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FTSE Italia Index Series

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FTSE RUSSELL
An LSEG Business

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Section 1

Introduction

1. Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE Italia Index Series. Copies of the Ground Rules are available from FTSE Russell, Borsa Italiana and on the websites www.lseg.com/en/ftse-russell/ and www.borsaitaliana.it.

1.2 The FTSE Italia Index Series is designed to represent the performance of companies listed on Euronext Milan and Euronext MIV Milan markets of Borsa Italiana, providing market participants with a comprehensive and complementary set of indices which measure the performance of the major capital and industry segments of the Italian market. A single index is design to represent the performance of companies traded on Euronext Growth Milan market.

1.3 The FTSE Italia Index Series does not take account of ESG factors in its index design.

1.4 The FTSE Italia Index Series consists of the following indices:

- FTSE MIB Index*
- FTSE Italia Mid Cap Index*
- FTSE Italia Small Cap Index*
- FTSE Italia All-Share Index*
- FTSE Italia All-Share Capped Index*
- FTSE Italia MIB Storico Index
- FTSE Italia Industry*, Supersector* and Sector Indices
- FTSE Italia STAR Index*
- FTSE Italia Brands Index*
- FTSE MIB Banks 15% Capped Index*
- FTSE MIB Open Index
- FTSE MIB Dividend Index
- FTSE MIB Cumulative Dividend Index
- FTSE Italia Growth Index*

1.5 The following FTSE Italia PIR Indices are also calculated. These indices are intended to help users meet personal savings plan (PIR) requirements introduced in Italy in 2017:

- FTSE Italia PIR PMI Index*
- FTSE Italia PIR Mid Small Cap Index*
- FTSE Italia PIR PMI All Index*
- FTSE Italia PIR All Cap Index*

* Calculated in real time

1.6 The following variants are, or if requested may be, calculated for certain indices within the index series:

- Capital and total return indices.
- Net total return indices based on specified withholding tax rates.
- Indices calculated in currencies other than the base currency (EUR).
- Capped indices; for full details see the FTSE Russell Capping Methodology guide.
- Sector indices.

Additional customised variants can be calculated on request including indices with industry and sector exclusions. Selected indices are calculated and disseminated on a real time basis.

1.7 All indices are calculated in EUR, with Price and Total Return versions available for each index.

1.8 IOSCO

1.9 FTSE considers that the FTSE Italia Index Series meets the IOSCO Principles for Financial Benchmarks as published in July 2013.

Full details can be accessed at www.iosco.org.

Details of FTSE Russell's Statement of Compliance with respect to the IOSCO Principles can be accessed using the following link:

IOSCO Statement of Compliance.

1.10 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.

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

1.12 These Ground Rules

1.12.1 This document sets out the Ground Rules for the construction and maintenance of the FTSE Italia 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 FTSE Italia Index Series and will:

- maintain records of the index weightings of all constituents and reserve list shares;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indices.

2.1.3 The weights of constituents in the real time indices shall be used in the calculation of the end of day indices.

2.1.4 FTSE is also responsible for monitoring the performance of the FTSE Italia Index Series throughout the day and will determine whether the status of each index should be Firm, Indicative or Held (see Appendix B).

2.2 FTSE Italia Index Series Technical Committee

2.2.1 The FTSE Italia Index Series Technical Committee has been established to oversee the periodic reviews of the index, to support the management of corporate actions affecting index constituents, and to discuss proposed changes to the index Ground Rules and other methodology documents and make recommendations for changes for subsequent review and approval by the FTSE Russell Index Governance Board.

2.2.2 The Terms of Reference of the FTSE Italia Index Series Technical Committee are set out on the FTSE Russell website.

Terms of Reference

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 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).

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.

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

Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

Corporate_Actions_and_Events_Guide.pdf

The treatment of corporate actions and events for Indices with underlying listed futures and options (FTSE MIB Index, FTSE MIB Dividend Index and FTSE Italia PIR Mid Cap Index) is described in the relevant Index Ground Rules.

3.2 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 for the FTSE Russell Market Capitalisation Weighted Equity Indices can be accessed using the following link:

Statement_of_Principles.pdf

3.3 Queries, Complaints and Appeals

A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indices from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

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

Benchmark_Determination_Complaints_Handling_Policy.pdf

FTSE Russell's Appeal Process can be accessed using the following link:

Appeals_Against_Decisions.pdf

3.4 Index Policy for Trading Halts and Market Closures

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

Index_Policy_for_Trading_Halts_and_Market_Closures.pdf

3.5 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

3.6 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 FTSE Italia 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

3.7 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

3.8 FTSE Russell Governance Framework

3.8.1 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[2], the European benchmark regulation[3] and the UK benchmark regulation[4]. The FTSE Russell Governance Framework can be accessed using the following link:

FTSE_Russell_Governance_Framework.pdf

3.9 Real Time Status Definitions

3.9.1 Please refer to the following guide for details of real time status definitions for indices which 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.

Section 4

Eligible securities

4. Eligible securities

4.1 All shares that have a listing on Euronext Milan and Euronext MIV Milan markets of Borsa Italiana are eligible for the index series universe subject to conforming to all other rules of eligibility, free float and liquidity.

4.2 For the FTSE Italia Growth Index only, the universe of eligible constituents consists of all shares admitted to Euronext Growth Milan of Borsa Italiana.

For the FTSE Italia PIR PMI All Index the universe is made from the Italian shares of Euronext Milan, Euronext MIV Milan and Euronext Growth Milan.

Companies whose business is that of holding equity and other investments (e.g. Investment Trusts) which are classified by the Industry Classification Benchmark[5] as Subsector Closed End Investments (30204000)) and non-equity investment instruments which are classified by the Industry Classification Benchmark as Subsector Open End and Miscellaneous Investment Vehicles (30205000)) will not be eligible for inclusion in indices. For further details on the Industry Classification Benchmark (ICB), please visit Industry Classification Benchmark (ICB) | LSEG.

4.3 In the case of companies with more than one class of share listed, only ordinary shares are considered for inclusion in the FTSE MIB Index, FTSE Italia Mid Cap Index, FTSE Italia Small Cap Index and FTSE Italia All-Share Capped Index. If a company has only preferred shares listed, these shares are eligible for index inclusion.

