

# FTSE Sustainability- Linked Bond Index Series

v1.1



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## Section 1

# Introduction

## 1. Introduction

### 1.1 FTSE Sustainability-Linked Bond Index Series

1.2 The FTSE Sustainability-Linked Bond Index Series is designed to measure the performance of global Sustainability-Linked Bonds (SLBs) which are aligned with International Capital Markets Association (ICMA) Sustainability-Linked Bond Principles (SLBP). SLBs are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined sustainability or ESG objectives. SLBs are a forward-looking performance-based instrument.

1.3 The FTSE Sustainability-Linked Bond Index Series takes account of ESG factors in its design.

1.4 FTSE Sustainability-Linked Bond Index consists of the below variants based on the underlying index:

- FTSE Global Sustainability-Linked Bond 0+ Years Index (Global SLB0+)
- FTSE World Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index (WorldBIG SLB0+)
- FTSE Euro Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index (EuroBIG SLB0+)
- FTSE US Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index (USBIG SLB0+)

1.4.1 These Ground Rules should be read in conjunction with the FTSE Fixed Income Index Guide which can be accessed using the following link:

[FTSE Fixed Income Indexes Guide.pdf](#)

1.5 The Sustainability-Linked Bond Index Series covers a broad array of asset classes and consists sub-indices available in any combination of currency, maturity and rating.

### 1.6 FTSE Russell

1.6.1 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.

1.6.2 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.

1.6.3 Index users who choose to follow this index series or to buy products that claim to follow this index series should assess the merits of the index series 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 (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 series or any constituent data.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE Fixed Income LLC (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series.<sup>1</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of the 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.
- disseminate the indices.

### 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 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.

2.2.2 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.

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<sup>1</sup> 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). FTSE Fixed Income LLC administers the Index Series in line with the third country transitional provisions contained within Article 51(5) of the European Benchmark Regulation and the third country transitional provisions as amended by Article 42(5) of 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 **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 using the following link:  
[Statement of Principles Fixed Income Indices.pdf](#)

#### 3.2 **Queries and Complaints**

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

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

#### 3.3 **Recalculation Policy and Guidelines**

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website using the link below or by contacting [fi.index@lseg.com](mailto:fi.index@lseg.com).

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

#### 3.4 **Policy for Benchmark Methodology Changes**

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

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

### **3.5 FTSE Russell Governance Framework**

3.5.1 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<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

<sup>3</sup> 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

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019

## Section 4

# Eligible securities

## 4. Eligible securities

### 4.1 Base Indices for the FTSE Sustainability-Linked Bond Index Series

The FTSE Sustainability-Linked Bond Index Series consists of the indices listed in the table below. To be included in a FTSE Sustainability-Linked Bond Index, securities must be eligible for the “Base Index” listed in the table below. Additional selection criteria for Sustainability-Linked Bonds (SLB) that are in compliance with ICMA Sustainability-Linked Bond Principles (SLBP) are then applied to the Base Index.

FTSE Sustainability-Linked Bond Index Series	Base Index
FTSE Global Sustainability-Linked Bond 0+ Years Index	A union of multiple FTSE fixed income indices, see Section 4.1
FTSE World Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index	FTSE World Broad Investment-Grade Bond 0+ Years Index
FTSE Euro Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index	FTSE Euro Broad Investment-Grade Bond 0+ Years Index
FTSE US Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index	FTSE US Broad Investment-Grade Bond 0+ Years Index

### 4.2 The FTSE Global Sustainability-Linked Bond 0+ Year Index consists of the following indices:

Currency	Quality	Index Name
Multi-currency	IG	FTSE World Government Bond 0+ Years Index (WGBI0+)
	IG	FTSE World Broad Investment-Grade Bond 0+ Years Index (WorldBIG0+)
	HY	FTSE Pan-European High-Yield Market 0+ Years Index
	IG+HY	FTSE Emerging Markets Government Bond 0+ Years Index (EMGBI0+)
Euro	IG	FTSE Euro Broad Investment-Grade 0+ Years Bond Index (EuroBIG0+)
US Dollar	IG	FTSE US Broad Investment-Grade Bond 0+ Years Index (USBIG0+)
	IG	FTSE Eurodollar Bond 0+ Years Index
	IG+HY	FTSE IdealRatings Broad USD Sukuk 0+ Years Index
	IG+HY	FTSE Asian Broad Bond 0+ Years Index (ABBI0+)
	IG+HY	FTSE Emerging Markets US Dollar Government Bond 0+ Years Index (EMUSDGBI0+)
	IG+HY	FTSE Emerging Markets Broad Bond 0+ Years Index (EMUSDBBI0+)
	IG+HY	FTSE Middle East and North Africa Broad Bond 0+ Years Index (MENABBI0+)
	HY	FTSE US High-Yield Market 0+ Years Index (HYM0+)



