

FTSE ex Fossil Fuels Reserves Index Series

v3.3



**FTSE
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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 ex Fossil Fuels Reserves Index Series (the “index series”). Copies of these Ground Rules are available from FTSE Russell.
- 1.2 The FTSE ex Fossil Fuels Reserves Index Series is designed to represent the performance of companies in FTSE Russell indices after the exclusion of companies that have certain exposure to fossil fuels.
- 1.3 The FTSE ex Fossil Fuels Reserves Index Series takes account of ESG factors in its index design. Please see further details in Section 4 and Section 5.
- 1.4 The indices that are currently calculated are listed in Appendix A.
Further additional indices may be calculated as determined from time to time.
- 1.5 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules which can be accessed using the following links:
[FTSE Global Equity Index Series.pdf](#)
- 1.6 The indices listed in Appendix A are currently calculated and published in US Dollars. The indices may be calculated in other currencies.
- 1.7 A Price Index, Total Return Index and Net of Tax Index will be available. The Total Return and Net of Tax Indices include income based on ex dividend adjustments.
- 1.8 **FTSE Russell**
FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc.), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited,.
- 1.9 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.

- 1.10 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'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 (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, and/or
 - any inaccuracies in these Ground Rules, and/or
 - any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
 - any inaccuracies in the compilation of any constituent data in the index series.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series and will:

- maintain records of the index weightings of all constituents and reserve companies;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index 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;
- disseminate the indices.

2.1.3 FTSE is also responsible for monitoring the performance of the index series throughout the day and will determine whether the status of each index should be 'firm', 'indicative' or 'held' (when calculated in real-time).

2.1.4 FTSE is responsible for maintaining the list of Excluded Companies (see Rule 4.4). The list of Excluded Companies is available on request and will also be published on www.lseg.com/en/ftse-russell/.

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.

¹ 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 Statement of Principles for FTSE Russell Equity Indexes (the Statement of Principles)

Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the 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](#)

3.2 Queries and Complaints

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

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

3.3 Recalculation Policy and Guidelines

3.3.1 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 ex Fossil Fuels Reserves Index Series 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.

[Recalculation Policy and Guidelines Equity Indices.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 Policy for Benchmark Methodology Changes

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

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

3.7 FTSE Russell Governance Framework

- 3.7.1 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 Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

3.8 Real Time Status Definitions

- 3.8.1 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](#)

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

³ 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.

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Eligible securities

4. Eligible securities

- 4.1 Companies are eligible for inclusion in the FTSE ex Fossil Fuel Index Series if they are current constituents of the underlying indices included in Appendix A, subject to the selection criteria in Rule 4.4.⁵
- 4.2 All companies that are classified as “Excluded Companies” (see Rule 4.4) are excluded from the index series.
- 4.3 Unless stated otherwise these Ground Rules follow the Ground Rules of the FTSE Global Equity Index Series which are available from FTSE Russell (see Appendix B) or directly from the website at www.lseg.com/en/ftse-russell/.
- 4.4 **Excluded companies**
Companies that own proved or probable reserves in coal, oil or gas are not included in the FTSE ex Fossil Fuels Reserves Index Series.

⁵ Saudi Arabia was assigned Secondary Emerging market status in March 2019. Securities will be eligible for inclusion in the FTSE ex Fossil Fuels Reserves Index Series from September 2019.
China A Shares (available under the Northbound China Stock Connect Scheme) was assigned Secondary Emerging market status beginning in June 2019. Securities will be eligible for inclusion in the FTSE ex Fossil Fuels Reserves Index Series from September 2019.

