

FTSE Global Equal Opportunities Select Index -Index Methodology

v1.1

The FTSE Global Equal Opportunities Select Index is not, and is not intended to be, used by supervised entities in the European Union or the United Kingdom and accordingly, the European benchmark regulation* and the UK Benchmark Regulation# do not apply to the index. Consequently, supervised entities within the European Union and the United Kingdom are not permitted to use the index as a benchmark as set out in article 3(1)(7) of the European benchmark regulation.

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**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 Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019 (which amends the European benchmark regulation in the United Kingdom)



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1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and maintenance of the FTSE Global Equal Opportunities Select Index .
- 1.2 The FTSE Global Equal Opportunities Select Index captures the performance of stocks that tend to promote diversity and inclusion within the workplace. Some activities that are considered to be harmful for the environment and society are excluded.
- 1.3 The index tracks the price return of 30 publicly traded equities across the world that display relatively high Equal Opportunities scores, in addition to high dividend and low volatility. Some constraints apply at country and sector level.
- 1.4 The FTSE Global Equal Opportunities Select Index is float adjusted and market capitalisation weighted where each stock's weight in the index is proportional to its float-adjusted market value. The index has price return and total return variants available.

2. FTSE Russell

- 2.1 As part of the ongoing work to simplify its brand, London Stock Exchange Group (LSEG) announced that Refinitiv Benchmarks and Indices were moving to FTSE Russell branding with effect from November 2023. As part of the rebranding, the Refinitiv Global Equal Opportunities Select Index was renamed as the FTSE Global Equal Opportunities Select Index .
- 2.2 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, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings S.A.S.
- 2.3 LSEG holds a unique position within the global financial market, operating connected businesses to serve customers across the financial markets value chain.
- 2.4 The FTSE Global Equal Opportunities Select Index is calculated by FTSE Russell and will be made available to customers as part of their desktop licence through the LSEG Data & Analytics Platforms or subject to a separate licence agreement.
- 2.5 Neither FTSE International Limited nor Refinitiv Benchmark Services (UK) Limited nor any other member of the London Stock Exchange Group plc group of companies, is the benchmark administrator¹ of the FTSE Global Equal Opportunities Select Index .

3. Constituent universe

- 3.1 The constituents' universe is derived from FR Global Equity Index, which is called the parent index. The parent index is free float adjusted market capitalisation weighted index. It is a broad market index including large, mid and small caps. It has following inclusion criteria:
 - A minimum 15% free float (companies are dropped if free float falls below 10% after inclusion);
 - A minimum of 3 months trading history;
 - Companies with multiple international listings are included on the basis of country of incorporation, security's primary listing and volume. In most cases, the country of incorporation is same as primary

¹ As the term administrator is defined in the [IOSCO Principles for Financial Benchmarks](#) and [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).

listing. For few exceptions where the country of incorporation is not where the security has the primary listing, LSEG uses the security's primary listing to determine membership.

- Various liquidity measures are used to ensure illiquid companies are not included in the index, and all constituents need to satisfy the following criteria:
 - Be part of the top 99.5% of the free float market capitalisation of the exchanges under consideration;
 - Be part of the top 99.5% of the trading value of the exchanges under consideration;
 - Trade on at least 90% of trading days; and
 - Have a minimum unadjusted market cap of US\$150mn and free float adjusted market cap of US\$75mn

The parent index is rebalanced biannually every April and October.

For a complete description of the index rules, please refer to the methodology for FR Global Equity indices, [FR Equity Indices | LSEG](#)

3.2 Exclusions

To select the universe for the FTSE Global Equal Opportunities Select Index, the following exclusions apply:

1. As a very first step, the LSEG Global Index is filtered to include only companies with headquarters in the indicated Region below:
 - North America: United States, Canada;
 - Asia/Oceania: Hong Kong, Japan, New Zealand, Australia, Singapore;
 - Europe: Austria, Belgium, Czech Republic, Denmark, Finland, France, Hungary, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, United Kingdom.
2. The universe is as observed on the review effective date.

