

# FTSE Custom Eurozone Social Optimised 100 Index

v1.0

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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 Eurozone Social Optimised 100 Index.
- 1.2 The FTSE Custom Eurozone Social Optimised 100 Index is designed to reflect the performance of stocks taking into account a specific set of ESG data inputs for the selection of constituents and the calculation of constituent weights (list in Section 4). This includes data inputs provided by Arkea.
- 1.3 The FTSE Custom Eurozone Social Optimised 100 Index takes account of ESG factors in its index design. Please see further details in Section 4 and Section 6.

If a weighting 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 may not remove all companies with exposure to a specific ESG activity or sector.

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

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

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

- 1.5 Price and Total Return Indices will be calculated on an end-of-day basis.
- 1.6 The base currency of the benchmark is Euros (EUR). Index values may also be published in other currencies.

### 1.7 FTSE Russell

- 1.7.1 FTSE Russell hereby notifies users of the index 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 and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.7.2 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's 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 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<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 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 Eurozone Social Optimised 100 Index.

### 2.2 Arkea

2.2.1 Arkea is responsible for providing the exclusion lists and climate data file according to the timings and frequency in Rule 5.4 and Rule 6.6.

### 2.3 Amendments to these Ground Rules

2.3.1 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.

2.3.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

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

## Section 3

# FTSE Russell index policies

## 3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents, which can be accessed using the links below:

### 3.1 Corporate Actions and Events Guide

3.1.1 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](#)

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

3.2.1 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 the FTSE Russell Index Governance Board.

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

[Statement of Principles.pdf](#)

### 3.3 Queries and Complaints

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

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

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

3.4.1 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](#)

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

3.5.1 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](#)

### **3.6 Recalculation Policy and Guidelines**

- 3.6.1 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 Eurozone Social Optimised 100 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](#)

### **3.7 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 a ESG Data Product should be recalculated.

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

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

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

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

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

- 3.9.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

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

- 3.10.1 For indices 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

## 4. ESG data inputs

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

ESG data input	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="#">FTSE Russell ESG Data Model Methodology</a> and <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Selection, Weighting
<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/investor-solutions/esg-research/esg-screening/esg-criteria">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria</a>	Exclusion
<b>Conduct related data-Sustainalytics</b>	Sustainalytics Global Standards Screening (GSS) assess companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. More information can be found:  <a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening</a>	Exclusion
<b>Client Exclusion lists</b>	Exclusion lists provided by Arkea (see Rule 5.4)	Exclusion
<b>FTSE Carbon Emissions</b>	The FTSE Carbon Emissions Dataset provides reported and estimated Scope 1, Scope 2 and Scope 3 emissions data for both the assets and activities controlled by global publicly listed companies and their entire value chain (upstream and downstream activities). More information can be found here:  <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Weighting
<b>TPI Management Quality (MQ)</b>	FTSE Russell's Transition Pathway Initiative (TPI) Management Quality (MQ) data evaluates and tracks the quality of companies' governance/management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition. More information can be found here:  <a href="https://www.transitionpathwayinitiative.org/methodology">https://www.transitionpathwayinitiative.org/methodology</a>	Weighting
<b>Climate data</b>	Climate alignment assessment data provided by Arkea (see Rule 6.6)	Selection, Weighting

<sup>5</sup> Definitions

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

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

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

- 4.1.2 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 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 link:

[ESG Disclosures Methodology and Calculation Guide](#)

## Section 5

# Eligible securities

## 5. Eligible securities

### 5.1 Underlying index

5.1.1 The FTSE Custom Eurozone Social Optimised 100 Index consists of securities from its underlying index.

Index Name	Underlying index	Exclusion List
FTSE Custom Eurozone Social Optimised 100 Index*	FTSE Eurozone Index	See Rule 5.4 and Appendix A

\*The number of constituents in the index may be less than 100 due to intra-review changes to constituent companies.

### 5.2 Liquidity filter

5.2.1 The FTSE Custom Eurozone Social Optimised 100 Index applies a liquidity threshold (see Rule 6.2.1).

### 5.3 Product-related and conduct-related exclusions

5.3.1 Securities that are members of the applicable exclusion lists (see Appendix A) are not eligible for membership of the relevant index.

### 5.4 Arkea exclusion lists

5.4.1 The Arkea exclusion lists are provided semi-annually by Arkea on the Monday after the first Friday of the review month in March and September. . The exclusions are effective in conjunction with the index review in March and September.

