

FTSE All Share ex Investment Trusts ESG Climate Select Index

v1.7



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Section 1

Introduction

1. 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.lseg.com/en/ftse-russell/

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 sections 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 FTSE Fixed Income Europe Limited), 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;
- any inaccuracies in these Ground Rules;
- any non-application or misapplication of the policies or procedures described in these Ground Rules; and/or
- any inaccuracies in the compilation of the index series or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the indices¹.

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; and
- disseminate the indices.

2.2 Amendments to these Ground Rules

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

¹ The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

Section 3

FTSE Russell index policies

3. 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 Indices using the following link:

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

3.3 Queries and complaints

A constituent or prospective constituent company (or professional adviser acting on behalf of the company), a national organisation or a group of no fewer than 10 users of the indices 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](#)

3.3.1 Index policy for trading halts and market closures

3.3.2 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](#)

3.4 Index policy in the event clients are unable to trade a market or a security

3.4.1 Details of FTSE Russell's treatment can be accessed using the following link:

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

3.5 Policy for benchmark methodology changes

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

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

3.6 FTSE Russell Governance Framework

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

[FTSE Russell Governance Framework.pdf](#)

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

³ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

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

Section 4

Sustainable investment (SI) data inputs

4. Sustainable investment (SI) data inputs

4.1.1 The following sustainable investment datasets are used in the construction of the indices.

SI data inputs	Details	Used for selection, weighting or exclusion ⁵
FTSE ESG Scores	FTSE Russell's ESG Scores and data model allows investors to understand a company's exposure to, and management of, ESG issues in multiple dimensions. More information can be found here: Guide to FTSE and Third Party Sustainable Investment Data used in FTSE Russell Indices	Weighting
FTSE Green Revenues	FTSE Russell's Green Revenues data model identifies companies providing green products and services and classifies associated revenues based on the Green Revenues Classification System (GRCS). GRCS is a taxonomy used to define and measure the industrial transition to a Green Economy. More information can be found here: https://research.ftserussell.com/products/downloads/FTSE_Green_Revenues_Classification_System.pdf	Weighting
Carbon emissions and carbon reserves data- Trucost	Trucost environmental data measures environmental impact including greenhouse gas emissions and fossil fuel reserves. More information can be found: https://www.marketplace.spglobal.com/en/datasets/trucost-environmental-(46)	Weighting
Product-related data – Sustainalytics	Sustainalytics Product Involvement data identifies the nature and extent of a company's involvement in a range of product and business activities. More information can be found here: Controversial Product Involvement (sustainalytics.com) and https://connect.sustainalytics.com/controversial-weapon-radar .	Exclusion
Conduct-related data – Sustainalytics	The dataset focuses on controversial conduct screening companies violating United Nations Global Compact (UNGC). Information about the methodology is available here: www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening . The data are 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 Sustainalytics score changes.	Exclusion

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

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

⁵ Definitions

Selection – SI data is used to select or rank constituents or calculate minimum scores or thresholds.

Weighting – SI data is used to calculate the weight of a constituent in an index.

Exclusion – SI data is used to exclude companies from the index.

This includes information on the data and standards used for these SI data inputs. These data sets may include estimated data.

Section 5

ESG and carbon data definitions

5. ESG scores, operational carbon emissions, fossil fuel reserves and green revenues

5.1 FTSE ESG Scores (E)

Please see the [Guide to FTSE and Third Party Sustainable Investment Data used in FTSE Russell Indices](#) for more information on FTSE ESG scores. 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 tonnes 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 tonnes 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:

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

where F_i is the F -quantity of the i^{th} stock and μ_F and σ_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 renormalised by the reapplication of equation (1).

All Z-scores, including truncated ones, are included in this reapplication. 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 scores 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 subsector coal (60101040), which do not have reserve data available, are assigned the average Z-score of companies in the coal subsector. If there are no companies in the coal subsector with reserve data, the Z-score of 0 is assigned.
- Companies in the following ICB subsectors, which do not have reserve data available, are assigned the average Z-score of all companies in this group of subsectors. If there are no companies in this group of subsectors 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 subsector 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 subsector which own reserves and for which data is available. If no companies in the general mining subsector have reserve data, a Z-score of 0 is assigned.
- Companies outside of the specified ICB subsectors, 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 subsectors, which own reserves and for which data is available.
- If there are no companies outside of the specified ICB subsectors 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.

