Ground Rules

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Free Float Restrictions

v2.9

FTSE Russell

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

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Free float

1. Free float restrictions include:

- Shares directly owned by state, regional, municipal and local governments (excluding shares held by independently managed pension schemes for governments);
- Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated*;
- Shares held within employee share plans;
- Shares held by public companies or by non-listed subsidiaries of public companies;
- All shares where the holder is subject to a lock-in clause (for the duration of that clause)**;
- 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)**;
- Shares held by an investor, investment company or an investment fund for strategic reasons as evidenced by specific statements to that effect in publicly available announcements, has an employee on the board of directors of a company, has a shareholder agreement, has successfully placed a current member to the board of directors or has nominated a current member to the board of directors alongside a shareholder agreement with the company;
- Shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted.

  * For the analysis of US company free float, holdings of options, warrants and convertibles will be removed from the officer and director holdings when those shares are provided in summed format within the footnotes of the SEC filings. Where FTSE Russell determines that a company is being excluded from index membership solely on the basis of the minimum float requirement, FTSE Russell will use the best available information contained in the SEC filings to determine the free float.

  ** Free Float changes resulting from the expiry of a lock-in or incentive 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.

The following rules also apply to the FTSE China A Index Series, FTSE China B Index Series 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;
- Non-tradable A Shares subject to a lock-in (until the lock-in expires and the shares are freely tradable on the exchange).

2. Free float restrictions where holding is 10% or greater

– Shares that are held by sovereign wealth funds;

– Shares held by founders, promoters, former directors, venture capital and private equity firms, private companies, individuals (including employees) and shares held by several holders acting in concert.

The shares will remain restricted until the holding falls below 10%.

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. .

3. Free float restrictions where holding is 30% or greater

For clarity, portfolio holdings (such as pension fund, insurance fund or investment companies) are generally not considered as restricted. However, where a single portfolio holding is 30% or greater it will be regarded as strategic and therefore restricted. The shares will remain restricted until the holding falls below 30%;

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

4. Nominee account

Shares disclosed as being held by a nominee account are typically regarded as free float. However if a restricted shareholder (as defined under sections 1-3) is identified as holding shares through a nominee account then that portion of shares will be restricted.

5. 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 that are the subject of 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 that are the subject of 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 (c) 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 on a case-by-case basis delay the addition or promotion of a company within FTSE Russell equity indices if:

   – FTSE Russell determines that a company has a limited number of unrestricted shareholders, or shareholders that cannot be attributed as restricted due to a lack of published information; or
   – A company does not publish a public breakdown of the shareholder structure that would allow FTSE Russell to determine its free float.

   If a company which has previously failed either 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 published.

Further information

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

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