

FTSE Euro Broad Investment-Grade ESG Screened Select Corporate Bond Index

v1.0



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Section 1

Introduction

1. Introduction

1.1 The FTSE Euro Broad Investment-Grade ESG Screened Select Corporate Bond Index

1.1.1 The FTSE EuroBIG ESG Screened Select Corporate Bond Index is designed to select the best-in-class Corporates that are in the Euro-denominated Investment Grade Corporate Bond Index – Developed Markets. The index uses FTSE ESG scores, product involvement and controversial conduct data to ensure at least 20% of the index universe is screened out.

1.1.2 The EuroBIG ESG Screened Select Corporate Bond Index is created from the EuroBIG® Bond Index.

1.1.3 The FTSE EuroBIG ESG Screened Select Corporate Bond Index does take account of ESG factors in its index design.

1.2 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.3 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rule-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell nor its group companies (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any inaccuracies in the compilation of the Index or any constituent data.

1.4 These Ground Rules

1.4.1 This document sets out the Ground Rules for the construction and management of the FTSE EuroBIG Corp Bond Index Series.

1.5 FTSE Russell

1.5.1 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, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE Fixed Income LLC (“FTSE”)

2.1.1 FTSE is the benchmark administrator of the Indices¹.

2.1.2 FTSE Russell is responsible for the daily calculation, production and operation of the FTSE Xxx Index Series and will:

- maintain records of all the constituents;
- be responsible for the addition and deletion of bonds and changes of nominal amounts, in accordance with the Ground Rules.

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with the FTSE EMEA Fixed Income Advisory Committee and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Fixed Income Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Rules should subsequently be updated to provide greater clarity.

¹ The term administrator is used in this document in the same sense as it is defined in [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).

Section 3

FTSE Russell index policies

3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed through the links below:

3.1 Queries and Complaints

FTSE Russell's complaints procedure can be accessed through the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

3.2 Statement of Principles for FTSE Fixed Income Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles for FTSE Fixed Income Indices which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

The Statement of Principles for Fixed Income Indices can be accessed through the following link:

[Statement of Principles Fixed Income Indices.pdf](#)

3.3 Recalculation Policy and Guidelines

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website through the link below or by contacting info@ftserussell.com.

[Fixed Income Recalculation Policy and Guidelines.pdf](#)

3.4 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.4.1 Details of FTSE Russell's treatment can be accessed through the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

3.5 Policy for Benchmark Methodology Changes

Details of FTSE Russell's policy for making benchmark methodology changes can be accessed through the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

3.6 FTSE Russell Governance Framework

To oversee its Indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed through the following link:

[FTSE Russell Governance Framework.pdf](#)

3.7 Real Time Status Definitions

3.7.1 Please refer to the following guide for details of real time status definitions for indices that are calculated in real time.

[Real Time Status Definitions.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

³ 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.

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Base universe: index design and eligibility criteria

4. Base Universe for the FTSE Euro Broad Investment-Grade ESG Screened Select Corporate Bond Index

4.1 FTSE Euro Broad Investment-Grade (EuroBIG[®]) Corporate Bond Index

4.1.1 The base universe for the FTSE EuroBIG ESG Screened Select Corporate Bond Index is the developed markets⁵ corporate component of the market capitalization weighted FTSE EuroBIG[®] Bond Index. The FTSE EuroBIG is a multi-sector benchmark for investment-grade, Euro-denominated government, government-sponsored, collateralized, and corporate bonds.

4.1.2 Design criteria

Pricing	LSEG pricing Service bid-side pricing at 16:15 (London) New Issues enter at ask price, leave at bid price
Weighting	Market cap
Base Date	December 31, 2017

4.2 Holiday calendars

4.2.1 The indices are calculated Monday through Friday except Christmas Day (observed) and New Year's Day (observed). Each local market will observe its own holiday calendar: if a local market is on holiday, the closing prices used for that day will be the closing prices from the previous day.

4.2.2 Eurozone countries are considered a single bloc and use the Eurex Exchange holiday calendar rather than local market calendars to determine holidays. As such, the closing prices for EUR-denominated securities on any holiday under the Eurex Exchange holiday calendar are the previously available closing prices

4.3 Index quality

4.3.1 An index quality is assigned to each index bond as of profile fixing. The quality is first mapped to the Standard & Poor's Financial Services LLC ("S&P") rating. If a bond is not rated by S&P but it is rated by Moody's Investors Service, Inc ("Moody's"), the S&P equivalent of the Moody's rating is assigned to the index quality. If a bond is split-rated (an investment-grade rating by one rating agency and high-yield by the other), the S&P equivalent of the investment-grade rating is assigned to the index quality. These ratings remain unchanged for the entire performance month.

