

# FTSE UK 100 ESG Select Index

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 UK 100 ESG Select Index. Copies of the Ground Rules are available from [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.2 The FTSE UK 100 ESG Select Index is designed to reflect the performance of UK stocks selected from the constituents of the FTSE All-Share Index based on their FTSE Russell ESG score.
- 1.3 The FTSE UK 100 ESG Select Index takes account of ESG factors in its index design. Please see further details in Section 5.
- 1.4 These Ground Rules should be read in conjunction with the corporate actions and events guide for market capitalisation weighted indices, the FTSE UK Index Series Ground Rules, the FTSE4Good Index Series Ground Rules and associated policy documents which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.5 Price and total return indices will be calculated on an end of day basis.
- Total return indices include income based on ex dividend adjustments. All dividends are applied as declared in the FTSE Total Return Index.
- 1.6 Declared dividends are used to calculate the Standard Total Return Indices in the FTSE 100 ESG Select Index. All dividends are applied as at the ex-div date.
- Net of tax total return indices are also calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit 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](#)
- 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, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.
- 1.8 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.

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

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## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index<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 periodic index 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.

### 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 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.

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<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 Queries and Complaints

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

[Benchmark Determination Complaints Handling Policy.pdf](#)

#### 3.2 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](#)

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

3.3.1 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](#)

#### 3.4 Recalculation Policy and Guidelines

For further information please refer to the FTSE Russell Recalculation policy and guidelines document which is available on the FTSE Russell website using the link below:

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

#### 3.5 Recalculation Policy and Guidelines – ESG data

Where an inaccuracy in an ESG data product is identified, FTSE Russell will follow the guidelines set out in this document when determining if an ESG data product should be recalculated.

[Recalculation Policy and Guidelines ESG Products.pdf](#)

#### 3.6 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](#)

### **3.7 FTSE Russell Governance Framework**

- 3.7.1 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 ensure compliance with the IOSCO Principles for Financial Benchmarks<sup>2</sup> and the European benchmark regulation<sup>3</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE\\_Russell\\_Governance\\_Framework.pdf](#)

### **3.8 Real Time Status Definitions**

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

[Real Time Status Definitions.pdf](#)

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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.

## Section 4

# Eligible securities

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### 4. Eligible securities

4.1.1 Constituent securities of the FTSE All-Share Index that have FTSE Russell ESG Scores are eligible for inclusion in the FTSE UK 100 ESG Select 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.



## Section 5

# Sustainable Investment data inputs

## 5. SI data inputs

5.1.1 The following Sustainable Investment datasets are used in the construction of the indices.

SI data inputs	Details	Used for selection, weighting or exclusion <sup>4</sup>
<b>FTSE ESG Scores</b>	FTSE Russell's ESG Scores and data model allows investors to understand a company's exposure to, and management of, ESG issues in multiple dimensions. More information can be found here: <a href="https://www.ftserussell.com/data/sustainability-and-esg-data/esg-ratings">https://www.ftserussell.com/data/sustainability-and-esg-data/esg-ratings</a> and <a href="#">Guide to FTSE and Third Party Sustainable Investment Data used in FTSE Russell Indices</a>	Selection

5.1.2 Further information on SI 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 SI data inputs. These data sets may include estimated data.

<sup>4</sup> Definitions  
 Selection – SI data is used to select or rank constituents, or calculate minimum scores or thresholds.  
 Weighting – SI data is used to calculate the weight of a constituent in an index.  
 Exclusion – SI data is used to exclude companies from the index.

## Section 6

# Index construction

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## 6. Index construction

### 6.1 ESG scores

6.1.1 This index series uses FTSE Russell ESG Scores.

The data cut-off date for the availability of FTSE Russell ESG scores is the close of business on the last business day of the month prior to the review month.

### 6.2 Index construction

6.2.1 The top 100 companies in the FTSE All-Share Index when ranked in descending order by ESG score are selected for inclusion in the FTSE UK 100 ESG Select Index.

6.2.2 If multiple companies have the same ESG score and including them all would result in more than 100 companies in the index, then the company(s) with the highest free float adjusted market capitalisation are selected for inclusion so that the index size is 100.

6.2.3 The index reviews will be based on data from the close of business on the Tuesday before the first Friday of the review month.

6.2.4 The selected stocks are weighted by free float adjusted market capitalisation.

## Section 7

# Periodic review of constituents

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## 7. Periodic review of constituents

### 7.1 Review dates

- 7.1.1 The FTSE UK 100 ESG Select Index follows the review schedule of the FTSE UK Index Series, which is reviewed quarterly in March, June, September and December.
- 7.1.2 The reviews will be implemented after the close of business on the third Friday of the review month.

## Section 8

# Changes to constituent companies

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## 8. Changes to constituent companies

### 8.1 Intra-review additions

8.2 The FTSE UK 100 ESG Select Index will not accept intra-review additions. Additions to the FTSE All-Share Index will be considered for inclusion at the next review.

### 8.3 Intra-review deletions

A constituent will be removed from the FTSE UK 100 ESG Select Index if it is removed from the FTSE All-Share Index. The deletion will be concurrent with the deletion from the FTSE All-Share Index and its weight will be distributed pro-rata amongst the remaining constituents.

## Section 9

# Corporate actions and events

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## 9. Corporate actions and events

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 cap weighted indices using the following link:

[Corporate Actions and Events Guide.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. 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 will provide notice advising of the timing of the change.

### 9.1 Mergers, restructuring and demergers

- 9.1.1 If a constituent is acquired by a non-constituent, the company will be removed from the FTSE UK 100 ESG Select Index and its weight will be distributed pro-rata amongst the remaining constituents.
- 9.1.2 If the non-constituent is added to the underlying index as a result of the stock merger or acquisition, it will be considered for inclusion at the next quarterly review.
- 9.1.3 If the effect of a merger or takeover is that one constituent of the FTSE UK 100 ESG Select Index is absorbed by another constituent, the resulting company will remain a constituent of the index.
- 9.1.4 If an index constituent has a demerger and the newly spun-off company is eligible for inclusion in its underlying index, it will remain in the FTSE UK 100 ESG Select Index until the next review. At review the spun-off company will be assessed in accordance with the criteria set out in Section **Error! Reference source not found.**
- 9.1.5 If an index constituent has a demerger and the newly spun-off company is ineligible for inclusion in the FTSE UK 100 ESG Select Index, it will remain in the index for two trading days and then be deleted at market price or if no market price is available, at zero value.

## Section 10

# Indices algorithm and calculation method

## 10. Indices algorithm and calculation method

### 10.1 Prices

10.1.1 The FTSE UK 100 ESG Select Index uses official closing prices 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 UK 100 ESG Select Index will be calculated on an end of day basis and displayed to eight decimal points.

### 10.3 Index calculation

10.3.1 The FTSE UK 100 ESG Select Index is calculated using the algorithm described below:

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

Where,

- $i=1,2,\dots,N$ ;
- $N$  is the number of securities in the index;
- $p_i$  is the latest trade price of the component security (or the price at the close of the index on the previous day);
- $e_i$  is the exchange rate required to convert the security's currency into the index's base currency;
- $s_i$  is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules;
- $f_i$  is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index;
- $d$  is the divisor, a figure that represents the total issued share capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

## Appendix A

# Further information

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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](#)

Further information on the FTSE UK 100 ESG Select Index is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

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

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