



FTSE4Good Index Series

v3.0



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Section 1

Introduction

1.0 Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE4Good Index Series. Copies of these Ground Rules are available at www.ftserussell.com.
- 1.2 The FTSE4Good Index Series is designed to create a family of indexes in response to the growing interest in socially responsible investment around the world.
- 1.3 The following Indexes are calculated:

FTSE4Good Index	Currency:
FTSE4Good Developed Index	USD
FTSE4Good USA Index	USD
FTSE4Good Europe Index	EUR
FTSE4Good UK Index	GBP
FTSE4Good Australia Index	AUD
FTSE4Good Developed 100 Index	USD
FTSE4Good USA 100 Index	USD
FTSE4Good Europe 50 Index	EUR
FTSE4Good UK 50 Index	GBP
FTSE4Good Australia 30 Index	AUD
FTSE4Good Japan Index	JPY
FTSE4Good Emerging Index	USD
FTSE4Good ASEAN 5 Index	USD
FTSE4Good Emerging Latin America Index	USD

- 1.4 The indexes may be calculated in real time.
- 1.5 Price and total return indexes will be calculated on an end of day basis.

Total return indexes include income based on ex dividend adjustments. All dividends are applied as declared in FTSE total return indexes.

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 MTSNext Limited), Mergent, Inc., FTSE Fixed Income LLC and The Yield Book Inc.

1.7 **IOSCO**

1.7.1 FTSE considers that the FTSE4Good Index Series meets the IOSCO Principles for Financial Benchmarks as published in July 2013.

1.8 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 benchmark to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.9 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 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)

FTSE is the benchmark administrator of the index series.

2.2 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 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 indexes.

2.3 FTSE Russell ESG Advisory Committee

2.3.1 To assist in the oversight of the ESG Indexes including the FTSE4Good Index Series FTSE has established the FTSE Russell ESG Advisory Committee (the “Committee”). The membership of the Committee includes independent investment professionals experienced in environmental, social and governance factors.

2.3.2 The Committee is responsible for advising on the content and management of the FTSE4Good Index and the criteria for the ESG Ratings Model. They may also recommend and advise on associated changes to the methodology and Index Rules..

2.3.3 FTSE Russell in consultation with the Committee may, at its semi-annual meetings, change existing criteria, remove existing criteria, or add new criteria.

2.3.4 FTSE Russell will endeavour to give six months notice before implementation of changes to the selection criteria.

2.4 **Amendments to these Ground Rules**

- 2.4.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to meet the current and future requirements of investors and other index users. 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.
- 2.4.2 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.



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 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules and the FTSE UK Index Series Ground Rules.

3.2 **Statement of Principles for FTSE Russell Equity Indexes (the Statement of Principles)**

Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the 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 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:

[Statement of Principles.pdf](#)

3.3 **Queries, Complaints and Appeals**

A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indexes from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

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

[Benchmark Determination Complaints Handling Policy.pdf](#)

FTSE Russell's Appeal Process can be accessed using the following link:

[Appeals Against Decisions.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 **Recalculation Policy and Guidelines**

3.6.1 The FTSE4Good Index Series is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE4Good 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](#)

3.7 **FTSE Russell Policy for Benchmark Methodology Changes**

3.7.1 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 FTSE4Good Indexes and FTSE4Good Tradable Indexes

4.1.1 Eligible securities for the FTSE4Good Indexes are determined by the eligibility criteria in Section 6.

4.2 Underlying Indexes

4.2.1 Companies that are eligible for inclusion in the relevant FTSE4Good, or FTSE4Good Tradable Index (Rule 4.2) must be constituents of the following underlying indexes:

FTSE4Good Indexes

FTSE4Good Developed Index
FTSE4Good USA Index
FTSE4Good Europe Index
FTSE4Good UK Index
FTSE4Good Japan Index
FTSE4Good Emerging Index
FTSE4Good Emerging Latin America Index
FTSE4Good ASEAN 5 Index

FTSE4Good Australia 30

Underlying Indexes

FTSE Developed Index
FTSE USA Index
FTSE Developed Europe Index
FTSE All-Share Index
FTSE Japan Index
FTSE Emerging Index
FTSE Emerging Latin America Index
FTSE Indonesia Index
FTSE Malaysia Index
FTSE Philippines Index
FTSE Singapore Index
FTSE Thailand Index
FTSE Australia Index