4.3.1 For the FTSE Italia STAR Index, FTSE Italia Growth Index all classes of shares are considered for inclusion.

[5] FTSE Indices migrated to the new ICB classification system in March 2021.

Section 5

Index qualification criteria

5. Index qualification criteria

Constituents of FTSE Italia Growth Index are not screened for minimum liquidity and free float, as the goal of the index is that of mirroring the market. For all other indices, a stock must pass the following free float and liquidity eligibility criteria.

5.1 Market capitalisation

The float-adjusted market capitalisation is determined through an Investable Weight Factor (IWF):

5.2 IWF = 100% - Sum of the % of shareholdings held by restricted shareholders

5.3 Investability weighting

5.3.1 Constituents of the FTSE Italia Index Series are adjusted for free float and foreign ownership limits.

5.3.2 Companies with a free float of 5% or below are excluded from the index.

5.3.3 Constituents of the FTSE Italia MIB Storico Index, are not adjusted for free float or foreign ownership limits and are calculated using a constituent's full market capitalisation.

5.3.4 Further details on free float restrictions can be accessed using the following link:

5.3.5 Free_Float_Restrictions.pdf

5.3.6 Treasury shares are always excluded from the shares in issue, independently from the size of their stake.

5.3.7 FTSE Russell free float data is primarily based on public filings data sourced from LSEG Data & Analytics Ownership and Profiles Data| LSEG as set out in the FTSE Russell Free Float Restrictions' guidelines.

Further information on the maintenance of free floats within the FTSE Russell indices can be found within the FTSE Russell Indices – Quarterly and Intra Quarter Free Float and Share Updates FAQ:

FTSE Russell Indices - Quarterly and Intra-Quarter Free Float and Share Updates FAQ: Ground Rules

5.4 Minimum voting rights

5.4.1 Companies assigned a developed market nationality are required to have greater than 5% of the company's voting rights (aggregated across all of its equity securities, including, where identifiable, those that are not listed or trading) in the hands of unrestricted shareholders or they will be deemed ineligible for index inclusion. Emerging market securities are not subject to this requirement.

5.4.2 The percentage of a company's voting rights in public hands is calculated as:

$$\frac{\text{The number of votes in the hands of shareholders that are unrestricted as determined by the application of FTSE Russell free float definitions}}{\text{The total number of votes conferred by the shares oustanding of all the company}'\text{s voting securities including those that have not been admitted to trading on a regulated venue}}$$

For example, Company A has 100m listed Class A shares each conferring one vote, free float is 65%. It also has 300m unlisted Class B shares each conferring 10 votes.

The test to assess whether the listed Class A line has the required greater than 5% of the company's voting rights is as follows:

$$\frac{65\text{m (i.e. 100m Class A voting rights} * 65\% \text{ float)}}{3.1\text{bn (i.e. 100m Class A} + 3\text{bn Class B}}$$

$$= 2.097\% \text{ of the company's voting rights in public hands}$$

5.5 Liquidity

5.5.1 Each security is tested for liquidity on a quarterly basis by calculation of its monthly median daily trading volume.

For each month, the daily trading volume for each security is calculated as a percentage of the shares in issue for that day adjusted by the free float at the review cut-off date. These daily values are then ranked in descending order and the median is taken by selecting the value for the middle ranking day if there is an odd number of days and the mean of the middle two if there is an even number of days.

Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trading volume for that month.

5.5.2 Share which do not turnover at least 0.025% of their shares in issue (after the application of any investability weightings) based on their median daily trading volume per month in ten of the twelve months prior to a full market review, are not eligible for inclusion in the Index Series.

5.5.3 An existing constituent which does not turnover at least 0.02% of its shares in issue (after the application of any investability weightings) based on their median daily trading volume per month in eight of the twelve months prior to a full market review, will not be eligible for inclusion in the Index Series.

5.5.4 Newly listed shares will become eligible for inclusion at the next quarterly review providing they trade a minimum of 20 days. They must turnover at least 0.025% of their shares in issue (after the application of any investability weightings) based on their median daily trading volume per month. New issues will have their liquidity assessed on a pro-rata basis.

5.6 FTSE Italia Index Series

The index series will be made up of the following indices:

– **FTSE MIB Index**

The index will consist of the 40 most liquid and capitalised stocks listed on the Euronext Milan and Euronext MIV Milan markets of Borsa Italiana. Secondary lines are not eligible for inclusion. A dedicated Ground Rules document includes details about basket selection and corporate actions management.

– **FTSE Italia Mid Cap Index**

The index will consist of the top 60 shares ranked by company full market capitalisation (i.e. before the application of any investability weightings) which are not included in the FTSE MIB Index which qualify after the application of the liquidity and free float screens. Secondary lines are not eligible for inclusion.

– **FTSE Italia Small Cap Index**

The index captures the performance of all other small shares which are not included in the FTSE MIB Index or the FTSE Italia Mid Cap Index which qualify after the application of the liquidity and free floats screens. Secondary lines are not eligible for inclusion.

– **FTSE Italia All-Share Index**

The index comprises all constituents in the FTSE MIB Index, FTSE Italia Mid Cap Index and FTSE Italia Small Cap Index.

– **FTSE Italia All-Share Capped Index**

The index comprises all constituents in the FTSE MIB Index, FTSE Italia Mid Cap Index and FTSE Italia Small Cap Index. Constituent share weights are capped in order to be UCITS compliant.

– **FTSE Italia MIB Storico Index**

  The index is computed once a day, with the volume weighted average price of all shares included in the FTSE Italia All-Share Index, weighted according to their uncapped market capitalisation. Treasury shares are excluded from the market capitalisation.

– **FTSE Italia Industry, Supersector and Sector Indices**

  All shares included in the FTSE Italia All-Share Index are also included in the sectoral indices, according to the ICB classification.

– **FTSE Italia STAR Index**

  All shares listed in the Euronext STAR Milan segment of Euronext Milan market which qualify after the application of the liquidity and free float screens are eligible for inclusion in the FTSE Italia STAR Index. Differently from other indices, dual class shares are also eligible for inclusion.

