

# FTSE Satrix South Africa Inclusion & Diversity Index – Index Methodology

v1.1

This index is administered by Refinitiv India Private Limited and is permitted for use as a benchmark in the European Union and United Kingdom under the Transitional Provision Regime of the EU Benchmark Regulation and the UK Benchmark Regulation respectively.

*[\\*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 Satrix South Africa Inclusion & Diversity Index.
- 1.2 FTSE Satrix South Africa Inclusion & Diversity Index offers an innovative benchmark for investors wishing to commit capital to companies that actively invest in and promote diversity & inclusion (D&I) values and principles in the running of their businesses. The index utilises the Diversity and Inclusion scores of constituents of parent index, and the final index selection reflects the principles and impact of inclusion & diversity.
- 1.3 The index tracks the total return of selected publicly traded equities in South Africa that display relatively high Inclusion and Diversity scores.

## 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 Satrix South Africa Inclusion & Diversity Index was renamed as the FTSE Satrix South Africa Inclusion & Diversity 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 Satrix South Africa Inclusion & Diversity 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 Satrix South Africa Inclusion & Diversity Index.

## 3. Constituent universe

- 3.1 The constituents' universe includes Equities and Global Depository Receipts traded on Johannesburg Stock Exchange. To construct the parent index, the universe then follows rules applied to FR Global Equity Indices (FRGEI), which are free float adjusted market capitalisation weighted indices, with the 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 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.

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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).

- 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 80% 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 follows the same rebalance schedule as FTSE Satrix South Africa I&D Index.

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

## 4. Construction methodology

### 4.1 Universe

The Index Universe is made of companies as described in section 3.1.

The universe is as observed on the review effective date.

### 4.2 Data

Below data points are collected for all stocks in the base universe:

- i. ESG diversity and inclusion pillar and composite scores: Using LSEG ESG scores available on LSEG products. For more information on retrieving this data and how the data is collected and calculated, please refer to the document [here](#). The FR South Africa I&D Index uses the same methodology as FTSE D&I index, except for BBBEE scores that are unique to South Africa and are used in FR South Africa I&D Indexes as a part of the Inclusion pillar.
- ii. TRBC: The Reference Data Business Classification. For details on TRBC, please see [TRBC Sector Classification | LSEG](#).
- iii. Share type: The common stocks and Global Depository Receipts trading on Johannesburg Stock Exchange.
- iv. Market capitalisation: As defined and described in section 3.1 for constituents' universe.
- v. Average traded value: As defined and described in section 3.1 for constituents' universe.
- vi. ESG controversies: for details on Controversies Scores, please see ESG Scores Methodology available at [LSEG ESG Scores Methodology](#).
- vii. BBBEE scores: Level of Broad-Based Black Economic Empowerment (BBBEE) for the South African companies, where level 1 is highest, and level 8 is lowest. BBBEE scores are part of LSEG's ESG offering. The specific data element is TR.BBBEELevel, and can be retrieved from LSEG's flagship data product Eikon.

### 4.3 Composition list

- i. Remove companies for which a market cap could not be established in the parent index as of the parent index rebalance date.
- ii. Index-specific filter
  - Remove all companies where ESG Controversies scores less than or equal to 8.3333 (D-)<sup>2</sup>.
  - Note that companies with a Controversies score of NA can pass the filter.

<sup>2</sup> For details on ESG Controversies Scores and their calculation, please refer LSEG's ESG Scores Methodology at [LSEG ESG Scores Methodology](#).

- Incorporate BBBEE score into I&D Inclusion pillar score.
- Replace all BBBEE scores of NA with 8 (the lowest score on the 1-8 scale). NAs means BBBEE score of that particular company is not available, which means not reported by company.
- Convert BBBEE scores from 1-8 to 100-0:
  - Create a weighted mean of Inclusion pillar score and scaled BBBEE score.
- Create the ESG average score, by taking the mean of:
  - D&I Controversies pillar score,
  - D&I Diversity pillar score,
  - D&I People Development pillar score, and
  - D&I Inclusion pillar score.
- If Mondi and/or Investec listings for both Johannesburg and London are present, retain only the London listings.
- Rank candidates by the ESG average score (descending) and take the top 30. If fewer than 30 candidates are available, take all candidates.
- Create a liquidity factor (intended as a proxy “Shareholder Weighting Factor”):
  - Calculated the average traded value percentage of free float market cap.
  - Calculate the quartile breaks for this percentage.
  - Determine each candidate’s liquidity factor, based on quartile breaks.
- Calculate final weights:
  - Determine weight based upon free float market cap.
  - Adjust weights based on liquidity factor.
  - Re-normalise (so that weights equal 1 [100%]).
  - Check sector capping – maximum 30% for any sector – and adjust weight as necessary. Any excess weight is allocated proportionally to sectors that have not been capped.
  - Check individual weight capping – maximum 10% for any individual equity – and adjust weight as necessary. Any excess weight is allocated proportionally to individual constituents that have not been capped.

#### **4.4 Security types**

The common stocks and Global Depository Receipts trading on Johannesburg Stock Exchange 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.

#### **4.5 Base values and inception date**

100, on 30<sup>th</sup> September 2009

#### **4.6 Index live date**

14<sup>th</sup> May 2021

#### **4.7 Index types, currencies, calculation frequency**

Price and Total return currency: ZAR.

Ticks real time, pricing every 15 seconds,

Calendar: Johannesburg Trading Calendar.

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## 4.8 Index RICs

.RFSZADIP1- FTSE Satrix South Africa I&D Price Return Index

.RFSZADIT1- FTSE Satrix South Africa I&D Total Return Index

## 5. Calculation methodology

5.1 The FTSE Satrix South Africa Inclusion & Diversity 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 FTSE Satrix South Africa Inclusion & Diversity Index rebalances bi-annually – i.e., after close of business on last trading day of March and September.

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

## 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 Satrix South Africa Inclusion & Diversity Index is based on equity prices published by the exchange (in the country of domicile) for each equity. The exchange is a regulated marketplace and a well-established supplier of equity price discovery.

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- 7.3.2 In the event that certain data is not available in time to publish the FTSE Satrix South Africa Inclusion & Diversity 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 Satrix South Africa Inclusion & Diversity 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 Satrix South Africa Inclusion & Diversity 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 Satrix South Africa Inclusion & Diversity 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

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