

# FTSE Custom All-World ESG Low Carbon Index Series

v1.9

The FTSE Custom All-World ESG Low Carbon index series is not, and is not intended to be, used by supervised entities in the European Union or the United Kingdom and accordingly, the European Benchmark Regulation\* and the UK Benchmark Regulation# do not apply to the index. Consequently, supervised entities within the European Union and the United Kingdom are not permitted to use the index as a benchmark as set out in article 3(1)(7) of the European Benchmark Regulation.

For the avoidance of doubt, neither FTSE International Limited nor any other member of the London Stock Exchange Group plc group of companies, is the benchmark administrator (as defined in article 3(1)(6) of the European Benchmark Regulation) of the index.

*[\\*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 Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019 \(which amends the European benchmark regulation in the United Kingdom\)](#)*

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## Section 1

# Introduction

## Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Custom All-World ESG Low Carbon Index Series. Copies of these Ground Rules are available from [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.2 These Ground Rules should be read in conjunction with:
- FTSE Global Equity Index Series Ground Rules
  - FTSE Global Factor Index Series Ground Rules
- and the Corporate Actions and Events Guide for Market Capitalisation and Non Market Capitalisation Weighted Indices, which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.3 Price and total return indices will be calculated on an end-of-day basis.
- 1.4 The base currency of all indices is US Dollars (USD). Index values may also be published in other currencies.
- 1.5 The FTSE Custom All-World ESG Low Carbon Index Series takes account of ESG factors in its index design (see section 4).
- 1.5.1 If a tilting approach is used for an 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.
- 1.6 FTSE Russell**
- 1.6.1 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.
- 1.6.2 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;
  - 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

## 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 Custom All-World ESG Low Carbon Index Series.

### 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> FTSE is not the benchmark administrator of the Index Series as the term administrator is defined in the [IOSCO Principles for Financial Benchmarks](#) and [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

## 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 Market Capitalisation and Non-Market Cap Weighted Indices using the following link:

[Corporate Actions and Events Guide.pdf](#)

[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 Custom All-World ESG Low Carbon 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 Recalculation Policy and Guidelines – ESG data and scores**

Where an inaccuracy in an ESG data product is identified, FTSE Russell will follow the guidelines set out in this document when determining if a sustainable investment data product should be recalculated.

[ESG Data Recalculation Policy and Guidelines.pdf](#)

### **3.9 Policy for Benchmark Methodology Changes**

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

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

### **3.10 FTSE Russell Governance Framework**

3.10.1 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](#)

### **3.11 Real Time Status Definitions**

3.11.1 For indices that 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

## 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 ESG Scores</b>	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: <a href="https://www.lseg.com/en/ftse-russell/esg-scores">https://www.lseg.com/en/ftse-russell/esg-scores</a> and <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Exclusion
<b>FTSE Carbon Emissions</b>	The FTSE Carbon Emissions Dataset provides reported and estimated 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>Exclusion List provided by the client</b>	See Section 6 Eligible Securities.	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.

## 4.2 ESG Metrics

4.2.1 The FTSE Russell [ESG Metrics](#) website publishes the environmental, social and governance (ESG) factors listed in Annex II to Delegated Regulation (EU) 2020/1816 for each index which uses ESG data within this family.

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

[ESG Disclosures Methodology and Calculation Guide](#)

<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.

## Section 5

# Operational carbon emissions intensity

## Operational carbon emissions intensity

### 5.1 Operational carbon emissions intensity (OE) definition

Operational carbon emissions intensity is defined as the latest annual CO<sub>2</sub> equivalent greenhouse gas (GHG) emissions in metric tonnes, scaled by enterprise value including cash (EVIC) (in USD)<sup>6</sup>. CO<sub>2</sub> equivalent GHG emissions data is defined as GHG Protocol Scope 1 and 2 emissions. Enterprise value data is sourced from Worldscope.

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 Z-scores and missing data treatment

5.2.1 Z-scores are calculated for OE.

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

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

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

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

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

Stocks with missing data are excluded from this process.

5.2.3 Stocks with missing OE are assigned the average Z-score of their ICB sector. The average is taken across non-missing Z-scores of OE in the sector at the process described in rule 5.2.2. A Z-score of zero is assigned when there are less than three stocks with Z-scores in the ICB sector.

<sup>6</sup> From index launch until March 2026, operational carbon emissions intensity was defined as the latest annual CO<sub>2</sub> equivalent greenhouse gas (GHG) emissions in metric tonnes, scaled by annual sales (in USD).

