

FTSE/JSE Responsible Investment Index Series - Ground Rule Update

28 February 2019

FTSE Russell would like to inform clients of the following update to the FTSE/JSE Responsible Investment Index Series which will be effective from the June 2019 Index Review.

Section 5: Index Qualification Criteria - addition of the following rule:

5.3 Controversy Monitoring

The FTSE Russell controversies assessment complements the ESG Ratings in formulating the FTSE/JSE Responsible Investment Index Series. The treatment of companies by the controversies assessment differs depending on whether the company is a current constituent or not.

5.3.1 Non-constituents

Companies identified as having significant controversies are not added to the FTSE/JSE Responsible Investment Index Series at review and are placed on a watchlist. The watchlist is determined through a process which systematically analyses the seriousness of ESG incidents, criticism, and allegations against companies and projects worldwide to determine how controversial a company is. The top five percent of companies in the FTSE All World universe with the most significant allegations are included in the watchlist at a review and are not added to the FTSE/JSE Responsible Investment Index Series. The watchlist also includes companies where any of the world's largest asset owners (top 20 by assets under management) currently take a public stance in excluding that company from their portfolios on the basis of environmental, social or governance concerns.

5.3.2 Current Constituents

FTSE Russell monitors news outlets for controversies in which current FTSE/JSE Responsible Investment Index Series constituents are implicated; this controversies assessment is based on two defining parts, an Exposure based on significance and a Score focused on quality of response. The Assessment is applied in a systematic manner and constituents are suspended from the FTSE/JSE Responsible Investment Index Series for a period of two years where the Assessment breaches a threshold level that equates to the most extreme ESG controversies. Following a two year suspension a company must demonstrate that it has taken appropriate action to rectify the effects of the controversial incident and prevent a reoccurrence before it can be permitted to re-enter the FTSE/JSE Responsible Investment Index Series, subject to meeting all other criteria.

For further information on controversy monitoring please see the FTSE4Good Index Series Ground Rules.

An updated copy of the FTSE/JSE Responsible Investment Index Series Ground Rules (v1.8) is now available using the following link: [FTSE/JSE Responsible Investment Index Series](#)

Or on the FTSE Russell website: www.ftserussell.com

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