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FTSE Custom Developed TD 400 TPI Climate Transition Index

v2.1

FTSE RUSSELL
An LSEG Business

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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 Developed TD 400 TPI Climate Transition Index. Copies of the Ground Rules are available from www.lseg.com/en/ftse-russell/. TPI stands for the Transition Pathway Initiative.

1.2 The FTSE Custom Developed TD 400 TPI Climate Transition Index is designed to reflect the performance of stocks, taking into account a specific set of TPI and climate data in the tilting methodology and exclusions criteria.

1.3 The FTSE Custom Developed TD 400 TPI Climate Transition Index is not designed to align with the minimum requirements of the EU Climate Transition Benchmarks, nor the EU Paris-aligned Benchmarks[1].The FTSE Custom Developed TD 400 TPI Climate Transition Index takes account of ESG factors in its index design.

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

1.4 The base currency is US Dollars (USD). Index values may also be published in other currencies.

1.5 Price and total return indices will be calculated on an end-of-day basis. Total return indices include income based on ex-dividend adjustments. All dividends are applied as declared in the FTSE Total Return Index.

1.6 These Ground Rules should be read in conjunction with the following index rules and guides, which can be accessed using the following links:

FTSE Global Equity Index Series Ground Rules

Corporate_Actions_and_Events_Guide_for_Non_Market_Cap_Weighted_Indices.pdf

FTSE TPI Climate Transition Index Series

1.7 **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:

[1] The requirements are set out 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 Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.

Statement_of_Principles.pdf

1.8 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the 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.

1.9 Index users who choose to follow this index series or to buy products that claim to follow this index series should assess the merits of the index series rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell (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 index[2].

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 periodic index reviews of the 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 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 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.

[2] 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 **Queries and complaints**

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

FTSE_Russell_Benchmark_Determination_Complaints-Handling_Policy.pdf (ftserussell.com)

3.2 **Index policy for trading halts and market closures**

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

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

3.3.1 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

3.4 **Recalculation policy and guidelines**

3.4.1 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 Developed TD 400 TPI Climate Transition Index Series are notified through appropriate media.

For further information, please refer to the FTSE Russell Recalculation Policy and Guidelines document, which is available on the FTSE Russell website using the link below:

Recalculation_Policy_and_Guidelines_Equity_Indices.pdf

3.5 **Recalculation policy and guidelines – ESG data and scores**

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

Recalculation_Policy_and_Guidelines_ESG_Products.pdf

3.6 **Policy for benchmark methodology changes**

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

Policy_for_Benchmark_Methodology_Changes.pdf

3.7 FTSE Russell Governance Framework

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[3], the European benchmark regulation[4] and the UK benchmark regulation[5]. The FTSE Russell Governance Framework can be accessed using the following link:

FTSE_Russell_Governance_Framework.pdf

3.8 Real-time status definitions

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

[3] IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.
[4] 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.
[5] The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Eligible securities

4. Eligible securities

4.1.1 The eligible securities for the FTSE Custom Developed TD 400 TPI Climate Transition Index are the constituents of the FTSE Developed Target Diversification 400 Index after the application of the exclusions described in Appendix A.

4.2 **Exclusion list review frequency**

4.2.1 The exclusion lists described in Appendix A are reviewed quarterly in March, June, September, and December.

4.3 **Excluded companies**

4.3.1 Product-related and conduct-related involvement data are collected from publicly available information by FTSE Russell. Where data is not obtained by FTSE Russell, external sources are used to supplement the data, including from Sustainalytics.

4.3.2 Further detail on this is provided in section 5. Companies not covered by the applicable FTSE or Sustainalytics exclusion list are excluded from the index.

4.4 **Multiple lines**

4.4.1 All lines of the same company that are eligible securities are eligible for inclusion in the index, subject to them being constituents of the underlying index.

Section 5

ESG data inputs

5. ESG data inputs

5.1 ESG data inputs

5.1.1 This section outlines the ESG datasets used in the construction of the FTSE Custom Developed TD 400 TPI Climate Transition Index.

