

# FTSE Asia Pacific Low Carbon Select Index

v1.5



# Contents

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## Section 1

# Introduction

## 1. Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE Asia Pacific Low Carbon Select Index.

1.2 The FTSE Asia Pacific Low Carbon Select Index is designed to reflect the performance of indices incorporating climate change considerations. Please see further details in Section 4 and Section 5.

1.3 The FTSE Asia Pacific Low Carbon Select Index takes account of ESG factors in its index design. Please see further details in Section 4 and Section 5.

If a tilting approach is used for a ESG data input, the objective is for the index methodology to overweight and/or underweight constituents according to specific ESG criteria. This approach will not remove all companies with exposure to a specific ESG activity or sector.

1.4 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules, FTSE Global Factor Index Series Ground Rules and the Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indices, which are available using the following links:

[FTSE Global Equity Index Series.pdf](#)

[FTSE Global Factor Index Series Ground Rules.pdf](#)

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

1.5 Price and total return indices will be calculated on an end-of-day basis.

1.6 The base currency of the index is US Dollars (USD) and may also be published in other currencies.

### 1.7 FTSE Russell

1.7.1 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, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.

1.7.2 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.

1.7.3 Index users who choose to follow this index series or to buy products that claim to follow this index 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 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 index series<sup>1</sup>.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the 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 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; and
- disseminate the index series.

2.1.3 These Ground Rules set out the methodology and provide information about the publication of the FTSE Asia Pacific Low Carbon Select Index.

### 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 series. 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.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, 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.

<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

## 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 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground 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 Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by FTSE Russell's Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

### 3.4 Queries and Complaints

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

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

### 3.5 Index Policy for Trading Halts and Market Closures

3.5.1 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](#)

### 3.6 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.6.1 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](#)

### **3.7 Recalculation Policy and Guidelines**

- 3.7.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE Asia Pacific Low Carbon Select Index will be 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](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

### **3.8 Policy for Benchmark Methodology Changes**

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

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

### **3.9 FTSE Russell Governance Framework**

- 3.9.1 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 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](#)

### **3.10 Real Time Status Definitions**

- 3.10.1 For indices which are calculated in real time, please refer to the following guide for details of real-time status definitions:

[Real Time Status Definitions.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

# ESG data inputs

## 4. ESG data inputs

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

| ESG data inputs                              | Details  | Used for selection, weighting or exclusion <sup>5</sup> |
|--|--|---|
| <b>FTSE Carbon Reserves</b>                  | FTSE Carbon Reserves data model provides granular coverage of fossil fuel reserve ownership among publicly listed companies in developed markets and emerging economies. More information can be found here: <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>   | Weighting   |
| <b>FTSE Carbon Emissions</b>                 | The FTSE Carbon Emissions Dataset provides reported and estimated scope 1, scope 2 and scope 3 emissions data for both the assets and activities controlled by global publicly listed companies and their entire value chain (upstream and downstream activities). More information can be found here: <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>   | Weighting   |
| <b>Product-related data – FTSE Russell</b>   | FTSE exclusion lists on the activities of companies with exposure to specific products or services. More information can be found in Section 7 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf (ftserussell.com)</a> .  | Exclusion   |
| <b>Conduct-related data – Sustainalytics</b> | Sustainalytics Global Standards Screening (GSS) assess companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. More information can be found: <a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening</a> | Exclusion   |
| <b>Conduct-related data – RepRisk</b>        | The RepRisk Index (RRI) captures and quantifies a company's reputational risk exposure to ESG issues. More information can be found: <a href="https://www.reprisk.com/news-research/resources/methodology">https://www.reprisk.com/news-research/resources/methodology</a>   | Exclusion   |

4.1.2 Further information on ESG 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 ESG Data used in FTSE Russell Indices](#)

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

<sup>5</sup> Definitions

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

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

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



## **4.2 ESG Metrics**

4.2.1 Please see the FTSE Russell [ESG Metrics](#) website for the scores and values of the environmental, social and governance (ESG) factors listed in Annex II to Delegated Regulation (EU) 2020/1816, which are taken into account in the benchmark methodology for the benchmarks within this index series.

Further details on the metrics methodology and calculation are available using the following links:

[Sustainability and ESG data](#)

[ESG Disclosures Methodology and Calculation Guide](#)

## Section 5

# Carbon data definitions and approach

## 5. Operational carbon emissions and fossil fuel reserves – definitions and approach

### 5.1 Operational carbon emissions intensity (OE)

Operational carbon emissions intensity is defined as the latest annual CO<sub>2</sub> equivalent greenhouse gas (GHG) emissions in metric tonnes, scaled by annual sales (in USD). CO<sub>2</sub> 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.