Companies for which no market capitalisation could be established are removed from the universe.
3. The following ESG exclusions apply:
 - a. UN Global Compact Violations
 - Companies subject to any recorded controversy with regards to Anti-Competition, Business Ethics, Child Labour, Critical Countries, Diversity Opportunities, Environment, Freedom of Association, Human Rights, Public Health, Working Condition or Collective Bargaining, as assessed by LSEG, are excluded from the universe.
 - Companies subject to any recorded recent controversy with regards to Anti-Competition, Business Ethics, Child Labour, Critical Countries, Diversity, Environment, Human Rights, Public Health or Working Condition, as assessed by LSEG, are excluded from the universe.
 - If an indicator has missing information for a stock, then the company is assumed not to be involved in any controversy with regards to this indicator.
 - b. Weapons
 - Companies involved in production, manufacturing or sale of Armaments, Anti-personnel Land Mines, Cluster Bombs, or where any revenue is derived from Armaments, as assessed by LSEG, are excluded from the universe.
 - If an indicator has missing information for a stock, then the company is assumed not to be involved in the corresponding activity.
 - Companies in the TRBC category 52101010 (Aerospace & Defense) are also excluded from the universe.

c. Tobacco

- Companies involved in production, manufacturing or sale of Tobacco, or where any revenue is derived from Tobacco, as assessed by LSEG, are excluded from the universe.
- If an indicator has missing information for a stock, then the company is assumed not to be involved in the corresponding activity.
- Companies in the TRBC category 54102030 (Tobacco) are also excluded from the universe.

d. Coal

- Companies with any revenue from the following NAICS 1997 codes² are excluded:
 - 212111 Bituminous Coal and Lignite Surface Mining
 - 212112 Bituminous Coal Underground Mining
 - 42152 Coal and Other Mineral and Ore Wholesalers
 - 2121 Coal Mining
 - 21211 Coal Mining
 - 213113 Support Activities for Coal Mining

If an indicator has missing information for a stock, then the company is assumed not to derive any revenue from this activity.

- Companies in the TRBC categories 50101010 (Coal) and 5120102012 (Coke Coal Mining) are excluded from the universe.

e. Conventional & Unconventional Oil & Gas

- Companies with any revenue from the following NAICS 1997 codes are excluded:
 - 21111 Oil and Gas Extraction
 - 2111 Oil and Gas Extraction
 - 211 Oil and Gas Extraction
 - 333132 Oil and Gas Field Machinery and Equipment Manufacturing
 - 4861 Pipeline Transportation of Crude Oil
 - 48611 Pipeline Transportation of Crude Oil
 - 213112 Support Activities for Oil and Gas Operations

If an indicator has missing information for a stock, then the company is assumed not to derive any revenue from this activity.

- Companies in the TRBC categories 501020 (Oil & Gas) and 501030 (Oil & Gas Related Equipment and Services) are excluded from the universe.

f. Power Generation

- For companies in TRBC category 591010 (Electric Utilities & IPPs), only companies with a carbon intensity at or below 315 gCO₂/kWh, as assessed by LSEG, are retained. Companies in this category where the carbon intensity could not be calculated are excluded.
- Companies of which more than 30% of the power production is based on Nuclear Sources are excluded. If this indicator has missing information for a stock, then the company is assumed not to be involved in this activity.
- Companies in the TRBC categories for 5910101012 and 5910102011 (Fossil Fuel Electric Utilities, Fossil Fuel IPPs) are excluded from the universe.

² Full details on the North American Industry Classification System can be found here: https://www.census.gov/eos/www/naics/reference_files_tools/1997/1997.html.

g. Gambling

- Companies involved in Gambling, or where any revenue is derived from Gambling, as assessed by LSEG, are excluded from the universe.
- If an indicator has missing information for a stock, then the company is assumed not to be involved in the corresponding activity.
- Companies in the TRBC category 53301030 (Casinos and Gaming) are also excluded from the universe.

h. Adult Entertainment

- Companies involved in Pornography, as assessed by LSEG, are excluded from the universe.
- If an indicator has missing information for a stock, then the company is assumed not to be involved in the corresponding activity.
- Companies in the TRBC categories 5330203016 (Adult Entertainment Production and Broadcasting), 5330204016 (Adult Publishing) and 5340309025 (Adult Products Retailers) are also excluded from the universe.

4. Multiple Issue filter: based on company code, take the issue with the highest average traded value.
5. Known dual listings filter: based on a curated list, take the issue with the highest average traded value. Known dual listings—historical and current—are BHP, HSBC, Reed Elsevier, Rio Tinto, Royal Dutch Shell, LSEG, UBS, and Unilever. The HK HSBC listing is removed, in preference to the London listing.
6. The Equal Opportunities score is computed as the average of the four pillars (PEOPLE.DEVELOPMENT.SCORE, INCLUSION.SCORE, DIVERSITY.SCORE, and CONTROVERSY.SCORE), with a score of 0 for a specific pillar when no usable data in any of the KPIs involved in calculating that pillar is available. Companies with a value of 0/NA are screened out.
7. The top 600 stocks by free float market capitalisation per region (Europe, North America, Asia-Oceania) are kept, meaning 1800 stocks in total. In case there are several companies with the same FFMC ranked 600th within each region, the selection between those specific companies is based on the highest ADTV, such that 600 companies are selected for this region. This will be called the Base Universe.

