

# REFINITIV GLOBAL EQUAL OPPORTUNITIES SELECT INDEX

## Index Methodology

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## Intended Readership

This document provides details on the construction and maintenance of the Refinitiv Global Equal Opportunities Select Index.

## Document Publication

This document is available on the Refinitiv website and on request.

## Feedback

Your questions about the document, suggestions, and contributions are welcome. Please address enquiries to: [IndexManagers@Refinitiv.com](mailto:IndexManagers@Refinitiv.com)

# 1. INTRODUCTION

## 1.1 Refinitiv Indices

Serving more than 40,000 institutions in over 190 countries, Refinitiv provides information, insights and technology that drive innovation and performance in global financial markets. Our heritage of integrity enables our customers to make critical decisions with confidence while our best-in-class data and cutting-edge technologies enable greater opportunity.

We enable the financial community to trade smarter and faster, overcome regulatory challenges, and scale intelligently.

Refinitiv provides trusted and innovative indices and index-related services to the investment community. Whether one requires indices for benchmarking, or for the development of investment vehicles, Refinitiv offers a range of index solutions to satisfy the requirements.

## 1.2 Index Family

The Refinitiv Global Equal Opportunities Select Index captures the performance of stocks that tend to promote diversity and inclusion within the workplace. Some activities that are harmful for the environment and society are excluded.

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.

## 1.3 The Index

The Refinitiv Global Equal Opportunities 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.

## 1.4 Constituent Universe

The constituents' universe is derived from Refinitiv Global Equity Index, which will be called parent index. The parent index is free float adjusted market capitalization weighted indices. The parent index is a broad market index including large, mid and small caps. They have 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, Refinitiv 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 Refinitiv Global Equity indices, [here](#)

## 1.5 Exclusions

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

- i) As a very first step, the Refinitiv 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.
- ii) The universe is as observed on the review effective date.  
Companies for which no market capitalisation could be established are removed from the universe.
- iii) 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 Refinitiv, 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 Refinitiv, 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 Refinitiv, 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 Refinitiv, 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 codes<sup>1</sup> 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

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<sup>1</sup> 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](https://www.census.gov/eos/www/naics/reference_files_tools/1997/1997.html)

- 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 gCO<sub>2</sub>/kWh, as assessed by Refinitiv, 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.

g. Gambling

- Companies involved in Gambling, or where any revenue is derived from Gambling, as assessed by Refinitiv, 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 Refinitiv, 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.
- iv) Multiple Issue filter: based on company code, take the issue with the highest average traded value.
- v) 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, Refinitiv, UBS, and Unilever. The HK HSBC listing is removed, in preference to the London listing.
- vi) 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.
- vii) 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.

## 2. CONSTRUCTION METHODOLOGY

### 2.1 Base Universe

The Base Universe is built as described in section 1.4.

The universe is as observed on the review effective date.

### 2.2 Data

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

- i) Average daily traded volume (ADTV) in EUR, calculated over the three month period ending on the review cut-off date.
- ii) Refinitiv Diversity, Inclusion, People Development and News & Controversies scores. For details, please refer to the link on rating methodology:  
<https://financial.thomsonreuters.com/content/dam/openweb/documents/pdf/financial/diversity-inclusion-rating-methodology.pdf>
- iii) 1-year realised net dividend yield
- iv) 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 Refinitiv 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.

### 2.3 Composition list

- i) All eligible stocks with ADTV smaller than EUR 5mn are removed from the universe.
- ii) 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.

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.



- iii) 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.
- iv) 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.
- v) 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.

## 2.4 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

## **2.5 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.

## **2.6 Country Designation**

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

## **2.7 Base values and dates**

100, on 21/12/2007

## **2.8 Inception date**

02/08/2018

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

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

### **3. CALCULATION METHODOLOGY**

The index follows the methodology of Refinitiv Global Equity Indices. For details on data requirement, construction and calculation methodology of Refinitiv Global Equity Indices, please refer Refinitiv Global Equity indices Methodology document [here](#).

## **4. MAINTENANCE**

### **4.1 Daily Index Maintenance**

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 Refinitiv 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 Refinitiv Corporate Action Methodology that is available [here](#).

### **4.2 Index Rebalance**

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 re-balance process.