### 5.2 Fossil fuel reserve intensity (R)

Fossil fuel reserve intensity is defined as the estimated CO<sub>2</sub> 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.

### 5.3 Z-scores and missing data treatment

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

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

where  $F_i$  is the  $F$ -quantity of the  $i^{\text{th}}$  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 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.

5.3.2 Missing operational carbon emissions intensities are assigned a Z-score of 0 at the end of the process described in rule 5.3.1.

5.3.3 Companies with missing fossil fuel reserve data are identified and treated on a peer group basis:

- 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)
- If there are no companies outside of the specified ICB sub-sectors with reserve data, a Z-score of 0 is assigned.

## Section 6

# Eligible securities

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## 6. Eligible securities

6.1.1 The eligible securities for the FTSE Asia Pacific Low Carbon Select Index are the constituents of FTSE Asia Pacific Index.

6.1.2 Eligible countries are the countries in the FTSE Asia Pacific Index except for Pakistan.

6.1.3 The Indian constituents in FTSE Asia Pacific Index that have corresponding American Depositary Receipts (ADRs) listed in the FTSE Asia All Cap ADR Index are eligible for inclusion in the index.

6.1.4 Securities that are members of the applicable exclusion list (see Appendix A) are not eligible for membership of the FTSE Asia Pacific Low Carbon Select index.

### 6.2 Multiple lines

All lines of the same company that are eligible securities are eligible for inclusion in the index.

## Section 7

# Periodic review of constituent companies

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## 7. Periodic review of constituent companies

### 7.1 Review dates

- 7.1.1 The FTSE Asia Pacific Low Carbon Select Index is reviewed annually in September.
- 7.1.2 Index reviews will use carbon data as of the last business day of the month prior to the review month (the data cut-off date).
- 7.1.3 Index reviews will use stock prices available as at the close of business on 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.
- 7.1.5 Index reviews will incorporate constituent changes associated with reviews of the underlying eligible universe as of the review effective date. Any changes to the status of excluded companies as defined in Appendix A are applied using data as at the close of business on the Monday four weeks prior to review date.
- 7.1.6 The treatment of companies that have yet to be researched is set out in the Guide to the Construction and Maintenance of FTSE Exclusion Lists, which can be accessed using the following link:

[Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf](#)

## Section 8

# Weighting methodology

## 8. Weighting methodology

### 8.1 Index weights

8.1.1 Constituent weightings in the FTSE Asia Pacific Low Carbon Select Index are based on two aspects of climate change.

8.1.2 The climate change adjustments are:

- fossil fuel reserves adjustment; and
- operational carbon emissions: low operational carbon emissions and low operational carbon emissions sector adjustment.

8.1.3 The unconstrained review weight of each constituent in the FTSE Asia Pacific Low Carbon Select Index is:

$$w_i = \frac{v_i}{\sum_j v_j}$$

where:

$$v_i = w_i' \times A_i^{FF} \times A_i^{CE} \times A_i^{CS}$$

where:

- $w_i'$  is the market capitalisation weight of stock  $i$  in the underlying eligible universe.
- $A_i^{FF}$  is the fossil fuel reserves adjustment for stock  $i$  (rule 8.2).
- $A_i^{CE}$  and  $A_i^{CS}$  are the low operational carbon emissions adjustment and the low operational carbon emissions sector adjustment respectively of stock  $i$  (rule 8.3).

### 8.2 Fossil fuel reserves adjustment

8.2.1 For companies that own fossil fuel reserves, the carbon reserve intensity is calculated. Carbon reserve intensity is defined as the natural logarithm of the estimated CO<sub>2</sub> equivalent greenhouse gas (GHG) emissions in metric tonnes, generated by the combustion of a company's fossil fuel reserves, divided by the full company market capitalisation (in USD). Data is from the latest published accounts at the data cut-off date. The carbon reserve intensity measure is converted to a Z-score and subsequently to an S-score as detailed in FTSE Global Factor Index Series Ground Rules. The S-score is the fossil fuel reserve adjustment:  $A_i^{FF}$ . Companies that do not own fossil fuel reserves are awarded a score of 1:  $A_i^{FF} = 1$ .

8.2.2 Companies with missing fossil fuel reserve data are identified and treated on a peer group basis. Full details can be found in rule 5.3.3.