4. Construction methodology

4.1 Universe

The Index Universe is made of companies from countries as described in section 3.1 and 3.2

The universe is as observed on the review effective date.

4.2 Data

All stocks in the base universe are first screened for the following indicators:

1. Average daily traded volume (ADTV) in EUR, calculated over the three month period ending on the review cut-off date.
2. LSEG Diversity, Inclusion, People Development and News & Controversies scores. For details, please refer to the link on scores methodology: [ESG Scores | LSEG](#)
3. 1-year realised net dividend yield
4. 3-months and 1-year historical volatility in EUR. Maximum between 3-months and 1-year volatility in EUR is to be considered.

All values above are observed as of the cut-off date.

If the ADTV or the historical volatility of a stock has missing information, then the company is removed from the base universe.

If the LSEG Diversity, Inclusion, People Development and News & Controversies scores or the dividend yield of a stock has missing information, then zero is substituted for that indicator.

4.3 Composition list

1. All eligible stocks with ADTV smaller than EUR 5mn are removed from the universe.
2. All eligible stocks are sorted in descending order in terms of the Equal Opportunities score, and the Top 900 companies are selected. In case there are several companies with the same score ranked 900th, the selection between those specific companies is based on the highest ADTV, such that 900 companies are selected in total.
3. The Equal Opportunities score is computed as the average of the four pillars (PEOPLE.DEVELOPMENT.SCORE, INCLUSION.SCORE, DIVERSITY.SCORE, and CONTROVERSY.SCORE), with a score of 0 for a specific pillar when no usable data in any of the KPIs involved in calculating that pillar is available.
4. Subsequently, the stocks are ranked in descending order in terms of 1-year realised net dividend yield, and the top 150 companies are selected. In case there are several companies with the same net dividend yield ranked 150th, the selection between those specific companies is based on the highest ADTV, such that 150 companies are selected in total. The final selection is made of 30 stocks selected the following way:
 - a. The remaining stocks are sorted (ascending) by net dividend yield, and:
 - The top 5 candidates from the US are selected in the final composition (max of two instruments in any one economic sector).
 - The top 3 candidates from Asia region are selected in the final composition (max of two instruments in any one economic sector).
 - The top 3 candidates from Europe region are selected in the final composition (max of two instruments in any one economic sector).
 - b. The remaining 19 stocks are selected by ensuring the following constraints are met:
 - Economic Sector filter. For each TRBC economic sector, if there are more than 6 candidates—remove all but the top 6 (ordered by previous selection, and then by volatility).
 - Final selection is made of remaining 19 constituents with lowest volatility, while ensuring that each region has a maximum of 15 instruments, and the country maximums listed in Appendix I are observed.
5. If a 30 constituent set cannot be constructed with these constraints, step iii is iterated with an increase of the upper limit by 1 until 30 stocks are selected.

4.4 Weighting scheme

The index components are weighted according to the inverse of their volatility.

$$w_i = \frac{\frac{1}{\sigma_i}}{\sum_{j=1}^{30} \frac{1}{\sigma_j}}$$

Where:

w_i = weight of component i

σ_i = maximum between the 3 months and 12 months historical volatility of component i

4.5 Security types

Only the common stocks types are included in the Index. When multiple listings of a candidate stocks are available, the constituent selected is the one with the highest average traded value.

4.6 Country Designation

Issues are assigned to a country based on their country of exchange.

4.7 Base values and Inception date

100, on 21/12/2007

4.8 Index live date

August 2nd 2018

4.9 Index types, currencies, calculation frequency

Price return and Total return in EUR, ticks real time, pricing every 15 seconds.

4.10 Index RICs

- . TRGEOSE1- FTSE Global Equal Opportunities Select Index
- . TRGEOSET1- FTSE Global Equal Opportunities Select Total Return Index

5. Calculation methodology

5.1 The FTSE Global Equal Opportunities Select Index is calculated using the FR Global Equity Indices methodology. For further information, please see the Global Equity Indices methodology: [FR Equity Indices | LSEG](#).

