

FTSE4Good Custom Developed Exclusions Index

v2.0

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Section 1

Introduction

1. Introduction

1.1 FTSE4Good Custom Developed Exclusions Index

- 1.1.1 The FTSE4Good Custom Developed Exclusions Index is designed to represent the performance of a FTSE4Good Developed Index that excludes companies based on their involvement in specific product-related and conduct-related activities (Appendix A) and Abortion, Contraceptives and Human Embryonic Stem Cell and Fetal Tissue activities, as specified by the client and outlined in Appendix B.
- 1.1.2 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules and FTSE4Good Index Series Ground Rules, and associated index policy documents, which are available at www.lseg.com/en/ftse-russell/. Unless stated in these Ground Rules, the index will follow the same process as the FTSE4Good Index Series.
- 1.2 The base currency for the FTSE4Good Custom Developed Exclusions Index is US Dollars (USD).
- 1.3 The FTSE4Good Custom Developed Exclusions Index takes account of ESG factors in its index design. Please see the FTSE4Good Index Series Ground Rules for further details.

1.4 FTSE Russell

- 1.4.1 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.
- 1.4.2 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 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 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 series¹.

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 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 rules should subsequently be updated to provide greater clarity.

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

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

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

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

3.2 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles, which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by FTSE Russell's Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

3.3 Queries and Complaints

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

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

3.4 Index Policy for Trading Halts and Market Closures

3.4.1 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](#)

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

3.5.1 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](#)

3.6 Recalculation Policy and Guidelines

3.6.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE4Good Custom Developed Exclusions Index will be notified through appropriate media.

For further information, refer to the FTSE Russell Recalculation Policy and Guidelines document, which is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

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

3.7 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.

[ESG Data Recalculation Policy and Guidelines.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 Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

3.10 Prices

3.10.1 The FTSE4Good Custom Developed Exclusions Index 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](#)

3.11 Real Time Status Definitions

3.11.1 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](#)

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

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

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

ESG data inputs

4. ESG data inputs

4.1 ESG data inputs

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

ESG data inputs	Details	Used for selection, weighting or exclusion ⁵
FTSE ESG Scores	Information on FTSE ESG Scores and data model is available in the Guide to ESG Data and here: https://www.lseg.com/en/ftse-russell/esg-scores . Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices	Selection
Product-related data – FTSE Russell	FTSE exclusion lists on the activities of companies with exposure to the products or services that are listed in section 7 of the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf	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: Controversial Product Involvement (sustainalytics.com) and https://connect.sustainalytics.com/controversial-weapon-radar .	Exclusion
Conduct related data – FTSE	FTSE exclusion lists on the activities of companies that are directly or indirectly linked to controversial conduct and diversity. More information can be found: Section 7 of the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf	Exclusion
Conduct related data – RepRisk	The RepRisk Index (RRI) captures and quantifies a company's reputational risk exposure to ESG issues. More information can be found: https://www.reprisk.com/news-research/resources/methodology	Exclusion
Minimum Set of Exclusions for ESG Indices	The minimum set of exclusions apply to this Index Series with effect from December 2023. Details of the minimum exclusions can be found in Section 8 of the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf .	Exclusion

4.1.2 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.

⁵ 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 inclusion criteria

5. Eligibility criteria

FTSE4Good Custom Developed Exclusions Index follows the eligibility criteria laid out in the [FTSE4Good Index Series Ground Rules](#), in addition to custom inclusion criteria detailed below.

- 5.1.1 The inclusion criteria for the constituents of the FTSE4Good Index Series aims to align with evolving corporate sustainability practices and expectations of investors and the wider stakeholder community while maintaining broad representation of their underlying indices (e.g. around half of the companies in the underlying index measured by free-float market capitalisation). Over time, FTSE Russell intends to gradually raise the addition and deletion thresholds for both developed and emerging markets and reduce the difference between the two groups to ensure consistency with market expectations and developments in corporate sustainability practices⁶.

5.2 Standard Exclusions

- 5.2.1 The FTSE4Good Custom Developed Exclusions Index applies the Minimum Set of Exclusions⁷ for ESG indices and excludes companies involved in specific product-related activities (Controversial Weapons, Tobacco, Coal, Oil & Gas and Electricity Generation) and conduct-related activities (Controversies) as outlined in Appendix A.

5.3 Custom Exclusion Criteria (specified by the client)

- 5.3.1 The FTSE4Good Custom Developed Exclusions Index removes companies involved in activities related to abortion, contraceptives and human embryonic stem cell or fetal tissue research, based on data provided by Sustainalytics.

⁶ Since 2001, the FTSE4Good Developed Index has seen approximately half of the companies in the underlying index qualify for index inclusion. This has been achieved through improvements in corporate sustainability practices and gradual changes to the index inclusion methodology that have raised the bar for inclusion over time. See [FTSE Russell Sustainable Investment Consultation - 2019](#) and [FTSE4Good Index Series - Inclusion Criteria - Ground Rule Update 2019](#)

⁷ Details of the minimum exclusions can be found in Section 8 of the [Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf](#).

Section 6

Periodic review of constituents

6. Periodic review of constituents

6.1 Index reviews

- 6.1.1 The FTSE4Good Custom Developed Exclusions Index is reviewed semi-annually in June and December using data as at the close of business on the Monday four weeks prior to review effective date.
- 6.1.2 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](#)
- 6.1.3 Any constituent changes resulting from the index reviews will be implemented after the close of business on the third Friday (i.e. effective from the open on the following Monday) of June and December.
- 6.1.4 The index will reflect any intra-review deletions to the underlying FTSE4Good Developed Index.

