

# FTSE IX Global ESG Equal Weight Index – Index Methodology

v1.1

The FTSE IX Global ESG Equal Weight Index is not, and is not intended to be, used by supervised entities in the European Union or the United Kingdom and accordingly, the European benchmark regulation\* and the UK Benchmark Regulation# do not apply to the index. Consequently, supervised entities within the European Union and the United Kingdom are not permitted to use the index as a benchmark as set out in article 3(1)(7) of the European benchmark regulation.

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*\*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 Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019 (which amends the European benchmark regulation in the United Kingdom)*



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## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and maintenance of the FTSE IX Global ESG Equal Weight Index.
- 1.2 FTSE IX Global ESG Equal Weight Index offers an innovative benchmark for investors wishing to commit capital to companies that actively invest in and promote environmental, social and governance (ESG) values and principles in the running of their businesses. The index tracks the price return and net total return of publicly traded equities across the world that display relatively high ESG.

## 2. FTSE Russell

- 2.1 As part of the ongoing work to simplify its brand, London Stock Exchange Group (LSEG) announced that Refinitiv Benchmarks and Indices were moving to FTSE Russell branding with effect from November 2023. As part of the rebranding, the Refinitiv IX Global ESG Equal Weight Index was renamed as the FTSE IX Global ESG Equal Weight Index.
- 2.2 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, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings S.A.S.
- 2.3 LSEG holds a unique position within the global financial market, operating connected businesses to serve customers across the financial markets value chain.
- 2.4 The FTSE IX Global ESG Equal Weight Index is calculated by FTSE Russell and will be made available to customers as part of their desktop licence through the LSEG Data & Analytics Platforms or subject to a separate licence agreement.
- 2.5 Neither FTSE International Limited nor Refinitiv Benchmark Services (UK) Limited nor any other member of the London Stock Exchange Group plc group of companies, is the benchmark administrator<sup>1</sup> of the FTSE IX Global ESG Equal Weight Index.

## 3. Constituent universe

- 3.1 The constituents' universe is derived from FR Global Developed Index, which is called the parent index. The parent index is free float adjusted market capitalisation weighted index. It is a broad market index including large, mid and small caps. It has following inclusion criteria:

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<sup>1</sup> As the term administrator is defined in the [IOSCO Principles for Financial Benchmarks](#) and [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).

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- A minimum 15% free float (companies are dropped if free float falls below 10% after inclusion);
  - A minimum of 3 months trading history;
  - Companies with multiple international listings are included on the basis of country of incorporation, security's primary listing and volume. In most cases, the country of incorporation is same as primary listing. For few exceptions where the country of incorporation is not where the security has the primary listing, LSEG uses the security's primary listing to determine membership.
  - Various liquidity measures are used to ensure illiquid companies are not included in the index, and all constituents need to satisfy the following criteria:
    - Be part of the top 99.5% of the free float market capitalisation of the exchanges under consideration;
    - Be part of the top 99.5% of the trading value of the exchanges under consideration;
    - Trade on at least 90% of trading days; and
    - Have a minimum unadjusted market cap of US\$150mn and free float adjusted market cap of US\$75mn

The parent index is rebalanced biannually every April and October.

For a complete description of the index rules, please refer to the methodology for FR Global Equity indices, [FR Equity Indices | LSEG](#)

## 4. Construction methodology

### 4.1 Universe

The Index Universe is made of companies from countries as described in section 3.1

The universe is as observed on the rebalance effective date.

### 4.2 Data

All stocks in the base universe are first screened for the following indicators:

- i) Company Code (from DataStream, used to determine multiple issues from same company)
- ii) Average Traded Value for the past 30 trading days.
- iii) TRBC [industrial sector data] codes (including 5th level)
- iv) ESG scores. The specific ESG scores used are:
  - CSR Strategy
  - Community
  - Emissions
  - Human Rights
  - Environmental Innovation
  - Management

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- Product Responsibility
  - Resource Use
  - Shareholders
  - Workforce
- v) Country of Incorporation
- vi) Headquarters Region
- vii) Asset Category (such as “Ordinary Share”, “Preference Share”, etc.)

#### **4.3 Composition list**

- i) Remove companies for which a market cap could not be established in the parent index as on parent index’s rebalance date.
- ii) Index-specific filter
- Headquarters region, if blank, is updated using an ISO 3166 country/region table.
  - Incorporation country must be one of the following: Australia, Belgium, Denmark, Germany, Finland, France, United Kingdom, Hong Kong, Ireland, Israel, Italy, Japan, Canada, Netherlands, New Zealand, Norway, Austria, Portugal, Sweden, Switzerland, Singapore, Spain, United States.
  - Asset category must be blank or one of the following: "Fully Paid Ordinary Share", "Ordinary Share", or "Preference Share."
  - Using DsCompanyCode, determine any duplicate company codes (i.e., which indicates one company represented by more than one issue) and take the issue with the highest average traded value as the company representative in the candidate set.
  - Using a manually curated list, eliminate known dual listings (e.g., BHP Billiton, Reed Elsevier, Royal Dutch Shell, etc.), again selecting the representative issue based on average traded value.
  - Eliminate any company where all ESG scores are NA (i.e., ESG coverage does not exist).
  - Eliminate any company where the average daily traded value is less than EUR 10 million (10.000.000).
  - Based on region and sector, identify the three ESG scores (out of the ten gathered for each company) to be used. If all three scores are greater than the threshold value (.5 or 50%), ESG filter is passed: eliminate all candidates that do not pass the ESG filter.
  - There is no specific minimum or maximum number of constituents. Any and all candidates passing the above filters become constituents.