### 8.3 Operational carbon emissions adjustment

8.3.1 Operational carbon emissions are defined as the latest annual operational carbon emissions of CO<sub>2</sub>-equivalent GHG emissions in metric tonnes, scaled by annual sales in excess of the ICB sector average. Operational carbon emissions data defined as GHG protocol scope 1 and 2 emissions and annual sales data is sourced from third-party data providers.

8.3.2 Operational carbon emissions are converted to a Z-score and subsequently to an S-score as detailed in the FTSE Global Factor Index Series Ground Rules to form the low operational carbon emissions adjustment of each stock:  $A_i^{CE}$ .

8.3.3 The low operational carbon emissions sector neutrality adjustment,  $A_i^{CS}$  adjusts stock weights to limit the sector effects arising from the low operational carbon emissions stock adjustment described in rule 8.3.2. For constituent  $i$  of sector  $H$ , the adjustment is calculated as:

$$A_i^{CS} = \frac{\sum_{j \in H} W_j'}{\sum_{j \in H} A_j^{CE} \times W_j'}, \forall i \in H$$

where  $w_j'$  is the market capitalisation weight of stock  $j$  in the underlying eligible universe.

#### 8.4 Capacity, constraints and minimum stock weights

8.4.1 A minimum stock weight threshold is applied to the final index. Any stock weight that is less than the minimum weight threshold is treated as having a zero weight in the index. Any resulting excess weight will be redistributed amongst the remaining constituents proportional to their index weights. The minimum stock weight is 10bps for FTSE Asia Pacific Low Carbon Select Index.

#### 8.5 Country and industry exposure constraints

8.5.1 The maximum active country and industry exposure constraints are defined by the parameters  $P$  and  $Q$  are applied to the index as detailed in the FTSE Global Factor Index Series Ground Rules, which can be accessed using the following link:

[FTSE Global Factor Index Series Ground Rules.pdf](#)

#### 8.6 Parameters used in the FTSE Asia Pacific Low Carbon Select Index

| Index  | P*  | Q*   | Max stock weight (%) | Min stock weight (b.p.) | Max capacity ratio |
|--|-----|------|----------------------|-------------------------|--------------------|
| FTSE Asia Pacific Low Carbon Select Index <sup>6</sup> | 0.2 | 0.05 | 10                   | 10                      | 5                  |

\*See rule 8.5.1 for more details.

#### 8.7 Index back-histories

8.7.1 The annual fossil fuel reserves, operational carbon emissions and annual sales data prior to the launch of the FTSE Asia Pacific Low Carbon Select Index are lagged by one year.

<sup>6</sup> China A stock weights are capped at 20% with a 10bps minimum weight threshold.

## Section 9

# Changes to constituent companies

## 9. Changes to constituent companies

### 9.1 Intra-review additions

9.1.1 Additions to the FTSE Asia Pacific Low Carbon Select Index will be considered for inclusion at the next annual review.

### 9.2 Intra-review deletions

9.2.1 A constituent will be removed from the FTSE Asia Pacific Low Carbon Select Index if it is removed from the underlying universe. The weight of the removed constituent will be distributed pro-rata amongst the remaining constituents in the relevant index.

### 9.3 Intra-review changes to Indian constituents

9.3.1 If an Indian stock's ADR is delisted from the US and the corresponding stock continues to be a constituent of the underlying universe, the Indian stock will remain in the index until the next periodic review.

### 9.4 Intra-review changes to exclusion lists

9.4.1 A constituent will be removed from the FTSE Asia Pacific Low Carbon Select Index if it is added to a relevant exclusion list. The deletion will be concurrent with its addition to the exclusion list.

### 9.5 **A stock that is removed from a relevant exclusion list will be considered for inclusion at the next periodic review.**

9.5.1 Further details on the treatment of events leading to intra-review exclusion status changes is set out in the Guide to the Construction and Maintenance of FTSE Exclusion Lists, which can be accessed using the following link:

[Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf](#)



## Section 10

# Corporate actions and events

## 10. Corporate actions and events

10.1 If a constituent 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 Asia Pacific Low Carbon Select Index remains unchanged pre and post such an event.

10.2 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](#)

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. 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.

### 10.3 Suspension of dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indices.

### 10.4 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 11

# Treatment of dividends

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## 11. Treatment of dividends

11.1 Declared dividends are used to calculate the Standard Total Return Index of the FTSE Asia Pacific Low Carbon Select Index. All dividends are applied as at the ex-div date.