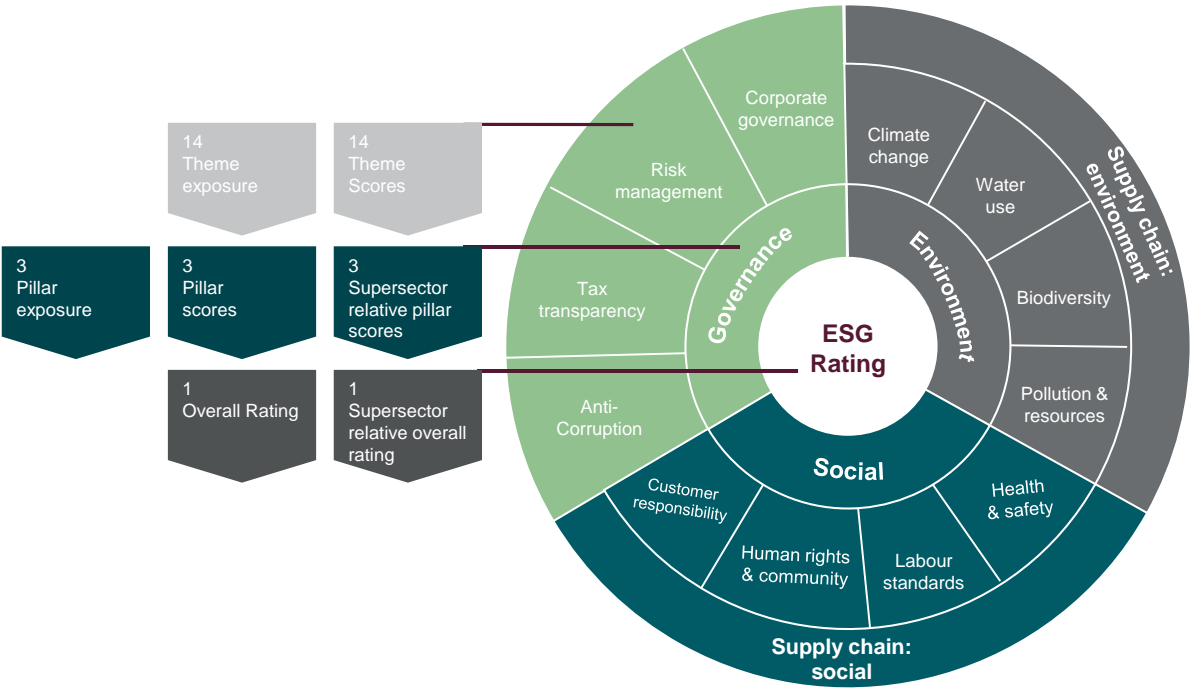
A FTSE4Good Index constituent will have the same investability weighting as applied in the relevant underlying index. The FTSE4Good Indexes will be governed by the Ground Rules of each underlying index with regards to criteria concerning liquidity, the suspension of stocks, calculation methodologies etc.

Section 5

ESG Ratings Data Model

5.0 The ESG Ratings Data Model

- 5.1 The ESG Ratings data model contains over 300 Indicators across 14 Themes and 3 Pillars. Please see the diagram below for an overview. Details of the data model are provided on the FTSE Russell website.
- 5.2 The ESG criteria are based only on publicly available data, and in assessing ESG practice FTSE Russell does not accept data or information privately provided by companies. This improves the credibility of data and enhances transparency across the market.
- 5.3 The ESG Ratings fall under the oversight of an independent committee comprising experts drawn from the investment community, companies, NGOs, unions and academia. The committee meets regularly to oversee ESG Rating reviews and methodology development.





