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Exercise of Expert Judgement in FTSE Russell Indices

v1.7

FTSE RUSSELL
An LSEG Business

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Introduction

1. Introduction

1.1.1 The index Ground Rules and other methodology documents and policies, which underpin FTSE Russell indices, are written with the intent of removing the need for judgement or discretion to be exercised, in so far as is feasible. However, there may be unusual or complex circumstances that are not covered in the methodology documents.

1.1.2 This policy sets out the procedures followed by FTSE Russell in those circumstances. These circumstances include, but are not limited to, the treatment of complex and unusual corporate actions and events, and decisions to correct data points and indices when a calculation issue has been identified.

2. Unusual or complex corporate actions and events

2.1.1 In circumstances where the treatment of a future event is not captured by the corporate action guides or other methodology documents, the index management team will escalate the event to the index policy team who will research and review the potential treatments of the event.

The corporate actions and events guides can be accessed through the following links:

Corporate_Actions_and_Events_Guide.pdf

Corporate_Actions_and_Events_Guide_for_Non_Market_Cap_Weighted_Indices.pdf

For information on the index methodology for each index series, please refer to the Ground Rules for that series.

3. Index and data recalculation decisions

3.1.1 In circumstances where the recalculation policy and guidelines do not provide unambiguous guidance on the remedy to be followed should an inaccuracy in an index calculation or data point be identified, the index policy team will review the potential treatment. Decisions such as on whether an index should be restated historically, and/or whether the index composition should be corrected with the provision of forward notice.

The recalculation policy and guidelines can be accessed through the following links:

Equity_Index_Recalculation_Policy_and_Guidelines.pdf

Fixed_Income_Recalculation_Policy_and_Guidelines.pdf

ESG Data Recalculation Policy and Guidelines.pdf

Multi-Asset Indices Recalculation Policy and Guidelines

3.1.2 For information on the policies and procedures for each index series, please refer to the Ground Rules for that series.

4. Client and stakeholder consultation

4.1.1 If FTSE Russell considers that stakeholder input is required to determine the preferred treatment of an event or calculation issue, it will, where time allows, consult stakeholders, either through discussion at ad-hoc meetings of relevant FTSE Russell advisory committees, or through consultation with affected stakeholders individually on the most appropriate treatment. Such consultations will be conducted through open-ended questions and under no circumstances will notice of any final decision be provided to respondents. Based on their analysis of the feedback received, the Index Governance Board will determine the appropriate treatment of the event or calculation issue.

4.1.2 On rare occasions when an imminent specific event or market development is not covered by the methodology documents, and for which the timetable precludes stakeholder consultation, FTSE Russell will determine the appropriate treatment by reference to the guiding principles documented in the statement of principles for FTSE Russell Equity Indices.

The statement of principles can be accessed through the following links:

Statement_of_Principles_Equity_Indices.pdf

Statement_of_Principles_Fixed_Income_Indices.pdf

Statement of Principles - Digital Assets

5. Notification

5.1.1 The confirmed treatment of the event will be relayed to clients and other stakeholders simultaneously via the publication of an informative notice on the FTSE Russell website. The notice will include the rationale for the decision.

6. Record keeping

6.1.1 Instances of the use of expert judgement will be recorded and detailed at the subsequent meeting of the FTSE Russell Index Governance Board.

Further information

If you have any questions and would like to speak to a client services individual directly, please do not hesitate to contact us on the numbers below, or via email at info@ftserussell.com.

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