

FTSE Fixed Income ex Fossil Fuels Enhanced Index Series

v1.6



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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 Fixed Income ex Fossil Fuels Enhanced Index Series.
- 1.2 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series is designed to represent the performance of securities in FTSE Fixed Income indices after the exclusion of issuers that have exposure to fossil fuel sector through direct involvement and company ownership. Excluded issuers are involved in fossil fuel production, related products or services, as well as distribution, retail and power generation. Issuers are also excluded based on Controversial Conduct.
- 1.3 The Index Series consists of the following:
 - A. FTSE World Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index
 - B. FTSE Euro Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index
 - C. FTSE US Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index
 - D. FTSE Australian Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index
 - E. FTSE World High-Yield ex Fossil Fuels Enhanced Bond Index
 - F. FTSE US High-Yield ex Fossil Fuels Enhanced Bond Index
 - G. FTSE Emerging Markets Broad ex Fossil Fuels Enhanced Bond Index
 - H. FTSE Asian Broad ex Fossil Fuels Enhanced Bond Index
- 1.4 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series covers a broad array of asset classes and will have sub-indices available in any combination of currency, maturity and rating.
- 1.5 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series does take account of ESG factors in its design.
- 1.6 **FTSE Russell**

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- 1.7 FTSE Russell hereby notifies users of the index that it is possible that factors, including external factors 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.

- 1.8 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 or any members of the FTSE Russell Policy Advisory Board (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 or any constituent data.

Section 3

Management responsibilities

2. Management responsibilities

2.1 FTSE Fixed Income LLC (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series¹.

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

- maintain records of all the constituents.
- be responsible for the addition and deletion of bonds and changes of nominal amounts, in accordance with the Ground Rules.
- 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 best reflect the aim of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Fixed Income 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.

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). FTSE Fixed Income LLC administers the Index Series in line with the third country transitional provisions contained within Article 51(5) of the European Benchmark Regulation and the third country transitional provisions as amended by Article 42(5) of 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 or by contacting info@ftserussell.com. These policies are reviewed annually and any changes are approved by the FTSE Russell Index Governance Board.

3.1 Statement of Principles for FTSE Fixed Income Indices

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 for FTSE Fixed Income Indices, 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 for Fixed Income Indices can be accessed using the following link:

[Statement_of_Principles_Fixed_Income_Indices.pdf](#)

3.2 Queries and Complaints

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

[Benchmark_Determination_Complaints_Handling_Policy.pdf](#)

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

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

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

[Fixed_Income_Recalculation_Policy_and_Guidelines.pdf](#)

3.5 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](#)

3.6 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 defense 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](#)

3.7 Real Time Status Definitions

3.7.1 Please refer to the following guide for details of real time status definitions for indices that are calculated in real time.

[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](#) (the UK Benchmark Regulation).

Section 4

Eligible securities

4. Eligible securities

4.1.1 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series consists of the indices listed in the table below. Each index is based on an underlying index with exclusions defined in Appendix A.

FTSE Fixed Income ex Fossil Fuels Enhanced Index	Underlying index
FTSE World Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	FTSE World Broad Investment-Grade Bond Index
FTSE US Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	FTSE US Broad Investment-Grade Bond Index
FTSE Euro Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	FTSE Euro Broad Investment-Grade Bond Index
FTSE Australian Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	FTSE Australian Broad Investment-Grade Bond Index
FTSE World High-Yield ex Fossil Fuels Enhanced Bond Index	FTSE World High-Yield Bond Index
FTSE US High-Yield ex Fossil Fuels Enhanced Bond Index	FTSE US High-Yield Market Index
FTSE Emerging Markets Broad ex Fossil Fuels Enhanced Bond Index	FTSE Emerging Markets Broad Bond Index
FTSE Asian Broad ex Fossil Fuels Enhanced Bond Index	FTSE Asian Broad Bond Index

4.2 Unless otherwise stated in this document, the Ground Rules for each FTSE Fixed Income ex Fossil Fuels Enhanced Index follow the Ground Rules of the respective underlying index. For full details on the design criteria and calculation assumptions for the underlying index, please refer to the FTSE Fixed Income Index Guide, which can be accessed using the following link: [FTSE Fixed Income Index Guide](#).