ESG data inputs	Details	Used for selection, weighting or exclusion[6]
Green Revenues	The 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: Green Revenues Data Model Methodology	Weighting
TPI Management Quality (MQ)	The Transition Pathway Initiative (TPI) Management Quality (MQ) data is provided by LSEG and assesses the quality of companies' management of the transition to a low-carbon economy, based on its governance, strategy, targets, and disclosures. More information can be found here: https://www.lseg.com/content/dam/data-analytics/en_us/documents/methodology/lseg-transition-pathway-initiative-tpi-management-quality-scores.pdf	Weighting
TPI Carbon Performance Scores (CP)	TPI Carbon Performance (CP) scores assess how companies' carbon performance now and in the future might compare to the international targets and national pledges made as part of the Paris Agreement. More information can be found here: https://www.transitionpathwayinitiative.org/methodology	Weighting
Product-related data – FTSE Russell	FTSE exclusion lists on the activities of companies with exposure to the products or services that are listed in section 7 of the Guide_to_the_Construction_and_Maintenance_of_FTSE_Exclusion_Lists.pdf	Exclusion
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: https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria and https://connect.sustainalytics.com/controversial-weapon-radar	Exclusion
Conduct-related data – Sustainalytics	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:	Exclusion

[6] 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.

ESG data inputs	Details	Used for selection, weighting or exclusion[6]
	https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening and Guide_to_FTSE_and_Third_Party_ESG_Data_used_in_FTSE_Russell_Indices..	
Conduct-related data – RepRisk	The RepRisk Index (RRI) captures and quantifies a company's reputational risk exposure to ESG issues. More information can be found: https://www.reprisk.com/news-research/resources/methodology	Exclusion
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
FTSE Carbon Reserves	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: lseg.com/content/dam/ftse-russell/en_us/documents/policy-documents/guide-to-ftse-and-third-party-esg-data-used-in-ftse-russell-indices.pdf	Weighting
LSEG Carbon Emissions	The LSEG Carbon Emissions combined data provides reported and estimated carbon 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: https://www.lseg.com/content/dam/data-analytics/en_us/documents/methodology/lseg-ghg-emissions-estimation-model-methodology-2025.pdf	Weighting

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.

Section 6

Index construction

6. Index construction

6.1 Index construction

6.1.1 The unconstrained index weight of each constituent in the FTSE Custom Developed TD 400 TPI Climate Transition Index w_i is:

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

where:

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

and:

w_i' is the index weight of stock i in the eligible universe.

A_i^{FF} is the fossil fuel reserve adjustment for stock i (see rule 6.1.3).

A_i^{CE} is the low operational carbon emissions adjustment for stock i (see rule 6.2.3).

A_i^{CS} is the low operational carbon emissions sector neutrality adjustment for stock i (see rule 6.2.3)

A_i^{GR} is the green revenue adjustment for stock i (see rule 6.2.3).

A_i^{MQ} is the TPI Management Quality adjustment for stock i (see rule 6.1.5).

A_i^{CP} is the TPI Carbon Performance adjustment for stock i (see rule 6.1.6).

6.1.2 The FTSE Custom Developed TD 400 TPI Climate Transition Index is constructed using fixed tilt methodologies. The strength of the factor tilt is a fixed number for all rebalances.

Please see FTSE Global Factor Index Series for more details on index construction.

6.1.3 **Fossil Fuel Reserves tilts** and **Operational Carbon Emissions tilts** are based on each security's fossil fuel reserves and operational carbon emissions intensities. The definitions of the tilts are as follows:

Operational carbon emissions intensity: it is defined as the latest annual operational CO_2 equivalent greenhouse gas (GHG) emissions in metric tonnes scaled by annual sales. Operational carbon emissions data defined as GHG Protocol Scope 1 and 2 emissions and annual sales data is sourced from a third-party data provider.

For each security, its operational carbon emissions intensity in excess of the ICB sector average of the underlying universe is calculated and 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, A_i^{CE}.

Securities with no operational carbon emissions Intensities data available are assigned a Z-score of 0.

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 adjustment described above. 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.

Fossil fuel reserves intensity: it is defined as the estimated CO_2 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). Annual fossil fuel reserves data are sourced from a third-party data provider.

For securities which own fossil fuel reserves, the natural logarithm of its fossil fuel reserves intensity is calculated and converted to a Z-score and subsequently to an S-score as detailed in FTSE Global Factor Index Series Ground Rules to form the fossil fuel reserves adjustment, A_i^{FF}.