Section 6

Eligibility Criteria

6.0 Eligibility Criteria

6.1 Constructing the FTSE4Good Index Series

- 6.1.1 The ESG Ratings are used as the core basis to determine the constituents of the FTSE4Good Index Series.
- 6.1.2 Each company in the research universe is given a ESG Rating ranging from 0 to 5, with 5 being the highest rating.
- 6.1.3 FTSE Russell classifies countries as Developed, Advanced Emerging, Secondary Emerging, and Frontier markets.¹ The nationality of companies in FTSE indexes is determined by a transparent, objective and consistent approach.
- 6.1.4 Companies in a Developed market require an ESG Rating of 3.1 or above to be added to the FTSE4Good Index Series, subject to the additional requirements shown in Rule 6.2.
- 6.1.5 Companies in an Emerging Market require an ESG Rating of 2.5 or above to be added to the FTSE4Good Index Series, subject to the additional requirements stated in Rule 6.2.
- 6.1.6 Constituents of the FTSE4Good Index Series in a Developed market and an ESG Rating below 2.7 are at risk of deletion from the FTSE4Good Index Series.
- 6.1.7 Constituents of the FTSE4Good Index Series in an Emerging market and an ESG Rating below 2.1 are at risk of deletion from the FTSE4Good Index Series.
- 6.1.8 Over time, FTSE Russell intends to gradually raise the addition and deletion thresholds above for both Developed and Emerging Markets and reduce the difference between the two groups.
- 6.1.9 FTSE Russell will make reasonable endeavours to inform any companies that are in the FTSE4Good Index Series and have an ESG Rating below the required level. If a constituent of the FTSE4Good Index Series still scores below the required level following a 12 month period they will be deleted unless FTSE Russell, following consultation with the FTSE Russell ESG Advisory Committee, approves a longer period to apply.

6.2 Additional Requirements

In addition to the requirements set out above, the following considerations also apply in assessing eligibility for inclusion in the FTSE4Good Index Series.

¹See <http://www.ftse.com/products/indices/country-classification>

6.2.1 Exclusions

Companies which manufacture or produce the products below are not included in the FTSE4Good Index Series. Constituents of the FTSE4Good Index Series which subsequent to their inclusion become involved in the manufacture or production of the products set out below will be removed from the FTSE4Good Index Series at the next Index review:

- Tobacco
- Weapons systems
- Components for controversial weapons; cluster munitions, anti-personnel mines, depleted uranium, chemical/biological weapons and nuclear weapons.

Coal – Companies that are categorised within the Industry Classification Benchmark (ICB²) Subsector of 1771 Coal.

- Investment Trusts – companies in the ICB Subsectors 8985 and 8995 are not researched for ESG and are ineligible for the FTSE4Good Index.

6.2.2 Nuclear Power Generation and Manufacturers of Infant Formula

In addition to the inclusion criteria set out above, companies involved in more controversial business areas may have to meet a higher requirement for inclusion:

- Nuclear power generation companies must meet all except one of the applicable sector specific indicators in the Health & Safety Theme.
- Companies involved in manufacturing infant formula must all except one of the sector specific indicators in the Customer Responsibility Theme.

6.3 Controversy Monitoring

The FTSE Russell controversies assessment complements the ESG Ratings in formulating the FTSE4Good Indexes. The treatment of companies by the controversies assessment differs depending on whether the company is a current constituent or not.

6.3.1 Non-constituents

Companies identified as having significant controversies are not added to the FTSE4Good Index Series at a review and placed on a watchlist. The watchlist is determined through a process which systematically analyses the seriousness of ESG incidents, criticism, and allegations against companies and projects worldwide to determine how controversial a company is. The top five percent of companies in the FTSE All World universe with the most significant allegations are included in the watchlist at a review; companies in wider FTSE4Good Universes that meet the threshold for the watchlist are also not added to their respective FTSE4Good Indexes. The watchlist also includes companies where any of the world's largest asset owners (top 20 by aum) currently take a public stance in excluding that company from their portfolios on the basis of environmental, social or governance concerns.

6.3.2 Current Constituents

FTSE Russell monitors news outlets for controversies in which current FTSE4Good Index constituents are implicated; this controversies assessment is based on two defining parts, an Exposure based on significance and a Score focused on quality of response. The Assessment is applied in a systematic manner and constituents are suspended from the FTSE4Good Index for a period of two years where the Assessment breaches a threshold level that equates to the most extreme ESG controversies. Following a two year suspension a company must demonstrate that it

² <http://www.icbenchmark.com/>

has taken appropriate action to rectify the effects of the controversial incident and prevent a reoccurrence before it can be permitted to reenter the FTSE4Good Index, subject to meeting all other criteria.

6.4 **Companies with a Low Score in a Theme Where Assessed as High Exposure**

Companies within a developed market that have a score of zero or one in any applicable High Exposure Theme will not be added to the FTSE4Good Index Series.



