


FTSE Global Choice Index Series

Screening definitions – Methodology overview



The FTSE Global Choice Index Series is a market capitalisation weighted index series with a rules-based methodology for defining how the products and conduct of a company impact society and the environment. The result is a framework for applying robust and customisable values-based exclusions to a broad market index.



The FTSE Global Choice Index Series includes negative screens in three product categories and two conduct categories:

- The product-related screening criteria covers: Non-Renewable Energy (Fossil Fuel and Nuclear Power), Vice Products (Adult Entertainment, Alcohol, Gambling and Tobacco), and Weapons (Chemical & Biological Weapons, Cluster Munitions, Anti-Personnel Landmines, Nuclear Weapons, Conventional Military Weapons and Civilian Firearms)
- The conduct-related screening criteria covers: Controversies (based on the UN Global Compact Principles) and Diversity practices

Company products	
	Non-renewable energy
Fossil fuel reserves – Coal, oil & gas	Companies that own proved or probable reserves in coal, oil or gas.
Oil and gas – Production, supporting products and services	Any company owning oil or gas reserves, and any company with primary business activity in: <ul style="list-style-type: none"> – the exploration for and drilling, production, refining and supply of oil and gas products (ICB Subsectors Oil: Crude Producers 60101010 and Oil Refining and Marketing 60101020) – the supply of equipment and services to oil fields and offshore platforms, such as drilling, exploration, seismic-information services and platform construction (ICB Subsectors Oil Equipment and Services 60101030 and Offshore Drilling and Other Services 60101015) – the operations of pipelines carrying oil, gas or other forms of fuel (ICB Subsector Pipelines 60101035; note that this excludes pipeline operators that derive the majority of their revenues from direct sales to end users) – integrated oil and gas companies, providing a combination of the services listed above, including refining and marketing of oil and gas products (ICB Subsector Integrated Gas 60101000)
Coal – Production, supporting products and services	Any company owning coal reserves, and any company with primary business activity in the exploration for or mining of coal (ICB Subsector Coal 60101040).
Nuclear power – Generation and uranium mining	Companies that generate revenues from nuclear power production. This includes: <ul style="list-style-type: none"> – nuclear power generation – nuclear power plant equipment, components and construction – uranium mining – uranium processing and enrichment



Company products	
	Vice products
Adult entertainment	<p>Companies that produce adult entertainment.</p> <p>This includes:</p> <ul style="list-style-type: none"> – movies – print publications – online content – live entertainment
Alcohol	<p>Companies that produce alcoholic beverages.</p> <p>This includes:</p> <ul style="list-style-type: none"> – all companies that are classified in the Industry Classification Benchmark (ICB) Subsectors Brewers 45101010 and Distillers & Vintners 45101015 – companies that are not classified in ICB Subsectors Brewers 45101010 and Distillers & Vintners 45101015, but that are identified as having activity in these Subsectors
Gambling	<p>Companies that provide gambling services.</p> <p>This includes:</p> <ul style="list-style-type: none"> – all companies that are classified in the Industry Classification Benchmark (ICB) Subsector Casinos and Gambling 40501020 – companies that are not classified in ICB Subsector Casinos and Gambling 40501020, but that are identified as having activity in this Subsector
Tobacco	<p>Companies that produce tobacco products.</p> <p>This includes:</p> <ul style="list-style-type: none"> – all companies that are classified in the Industry Classification Benchmark (ICB) Subsectors Tobacco 45103010 and Cannabis Producers 20103020 – companies that are not classified in ICB Subsectors Tobacco 45103010 and Cannabis Producers 20103020, but that are identified as having activity in this Subsector
	Weapons
Chemical & biological weapons	Companies that produce chemical or biological weapons, or that produce specific and critical parts or services for chemical or biological weapons.
Cluster munitions	Companies that produce cluster munitions as defined in the Convention on Cluster Munitions, or that produce specific and critical parts or services for cluster munitions.
Anti-personnel landmines	Companies that produce anti-personnel mines as defined in the “1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction”, or that produce specific and critical parts or services for anti-personnel mines.
Nuclear weapons	Companies that produce nuclear weapons systems, or that produce specific and critical parts or services for nuclear weapons systems.
Conventional military weapons	<p>Companies that produce other weapons for military use.</p> <p>This includes:</p> <ul style="list-style-type: none"> – munitions – vehicles designed to carry military weapons (mounted or demountable) – weapons delivery systems; including mounting and launching systems as well as targeting and guidance systems
Firearms	<p>Companies that produce firearms or ammunition for non-military use.</p> <p>This includes:</p> <ul style="list-style-type: none"> – handguns – shotguns – rifles – semi-automatic weapons

