

# FTSE Sustainability Factor Climate Balanced Index Series

v1.0



**FTSE  
RUSSELL**

An LSEG Business

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## Section 1

# Introduction

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## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Sustainability Factor Climate Balanced Index Series. Copies of these Ground Rules are available from [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).

The FTSE Sustainability Factor Climate Balanced Index Series is designed to reflect the performance of stocks incorporating a tilting methodology that adjusts index weights according to a specific set of factor characteristics, climate and ESG data.

- 1.2 The FTSE Sustainability Factor Climate Balanced Index Series takes account of ESG factors in the index design. Please see Section 5 for further details.

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

- 1.3 These Ground Rules should be read in conjunction with the:

- FTSE Global Factor Index Series Ground Rules;
- FTSE ESG Index Series Ground Rules;
- FTSE Global Climate Index Series Ground Rules;
- FTSE TPI Climate Transition Index Series Ground Rules;
- FTSE Green Revenues Index Series Ground Rules;
- FTSE Russell Corporate Actions and Events Guide for Non-Market Cap Weighted Indices.

These are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).

- 1.4 Price, total return and net of tax indices will be calculated on an end of day basis.

### 1.5 FTSE Russell

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc., FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited.

- 1.5.1 FTSE Russell hereby notifies users of the index 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 and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.6 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell 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 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 series 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;
- disseminate the index series.

2.1.3 These Ground Rules set out the methodology and provide information about the publication of the FTSE Sustainability Factor Climate Balanced Indices.

### 2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index. 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

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## 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)

3.3.1 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 the FTSE Russell 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 Sustainability Factor Climate Balanced 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

# Eligible securities

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## 4. Eligible securities

4.1.1 The eligible securities of each FTSE Sustainability Factor Climate Balanced Index are the constituents of the corresponding underlying universe.

4.1.2 Securities that are members of the applicable exclusion list are not eligible for membership of the relevant FTSE Sustainability Factor Climate Balanced Index.

### 4.2 Multiple lines

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

### 4.3 Exclusions

4.3.1 A summary of exclusions applied for each FTSE Sustainability Factor Climate Balanced index is provided below, and more details on the exclusion definitions can be found in **Error! Reference source not found..**



FTSE Sustainability Factor Climate Balanced Index Series, v1.0, August 2025

Index name	Index type	Underlying universe	Minimum set of exclusions	Conducted-related	Product-related											Other
				Controversies*	Controversial Weapons	Conventional Military Weapons*	Nuclear Weapons*	Firearms*	Adult Entertainment*	Alcohol*	Gambling*	Tobacco*	Fossil Fuel Reserves (50%)*	Oil, Gas and Coal (ICB Subsectors)	Thermal Coal Extraction and Power Generation (25%)*	Company with Israel Headquarters*
FTSE All-World Ex-CW Climate Balanced Factor Index	Target Exposure	FTSE All-World Index	X		X**										X	
FTSE All-World Ex-CW Climate Balanced Factor (Mar) Index	Target Exposure	FTSE All-World Index	X		X**										X	
FTSE All-World Ex-CW Climate Balanced Factor (Sep) Index	Target Exposure	FTSE All-World Index	X		X**										X	
FTSE Developed Climate, Balanced Low Volatility Focused Factor Index	Fixed Tilt	FTSE Developed Index	X													
FTSE All-World ex CW ex FF Reserves (>50%) Climate Balanced Factor Net Tax (UK Pension) Index	See Rule 7.2	FTSE All-World Index Ex-CW Climate Balanced Factor Index	X		X**								X		X	

\* These exclusions lists are updated and applied quarterly in March, June, September, and December:

\*\* The Controversial Weapons exclusions lists are updated and applied semi-annually in March and September.



## Section 5

# ESG data inputs

## 5. ESG data inputs

The following ESG datasets are used in the construction of indices in the FTSE Sustainability Factor Climate Balanced Index Series.

