

# FTSE Developed Eurozone Top 30 Family Owned Capped Index

v1.3



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## Section 1

# Introduction

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## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of FTSE Developed Eurozone Top 30 Family Owned Capped Index.
- 1.1.1 The FTSE Developed Eurozone Top 30 Family Owned Capped Index is designed to reflect the performance of the top 30 constituents of the FTSE Developed Eurozone Index when ranked using the FactSet Family Ownership Score.
- 1.1.2 The FTSE Developed Eurozone Top 30 Family Owned Decrement indices reflect the FTSE Developed Eurozone Top 30 Family Owned Capped Index with a fixed annual deduction on either return or index points. These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules, which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.2 The FTSE Developed Eurozone Top 30 Family Owned Capped Index does not take account of ESG factors in its index design.
- 1.3 Price and total return indices will be calculated on an end-of-day basis.
- 1.4 The base currency of the benchmark is Euro (EUR). Index values may also be published in other currencies.
- 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.
- 1.5.2 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 that 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 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;
  - any inaccuracies in these Ground Rules;
  - 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

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## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

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

2.1.2 FTSE is responsible for the daily calculation, production and operation of the 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 reviews of the index and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews; and
- disseminate the index.

### 2.2 FactSet

2.2.1 FactSet provides scores for the underlying universe on a semi-annual basis using the FactSet family ownership methodology.

2.2.2 FactSet identifies three types of direct investors (individuals, holdings and public companies) in a company to aggregate percentage of shares owned by individual investors. FactSet considers individual holders as the best proxy for the calculation of a company owned by families.

### 2.3 Amendments to these Ground Rules

2.3.1 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.

2.3.2 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.

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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).

## Section 3

# FTSE Russell index policies

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## 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

3.2 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 Cap Weighted Indices using the following link:

[Corporate Actions and Events Guide for Market Cap Weighted Indices.pdf](#)

### 3.3 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

3.3.1 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, 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](#)

### 3.4 Queries and Complaints

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

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

### 3.5 Index Policy for Trading Halts and Market Closures

3.5.1 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](#)

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

3.6.1 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](#)

### 3.7 Recalculation Policy and Guidelines

3.7.1 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 FTSE Developed Eurozone Top 30 Family Owned Capped Index will be 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](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

### **3.8 Policy for Benchmark Methodology Changes**

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

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

### **3.9 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<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](#)

### **3.10 Real Time Status Definitions**

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

[Real Time Status Definitions.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

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### 4. Eligible securities

- 4.1 The eligible universe for the FTSE Developed Eurozone Top 30 Family Owned Capped Index is the FTSE Developed Eurozone Index.

## Section 5

# Periodic review of constituent companies

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## 5. Periodic review of constituent companies

### 5.1 Review dates

- 5.1.1 The FTSE Developed Eurozone Top 30 Family Owned Capped Index is reviewed semi-annually in March and September.
- 5.1.2 The index review will be implemented after the close of business on the third Friday of the review month.

### 5.2 Data dates

- 5.2.1 The reviews will be conducted using prices (adjusted for any corporate actions) as at the close of business on the last business day of February and August for the respective index reviews in March and September, based on the constituents, shares in issue and free float on the next trading day following the third Friday of the review month.
- 5.2.2 Index reviews will incorporate constituent changes associated with reviews of the underlying universe.
- 5.2.3 The constituents of the FTSE Developed Eurozone Top 30 Family Owned Capped Index are capped semi-annually using prices available on the close on the second Friday of the review month, adjusted for corporate actions to the third Friday, and constituents, shares in issue and free float after the third Friday of the review month. The capping is implemented after the close of business on the third Friday of the review month.

### 5.3 Average daily trading volume (ADTV) screening

- 5.3.1 The eligible universe is screened for ADTV using one-month and six-month ADTV as of the last business day of February and August for the respective March and September reviews.
- 5.3.2 Companies must have ADTV greater than Euro 15m to be eligible for the index.

