Ground Rules

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FTSE4Good TIP Taiwan ESG Index

v2.7

FTSE RUSSELL
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Section 1

Introduction

1. Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE4Good TIP Taiwan ESG Index. Much of the methodology is drawn from the FTSE4Good Index Series and as such this methodology is to be read in conjunction with the FTSE4Good Index Series Ground Rules which are available at www.lseg.com/en/ftse-russell/.

1.2 The index is designed to measure the performance of Taiwanese companies that have an ESG score above a specific threshold.

1.3 The FTSE4Good TIP Taiwan ESG Index takes account of ESG factors in its index design. Please see further details in Section 5.

1.4 The FTSE4Good TIP Taiwan ESG Index is calculated in Taiwan New Dollars (TWD) on a real time basis.

1.5 Capital and total return indices are available on an end of day basis in TWD.

1.6 FTSE Russell

1.6.1 FTSE Russell hereby notifies users of the index 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 and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.6.2 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 rules-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 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.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (FTSE)

FTSE is the benchmark administrator of the index[1].

2.2 FTSE4Good TIP Taiwan ESG Index (end of day)

2.2.1 FTSE is responsible for the daily calculation, production and operation of the end of day FTSE4Good TIP Taiwan ESG Index and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index and apply the changes resulting from the reviews required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the end of day index.

2.3 FTSE4Good TIP Taiwan ESG Index (real time)

2.3.1 TIP is responsible for the calculation and dissemination of the real time FTSE4Good TIP Taiwan ESG Index, based on the constituent level data and index divisor supplied by FTSE.

2.4 Amendments to these Ground Rules

2.4.1 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. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.4.2 As provided for in the statement of principles for FTSE Russell Equity 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 Ground 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 using the links below:

3.1 Corporate Actions and Events Guide

3.1.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the corporate actions and events guide using the following link:

Corporate_Actions_and_Events_Guide.pdf

3.2 Statement of principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the statement of principles 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 can be accessed using the following link:

Statement_of_Principles.pdf

3.3 Queries and Complaints

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

Benchmark_Determination_Complaints_Handling_Policy.pdf

3.4 Index Policy for Trading Halts and Market Closures

3.4.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

Index_Policy_for_Trading_Halts_and_Market_Closures.pdf

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

3.5.1 Details of FTSE Russell's treatment can be accessed using the following link:

Index_Policy_in_the_Event_Clients_are_Unable_to_Trade_a_Market_or_a_Security.pdf

3.6 Recalculation Policy and Guidelines

Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE4Good TIP Taiwan ESG Index are notified through appropriate media.

For further information refer to the FTSE Russell recalculation policy and guidelines document which is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

Recalculation_Policy_and_Guidelines_Equity_Indices.pdf

3.7 Recalculation Policy and Guidelines – ESG data and scores

Where an inaccuracy in an ESG data product is identified, FTSE Russell will follow the guidelines set out in this document when determining if an ESG data product should be recalculated.

ESG_Data_Recalculation_Policy_and_Guidelines.pdf

3.8 Policy for Benchmark Methodology Changes

Policy_for_Benchmark_Methodology_Changes.pdf

3.9 FTSE Russell Governance Framework

3.9.1 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 Benchmarks[2], the European benchmark regulation[3] and the UK benchmark regulation[4]. The FTSE Russell governance framework can be accessed using the following link:

FTSE_Russell_Governance_Framework.pdf

3.10 Real Time Status Definitions

3.10.1 For indices that are calculated in real time, please refer to the following guide for details of real time status definitions:

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

Index qualification criteria

4. Index qualification criteria

4.1 The initial eligible universe comprises the constituents of the FTSE4Good Emerging Index that are listed on the Taiwan Stock Exchange, excluding companies that do not file an ESG report (previously Corporate Social Responsibility (CSR) report) to the Taiwan Stock Exchange (see Rule 6.2).

4.1.1 The inclusion criteria for the constituents of the FTSE4Good Index Series aims to align with evolving corporate sustainability practices and expectations of investors and the wider stakeholder community while maintaining broad representation of their underlying indices (e.g. around half of the companies in the underlying index measured by free-float market capitalisation). Over time, FTSE Russell intends to gradually raise the addition and deletion thresholds for both developed and emerging markets and reduce the difference between the two groups to ensure consistency with market expectations and developments in corporate sustainability practices[5].

