Free Float Restrictions

v3.2

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FTSE Russell

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Inc, FTSE Global Debt Capital Markets Limited, FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited.

This document applies to any index series where specifically referenced in the Ground Rules.

Free float

Securities within the FTSE Russell equity indices are adjusted to include only those shares available to the public. This is often referred to as “free float.” This ensures an accurate representation of the available investable opportunity set is included within the index calculations and ensures replicability.

Free float is calculated using publicly available information and is rounded to four decimal places and reported as a percentage. For example, a free float of 4.99999% is rounded to 5.0000%.[1]

Where the free float of a prospective constituent cannot be accurately determined due to unclear or insufficient information, FTSE Russell will use the most restrictive interpretation when considering index inclusion. This may result in a company being omitted from the indices if FTSE Russell is unable to confirm that the minimum free float requirement has been met or is unable to assign an accurate free float for the purposes of index calculation.

If in addition to the restricted holdings defined below, the company’s shareholders are subject to legal restrictions, including foreign ownership restrictions, that are more restrictive, the legal restriction will be applied.

FTSE Russell free float data is primarily based on public filings data sourced from LSEG Data & Analytics Ownership and Profiles Data | LSEG.

The O&P product sources shareholder data from more than 70 countries and includes sources such as US Securities and Exchange Commission (SEC) filings, international declarable stakes notifications, UK share registers, and more. Within the UK and New Zealand, the shareholder register data is incorporated where available, as received from LSEG O&P.

Information about subscriptions or other details regarding the O&P product can be found through the following link: https://www.lseg.com/en/data-analytics/financial-data/company-data/ownership-and-profiles

Further information on the maintenance of free floats within the FTSE Russell indices can be found within the FTSE Russell Indices – Quarterly and Intra Quarter Free Float and Share Updates FAQ:

FTSE Russell Indices – Quarterly and Intra Quarter Free Float and Share Updates FAQ

[1] Please note, for the purposes of index investability weight calculation, index constituent files may display a higher number of decimal places, in order to reflect changes due to corporate actions.

Free float restrictions:

The table below lists shareholder types that FTSE Russell restricts when calculating free float.

Restriction %: Any holding greater than or equal to this number will be deemed restricted and therefore removed from free float, e.g. a 0% restriction means all disclosed holdings are restricted for this shareholder type.

Shareholder Type	Shareholder Description	Restriction %
Corporations and Employee Share Plans (ESOP)	Shares held by public companies, non-listed subsidiaries of public companies, private companies, employee share plans (ESOP), or holding companies.	0
Foundations	Shares held by foundations and endowments.	0
Government Agencies	Shares directly owned by state, regional, municipal and local governments (excluding shares held by independently managed pension schemes for governments).	0
Individual Investors	All individual holders disclosed within corporate filings will be restricted, regardless of amount. This includes disclosed officer and director holdings.	0
Portfolio Holdings	Where a single portfolio holding is 30% or greater, it will be regarded as strategic and therefore restricted. Examples of portfolio holdings may include shares held by: • Banks and Trusts • Finance Companies • Hedge Funds • Investment Advisors • Insurance Companies • Pension Funds • Investment Management Companies • Brokerage Firms • Mutual Funds • Exchange Traded Funds	30
Sovereign Wealth Funds	Shares that are held by sovereign wealth funds.	10*
Treasury Shares	Shares that are held in treasury.	0
Venture Capital and Private Equity	Shares held by private equity firms and venture capital funds are generally considered restricted.	0

*Please note the 10% threshold will not apply to an existing or prospective constituent that is eligible for addition to the index with an investability weight of less than 5% under rule 6.2 A of the FTSE Global Equity Index Series. The shares will be restricted regardless of percentage held.