4.3 Exclusion lists

4.3.1 The index series applies the minimum set of exclusions.

4.3.2 The index series follows the exclusion guidelines for FTSE ESG Fixed Income Indices set out in Section 9 of [Guide to the Construction and Maintenance of Exclusion Lists used in FTSE Russell Indices](#).

4.3.3 For details on the exclusion categories, please refer to Appendix.

Section 5

ESG data inputs

5. ESG data inputs

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

ESG data inputs	Details	Used for selection, weighting or exclusion ⁵
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	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: www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening	Exclusion
Industry Classification - TRBC	The Refinitiv Business Classification (TRBC) is a sector and industry classification used to identify the activities of companies with exposure to specific products or services. More information can be found here: www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/trbc-business-classification-methodology.pdf	Exclusion
Industry Classification - COBS	The FTSE Russell Corporate Bond Sector (COBS) scheme is maintained by FTSE Russell for all bonds tracked by the FTSE Fixed Income Indices. COBS subsectors can be used to determine issuer involvement in specific products or services. More information can be found here: ftse-fixed-income-indices-guide.pdf	Exclusion
Minimum Set of Exclusions for ESG Indices	The minimum set of exclusions apply to this Index Series. Details of the minimum exclusions can be found in the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf .	Exclusion

5.1 Product Involvement Exclusion Data

5.1.1 Categories of product involvement⁶

Product involvement areas track companies' involvement in certain products or services in terms of:

⁵ Definitions
 Selection – ESGI 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.

- Direct involvement: a company is directly involved in a product in one or more ways such as production, distribution, or related services; or
- Involvement through ownership: a company is indirectly involved in a product through ownership of an involved company (“significant ownership”).
 - If a company holds a majority stake, i.e. more than 50%, of another company that is considered as direct involvement, the parent company is considered involved in the same category of involvement as the subsidiary. In these cases Sustainalytics attributes to the parent the revenues of the involved subsidiary.
 - In the case of a minority stake, i.e. 10-50%, of another company that is considered as the ‘significant ownership’ category. In this case, the revenues of the subsidiary are not attributed to the parent but instead the percentage of the ownership stake is captured in order to signal the level of control and influence present in the relationship.

Section 6

Composition and design criteria

6. Index construction

6.1 FTSE Fixed Income ex Fossil Fuels Enhanced Index Series construction

- 6.1.1 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series excludes issuers as detailed in Section 4. The remaining eligible securities are then weighted by market value.
- 6.1.2 Sustainalytics data are refreshed on a quarterly basis in March, June, September and December.
- 6.1.3 The latest ESG data inputs are used for the index rebalance.
- 6.1.4 The FTSE Fixed Income ex Fossil Fuels Enhanced Index Series is rebalanced on the same date as its underlying index.

6.2 Index back-histories

- 6.2.1 Sustainalytics data is available from December 2020 for the following indices:

Index
FTSE World Broad Investment-Grade Ex Fossil Fuels Enhanced Bond Index
FTSE US Broad Investment-Grade Ex Fossil Fuels Enhanced Bond Index
FTSE Euro Broad Investment-Grade Ex Fossil Fuels Enhanced Bond Index
FTSE Australian Broad Investment-Grade Ex Fossil Fuels Enhanced Bond Index

For the period between the inception date and December 2020 the history has been back populated based on data from December 2020.

- 6.2.2 Sustainalytics data is available from December 2022 for the following indices:

Index
FTSE World High-Yield Ex Fossil Fuels Enhanced Bond Index
FTSE US High-Yield Ex Fossil Fuels Enhanced Bond Index
FTSE Emerging Markets Broad Ex Fossil Fuels Enhanced Bond Index
FTSE Asian Broad Ex Fossil Fuels Enhanced Bond Index

For the period between the inception date and December 2022 the history has been back populated based on data from December 2022.

- 6.2.3 Historical corporate issuers that are not in the researched universe of product involvement or norms-based research are excluded from the index.

