum two-way turnover of 10% is imposed at each quarterly rebalance.

6.2.8 The tilts in equation (2) are chosen so that all targets and constraints are satisfied simultaneously. The iterative method of solution, outlined in FTSE Global Factor Index Series Ground Rules, is allowed to loop 100 times before relaxation and without the factor exposure stopping criteria being applied since no factor exposures are considered here.

6.2.9 Should relaxation be required, ESG, Emissions, Reserves and Green Revenue targets and constraining bounds are each reduced repeatedly by 2.5% of their original values until a solution satisfying the relaxed targets becomes feasible. This occurs up to a maximum of 10 times.

6.2.10 Should there be no feasible solution on 10 relaxations, the turnover constraint is set to 15% and Rules 6.2.8 and 6.2.9 are re-applied starting with the original targets and bounds.

6.2.11 Should there be no feasible solution on application of Rule 6.2.10, the turnover constraint is removed and Rules 6.2.8 and 6.2.9 are re-applied starting with the original targets and bounds. At this point the relaxation process of Rule 6.2.9 is allowed to occur a maximum of 40 times or until a feasible solution is found.

6.2.12 The final set of weights comprises the FTSE All Share ex Investment Trusts ESG Climate Select Index.



## Section 7

# Periodic Review

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### 7.0 Periodic Review

#### 7.1 Review and Price Dates

- 7.1.1 The FTSE All Share ex Investment Trusts Index (the underlying index) is reviewed quarterly in March, June, September and December.
- 7.1.2 Following the review of the underlying index, the FTSE All Share ex Investment Trusts ESG Climate Select Index will be reviewed quarterly in March, June, September and December. The review will be implemented after the close of business on the third Friday of the review month.
- 7.1.3 Index Reviews will use stock prices available at the close of the Wednesday before the first Friday of the review month (Price Cut-off Date).
- 7.1.4 The review will be implemented after the close of business on the third Friday of the review month.



## Section 8

# Changes to Constituent Companies

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### **8.0 Changes to Constituent Companies**

- 8.1 Additions to the FTSE All Share ex Investment Trusts ESG Climate Select Index will be considered for inclusion at the next quarterly review only if they exist in the underlying FTSE All Share ex Investment Trusts Index.
- 8.2 A constituent will be removed from the FTSE All Share ex Investment Trusts ESG Climate Select Index if it is also removed from the underlying FTSE All Share ex Investment Trusts Index. The deletion will be concurrent with the deletion from the underlying FTSE All Share ex Investment Trusts Index and its weight will be distributed pro-rata among the remaining constituents in the FTSE All Share ex Investment Trusts ESG Climate Select Index.



## Section 9

# Corporate Actions and Events

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### 9.0 Corporate Actions and Events

- 9.1 The FTSE All Share ex Investment Trusts ESG Climate Select Index will follow the same corporate actions and events treatment as the FTSE Global Factor Index Series Ground Rules.
- 9.2 If a constituent in the underlying index 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 FTSE All Share ex Investment Trusts ESG Climate Select Index will remain unchanged pre and post such an event.
- 9.3 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 Indexes using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indexes.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. The index will be adjusted in line with 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.

### 9.4 Suspension of Dealing

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

## 9.5 **Takeovers, Mergers and Demergers**

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



## Section 10

# Treatment of Dividends

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### 10.0 Treatment of Dividends

10.1 Declared dividends are used to calculate the FTSE All Share ex Investment Trusts ESG Climate Select Total Return Indexes. All dividends are applied on the ex-div date.

Net-of-tax Total Return Indexes are also calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit 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](#)



## Appendix A: Product Involvement Exclusions

At each quarterly review, FTSE Russell will exclude companies from the underlying eligible universe of the FTSE All Share ex Investment Trusts ESG Climate Select Index that meet the criteria in Table 3 (see Rule 6.1.1). This data is provided by third party data vendor, Sustainalytic

**Table 3: Product Involvement Exclusions**

Exclusions	Threshold
<b>Weapons: Anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions</b>	
Companies providing core weapon systems or components/services of the core weapon system for these weapons.	Any involvement
Companies that have significant corporate ownership in core weapon systems or components/services of the core weapon system for these weapons.	Any involvement
<b>Military Contracting</b>	
Companies producing military weapons systems and/or integral, tailor made components of these weapons	Over 5% revenues
Companies that have significant corporate ownership in producing military weapons systems and/or integral, tailor made components of these weapons.	Any involvement
Companies providing tailor-made products and/or services that support military weapons.	Over 10% revenues
Companies that have significant corporate ownership in providing tailor-made products and/or services that support military weapons.	Any involvement
Companies providing non-weapons related tailor made products and/or services related to the military or defense industry.	Over 10% revenues
Companies that have significant corporate ownership in providing non-weapons related tailor made products and/or services related to the military or defense industry.	Any involvement