5.4.2 The exclusion lists provided by Arkea are based on an indicative index constituent list. Any changes between the effective and indicative index constituent list will be screened by Arkea at the next index review, so are potentially eligible (subject to other index eligibility rules).

### 5.5 Multiple lines

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

## Section 6

# Index Construction and Weighting

## 6. Index Construction and Weighting

6.1 The index uses FTSE ESG Scores, TPI MQ Scores, FTSE Carbon Emissions data, product and conduct-related exclusions to determine companies' eligibility for index inclusion.

### 6.2 Intermediate Universe

6.2.1 Constituents from the underlying index that do not meet the liquidity threshold listed below are removed:

$$\text{Minimum weight threshold} \leq \frac{\text{Liquidity}_i \times \text{Participation rate} \times \text{Days to trade}}{\text{Notional portfolio size}}$$

Where:

- *Minimum weight threshold* is the minimum weight required for each constituent, currently set at 0.1%.
- *Liquidity<sub>i</sub>* is the 3-month ADTV of stock *i*.
- *Participation rate* is set at 20%.
- *Days to trade* is set at 5 days.
- *Notional Portfolio Size* is the notional portfolio size which is set as 200 million.

6.2.2 Constituents from the underlying index that have missing data ("nulls") from the ESG data inputs listed below are removed:

- FTSE ESG Score<sup>6</sup>
- Social Pillar Score<sup>7</sup>
- TPI MQ Score
- FTSE Carbon Emissions
- Product-related and conduct-related exclusions

6.2.3 The excluded weight is prorated to the remaining constituents, which constitute the Intermediate Universe (market-cap weighted). This universe is used as the benchmark for specific relative targets and constraints in the following index construction and weighting methodology.

### 6.3 Final Universe

6.3.1 Securities that are captured in the Arkea exclusion lists and the applicable exclusion lists based on the exclusion criteria outlined in Appendix A are excluded.

<sup>6</sup> The overall ESG Score from FTSE Russell's ESG data model is composed of underlying Pillar and Theme Exposures and Scores. It ranges from 0 to 5, with 5 being the highest score.

<sup>7</sup> The Social Pillar Score is part of FTSE Russell's ESG data model. It ranges from 0 to 5, with 5 being the highest score.

- 6.3.2 Securities that have a Labour Standards Theme Score<sup>8</sup> of 2 or below are excluded.
- 6.3.3 If less than 30% market capitalisation weight of the Intermediate Universe is removed, then securities are iteratively excluded based on their FTSE ESG Score until the 30% market capitalisation threshold is reached. During the iterative process, one security with the lowest FTSE ESG Score within the ICB Industry with the lowest proportional excluded weight<sup>9</sup> relative to the Intermediate Universe is removed at a time. In case of ties, the security with lowest weight in the benchmark is excluded.
- 6.3.4 After that, securities are iteratively excluded based on their Social Pillar Score until 100 constituents remain. One security from the ICB Industry with the lowest proportional excluded weight<sup>10</sup> relative to the Intermediate Universe is removed at a time, based on the following criteria:
- 6.3.5 Having the lowest market-capitalisation weighted Social Pillar Score within the ICB Industry  
Classified as “not aligned” by Arkea<sup>11</sup>

If more than 100 securities remain after the iterative exclusions based on these criteria, then the iterative process continues with the modified criteria listed below:

- Having the lowest market-capitalisation weighted Social Pillar Score within the ICB Industry

- 6.3.6 The Final Universe is constructed from the remaining 100 securities.

#### 6.4 Optimised index weighting at review

- 6.4.1 At each semi-annual index review, the weights of eligible constituents in the Final Universe are determined by optimisation. The constituent weights are determined by minimising objective function below:

$$\begin{aligned} & \frac{1}{N} \sum_{i=1}^N \frac{(\text{Intermediate Universe Weight}_i - \text{Optimised Weight}_i)^2}{\text{Intermediate Universe Weight}_i} + \\ & \frac{1}{K} \sum_{j=1}^K \frac{(\text{Industry Intermediate Universe Weight}_j - \text{Industry Optimised Weight}_j)^2}{\text{Industry Intermediate Universe Weight}_j} \\ & + \frac{1}{M} \sum_{s=1}^M \frac{(\text{Country Intermediate Universe Weight}_s - \text{Country Optimised Weight}_s)^2}{\text{Country Intermediate Universe Weight}_s} + \\ & \frac{1}{J} \sum_{d=1}^J \frac{(\text{Size Group Intermediate Universe Weight}_d - \text{Size Group Optimised Weight}_d)^2}{\text{Size Group Intermediate Universe Weight}_d} + \end{aligned}$$

Where:

- $N$  is the number of securities in the Intermediate Universe.
- $K$  is the number of ICB Industries in the Intermediate Universe.
- $M$  is the number of countries in the Intermediate Universe.
- $J$  is the number of groups of capitalization sizes. The capitalization sizes are determined by quartiles of the Intermediate Universe weights.
- The optimisation is subject to the following constraints outlined in Rules 6.4.2 to 6.4.8.