6.1.4 For the FTSE Custom Developed TD 400 TPI Climate Transition Index, securities with no fossil fuel reserve data available are identified and treated on a peer group basis:

- Securities in the ICB sub-sector Coal (60101040) which do not have reserve data available are assigned the average Z-score of securities in the Coal sub-sector. If there are no securities in the Coal sub-sector with reserve data, a Z-score of 0 is assigned.
- Securities in the following ICB sub-sectors which do not have reserve data available are assigned the average Z-score of all securities in this group of sub-sectors. If there are no securities in this group of sub-sectors 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)
- Securities in the ICB sub-sector General Mining (55102000) which do not have reserve data available, but that are identified from the FTSE reserve data to own reserves are assigned the average Z-score of the remaining securities in the General Mining sub-sector which own reserves and for which data is available. If there are no securities in the General Mining sub-sector with reserve data, a Z-score of 0 is assigned.
- Securities outside of the above specified ICB sub-sectors which do not have reserve data available, but that are identified from the FTSE reserve data to own reserves are assigned the average Z-score of the securities outside the list of specified ICB sub-sectors which own reserves and for which data is available. If there are no securities outside of the specified ICB sub-sectors with reserve data, a Z-score of 0 is assigned.
- For all other securities outside of the above specified ICB sub-sectors which do not have reserve data available, a Z-score of -3 is assigned

6.1.5 For the FTSE Custom Developed TD 400 Climate Transition Index, the treatment of securities with no fossil fuel reserves data available is as follows:

- Securities in the ICB sub-sector Coal (60101040) which do not have reserve data available are assigned the average Z-score of securities in the Coal sub-sector. If there are no securities in the Coal sub-sector with reserve data, a Z-score of 0 is assigned.
- Securities in the following ICB sub-sectors which do not have reserve data available are assigned the average Z-score of all securities in this group of sub-sectors. If there are no securities in this group of sub-sectors 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)
  - For securities outside of the specified ICB sub-sectors which do not have reserve data available, a Z score of -3 is assigned.

6.1.6 The **Green Revenues** tilts are based on each security's Green Revenues ratio as defined in the Guide to FTSE and Third Party ESG Data used in FTSE Indices.

6.1.7 The **TPI Management Quality Adjustment** for stock i is defined as:

$$\boldsymbol{A_i^{MQ} = \left(S_i^{MQ}\right)^2 \times w_k'/w_k^{MQ}}$$

where management quality Z-scores are mapped to a S-score $\mathbf{S_i^{MQ}} \in [\mathbf{0}, \mathbf{1}]$, using the cumulative normal distribution with mean zero and standard deviation one. The creation of S-scores follows the process described in the FTSE Global Factor Index Series Ground Rules; $\mathbf{k}$ is the ICB regional industry that stock $\mathbf{i}$ belongs to, $\mathbf{w_k'}$ is the regional industry weight of the eligible universe and $\mathbf{w_k^{MQ}}$ is the regional industry weight determined by applying a double tilt using the S-score $\mathbf{S_i^{MQ}}$ to thestock weights of the underlying universe.

The FTSE Custom Developed TD 400 TPI Climate Transition Index splits the eligible universe into the following regions: North America, Europe, Latin America, Middle East and Africa, Japan and Asia-Pacific ex Japan.

6.1.8 The **TPI Carbon Performance Adjustment** $\mathrm{A_i^{CP}}$ is assigned to each of the groups detailed in The Guide to FTSE and Third Party ESG Data Used in FTSE Indices as follows:

- Securities that are aligned to below 2°C (Pulp and Paper) or 1.5°C (all other sectors) are assigned an adjustment factor of 2.
- Securities that are aligned to 2°C (Pulp and Paper) or below 2°C (all other sectors) are assigned an adjustment factor of 1.5.
- Securities that are aligned to the Paris Pledges (Pulp and Paper) or National Pledges/International Pledges (all other sectors) level are assigned an adjustment factor of 0.8.
- Securities that are not aligned or have insufficient disclosures to enable such an assessment are assigned an adjustment factor of 0.
- Securities are that not assessed are assigned an adjustment of 1.

6.2 **Capacity constraints and minimum stock weights**

6.2.1 The maximum stock level capacity ratio and constraints are applied to the index without narrowing as detailed in the FTSE Global Factor Index Series Ground Rules.