– **FTSE Italia Brands Index**

  The index comprises all constituents in the FTSE Italia All-Share Index that are included in the Italian Branded Stock List defined and published by Borsa Italiana.

– **FTSE MIB Banks 15% Capped Index**

  Constituents of the FTSE MIB Banks 15% Capped Index are those constituents of the FTSE MIB Index with an ICB Supersector classification of Banks (ICB Banks 3010).

– **FTSE MIB Open Index**

  The Index is computed once a day, with the opening auction price of constituents of the FTSE MIB Index. See Appendix E for further details.

– **FTSE MIB Dividend Index**

  The Index is computed once a day, with the cumulative value of dividends paid by constituents of the FTSE MIB Index. See Appendix F for further details.

– **FTSE MIB Cumulative Dividend Index**

  The Index is computed once a day, with the cumulative value of dividends paid by constituents of the FTSE MIB Index. Differently from the previous index, there is no end-of-year reset. See Appendix F for further details.

– **FTSE Italia Growth Index**

  All shares traded on the Euronext Growth Milan market are eligible for inclusion in the FTSE Italia Growth Index. Different from other indices, dual class shares are also eligible for inclusion. Shares traded on the Professional Segment (“Segmento professionale”) of the market are not eligible for inclusion.

– **FTSE Italia PIR PMI Index**

  The index comprises all Italian constituents in the FTSE Italia Mid Cap Index and 20 Italian constituents in the FTSE Italia Small Cap Index, selected according to size and liquidity. A dedicated Ground Rules document includes details about basket selection and corporate actions management.

– **FTSE Italia PIR Mid Small Cap Index**

  The index comprises all Italian constituents in the FTSE Italia Mid Cap Index and FTSE Italia Small Cap Index.

– **FTSE Italia PIR PMI All Index**

  The index comprises all Italian constituents in the FTSE Italia Mid Cap Index, FTSE Italia Small Cap Index and FTSE Italia Growth Index.

– **FTSE Italia PIR All Cap Index**

The index comprises all Italian constituents of the FTSE MIB Index and all constituents of the FTSE Italia PIR PMI Index. See Appendix G for further details on basket selection and capping.

All FTSE Italia PIR Indices other than the FTSE Italia PIR PMI Index and the FTSE Italia PIR All Cap Index are capped according to the methodology detailed in Appendix C.

The capping methodology of the FTSE MIB Index and the FTSE Italia PIR Mid Cap Index is also detailed within their respective Ground Rules.

Section 6

Periodic review of constituent shares

6. Periodic review of constituent shares

6.1 Review dates

6.1.1 The FTSE Italia Index Series is reviewed on a quarterly basis in March, June, September and December using market data as at the close of business on the Monday four weeks prior to the review effective date. The FTSE Italia Index Series Technical Committee is responsible for ensuring that reviews are conducted in accordance with the Ground Rules for each index.

6.1.2 Changes to the indices will be implemented after close of business on the third Friday in March, June, September and December. FTSE Russell will be responsible for publishing the outcome of the periodic review. Borsa Italiana notices (Avvisi di Borsa) will publish FTSE Russell communications.

6.2 Steps for conducting a review

6.2.1 The eligible universe (refer to Section 4) for the FTSE Italia Index Series (excluding the FTSE Italia Growth Index and the FTSE Italia PIR PMI All Index) is all shares that have a listing on the Euronext Milan and Euronext MIV Milan markets and qualify after the application of the liquidity and free float screens.

6.2.2 The FTSE MIB Index consists of the 40 most liquid and capitalised stocks listed on the Euronext Milan and Euronext MIV Milan markets of Borsa Italiana selected by the FTSE Italia Index Series Technical Committee according to the procedure in the FTSE MIB Index Ground Rules.

6.2.3 Other eligible stocks are then ranked in descending order by their full market capitalisation.

6.2.4 The top 60 shares ranked by full market capitalisation which qualify after the application of the liquidity and free floats screens are selected for FTSE Italia Mid Cap Index.

6.2.5 A buffer of five stocks is applied between the FTSE Italia Mid Cap Index and the FTSE Italia Small Cap Index: non constituents eligible for the FTSE Italia Mid Cap Index will enter the index if they are ranked at the 55th position or above; current constituents will be removed from the index if they are ranked at the 66th position or below.

6.2.6 All other small shares outside the FTSE MIB Index and FTSE Italia Mid Cap Index which qualify after the application of the liquidity and free float screens are included in FTSE Italia Small Cap Index.

6.2.7 The FTSE Italia All-Share Capped Index comprises all constituents in the FTSE MIB Index, FTSE Italia Mid Cap Index and FTSE Italia Small Cap Index.

6.2.8 The FTSE Italia Brands Index is reviewed quarterly, identifying those FTSE Italia All-Share constituents included within the Italian Branded Stock List published by Borsa Italiana.

6.2.9 Constituents are weighted by their investable market capitalisation (free float adjusted). Constituents of FTSE Italia MIB Storico Index, Indices are weighted with the full market capitalisation (i.e. IWF = 100%).

6.3 Review of the FTSE Italia PIR Indices

6.3.1 The FTSE Italia PIR PMI Index review mirrors the reviews of the FTSE Italia Mid Cap Index and of FTSE Italia Small Cap Index, as detailed in the dedicated Ground Rules. Foreign shares (i.e. incorporated in Countries other than Italy) are not eligible for the inclusion.

6.3.2 The FTSE Italia PIR Mid Small Cap Index review mirrors the reviews of the FTSE Italia Mid Cap Index and FTSE Italia Small Cap Index. Foreign shares (i.e. incorporated in Countries other than Italy) are not eligible for the inclusion.

6.3.3 The FTSE Italia PIR PMI All Index review mirrors the reviews of the FTSE Italia Mid Cap Index, FTSE Italia Small Cap Index and FTSE Italia Growth Index. Foreign shares (i.e. incorporated in Countries other than Italy) are not eligible for the inclusion.