#### 6.4.2 Social Pillar Score constraint:

The weighted average Social Pillar Score of the index is equal to or greater than the hypothetical weighted average Social Pillar Score of the Intermediate Universe where 20% constituents (by count) with the lowest Social Pillar Score are removed.

<sup>8</sup> The Labour Standards Theme Score is part of FTSE Russell's ESG data model. It ranges from 0 to 5 as an integer, where 5 is the highest score.

<sup>9</sup> Proportional excluded weight here refers to the excluded weight from a specific ICB Industry divided by its industry weight in the Intermediate Universe.

<sup>10</sup> Proportional excluded weight here refers to the excluded weight from a specific ICB Industry divided by its industry weight in the Intermediate Universe.

<sup>11</sup> Based on climate data provided by Arkea, see rule 6.6 for more information.

**6.4.3 Operational carbon emissions intensity constraint:**

The weighted average operational carbon emission intensity of the index is less than the weighted average operational carbon emission intensity of the Intermediate Universe.

Operational carbon emissions intensity is defined as the latest annual CO2 equivalent greenhouse gas (GHG) emissions in metric tonnes, scaled by annual sales (in USD). CO2 equivalent GHG emissions data is defined as GHG protocol scope 1 and 2 emissions.

**6.4.4 Minimum aggregate weight of index constituents in “High Climate Impact” sectors (“HCI sectors”):**

The aggregate weight of stocks meeting the following criteria is at least 40% of the total aggregate weight of stocks in the HCI sectors:

- Being in one of the HCI sectors

**6.4.5 Having a TPI MQ Score of 3 or above**

Classified as “aligned” by Arkea<sup>12</sup>

Securities from specific ICB Level 4 subsectors are designated HCI sectors (see Appendix B for details on how these subsectors are determined).

**6.4.6 Minimum aggregate weight of index constituents:**

The aggregate weight of stocks classified as “aligned” by Arkea is at least 50%.

**6.4.7 Stock-level liquidity threshold:**

The stock-level weight should meet the following liquidity threshold:

$$\text{Optimised Weight}_i \leq \frac{\text{Liquidity}_i \times \text{Participation rate} \times \text{Days to trade}}{\text{Notional portfolio size}}$$

Where:

- *Liquidity<sub>i</sub>* is the 3-month ADTV of stock *i*.
- *Participation rate* is set at 20%
- *Days to trade* is set at 5 days.
- *Notional portfolio size* is the notional portfolio size which is set as 200 million.

**6.4.8 Max stock weight:**

The maximum stock weight of the index is the higher of 18% or the weight of the stock in the Intermediate Universe.

**6.4.9 Minimum stock weight:**

The minimum stock weight of the index is 0.1%.

**6.5 Relaxation process**

6.5.1 If the constraints set out in Rule 6.4 are unfeasible, then the TPI MQ score criterion included in the constraint detailed in Rule 6.4.4 is removed and the constraint detailed in Rule 6.4.5 is relaxed in increments of 2% until it reaches 40%.

If there is still no feasible solution satisfying the constraints, then the Social Pillar Score constraint detailed in Rule 6.4.2 is relaxed to: the weighted average Social Pillar Score of the index is equal to or greater than the weighted average Social Pillar Score of the Intermediate Universe.

<sup>12</sup> Based on climate data provided by Arkea, see rule 6.6 for more information.

**6.6 Climate data from Arkea**

- 6.6.1 The climate data file is provided semi-annually by Arkea on the Monday after the first Friday of the review month in March and September. Each security in the underlying index is assigned either an “aligned” status or a “not aligned” status.
- 6.6.2 The climate data file provided by Arkea is based on an indicative index constituent list. Any changes between the effective and indicative index constituent list are considered to have a “not aligned” status and will be assessed based on climate data provided by Arkea at the next semi-annual review..
- 6.6.3 If the climate data is not received, the data file received from the previous semi-annual review may be used in the relevant index review.