6.2.2 Any security that is aligned to below 2°C/1.5°C or 2°C/below 2°C in the TPI Carbon Performance assessment with the index weight less than 0.5bps is set as 0.5bps.

6.2.3 A minimum stock level weight of 0.5bps is then applied to the remaining constituents that are not covered in rule 6.2.2. Any security level index weight that is less than this minimum weight threshold is treated as having a zero weight in the Index, any resulting excess weight will be redistributed amongst the remaining constituents and may cause breaches of the constraints in rule 6.2.1.

6.3 **Country and industry exposure constraints**

6.3.1 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.

Index back-histories

6.3.2 The annual fossil fuel reserves, operational carbon emissions and annual sales data prior to June 2017 are lagged by one year.

6.3.3 TPI data as of September 2018 is used in the index review process prior to 2018.

6.4 Fixed tilts

6.4.1 This Table table displays the parameters used in the FTSE Custom Developed TD 400 TPI Climate Transition Index.

Table two: fixed tilt index parameters

Index	Tilt strengths					Constraints				
	Fossil fuel reserves	Operational carbon emission intensity	Green revenue	TPI Management Quality	TPI Carbon Performance	P**	Q**	Max stock weight (%)	Min stock weight (b.p.)	Max capacity ratio
FTSE Custom Developed TD 400 TPI Climate Transition Index	1	1	1	2	1	0.2	0.05	–	0.5*	<20x

*See rule 6.2 for more detail.

**See rule 6.3 for more detail.

Section 7

Periodic review of constituents

7. Periodic review of constituents

7.1 **Review dates**

7.1.1 The FTSE Custom Developed TD 400 TPI Climate Transition Index will be reviewed annually in 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

7.1.3 Index reviews will use stock prices available as at the close of business on the Wednesday before the first Friday of September (price cut-off date) and use shares and free float adjustment as of effective date.

7.1.4 The review will be implemented after the close of business on the third Friday of September (i.e. effective from open the following Monday).

Section 8

Changes to constituent companies

8. Changes to constituent companies

8.1 **Intra-review additions**

8.1.1 Additions to the underlying index will be assessed for inclusion in the FTSE Custom Developed TD 400 TPI Climate Transition Index at the next annual review.

8.2 **Intra-review deletions**

8.2.1 A constituent will be removed from the FTSE Custom Developed TD 400 TPI Climate Transition Index if it is being removed from its underlying index.

8.3 **Intra-review changes to exclusion lists**

8.3.1 A constituent will be deleted from the FTSE Custom Developed TD 400 TPI Climate Transition Index if it is added to the corresponding exclusion lists detailed in Appendix A. The deletion will be concurrent with its addition to the exclusion lists.

8.3.2 A stock that is removed from a relevant exclusion list detailed in rule Appendix A will be considered for inclusion at the next annual review.

Section 9

Corporate actions and events

9. Corporate actions and events

9.1 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, the constituent's weighting in the FTSE Custom Developed TD 400 TPI Climate Transition Index will remain unchanged pre and post such an event.

9.2 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 Cap 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 will provide notice advising of the timing of the change.

9.3 **Suspension of dealing**

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

9.4 **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 10

Indices algorithm and calculation method

10. Indices algorithm and calculation method

10.1 **Prices**

10.1.1 The FTSE Custom Developed TD 400 TPI Climate Transition 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

10.2 **Calculation frequency**

10.2.1 The FTSE Custom Developed TD 400 TPI Climate Transition Index will be calculated on an end of day basis and displayed to eight decimal points.

10.3 **Index calculation**

10.3.1 The FTSE Custom Developed TD 400 TPI Climate Transition 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:

- $i=1,2,\ldots,N$
- 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 weighting factor 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

