

FTSE Global Climate Index Series

v2.6



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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 Global Climate Index Series. Copies of these ground rules are available from www.lseg.com/en/ftse-russell/.

1.2 The FTSE Global Climate Index Series is designed to reflect the performance of companies taking into account specific climate change considerations, while maintaining similar risk/return characteristics to the underlying universe. Please see further details in **Section 4** and **Section 5**.

1.3 These ground rules should be read in conjunction with the FTSE Global Equity Index Series ground rules, Russell US Equity Indices Methodology and the Corporate Actions and Events Guide for Non Market Cap Weighted Indices, which are available at www.lseg.com/en/ftse-russell/.

1.4 Price and Total Return Indices will be calculated on an end-of-day basis.

1.5 The FTSE Global Climate Index Series takes account of ESG factors in its index design. Please see further details in **Section 4** and **Section 5**.

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

1.6 The base currency of all indices US Dollars (USD) and may also be published in other currencies.

1.7 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. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.

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 benchmark to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.9 Index users who choose to follow this index series or to buy products that claim to follow this index should assess the merits of the index series' rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these ground rules;
- any inaccuracies in these ground rules;
- any non-application or misapplication of the policies or procedures described in these ground rules; and/or

- any inaccuracies in the compilation of the index series or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (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, and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the ground rules;
- carry out the periodic reviews of the index series and apply the changes resulting from the reviews as required by the ground rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews; and
- disseminate the index series.

2.1.3 These ground rules set out the methodology and provide information about the publication of the FTSE Global Climate Index Series.

2.2 Amendments to these ground rules

2.2.1 These ground rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these ground rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

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

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 Corporate Actions and Events Guide

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

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

3.3 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the ground rules cannot anticipate every eventuality. Where the ground rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles, which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by FTSE Russell's Index Governance Board.

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

[Statement_of_Principles.pdf](#)

3.4 Queries and Complaints

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

[Benchmark_Determination_Complaints_Handling_Policy.pdf](#)

3.5 Index Policy for Trading Halts and Market Closures

3.5.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index_Policy_for_Trading_Halts_and_Market_Closures.pdf](#)

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

3.6.1 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](#)

3.7 Recalculation Policy and Guidelines

3.7.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE Global Climate 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](#)

3.8 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 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](#)

3.10 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](#)

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

Sustainable investment data inputs

4. Sustainable investment data inputs

4.1.1 The following sustainable investment datasets are used in the construction of the FTSE Global Climate Index Series

Sustainable investment data inputs	Details	Used for selection, weighting or exclusion ⁵
FTSE Green Revenues	FTSE Russell's 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: https://research.ftserussell.com/products/downloads/FTSE_Green_Revenues_Classification_System.pdf	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 (ftserussell.com).	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 .	Exclusion
Conduct-related data – FTSE Russell	FTSE exclusion lists on the activities of companies that are directly or indirectly linked to controversial conduct and/or diversity. More information can be found: Section 7 of the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf (ftserussell.com).	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: https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening	Exclusion
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
Minimum set of exclusions for sustainable investment indices	The minimum set of exclusions will be applied to this index series with effect from September 2023. Details of the minimum exclusions can be found in the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf (ftserussell.com).	Weighting

⁵ Definitions

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

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

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

Sustainable investment data inputs	Details	Used for selection, weighting or exclusion ⁵
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

4.1.2 Further information on sustainable investment 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 Sustainable Investment Data used in FTSE Russell Indices](#)

This includes information on the data and standards used for these sustainable investment data inputs. These data sets may include estimated data.

4.2 Sustainable Investment Metrics

4.2.1 Please see the FTSE Russell [Sustainable Investment 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 links:

[Sustainability and ESG Data | FTSE Russell](#)

[Sustainable Investment Disclosures Methodology Document](#)

Section 5

Green Revenues and carbon definitions

5. Green Revenues, operational carbon emissions and fossil fuel reserves

5.1 Green Revenues (GR)

The Green Revenues percentages are derived from the FTSE Green Revenues as detailed in the FTSE Green Revenues Index Series.