Section 7

Index Inclusion Criteria

7.0 Index Inclusion Criteria

7.1 Eligible securities (other than the FTSE4Good ASEAN 5 Index) that pass the eligibility criteria detailed in Section 4 are automatically members of the appropriate FTSE4Good Index.³

Where the FTSE4Good index inclusion criteria change FTSE Russell may phase in resulting changes to the indexes.

7.2 Subject to the country capping rules below, constituents of the FTSE4Good ASEAN 5 Index that pass the eligibility criteria detailed in Section 4 are automatically members of the FTSE4Good ASEAN 5 Index.

There is a ceiling weight for every country in the FTSE4Good ASEAN 5 Index as follows:

- A. if any market has a weight in the index greater than 33.3%, the smallest constituent in that country by full market capitalisation will be removed,
- B. the implementation of Rule 7.2A will be repeated until all countries have a weight in the index less than or equal to 33.3%.

7.3 The FTSE4Good UK & Europe Tradable Indexes will consist of the largest 50 companies in the relevant FTSE4Good Index, by full market value (i.e. before the application of any investability weightings), at each periodic review. The FTSE4Good USA and Tradable Indexes will consist of the largest 100 companies in the relevant FTSE4Good Index, by full market values (i.e. before the application of any investability weightings).

7.4 The FTSE4Good Australia 30 Index will consist of the largest 30 companies from the FTSE Australia Index that are in the FTSE4Good Index ranked by full market capitalisation.

7.4.1 FTSE4Good Tradable Indexes will be capped using FTSE Russell's capping methodology. The FTSE4Good Indexes for each region will not be capped (see Appendix A).

The FTSE4Good Australia 30 is capped at 10%.

³ Those companies that are in the FTSE4Good Bursa Malaysia Index and are large or mid cap companies in the FTSE ASEAN Index at the commencement of the FTSE4Good ASEAN 5 Index will be deemed to be eligible for inclusion in the FTSE4Good ASEAN 5 Index from the date of that commencement, but thereafter be subject to the normal eligibility rules for the FTSE4Good ASEAN 5 Index.



Section 8

Periodic Review of Constituents

8.0 Periodic Review of Constituents

- 8.1 The FTSE4Good Index Series is reviewed semi-annually in June and December, using market data as at the close of business of the Monday 4 weeks prior to review effective date.
- 8.2 Changes arising from the reviews of the FTSE4Good Index Series will be implemented after the close of business on the third Friday (i.e. effective Monday) of June and December.

8.3 FTSE4Good Indexes

- 8.3.1 All companies in the underlying FTSE4Good universes are reviewed by FTSE Russell using the Eligibility Criteria shown in Section 6.
- 8.3.2 All companies in each underlying universe that pass the relevant eligibility criteria detailed in Section 6 at the review date are included in the relevant FTSE4Good Index.

8.4 FTSE4Good Tradable Indexes

- 8.4.1 The rules for inserting and deleting securities at the periodic review are designed to provide stability in the selection of constituents of the FTSE4Good Indexes while ensuring that the Indexes continue to be representative of the largest securities included in each FTSE4Good Index by including or excluding those securities which have risen or fallen significantly.
- 8.5 The procedure for deciding the addition and deletion of companies to the FTSE4Good Tradable Indexes is as follows:
 - 8.5.1 All constituents of the relevant FTSE4Good Index are ranked by full market capitalisation. The market capitalisation of a constituent's multiple lines are aggregated for the purposes of ranking.
 - 8.5.2 A constituent of the FTSE4Good Developed or USA Tradable Index will be inserted at the semi-annual review if it rises to 90th position or above.
 - 8.5.3 A constituent of the FTSE4Good Developed or USA Tradable Index will be deleted at the semi-annual review if it falls to 111th position or below.
 - 8.5.4 A constituent of the FTSE4Good Europe or UK Tradable Index will be inserted at the semi-annual review if it rises to 40th position or above.
 - 8.5.5 A constituent of the FTSE4Good Europe or UK Tradable Index will be deleted at the semi-annual review if it falls to 61st position or below.