6.3.4 The FTSE Italia PIR All Cap Index review mirrors the reviews of FTSE MIB Index and of FTSE Italia PIR PMI Index. Foreign shares (i.e. incorporated in Countries other than Italy) are not eligible for the inclusion.

6.4 Reserve lists

FTSE Russell is responsible for publishing and maintaining Reserve Lists of four companies for the FTSE MIB Index, of ten companies for the FTSE Italia Mid Cap Index and of five companies for the FTSE Italia PIR PMI Index. Reserve Lists will be used in the event that one or more constituents are deleted from the Index during the period up to the next quarterly review. The Reserve List will not be re-ranked; it shall be applied in the same sequence as originally published at each quarterly review.

6.5 Capping methodology

6.5.1 Companies of the FTSE MIB Index and FTSE MIB Banks 15% Capped Index are capped at 15% at the time of the quarterly reviews. Any constituents whose weights are greater than 15% are capped at 15%. The weights of all lower ranking constituents are increased correspondingly. The weights of lower ranking constituents are then checked and if they exceed 15% they are also capped at 15%. This process is repeated until no constituent weight exceeds 15%.

Should the number of eligible constituents of the FTSE MIB Banks 15% Capped Index fall to six or below, the eligible constituents will be equally weighted.

6.5.2 A similar 10% capping is applied to the FTSE Italia Mid Cap Index, FTSE Italia Small Cap Index and the FTSE Italia STAR Index.

6.5.3 The FTSE Italia All-Share Index is weighted with no capping.

6.5.4 The constituents of the FTSE Italia All-Share Capped Index, the FTSE Italia Brands Index the FTSE Italia PIR Indices other than the FTSE Italia PIR PMI Index and the FTSE Italia PIR All Cap Index are capped at the time of the quarterly reviews according to the methodology detailed in Appendix C. Capping of FTSE Italia PIR PMI Index is described in the dedicated Ground Rules. Capping of FTSE Italia PIR All Cap Index is described in Appendix F.

6.5.5 For all indices other than the FTSE Italia PIR PMI Index and the FTSE Italia PIR All Cap, constituents are capped using prices as at the close of business on the second Friday in March, June, September and December and shares in issue and free float adjusted for corporate actions as at the Monday after the third Friday. The capping is implemented after the close of business on the third Friday of March, June, September and December.

Section 7

Changes to constituent companies

7. Changes to constituent companies

7.1 Corporate actions and events

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

Corporate_Actions_and_Events_Guide.pdf

7.1.2 The management of corporate actions in the FTSE MIB Index and in the FTSE Italia PIR Mid Cap Index may follow different rules, detailed in the specific Ground Rules of each index.

7.1.3 A Corporate 'Action' is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. The index will be adjusted in line with the ex date.

These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division)/Reverse splits (consolidation)
- 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.

7.2 New issues

7.2.1 If a new issue is so large (i.e. its full market capitalisation amounts to 3% or more of the full market capitalisation of the FTSE Italia All-Share Index, before the application of individual constituent investability weightings) that the effectiveness of the index as a market indicator would be significantly and adversely affected by its omission, FTSE Russell will include the new issue as a constituent in the FTSE MIB Index after the first day of listing. Newly admitted shares to the STAR segment will enter the FTSE Italia STAR Index the day after the start of trading.

7.2.2 If a new issue is included in the FTSE MIB Index other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.

7.2.3 Newly admitted shares to the Euronext Growth Milan market will enter the FTSE Italia Growth Index the day after the start of trading.

7.3 Deletions

7.3.1 If a constituent is delisted from the Euronext Milan and Euronext MIV Milan markets of Borsa Italiana or from the Euronext Growth Milan market, or ceases to have a firm quotation, it will be removed from the list of constituents.

7.3.2 Where the share to be removed is a constituent of the FTSE MIB Index, FTSE Italia Mid Cap Index, the vacancy will be filled by selecting the highest ranking security on the Reserve List previously announced (according to the ranking of the announcement) and related indices will be adjusted accordingly. For the FTSE Italia PIR PMI Index the vacancy will be filled according to the nature of the removed constituent: if it belonged to the FTSE Italia Mid Cap Index, the new constituent of the same index will enter the Index; alternatively the vacancy will be filled selecting the highest ranking security on the Reserve List previously announced.

7.3.3 The removal and replacement are effected simultaneously, before the start of the index calculation on the second day following the removal announcement.

7.4 Suspension of dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

7.5 Investability Weightings

7.5.1 Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

7.6 Mergers/takeovers

7.6.1 Mergers/takeovers between constituents

If the effect of a merger or takeover is that one constituent in the FTSE MIB Index, FTSE Italia Mid Cap Index or FTSE Italia PIR PMI Index is absorbed by another constituent, the resulting company will remain a constituent of the appropriate index, and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security on the Reserve List in accordance with Rule 7.3.2. Changes to the FTSE Italia Mid Cap Index constituents will be applied to the FTSE Italia PIR PMI Index constituents subject to the eligibility requirements outlined in Section 5.

If the effect of a merger or takeover is that one constituent in the FTSE Italia Growth Index is absorbed by another constituent traded on Euronext Growth Milan, the resulting company will remain (or will become if simultaneously admitted to trading) a constituent of the index.

7.6.2 Mergers/takeovers between a constituent and a non-constituent

If a constituent company in the FTSE MIB Index, FTSE Italia Mid Cap Index, FTSE Italia Small Cap Index, FTSE Italia Brands Index, FTSE Italia PIR PMI Index, FTSE Italia PIR Mid Small Cap Index, FTSE Italia PIR PMI All Index, or FTSE Italia Growth Index is taken over by a non-constituent company, the original constituent will be removed and replaced either by a new constituent or the non-constituent acquiring company, if it qualifies. Changes to the underlying constituents of FTSE Italia PIR Indices will be applied subject to the eligibility requirements outlined in Section 5.

7.6.3 Where a constituent company acquires a non-constituent for shares, or a combination of cash and shares, the shares of the constituent company will only be updated to reflect the merger when the acquired company is a FTSE Russell Universe member. Any share and/or free float update will be made giving appropriate notice. Where the acquired company is not a FTSE Russell Universe member the shares in the acquiring constituent company will be reviewed at the next quarterly review.

