

# FTSE Global Resource Protection Select Index -Index Methodology

v1.1

The FTSE Global Resource Protection 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 Resource Protection Select Index .
- 1.2 The FTSE Global Resource Protection Select Index captures the performance of stocks that tend to reduce the use of materials, energy or water, and to find more eco-efficient solutions by improving supply chain management. The index uses Resource Use Scores under ESG methodology to capture these criteria. The index excludes industries like Tobacco and Coal and also excludes companies that are in the business of Unconventional Oil & Gas Production and Drilling or are in the business of Arms & Ammunitions Manufacturing or Manufacturing for Military.
- 1.3 The index tracks the price return of 30 publicly traded equities across the world that display relatively high Resource Use scores, in addition to high dividend and low volatility.
- 1.4 The FTSE Global Resource Protection Select Index is float adjusted and market capitalization 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 Resource Protection Select Index was renamed as the FTSE Global Resource Protection 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 Resource Protection 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 administrator<sup>1</sup> of the FTSE Global Resource Protection Select Index .

## 3. Constituent universe

- 3.1 The constituents' universe is derived from FR Europe Index, FR Americas Index and FR Asia Index, which jointly are called the parent index for FTSE Global Resource Protection Select 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;

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<sup>1</sup> 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).

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- 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 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 Resource Protection Index, the following exclusions apply:

- i) As a very first step, exclude securities from following TRBC<sup>2</sup> industries and activities:
  1. Industries:
    - a. Tobacco
    - b. Coal
  2. Activities:
    - a. Unconventional Oil & Gas Production
    - b. Unconventional Oil & Gas Drilling
    - c. Arms & Ammunitions Manufacturing
    - d. Military Aircraft Manufacturing
    - e. Military Vehicles Manufacturing
    - f. Military Clothing & Accessories
- ii) Remove HSBC's Hong Kong listing.
- iii) Apply multiple issues/listings filter.
- iv) Apply dual listing filter.

The composition obtained represents the Parent Index.

## 4. Construction methodology

### 4.1 Universe

The Index Universe is made of companies that fulfil the following criteria within the indicated Region below:

1. Asia:

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<sup>2</sup> Parent index follows Thomson Reuters Business Classification (TRBC) Sector Schema. For detail on TRBC, click [here](#).

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The 600 companies with the highest Free Float Market Capitalizations from the Parent Index that are members of the FR Asia Pacific Index and that are listed in Australia, Japan, Hong Kong, New Zealand or Singapore are included in the Index Universe.

2. Europe:

The 600 companies with the highest Free Float Market Capitalizations from the Parent Index that are members of the FR Europe Index are included in the Index Universe.

3. North America:

The 600 companies with the highest Free Float Market Capitalizations from the Parent Index that are members of the FR Americas Index are included in the Index Universe.

With 600 stocks from each region, the total Index Universe includes 1800 companies.

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 Resource Use Scores. For details, please refer to the link on scores methodology: [ESG Scores | LSEG](#)
3. 12-month historical dividend yield
4. 3-month and 12-month historical volatility

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 Resource Use score 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. Next, remaining stocks are sorted based on their LSEG Resource Use scores, and the top 900 stocks with highest scores are selected.  
In case two companies for a given cut-off date have identical LSEG Resource Use scores, priority goes to the stock with the highest dividend yield.
3. Next, remaining stocks are sorted in descending order in terms of 12-month historical dividend yield and the top 120 (highest dividend yield) stocks are selected.
4. Next, stocks are sorted in ascending order in terms of volatility (maximum between the 3-month and 12-month historical volatility). For each economic sector, maximum 7 stocks are kept and for each country, maximum 5 stocks are kept. In both, selection is based on lowest volatility.

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5. The final index composition is obtained by keeping the 30 stocks with the lowest volatilities.

#### 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

$\sigma_i$  = 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

July 10<sup>th</sup> 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

.TRGRPSE1- FTSE Global Resource Protection Select Index

.TRGRPSET1- FTSE Global Resource Protection Select Total Return Index

## 5. Calculation methodology

- 5.1 The FTSE Global Resource Protection 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

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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.

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 Resource Protection 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 Resource Protection 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.

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## 8. Governance

8.1 The FTSE Global Resource Protection 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 Resource Protection 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 Resource Protection 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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