4.4 Return computation

4.4.1 Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. An issue's total rate of return is the percentage change in its total value

⁵ A country is considered to be developed if it is defined by the International Monetary Fund to be among "advanced economies" or it is defined by the World Bank to be among "high-income economies". Updates to the fixed income emerging markets country list are made on an annual basis each September based on updated data from the IMF and World Bank.

over the measurement period. The components of total return for each security are price change, principal payments, coupon payments and accrued interest. The total returns are market capitalization-weighted using the security's beginning-of-period market value (see Figure 1).

Figure 1. Total rate of return calculation methodology

Beginning-of-period value	-	(Beginning price + Beginning accrued) x Beginning par amount outstanding
End-of-period value	-	[(Ending price + Ending accrued) x (Beginning par amount outstanding – Principal payments)] + Coupon payments + Principal payments
Total rate of return (%)	-	[(End-of-period value / Beginning-of-period value) – 1] x 100

4.5 For full details on the design criteria and calculation assumptions for the FTSE EuroBIG Index, please refer to the FTSE Fixed Income Index Guide which can be accessed using the following link: [FTSE Fixed Income Index Guide](#)

Section 5

ESG assessment: index design and eligibility criteria

5. ESG assessment for the FTSE Euro Broad Investment-Grade ESG Screened Select Corporate Bond Index

5.1 Methodology

- 5.1.1 The FTSE EuroBIG ESG Screened Select Corporate Bond Index aims to exclude a minimum of 20% of the number of issuers based on ESG considerations. This is based on a combination of Sustainalytics product involvement and conduct related data, and FTSE ESG scores.
- 5.1.2 The FTSE EuroBIG ESG Screened Select Corporate Bond Index excludes issuers that do not have a FTSE ESG score or has Sustainalytics data coverage.
- 5.1.3 A 5% buffer is set up at index launch to achieve a 25% exclusion. This buffer aims to minimize the turnover. In the event of a breach of the 20% exclusion threshold, the 5% buffer is re-applied to reach 25% exclusion at rebalancing period using ESG Scores.
- 5.1.4 The 20% exclusion is assessed on a monthly basis using monthly Sustainalytics product involvement and conduct related data and FTSE ESG scores that are updated semi-annually⁶.
- 5.1.5 The 20% exclusion is assessed for each Global Industry Code (GLIC) sector code of Financials, Industrials and Utilities. The sector exclusion is applied so the Index is as sector neutral as possible compared to the base index. The bonds weights are not adjusted to match base sector weights. The assessment also ensures a 20% exclusion is applied at the aggregate level.

5.2 Product involvement and conduct related exclusions

- 5.2.1 The FTSE EuroBIG ESG Screened Select Corporate Bond Index excludes issuers with Sustainalytics product involvement in non-renewable energy, vice products, and weapons. Issuers involved in controversies related to the United Nations Global Compact (UNGC) principles are also excluded. Please see Appendix A for further detail.

5.3 FTSE ESG data screening

Each company in the FTSE EuroBIG Corporate Bond Index base universe is given an overall ESG score ranging from zero to five, with five being the best score. ESG Scores are ranked in order of score and then issuers are removed until the required level of exclusion is reached for each sector. This ESG exclusion is applied after product involvement and conduct related exclusions have occurred. (For example, product involvement and conduct related data may exclude 10% of issuers in a sector, ESG scores are then used to exclude the remaining 10% of issuers).

In the event an issuer that has bonds in multiple sectors, the bonds in both sectors are removed.

⁶ The FTSE ESG scores research cycles update in June and December each year. The scores are applied in the March and September rebalances following the research cycle. Please see the [Guide to FTSE and Third Party ESG Data used in FTSE Indices](#) for more details.

- 5.3.1 For more details on the FTSE ESG score, please refer to the following link:
[Guide to FTSE and Third Party ESG Data used in FTSE Indices.](#)

Section 6

ESG data inputs

6. ESG data inputs

6.1 The following ESG datasets are used in the construction of the indices.

ESG data inputs	Details	Used for selection, weighting or exclusion ⁷
FTSE ESG scores	FTSE Russell's ESG Scores and data model allows investors to understand a company's exposure to, and management of, ESG issues in multiple dimensions. More information can be found here: https://www.lseg.com/en/ftse-russell/esg-scores and Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices	Selection
Product-related data – Sustainalytics	Sustainalytics Product Involvement data identifies the nature and extent of a company's involvement in a range of product and business activities. More information can be found here: https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria	Exclusion
Conduct related data – Sustainalytics	Sustainalytics Global Standards Screening (GSS) assess companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. More information can be found: https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening	Exclusion

6.1.1 Further information on ESG data provided by FTSE Russell and third parties used in this index (index series) can be found in the following guide:

[Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices](#)

This includes information on the data and standards used for these ESG data inputs. These data sets may include estimated data.