7.6.4 Splits/demergers

If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the FTSE Italia Mid Cap Index, FTSE Italia Small Cap Index, FTSE Italia Brands Index, FTSE Italia PIR PMI Index, FTSE Italia PIR Mid Small Cap Index or FTSE Italia PIR PMI All Index providing they are larger than the smallest constituent, based on their respective full market capitalisations i.e. before the application of any investability weightings and if they qualify in all other respects. Changes to the underlying constituents of FTSE Italia PIR Indices will be applied subject to the eligibility requirements outlined in Section 5. The management of splits within the FTSE MIB Index and FTSE Italia PIR PMI Index is detailed in their Ground Rules.

If a constituent company of the FTSE Italia Growth Index is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the FTSE Italia Growth Index providing they qualify in all other respects.

7.7 Shares in issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide. For shares in issue rules for the FTSE MIB Index and for the FTSE Italia PIR Mid Cap Index please see the Ground Rules.

Section 8

Industry Classification Benchmark (ICB)

8. Industry Classification Benchmark (ICB)

8.1 Classification structure

8.1.1 The FTSE Italia Index Series constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).

8.1.2 Details of the Industry Classification Benchmark 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 (ICB) | LSEG

Section 9

Index calculation

9. Index calculation

9.1 Prices

9.1.1 The FTSE Italia Index Series will use the last price from actual trades on the electronic share trading platform of the Borsa Italiana during Official Market Hours.

9.2 Calculation frequency

9.2.1 The FTSE MIB Index and the FTSE Italia PIR PMI Index are calculated and published in real-time. The following indices will be calculated in real-time and published every 15 seconds during their opening hours using real time prices:

- FTSE Italia Mid Cap Index
- FTSE Italia Small Cap Index
- FTSE Italia All-Share Index
- FTSE Italia All-Share Capped Index
- FTSE Italia Growth Index
- FTSE Italia STAR Index
- FTSE Italia Brands Index
- FTSE MIB Banks 15% Capped Index
- FTSE Italia PIR Mid Small Cap Index
- FTSE Italia PIR All Cap Index

The following indices will be calculated in real-time and published every 60 seconds during their opening hours using real time prices:

- FTSE Italia Industry and Supersector Indices

The following indices will be calculated once a day after the opening auction:

- FTSE MIB Open Index
- The following indices will be calculated once a day at the end of the trading session.
- FTSE Italia Sector Indices
- FTSE Italia MIB Storico Index (using volume weighted average prices, defined by Borsa Italiana as official prices)
- FTSE MIB Dividend Index
- FTSE MIB Cumulative Dividend Index

9.3 Index calculation

9.3.1 The FTSE Italia Index Series is calculated using the following formula:

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

Where,

- $i = 1, 2, \ldots, N$
- N is the number of securities in the index.
- p_i is the latest trade price of the component security (or the price at the close of the index on the previous day).
- 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. The IWF is fixed at 100% for FTSE Italia MIB Storico Index,
- c_i is the Capping Factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index. This factor is published by FTSE Russell for each security 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.

9.4 Total return indices

- The FTSE Italia Index Series is additionally calculated as a total return index. The total return index include dividend income based on ex dividend adjustments. The total return calculation for the FTSE Italia Index Series can be expressed as:

$$\mathbf{TRI_t = TRI_{t-1} * CI_t / [CI_{t-1} – (AD_t / D_t)]}$$

Where:

t	=	time period t.
TRI_t	=	Total Return Index at time t.
CI_t	=	Capital Index at time t.
CI_{t-1}	=	Capital Index at time t-1.
AD_t	=	Aggregate dividend effective at time t.
D_t	=	Divisor at time t.

Note the formula (AD_t/D_t) is the XD adjustment for an index.

Aggregate dividend

The aggregate dividend (AD_t) represents the sum of the dividend payments of all stocks included in the index:

$$AD_t = \sum_{i=1}^{n} ad_{i,t} * n_{i,t} * f_{i,t}$$

Where:

$ad_{i,t}$ = the actual dividend of stock i on day t.

$n_{i,t}$ = the number of shares issued and outstanding on day t.

$fi_{,t}$ = the investability weight of stock i on day t.

Appendix A

Index opening and closing hours

Index	Open	Close
FTSE MIB Index	9:00.30	17:40.00*
FTSE MIB Banks 15% Capped Index	9:01	17:40.00*
FTSE Italia Mid Cap Index	9:00.30	17:40.00*
FTSE Italia Small Cap Index	9:00.30	17:40.00*
FTSE Italia All-Share Index	9:00.30	17:40.00*
FTSE Italia All-Share Capped Index	9:00.30	17:40.00*
FTSE Italia STAR Index	9:00.30	17:40.00*
FTSE Italia Brands Index	9:00.30	17:40.00*
FTSE Italia Growth Index	9:00.30	17:40.00*
FTSE Italia PIR PMI Index	9:00.30	17:40.00*
FTSE Italia PIR Mid Small Cap Index	9:00.30	17:40.00*
FTSE Italia PIR PMI All Index	9:00.30	17:40.00*
FTSE Italia PIR All Cap Index	9:00.30	17:40.00*

Notes:

* Subject to receipt of final closing prices.
The indices will not be calculated when Borsa Italiana markets are closed.
Timings are CET.

Appendix B

Status of index

All price indices are calculated on a real-time basis every 15 seconds

Industry and Supersector Indices are calculated on a real time basis every 60 seconds.

For further details of real time definitions please refer to the following guide:

Real_Time_Status_Definitions.pdf

The official opening and closing hours of the FTSE Italia Index Series are aligned with those of Borsa Italiana markets and are set out in Appendix A. Variations to the official hours of the Indices will be published by FTSE Russell.

The FTSE Italia Index Series is calculated and published on all days when Borsa Italiana is open for trading.