5.2 Operational carbon emissions intensity (OE)

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. Annual sales data is sourced from third-party data providers. The data cut-off date for the availability of operational carbon emissions intensity is the close of business on the last business day of the month prior to the review month.

5.3 Fossil fuel reserve intensity (R)

Fossil fuel reserve intensity is defined as the estimated CO₂ equivalent 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). The data cut-off date for the availability of fossil fuel reserve intensity is the close of business on the last business day of the month prior to the review month.

5.4 Z-scores and missing data treatment

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

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

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

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

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

5.4.2 Missing operational carbon emissions Intensities are assigned a Z-score of 0 at the end of the process described in rule 5.4.1.

5.4.3 Companies with missing fossil fuel reserve data are identified and treated on a peer group basis:

- Companies in the ICB sub-sector coal (60101040) which do not have reserve data available are assigned the average Z-score of companies in the coal sub-sector. If there are no companies in the coal sub-sector with reserve data, the Z-score of 0 is assigned.
- Companies in the following ICB sub-sectors which do not have reserve data available are assigned the average Z-score of all companies in this group of sub-sectors. If there are no companies 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)
- Companies in the ICB sub-sector general mining (55102000) which do not have reserve data available, but that are identified from the FTSE Sustainable Investment data to own coal reserves are assigned the average Z-score of the remaining companies in the general mining sub-sector which own reserves and for which data is available. If no companies in the general mining sub-sector have reserve data, a Z-score of 0 is assigned.
- Companies outside of the specified ICB sub-sectors which do not have reserve data available, but which are identified from the FTSE sustainable investment data to own coal reserves are assigned the average Z-score of companies outside the list of ICB sub-sectors which own reserves and for which data is available.
- If there are no companies outside of the specified ICB sub-sectors with reserve data, a Z-score of 0 is assigned.

Section 6

Eligible securities

6. Eligible securities

6.1.1 The eligible securities of each index in the Global Climate Index Series are the constituents of the corresponding underlying index shown in table one.

6.2 Multiple lines

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

6.3 Indices

The FTSE Global Climate Index Series consists of the following indices.

Table one: indices

Index name	Underlying universe
FTSE Developed Climate Index	FTSE Developed Index
FTSE Developed ex US Climate Index	FTSE Developed ex US Index
Russell 1000 Climate Index	Russell 1000 Index

Section 7

Periodic review of constituent companies

7. Periodic review of constituent companies

7.1 Review dates

7.1.1 The FTSE Global Climate Indices are reviewed annually in June or September.

FTSE indices	Review months
FTSE Developed Climate Index	September
FTSE Developed ex US Climate Index	September
Russell 1000 Climate Index	June

Index reviews will use Green Revenue and carbon characteristics data as of the last business day of the month prior to the review month (the data cut-off date).

7.1.2 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), except for the Russell 1000 Climate Index whose price cut-off date is the Wednesday before the second Friday of the review month.

7.1.3 The review will be implemented after the close of business on the third Friday of the review month except for the Russell 1000 Climate Index that is implemented on the same date as the Russell 1000 annual reconstitution.

7.1.4 Index reviews will incorporate constituent changes associated with reviews of the underlying eligible universe as of the review effective date.

Section 8

Weighting methodology

8. Weighting methodology

8.1 Index weights

8.1.1 Constituent weightings in the FTSE Global Climate Index Series are based on three aspects of climate change.

8.1.2 The climate change adjustments are:

- Fossil fuel reserves adjustment
- Operational carbon emissions: low operational carbon emissions and low operational carbon emissions sector adjustment
- Green Revenue adjustment

8.1.3 The unconstrained review weight of each constituent in the FTSE Global Climate Index Series is:

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

where:

$$v_i = w'_i \times A_i^{FF} \times A_i^{CE} \times A_i^{CS} \times A_i^{GR}$$

where:

- w'_i is the market capitalisation weight of stock i in the underlying eligible universe.
- A_i^{CR} and A_i^{OG} are the coal reserves and the oil and gas reserves adjustments for stock i (rule 8.2).
- A_i^{FF} is the fossil fuel reserves adjustment for stock i (rule 8.2).
- A_i^{CE} and A_i^{CS} are the low operational carbon emissions adjustment and the low operational carbon emissions sector adjustment respectively of stock i (rule 8.3).
- A_i^{GR} is the Green Revenue adjustment of stock i (rule 8.4).