Section 6

Index construction

6. 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 capitalisation weights W_{M_i} of the FTSE All Share ex Investment Trusts Index. Companies with no ESG scores are removed from the 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 indices 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, Φ_i is a max capacity/max deviation/max company weight tilt, Ψ_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:

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

$$\text{and } \sum_i W_{F_i} GR_i \geq 1.5 * \sum_i W_{M_i} GR_i$$
(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 capitalisation 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:

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

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

$$J_{HL} = \text{Max} \left[\sum_{i \in J_H} W_{M_i} + P_j, 0 \right] \text{ and } J_{HU} = \text{Min} \left[\sum_{i \in J_H} W_{M_i} + Q_j, 1 \right]$$
(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:

$$\frac{W_{F_i}}{W_{M_i}} \leq 5 \text{ for all } i$$
(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 five 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 reapplied 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 reapplied 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

7. 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

8. 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

9. 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 (with the exception of tender offers), 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 Indices using the following link:

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

A corporate action is an action on shareholders with a prescribed ex-date. The share price will be subject to an adjustment on the ex-date. 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); and
- 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 Russell 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 Indices.

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 Indices.

Section 10

Treatment of dividends

10. Treatment of dividends

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

Net-of-tax total return indices 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 indices 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 three (see rule 6.1.1). This data is provided by third-party data vendor, Sustainalytics.

Table three: product involvement exclusions

Exclusions	Threshold
Weapons: anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium and white phosphorus munitions	
Companies providing core weapon systems or components/services of the core weapon system for these weapons.	Greater than 0% of revenues
Companies that have greater than 10% ownership of companies providing core weapon systems or components/services of the core weapon system for these weapons.	Greater than 0% of revenues
Military contracting	
Companies producing military weapons systems and/or integral, tailor-made components of these weapons.	Equal to or greater than 5% of revenues
Companies that have greater than 10% ownership of companies producing military weapons systems and/or integral, tailor-made components of these weapons.	Greater than 0% of revenues
Companies providing tailor-made products and/or services that support military weapons.	Equal to or greater than 10% of revenues
Companies that have greater than 10% ownership of companies providing tailor-made products and/or services that support military weapons.	Greater than 0% of revenues
Companies providing non-weapons related tailor-made products and/or services related to the military or defense industry.	Equal to or greater than 10% of revenues
Companies that have greater than 10% ownership of companies providing non-weapons related tailor-made products and/or services related to the military or defense industry.	Greater than 0% of revenues
Small arms	
Companies producing and selling assault weapons to civilian customers.	Greater than 0% of revenues
Companies that have greater than 10% ownership of companies producing and selling assault weapons to civilian customers.	Greater than 0% of revenues
Companies producing and selling small arms to military/law enforcement.	Equal to or greater than 10% of revenues
Companies that greater than 10% ownership of companies producing and selling small arms to military/law enforcement.	Greater than 0% of revenues
Companies producing and selling key components of small arms.	Greater than 0% of revenues
Companies that have greater than 10% ownership of companies producing and selling key components of small arms.	Greater than 0% of revenues
Companies involved in the retail and/or distribution of assault weapons.	Equal to or greater than 5% of revenues
Companies that have greater than 10% ownership of companies retailing and/or distributing assault weapons.	Greater than 0% of revenues
Companies involved in the retail and/or distribution of small arms (non-assault weapons).	Equal to or greater than 5% revenues