5.2 Corporate action rules follow the FR Global Equity Indices methodology. A forward-looking corporate actions file is available upon request. For details on corporate action treatment for the indices, please refer to the detailed corporate actions methodology document: [FR Global Equity Indices Corporate Actions Methodology \(lseg.com\)](#).

6. Index Maintenance and Rebalance

6.1 The securities which form the Index are re-weighted due to changes in the price of the underlying securities change.

The index is maintained on a daily basis by a dedicated support team. This team is in direct collaboration with the LSEG Data Operations Global Corporate Actions teams, and is responsible for identifying all corporate action events that affect the capital structure of a constituent in the index including stock splits, delisting, and symbol changes and ensure these changes are implemented into the index. The team also monitors divisor movements and performs constituent pricing comparisons between independent constituent price sources to ensure the accuracy of the index return values. Where a security in the Index is subject to a merger or acquisition activity or delisting, the security will be deleted from the Index as set out in the Corporate Action Methodology.

6.2 Rebalance cut-off dates are quarterly i.e. end of February, May, August, November with an effective date of third Friday in following month.

This rebalance is the major source of additions and deletions to index. There are no additions to the Index outside of the rebalance process.

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- 6.3 Removal of index constituents due to trading suspension - If an index constituent is suspended for trading for minimum 40 trading days, it is removed from the index, with no replacements and without any consideration to add them back if their trading resumes between rebalances. They may become candidates in next rebalance and will be evaluated like other candidates for inclusion in the index.

7. Quality control

- 7.1 Quality control procedures are in place to monitor any prices – whether they are obtained from a regulated exchange or another market – prior to calculation of indices, as well as prior to publication.

7.2 Error reporting

- 7.2.1 The Index Action Committee (see section “Governance” below) may determine if a retrospective recalculation is required.
- 7.2.2 A retrospective recalculation will only be made when there has been a material error. The feedback from the stakeholders may also be sought.
- 7.2.3 Any retrospective recalculation will be notified to users via the alert system on LSEG Eikon.

7.3 Insufficient data and market disruption

- 7.3.1 The FTSE Global Equal Opportunities Select Index is based on equity prices published by the exchange (in the country of domicile) for each equity. Each exchange is a regulated marketplace and a well-established supplier of equity price discovery.
- 7.3.2 In the event that certain data is not available in time to publish the FTSE Global Equal Opportunities Select Index as indicated in the methodology, or if the index cannot be published at all over one or more planned publication times, a new publication time will be communicated to subscribers and licensors of the index.
- 7.3.3 Should a period of market stress or a disruption affect the calculation of the index, FTSE Russell reserves the right to take any action with respect to the index it deems appropriate given the circumstances, subject to the index governance procedures (see section “Governance” below). FTSE Russell will first consider the effectiveness of the actions taken by each primary exchange in producing the equity prices used in the index calculation.
- 7.3.4 If additional action is required by FTSE Russell it will attempt to notify interested parties of any such action with as much notice as is practical. There is no assurance, however, that the actions taken by FTSE Russell in response to such a period of market stress or disruption will not have an adverse effect on the value of the index or the manner in which it is calculated.

7.4 Cessation of an index

- 7.4.1 In the event that FTSE Russell determines that the calculation of the index should be ceased, a notice will be published via LSEG Eikon, an LSEG desktop product.

8. Governance

- 8.1 The FTSE Global Equal Opportunities Select Index is calculated and managed by FTSE Russell which makes all decisions regarding index calculations and changes to the index methodology.

8.2 Index team

- 8.2.1 The Index team is responsible for the maintenance, calculation and distribution of the FTSE Global Equal Opportunities Select Index as set out in this methodology.

8.3 Index Action Committee

8.3.1 The IAC is an internal group of subject matter experts (indices as well as asset classes) that provide advice related to methodology interpretation or changes.

8.4 Methodology review

8.4.1 The FTSE Global Equal Opportunities Select Index methodology is reviewed once a year and, if required by market events, more frequently.

8.4.2 Any changes to the methodology are approved by the IAC and will be announced prior to implementation. All reasonable efforts will be made to provide at least one month's notice of any such changes prior to their implementation.

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EMEA +44 (0) 20 7866 1810

North America +1 877 503 6437

Asia-Pacific

Hong Kong +852 2164 3333

Tokyo +81 3 6441 1430

Sydney +61 (0)2 7228 5659



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