8.2 Fossil fuel reserves adjustment

8.2.1 Annual fossil fuel reserve data are sourced from third-party data providers⁶.

8.2.2 For companies which own fossil fuel reserves, the carbon reserve intensity is calculated. Carbon reserve intensity is defined as the natural logarithm of the estimated CO₂ equivalent greenhouse gas (GHG) emissions in metric tonnes, generated by the combustion of a company's fossil fuel reserves, divided by the full company market capitalisation (in USD). Data is from the latest published accounts at the data cut-off date. The carbon reserve intensity measure is converted to a Z-score and subsequently to an S-score as detailed in FTSE Global Factor Index Series ground rules. The S-score is the fossil fuel reserve adjustment: A_i^{FF} . Companies which do not own fossil fuel reserves are awarded a score of 1: $A_i^{FF} = 1$.

⁶ Third-party providers may include modelled, as well as collected, data.

8.2.3 Companies with missing fossil fuel reserve data are identified and treated on a peer group basis. Full details can be found in rule 5.4.3

8.3 Operational carbon emissions adjustment

8.3.1 Operational carbon emissions are defined as the latest annual operational carbon emissions of CO₂ equivalent GHG emissions in metric tonnes scaled by annual sales in excess of the ICB sector average. Operational carbon emissions data defined as GHG Protocol Scope 1 and 2 emissions and annual sales data is sourced from third-party data providers.

8.3.2 Operational carbon emissions are converted to a Z-score and subsequently to an S-score as detailed in FTSE Global Factor Index Series ground rules to form the low operational carbon emissions adjustment of each stock: A_i^{CE} .

8.3.3 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 stock adjustment described in rule 8.3.2. 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.

8.4 Green Revenue adjustment

8.4.1 The FTSE Green Revenues factor for a company is the ratio of revenues as classified by the FTSE Green Revenues Classification System to total revenue.

8.4.2 All constituent securities are assigned a FTSE Green Revenues factor value. The FTSE Green Revenues factor can be:

- Zero if a constituent company has no exposure to the green economy.
- A greater than zero value, when exact Green Revenues were disclosed by a constituent company.
- The minimum of the stated range of possible Green Revenues, when a company discloses insufficient information for a precise determination of the FTSE Green Revenues factor⁷.

8.4.3 The Green Revenue adjustment for each stock, A_i^{GR} , is assigned using the following process 8.4.4 to 8.4.6:

8.4.4 Constituents with exposure to the green economy and non-zero Green Revenues have their Green Revenue adjustments set to $(1 + GRF_i)$, where GRF_i is the FTSE Green Revenues factor.

8.4.5 Constituents with exposure to the green economy via a stated range with a minimum of zero Green Revenues have their Green Revenue adjustments set to 1.

8.4.6 Constituents with no exposure to the green economy have their Green Revenue adjustments set to $1 - \frac{\sum_{j \in G} (w_j' \times GRF_j)}{\sum_{j \in G^*} w_j'}$ to reflect the overweighting in 8.4.4, where w_j' is the market capitalisation weight of stock j in the underlying universe, G is the collection of constituents with Green Revenues and G^* is the collection of constituents with no Green Revenues.

8.4.7 In the event that the aggregate weight of constituents with no exposure to the green economy is less than the aggregate overweighting from 8.4.4, i.e. $\frac{\sum_{j \in G} (w_j' \times GRF_j)}{\sum_{j \in G^*} w_j'} > 1$ additional rules 8.4.8 to 8.4.10 are applied:

⁷ For further details of the FTSE Green Revenues Classification System, please refer to FTSE Russell Sustainable Investment Data available at <https://gsd.ftserussell.com>.