Company conduct	
	Controversies
Anti-corruption	<p>Controversies related to Principle 10 of the UN Global Compact, which is derived from the United Nations Convention Against Corruption.</p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>
Environment	<p>Controversies related to Principles 7, 8, and 9 of the UN Global Compact, which is derived from the Rio Declaration on Environment and Development.</p> <p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>
Human rights	<p>Controversies related to Principles 1 and 2 of the UN Global Compact, which is derived from the Universal Declaration of Human Rights.</p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>
Labor	<p>Controversies related to Principles 3, 4, 5, and 6 of the UN Global Compact, which is derived from the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.</p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labor;</p> <p>Principle 5: the effective abolition of child labor; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>
	Diversity
Diversity	<p>For this criteria, an "Excluded Company" will fail to meet two out of three diversity indicators:</p> <ul style="list-style-type: none"> – Woman/women on the Board – Diversity policies – Diversity management systems

ABOUT FTSE RUSSELL

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

CONTACT US

To learn more, visit seq.com/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

EMEA +44 (0) 20 7866 1810

Asia-Pacific

North America +1 877 503 6437

Hong Kong +852 2164 3333

Tokyo +81 3 6441 1430

Sydney +61 (0) 2 7228 5659

Disclaimer

© 2023 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. and FTSE Global Debt Capital Markets Limited (together, "FTSE Canada"), (4) FTSE Fixed Income Europe Limited ("FTSE FI Europe"), (5) FTSE Fixed Income LLC ("FTSE FI"), (6) The Yield Book Inc ("YB") and (7) Beyond Ratings S.A.S. ("BR"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB and BR. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "The Yield Book®", "Beyond Ratings®" and all other trademarks and service marks used herein (whether registered or unregistered) are trademarks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB or BR. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

All information is provided for information purposes only. All information and data contained in this publication is obtained by the LSE Group, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error as well as other factors, however, such information and data is provided "as is" without warranty of any kind. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly, or impliedly, either as to the accuracy, timeliness, completeness, merchantability of any information or of results to be obtained from the use of FTSE Russell products, including but not limited to indexes, data and analytics, or the fitness or suitability of the FTSE Russell products for any particular purpose to which they might be put. Any representation of historical data accessible through FTSE Russell products is provided for information purposes only and is not a reliable indicator of future performance.

No responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analysing, editing, transcribing, transmitting, communicating, or delivering any such information or data or from use of this document or links to this document or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if any member of the LSE Group is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset or whether such investment creates any legal or compliance risks for the investor. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index containing the asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

The information contained in this report should not be considered "research" as defined in recital 28 of the Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council ("MiFID II") and is provided for no fee.

Past performance is no guarantee of future results. Charts and graphs are provided for illustrative purposes only. Index returns shown may not represent the results of the actual trading of investable assets. Certain returns shown may reflect back-tested performance. All performance presented prior to the index inception date is back-tested performance.

Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. However, back-tested data may reflect the application of the index methodology with the benefit of hindsight, and the historic calculations of an index may change from month to month based on revisions to the underlying economic data used in the calculation of the index.

This document may contain forward-looking assessments. These are based upon a number of assumptions concerning future conditions that ultimately may prove to be inaccurate. Such forward-looking assessments are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially. No member of the LSE Group nor their licensors assume any duty to and do not undertake to update forward-looking assessments.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group data requires a licence from FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB, BR and/or their respective licensors.



**FTSE
RUSSELL**
An LSEG Business