## Section 6

# Eligible securities

## Eligible securities

6.1.1 The eligible securities of each developed or emerging sub-index are the constituents of the corresponding underlying index shown in table one. The All-World Indices are composites of the sub-indices, as shown in table two.

Table one: index eligible securities

Index Name	Underlying index universe	Index type	Exclusion list applied
FTSE Custom All-World ESG Low Carbon Index (001)	FTSE All-World Index	Composite	
FTSE Custom Developed ESG Low Carbon Index (003)	FTSE Developed Index	Sub-index	
FTSE Custom Emerging ESG Low Carbon Index (004)	FTSE Emerging Index	Sub-index	
FTSE Custom All-World Exclusions Index (011)	FTSE All-World Index	Composite	
FTSE Custom Developed Exclusions Index (005)	FTSE Developed Index	Sub-index	
FTSE Custom Emerging Exclusions Index (006)	FTSE Emerging Index	Sub-index	
FTSE Custom All-World Exclusions + ESG Worst in Class Composite 80% Dev and 20% Emerging Index (012)	FTSE All-World Index	Composite	Exclusion list constructed and maintained by Rabobank
FTSE Custom Developed Exclusions + ESG worst in class Index (007)	FTSE Developed Index	Sub-index	
FTSE Custom Emerging Exclusions + ESG worst in class Index (008)	FTSE Emerging Index	Sub-index	
FTSE Custom All-World Exclusions + Carbon Reduction Composite 80% Dev and 20% Emerging Index (013)	FTSE All-World Index	Composite	
FTSE Custom Developed Exclusions + Carbon Reduction Index (009)	FTSE Developed Index	Sub-index	
FTSE Custom Emerging Exclusions + Carbon Reduction Index (010)	FTSE Emerging Index	Sub-index	
FTSE Custom All-World ESG Worst in Class Composite 80% Dev and 20% Emerging Index (024)	FTSE All-World Index	Composite	Not applicable
FTSE Custom Developed ESG worst in class Index (025)	FTSE Developed Index	Sub-index	
FTSE Custom Emerging ESG worst in class Index (026)	FTSE Emerging Index	Sub-index	
FTSE Custom All-World Carbon Reduction Composite 80% Dev and 20% Emerging Index (027)	FTSE All-World Index	Composite	

Index Name	Underlying index universe	Index type	Exclusion list applied
FTSE Custom Developed Carbon Reduction Index (028)	FTSE Developed Index	Sub-index	
FTSE Custom Emerging Carbon Reduction Index (029)	FTSE Emerging Index	Sub-index	
FTSE Custom All-World ESG worst in class Carbon Reduction Composite 80% Dev and 20% Emerging Index (030)	FTSE All-World Index	Composite	
FTSE Custom Developed ESG worst in class Carbon Reduction Index (031)	FTSE Developed Index	Sub-index	
FTSE Custom Emerging ESG worst in class Carbon Reduction Index (032)	FTSE Emerging Index	Sub-index	

## 6.2 Excluded companies

- 6.2.1 Specific indices within the FTSE Custom All-World ESG Low Carbon Index Series exclude companies that are included in the exclusion list sent to FTSE Russell by Achmea, on behalf of Rabobank, on the first Friday of the review month.
- 6.2.2 The exclusion list is maintained by Rabobank and includes companies involved in tobacco, controversial weapons, thermal coal and tar sands, norms-based exclusions and state-owned enterprises.
- 6.2.3 The exclusion list is delivered to FTSE Russell on a quarterly basis.

## 6.3 Exclusions using FTSE ESG scores and data model

- 6.3.1 For each of these indices below, stocks that fall into the bottom 25% of the free-float adjusted market capitalisation of the underlying index universe when ordered by FTSE ESG scores are removed from the index<sup>7</sup>.
- FTSE Custom Developed ESG Low Carbon Index (003)
  - FTSE Custom Emerging ESG Low Carbon Index (004)
  - FTSE Custom Developed Exclusions + ESG worst in class Index (007)
  - FTSE Custom Emerging Exclusions + ESG worst in class Index (008)
  - FTSE Custom Developed ESG Worst in Class Index (025)
  - FTSE Custom Emerging ESG Worst in Class Index (026)
  - FTSE Custom Developed ESG worst in class Carbon Reduction Index (031)
  - FTSE Custom Emerging ESG worst in class Carbon Reduction Index (032)
- 6.3.2 This exclusion is applied iteratively, meaning the stock with the lowest ESG score is removed until the cumulative weight of removed stocks reaches 25%. As such, the cumulative weight of stocks removed by the screen will typically be slightly higher than 25%.
- 6.3.3 Where two or more stocks have the same ESG score, the stock with the largest free-float adjusted market capitalisation is removed first.
- 6.3.4 For the following four indices, the exclusion list maintained by Rabobank set out in section 6 is applied after the ESG scores exclusions.
- FTSE Custom Developed ESG Low Carbon Index (003)
  - FTSE Custom Emerging ESG Low Carbon Index (004)