4.2 Companies with negative trailing 12-month Return on Equity (ROE) are excluded, subject to the index covering at least 90% of capped investable market capitalisation weight of the initial eligible universe (see Rule 6.2).

[5] Since 2001, the FTSE4Good Developed Index has seen approximately half of the companies in the underlying index qualify for index inclusion. This has been achieved through improvements in corporate sustainability practices and gradual changes to the index inclusion methodology that have raised the bar for inclusion over time. See FTSE Russell Sustainable Investment Consultation - 2019 and FTSE4Good Index Series - Inclusion Criteria - Ground Rule Update 2019

Section 5

ESG data inputs

5. ESG data inputs

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

ESG data inputs	Details	Used for selection, weighting or exclusion[6]
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 – FTSE Russell	FTSE exclusion lists on the activities of companies with exposure to specific products or services. More information is in Section 7 of the Guide_to_the_Construction_and_Maintenance_of_FTSE_Exclusion_Lists.pdf.	Exclusion
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 and https://connect.sustainalytics.com/controversial-weapon-radar	Exclusion
Conduct related data- FTSE Russell	FTSE exclusion lists on the activities of companies that are directly or indirectly linked to controversial conduct.	Exclusion
Conduct related data – RepRisk	The RepRisk Index (RRI) captures and quantifies a company's reputational risk exposure to ESG issues. More information can be found here: https://www.reprisk.com/news-research/resources/methodology	Exclusion
Minimum set of exclusions for ESG Indices	The minimum set of exclusions applied to this Index Series with effect from December 2023. Details of the minimum exclusions can be found in Section 8 of the Guide_to_the_Construction_and_Maintenance_of_FTSE_Exclusion_Lists.pdf.	Exclusion

5.1.1 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.

[6] Definitions
Selection – ESG data is used to select or rank constituents, or calculate minimum scores or thresholds
Weighting – ESG data is used to calculate the weight of a constituent in an index
Exclusion – ESG data is used to exclude companies from the index

5.2 ESG Metrics

5.2.1 Please see the FTSE Russell ESG Metrics website for the scores and values of the environmental, social and governance (ESG) factors listed in Annex II to Delegated Regulation (EU) 2020/1816.

Further details on the metrics methodology and calculation are available using the following links:

Sustainability and ESG data

ESG Disclosures Methodology and Calculation Guide

Section 6

Periodic review of constituents

6. Periodic review of constituents

6.1 Review dates

6.1.1 The FTSE4Good TIP Taiwan ESG Index is reviewed semi-annually in June and December, using price and fundamental data as at the close of business on the last business day of the month prior to the review month. The data cut-off dates for ESG data inputs are in the Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices. Changes arising from the review will be implemented after the close of business on the third Friday (i.e. effective Monday) of June and December.

6.2 Review process

6.2.1 Constituents of the FTSE4Good Emerging Index listed on the Taiwan Stock Exchange are excluded if they do not file an ESG report (previously CSR report) to the Taiwan Stock Exchange and do not complete the upload of the ESG report to the Taiwan Market Observation Post System (MOPS). The assessment period for the ESG report filing is from 1st January of previous year to the last business day of May for the June review and from the 1st January of the year to the last business day of November for the December review. Securities that satisfy the ESG reporting requirement comprise the initial eligible universe.

6.2.2 All securities from the initial eligible universe are weighted by investable market capitalisation (after the application of any investability weighting) with 30% capping applied on individual companies.

6.2.3 All initially eligible securities are ranked by their trailing 12-month ROE in descending order.

6.2.4 Trailing 12-month ROE is calculated as the aggregate of quarterly net income from the latest available four quarterly reports divided by the average shareholders' equity at the beginning and end of the period. If quarterly reports are not available the ROE will be calculated as annual net income from latest annual report divided by average shareholders' equity. The data cut-off date for the calculation of ROE is the close of business on the last business day of the month prior to the review month. Quarterly or annual financial statement items are sourced from a third party data provider.

6.2.5 Securities with negative ROE (if any) are removed sequentially in ascending order subject to the total weight of remaining securities (calculated in Rule 6.2.2) being greater than or equal to 90% of the investable market capitalisation of the initial eligible universe. The initial eligible universe is not recapped when companies are removed.

6.2.6 Securities after the application of Rule 6.2.5 are constituents of the FTSE4Good TIP Taiwan ESG index and are weighted by investable market capitalisation (after the application of any investability weighting).