ESG data inputs	Details	Used for selection, weighting or exclusion <sup>5</sup>
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: <a href="https://www.lseg.com/content/dam/ftse-russell/en_us/documents/policy-documents/ftse-green-revenues-classification-system.pdf">https://www.lseg.com/content/dam/ftse-russell/en_us/documents/policy-documents/ftse-green-revenues-classification-system.pdf</a>	Weighting
Product related data – FTSE Russell	FTSE exclusion lists on the activities of companies with exposure to specific products or services. More information can be found in Section 7 here: <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists .pdf.</a>	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: <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
Minimum set of exclusions for ESG Indices	The minimum set of exclusions applied to this Index Series from September 2023. More information on the minimum exclusions can be found in Section 8 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists .pdf.</a> <sup>6</sup>	Exclusion
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 here: <a href="https://www.marketplace.spglobal.com/en/datasets/trucost-environmental-(46)">https://www.marketplace.spglobal.com/en/datasets/trucost-environmental-(46)</a>	Weighting

5.1.1 Further information on ESG data provided by FTSE Russell and third parties used in this index (index series) can be found in the following guide:

[Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices](#)

<sup>5</sup> Definitions

Selection – ESG data is used to select or rank constituents, or calculate minimum scores or thresholds.

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

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

<sup>6</sup> Please note that the FTSE All-World ex CW Climate Balanced Factor (Sep) Index will incorporate the minimum set of exclusions at the delayed rebalance in October 2023

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

## **5.2 ESG Metrics**

5.2.1 Please see the FTSE Russell [ESG 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.

Further details on the metrics methodology and calculation are available using the following link:

[Sustainability and ESG Data](#)

## Section 6

# Periodic review of constituent companies

## 6. Periodic review of constituent companies

### 6.1 Review dates

6.1.1 FTSE Sustainability Factor Climate Balanced Indices derived from FTSE underlying indices will be reviewed in March and/or September. The Index review will be implemented after the close of business on the third Friday of the review month.

FTSE Sustainability Factor Climate Balanced Indices derived from Russell underlying indices will be reviewed according to the Russell implementation dates in June or June and December.

FTSE Sustainability Factor Climate Balanced Indices	Index type	Review month(s)
FTSE All-World Ex-CW Climate Balanced Factor Index	Target Exposure	March and September
FTSE All-World Ex-CW Climate Balanced Factor (Mar) Index	Target Exposure	March
FTSE All-World Ex-CW Climate Balanced Factor (Sep) Index	Target Exposure	September
FTSE Developed Climate Balanced Low Volatility Focused Factor Index	Fixed Tilt	September
FTSE All-World ex CW ex FF Reserves (>50%) Climate Balanced Factor Net Tax (UK Pension) Index	Target Exposure	March and September
FTSE All-World Ex-CW Ex-FF Climate Balanced Factor Index	See Rule 7.2	March and September*

\* Review schedule of this index is in line with the underlying FTSE All-World Ex-CW Climate Balanced Factor due to the index construction methodology – see Rule 7.2 for more details.

6.1.2 For FTSE Sustainability Factor Climate Balanced indices derived from a Russell underlying index, the June index review will be implemented on the same date as the Russell annual reconstitution in June. For details of the implementation dates of Russell Index, please refer to the [Russell US Equity Indices construction and methodology](#).

### 6.2 Data dates

6.2.1 Index reviews will use Factor data as at the last business day of the month prior to the review month (the data cut-off date). The data cut-off dates for ESG data inputs are in the [Guide-to-FTSE-and-Third-Party-ESG-Data-used-in-FTSE-Russell-Indices.pdf](#)

6.2.2 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) with the exception of the Russell annual reconstitution in June, when stock prices available at the close of business on the Wednesday before the second Friday of the review month will be used.