Product-related exclusions

	Product involvement categories	Involvement threshold for exclusion
Non-renewable energy	**Fossil fuel reserves – coal, oil and gas**	
	Companies that own proved or probable reserves in coal, oil or gas.	Greater than 50% ownership
	Coal	
	Exploration for or extraction of thermal coal. Companies that generate electricity from thermal coal. Companies that provide tailor-made products and services that support thermal coal extraction	Greater than 0% revenues
	Oil and gas	
	Companies involved in oil and gas exploration, production, refining, transportation and/or storage. Companies providing tailor-made products and services that support oil and gas exploration, production, refining, transportation and storage.	Greater than 10% revenues
	Companies generating electricity from oil and/or gas.	Greater than 10% revenues
	Companies in the following ICB subsectors: 60101000 Integrated Oil and Gas 60101010 Oil: Crude Producers 60101015 Offshore Drilling and Other Services 60101020 Oil Refining and Marketing 60101030 Oil Equipment and Services 60101035 Pipelines	Not Applicable for ICB
Tobacco	**Tobacco**	
	(A) Tobacco products including cigarettes, roll-your-own tobacco, pipe tobacco, cigars, cigarillos, bidis, gutka, smokeless tobacco, and heated tobacco products (HTPs). Electronic cigarettes (or e-cigarettes) and electronic nicotine delivery systems. This includes: • all companies that are classified in the Industry Classification Benchmark (ICB) subsectors tobacco (3785) (new ICB Subsector tobacco (45103010)) and cannabis producers (20103020); and	Not Applicable for ICB
	• companies that are not classified in ICB subsector tobacco (45103010) and cannabis producers (20103020), but that are identified as having activity in this subsector.	Greater than 0% revenues
	Chemical and biological weapons	

	Product involvement categories	Involvement threshold for exclusion
Controversial weapons	Companies directly involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon. Companies directly involved in providing components/services for the core weapon system, which are either considered not tailor-made or not essential for the lethal use of the weapon.	Not Applicable[7]
	Cluster munitions	
	Companies directly involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon. Companies directly involved in providing components/services for the core weapon system, which are either considered not tailor-made or not essential for the lethal use of the weapon	Not Applicable [7]
	Anti-personnel landmines	
	Companies directly involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon. Companies directly involved in providing components/services for the core weapon system, which are either considered not tailor-made or not essential for the lethal use of the weapon	Not Applicable [7]
Nuclear weapons	**Nuclear weapons**	
	Companies directly involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon. Companies directly involved in providing components/services for the core weapon system, which are either considered not tailor-made or not essential for the lethal use of the weapon.	Not Applicable [7]
Military weapons	**Military weapons**	
	Companies that produce other weapons for military use. This includes: • munitions; • vehicles designed to carry military weapons (mounted or demountable); • weapons delivery systems, including mounting and launching systems as well as targeting; and • guidance systems	Greater than 0% revenues
Firearms	**Firearms**	
	Companies that produce firearms or ammunition for non-military use. This includes: • shotguns; • rifles; and • semi-automatic weapons.	Greater than 0% revenues

Conduct-related exclusions[8]

	Exclusions	Threshold for exclusion
Controversies*	**Human rights**	
	Controversies related to Principles 1 and 2 of the UN Global Compact, which is derived from the Universal Declaration of Human Rights. Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	For large and mid-cap size: - Companies assigned non-compliant status
	Labour	
	Controversies related to Principles 3, 4, 5, and 6 of the UN Global Compact, which is derived from the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.	

[7] This exclusion is not revenue based as defence contracts often do not provide continuous revenue flows

[8] Conduct-related exclusions regarding controversies utilize data sourced from Sustainalytics' Global Standards Screening (GSS) dataset, Global Standards Screening (GSS) dataset and RepRisk. Please refer to the Guide to FTSE and Third Party ESG Data used in FTSE Indices for further details.

	Exclusions	Threshold for exclusion
	Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.	
	Environment	
	Controversies related to Principles 7, 8, and 9 of the UN Global Compact, which is derived from the Rio Declaration on Environment and Development. Principle 7: businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
	Anti-corruption	
	Controversies related to Principle 10 of the UN Global Compact, which is derived from the United Nations Convention Against Corruption. Principle 10: businesses should work against corruption in all its forms, including extortion and bribery.	

* For companies excluded, if their Sustainalytics GSS assessment changes, the companies will be considered for removal from the exclusion list according to Rule 7.3.2 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

Appendix B

Further information

A Glossary of Terms used in FTSE Russell's Ground Rules 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

Further information on the FTSE Custom Developed TD 400 TPI Climate Transition Index is available from FTSE Russell. For contact details, please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

Website: www.lseg.com/en/ftse-russell/

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