Section 7

Corporate actions and events

7. Corporate actions and events

7.1 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 will provide notice advising of the timing of the change.

7.2 Shares in issue

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

7.3 Investability weightings

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

Appendix A

Standard Exclusions

The following standard exclusions are applied to the index as well as the Minimum Set of Exclusions⁸:

Product-related exclusions

Exclusions category	Definition	Threshold
Controversial Weapons	<p>Biological & Chemical weapons: 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.</p> <p>Secondary products and services to chemical & biological weapons that are specific to chemical & biological weapons.</p>	Greater than 0% of revenues
	<p>Cluster Munitions: Companies producing cluster munitions as defined in the Convention on Cluster Munitions and their components, including all precursors, munitions, devices or equipment specifically designed for, and used directly in connection with, these weapons.</p> <p>Secondary products and services to cluster munitions that are specific to cluster munitions.</p>	Greater than 0% of revenues
	<p>Anti-Personnel Landmines: 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” (“Ottawa Convention”).</p> <p>Secondary products and services to anti-personnel mines that are specific to anti-personnel mines.</p>	Greater than 0% of revenues
Tobacco	Companies producing tobacco products which includes cigarettes, roll your own tobacco, pipe tobacco, cigars, cigarillos, bidis, gutka, smokeless tobacco, and heated tobacco products (HTPs), electronic cigarettes (or ‘e-cigarettes’) and electronic nicotine delivery systems.	Greater than 0% of revenues
	<p>This includes:</p> <ul style="list-style-type: none"> - Companies that are classified in the ICB Subsector Tobacco 45103010 and Cannabis Producers 20103020 - Companies that are not classified in ICB Subsector Tobacco 45103010 and Cannabis Producers 20103020, but that are identified as having any activity in these Subsectors 	Not applicable
Coal	<p>Thermal Coal Reserves:</p> <p>Companies with proved or probable reserves in coal</p>	Greater than or equal to 50% ownership
	<p>Thermal Coal Extraction:</p> <p>Companies that extract thermal coal</p>	Greater than 0% of revenues
	<p>Thermal Coal Supporting Services:</p> <p>The company provides tailor-made products & services that support thermal coal extraction. This includes companies that provide storage & transportation, mining, and coal refining services</p>	Greater than 0% of revenues
Oil & Gas	<p>Oil & Gas Production:</p> <p>Companies involved in oil and gas (including Oil Sands) exploration, production, refining, transportation and/or storage.</p>	Greater than or equal to 10% of revenues

⁸ Details of the minimum exclusions can be found in Section 8 of the [Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf](#).

	Oil & Gas Supporting Products & Services: Companies providing tailor-made products and services that support oil and gas (including Oil Sands) exploration, production, refining, transportation, and storage.	Greater than or equal to 10% of revenues
Electricity generation	Oil, Gas and Thermal Coal Power Generation: Companies generating electricity from oil and/or gas, and/or thermal coal:	Greater than or equal to 50% of revenue

Conduct-related exclusions

Exclusions category	Definition	Threshold
Controversies	<p>Human Rights</p> <p>Controversies related to Principles 1 and 2 of the UN Global Compact, which is derived from the Universal Declaration of Human Rights.</p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p> <p>Labour</p> <p>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.</p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p> <p>Environment</p> <p>Controversies related to Principles 7, 8, and 9 of the UN Global Compact, which is derived from the Rio Declaration on Environment and Development.</p> <p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility;</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies</p> <p>Anti-corruption</p> <p>Controversies related to Principle 10 of the UN Global Compact, which is derived from the United Nations Convention Against Corruption.</p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery</p>	<p>For large and mid-cap size:</p> <ul style="list-style-type: none"> - Companies assigned noncompliant status <p>For small-cap size:</p> <ul style="list-style-type: none"> - Companies assigned watchlist or non-compliant status

These exclusion lists are refreshed quarterly in March, June, September and December.

Appendix B

Custom Exclusion Criteria

The following custom exclusions (specified by the client) are applied to the index.

Definition	Threshold
Abortion	
Production: The company manufactures drugs that have abortifacient properties. ⁹	Involved
Significant ownership (Production): The company owns 10-50% of another company that manufactures drugs that have abortifacient properties. ¹⁰	10-50% ownership
Contraceptives	
Production: The company manufactures contraceptives ⁹	Involved
Significant ownership (Production): The company owns 10-50% of another company that manufactures contraceptives. ¹⁰	10-50% ownership
Human embryonic stem cells	
Use of human embryonic stem cells: The company is involved in the use of human embryonic stem cells. ⁹	Involved

These exclusion lists are refreshed quarterly in March, June, September and December.

⁹ For this excluded activity, the involvement threshold for exclusion is binary (i.e. involved or not involved) as the activity giving the involvement status is not linked to a specific product/service revenue and/or refers to a capability.

¹⁰ For this excluded activity, the involvement threshold for exclusion is based on the level of ownership of another involved company ("significant ownership").

Appendix C

Further Information

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

[Glossary.pdf](#)

[Glossary ESG.pdf](#)

For further information on the FTSE4Good Custom Developed Exclusions Index, please e-mail FTSE Russell client services at info@ftserussell.com.

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