6.2.3 Index reviews will incorporate constituent changes associated with index reviews of the underlying universe.

## Section 7

# Index construction

## 7. Index construction

### 7.1 FTSE All-World Ex-CW Climate Balanced Factor Index – Phased Rebalance

7.1.1 The FTSE All-World Ex-CW Climate Balanced Factor Index employs a phased rebalance and consists of a combination of two annually reviewed indices – the FTSE All-World Ex-CW Climate Balanced Factor (Mar) Index and the FTSE All-World Ex-CW Climate Balanced Factor (Sep) Index. The two indices do not employ a phased rebalance and are reviewed annually in March and September respectively, and a set of constituent review weights determined following Rules 7.2 to 7.5. The effective weight of each constituent in the FTSE All-World Ex-CW Climate Balanced Factor Index is calculated as an equal combination of both annually reviewed indices:

$$w_{i,t}^* = 0.5 \times w_{i,t}^{Mar} + 0.5 \times w_{i,t}^{Sep}$$

where,

- $w_{i,t}^{Mar}$  is the weight of stock  $i$  in the FTSE All-World Ex-CW Climate Balanced Factor (Mar) Index;
- $w_{i,t}^{Sep}$  is the weight of stock  $i$  in the FTSE All-World Ex-CW Climate Balanced Factor (Sep) Index;
- $w_{i,t}^*$  is the effective weight of stock  $i$  in the FTSE All-World Ex-CW Climate Balanced Factor Index.

### 7.2 FTSE All-World Ex-CW Ex-FF Climate Balanced Factor Index

7.2.1 The FTSE All-World Ex-CW Ex-FF Climate Balanced Factor Index excludes companies in the Fossil Fuel Reserves exclusion list (see Rule 4.3.1 for more details on the exclusion list application and Appendix B for more details on exclusion definitions) from the FTSE All-World Ex-CW Climate Balanced Factor Index. The weights of the remaining constituents are renormalised to sum to 1.

### 7.3 Fixed Tilt Index construction

7.3.1 The unconstrained periodic review weight of each constituent of the relevant Fixed Tilt Index without a Phased Rebalance is:

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

where:

$$v_i = w_i' \times \prod_{j=1}^K F_{i,j} \times \prod_{j=1}^N A_{i,j}$$

and

- $w_i'$  is the weight of stock  $i$  in the underlying universe;
- $N$  ( $K$ ) are the number of Climate and or ESG (Factor) tilts respectively;
- $F_{i,j}$  is the  $j^{\text{th}}$  Factor tilt applied to stock  $i$ . See Rule 7.4.2 for details;

- $A_{i,j}$  is the  $j^{\text{th}}$  Climate and or ESG tilt applied to stock  $i$ . See Rules 7.4.3 and 7.4.4 for the details of possible tilts.

## 7.4 Factor, ESG, Climate and Green Revenue Tilts

7.4.1 The Table below summarises the alternative factor and sustainability tilts applied to each Fixed Tilt index:

Fixed Tilt Index	Factor Tilts					Sustainability Tilts			
	V	Q	S	M	LV	ESG Scores	Fossil Fuel Reserves	Operational Emissions	Green Revenue
FTSE Developed Climate Balanced Low Volatility Focused Factor Index	1	1	0.25	-	2	-	1	1	1

Numbers denote the strength of the factor or sustainability tilt. The tilt strength follows the definition used in the FTSE Global Factor Index Series Ground Rules.

7.4.2 Factor tilts are defined through the application of factor S-scores. The definition of each factor and the calculation of S-scores can be found in the FTSE Global Factor Index Series Ground Rules.

7.4.3 Fossil Fuel Reserves tilts, Operational Emissions tilts and Green Revenue tilts are based on the company fossil fuel reserve, operational carbon emission and the FTSE Green Revenues Factor respectively. These tilts follow the definitions and methodologies as detailed in FTSE Global Climate Index Series Ground Rules and the FTSE Green Revenues Index Series Ground Rules.

