

# FTSE Scottish Widows Custom Screened Index Series

v1.5



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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 Scottish Widows Custom Screened Index Series. Copies of these Ground Rules are available from [www.ftserussell.com](http://www.ftserussell.com).
- 1.2 The FTSE Scottish Widows Custom Screened Index Series is designed to represent the performance of companies in specific market segments of the FTSE All-Cap Index and FTSE All-Share Index, after the exclusion of companies that meet the specific exclusion criteria included in these Ground Rules.
- 1.3 These Ground Rules should be read in conjunction with:
- FTSE Global Equity Index Series Ground Rules
  - FTSE UK Index Series Ground Rules
  - FTSE RAFI™ Low Volatility Index Ground Rules
  - FTSE RAFI™ Index Ground Rules
- and the Corporate Actions and Events Guide for Market Capitalisation and Non Market Capitalisation Weighted Indices, which are available at [www.lseq.com/en/ftse-russell/](http://www.lseq.com/en/ftse-russell/).
- 1.4 Price and Total Return Indices will be calculated on an end-of-day basis.
- 1.5 The base currency of all indices is US Dollars (USD). Index values may also be published in other currencies.
- 1.6 The FTSE Scottish Widows Custom Screened Index Series takes account of ESG factors in its index design (see Section 4).
- 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 series<sup>1</sup>.

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

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic reviews of the index 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 Scottish Widows Custom Screened 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.

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

## Section 3

# FTSE Russell index policies

## 3. FTSE Russell index policies

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

### 3.1 Corporate Actions and Events Guide

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

[Corporate Actions and Events Guide.pdf](#)

[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 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 Scottish Widows Custom Screened 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](mailto: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 Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

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

3.10.1 For indices which are calculated in real time, please refer to the following guide for details of real-time status definitions:

[Real Time Status Definitions.pdf](#)

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

<sup>3</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Sustainable investment data inputs

## 4. Sustainable investment data inputs

The following sustainable investment datasets are used in the construction of the indices.

Sustainable investment data inputs	Details	Used for selection, weighting or exclusion <sup>5</sup>
<b>Product-related data – Sustainalytics</b>	Sustainalytics Product Involvement data identifies the nature and extent of a company's involvement in a range of product and business activities. More information can be found here: <a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria</a>	Exclusion
<b>Conduct-related data – Sustainalytics</b>	Sustainalytics Global Standards Screening (GSS) assess companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. More information can be found: <a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening</a>	Exclusion

4.1.1 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](#)

<sup>5</sup> 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.



## Section 5

# Eligible securities

## 5. Eligible securities

5.1.1 The eligible securities of each index are the constituents of the corresponding underlying index shown in Table one.

5.1.2 Securities that are members of the applicable exclusion list as laid out in Table one (see Appendix A) are not eligible for membership of the relevant index.

### 5.2 Multiple lines

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

### 5.3 FTSE Scottish Widows Custom Screened Index Series

The FTSE Scottish Widows Custom Screened Index Series consists of the following indices.

Table one: FTSE Scottish Widows Custom Screened Index Series

Index Name	Underlying index	Exclusion list
FTSE 100 Custom Screened Index	FTSE 100 Index	
FTSE All-Share Custom Screened Index	FTSE All Share Index	
FTSE All-World Ex UK Custom Screened Index	FTSE All-World Ex UK Index	
FTSE RAFI UK 300 Custom Screened Index	FTSE RAFI UK 300 Index	
FTSE RAFI Developed 1000 Custom Screened Index	FTSE RAFI Developed 1000 Index	
FTSE RAFI Emerging Custom Screened Index	FTSE RAFI Emerging Index	
FTSE RAFI UK Low Volatility Custom Screened Index	FTSE RAFI UK Low Volatility Index	Scottish Widows Custom Exclusions (see Appendix A)
FTSE RAFI Developed Low Volatility Custom Screened Index	FTSE RAFI Developed Low Volatility Index	
FTSE RAFI Emerging Low Volatility Custom Screened Index	FTSE RAFI Emerging Markets Low Volatility Index	
FTSE Developed Europe ex UK Custom Screened Index	FTSE Developed Europe ex UK Index	
FTSE Japan Custom Screened Index	FTSE Japan Index	
FTSE Developed Asia Pacific ex Japan ex Korea Custom Screened Index	FTSE Developed Asia-Pacific ex Japan ex Korea Index	
FTSE USA Custom Screened Index	FTSE USA Index	

## **5.4 Excluded companies**

- 5.4.1 Product and activity involvement data used to create the exclusion lists in appendix A are collected from internal sources and Sustainalytics.
- 5.4.2 For the FTSE Scottish Widows Custom Screened Index Series, there are product-related exclusion categories and one conduct-related exclusion category. A summary of the exclusion categories is provided in appendix A.
- 5.4.3 Stocks with missing product and activity involvement data are excluded from the index.
- 5.4.4 Investment trusts are an exception to rule 5.4.3. Some indices within the FTSE Scottish Widows Custom Screened Index Series include ICB subsector closed-end investments (30204000) and ICB sector real estate investment trusts (351020). Investment trusts are closed-end collective investment schemes and as such may invest in companies that are involved in one or more of the exclusion categories. Therefore, the Scottish Widows Custom Screened Index Series does not exclude investment trusts or real estate investment trusts.

