

FTSE4Good US Select Index

v2.4



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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 FTSE4Good US Select Index. Copies of these Ground Rules are available at www.lseg.com/en/ftse-russell/.
- 1.2 The index is designed to measure the performance of the FTSE USA All-World Index excluding companies based on specific product, conduct or ESG related objectives.
- 1.3 The FTSE4Good US Select Index takes account of ESG factors in its index design. Please see further details in Section 5 and 6.
- 1.4 The FTSE4Good US Select Index is calculated in real time.
- 1.5 Capital and total return indices are available. The FTSE4Good US Select Total Return Index is calculated on an XD basis.
- 1.6 The FTSE4Good US Select Index has a base date of 31 October 2005 with a starting value of 100.
- 1.7 **FTSE Russell**
 - 1.7.1 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, The Yield Book Inc. and Beyond Ratings.
 - 1.8 FTSE Russell hereby notifies users of the index 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 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 index¹.

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

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

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 These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules.

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 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 are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Product 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:

[FTSE_Russell_Benchmark_Determination_Complaints_Handling_Policy.pdf](#)

3.4 **Index Policy for Trading Halts or 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 US Select 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 Policy for Benchmark Methodology Changes

3.7.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

3.8 FTSE Russell Governance framework

3.8.1 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](#)

3.9 Real time status definitions

3.9.1 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](#)

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

Eligible securities

4. Eligible securities

- 4.1 Companies are eligible for inclusion in the FTSE4Good US Select Index if they are current constituents of FTSE USA All-World Index.
- 4.2 Ground Rules for the FTSE Global Equity Index Series are available at www.ftserussell.com.

Section 5

Sustainable Investment data inputs

5. SI data inputs

5.1 The following Sustainable Investment datasets are used in the construction of the FTSE4Good US Select Index.

SI data inputs	Details	Used for selection, weighting or exclusion ⁵
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: Section 7 of the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf (ftserussell.com).	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: www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria	Exclusion
Conduct related data – Sustainalytics	Sustainalytics Global Standards Screening (GSS) assess companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. More information can be found: www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening	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: www.reprisk.com/news-research/resources/methodology	Exclusion
Conduct related data – FTSE Russell	FTSE exclusion lists on the activities of companies that are directly or indirectly linked to diversity. More information can be found: Section 7 of the Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf (ftserussell.com).	Exclusion
Minimum set of exclusions for Sustainable Investment Indices	The minimum set of exclusions is applied to this Index Series. Details of the minimum exclusions can be found: Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf (ftserussell.com).	Exclusion

⁵ 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.

- 5.1.1 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.

5.2 Sustainable Investment Metrics

- 5.2.1 Please see the FTSE Russell [Sustainable Investment Metrics](#) website for the scores and values of the environmental, social and governance (ESG) factors listed in Annex II to Delegated Regulation (EU) 2020/1816 which are taken into account in the benchmark methodology for the benchmarks within this index series.

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

[Sustainability and ESG Data | FTSE Russell](#)

[Sustainable Investment disclosures methodology document](#)

Section 6

Index qualification criteria

6. Index qualification criteria

6.1 Constituents of the Universe Index that pass the eligibility criteria detailed below are automatically members of the Index.

6.2 The FTSE4Good US Select Index excludes companies based on product or conduct related activities. A summary of the exclusion categories is provided below.

6.3 Product-related exclusions

	Product involvement categories	Involvement threshold for exclusion
Non-renewable energy	Nuclear power – generation and uranium mining	
	Companies involved in the operation and supply of nuclear power generation, that harnesses the energy present within atomic nuclei or their components. Also, those engaged in development, processing, production and distribution of equipment and facilities that are specifically designed for and critical to the generation of nuclear power. This includes: <ul style="list-style-type: none"> – Nuclear power generation – Nuclear power plant equipment, components, and construction – Uranium mining – Uranium processing and enrichment 	Greater than 0% of revenue
	Fossil fuel reserves – coal, oil & gas	
	Companies that own proved or probable reserves in coal, oil or gas	Equal to or greater than 50% ownership
	Oil & gas – production, supporting products and services	
	Companies classified in the following ICB Subsectors ⁶ : <ul style="list-style-type: none"> – 60101010 Oil: Crude Producers; – 60101020 Oil Refining and Marketing; – 60101030 Oil Equipment & Services; – 60101015 Offshore Drilling and Other Services; – 60101035 Pipelines; – 60101000 Integrated Oil and Gas. 	Not applicable
	Coal – production, supporting products and services	
	Companies classified in the following ICB Subsector ⁶ : <ul style="list-style-type: none"> – 60101040 Coal 	Not applicable
	Oil & gas – generation	
	Companies generating electricity from oil and/or gas	Greater than 0% of revenue
Thermal coal – generation		
Companies generating electricity from thermal coal	Greater than 0% of revenue	

⁶ The Industry Classification Benchmark (ICB) is a detailed and comprehensive structure for sector and industry analysis, facilitating the comparison of companies across four levels of classification and national boundaries. The classification system allocates companies to the Subsector whose definition closely describes the nature of its business as determined from the source of its revenue or the source of the majority of its revenue where available. Further detail and subsector definitions can be found on the ICB webpage: [Industry Classification Benchmark \(ICB\) | FTSE Russell](#) and in the ICB Ground Rules: [ICB_Rules_new.pdf \(ftserussell.com\)](#).