## Section 7

# Periodic review of constituent companies

## 7. Periodic review of constituent companies

### 7.1 Review dates

7.1.1 The FTSE Custom Eurozone Social Optimised 100 Index is reviewed on a semi-annual basis in March and September. The index review is implemented after the close of business on the third Friday of the review month (i.e., effective the following Monday).

### 7.2 Exclusion lists

7.2.1 The product- and conduct-related exclusion lists are applied on a quarterly basis, with changes effective on after the close of business on the third Friday of March, June, September and December.

7.2.2 The exclusion lists provided by Arkea are applied on a semi-annual basis, with changes effective on the review effective date in March and September (i.e., Monday after the third Friday of the review month).

### 7.3 Data dates

7.3.1 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](#)

7.3.2 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), adjusted for corporate actions and use shares and free float adjustment as of effective date.

7.3.3 Index reviews will incorporate constituent changes associated with reviews of the underlying universe.

## Section 8

# Changes to constituent companies

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## 8. Changes to constituent companies

### 8.1 Intra-review additions

8.1.1 Additions to the underlying index will be considered for inclusion at the next semi-annual review of the FTSE Custom Eurozone Social Optimised 100 Index.

### 8.2 Intra-review deletions

8.2.1 A constituent will be removed from the FTSE Custom Eurozone Social Optimised 100 Index if it is removed from the underlying index. The deletion will be concurrent with its deletion from the underlying index and the weight of the removed constituent will be distributed pro-rata amongst the remaining constituents of the index.

### 8.3 Intra-review changes to product- and conduct-related exclusions lists

8.3.1 A constituent will be removed from the FTSE Custom Eurozone Social Optimised 100 Index if it is added to a relevant exclusion list. The deletion will be concurrent with its addition to the exclusion list.

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

## Section 9

# Corporate actions and events

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## 9. Corporate actions and events

- 9.1 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 Eurozone Social Optimised 100 Index remains 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 Capitalisation Weighted Indices using the following link:

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

A corporate action is an action on shareholders with a prescribed ex-date. The share price will be subject to an adjustment on the ex-date. These include the following:

- capital repayments;
- rights issues/entitlement offers;
- stock conversion;
- splits (sub-division)/reverse splits (consolidation); and
- scrip issues (capitalisation or bonus issue).

A corporate event is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required, FTSE Russell will provide notice advising of the timing of the change.

### 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

# Treatment of dividends

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## 10. Treatment of dividends

10.1 Declared dividends are used to calculate the total return index of the FTSE Custom Eurozone Social Optimised 100 Index. All dividends are applied as at the ex-div date.

A net-of-tax total return index is also calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.

Withholding tax rates used in the net-of-tax 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 11

# Indices algorithm and calculation method

## 11. Indices algorithm and calculation method

### 11.1 Prices

11.1.1 The FTSE Custom Eurozone Social Optimised 100 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](#)

### 11.2 Calculation frequency

11.2.1 Each FTSE Custom Eurozone Social Optimised 100 Index will be calculated on an end-of-day basis and displayed to eight decimal points.

### 11.3 Index calculation

The FTSE Custom Eurozone Social Optimised 100 Index are calculated using the algorithm described below:

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

Where:

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

## Appendix A

# Exclusions

### Product involvement exclusions

The exclusions are reviewed and applied on a quarterly basis in March, June, September and December.

Exclusion category	Description	Involvement threshold for exclusion
Controversial Weapons <ul style="list-style-type: none"> <li>- Anti-Personnel Mines</li> <li>- Biological &amp; Chemical Weapons</li> <li>- Cluster Munitions</li> <li>- Depleted Uranium</li> <li>- White Phosphorus</li> <li>- Nuclear Weapons provided outside the Non-Proliferation of Nuclear Weapons Treaty (NPT)</li> </ul>	Involvement in providing core weapon systems or components/services of the core weapon system for these weapons that are considered tailor-made and essential to the lethal use of the weapon	Direct involvement: Greater than 0% revenues
		Indirect involvement: Ownership of 10% and above
	Involvement in providing core weapon systems or components/services of the core weapon system for these weapons that are considered either not tailor-made or not essential to the lethal use of the weapon	Direct involvement: Greater than 0% revenues
		Indirect involvement: Ownership of 10% and above
Tobacco	<b>Production</b> Involvement in the manufacture of tobacco products.	Direct involvement: Greater than 0% revenues
		Indirect involvement: Ownership of 10% and above
	<b>Related Products/Services</b> Involvement in the supply of tobacco-related products or services.	Direct involvement: Equal to or greater than 5% revenues
		Indirect involvement: Ownership of 10% and above
	<b>Retail</b> Involvement in the distribution and/or retail sale of tobacco products.	Direct involvement: Equal to or greater than 5% revenues
		Indirect involvement: Ownership of 10% and above
Thermal Coal	<b>Extraction</b> Involvement in the extraction of thermal coal.	Direct involvement: Greater than 0% revenues
		Indirect involvement: Ownership of 10% and above
	<b>Power generation</b>	Direct involvement: Greater than 0% revenues

