Yasaar
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SHARIAH SOLUTIONS FOR BANKING & FINANCE

THE FTSE YASAAR GLOBAL EQUITY SHARIAH INDEX SERIES

YASAAR SHARIAH SUPERVISORY BOARD OPINION

The Shariah Supervisory Board of the FTSE Yasaar Global Equity Shariah Index Series have established the principles governing the screening of stocks and the conditions for the inclusion of companies in an Islamic equity universe for designing and creating Shariah compliant indices as follows:

The guidelines ensure that the screened universe of Shariah compliant securities does not contain securities where the issuers' core activity or activities relate to any of the following sectors:

- Interest bearing investments including loans and deposits based on interest;
- Forward currency transactions;
- Securities issued by companies whose income is derived from any of the following activities:
  - Manufacture or distribution of alcohol or tobacco products
  - Gaming or gambling;
  - Manufacture or distribution of weapons and defence related products
  - Production, processing, packaging or any other business activity relating to pork products;
  - Conventional banking, insurance or any other interest-based financial services activity;
  - The production or distribution of pornographic materials; or
  - Any other activity that is not permitted by the Shariah as determined by Yasaar's Shariah Board;
- Derivatives, including futures, options and contracts for differences; and
- Any other transaction that is not permitted by Yasaar's Shariah Board.

Once business compliance is established, the stock universe is screened for a set of financial ratios. These comprise of:

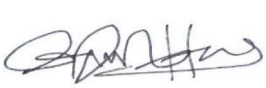
- Debt to total assets ratio to be less than 33.333%
- Cash and interest bearing items (liquid instruments like CDs) should not exceed 33.333% of total assets.
- Receivables and cash should be less than 50% of total assets
- Total interest and non compliant activities income should not exceed 5% of revenues

For a stock/security to be deemed Shariah compliant it must pass both the business compliance and financial ratios tests. Following the screening, the stock universe will be monitored on an ongoing basis for compliance and reviewed quarterly.

Companies that change financial compliance between two successive quarters will be monitored to check if their debt, and/or cash/interest bearing ratios fall within 33.333% +/- 5% (i.e. below 31.667% and 35% or above). If during the monitoring period any company remains above or below 33.333% +/- 5% for two consecutive quarters, the compliance of that company will change accordingly.

In addition, the Company will not invest in the following financial instruments or use the following financial techniques:

- Fixed income instruments such as bonds
- Interest-based instruments or interest bearing account



Sheikh Dr. Aznan Hasan Sheikh Dr. Mohamed Akram Laldin Sheikh Dr. Mohd Burhan Arbouna

February 3rd 2025