<sup>7</sup> The exclusion of the bottom 25% may be slightly violated by imposition of the turnover constraint in the course of index construction

FTSE Custom Developed Exclusions + ESG worst in class Index (007)

FTSE Custom Emerging Exclusions + ESG worst in class Index (008)

6.3.5 Following the application of the ESG score exclusions and Rabobank exclusions (where applicable), the remaining constituents' weights are re-weighted pro-rata.

**6.4 Multiple lines**

6.4.1 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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## Periodic review of constituent companies

### 7.1 Review dates

7.1.1 All indices in the FTSE Custom All-World ESG Low Carbon Index Series are reviewed semi-annually in March and September.

7.1.2 The data cut-off dates for ESG data inputs are in the [Guide-to-FTSE-and-Third-Party-ESG-Data-used-in-FTSE-Russell-Indices.pdf](#)

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).

7.1.3 The review will be implemented after the close of business on the third Friday of the review month.

7.1.4 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 section 6 are applied using data that is sent as at the close of business on the first Friday of the review month.

## Section 8

# Weighting methodology

## Weighting methodology

### 8.1 Index composite

8.1.1 The FTSE Custom All-World ESG Low Carbon Index Series consists of the composite and sub-indices shown in table two; the weights of the sub-indices in each composite are also shown in the table.

Table two: composite sub-indices\*

Composite index names	Sub-index names	Weight in composite
FTSE Custom All-World ESG Low Carbon Index (001)	FTSE Custom Developed ESG Low Carbon Index (003)	80%
	FTSE Custom Emerging ESG Low Carbon Index (004)	20%
FTSE Custom All-World Exclusions Index (011)	FTSE Custom Developed Exclusions Index (005)	80%
	FTSE Custom Emerging Exclusions Index (006)	20%
FTSE Custom All-World Exclusions + ESG worst in class Index (012)	FTSE Custom Developed Exclusions + ESG worst in class Index (007)	80%
	FTSE Custom Emerging Exclusions + ESG worst in class Index (008)	20%
FTSE Custom All-World Exclusions + Carbon Reduction Index (013)	FTSE Custom Developed Exclusions + Carbon Reduction Index (009)	80%
	FTSE Custom Emerging Exclusions + Carbon Reduction Index (010)	20%
FTSE Custom All-World ESG Worst in class Index (024)	FTSE Custom Developed ESG Worst in Class Index (025)	80%
	FTSE Custom Emerging ESG Worst in Class Index (026)	20%
FTSE Custom All-World Carbon Reduction Index (027)	FTSE Custom Developed Carbon Reduction Index (028)	80%
	FTSE Custom Emerging Carbon Reduction Index (029)	20%
FTSE Custom All-World ESG worst in class Carbon Reduction Composite 80% Dev and 20% Emerging Index (030)	FTSE Custom Developed ESG worst in class Carbon Reduction Index (031)	80%
	FTSE Custom Emerging ESG worst in class Carbon Reduction Index (032)	20%

\* the number code captures the last three digits of the of the FTSE Index Code

8.1.2 Each of the sub-indices is constructed separately as described in the succeeding sections and then combined to form the respective composite index.

### 8.2 Index weights

8.2.1 The sub-indices shown in table three are constructed using the target exposure methodology with the targets and constrains set out in table three. The constraints of the sub-indices are set such that when

combined at the weights set out in table two the respective composite indices effectively has the targets and constraints shown in table three.

8.2.2 The detailed construction methodology for target exposure indices is set out in the FTSE Global Factor Index Series Ground Rules. Unless stated in these Ground Rules, the relevant sub-indices will follow the standard process and rules for target exposure indices.