## Section 6

# Periodic review of constituent companies

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## 6. Periodic review of constituent companies

### 6.1 Review dates

- 6.1.1 The FTSE Scottish Widows Custom Screened Indices are reviewed in accordance with the review of the respective underlying index.
- 6.1.2 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).
- 6.1.3 The review will be implemented after the close of business on the third Friday of the review month.
- 6.1.4 Index reviews will incorporate constituent changes associated with reviews of the underlying eligible universe as of the review effective date. Any changes to the status of excluded companies as defined in Appendix A are applied using data as at the close of business on the Monday four weeks prior to review effective date.
- 6.1.5 The FTSE Scottish Widows Custom Screened Indices are weighted by the underlying index weight. The weight of excluded companies is redistributed among the remaining index pro-rate to their index weights.

## Section 7

# Changes to constituent companies

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## 7. Changes to constituent companies

### 7.1 Intra-review additions

7.1.1 Additions to the index will be made concurrently with the underlying index.

### 7.2 Intra-review deletions

7.2.1 A constituent will be removed from the FTSE Scottish Widows Custom Screened Index Series if it is removed from the underlying universe. For both FTSE and Russell derived FTSE Scottish Widows Custom Screened Indices, a minimum of two days' notice will be provided. The weight of the removed constituent will be distributed pro-rata amongst the remaining constituents in the relevant index.

## Section 8

# Corporate actions and events

## 8. Corporate actions and events

- 8.1 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 FTSE Scottish Widows Custom Screened Index Series remains unchanged pre and post such an event.
- 8.2 The Scottish Widows RAFI-based indices will maintain the same weight adjustment factors of the underlying indices and corporate actions will follow the Methodology Guide for Non Market Capitalisation Weighted Indexes. For example: if a constituent of a Scottish Widows index acquires a constituent of the underlying RAFI Index but a Scottish Widows non-constituent, the factors will merge based upon the underlying index and the acquirer's weight will increase within the Scottish Widows index.
- With the exception of the RAFI-based indices, the treatment of other takeovers and mergers can be found within the Corporate Actions and Events Guide for Market Capitalisation and Non Market Capitalisation Weighted Indices.
- 8.3 Full details of changes to constituent companies due to corporate actions and events can be accessed in the relevant Corporate Actions and Events Guide for the underlying index – these can be accessed using the following links:

[Corporate Actions and Events Guide.pdf](#)

[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.

**8.4 Suspension of dealing**

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

**8.5 Takeovers, mergers and demergers**

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Market Capitalisation and Non Market Capitalisation Weighted Indices.

## Section 9

# Treatment of dividends

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## 9. Treatment of dividends

9.1 Declared dividends are used to calculate the Standard Total Return Index of the FTSE Scottish Widows Custom Screened Index Series. All dividends are applied as at the ex-div date.

9.2 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 10

# Indices algorithm and calculation method

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## 10. Indices algorithm and calculation method

### 10.1 Prices

10.1.1 The FTSE Scottish Widows Custom Screened 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](#)

### 10.2 Calculation frequency

10.2.1 The FTSE Scottish Widows Custom Screened Index Series will be calculated on an end-of-day basis and displayed to eight decimal points.

### 10.3 Algorithm

10.3.1 For details on the algorithm and calculation methods used in market cap weighted indices, please refer to the FTSE Global Equity Index Series Guide to Calculation Methods, which can be accessed using the following link:

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

10.3.2 For details on the algorithm and calculation methods used in RAFI indices, please refer to the FTSE RAFI Index Series Rules, which can be accessed using the following link:

[FTSE RAFI Index Series Rules.pdf](#)



## Appendix A

# FTSE Scottish Widows Custom exclusions

### Product involvement exclusions

At each index review date, companies with the business activities listed in the table below are excluded from the eligible universe. Data for the FTSE Scottish Widows Custom exclusions is sourced from Sustainalytics.

Exclusions lists are reviewed on a quarterly basis in March, June, September and December.

Exclusions category	Definition	Involvement threshold for exclusion
<b>Controversial weapons</b>	The company is involved, either directly or through corporate ownership, in the core weapon system, or components/services of the core weapon system, that are considered either tailor-made or not tailor-made and either essential or not essential for the lethal use of the weapon. Across categories: anti-personnel mines; biological and chemical weapons; cluster munitions.	Greater than 0% of revenues
<b>Tobacco activities</b>	<b>Tobacco producers:</b> companies that produce tobacco products. <b>Tobacco-related products/services:</b> the company supplies tobacco-related products/services. <b>Tobacco retail:</b> the company derives revenues from the distribution and/or retail sale of tobacco products.	Equal to or greater than 10% of revenues
<b>Thermal coal activities</b>	<b>Thermal coal extraction:</b> the company extracts thermal coal.	Equal to or greater than 5% of revenues
<b>Oil sands activities</b>	<b>Oil sands extraction:</b> the company extracts oil sands.	Equal to or greater than 5% of revenues

### Conduct exclusions

At each index review date, FTSE Russell will apply the UN Global Compact (UNGC) controversies exclusion list outlined below to the underlying eligible universes of the FTSE Scottish Widows Custom Screened Index Series. This data is provided by third-party data vendor, Sustainalytics.

Exclusion	Threshold
UN Global Compact (UNGC) controversies	
Companies involved in controversies related to the UNGC principles. The principles are classified into four categories: human rights, labour, environment and anti-corruption.	All companies deemed to be non-compliant

For further details on FTSE Russell and/or Sustainalytics data, please refer to Section 4. Companies not covered by FTSE Russell and/or Sustainalytics are excluded from the FTSE Scottish Widows Custom Screened Index Series.

## Appendix B

# Further information

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

[Glossary.pdf](#)

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

[Sustainable Investment Metrics](#)

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

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