

# FTSE Vanguard SRI Developed and Developed Europe Index Series

v1.8



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## Section 1

# Introduction

## 1. Introduction

### 1.1 FTSE Vanguard SRI Developed and Developed Europe Index Series

1.1.1 The FTSE Vanguard SRI Developed and Developed Europe Index Series consists of the FTSE Vanguard SRI Developed Index and the FTSE Vanguard SRI Developed Europe Index.

1.1.2 The FTSE Vanguard SRI Developed Index and the FTSE Vanguard SRI Developed Europe Index include constituents from the FTSE All World Developed Index and the FTSE All World Developed Europe Index and exclude companies that violate UN Global Compact principles or produce land mines, cluster bombs, chemical or biological weapons, nuclear weapons or tobacco.

1.1.3 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules and associated index policy documents which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/). Unless stated in these Ground Rules, the index will follow the same process as the FTSE Global Equity Index Series.

1.1.4 The FTSE Vanguard SRI Developed and Developed Europe Index Series takes account of ESG factors in its index design.

1.1.5 The base currency of the FTSE Vanguard SRI Developed and Developed Europe Index Series is US Dollars (USD).

### 1.2 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.

1.2.1 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.

1.2.2 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'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;
- any errors or inaccuracies in these Ground Rules;
- any non-application or misapplication of the policies or procedures described in these Ground Rules; and/or
- any errors or 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 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 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; and
- disseminate the 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 meet the current and future requirements of investors and other index users. 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 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:

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

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](#)

### 3.2 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](#)

### 3.3 Recalculation Policy and Guidelines

3.3.1 The FTSE Vanguard SRI Developed and Developed Europe Index Series is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Vanguard SRI Developed and Developed Europe Index Series are notified through appropriate media.

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](#)

### 3.4 Recalculation Policy and Guidelines – ESG Data and Ratings

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](#)

### 3.5 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](#)

### **3.6 FTSE Russell Governance Framework**

3.6.1 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](#)

### **3.7 Real Time Status Definitions**

3.7.1 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

# ESG data inputs

## 4. ESG data inputs

The following ESG datasets are used in the construction of the indices.

SI data inputs	Details	Used for selection, weighting or exclusion <sup>5</sup>
<b>Product related data - FTSE Russell</b>	FTSE exclusion lists on the activities of companies with exposure to the products or services that are listed in Section 7 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf</a> .	Exclusion
<b>Conduct related data - Sustainalytics</b>	The dataset focuses on controversial conduct screening companies violating United Nations Global Compact (UNGC). Information about the methodology is available here: <a href="http://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening">www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening</a> . The data are subject to regular quality checks to identify discrepancies and ensure accuracy; these checks include trend analysis to assess data quality and detailed review of underlying data for significant Sustainalytics score changes	Exclusion
<b>Conduct related data - RepRisk</b>	The RepRisk Index (RRI) captures and quantifies a company's reputational risk exposure to ESG issues. More information can be found: <a href="https://www.reprisk.com/news-research/resources/methodology">https://www.reprisk.com/news-research/resources/methodology</a>	Exclusion

4.1.1 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](#)

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

## 4.2 ESG Metrics

4.2.1 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 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](#)

[ESG Disclosures Methodology and Calculation Guide](#)

<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.

## Section 5

# Custom exclusion criteria

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## 5. Custom exclusion criteria

### 5.1 Exclusion list

- 5.1.1 The index excludes companies that violate one or more of the UN Global Compact principles<sup>6</sup> or produce land mines, cluster bombs, chemical or biological weapons, nuclear weapons or tobacco.

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<sup>6</sup> Sustainalytics' Global Standards Screening (GSS) dataset is used to identify securities violating, or at risk of violating, one or more UN Global Compact (UNGC) principles. In making its assessment, GSS analyses norms and standards that are enshrined in the UNGC, the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises (OECD MNE Guidelines) and the United Nations Guiding Principles on Business and Human Rights (UNGPs), as well as their underlying conventions and treaties.



