

# FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index

v1.1

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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 Custom All-Share ex Investment Trust Exclusions 5% Capped Index, calculated by FTSE Russell. It is designed to reflect the performance of the FTSE All-Share ex Investment Trusts Index with certain companies removed (see Appendix A). Individual stock weights are capped at 5%.
- 1.2 The FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index takes account of ESG factors in its index design.
- 1.3 FTSE Russell**
- 1.3.1 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.), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited.
- 1.3.2 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 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.
- 1.3.3 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 indices<sup>1</sup>.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped 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.

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

## Section 3

# FTSE Russell index policies

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

[FTSE Russell Governance Framework.pdf](#)

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

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

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

## Section 4

# Eligible securities

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## 4. Eligible securities

- 4.1.1 The FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index uses the FTSE All Share Index ex Investment Trusts as its underlying index. The FTSE All Share Index ex Investment Trusts excludes investment trusts (ICB subsector closed-end investments (30204000)).
- 4.1.2 The FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index excludes companies based on ESG exclusions (see appendix A).
- 4.1.3 Stocks with missing product and activity involvement data are excluded from the index.

## Section 5

# ESG data inputs

## 5. ESG data inputs

5.1.1 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>Product-related data – Sustainalytics</b>	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: <a href="https://www.sustainalytics.com/controversial-product-involvement">Controversial Product Involvement (sustainalytics.com)</a> and <a href="https://connect.sustainalytics.com/controversial-weapon-radar">https://connect.sustainalytics.com/controversial-weapon-radar</a> .	Exclusion
<b>Conduct-related data – Sustainalytics</b>	The dataset focuses on controversial conduct screening companies violating United Nations Global Compact (UNGC). Information about the methodology is available here: <a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening">www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening</a> . 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

5.1.2 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.

## 5.2 ESG metrics

5.2.1 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](#)

<sup>5</sup> 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.

## Section 7

# Periodic review of constituents

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## 6. Periodic review

### 6.1 Review and price dates

- 6.1.1 The FTSE All Share ex Investment Trusts Index (the underlying index) is reviewed quarterly with an annual review in June. Index reviews will use stock prices available as at the close of Wednesday before first Friday of the review month (price cut-off date). The index reviews will be implemented after the close of business on the third Friday of the review month (i.e. effective from the open on the following Monday).
- 6.1.2 The exclusion list will be used to add or remove companies from the FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index on a quarterly basis.
- 6.1.3 The data cut-off dates for ESG data inputs to the exclusion lists are in the [Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices](#).

### 6.2 Weighting

- 6.2.1 The Custom All-Share ex Investment Trust Exclusions 5% Capped Index is weighted by free float adjusted market capitalisation. The free float adjustments are in line with the corresponding underlying index. Individual stock weights are capped at 5%. Quarterly capping limiting individual stock weight to 5% will be implemented on the Monday following the third Friday of the review month using price data as at the close of the second Friday of the review month.

## Section 7

# Changes to constituent companies

## 7. Changes to constituent companies

### 7.1 Intra-review additions

- 7.1.1 Additions to the FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped 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. The data cut-off dates for ESG data inputs are in the [Guide to FTSE and Third Party Sustainable Investment Data used in FTSE Indices](#).

### 7.2 Intra-review deletions

- 7.2.1 A constituent will be removed from the FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped 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 Custom All-Share ex Investment Trust Exclusions 5% Capped Index.

### 7.3 Intra-review exclusion changes

- 7.3.1 If the exclusion status of an existing constituent of the underlying index changes, membership of FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index will be considered at the next index review.

## Section 8

# Corporate actions and events

## 8. Corporate actions and events

8.1.1 The FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index will follow the same corporate actions and events treatment as the FTSE UK Index Series Ground rules.

8.1.2 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 Custom All-Share ex Investment Trust Exclusions 5% Capped Index will remain unchanged pre and post such an event.

Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.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.

### 8.2 Shares in issue

8.2.1 Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

### 8.3 Investability weightings

8.3.1 Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide

### 8.4 Suspended companies

FTSE Russell's treatment can be found using the following link:

[Suspended Companies Rule.pdf](#)

## **8.5 Takeovers, mergers and demergers**

The treatment of takeovers, mergers and demergers can be found within the [Corporate Actions and Events Guide for Market Capitalisation Weighted Indices](#).

## **8.6 Mergers, restructuring and complex takeovers**

- 8.6.1 If the effect of a merger or takeover is that one constituent in the FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index is acquired by another constituent, the resulting company will remain a constituent of the index.
- 8.6.2 If a constituent company in the FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index is taken over by a non-constituent company, the original constituent will be removed.
- 8.6.3 If a constituent company is split to form two or more companies, then the resulting companies will be eligible for inclusion in the FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index.

## Appendix A

# Product involvement and conduct exclusions

At each quarterly review, FTSE Russell will exclude companies from the underlying eligible universe of the FTSE Custom All-Share ex Investment Trust Exclusions 5% Capped Index that meet the criteria in tables one and two (see section 4). This data is provided by third-party data vendor, Sustainalytics.

**Table one: product involvement exclusions**

Exclusions	Threshold
<b>Controversial weapons: anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium and white phosphorus munitions</b>	
Companies providing core weapon systems or components/services of the core weapon system for these weapons that are considered tailor-made and essential for the lethal use of the weapon	Greater than 0% of revenues
Companies providing components/services for the core weapon system, which are either not considered tailor-made or not essential to the lethal use of the weapon.	Greater than 0% of revenues
<b>Military contracting</b>	
Companies producing military weapons systems and/or integral, tailor-made components of these weapons.	Equal to or greater than 5% of revenues
Companies providing tailor-made products and/or services that support military weapons.	Equal to or greater than 5% of revenues
<b>Tobacco</b>	
Companies manufacturing tobacco products.	Greater than 0% of revenues
Companies involved with distribution and/or retail sales of tobacco products.	Equal to or greater than 10% of revenues
<b>Adult entertainment</b>	
Companies producing adult entertainment and/or owns/operates adult entertainment establishments.	Greater than 0% of revenues
<b>Gambling</b>	
Companies that own and/or operate a gambling establishment.	Greater than 0% of revenues
<b>Arctic oil and gas exploration</b>	
Companies involved in oil and gas exploration in Arctic regions.	Greater than 0% of revenues
<b>Oil sands extraction</b>	
Companies involved in oil sands extraction.	Greater than 0% of production capacity
<b>Thermal coal extraction</b>	
Companies extracting thermal coal.	Greater than 0% of revenues
<b>Oil &amp; gas extraction</b>	
Companies involved in oil & gas exploration, production, refining, transportation, and/or storage.	Greater than 0% of revenues

Exclusions	Threshold
<b>Power generation</b>	
Companies generating electricity from thermal coal and/or oil & gas power generation and has a TPI CP score of National pledges or worse	<p style="background-color: yellow;">Thermal coal: greater than 0% of revenues</p> <p style="background-color: yellow;">Oil &amp; gas: greater than 0% of production capacity</p>

**Table two: UNGC controversies exclusions**

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

## 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](#)

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

[Sustainable Investment Metrics](#)

For contact details, please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

**Website:** [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)

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