6.2.4 The inception date of the indices within the FTSE Fixed Income ex Fossil Fuels Enhanced Index Series is as follows:

Index	Inception date
FTSE World Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	31 December 1998
FTSE US Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	31 December 1998
FTSE Euro Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	31 December 1998
FTSE Australian Broad Investment-Grade ex Fossil Fuels Enhanced Bond Index	30 June 2000
FTSE World High-Yield Ex Fossil Fuels Enhanced Bond Index	August 31, 2015
FTSE US High-Yield Ex Fossil Fuels Enhanced Bond Index	August 31, 2015
FTSE Emerging Markets Broad Ex Fossil Fuels Enhanced Bond Index	August 31, 2015
FTSE Asian Broad Ex Fossil Fuels Enhanced Bond Index	August 31, 2015

For full details on the design criteria and calculation assumptions for the FTSE fixed income indices, please refer to the [FTSE Fixed Income Index Guide](#).

6.3 Chronological summary of events

FTSE Fixed Income ex Fossil Fuels Enhanced Index Event Summary

Year	Highlight
2023	FTSE World High-Yield Ex Fossil Fuels Enhanced Bond Index, FTSE US High-Yield Ex Fossil Fuels Enhanced Bond Index, FTSE Emerging Markets Broad Ex Fossil Fuels Enhanced Bond Index, and FTSE Asian Broad Ex Fossil Fuels Enhanced Bond Index are introduced.
2022	August: launch of FTSE Fixed Income ex Fossil Fuels Enhanced Index Series

Appendix A

Exclusions

Exclusions	Threshold
Controversial weapons (biological and chemical weapons, cluster munitions, anti-personnel mines)	
Companies involved in the core weapon system or components/services of the core weapon system for the lethal use of controversial weapons.	Greater than 0% of revenues
Tobacco	
Companies manufacturing tobacco products.	Greater than 0% of revenues
UNGC controversies	
Companies involved in controversies related to the UNGC principles. The principles are classified into four categories: human rights, labour, environment and anti-corruption.	All companies deemed to be non-compliant

Appendix B

Fossil fuels exclusions

	Exclusions	Threshold
Sustainalytics product involvement	Oil and gas	
	Production: involvement in exploration, production, refining, transportation and storage of oil and/or gas.	Direct involvement: Greater than 0% of revenues Ownership of 10% and above
	Supporting products/services: involvement in exploration, production, refining, transportation and storage of oil and/or gas.	Direct involvement: Equal or greater than 5% of revenues Ownership of 10% and above
	Generation: involvement in exploration, production, refining, transportation and storage of oil and/or gas.	Direct involvement: Greater than 0% of revenues Ownership of 10% and above
	Oil sands	
	Extraction: involvement in extraction of oil sands.	Direct involvement: Greater than 0% of revenues Ownership of 10% and above
	Arctic oil and gas exploration	
	Extraction: involvement in oil and gas exploration in Arctic regions.	Direct involvement: Greater than 0% of revenues Ownership of 10% and above
	Shale energy	
	Extraction: involvement in extraction of shale energy exploration and/or production.	Direct involvement: Greater than 0% of revenues Ownership of 10% and above
	Thermal coal	
	Extraction: involvement in the extraction of thermal coal.	Direct involvement: Greater than 0% of revenues Ownership of 10% and above
Power generation: involvement in the generation of electricity from thermal coal.	Direct involvement: Greater than 0% of revenues Ownership of 10% and above	
Supporting Products/Services: involvement in tailor-made products and services that support thermal coal extraction	Direct involvement: Greater than 5% of revenues Ownership of 10% and above	
Corporate bond sector	Sub-sector description	COBS code
	Secondary oil and gas products	SOGP
	Oil equipment	OILE
	Oil service	OILS
	Oil refining and marketing	OILR
	Integrated oil	OILI
	Retail propane distributors	PPAN
	Gas utility – local distributors	GASL

	Exclusions	Threshold	
	Gas Pipelines	GSPL	
Refinitiv Business Classification	TRBC	TRBC classification hierarchy	
		TRBC hierarchical ID	
	Coal	Industry group	501010
	Oil and gas	Industry group	501020
	Oil and gas-related equipment and services	Industry group	501030
	Fossil fuel electric utilities	Activity	5910101012
Fossil fuel IPPs	Activity	5910102011	

Appendix C

Further information

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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