Currency	Quality	Index Name
UK Sterling	IG	FTSE UK Domestic Investment-Grade Bond 0+ Years Index (UKDIGBI0+)
Japanese Yen	IG+HY+NR	FTSE Japanese Broad Bond 0+ Years Index (JPBBI0+)
	IG	FTSE Euroyen Bond 0+ Years Index
Chinese Yuan	IG+HY+NR	FTSE Chinese (Onshore CNY) Internationally-Aligned Green Bond 0+ Years Index (CNYGRBI –IA0+)
	IG+HY+NR	FTSE Chinese (Onshore CNY) Broad Bond 0+ Years Index
	IG+HY+NR	FTSE Dim Sum (Offshore CNY) Bond 0+ Years Index
Australian Dollar	IG	FTSE Australian Broad Investment-Grade Bond 0+ Years Index (AusBIG0+)

4.2.1 The FTSE Sustainability-Linked Bond Index Series excludes asset-backed and mortgage-backed securities. For full details on the design criteria and calculation assumptions for each Base Index, please see the FTSE Fixed Income Index Guide, which can be accessed using the following link: [FTSE Fixed Income Indexes Guide.pdf](#)

### 4.3 Sustainability-Linked Bond (SLB) eligibility criteria

4.3.1 The FTSE Sustainability-Linked Bond Index Series incorporates data from Refinitiv which identifies eligible securities that are in alignment with the ICMA Sustainability-Linked Bond Principles (SLBP).

4.3.2 The ICMA Sustainability-Linked Bond Principles (SLBP) can be accessed using the following link: [Sustainability-Linked Bond Principles \(SLBP\) » ICMA \(icmagroup.org\)](#)

4.3.3 As defined by ICMA, Sustainability-Linked Bonds (SLBs) are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives. In that sense, issuers are thereby committing explicitly (including in the bond documentation) to future improvements in sustainability outcome(s) within a predefined timeline. SLBs are a forward-looking performance-based instrument. Those objectives are (i) measured through predefined Key Performance Indicators (KPIs) and (ii) assessed against predefined Sustainability Performance Targets (SPTs).

4.3.4 The ICMA's Sustainability-Linked Bond Principles (SLBP) have five core components to ensure the transparency and governance of Sustainability-Linked Bond issuance.

- a) Selection of Key Performance Indicators (KPIs)
- b) Calibration of Sustainability Performance Targets (SPTs)
- c) Bond characteristics
- d) Reporting
- e) Verification

4.3.5 If a trigger event occurs that leads to a change in the structure of a bond that deems it ineligible for the index based on other eligibility criteria, such as Coupon Type, it will exit the index at the next monthly rebalance. In such instances, FTSE Russell may also reference its Statement of Principles to determine the most appropriate index treatment.

### 4.4 Index review of post issuance reporting

4.4.1 On an ongoing basis, the availability of post issuance reports, which bond issuers are encouraged by SLBP to disclose on a regular basis, will be examined for index inclusion purposes. The post issuance report should disclose up-to-date information on the performance of the selected KPIs and SPTs. The search for a

post issuance report will be conducted approaching the 12th month since a bond was issued. For example, if a bond is issued on 15 January, the search will take place in January of the following year.