Exclusions	Threshold
Companies that have greater than 10% ownership of companies retailing and/or distributing small arms (non-assault weapons).	Greater than 0% of revenues
Companies producing and selling small arms (non-assault weapons) to civilian customers.	Greater than 0% of revenues
Companies that have greater than 10% ownership of companies producing and selling small arms (non-assault weapons) to civilian customers.	Greater than 0% of revenues
Tobacco	
Companies manufacturing tobacco products.	Greater than 0% of revenues
Companies that have greater than 10% ownership of companies manufacturing tobacco products.	Greater than 0% of revenues
Companies supplying tobacco-related products/services.	Equal to or greater than 5% of revenues
Companies that have greater than 10% corporate ownership of companies supplying tobacco-related products/services.	Greater than 0% of revenues
Companies involved with distribution and/or retail sales of tobacco products.	Equal to or greater than 5% of revenues
Companies that have greater than 10% ownership of companies distributing and/or retailing tobacco products.	Greater than 0% of revenues
Adult entertainment	
Companies producing adult entertainment and/or owns/operates adult entertainment establishments.	Equal to or greater than 5% of revenues
Companies that have greater than 10% ownership of companies producing adult entertainment and/or owning/operating adult entertainment establishments.	Greater than 0% of revenues
Companies distributing adult entertainment materials.	Equal to or greater than 10% of revenues
Companies that have greater than 10% ownership of companies distributing adult entertainment materials.	Greater than 0% of revenues
Gambling	
Companies that own and/or operate a gambling establishment.	Equal to or greater than 5% of revenues
Companies that have greater than 10% ownership of companies owning and/or operating a gambling establishment.	Greater than 0% of revenues
Companies manufacturing specialized equipment used exclusively for gambling.	Equal to or greater than 10% of revenues
Companies that have greater than 10% corporate ownership of companies manufacturing specialized equipment used exclusively for gambling.	Greater than 0% of revenues
Companies providing supporting products/services to gambling operations.	Equal to or greater than 10% of revenues
Companies that have greater than 10% ownership of companies providing supporting products/services to gambling operations.	Greater than 0% of revenues
Cannabis	
Companies involved in the development and/or cultivation of cannabis for recreational purposes.	Greater than 0% of revenues
Companies that have greater than 10% ownership of companies developing and/or cultivating cannabis for recreational purposes.	Greater than 0% of revenues
Companies involved in the distribution and/or retail sale of cannabis for recreational purposes.	Greater than 0% of revenues
Companies that have greater than 10% ownership of companies distributing and/or retailing cannabis for recreational purposes.	Greater than 0% of revenues
Arctic oil and gas exploration	
Companies involved in oil and gas exploration in Arctic regions.	Equal to or greater than 10% of revenues
Companies that have greater than 10% ownership of companies involved in oil and gas exploration in the Arctic regions.	Greater than 0% of revenues

Exclusions	Threshold
Oil sands	
Companies involved in oil sands extraction.	Equal to or greater than 10% of oil sands' share of total oil and gas average production in barrels of oil equivalent per day.
Companies that have greater than 10% ownership of companies involved in oil sands extraction.	Greater than 0% share of total production
Thermal coal	
Thermal coal extraction.	Equal to or greater than 5% of revenues
Companies that have significant corporate ownership of companies involved in thermal coal extraction.	Greater than 0% of revenues
Companies generating electricity from thermal coal.	Equal to or greater than 5% of revenues
Companies that have greater than 10% ownership of companies involved in generating electricity from thermal coal.	Greater than 0% of revenues
Nuclear power	
Companies generating electricity from nuclear power.	Equal to or greater than 10% of generating capacity
Companies that have greater than 10% ownership of companies involved in generating electricity from nuclear power.	Greater than 0% of revenues
Companies providing products/services that support the nuclear power industry.	Equal to or greater than 10% of revenues
Companies that have greater than 10% ownership of companies involved providing in products/services that support the nuclear power industry.	Greater than 0% of revenues
Companies distributing electricity generated from nuclear power.	Equal to or greater than 10% of revenues
Companies that have greater than 10% ownership of companies involved in distributing electricity generated from nuclear power.	Greater than 0% of revenues

Appendix B

Conduct exclusions

At each quarterly review, FTSE Russell will apply the UN Global Compact (UNGC) controversies exclusion list outlined in table four 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 to 2019, the UNGC controversies exclusion will only apply to index constituents that are also constituents of the FTSE All World index.

Table four: UNGC controversies exclusions

Exclusions	Threshold
UN Global Compact (UNGC) controversies	
Companies involved in controversies related to the UNGC principles. The principles are classified into four categories: human rights, labour, environment and anti-corruption.	All companies deemed to be non-compliant with the UNGC principles.

Appendix C

Further information

These Ground Rules may contain Sustainalytics proprietary information that may not be reproduced, used, disseminated, modified nor published in any manner without the express written consent of Sustainalytics. Nothing contained in these Ground Rules shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. The information is provided “as is” and therefore, Sustainalytics assumes no responsibility for errors or omissions. Sustainalytics cannot be held liable for damage arising from the use of these Ground Rules or information contained herein in any manner whatsoever.

A Glossary of Terms used in FTSE Russell’s ground rule documents can be found using the following link:

[Glossary.pdf](#)

The FTSE Russell Sustainable Investment Metrics website can be found using the following link:

[Sustainable Investment Metrics](#)

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