## 7.5 Narrowing

7.5.1 The FTSE Developed Climate Balanced Low Volatility Focused Factor Index is narrowed with respect to the product of the factor S-scores and the Climate and Green Revenue tilts:

$$P_i = \prod_{j=1}^K F_{i,j} \times \prod_{j=1}^N A_{i,j}$$

The narrowing methodology is detailed in the FTSE Global Factor Index Series Ground Rules.

## 7.6 Capacity, constraints and maximum stock weights

The table below shows the minimum stock weight thresholds that are applied. 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.

Sustainability Factor Climate Balanced Index	Minimum weight
FTSE Developed Climate Balanced Low Volatility Focused Factor Index	0.5bps

## 7.7 Target exposure index construction

7.7.1 The detailed construction methodology for target exposure indices is set out in the FTSE Global Factor Index Series Ground Rules.

7.7.2 The weight of each target exposure index satisfies:

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

Where,

$$v_i = w'_i \times \prod_{j=1}^K F'_{i,j} \times \prod_{j=1}^N A'_{i,j} \times C_i \times I_i \times \Phi_i \times \Psi_i$$

and

- $w'_i$  is the weight of stock  $i$  in the underlying universe which is market capitalization weighted for all
- $N$  ( $K$ ) are the number of Climate and or ESG (Factor) tilts respectively;
- $F'_{i,j}$  is the  $j^{\text{th}}$  Factor tilt applied to stock  $i$ . See Rule 7.8.3 for details;
- $A'_{i,j}$  is the  $j^{\text{th}}$  Climate and or ESG tilt applied to stock  $i$ . See Rules 7.8.4 -7.8.7 for the details of possible tilts;
- $C_i$  and  $I_i$  are country and industry tilts applied to stock  $i$  respectively;
- $\Phi_i$  is the maximum stock capacity/maximum weight tilt applied to stock  $i$ ;
- $\Psi_i$  is the maximum turnover tilt applied to stock  $i$ .

7.7.3 Factor tilts are defined through the application of exponential function on factor Z-scores. The definition of each factor and the calculation of Z-scores can be found in the FTSE Global Factor Index Series Ground Rules.

7.7.4 ESG tilts are defined through the application of exponential function on ESG Z-scores based on the overall ESG scores of the constituents. The creation of Z-scores follows the process described in the FTSE Global Factor Index Series Ground Rules.

7.7.5 Fossil Fuel Reserves tilts and Operational Emissions tilts are defined through the application of exponential function on Z-scores of Carbon Reserve Intensity and Operational Carbon Emissions respectively. The definition of Carbon Reserve Intensity and Operational Carbon Emissions can be found in the FTSE Global Climate Index Series Ground Rules. The creation of Z-scores follows the process described in the FTSE Global Factor Index Series Ground Rules.

7.7.6 Indices employing TPI targets use TPI Carbon Performance (CP) score as a tilt.

Companies that receive a CP score are categorised into different groups, which are described in the [Guide to FTSE and Third Party ESG Data used in FTSE Russell indices](#) and are provided by TPI on an annual basis.

TPI Carbon Performance Category	Carbon performance score
Below 2°C (pulp & paper only)/ 1.5°C	2
2°C (pulp & paper only)/Below 2°C	1.5
Paris/National/International Pledges	0.8
Not aligned	0 or $\exp(x)^*$
Not assessed	1

\*The Carbon Performance score of 'not aligned' is set to  $\exp(x)$  if a separate target is set for the not aligned emission reduction, where  $x$  is the tilt strength required to achieve the targeted emission reduction.  $x$  is constrained to  $\leq -0.25$  to ensure the tilt is below 'other alignment'.

7.7.7 Green Revenues tilts are defined through the application of exponential function on Z-scores of Green Revenues Ratios. The definition of Green Revenues Ratio can be found in the FTSE Green Revenues Index Series Ground Rules. The creation of Z-scores follows the process described in the FTSE Global Factor Index Series Ground Rules.