- 8.4.8 Constituents with exposure to the green economy via non-zero Green Revenues have their investable market capitalisation weights increased by $(1 + \alpha \times GRF_i)$, where α reflects the feasible level of over weighting:

$$\alpha = \frac{\sum_{j \in G^*} w_j'}{\sum_{i \in G} w_i' \times GRF_i}$$

where w_i' (w_j') is the market capitalisation weight of stock i (j) in the underlying universe, G is the collection of constituents with Green Revenues, and G^* is the collection of constituents with no Green Revenues.

- 8.4.9 Constituents with exposure to the green economy via a stated range with a minimum of zero Green Revenues have their Green Revenue adjustments set to 1.
- 8.4.10 Constituents with no exposure to the green economy have their Green Revenue adjustments set to 0.

8.5 Capacity, constraints and minimum stock weights

- 8.5.1 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.
- 8.5.2 A minimum stock weight threshold is applied to the final indices. Any stock weight that is less than the minimum weight threshold is treated as having a zero weight in the relevant index. Any resulting excess weight will be redistributed amongst the remaining constituents proportional to their index weights. The minimum stock weight is 0.5bps for all FTSE Global Climate Indices.

8.6 Index back-histories

- 8.6.1 The annual fossil fuel reserves, operational carbon emissions and annual sales data prior to the launch of the FTSE Global Climate Index Series are lagged by one year.

Section 9

Changes to constituent companies

9. Changes to constituent companies

9.1 Intra-review additions

9.1.1 Additions into the FTSE Global Climate Index Series will be considered for inclusion at the next annual review.

9.2 Intra-review deletions

9.2.1 A constituent will be removed from the FTSE Global Climate Index Series if it is removed from the underlying universe. If the index is a Russell-derived FTSE Global Climate Index, a minimum of two days' notice will be provided and its weight will be distributed pro-rata amongst the remaining constituents in the relevant index.

Section 10

Corporate actions and events

10. Corporate actions and events

10.1 If a constituent has a stock split, stock consolidation, rights issue, bonus issue, a change in the number of shares in issue or a change in free-float (with the exception of tender offers), the constituent's weighting in the FTSE Global Climate Index Series remains unchanged pre and post such an event.

10.2 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.

10.3 Suspension of dealing

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

10.4 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 11

Treatment of dividends

11. Treatment of dividends

11.1 Declared dividends are used to calculate the Standard Total Return Index of the FTSE Global Climate Index Series. All dividends are applied as at the ex-div date.

11.2 Net-of-tax total return indices are also calculated based on dividends received following deduction of withholding tax at the rates applicable to a UK pension fund that benefits from double-taxation treaties.

Withholding tax rates used in the net-of-tax indices can be accessed using the following link:

[Withholding Tax Service](#)

Please also refer to the FTSE Russell Withholding Tax Guide, which can be accessed using the following link:

[FTSE Russell Withholding Tax Guide.pdf](#)

Section 12

Industry Classification Benchmark (ICB)

12. Industry Classification Benchmark (ICB)⁸

12.1 Classification structure

- 12.1.1 The FTSE Global Climate Index Series constituents are classified into industries, supersectors, sectors and subsectors, as defined by the ICB.
- 12.1.2 Details of the ICB are available from FTSE Russell and published on the FTSE Russell website (www.lseg.com/en/ftse-russell/) and can be accessed using the following link:
[Industry Classification Benchmark](#)

⁸ Russell indices migrated to the new ICB classification system in September 2020 and FTSE indices migrated in March 2021.

Section 13

Indices algorithm and calculation method

13. Indices algorithm and calculation method

13.1 Prices

13.1.1 The FTSE Global Climate 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](#)

13.2 Calculation frequency

13.2.1 The FTSE Global Climate Index Series will be calculated on an end-of-day basis and displayed to eight decimal points.

13.3 Index calculation

The FTSE Global Climate Index Series 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

Further information

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

[Glossary – Sustainable Investment.pdf](#)

The FTSE Russell Sustainable Investment Metrics website can be found using the following link: [Sustainable Investment Metrics](#)

For further information on the FTSE Global Climate Index Series, 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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