6.3 Capping constituent weights at the periodic review

6.3.1 The constituents of the FTSE4Good TIP Taiwan ESG Index are capped at each semi-annual review so that no company represents more than 30% of the index.

6.3.2 The capping process will use prices adjusted for corporate actions as at the close of business on the second Friday in June and December. The capping is implemented after close of business on the third Friday in June and December based on constituents, shares in issue and free float on the next trading day following the third Friday of the review month.

6.4 Index back-histories

6.4.1 The historical index constituents and values prior to the launch date of the FTSE4Good TIP Taiwan ESG Index are simulated through the application of six-month lag on fundamental data. For example the calculation of ROE during each semi-annual review makes use of quarterly (or annual) net income and shareholders' equity measures whose report dates were at least six months prior to the data cut-off date.

Section 7

Changes to constituent companies

7. Changes to constituent companies

7.1 Intra-review additions and deletions

7.1.1 Additions into the FTSE4Good TIP Taiwan ESG Index will be considered for inclusion at the next semi-annual review.

7.1.2 If a constituent of the FTSE4Good TIP Taiwan ESG Index ceases to be a constituent of the FTSE4Good Emerging Index it will be removed from the FTSE4Good TIP Taiwan ESG Index. The deletion will be concurrent with its deletion from the FTSE4Good Emerging Index and its weight will be distributed pro-rata amongst the remaining constituents in the FTSE4Good TIP Taiwan ESG Index.

Section 8

Corporate actions and events

8. Corporate actions and events

8.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the corporate actions and events guide for market capitalisation weighted indices using the following link:

Corporate_Actions_and_Events_Guide.pdf

A corporate 'action' is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. These include the following:

- Capital repayments;
- Rights issues/entitlement offers;
- Stock conversion;
- Splits (sub-division)/reverse splits (consolidation);
- Scrip issues (capitalisation or bonus issue).

A corporate 'event' is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE Russell will provide notice advising of the timing of the change.

8.2 Mergers, take-overs and spin-offs

8.2.1 Corporate actions, including mergers, take-overs and spin-offs, are managed as part of the FTSE4Good Emerging Index review procedures, as set out in the FTSE4Good Index Series Ground Rules.

8.3 Shares in issue

Changes to the number of shares in issue for constituent securities are covered in the corporate actions and events guide for market capitalisation weighted indices.

8.4 Suspension of dealing

Suspension of dealing rules can be found within the corporate actions and events guide for market capitalisation weighted indices.

Section 9

Index algorithm and calculation method

9. Index algorithm and calculation method

9.1 Prices

9.1.1 The FTSE4Good TIP Taiwan ESG Index uses actual trade prices for securities from the Taiwan Stock Exchange.

9.2 Calculation frequency

9.2.1 The FTSE4Good TIP Taiwan ESG Index is published every 5 seconds during the Official Index Period, using last trade prices.

9.3 Algorithm

9.3.1 The index algorithm and calculation method are detailed in Appendix B.

Appendix A

Index and market opening and closing hours

Index	Open	Close
FTSE4Good TIP Taiwan ESG Index	09:00	13:35

Stock Market Trading Times:		
Taiwan	09:00	13:30

All times are Local Taiwan Time.

The FTSE4Good TIP Taiwan ESG Index is calculated on each day which trading takes place in Taiwan Stock Exchange.

Appendix B

Index algorithm and calculation method

The index is calculated using the algorithm described below.

$$\sum_{i=1}^{N} \frac{\left(p_i \times e_i \times s_i \times f_i \times c_i\right)}{d}$$

Where,

- $i=1,2,\ldots,N$;
- N is the number of securities in the index;
- p_i is the latest trade price of the component security (or the price at the close of the index on the previous day);
- e_i is the exchange rate required to convert the security's currency into the index's base currency;
- s_i is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules;
- f_i is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index;
- c_i is the Capping Factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index;
- d is the divisor, a figure that represents the total issued share Capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share Capital of individual securities to be made without distorting the index.

Appendix C

Further information

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

Glossary.pdf

Glossary_-_ESG.pdf

The FTSE Russell ESG Metrics website can be found using the following link:

ESG Metricshttps://www.ftserussell.com/sustainable-investment-metrics

Further information on the FTSE4Good TIP Taiwan ESG Index is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

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