11.2 A net-of-tax total return index is 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 index 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](#)

## Section 12

# Industry Classification Benchmark (ICB)

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## 12. Industry Classification Benchmark (ICB)<sup>7</sup>

### 12.1 Classification structure

- 12.1.1 The FTSE Asia Pacific Low Carbon Select Index constituents are classified into industries, supersectors, sectors and subsectors, as defined by the ICB.
- 12.1.2 Details of the ICB are available from FTSE Russell and published on the FTSE Russell website ([www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)) and can be accessed using the following link:  
[Industry Classification Benchmark](#)

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<sup>7</sup> Russell indices migrated to the new ICB classification system in September 2020 and FTSE indices migrated in March 2021.

## Section 13

# Indices algorithm and calculation method

## 13. Indices algorithm and calculation method

### 13.1 Prices

13.1.1 The FTSE Asia Pacific Low Carbon Select Index uses actual closing mid-market or last trade prices, where available, for securities with local market quotations. Further details can be accessed using the following link:

[Closing Prices Used For Index Calculation.pdf](#)

### 13.2 Calculation frequency

13.2.1 The FTSE Asia Pacific Low Carbon Select Index will be calculated on an end-of-day basis and displayed to eight decimal points.

### 13.3 Index calculation

The FTSE Asia Pacific Low Carbon Select Index is calculated using the algorithm described below:

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where:

- $i=1,2,\dots,N$
- $N$  is the number of securities in the index.
- $p_i$  is the latest trade price of the component security (or the price at the close of the index on the previous day).
- $e_i$  is the exchange rate required to convert the security's currency into the index's base currency.
- $s_i$  is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- $f_i$  is the investability weighting factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- $c_i$  is the weight adjustment factor (WAF) to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index.
- $d$  is the divisor, a figure that represents the total issued share capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

## Appendix A

# Exclusions

At each index review, companies with business activities listed in the table below are excluded from the eligible universe. Exclusion lists are reviewed on a quarterly basis in March, June, September and December.

| Product involvement exclusions  | Involvement threshold for exclusions   |
|---|--|
| <b>Controversial weapons</b>  |  |
| <p><b>Anti-personnel mines:</b> companies that produce anti-personnel mines as defined in the 1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction or that produce specific and critical parts or services for anti-personnel mines.</p> <p><b>Biological and chemical weapons:</b> companies that produce chemical or biological weapons, or that produce specific and critical parts or services for chemical or biological weapons.</p> <p><b>Cluster munitions:</b> companies that produce cluster munitions as defined in the Convention on Cluster Munitions or that produce specific and critical parts or services for cluster munitions.</p> | Greater than 0% of revenues  |
| <b>Tobacco</b>  |  |
| <p>Companies producing tobacco products including cigarettes, roll-your-own tobacco, pipe tobacco, cigars, cigarillos, bidis, gutka, smokeless tobacco and heated tobacco products (HTPs), as well as electronic cigarettes (or e-cigarettes) and electronic nicotine delivery systems (ENDS).</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>– all companies that are classified in the ICB subsector tobacco 45103010 and cannabis producers 2010302; and</li> <li>– companies that are not classified in ICB subsector tobacco 45103010 and cannabis producers 20103020, but that are identified as having any activity in this subsector.</li> </ul>  | <p>Greater than 0% of revenues</p> <p>N/A</p> <p>Greater than 0% of revenues</p> |
| <b>Coal reserves</b>  |  |
| Companies that own proved or probable reserves in coal.   | Equal or greater than 50% ownership  |

The UN Global Compact (UNGC) comprises Ten Principles in the categories of human rights, labour, the environment and anti-corruption. For the FTSE Asia Pacific Low Carbon Select Index, only companies deemed non-compliant against the three UNGC principles in the “Environment” category are excluded, as listed in the table below. Companies are not assessed for compliance against the other seven principles regarding human rights, labour and anti-corruption.

At each index review, companies deemed non-compliant against the environmental principles of the UNGC are excluded from the eligible universe. The exclusion list is reviewed on a quarterly basis in March, June, September and December.

| Conduct-related exclusions   | Involvement threshold form exclusions    |
|--|--|
| <b>UN Global Compact (UNGC) Environmental Principles Violation</b>   |  |
| <p>Controversies related to Principles 7, 8, and 9 of the UN Global Compact, which is derived from the Rio Declaration on Environment and Development</p> <p>Principle 7: businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibilities; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p> | All companies deemed to be non-compliant |

## Appendix B

# Further information

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

[Glossary.pdf](#)

[Glossary ESG.pdf](#)

The FTSE Russell ESG Metrics website can be found using the following link: [ESG Metrics](#)

For further information on the FTSE Asia Pacific Low Carbon Select Index, visit [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/) or e-mail [info@ftserussell.com](mailto:info@ftserussell.com). Contact details can also be found on this website.

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