### 5.4 Membership ranking

- 5.4.1 The FactSet Family Ownership Score as of the last business day in February and August will be used for the respective index reviews in March and September.
- 5.4.2 Companies are ranked from largest to smallest by their FactSet Family Ownership Score and the top 30 are selected.
- 5.4.3 Where multiple companies have the same FactSet Family Ownership Score, and companies 30 and 31 have the same score, then the company with the largest investable market capitalisation is selected.
- 5.4.4 Where there are multiple lines of a company, the largest line ranked by investable market capitalisation will be selected to be included in the FTSE Developed Eurozone Top 30 Family Owned Capped Index.



5.4.5 FactSet identifies three types of direct investors in a company to aggregate percentage of shares owned by individual investors. Individual holders are considered as the best proxy for the calculation of the ownership of a company owned by families.

– Individuals (IND)

FactSet sums up the percentage ownership for all direct individual investors.

Individuals are defined as persons required to file with the exchange commission because they hold more than a certain percentage of a public company's stock. Also includes persons added to the database because of positions of responsibility with an institutional manager.

– Holdings (HLD)

Holdings are defined as entities created for fiscal reasons that controls one or several companies through the ownership of their stock. FactSet collects the holdings' holder information and sum up the percentage ownership for all direct individual investors in a holding. The aggregated number is then weighted by the percentage ownership of the holding.

– Public companies (PUB)

Public companies are defined as firms whose securities are available for purchase and sale in an open marketplace by any individual or firm. FactSet sums up the percentage ownership for all direct individual investors in a public company. The aggregated number is then weighted by the percentage ownership of the holding. Ownership is defined as shares held by the individual positions as a percent of total shares outstanding.

Then, the following mathematical calculations are applied by FactSet to obtain the family ownership score:

$$IND_{i,A} = \%Ownership\ of\ individual\ i\ in\ company\ A$$

$$HLD_{i,A} = \%Ownership\ of\ holding\ i\ in\ company\ A$$

$$PUB_{i,A} = \%Ownership\ of\ Public\ company\ i\ in\ company\ A$$

$$IND_{jHLD_i} = \%Ownership\ of\ individual\ j\ in\ holding\ i$$

$$IND_{jPUB_i} = \%Ownership\ of\ individual\ j\ in\ public\ company\ i$$

$$Family\ ownership\ score = \%Ownership\ of\ company\ A\ owned\ by\ families$$

$$= \sum_i IND_{i,A} + \sum_i \left( \sum_j IND_{jHLD_i} \right) HLD_{i,A} + \sum_i \left( \sum_j IND_{jPUB_i} \right) PUB_{i,A}$$

## 5.5 Capping methodology

5.5.1 The FTSE Developed Eurozone Top 30 Family Owned Capped Index is capped at the semi-annual review in March and September, with no stock having a weight greater than 10% of the index. Please refer to rules 4.1 and 4.4 of the FTSE Capping Methodology.

[Capping Methodology Guide.pdf](#)

## Section 6

# Changes to constituent companies

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## 6. Changes to constituent companies

### 6.1 Intra-review additions

- 6.1.1 Additions to the underlying index will be considered for inclusion in the FTSE Developed Eurozone Top 30 Family Owned Capped Index at the next periodic review.

### 6.2 Intra-review deletions

- 6.2.1 A constituent will be removed from the FTSE Developed Eurozone Top 30 Family Owned Capped Index if it is also removed from the underlying index. The deletion will be concurrent with its deletion from the underlying index.

## Section 7

# Corporate actions and events

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## 7. Corporate actions and events

7.1 If a constituent has a stock split, stock consolidation, rights issue, bonus issue, a change in the number of shares in issue or a change in free float (with the exception of tender offers), the constituent's weighting in the FTSE Developed Eurozone Top 30 Family Owned Capped Index remains unchanged pre and post such an event.