Table three: index parameters

Index	Constraints						Review month
	Country	Industry	Max two-way T/O (%) per review**	Max stock weight (%)	Max active stock weight (%)	Min stock weight (b.p.)	
FTSE Custom All-World ESG Low Carbon Index*** (001)	+/-2.5%	+/-2.5%	20	5%	+/-2%	0.5	March and September
FTSE Custom Developed ESG Low Carbon Index (003)	+/-3.125%	+/-2.5%	15	6.25%	+/-2.5%	0.625	
FTSE Custom Emerging ESG Low Carbon Index (004)	+/-12.5%	+/-2.5%	40	25%	+/-10%	2.5	
FTSE Custom All-World Exclusions + Carbon Reduction Index*** (013)	+/-2.5%	+/-2.5%	20	5%	+/-2%	0.5	
FTSE Custom Developed Exclusions + Carbon Reduction Index (009)	+/-3.125%	+/-2.5%	15	6.25%	+/-2.5%	0.625	
FTSE Custom Emerging Exclusions + Carbon Reduction Index (010)	+/-12.5%	+/-2.5%	40	25%	+/-10%	2.5	
FTSE Custom All-World Carbon Reduction Index*** (027)	+/-2.5%	+/-2.5%	20	5%	+/-2%	0.5	
FTSE Custom Developed Carbon Reduction Index (028)	+/-12.5%	+/-2.5%	15	25%	+/-2.5%	0.625	
FTSE Custom Emerging Carbon Reduction Index (029)	+/-2.5%	+/-2.5%	40	5%	+/-10%	2.5	
FTSE Custom All-World ESG worst in class Carbon Reduction Index (030)***	+/-2.5%	+/-2.5%	20	5%	+/-2%	0.5	
FTSE Custom Developed ESG worst in class Carbon Reduction Index (031)	+/-3.125%	+/-2.5%	15	6.25%	+/-2.5%	0.625	
FTSE Custom Emerging ESG worst in class Carbon Reduction Index (032)	+/-12.5%	+/-2.5%	40	25%	+/-10%	2.5	

\*\*The two-way turnover constraint is a hard constraint that will not be relaxed All other relaxation will follow the FTSE Global Factor Index Series Ground Rules.

\*\*\*These are the resulting targets and constraints from the combination of the sub-indices.

8.2.3 For the indices in the table below, the following index targets are applied:

Index	Index targets	Review month
FTSE Custom All-World ESG Low Carbon Index*** (001)	The index targets a 7% (+ a 0.5% buffer) compound annual carbon intensity reduction starting from a base year of 2019. The base year of 2019 is defined as the underlying index emissions intensity reduced by 30%	March and September
FTSE Custom Developed ESG Low Carbon Index (003)		
FTSE Custom Emerging ESG Low Carbon Index (004)	See Appendix A for more details about the compound annual carbon intensity reduction	
FTSE Custom All-World Exclusions + Carbon Reduction Index*** (013)		
FTSE Custom Developed Exclusions + Carbon Reduction Index (009)		
FTSE Custom Emerging Exclusions + Carbon Reduction Index (010)		
FTSE Custom All-World Carbon Reduction Index*** (027)		
FTSE Custom Developed Carbon Reduction Index (028)		
FTSE Custom Emerging Carbon Reduction Index (029)		
FTSE Custom All-World ESG worst in class Carbon Reduction Index (030)***		
FTSE Custom Developed ESG worst in class Carbon Reduction Index (031)		
FTSE Custom Emerging ESG worst in class Carbon Reduction Index (032)		

## Section 9

# Changes to constituent companies

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## Changes to constituent companies

### 9.1 Intra-review additions

9.1.1 Additions to the underlying indices will be considered for inclusion into the relevant index at the next semi-annual review.

### 9.2 Intra-review deletions

9.2.1 A constituent will be removed from the FTSE Custom All-World ESG Low Carbon Index Series if it is removed from the relevant underlying universe, a minimum of two days' notice will be provided. 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 exclusion lists

9.3.1 A constituent will be removed from the FTSE Custom All-World ESG Low Carbon Index Series if it is added to a relevant exclusion list. The deletion will be concurrent with its addition to the exclusion list in conjunction with the semi-annual reviews in March and September and the quarterly updates effective after the close of business of the third Friday in June and December.

9.3.2 A stock that is removed from a relevant exclusion list will be considered for inclusion at the next semi-annual review.

## Section 10

# Corporate actions and events

## 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 relevant FTSE Custom All-World ESG Low Carbon Index remains unchanged pre and post such an event.
- 10.2 The FTSE Custom All-World ESG Low Carbon target exposure indices will maintain the same Weight Adjustment Factors of the underlying indices and corporate actions will follow the Methodology guide for Non Market Capitalisation Weighted Indices. For example: if a constituent of a FTSE Custom All-World ESG Low Carbon index acquires a constituent of the underlying Index but a FTSE Custom All-World ESG Low Carbon index non-constituent, the factors will merge based upon the underlying Index and the acquirer's weight will increase within the FTSE Custom All-World ESG Low Carbon index.