Appendix C

Capping methodology

The indices FTSE Italia PIR PMI, FTSE Italia PIR Mid Small Cap, FTSE Italia PIR PMI All, FTSE Italia All Cap require a two-level capping, aimed at ensuring its compliance:

a. to PIR-Law requirements, mandating a minimum 3.5% (cautionary increased to 5%) weight of companies not included in FTSE MIB or FTSE Italia Mid Cap (ITMC) and a minimum 21% (cautionary increased to 25%) weight of companies not included in FTSE MIB;

b. to UCITS concentration requirements, mandating that no shares would have a weight exceeding 10% and that the sum of all shares above 5% is not exceeding 40%.

The capping procedure for the FTSE Italia PIR PMI Index is detailed in its own Ground Rules.
The capping procedure for the FTSE Italia PIR All Cap is detailed in Appendix F.
All other procedures are detailed here.

Step 1 – PIR capping [applied to FTSE Italia PIR Mid Small Cap and FTSE Italia PIR PMI All]

1. Check whether the sum of the constituents originating from FTSE Italia Small Cap (ITSC) and/or FTSE Italia Growth (ITAIM) reaches 5%.
2. If the sum is 5% or higher, move to Step 2.
3. If the sum is below 5%, calculate the ITMC factor as
   FITMC = (sum of ITSC + ITAIM shares adjusted capitalisation x 19)/(sum of ITMC shares adjusted capitalisation)
4. Multiply every ITMC constituent adjusted capitalisation by FITMC while keep constant ITSC, ITAIM constituents adjusted capitalisation
5. Move to Step 2

Step 2 – UCITS capping [applied to the indices detailed in 1. below]

1. The algorithm is applied to each constituent of the FTSE Italia All-Share Capped Index, FTSE Italia Brands Index, FTSE Italia PIR PMI All Index and FTSE Italia PIR Mid Small Cap Index that requires capping.
2. The Constituent Capping Factor c_i is given by:

$$c_i = \frac{Z}{I \times (p_i \times s_i \times f_i)} \sum_{j \in J} (p_j \times s_j \times f_j)$$

Where,

– i denotes the security to be capped.
– j denotes an uncapped security.
– J is the subset of securities that are uncapped.
– p_k is the official closing price of the kth security.
– s_k is the number of shares in issue of the kth security.
– f_k is the free float factor of the kth security.
– I is the percentage of the index represented by all uncapped constituents.
– Z is the percentage capping level.

3. Any constituents whose weights are greater than 10% are capped at 10%. The weights of all lower ranking constituents are increased correspondingly. The weights of lower ranking constituents are then checked and if they exceed 10% they are also capped at 10%. This process is repeated until no constituent weight exceeds 10%.
4. If the total index weight of those companies whose individual weights exceed 5% is greater than 40% in aggregate, the procedure moves to 5. below. Otherwise no further capping is required.
5. Capping the largest company at 10% - If more than one company was capped at 10% in 9., then weights of all subsequent companies previously capped at 10% are changed in accordance with the rules detailed below. For example, if the second largest company is capped at 10% its weight will be reduced to 9% as detailed below. Thus only one company will have a 10% weight in the index.
6. Capping the second largest company at 9% - If the weight of the second largest company is greater than 9% the company's weight is capped at 9% and the weights of the remaining companies are increased correspondingly.

   Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

   However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto 7. below.

   Please note: Where the 40% threshold is breached we move to 7. below even if the second largest company has not been capped.
7. Capping the third largest company at 8% - If the weight of the third largest company is greater than 8% the company's weight is capped at 8% and the weights of the remaining companies are increased correspondingly.

   Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

   However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto 8. below.

   Please note: Where the 40% threshold is breached we move to 8. below even if the third largest company has not been capped.
8. Capping the fourth largest company at 7% - If the weight of the fourth largest company is greater than 7% the company's weight is capped at 7% and the weights of the remaining companies are increased correspondingly.

   Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

   However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto 9. below.

   Please note: Where the 40% threshold is breached we move to 9. below even if the fourth largest company has not been capped.
9. Capping the fifth largest company at 6% - If the weight of the fifth largest company is greater than 6% the company's weight is capped at 6% and the weights of the remaining companies are increased correspondingly.

   Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

   However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto 10. below.

   Please note: Where the 40% threshold is breached we move to 10. below even if the fifth largest company has not been capped.
10. Capping the sixth largest company at 4% - If the weights of the sixth largest company and any lower ranking companies are greater than 4% those companies' weights are capped at 4% and the weights of lower ranking companies are increased correspondingly.

    The process then moves to 11. below.

11. Following the application previous capping actions, the weights of each company are checked. If the total index weight of those constituents whose individual weights exceed 5% is greater than 40% in aggregate, then further capping is required and the sequence from 3. to 10. is repeated.
12. Constituents are capped using prices as at the close of business on the second Friday in March, June, September and December and shares in issue and free float adjusted for corporate actions as at the Monday after the third Friday. The capping is implemented after the close of business on the third Friday of March, June, September and December.

Appendix D
FTSE MIB open index

This methodology is to be read in conjunction with the FTSE MIB Index Ground Rules which are available at www.lseg.com/en/ftse-russell/.

The FTSE MIB constituents all trade on Borsa Italiana's Euronext Milan and Euronext MIV Milan markets.

Standard trading schedule

The standard trading schedule on Borsa Italiana's markets is divided into three phases, as described below (all times CET):

Phase 1 – Open Auction Phase	08:00:00 – 09:00:00 09:00:00 – 09:00:30	**Pre-auction**[6] **Validation**[7] **and Opening**[8]
Phase 2 – Continuous	Opening – 17:30:00	Continuous Trading
Phase 3 – Closing Auction Phase	17:30:01 – 17:35:00 17:35:01 – 17:40:00	**Pre-auction**[9] **Validation**[10] **and Closing**[11]

If a stock trades in the opening auction, it enters into the continuous trading period immediately. This can occur anytime between 09:00:00 and 09:00:59 during a random period mechanism of 60 seconds. In this situation the opening auction price of the stock shall be used to compute the FTSE MIB Open Index Value.

If there is no matching between the best bid and best offer prices in the opening auction, the stock will not have opening auction trades and will enter into continuous trading phase immediately. This can occur anytime between 09:00:00 and 09:00:59 during a random period mechanism of 60 seconds. In this case the last price of the previous daily trading session (considering also possible adjustment coefficients) shall be used to compute the FTSE MIB Open Index Value.