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	Involvement in the generation of electricity from thermal coal.	Indirect involvement: Ownership of 10% and above
	<b>Supporting Products/Services</b> Involvement in providing tailor-made products and services that support thermal coal extraction.	Direct involvement: Greater than 0% revenues Indirect involvement: Ownership of 10% and above
Oil & Gas	<b>Production</b> Involvement in the exploration, production, refining, transportation and/or storage.	Direct involvement: Greater than 0% revenues Indirect involvement: Ownership of 10% and above
	<b>Power generation</b> Involvement in the generation of electricity from oil and/or gas.	Direct involvement: Greater than 0% revenues Indirect involvement: Ownership of 10% and above
	<b>Supporting Products/Services</b> Involvement in providing tailor-made products and services that support oil and gas exploration, production, refining, transportation and storage.	Direct involvement: Equal to or greater than 5% revenues Indirect involvement: Ownership of 10% and above

**Conduct-related exclusions**

The exclusions are reviewed and applied on a quarterly basis in March, June, September and December.

Exclusion category	Description	Involvement threshold for exclusion
UN Global Compact (UNGC) Controversies	Sustainalytics Global Standards Screening (GSS) assesses whether a company is violating, or is at risk of violating, one or more of the UNGC principles and related international norms and standards. The UNGC principles are classified into four categories: Human Rights, Labor, Environment and Anti-corruption.	Companies assigned "non-compliant" status
Controversy Rating	Sustainalytics assesses companies' involvement in incidents with negative environmental, social and governance (ESG) implications.	Companies rated 5 (Severe)

## Appendix B

# “High Climate Impact” sectors

As per the delegated acts for EU climate benchmarks (A19a-A19d of the consolidated European Benchmarks Regulation), securities in NACE sector codes A, B, C, D, E, F, G, H, L are classified as “High Climate Impact”, whereas securities in NACE sector codes I, J, K, M, N O, P, Q, R, S, T are classified as “Low Climate Impact”.

FTSE Russell has mapped NACE classes to ICB according to the following steps:

- The NACE exposure of each ICB 4 subsector is determined.
- ICB company classifications are then cross-referenced with the Refinitiv Worldscope Fundamentals database providing the NACE sector of segmental revenues, in order to map the percentage of company revenues of each ICB Level 4 subsector aligning to a NACE Level 1 sector
- In the cases where ICB level 4 subsector revenues are split between one or more NACE sectors, the NACE & ICB definitions are used to determine the appropriate NACE mapping

The list of ICB Level 4 subsectors that are mapped to NACE sector codes A, B, C, D, E, F, G, H, L, classified as “High Climate Impact”, is provided below:

ICB Level 4 subsector	Description	Defined NACE
10102010	Semiconductors	C
10102015	Electronic Components	C
10102020	Production Technology Equipment	C
10102030	Computer Hardware	C
10102035	Electronic Office Equipment	C
15101010	Telecommunications Equipment	C
20102010	Medical Equipment	C
20102015	Medical Supplies	C
20103015	Pharmaceuticals	C
20103020	Marijuana Producers	C
35101010	Real Estate Holding and Development	L
35101015	Real Estate Services	L
35102000	Diversified REITs	L
35102010	Health Care REITs	L
35102015	Hotel and Lodging REITs	L
35102020	Industrial REITs	L
35102025	Infrastructure REITs	L
35102030	Office REITs	L
35102040	Residential REITs	L