7.7.8 Dividend yield tilts are defined through the application of exponential function on yield factor Z-scores. The definition of each factor and the calculation of Z-scores can be found in the FTSE Global Factor Index Series Ground Rules.

7.7.9 The active non-factor exposure target is given by:

$$\sum_i (w_i - w'_i) \times T_i = \alpha \times \sum_i w'_i T_i$$

where  $\alpha$  is the fixed percentage increase or reduction and  $T_i$  is the original measure of the non-factor exposure target, e.g. green revenue ratio, trailing 12-month dividend yield, etc.

7.7.10 The tilts are chosen so that all targets and constraints are satisfied simultaneously. The relaxation rules should such a solution be infeasible are set out in FTSE Global Factor Index Series Ground Rules.

7.7.11 The following two tables below summarise the factor exposure and sustainability targets applied to each Sustainability Factor Climate Balanced Target Exposure index.

Index	Active factor exposure targets						Active non-factor exposure targets				
	V	Q	S	M	LV	Y	ESG Scores Increase	Fossil Fuel Reserves Reduction	Operational Emissions Reduction	Green Revenue Ratio Increase	Dividend Yield Increase
FTSE All-World Ex-CW Climate Balanced Factor (Mar) Index	0.4 $\sigma$	0.4 $\sigma$	0.4 $\sigma$	0	0.4 $\sigma$	-	-	≥50%	≥30%	≥100%	-
FTSE All-World Ex-CW Climate Balanced Factor (Sep) Index	0.4 $\sigma$	0.4 $\sigma$	0.4 $\sigma$	0	0.4 $\sigma$	-	-	≥50%	30%	≥100%	-

Active non-factor exposure targets or tilts: continued			
Index	TPI Management Quality improvement	TPI Carbon Performance: Tilt	TPI Carbon Performance: Not Aligned Emissions Reduction
FTSE All-World Ex-CW Climate Balanced Factor (Mar) Index	0.5	1-tilt	≥50%
FTSE All-World Ex-CW Climate Balanced Factor (Sep) Index	0.5	1-tilt	≥50%

**Notes:**

$\sigma$  is the market capitalization weighted standard deviation of factor Z-scores.

TPI Management Quality improvement is measured in units of standard deviation.

The table below summaries the constraints applied to each Sustainability Factor Climate Balanced Target Exposure index.

Index	Constraints					
	Beta Banding	Country	Industry	Max 2-Way T/O (%)*	Max stock weight (%)	Min stock weight (b.p.)
FTSE All-World Ex-CW Climate Balanced Factor (Mar) Index	0.7 – 1.3	+/-3%	+/-3%	-	5	0.5
FTSE All-World Ex-CW Climate Balanced Factor (Sep) Index	0.7 – 1.3	+/-3%	+/-3%	-	5	0.5

**Notes:**

Banded – See FTSE Global Factor Index Series Ground Rules for details.

\* Per review.

## 7.8 Index back-histories

7.8.1 The annual Fossil Fuel Reserves, Operational Carbon Emissions and annual sales data prior to September 2016 are lagged by one year.

7.8.2 The availability of factor data prior to August 2014 is simulated through the application of a six month lag on fundamental data. All index reviews prior to this date that utilise fundamental data incorporate a lag of six months.



## Section 8

# Changes to constituent companies

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## 8. Changes to constituent companies

### 8.1 Intra-review additions

- 8.1.1 Additions into the FTSE Sustainability Factor Climate Balanced Indices will be considered for inclusion at the next periodic review.

### 8.2 Intra-review deletions

- 8.2.1 A constituent will be removed from the FTSE Sustainability Factor Climate Balanced Indices if it is also removed from the relevant underlying index. The deletion will be concurrent with its deletion from the underlying index and its weight will be distributed pro-rata amongst the remaining constituents in the corresponding FTSE Sustainability Factor Climate Balanced Index.
- 8.2.2 A constituent will be removed from the FTSE Sustainability Factor Climate Balanced Indices if it is added to the relevant exclusion list. The deletion will be concurrent with its addition to the exclusion list.