	Product involvement categories	Involvement threshold for exclusion
Vice products	Adult entertainment	
	Companies producing adult entertainment and/or owning/operating adult entertainment establishments	Equal to or greater than 5% of revenues
	Companies distributing adult entertainment materials	Equal to or greater than 10% of revenues
	Alcohol	
	Companies manufacturing alcoholic beverages	Equal to or greater than 5% of revenues
	Companies supplying alcohol-related products/services to alcoholic beverage manufacturers	Equal to or greater than 10% of revenues
	Companies involved in distribution and/or retail sale of alcoholic beverages	Equal to or greater than 10% of revenues
	Cannabis	
	Companies classified in the following ICB Subsector ⁷ : – 20103020 Cannabis Producers	Not applicable
	Gambling	
	Companies that own and/or operate a gambling establishment	Equal to or greater than 5% of revenues
	Companies manufacturing specialised equipment used exclusively for gambling	Equal to or greater than 10% of revenues
	Companies providing supporting products/services to gambling operations	Equal to or greater than 10% revenues
	Tobacco	
	Companies manufacturing tobacco products	Greater than 0% of revenue
	Companies supplying tobacco related products/services	Equal to or greater than 5% of revenues
Companies involved in distribution and/or retail sale of tobacco products	Equal to or greater than 5% of revenues	
Weapons	Chemical & biological 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	Greater than 0% of revenue
	Cluster munitions	
	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 revenue
	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”, or that produce specific and critical parts or services for anti-personnel mines	Greater than 0% of revenue
	Nuclear weapons	
	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	Greater than 0% of revenue
Conventional military weapons		
Companies manufacturing military weapons systems and/or integral, tailor-made components or these weapons	Greater than 0% of revenue	

⁷ The Industry Classification Benchmark (ICB) is a detailed and comprehensive structure for sector and industry analysis, facilitating the comparison of companies across four levels of classification and national boundaries. The classification system allocates companies to the Subsector whose definition closely describes the nature of its business as determined from the source of its revenue or the source of the majority of its revenue where available. Further detail and subsector definitions can be found on the ICB webpage: [Industry Classification Benchmark \(ICB\) | FTSE Russell](#) and in the ICB Ground Rules: [ICB Rules_new.pdf \(ftserussell.com\)](#).

	Product involvement categories	Involvement threshold for exclusion
	Companies providing tailor-made products and/or services that support military weapons	Equal to or greater than 5% of revenues
	Companies providing non-weapons related tailor-made products and/or services related to the military or defense industry	Equal to or greater than 5% of revenues
	Civilian firearms	
	Companies producing and selling assault weapons to civilian customers	Greater than 0% of revenue
	Companies producing and selling small arms (non-assault weapons) to civilian customers	Greater than 0% of revenue
	Companies producing and selling key components of small arms	Greater than 0% of revenue
	Companies involved in the retail and/or distribution of assault weapons	Greater than 0% of revenue
	Companies involved in the retail and/or distribution of small arms (non-assault weapons)	Greater than 0% of revenue

6.4 Constituents must also pass the screening criteria for the following themes: Environment, Human Rights, Labor Rights, Anti-Corruption, and Diversity.

6.5 **Conduct-related exclusions**

At each quarterly review, FTSE Russell will exclude companies from the relevant underlying eligible universe of FTSE Global Choice Indices that meet the criteria in Table 5.

Table 5: Conduct-related exclusions

	Exclusions	Threshold
Controversies	Human rights	All companies deemed to be non-compliant
	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.	
	Labor	
	Controversies related to Principles 3, 4, 5, and 6 of the UN Global Compact, which is derived from the International Labour Organisation’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.	
	Environment	
	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.	
	Anti-corruption	
	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.	

	Exclusions	Threshold
Diversity	Diversity For this criterion an “Excluded Company” will fail to meet two out of three diversity indicators: <ol style="list-style-type: none">1. Woman/women on the Board;2. Diversity policies;3. Diversity management systems.	

Section 7

Periodic review of constituents

7. Periodic review of constituents

7.1 The FTSE4Good US Select Index is reviewed quarterly in March, June, September, and December using data as at the close of business on the Monday 4 weeks prior to review effective date.

Any constituent changes resulting from the quarterly reviews will be implemented after the close of business on the third Friday (i.e. effective from the open on the following Monday) of March, June, September and December.

Section 8

Changes to constituent companies

8. Changes to constituent companies

8.1 Intra-review additions

- 8.1.1 If a constituent is added to the Underlying Index (see Rule 4.1), for example as a fast entrant, it will not automatically be added to the FTSE4Good US Select 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.pdf](#)

8.2 Intra-review deletions

- 8.2.1 If a constituent is removed from an Underlying Index (see Rule 4.1), it will be removed from the FTSE4Good US Select Index. The removal will be concurrent with its removal from its Underlying Index.

8.3 Intra-review exclusion changes

- 8.3.1 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 FTSE4Good US Select 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 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.pdf](#)

Section 9

Corporate actions and events

9. Corporate actions and events

9.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the corporate actions and events guide for market capitalisation weighted indices using the following link:

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

9.2 Takeovers, mergers and demergers/suspension of dealing

Please see the guide to the construction and maintenance of FTSE Exclusions Lists which can be accessed using the following link:

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

Appendix A

Further information

A glossary of terms used in FTSE Russell's Ground Rule documents can be found using the following links:

[Glossary.pdf](#)

[Glossary - Sustainable Investment.pdf](#)

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

[Sustainable Investment Metrics](#)

For further information on the FTSE4Good Index Series visit www.lseg.com/en/ftse-russell/ or e-mail info@ftserussell.com. Contact details can also be found on this website.

Website: www.lseg.com/en/ftse-russell/

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