## Section 6

# Periodic review of constituents

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## 6. Periodic review of constituents

### 6.1 Index reviews

- 6.1.1 The underlying indices in the FTSE Vanguard SRI Developed and Developed Europe Index Series are the FTSE All-World Developed Index and the FTSE All-World Developed Europe Index.
- 6.1.2 The FTSE Vanguard SRI Developed and Developed Europe Index Series are reviewed on a quarterly basis in March, June, September and December.
- 6.1.3 The FTSE Vanguard SRI Developed and Developed Europe Index Series are created by removing the securities on the agreed exclusion list from the FTSE All-World Developed Index and the FTSE All-World Developed Europe Index respectively.
- 6.1.4 Changes arising from the periodic review are implemented after the close of trading on the third Friday in March, June, September and December and are effective from the start of the next trading day.

## Section 7

# Changes to constituent companies

## 7. Changes to constituent companies

### 7.1 Intra-review additions

7.1.1 If a constituent is added to an Underlying Index (see Rule 6.1.1), for example as a fast entrant, it will not automatically be added to the respective FTSE Vanguard SRI Developed and Developed Europe Index. The treatment of fast entrants and other companies which have yet to be researched is set out in the guide to the construction and maintenance of FTSE Exclusion Lists which can be accessed using the following link.

[Guide to the Construction and Maintenance of FTSE Exclusion Lists](#)

### 7.2 Intra-review deletions

7.2.1 If a constituent is removed from an Underlying Index (see Rule 6.1.1), it will be removed from the respective FTSE Vanguard SRI Developed and Developed Europe Index. The removal will be concurrent with its removal from its Underlying Index.

### 7.3 Intra-review exclusion changes

7.3.1 If the exclusion status of an existing constituent of an Underlying Index changes due to a corporate action or event, the consequent change to the membership of the FTSE Vanguard SRI Developed and Developed Europe Index will be considered at the next index review. Further details on the treatment of events leading to intra-review exclusion status changes is set out in guide to the construction and maintenance of FTSE Exclusion Lists which can be accessed using the following link:

[Guide to the Construction and Maintenance of FTSE Exclusion Lists](#)

## Section 8

# Corporate actions and events

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## 8. Corporate actions and events

8.1 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](#)

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.

### 8.2 Shares in issue

8.2.1 Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

### 8.3 Investability weightings

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

### 8.4 Suspension of dealing

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

### 8.5 Takeovers, mergers and demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide.

## Appendix A

# Product-related exclusions

## Product-related exclusions

Companies involved in business activities listed in the table below are excluded from the index on a quarterly basis after the close of business on the third Friday of March, June, September, and December.

Exclusions	Threshold
<b>Chemical &amp; Biological Weapons</b>	
Companies producing 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.	Any involvement
<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.	Any involvement
<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.	Any involvement
<b>Nuclear Weapons</b>	
Companies that produce nuclear weapons or their components. This includes companies that provide delivery systems (e.g. ballistic missile submarines) or critical services (e.g. maintenance or IT) that are directly related to and specifically designed for nuclear weapons	Any involvement
<b>Tobacco</b>	
Companies manufacturing tobacco products	Any involvement

## Appendix B

# Conduct-related exclusions

## Conduct-related exclusions

Companies involved in business activities listed in the table below are excluded from the index on a quarterly basis after the close of business on the third Friday of March, June, September, and December.

Exclusions	Threshold
<b>Human Rights</b> Controversies related to Principles 1 and 2 of the UN Global Compact, which is derived from the Universal Declaration of Human Rights.  Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	All companies deemed to be non-compliant
<b>Labor</b> Controversies related to Principles 3, 4, 5, and 6 of the UN Global Compact, which is derived from the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.  Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.	
<b>Environment</b> Controversies related to Principles 7, 8, and 9 of the UN Global Compact, which is derived from the Rio Declaration on Environment and Development.  Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
<b>Anti-Corruption</b> Controversies related to Principle 10 of the UN Global Compact, which is derived from the United Nations Convention Against Corruption.	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	

## Appendix C

# 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 – Sustainable Investment.pdf](#)

For further information on the FTSE Vanguard SRI Developed and Developed Europe Index Series, please e-mail FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

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