Section 5

ESG data inputs

5. ESG data inputs

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

ESG data inputs	Details	Used for selection, weighting or exclusion ⁶
Product related data - FTSE Russell	FTSE exclusion lists on the activities of companies with specific exposure to the products or services. More information can be found in in Section 7 of the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf .	Exclusion
Minimum Set of Exclusions for ESG Indices	The minimum set of exclusions applied to this Index Series with effect from September 2023. Details of the minimum exclusions can be found in Section 8 of the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf .	Exclusion

5.1.2 Further information on ESG data provided by FTSE Russell and third parties used in this index (index series) can be found in the following guide:
[Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices](#)
This includes information on the data and standards used for these ESG data inputs. These data sets may include estimated data.

5.2 ESG Metrics

5.2.1 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](#)

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.

Section 6

Periodic review of constituents

6. Periodic review of constituents

- 6.1 The list of Excluded Companies will be reviewed semi-annually in March and September using revenue and reserves data at the close of business on the Friday four weeks prior to the review effective date. The data cut-off dates for other ESG data inputs are in the [Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices](#).
- 6.2 Changes in Excluded Companies are effective after the close of business on the third Friday in March and September.

Section 7

Changes to constituent companies

7. Changes to constituent companies

7.1 Additions outside of a review

- 7.1.1 Where applicable, Fast Entrants to the underlying index (see Appendix A) will be eligible for inclusion in the index series and reviewed at the next semi-annual review.
- 7.1.2 If a constituent of the index series has a corporate action that involves a spin-off, the newly spun-off entity will be included in the index series if it remains a constituent of its underlying index. The eligibility of the spun-off company for inclusion in the index series will be assessed at the next semi-annual review.

7.2 Deletions

- 7.2.1 If a constituent is removed from the underlying index (see Appendix A), it will be removed from the index series. The removal will be concurrent with its removal from its underlying index. Intra-review deletions will not be replaced.

7.3 Mergers and take-overs

- 7.3.1 If a constituent of the index series has a corporate action that involves a merger or takeover, the resulting company will be included in the index series providing the merger or takeover does not involve a company on the list of Excluded Companies and it remains a constituent of its underlying index (see Appendix A). The eligibility of the resulting company for inclusion in the index series will be assessed at the next semi-annual review.

7.4 Suspension of dealing

- 7.4.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide of the FTSE Global Equity Index Series.

Section 8

Changes to constituent weightings

8. Changes to constituent weightings

- 8.1 The index series will treat changes to constituent weightings in line with the FTSE Global Equity Index Series.

Section 9

Indices algorithm and calculation method

9. Indices algorithm and calculation method

9.1 Prices

- 9.1.1 The 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](#)

- 9.1.2 Exchange rates used in the End of Day calculations are WM/Reuters Closing Spot Rates™, collected at 16:00 UK time (further information on the WMR Closing Spot Rates service is available from The WM Company).

9.2 Algorithm

- 9.2.1 For details on the Algorithm and calculation methods used please refer to the FTSE Global Equity Index Series Ground Rules.

9.3 Calculation schedule

- 9.3.1 The index series is calculated every weekday, when one or more of the constituent markets are open, however on 1 January, the indices may not be disseminated. There is no separate calculation to accommodate the Saturday or Sunday opening of any market.

Appendix A

Calculated indices

Calculated Index	Underlying Index
FTSE All-World ex Fossil Fuel Reserves (>50%) Index	FTSE All-World Index
FTSE Developed ex Fossil Fuel Reserves (>50%) Index	FTSE Developed Index
FTSE Developed ex North America ex Fossil Fuel Reserves (>50%) Index	FTSE Developed ex North America Index
FTSE Developed ex Korea ex Fossil Fuel Reserves (>50%) Index	FTSE Developed ex Korea Index
FTSE Emerging ex Fossil Fuel Reserves (>50%) Index	FTSE Emerging Index
FTSE North America ex Fossil Fuel Reserves (>50%) Index	FTSE North America Index

Appendix B

Further information

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 ex Fossil Fuels Index Ground Rules visit www.lseg.com/en/ftse-russell/ or e-mail info@ftserussell.com. Contact details can also be found on this website.

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

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