7.2 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 for Market Cap Weighted Indices.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); and
- 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.

### 7.3 Suspension of dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide for Market Capitalisation Weighted Indices.

### 7.4 Takeovers, mergers and demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Market Capitalisation Weighted Indices.

## Section 8

# Treatment of dividends

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## 8. Treatment of dividends

8.1 Declared dividends are used to calculate the FTSE Developed Eurozone Top 30 Family Owned Capped Index. All dividends are applied as at the ex-div date.

8.2 A net-of-tax total return index is also calculated based on dividends received following deduction of withholding tax at the rates applicable to a UK pension fund that benefits from double-taxation treaties.

Withholding tax rates used in the net-of-tax indices can be accessed using the following link:

[Withholding Tax Service](#)

Please also refer to the FTSE Russell Withholding Tax Guide, which can be accessed using the following link:

[FTSE\\_Russell\\_Withholding\\_Tax\\_Guide.pdf](#)

## Section 9

# Indices algorithm and calculation method

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## 9. Indices algorithm and calculation method

### 9.1 Prices

9.1.1 The FTSE Developed Eurozone Top 30 Family Owned Capped Index uses actual closing mid-market or last trade prices, where available, for securities with local market quotations. Further details can be accessed using the following link:

[Closing Prices Used For Index Calculation.pdf](#)

### 9.2 Calculation frequency

9.2.1 The FTSE Developed Eurozone Top 30 Family Owned Capped Index will be calculated on an end-of-day basis and displayed to eight decimal points.

### 9.3 Index calculation

The FTSE Developed Eurozone Top 30 Family Owned Capped Index is calculated using the algorithm described below:

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

Where:

- $i=1,2,\dots,N$ ;
- $N$  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 weight adjustment factor (WAF) 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; and
- $d$  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.

## 9.4 Decrement index calculation

9.4.1 Decrement by percentage is calculated as below:

$$ID(t) = ID(t - 1) \times \left[ \frac{I(t)}{I(t - 1)} - D \times \frac{ACT(t - 1, t)}{DAYCOUNT} \right]$$

Where:

- $I(t)$  is the FTSE Developed Eurozone Top 30 Family Owned Capped Index value at day  $t$ ;
- $D$  is the annualised decrement by percentage; and
- $ACT(t - 1, t)$  is the number of calendar days between Calculation Date  $t - 1$  (excluded) and calculation date  $t$  (included).

9.4.2 Decrement by points is calculated as below:

$$IP(t) = IP(t - 1) \times \frac{I(t)}{I(t - 1)} - P \times \frac{ACT(t - 1, t)}{DAYCOUNT}$$

Where:

- $I(t)$  is the corresponding FTSE Developed Eurozone Top 30 Family Owned Capped Index value at day  $t$ ;
- $P$  is the annualised decrement by index points; and
- $ACT(t - 1, t)$  is the number of calendar days between calculation date  $t - 1$  (excluded) and calculation date  $t$  (included).

9.4.3 The index parameters are listed below:

Decrement index	FTSE Developed Eurozone Top 30 Family Owned Capped Index	Decrement (p.a.)	Day count
FTSE Developed Eurozone Top 30 Family Owned Capped Decrement 5% Tax Index	FTSE Developed Eurozone Top 30 Family Owned Capped Index (net tax)	5%	365
FTSE Developed Eurozone Top 30 Family Owned Capped Decrement 50 Points Index	FTSE Developed Eurozone Top 30 Family Owned Capped Index (total return)	50 points	365

The FTSE Developed Eurozone Top 30 Family Owned Capped Decrement 50 Point Index had an initial index value of 1,000 as of 17 August 2021.

## Appendix A

# Further information

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A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link

[Glossary.pdf](#)

For further information on the FTSE Developed Eurozone Top 30 Family Owned Capped Index, visit [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/) or e-mail [info@ftserussell.com](mailto:info@ftserussell.com). Contact details can also be found on this website.

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