<b>Small Arms</b>	
Companies producing and selling assault weapons to civilian customers.	Any involvement
Companies that have significant corporate ownership in producing and selling assault weapons to civilian customers.	Any involvement
Companies producing and selling small arms to military/law enforcement.	Over 10% revenues
Companies that have significant corporate ownership in producing and selling small arms to military/law enforcement.	Any involvement
Companies producing and selling key components of small arms.	Any involvement
Companies that have significant corporate ownership in producing and selling key components of small arms.	Any involvement
Companies involved in the retail and/or distribution of assault weapons.	Over 5% revenues
Companies that have significant corporate ownership in retail and/or distribution of assault weapons.	Any involvement
Companies involved in the retail and/or distribution of small arms (non-assault weapons).	Over 5% revenues
Companies that have significant corporate ownership of in retail and/or distribution of small arms (non-assault weapons)	Any involvement
Companies producing and selling small arms (non-assault weapons) to civilian customers.	Any involvement
Companies that have significant corporate ownership in producing and selling small arms (non-assault weapons) to civilian customers.	Any involvement
<b>Tobacco</b>	
Companies manufacturing tobacco products	Any involvement
Companies that have significant corporate ownership in manufacturing tobacco products	Any involvement
Companies supplying tobacco-related products/services.	Over 5% revenues
Companies that have significant corporate ownership in supplying tobacco-related products/services.	Any involvement
Companies involved with distribution and/or retail sales of tobacco products.	Over 5% revenues
Companies that have significant corporate ownership in distribution and/or retail sales of tobacco products.	Any involvement

<b>Adult Entertainment</b>	
Companies producing adult entertainment and/or owns/operates adult entertainment establishments.	Over 5% of revenues
Companies that have significant corporate ownership in producing adult entertainment and/or owns/operates adult entertainment establishments.	Any involvement
Companies distributing adult entertainment materials.	Over 10% of revenues
Companies that have significant corporate ownership in distributing adult entertainment materials.	Any involvement
<b>Gambling</b>	
Companies that own and/or operate a gambling establishment.	Over 5% of revenues
Companies that have significant corporate ownership in owning and/or operating a gambling establishment.	Any involvement
Companies manufacturing specialized equipment used exclusively for gambling.	Over 10% of revenues
Companies that have significant corporate ownership in manufacturing specialized equipment used exclusively for gambling.	Any involvement
Companies providing supporting products/services to gambling operations.	Over 10% revenues
Companies that have significant corporate ownership in supporting products/services to gambling operations.	Any involvement
<b>Cannabis</b>	
Companies involved in the development and/or cultivation of cannabis for recreational purposes.	Any revenue
Companies that have significant corporate ownership in the development and/or cultivation of cannabis for recreational purposes.	Any involvement
Company involved in the distribution and/or retail sale of cannabis for recreational purposes.	Any revenue
Companies that have significant corporate ownership in the distribution and/or retail sale of cannabis for recreational purposes.	Any involvement
<b>Arctic Oil &amp; Gas Exploration</b>	
Companies involved in oil and gas exploration in the Arctic regions.	Over 10% revenues
Companies that have significant corporate ownership in oil and gas exploration in the Arctic regions.	Any involvement
<b>Oil Sands</b>	
Oil sands extraction	Over 10% of oil sands' share of total oil and gas average production in barrels of oil equivalent per day.
Companies that have significant corporate ownership in oil sands extraction	Any involvement

<b>Thermal Coal</b>	
Thermal coal extraction	Over 5% revenues
Companies that have significant corporate ownership in thermal coal extraction	Any involvement
Companies generating electricity from thermal coal	Over 5% revenues
Companies that have significant corporate ownership in generating electricity from thermal coal	Any involvement
<b>Nuclear power</b>	
Companies generating electricity from nuclear power	10% of generating capacity
Companies that have significant corporate ownership of in generating electricity from nuclear power	Any involvement
Companies providing products/services that support the nuclear power industry	Over 10% revenues
Companies that have significant corporate ownership in products/services that support the nuclear power industry	Any involvement
Companies distributing electricity generated from nuclear power	Over 10% revenues
Companies that have significant corporate ownership in distributing electricity generated from nuclear power	Any involvement



## Appendix B: UNGC Controversies Exclusions

At each quarterly review, FTSE Russell will apply the UN Global Compact (UNGC) controversies exclusion list outlined in Table 4 to the underlying eligible universe of the FTSE All Share ex Investment Trusts ESG Climate Select Index. This data is provided by third party data vendor, Sustainalytics

Prior the 2019, the UNGC controversies exclusion will only apply to index constituents that are also constituents of the FTSE All World index.

**Table 4: UNGC Controversies Exclusions**

Exclusions	Threshold
<b>UN Global Compact (UNGC) Controversies</b>	
Companies involved in controversies related to the UNGC principles. The principles are classified into four categories: Human Rights, Labor, Environment and Anti-corruption.	All companies deemed to be non-compliant



## Appendix C: Further Information

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