## Section 9

# Corporate actions and events

## 9. Corporate actions and events

9.1 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 relevant FTSE Sustainability Factor Climate Balanced Index remains unchanged pre and post such an event.

9.2 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](#)

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);
- 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 will provide notice advising of the timing of the change.

### 9.3 Suspension of dealing

Suspension of dealing rules can be found within the corporate actions and events guide for non-market cap weighted indices.

### 9.4 Takeovers, mergers and demergers

The treatment of takeovers, mergers and demergers can be found within the corporate actions and events guide for non-market cap weighted indices.

## Section 10

# Treatment of dividends

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## 10. Treatment of dividends

### 10.1 Treatment of dividends

10.2 Declared dividends are used to calculate the FTSE Sustainability Factor Climate Balanced Index Series. All dividends are applied as at the ex-div date.

10.3 For each of the rest Sustainability Factor Climate Balanced Indices, a net of tax total return index is 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 11

# Indices algorithm and calculation method

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## 11. Indices algorithm and calculation method

### 11.1 Prices

- 11.1.1 The FTSE Sustainability Factor Climate Balanced 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](#)

### 11.2 Calculation frequency

- 11.2.1 The FTSE Sustainability Factor Climate Balanced Index Series will be calculated on an end of day basis and displayed to eight decimal points.

### 11.3 Exchange rates

- 11.3.1 For FTSE Sustainability Factor Climate Balanced Indices, the WM/Refinitiv Closing Spot Rates™ collected at 16:00 London time, are used to calculate the end of day index values.

### 11.4 Index calculation

The FTSE Sustainability Factor Climate Balanced Index Series are calculated using the algorithm described below:

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

# Exclusions

Category	Definition	Involvement threshold for exclusion
<b>Non-Renewable Energy</b>		
<b>Fossil Fuel Reserves – Coal, Oil &amp; Gas</b>	Companies that own proved or probable reserves in coal, oil or gas	Greater than 50% ownership
<b>Thermal Coal – Extraction &amp; Power Generation (25%)</b>	Companies involved in thermal coal extraction and/or generating electricity from thermal coal	Greater than or equal to 25% of revenues
<b>Weapons</b>		
<b>Controversial Weapons</b>	<b>Chemical &amp; Biological Weapons</b> Companies that produce chemical or biological weapons and their components (including all precursors, munitions, devices or equipment specifically designed for, and used directly in connection with) these weapons, or that produce secondary products or services for chemical and biological weapons.	Greater than 0% of revenues
	<b>Cluster Munitions</b> Companies that produce cluster munitions as defined in the Convention on Cluster Munitions, or that produce specific and critical parts or services for cluster munitions.	Greater than 0% of revenues
	<b>Anti-Personnel Landmines</b> Companies that produce anti-personnel mines as defined in the “1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction”, or that produce specific and critical parts or services for anti-personnel mines.	Greater than 0% of revenues
Minimum Set of Exclusions		Threshold
<b>Weapons: Anti-personnel mines, cluster weapons, biological and chemical weapons</b>		
Companies providing core weapon systems or components/services of the core weapon system for these weapons.		Greater than 0% of revenues
<b>Tobacco</b>		
Companies manufacturing tobacco products.		Greater than 0% of revenues
<b>Thermal Coal</b>		
Thermal coal extraction		Equal to or greater than 50% of revenues
<b>Controversial Conduct</b>		
Companies involved in controversial conduct related to the UN Global Compact principles and related international norms and standards. Controversies are classified into four categories: Human Rights, Labor, Environment and Anti-corruption.		All companies deemed to be non-compliant with relevant international norms

## 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 - ESG.pdf](#)

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

[ESG Metrics](#)

For further information on the FTSE Sustainability Factor Climate Balanced 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.

**Website:** [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)

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