Index Name	Index Type
FTSE Custom All-World ESG Low Carbon Index (001)	Target exposure – non-market cap weighted
FTSE Custom Developed ESG Low Carbon Index (003)	Target exposure – non-market cap weighted
FTSE Custom Emerging ESG Low Carbon Index (004)	Target exposure – non-market cap weighted
FTSE Custom All-World Exclusions Index (011)	Market cap weighted
FTSE Custom Developed Exclusions Index (005)	Market cap weighted
FTSE Custom Emerging Exclusions Index (006)	Market cap weighted
FTSE Custom All-World Exclusions + ESG worst in class Index (021)	Market cap weighted
FTSE Custom Developed Exclusions + ESG worst in class Index (007)	Market cap weighted
FTSE Custom Emerging Exclusions + ESG worst in class Index (008)	Market cap weighted
FTSE Custom All-World Exclusions + Carbon Reduction Index (013)	Target exposure – non-market cap weighted
FTSE Custom Developed Exclusions + Carbon Reduction Index (009)	Target exposure – non-market cap weighted
FTSE Custom Emerging Exclusions + Carbon Reduction Index (010)	Target exposure – non-market cap weighted
FTSE Custom All-World ESG Worst in Class Index (024)	Market cap weighted
FTSE Custom Developed ESG Worst in Class Index (025)	Market cap weighted
FTSE Custom Emerging ESG Worst in Class Index (026)	Market cap weighted
FTSE Custom All-World Carbon Reduction Index (027)	Target exposure – non-market cap weighted
FTSE Custom Developed Carbon Reduction (028)	Target exposure – non-market cap weighted
FTSE Custom Emerging Carbon Reduction (029)	Target exposure – non-market cap weighted
FTSE Custom All-World ESG Worst in Class Carbon Reduction Index (030)	Target exposure – non-market cap weighted
FTSE Custom Developed ESG Worst in Class Carbon Reduction Index (031)	Target exposure – non-market cap weighted
FTSE Custom Emerging ESG Worst in Class Carbon Reduction Index (032)	Target exposure – non-market cap weighted

10.3 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Market Capitalisation and for Non Market Capitalisation Weighted Indices using the following links:

[Corporate Actions and Events Guide.pdf](#)

[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.

#### **10.4 Suspension of dealing**

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

#### **10.5 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 11

# Treatment of dividends

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## Treatment of dividends

11.1 Declared dividends are used to calculate the Standard Total Return Indices in the FTSE Custom All-World ESG Low Carbon Index Series. All dividends are applied as at the ex-div date.

11.2 Net of tax total return indices are also calculated based on dividends received following deduction of withholding tax at the rates applicable to a UK pension fund that benefits 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](#)

## Section 12

# Indices algorithm and calculation method

## Indices algorithm and calculation method

### 12.1 Prices

12.1.1 The FTSE Custom All-World ESG Low Carbon Index Series 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](#)

### 12.2 Calculation frequency

12.2.1 The FTSE Custom All-World ESG Low Carbon Index Series will be calculated on an end-of-day basis and displayed to eight decimal points.

### 12.3 Index calculation

12.3.1 The FTSE Custom All-World ESG Low Carbon Index Series 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

# Carbon emissions

The FTSE Custom All-World ESG Low Carbon Index Series uses Scope 1 and 2 carbon emission intensity.

Scope 1 and 2 carbon emissions intensity is defined as:

Company total carbon emissions (Scope 1 and 2 or Scope 3) in metric tonnes CO<sub>2</sub> scaled by enterprise value including (EVIC) cash (USD).

### **Average annual GHG emission-intensity reduction relative to base year of the index**

The FTSE Custom All-World ESG Low Carbon Index Series requires an average annual GHG intensity reduction relative to base year of the index to be at least 7.5% (including 0.5% buffer)

The average annual reduction of carbon emission- relative to base year of the index is calculated as:

$$1 - \left( \frac{WA\_EM_t}{WA\_EM_{t_0}} \right)^{\frac{1}{t-t_0}}$$

$WA\_EM_t$  and  $WA\_EM_{t_0}$  are the weighted average emission intensity for the current review year  $t$  and for the base year  $t_0$ , respectively

## 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 ESG Metrics website can be found using the following link:

[ESG Metrics](#)

For further information on the FTSE Custom All-World ESG Low Carbon 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.

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

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