- 8.5.6 A constituent of the FTSE4Good Australia 30 Index will be inserted at the semi-annual review if it rises to 27th position or above.
- 8.5.7 A constituent of the FTSE4Good Australia 30 Index will be deleted at the semi-annual review if it falls to 34th position or below.
- 8.5.8 A constant number of constituents will be maintained for each FTSE4Good Tradable Index. Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.
- 8.5.9 At implementation date, cap each Tradable Index so that no company represents more than 10% of the index (see Appendix A). Company's weightings will be allowed to float between reviews.

8.6 Reserve lists

- 8.6.1 FTSE Russell will be responsible for publishing the ten highest ranking non-constituents of each FTSE4Good Tradable Index that are members of the relevant FTSE4Good Index. The appropriate Reserve List will be used in the event that one or more constituents are deleted from a FTSE4Good Tradable Index during the period up to the next semi-annual review.
- 8.6.2 FTSE4Good Australia 30
- FTSE Russell will be responsible for publishing the three highest ranking non-constituents of the FTSE4Good Australia 30 Index that are members of the FTSE Australia Index. The Reserve List will be used in the event that one or more constituents are deleted from the FTSE4Good Australia 30 Index during the period up to the next semi-annual review.



Section 9

Changes to Constituent Companies

9.0 Changes to Constituent Companies

9.1 Removal and replacement

- 9.1.1 If a constituent of a FTSE4Good Tradable Index ceases to be a constituent of the relevant FTSE4Good Index it will be removed from the FTSE4Good Tradable Index. The removal will be concurrent with its removal from the relevant FTSE4Good Index. The constituent will be replaced by the highest-ranking company by market cap eligible in the appropriate Reserve List as at the close of the index calculation two days prior to the deletion.
- 9.1.2 If a constituent of a FTSE4Good Index ceases to be a constituent of the relevant Constituent Universe Index it will be removed from the FTSE4Good Index. The removal will be concurrent with its removal from the relevant Constituent universe index. Constituents removed from a FTSE4Good Index are not replaced between reviews.

9.2 New issues

- 9.2.1 All new entrants (either fast entries or normal review entries) to the Index Universes of the FTSE4Good Indexes will be eligible to join the relevant FTSE4Good Index, if they have been in the Index Universe for at least six months, at the semi-annual review. If there are more than 50 companies from any one of the following regions (UK, Rest of Europe, North America or Asia Pacific) that join the Index Universes at any specific FTSE4Good semi-annual review, then only the largest 50 will be eligible. These largest 50 will be identified by gross market capitalisation taken at the last day of trading of the month of the previous semi-annual review (last trading day of the previous December for June reviews, and the last trading day of the previous June for December reviews).

9.3 Mergers and takeovers

- 9.3.1 Where two FTSE4Good Index constituents merge, or one FTSE4Good Index constituent is acquired by another constituent, the resulting company will remain a constituent. If such an event occurs in a FTSE4Good Tradable Index, the highest ranking eligible reserve list company will be added to the index.
- 9.3.2 If a constituent of the FTSE4Good Index acquires a non-constituent, the resultant entity will remain a constituent of the index.
- 9.3.3 If an existing constituent is acquired by a non-constituent, the resultant entity will be deleted from the FTSE4Good Index. The eligibility of the resultant entity will be assessed in full at the next semi-annual review occurring at least 6 months after the takeover. If such an event occurs in a FTSE4Good Tradable Index, the highest ranking eligible reserve list company will be added to the index.

- 9.3.4 If a constituent splits and forms two or more companies and any of the new entities are retained in the underlying index (see Section 4), those new entities will be retained in the FTSE4Good Index. The eligibility of the resulting companies will be assessed in full at the next semi-annual review occurring at least 6 months after the demerger. If such an event occurs in a FTSE4Good Tradable Index the lowest ranking constituent will be removed from the index.
- 9.3.5 Index constituent changes resulting from a split will be determined based on market values at close on day one of trading and applied with two days' notice. Consequently a FTSE4Good Tradable Index may have more than its fixed number of companies for three days.
- 9.4 FTSE Russell may, in exceptional circumstances, convene a special meeting to advise on the eligibility of corporate entities arising from corporate events where these give rise to immediate concern as to the eligibility of the resulting companies. FTSE Russell may determine that the circumstances are such that one or more of the resulting companies will be ineligible for the FTSE4Good Index.
- 9.5 **Special situations**
- 9.5.1 FTSE Russell may examine special situations that may arise from time to time. On extremely rare occasions, individual companies might be deemed by FTSE Russell to be ineligible for FTSE4Good Index Series as a result of such a situation.
- 9.5.2 In exceptional circumstances (e.g., the index becomes distorted by a major corporate event), FTSE Russell may agree to re-cap the Tradable Indexes, providing at least 5 days notice is given.