Additional Clarifications:

- Shares subject to lock-up provisions are removed from free float. Changes resulting from the expiry of lock-ups will be implemented at the next quarterly review subject to the lock-in or incentive expiry date occurring on or prior to the share and float change information cut-off date.
- US eligible companies that conduct their initial public offering via a de-SPAC transaction will only be considered for index inclusion following expiry of the longest stated lock-up. Former SPACs will be evaluated at the quarterly review following the expiry of the lock-up within the stated data cut-off window.
- All shares where the holder has a stated incentive to retain the shares (e.g. bonus shares paid if holding is retained for a set period of time) will be removed from free float.
- Shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted.
- Shares disclosed as being held by a nominee account are typically regarded as free float. However, if a restricted shareholder is identified as holding shares through a nominee account then that portion of shares will be restricted.
- FTSE Russell primarily classifies shares held as Portfolio Holdings and within Sovereign Wealth Funds as part of available free float (subject to 30% and 10% thresholds, respectively). However, when utilizing publicly available shareholder information, if FTSE Russell determines that the shareholder's investment objectives indicate these holdings are not likely to be freely available in the market, FTSE Russell reserves the right to exclude them from free float.

- The following rules also apply to the FTSE China A All Cap Index Series, FTSE China A50 Index, and FTSE China 50 Index:
  - Shares that are non-negotiable which are held by companies that have not converted these shares following the A Share reform will be removed from free float;
  - Non-tradable A Shares subject to a lock-in (until the lock-in expires and the shares are freely tradable on the exchange) will be removed from the free float.
- Free float restrictions where a threshold is stated (E.g. 10% or greater or 30% or greater)
  - The shares will remain restricted until the holding falls below the stated 10% or 30% threshold. Please note: the 10% threshold will not apply to an existing or prospective constituent that is eligible for addition to the index with an investability weight of less than 5% under rule 6.2 A of the FTSE Global Equity Index Series. The shares will be restricted regardless of percentage held.
- High shareholding concentration: Where a company is the subject of a high shareholding concentration warning notice by a regulatory authority to the effect that the company is in the hands of a limited number of shareholders, the following rules apply:
  - 1. Companies subject to a warning notice that has been issued within the two years prior to the free float cut-off date ahead of a forthcoming index review, and which has not subsequently been rescinded, are ineligible for index inclusion at that review. Existing index constituents that become subject to such a notice before the free float cut-off date will be deleted at the forthcoming review;
  - 2. Companies that are the subject of a warning notice after the free float cut-off date but before an index review effective date are assessed on a case-by-case basis which generally results in scheduled index review additions, investability weight and shares in issue changes no longer being implemented at the forthcoming review;
  - 3. Companies subject to a warning notice, which has not subsequently been rescinded, that was issued more than two years before the free float cut-off date ahead of a forthcoming index review, will only be considered for index eligibility at that review if FTSE Russell determine that the company has published sufficient information to demonstrate that the concerns that led to the issue of the warning notice no longer apply;

- 4. Where a company has been the subject of a warning notice, but that notice has either subsequently been rescinded or FTSE Russell has determined that the conditions described in sub-clause 3 above have been met, the company will be treated as a new issue for the purposes of determining index eligibility.Where a company is not subject to a warning notice, but high shareholding concentration can be evidenced though public company or regulatory filings, FTSE Russell may delay index inclusion until there is sufficient published information which would allow FTSE Russell to determine its exact free float,
- 5. In markets where the regulatory authority or stock exchange does not publish a high shareholder concentration warning notice, FTSE Russell may postpone index changes for a company in accordance with the FTSE Russell Statement of Principles, if it can be concluded that there are issues with replicating index treatment due to an insufficient number of shares being truly available. This may include consultation with index users and other stakeholders before deciding on appropriate treatment. FTSE Russell will provide advance notice if previously scheduled index treatment is changed.

If a company which has previously failed any of the above criteria has not published information which would allow FTSE Russell to determine its exact free float, FTSE Russell will continue to delay the addition or promotion of the company within FTSE Russell equity indices until sufficient information to determine the free float is published.

Further information

To learn more, visit www.lseg.com/en/ftse-russell/; email info@ftserussell.com; or call your regional client service team office:

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