Non standard trading schedule

1. According to Borsa Italiana's rules, if the indicative opening auction price of a stock breaches the price tolerance trading limits, the opening auction is extended for 10 minutes. If bands are still breached at the end of the 10 minutes then further extension(s) will occur. There is no specific end period which forces the stock into continuous trading, therefore in case the stock is kept into the opening auction phase at 9:01:00, in absence of an auction price at 9:01 FTSE Russell shall use the last price of the previous daily trading session (considering also possible adjustment coefficients) to compute the FTSE MIB Open Index value.
2. If a stock belonging to the FTSE MIB index is suspended from trading, the last price of the previous daily trading session (considering also possible adjustment coefficients) will be used to compute the FTSE MIB Open Index value.

[6] **Pre-auction:** determining the theoretical opening auction price.
[7] **Validation:** validating the theoretical opening auction price.
[8] **Opening:** matching opening auction trades on a share by share basis.
[9] **Pre-auction:** determining the theoretical closing auction price.
[10] **Validation**: validating the theoretical closing auction price.
[11] **Closing:** matching closing action trades on a share by share basis.

FTSE MIB Index and FTSE MIB Open Index behaviour

Below is a summary of the headline FTSE MIB Index and the FTSE MIB Open Index to help articulate the differences:

FTSE MIB Open Index	09:09:30	**Calculation and dissemination***
FTSE MIB Index – open and continuous	09:01:00 – 17:30:00	**Continuous Trading**
FTSE MIB Index – closing	17:30:01 – 17:35:00 17:35:00 – 17:40:00	**Index is in waiting state** **Closing**

Note that the FTSE MIB Index and the FTSE MIB Open Index are separate indices and will have different index codes to distinguish the two indices (FTSEMIB and FTSEMIBO).

FTSE MIB Open Index – This index is normally calculated around 09:01 and published once per day by approximately 09:45.

FTSE MIB Index – This index opens at 09:01:00. Due to the random closing mechanism of the opening auction, the first index value published may contain both open auction prices and continuous trading prices. Therefore it will never match the FTSE MIB Open Index value.

The continuous trading period occurs between 09:00:30 and 17:30:00. During this period only traded prices are used in the index calculations. Between 17:30:01 and 17:35:00 the index sits and waits for the next price updates which will be the closing auctions prices.

The index will close between 17:35:01 and 17:35:30 when all securities have completed their closing auction. It is possible that a security has an extended auction, and this can take the closing auction process to a random close between 17:36:00 and 17:37:00

FTSE MIB derivatives expiration

According to art. IA.8.1.1 paragraph 6 and art. IA.8.1.6 paragraph 9 of Borsa Italiana's Instructions to Market Rules, FTSE MIB futures and FTSE MIB option settlement values are calculated by Borsa Italiana and based on opening auction prices. In case of extended auctions trading schedule, they may therefore slightly differ from the FTSE MIB Open Index.

Appendix E
FTSE MIB dividend index

This methodology is to be read in conjunction with the FTSE MIB Index Ground Rules which are available at www.lseg.com/en/ftse-russell/.

Review methodology

The index will represent the cumulative value of ordinary gross cash dividends announced and paid by the individual constituents of the underlying FTSE MIB Index, calculated in terms of index points. All dividends and corporate actions are applied in the same way as in the FTSE MIB Index.

FTSE Russell will rebase the index to 0 at the start of the first trading day following the 3rd Friday in December each year.

The FTSE MIB Cumulative Dividend Index is calculated with no end-of-year rebasement.

Ex-dividend adjustment

The ex-dividend (xd) adjustment represents the value of dividends declared by constituent companies on the xd date expressed in index points. The xd adjustment year to date is the calculation on a cumulative basis for the period between and including the first trading day following the 3rd Friday in December to mid-day on the 3rd Friday in December of the following year. Xd adjustments are based on declared dividends. The xd adjustment is calculated as follows:

$$\frac{\text{Market Value of Dividends}}{\text{Latest Index Divisor}}$$

If a company declares a dividend in a currency other than Euro, the published Euro equivalent will be used, if available prior to the xd-date (for clarification, where no Euro equivalent is available prior to the xd-date then FTSE Russell do not wait for the company to publish the Euro rate). If there is no Euro equivalent, the dividend will be converted to Euro using the appropriate European Central Bank closing rate, similar to the FTSE MIB Index, the day before the stock goes xd.

If A plc and B plc each declared a dividend payment with an xd date of today, the following calculation would occur:

Company	Dividend (p)	Shares (m)	Free Float Factor	Market Value (Em)	xd Adjustment (points)
A plc	12.56	61,443	1.00	7,717.2	1.97
B plc	14.00	22,579	0.75	2,370.8	0.61
Total xd Adjustment for Index					2.58

Index Divisor = 3,918.36

Index Value (t-1) = 50.00
Index Value (t) = 52.58

The method for calculating the xd adjustment uses the divisor as at the close of business on the preceding day after implementing any capitalisation changes. Where a company has more than one line of shares included in the indices, the xd adjustment is calculated separately for each line.

Appendix F

FTSE Italia PIR All Cap Index

1. Introduction

1.1 The FTSE Italia PIR All Cap Index is a benchmark index for the Italian equity markets, measuring the performance of a basket of companies suitable for the personal savings plan (PIR) Law introduced in Italy in 2017.

1.2 The FTSE Italia PIR All Cap Index comprises all Italian constituents of the FTSE MIB and the FTSE Italia PIR PMI Index.

1.3 The index is derived from the FTSE MIB and the FTSE Italia PIR PMI Index, described in their specific Ground Rules. Please refer to the FTSE MIB Index and FTSE Italia PIR Mid Cap Index Ground Rules for further details.

1.4 The index has been created to be suitable as a benchmark index for Exchange Traded Funds (ETFs), and for tracking stocks in the Italian market.

1.5 The FTSE Italia PIR All Cap Index is market capitalisation weighted after adjusting constituents for free float. Individual constituent weights are capped.