Appendix A: Application of Capping at the Semi-Annual Reviews

Capping is applied to the constituents of each FTSE4Good Tradable Index, if required, by the following methodology:-

At the semi-annual review, the constituents of the FTSE4Good Developed 100 Index, the FTSE4Good USA 100 Index, the FTSE4Good Europe 50 and the FTSE4Good UK 50 Index are capped at the close of business on the second Friday in June and December. The capping is implemented after close of business on the third Friday in June and December based on the constituents, prices adjusted for corporate actions, shares in issue and free float on the next trading day following the third Friday of the review month.

The constituents in the appropriate sector index are ranked by investible market capitalisation and the weight for each constituent in the Index is determined.

Stage 1

Any companies whose weights are greater than 10% are capped at 10%. The weights of all lower ranking companies are increased correspondingly. The weights of lower ranking companies are then checked and if they exceed 10% they are also capped at 10%. This process is repeated until no constituent weight exceeds 10%.

Stage 2

(a) Capping the largest company at 10%

If more than one company is capped at 10% in Stage 1, then weights of all subsequent companies previously capped at 10% are changed in accordance with the rules detailed below.

For example, if the second largest company is capped at 10% its weight will be reduced to 9% as detailed in Stage 2b below. Thus only one company will have a 10% weight in the index.

(b) Capping the second largest company at 9%

If the weight of the second largest company is greater than 9% the company's weight is capped at 9% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto stage 2c.

Please note: Where the 40% threshold is breached we move to stage 2c even if the second largest company has not been capped.

(c) Capping the third largest company at 8%

If the weight of the third largest company is greater than 8% the company's weight is capped at 8% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto stage 2d.

Please note: Where the 40% threshold is breached we move to stage 2d even if the third largest company has not been capped.

(d) Capping the fourth largest company at 7%

If the weight of the fourth largest company is greater than 7% the company's weight is capped at 7% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto stage 2e.

Please note: Where the 40% threshold is breached we move to stage 2e even if the fourth largest company has not been capped.

(e) Capping the fifth largest company at 6%

If the weight of the fifth largest company is greater than 6% the company's weight is capped at 6% and the weights of the remaining companies are increased correspondingly.

Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto stage 2f.

Please note: Where the 40% threshold is breached we move to stage 2f even if the fifth largest company has not been capped.

(f) Capping the sixth largest company at 4%

If the weights of the sixth largest company and any lower ranking companies are greater than 4% those companies' weights are capped at 4% and the weights of lower ranking companies are increased correspondingly.

The process then moves to Stage 3.

Stage 3

Following the application of Stage 2, the weights of each company are checked. If the total index weight of those companies whose individual weights exceed 5% is greater than 40% in aggregate, then further capping is required and Stage 2 is repeated.

Companies are capped using prices as at the close of business on the second Friday in March, June, September and December and shares in issue and free float adjusted for corporate actions as at the Monday after the third Friday. The capping is implemented after the close of business on the third Friday of March, June, September and December.

In exceptional circumstances the FTSE4Good Tradable Indexes will be re-capped outside of the time of the semi-annual reviews if the impact of a corporate action is of a magnitude to warrant re-capping.



Appendix B: Foreign Exchange Rates

The foreign exchange rates used in the calculation of the FTSE4Good Index Series are WM/Reuters real time spot rates.

The US Dollar is the base currency for all index calculations. Non US Dollar denominated constituents prices are converted into US Dollars in order to calculate the Indexes.

The real time foreign exchange rates are used throughout the period of calculation. Therefore foreign exchange movements are taken into account in the Index calculation for each country even though the underlying market for that country may be closed.

The foreign exchange rates received from Reuters at 16:00 (UK time) are the bid rates and are used to calculate the final Index levels. These are termed the “closing foreign exchange rates”.



Appendix C: Further Information

A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

[Glossary.pdf](#)

Further information on the ESG Ratings can be accessed here:

[ESG Ratings](#)

Further information on the FTSE4Good Index Series is available from FTSE Russell or on the website

www.ftserussell.com.

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