Index handling for the availability of post issuance reports and verification is described as follows:

- The post issuance report is available

- If a post issuance report is available and the performance at the last SPT observation date has been disclosed and verified in the latest report, the bond will be considered to have fulfilled the reporting commitment permanently.
- Taking a bond that matures on 15 January 2027 with the observation date on 15 January 2025 as an illustrative example. If the issuer fails to achieve the pre-defined SPT on the observation date, such trigger event will lead to the change of bond characteristic (such as coupon step-up) and the bond will be considered to have failed to achieve the pre-defined SPT. However, it will still be considered in alignment with ICMA SLBP and will be eligible for the index inclusion until its maturity, as long as the measurement of SPT and the adjustment to the instrument financial/structural characteristics have been disclosed and verified.
- If the latest post issuance report is available and the last SPT observation date of the bond has not been reached, the bond will be subject to follow-up post issuance report confirmations on an annual basis until the last SPT target observation date has passed, and the SPT performance has been disclosed and verified.

- The post issuance report is not available

- If its first post issuance report is not available immediately after the 12th month since the issuance, the SLB will be placed on a Watch List for an extended observation for 6 months. For example, if a bond is issued on 15 January, and the post issuance report is not available in January of the following year, the bond will remain as index eligible and is subject to a subsequent search for a post issuance report in July of the same year.
- A bond will be removed from the index if the issuer fails to release a post issuance report publicly in the 18-month period since the issue date. For example, if a bond is issued on 15 January, and the post issuance report is not available by the end July in the following year, it will be removed from the index at the July month-end rebalance.
- If an issuer fails to release a report within an 18-month period since its last post issuance report and the last SPT observation date of the bond has not yet been reached, the bond will also be removed from the index.
- When an index bond is removed, it's no longer considered eligible for inclusion in the future.

## **4.5 Sustainability-Linked Bond (SLB) analytics and cash flow assumptions**

- 4.5.1 The SLB analytics which is derived from future cash flow is based on the assumption that bond characteristics and/or coupon stay unchanged. The change of a bond's financial and/or structural characteristics (e.g., any potential variation of its coupon and/or redemption value) is reflected when the change is officially announced by the issuer after the trigger event.

## Section 4

# ESG data inputs

## 5. ESG data inputs

5.1.1 The following ESG datasets are used in the construction of the FTSE Sustainability-Linked Bond Index Series. Refinitiv data is used to identify Sustainability-Linked Bonds that are aligned with the core principles provided by ICMA Sustainability-Linked Bond Principles (SLBP).

ESG data inputs	Details	Used for selection, weighting, or exclusion <sup>5</sup>
Refinitiv ESG Bond Data	<b>Refinitiv ICMA Classification Data:</b> identifies if a bond is aligned with ICMA SLBP at the pre-issuance stage. ICMA Pre-issuance alignment is based on terms and conditions documentation, framework and second party opinion.	Selection
	<b>Refinitiv SLB Data:</b> identifies if there is public disclosure on KPIs, SPTs and the potential change of a bond's financial and/or structural characteristics.	Selection
	<b>Refinitiv Post-Issuance Reporting Data:</b> identifies if a bond is aligned with ICMA SLBP at the post-issuance stage. On an ongoing basis, the availability of post issuance reports, which bond issuers have committed to comply with in accordance with relevant ICMA principles, will be confirmed for index inclusion	Exclusion

5.1.2 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.

<sup>5</sup> 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 which are taken into account in the benchmark methodology for the benchmarks within this index series.

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

# Index Methodology

## 6. FTSE Sustainability-Linked Bond Index Methodology

6.1.1 The index calculation methodology for each FTSE Sustainability-Linked Bond Index follows the same methodology as the Base Index. Further details can be found on the FTSE Fixed Income Index Guide.

[FTSE Fixed Income Indices Guide.pdf](#)

### 6.2 Index history data

6.2.1 The inception date of each FTSE Sustainability-Linked Bond Index is as follows:

FTSE Sustainability-Linked Bond Index Series	Inception Date
FTSE Global Sustainability-Linked Bond 0+ Years Index	October 31, 2019
FTSE World Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index	October 31, 2019
FTSE Euro Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index	October 31, 2019
FTSE US Broad Investment-Grade Sustainability-Linked Bond 0+ Years Index	September 30, 2020

### 6.3 Chronological summary of events

FTSE Sustainability-Linked Bond Index Event Summary

Year	Highlight
2023	<b>July:</b> FTSE Sustainability-Linked Bond Index Series are introduced in July 2023 with inception date since Nov 2019.

## Appendix A

# Further information

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For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [fi.index@lseg.com](mailto:fi.index@lseg.com).

**Website:** [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)

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