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ICB Level 4 subsector	Description	Defined NACE
35102045	Retail REITs	L
35102050	Storage REITs	L
35102060	Timber REITs	A
35102070	Other Specialty REITs	L
40101010	Auto Services	G
40101015	Tires	C
40101020	Automobiles	C
40101025	Auto Parts	C
40201050	Storage Facilities	L
40201070	Consumer Services: Misc.	G
40202010	Home Construction	F
40202015	Household Furnishings	C
40202020	Household Appliance	C
40202025	Household Equipment and Products	C
40203010	Consumer Electronics	C
40203040	Electronic Entertainment	C
40203045	Toys	C
40203050	Recreational Products	C
40203055	Recreational Vehicles and Boats	C
40203060	Photography	C
40204020	Clothing and Accessories	C
40204025	Footwear	C
40204030	Luxury Items	C
40204035	Cosmetics	C
40401010	Diversified Retailers	G
40401020	Apparel Retailers	G
40401025	Home Improvement Retailers	G
40401030	Specialty Retailers	G
40501010	Airlines	H
40501015	Travel and Tourism	H
45101010	Brewers	C
45101015	Distillers and Vintners	C
45101020	Soft Drinks	C
45102010	Farming, Fishing, Ranching and Plantations	A
45102020	Food Products	C
45102030	Fruit and Grain Processing	C
45102035	Sugar	C
45103010	Tobacco	C
45201010	Food Retailers and Wholesalers	G

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ICB Level 4 subsector	Description	Defined NACE
45201015	Drug Retailers	G
45201020	Personal Products	C
45201030	Nondurable Household Products	C
45201040	Miscellaneous Consumer Staple Goods	G
50101010	Construction	F
50101015	Engineering and Contracting Services	F
50101020	Building, Roofing/Wallboard and Plumbing	C
50101025	Building: Climate Control	C
50101030	Cement	C
50101035	Building Materials: Other	C
50201010	Aerospace	C
50201020	Defence	C
50202010	Electrical Components	C
50202020	Electronic Equipment: Control and Filter	C
50202025	Electronic Equipment: Gauges and Meters	C
50202030	Electronic Equipment: Pollution Control	C
50202040	Electronic Equipment: Other	C
50203000	Diversified Industrials	C
50203010	Paints and Coatings	C
50203015	Plastics	C
50203020	Glass	C
50203030	Containers and Packaging	C
50204000	Machinery: Industrial	C
50204010	Machinery: Agricultural	C
50204020	Machinery: Construction and Handling	C
50204030	Machinery: Engines	C
50204040	Machinery: Tools	C
50204050	Machinery: Specialty	C
50205010	Industrial Suppliers	G
50205030	Forms and Bulk Printing Services	C
50206010	Trucking	H
50206015	Commercial Vehicles and Parts	C
50206020	Railroads	H
50206025	Railroad Equipment	C
50206030	Marine Transportation	H
50206040	Delivery Services	H
50206060	Transportation Services	H
55101000	Diversified Materials	C
55101010	Forestry	A

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ICB Level 4 subsector	Description	Defined NACE
55101015	Paper	C
55101020	Textile Products	C
55102000	General Mining	B
55102010	Iron and Steel	C
55102015	Metal Fabricating	C
55102035	Aluminum	C
55102040	Copper	B
55102050	Nonferrous Metals	B
55103020	Diamonds and Gemstones	B
55103025	Gold Mining	B
55103030	Platinum and Precious Metals	B
55201000	Chemicals: Diversified	C
55201010	Chemicals and Synthetic Fibres	C
55201015	Fertilisers	C
55201020	Specialty Chemicals	C
60101000	Integrated Oil and Gas	C
60101010	Oil: Crude Producers	B
60101015	Offshore Drilling and Other Services	B
60101020	Oil Refining and Marketing	B
60101030	Oil Equipment and Services	B
60101035	Pipelines	H
60101040	Coal	B
60102010	Alternative Fuels	C
60102020	Renewable Energy Equipment	C
65101010	Alternative Electricity	D
65101015	Conventional Electricity	D
65102000	Multi-Utilities	D
65102020	Gas Distribution	D
65102030	Water	E
65103035	Waste and Disposal Services	E

All other ICB 4 subsectors are mapped to NACE sector codes I, J, K, M, N O, P, Q, R, S, T and are classified as "Low Climate Impact".

## Appendix C

# Further information

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

[Glossary.pdf](#)

[Glossary – ESG.pdf](#)

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

[ESG Metrics](#)

For further information on the FTSE Custom Eurozone Social Optimised 100 Index, visit [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/) or e-mail [info@ftserussell.com](mailto:info@ftserussell.com). Contact details can also be found on this website.

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