#### **4.4 Base values and Inception date**

100, on 30/6/2004

#### **4.5 Index live date**

March 6<sup>th</sup> 2021

#### **4.6 Index types, currencies, calculation frequency**

Price return, Total return and Net Total return. Currency: EUR. Ticks real time, pricing every 15 seconds.

#### **4.7 Weighting Methodology**

Equal Weighted

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## 4.8 Index RICs

- .TRESGQ1 - FTSE IX Global ESG Equal Weighted Price Only
- .TRESGQT1- FTSE IX Global ESG Equal Weighted Total Return Index
- .TRESGQN1- FTSE IX Global ESG Equal Weighted Net Total Return Index

## 5. Calculation methodology

- 5.1 The FTSE IX Global ESG Equal Weight Index is calculated using the FR Global Equity Indices methodology. For further information, please see the Global Equity Indices methodology: [FR Equity Indices LSEG](#).
- 5.2 Corporate action rules follow the FR Global Equity Indices methodology. A forward-looking corporate actions file is available upon request. For details on corporate action treatment for the indices, please refer to the detailed corporate actions methodology document: [FR Global Equity Indices Corporate Actions Methodology \(lseg.com\)](#).

## 6. Index Maintenance and Rebalance

- 6.1 The securities which form the Index are re-weighted due to changes in the price of the underlying securities change.

The index is maintained on a daily basis by a dedicated support team. This team is in direct collaboration with the LSEG Data Operations Global Corporate Actions teams, and is responsible for identifying all corporate action events that affect the capital structure of a constituent in the index including stock splits, delisting, and symbol changes and ensure these changes are implemented into the index. The team also monitors divisor movements and performs constituent pricing comparisons between independent constituent price sources to ensure the accuracy of the index return values. Where a security in the Index is subject to a merger or acquisition activity or delisting, the security will be deleted from the Index as set out in the Corporate Action Methodology.
- 6.2 Rebalance frequency of FTSE IX Global ESG Equal Weight Index is quarterly (after close of business on third Friday of calendar quarter).

This rebalance is the major source of additions and deletions to index. There are no additions to the Index outside of the rebalance process.
- 6.3 Removal of index constituents due to trading suspension - If an index constituent is suspended for trading for minimum 40 trading days, it is removed from the index, with no replacements and without any consideration to add them back if their trading resumes between rebalances. They may become candidates in next rebalance and will be evaluated like other candidates for inclusion in the index.

## 7. Quality control

- 7.1 Quality control procedures are in place to monitor any prices – whether they are obtained from a regulated exchange or another market – prior to calculation of indices, as well as prior to publication.
- 7.2 **Error reporting**
  - 7.2.1 The Index Action Committee (see section “Governance” below) may determine if a retrospective recalculation is required.
  - 7.2.2 A retrospective recalculation will only be made when there has been a material error. The feedback from the stakeholders may also be sought.
  - 7.2.3 Any retrospective recalculation will be notified to users via the alert system on LSEG Eikon.

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### **7.3 Insufficient data and market disruption**

- 7.3.1 The FTSE IX Global ESG Equal Weight Index is based on equity prices published by the exchange (in the country of domicile) for each equity. Each exchange is a regulated marketplace and a well-established supplier of equity price discovery.
- 7.3.2 In the event that certain data is not available in time to publish the FTSE IX Global ESG Equal Weight Index as indicated in the methodology, or if the index cannot be published at all over one or more planned publication times, a new publication time will be communicated to subscribers and licensors of the index.
- 7.3.3 Should a period of market stress or a disruption affect the calculation of the index, FTSE Russell reserves the right to take any action with respect to the index it deems appropriate given the circumstances, subject to the index governance procedures (see section “Governance” below). FTSE Russell will first consider the effectiveness of the actions taken by each primary exchange in producing the equity prices used in the index calculation.
- 7.3.4 If additional action is required by FTSE Russell it will attempt to notify interested parties of any such action with as much notice as is practical. There is no assurance, however, that the actions taken by FTSE Russell in response to such a period of market stress or disruption will not have an adverse effect on the value of the index or the manner in which it is calculated.

### **7.4 Cessation of an index**

- 7.4.1 In the event that FTSE Russell determines that the calculation of the index should be ceased, a notice will be published via LSEG Eikon, an LSEG desktop product.

## **8. Governance**

- 8.1 The FTSE IX Global ESG Equal Weight Index is calculated and managed by FTSE Russell which makes all decisions regarding index calculations and changes to the index methodology.

### **8.2 Index team**

- 8.2.1 The Index team is responsible for the maintenance, calculation and distribution of the FTSE IX Global ESG Equal Weight Index as set out in this methodology.

### **8.3 Index Action Committee**

- 8.3.1 The IAC is an internal group of subject matter experts (indices as well as asset classes) that provide advice related to methodology interpretation or changes.

### **8.4 Methodology review**

- 8.4.1 The FTSE IX Global ESG Equal Weight Index methodology is reviewed once a year and, if required by market events, more frequently.
- 8.4.2 Any changes to the methodology are approved by the IAC and will be announced prior to implementation. All reasonable efforts will be made to provide at least one month’s notice of any such changes prior to their implementation.

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**EMEA** +44 (0) 20 7866 1810

**North America** +1 877 503 6437

**Asia-Pacific**

**Hong Kong** +852 2164 3333

**Tokyo** +81 3 6441 1430

**Sydney** +61 (0)2 7228 5659



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