1.6 This document sets out the Ground Rules for the construction and management of the FTSE Italia PIR All Cap Index. The rules will be available in English.

1.7 A FTSE Italia PIR All Cap Price Index and a FTSE Italia PIR All Cap Total Return Index are calculated in EUR in real time.

1.8 The base value of the FTSE Italia PIR Al Cap Index was set at the level of 10,000 at the close of trading on 30 December 2011. Since May 2020 the Index was composed only of FTSE MIB and FTSE Italia Mid cap shares, under the name FTSE Italia PIR Large & Mid Cap.

2. Capping methodology

The FTSE Italia PIR All Cap Index is subject to a two-level capping, aimed at ensuring its compliance:

a. to PIR-Law requirements, mandating both:
   - a minimum 3.5% (cautionary increased to 5%) weight of companies not included in FTSE MIB or FTSE Italia Mid Cap (ITMC);
   - a minimum 21% (cautionary increased to 25%) weight of companies not included in FTSE MIB);

b. to UCITS concentration requirements, mandating that no shares would have a weight exceeding 10% and that the sum of all shares above 5% is not exceeding 40%.

Step 1 – PIR capping

1. Check whether the sum of the 20 Italian constituents originating from FTSE Italia Small Cap (ITSC) reaches 5%.

2. Check whether the sum of the 20 Italian constituents originating from FTSE Italia Small Cap (ITSC) and of the 60 Italian constituents originating from FTSE Italia Mid Cap (ITMC) reaches 25%.
3. If both the sums are at least 5% and 25%, move to Step 2.
4. If one of the sums is below 5% or 25%, calculate the FTSEMIB and ITMC factors as
   $F_{FTSEMIB}$ = (sum of ITSC Italian shares adjusted capitalisation x 15)/(sum of FTSEMIB Italian shares adjusted capitalisation)

   F_{ITMC} = (sum of ITSC Italian shares adjusted capitalisation x 4)/(sum of ITMC Italian shares adjusted capitalisation)
5. Multiply every FTSE MIB constituent adjusted capitalisation by FFTSEMIB, every FTSE Italia Mid Cap constituent adjusted capitalisation by FITMC while keeping constant ITSC constituents adjusted capitalisation
6. Move to Step 2

Step 2 – UCITS capping

1. The algorithm is applied to each constituent of the FTSE Italia All Cap Index that requires capping.
2. The Constituent Capping Factor ci is given by:

$$c_i = \frac{Z}{I \times (p_i \times s_i \times f_i)} \sum_{j \in J} (p_j \times s_j \times f_j)$$

Where,

– i denotes the security to be capped.

– j denotes an uncapped security.

– J is the subset of securities that are uncapped.

– p_k is the official closing price of the kth security.

– s_k is the number of shares in issue of the kth security.

– f_k is the free float factor of the kth security.

– I is the percentage of the index represented by all uncapped constituents.

– Z is the percentage capping level.

3. Any constituents whose weights are greater than 10% are capped at 10%. The weights of all lower ranking constituents are increased correspondingly. The weights of lower ranking constituents are then checked and if they exceed 10% they are also capped at 10%. This process is repeated until no constituent weight exceeds 10%.
4. If the total index weight of those companies whose individual weights exceed 5% is greater than 40% in aggregate, the procedure moves to 11. below. Otherwise no further capping is required.
5. Capping the largest company at 10% - If more than one company was capped at 10% in 9., then weights of all subsequent companies previously capped at 10% are changed in accordance with the rules detailed below. For example, if the second largest company is capped at 10% its weight will be reduced to 9% as detailed below. Thus only one company will have a 10% weight in the index.
6. Capping the second largest company at 9% - If the weight of the second largest company is greater than 9% the company's weight is capped at 9% and the weights of the remaining companies are increased correspondingly.

   Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto 13. below.

Please note: Where the 40% threshold is breached we move to 13. below even if the second largest company has not been capped.

7. Capping the third largest company at 8% - If the weight of the third largest company is greater than 8% the company's weight is capped at 8% and the weights of the remaining companies are increased correspondingly.

   Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

   However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto 14. below.

   Please note: Where the 40% threshold is breached we move to 14. below even if the third largest company has not been capped.

8. Capping the fourth largest company at 7% - If the weight of the fourth largest company is greater than 7% the company's weight is capped at 7% and the weights of the remaining companies are increased correspondingly.

   Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

   However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto 15. below.

   Please note: Where the 40% threshold is breached we move to 15. below even if the fourth largest company has not been capped.

9. Capping the fifth largest company at 6% - If the weight of the fifth largest company is greater than 6% the company's weight is capped at 6% and the weights of the remaining companies are increased correspondingly.

   Following this procedure if the total index weight of those companies whose individual weights exceed 5%, is **NOT** greater than 40% then no further capping is required.

   However, if the total index weight of those companies whose individual weights exceed 5%, **IS** greater than 40% then the procedure moves onto 16. below.

   Please note: Where the 40% threshold is breached we move to 16. below even if the fifth largest company has not been capped.

10. Capping the sixth largest company at 4% - If the weights of the sixth largest company and any lower ranking companies are greater than 4% those companies' weights are capped at 4% and the weights of lower ranking companies are increased correspondingly.

    The process then moves to 17. below.

    Following the application previous capping actions, the weights of each company are checked. If the total index weight of those constituents whose individual weights exceed 5% is greater than 40% in aggregate, then further capping is required and the sequence from 9. to 16. is repeated.

    Constituents are capped using prices as at the close of business on the second Friday in March, June, September and December and shares in issue and free float adjusted for corporate actions as at the Monday after the third Friday. The capping is implemented after the close of business on the third Friday of March, June, September and December.

Appendix G

Further information

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

Glossary.pdf

Further information on the FTSE Italia Index Series is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

FTSE Russell website: www.lseg.com/en/ftse-russell/

Borsa Italiana can be contacted at:
Piazza degli Affari, 6
20123 Milan
Italy
Tel: +39 02 724261
Fax: +39 02 72004333
E-mail: info@borsaitaliana.it
Website: www.borsaitaliana.it

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