⁷ Definitions

Selection – ESG data is used to select or rank constituents or calculate minimum scores or thresholds.

Exclusion – ESG data is used to exclude companies from the index.

Appendix A

Product and conduct exclusion criteria

As per rule 5.2.1 of these ground rules, at each review, FTSE Russell will exclude companies from the relevant underlying eligible universe that meet the criteria in the tables below.

Product-related exclusions

Broad categories	Product involvement categories	Involvement threshold for exclusion
Non-renewable energy	Thermal coal – extraction	
	Companies extracting thermal coal	Equal to or greater than 5% of revenues
	Thermal coal – generation	
	Companies generating electricity from thermal coal	Equal to or greater than 5% of revenues
	Arctic oil and gas exploration	
	Companies involved in oil and gas exploration in Arctic regions	Equal to or greater than 5% of revenues
	Oil sands extraction	
Companies involved in oil sands extraction	Equal to or greater than 5% of revenues	
Shale energy	Shale energy	
	Companies involved in shale energy exploration and/or production	Equal to or greater than 5% of revenues
Vice products	Tobacco	
	Companies manufacturing tobacco products	Greater than 0% of revenues
	Companies involved in distribution and/or retail sale of tobacco products	Equal to or greater than 5% of revenues
Weapons	Controversial weapons – Tailor-made and essential	
	The company is involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon. Weapons considered: anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions. Includes companies involved through corporate ownership (greater than 10% ownership)	Greater than 0% of revenues
	Controversial weapons – Non tailor-made or non-essential	
	The company provides components/services for the core weapon system, which are either not considered tailor-made or not essential to the lethal use of the weapon. Weapons considered: anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions.	Greater than 0% of revenues

Broad categories	Product involvement categories	Involvement threshold for exclusion
	Includes companies involved through corporate ownership (greater than 10% ownership)	
	Conventional military weapons	
	Companies manufacturing military weapons systems and/or integral, tailor-made components for these weapons.	Equal to or greater than 5% of revenues
	Companies providing tailor-made products and/or services that support military weapons.	
	Small arms	
	The company manufactures and sells assault weapons to civilian customers.	Greater than 0% of revenues
	The company manufactures and sells key components of small arms.	
	The company manufactures and sells small arms (non-assault weapons) to civilian customers.	
	The company is involved in the retail and/or distribution of assault weapons	Equal to or greater than 5% of revenues
	The company is involved in the retail and/or distribution of small arms (non-assault weapons).	

Conduct-related exclusions

	Exclusions
Controversies	Human rights
	Companies causing or contributing to, or at risk of causing or contributing to, severe or systematic violations of norms related to Principles 1 and 2 of the UN Global Compact, which are derived from the Universal Declaration of Human Rights. Principle 1: businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
	Labour
	Companies causing or contributing to, or at risk of causing or contributing to, severe or systematic violations of norms related to Principles 3, 4, 5, and 6 of the UN Global Compact, which are derived from the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.
	Environment
	Companies causing or contributing to, or at risk of causing or contributing to, severe or systematic violations of norms related to Principles 7, 8, and 9 of the UN Global Compact, which are derived from the Rio Declaration on Environment and Development. Principle 7: businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
	Anti-corruption
	Companies causing or contributing to, or at risk of causing or contributing to, severe or systematic violations of norms related to Principle 10 of the UN Global Compact, which is derived from the United Nations Convention Against Corruption. Principle 10: businesses should work against corruption in all its forms, including extortion and bribery.

Appendix B

Further information

A. Chronological summary of events

Year	Highlights
2024	April: Launch of the EuroBIG ESG Screened Select Corporate Index

B. Bloomberg Tickers

Ticker	Index
CFIIESCB	EuroBIG ESG Screened Select Corporate Bond Index, Local returns
CFIIECDM	EuroBIG Corporate – Developed Markets, Local returns

A glossary of terms used in FTSE Russell's Ground Rule documents can be found through the following link:

[Fixed Income Glossary of Terms.pdf](#)

For further information on the FTSE EuroBIG ESG Screened Select Corporate Index Series Ground Rules please visit <http://www.lseg.com/en/ftse-russell/> or e-mail info@ftserussell.com.

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