## **5. Quality Control**

### **5.1 Quality Control**

Refinitiv has quality control procedures in place to monitor any prices, whether they are obtained from a regulated exchange or other market, prior to calculation of indices as well as prior to publication.

### **5.2 Re-Statement Policy**

A retrospective recalculation will only be made when a manifest and material error has been identified. Any retrospective recalculation will be notified to users via the alert system on Refinitiv Eikon.

### **5.3 Insufficient Data and Market Disruptions**

Refinitiv endeavors to develop and publish indices only where Refinitiv has a high level of confidence of long-term availability and access to the necessary data to administer the indices.

A “Market Emergency” is herein defined as any unscheduled and extraordinary condition in which liquidity in the markets used to source input data is interrupted (such as an event resulting in the unscheduled closing of futures exchanges). Should a Market Emergency occur, Refinitiv reserves the right to take such action with respect to the Index as it deems appropriate given the circumstances and after consulting with the Index Action Committee as appropriate.

Refinitiv will attempt to notify interested parties of any such actions as well in advance as is practicable. There is no assurance, however, that following a Market Emergency, the actions taken in response to such Market Emergency, or any other force majeure event, will not have an adverse effect on the value of the Index or the way it is calculated.

## 6. GOVERNANCE

There is a committee to oversee the Index at Refinitiv Index Business that constructs the index, and ensures that the attributes the index claims to possess are indeed present. This committee also owns index rebalances.

### 6.1 Index Action Committee

There is an internal index action committee (IAC) at Refinitiv Indices. The IAC reviews country and region indices and rebalances. It is composed of the Refinitiv Equity Indices Benchmarks Manager, Refinitiv Commodity Indices Benchmarks Manager, Head of FX Benchmarks Research & Design, Development Manager and Head of Data Operations.

The main activity of this Index Action Committee is to insure that the attributes the index claims to possess – the necessary liquidity, capitalization assignment (large, mid or small-cap) or style considerations – are indeed present. These reviews take place at each rebalance and at each quarterly review. The Index Action Committee also deals with unusual corporate actions which are not handled by the pricing methodology or by the internal data management team that makes hand- adjustments to the index for items such as mergers and delistings. These reviews take place on a monthly or more frequent basis. Finally, as each index needs a minimum number of constituents in order for its price to be computed, the Index Committee decides if an index should be discontinued or possibly resurrected. This decision will normally be made during the rebalance period but could happen more often.

### 6.2 Benchmark Manager

The Benchmark Manager is a subject matter expert and is responsible for the integrity and quality of the Index which includes the following specific responsibilities:

- Interpreting the Index Methodology and implement the change procedure (if any)
- Reviewing feedback received from the Index stakeholders.
- Developing and implementing changes to the Index Methodology pursuant to feedback from Index stakeholders or in response to market events, subject to Section 7.2, Cessation of an Index.
- Managing interaction with Index stakeholders

### 6.3 Index Stakeholder Feedback

The Benchmark Manager may seek the views of market participants and other Index stakeholders on a bilateral basis from time to time or through one or more Index Advisory Groups. Issues on which the Benchmark Manager may consult Index stakeholders include conditions in the underlying markets that the Index represents, the representativeness of the input data used in the determination of the Index, the performance of the index with respect to the underlying markets that it represents, potential changes to the index calculation methodology, the weight calculation algorithm and exceptional market events.

## **7. METHODOLOGY REVIEWS AND CHANGE PROCEDURES**

### **7.1 Review of the Methodology**

The Refinitiv Global Equal Opportunities Select Index Methodology is reviewed once a year and, if required by market events, more frequently. Any potential changes to the Methodology are reviewed by the Index Action Committee.

### **7.2 Cessation of An Index**

Refinitiv aims not to stop the publication of any index that is used as a benchmark.

For those cases where Refinitiv does decide to stop the publication of an index, Refinitiv will look to find a suitable successor to its role as Administrator of the index. Should no successor be found, Refinitiv will conduct a consultation with any relevant stakeholders, the Index Action Committee and the Refinitiv Independent Oversight Committee. Refinitiv will publish a notice on its website about the possibility of stopping the publication of the Index and inviting anyone to provide feedback.

Such notice will be posted at least 6 months, where possible, prior to cessation of publication of the index, or on a best efforts basis for circumstances beyond the control of Refinitiv. After the consultation period, Refinitiv will publish externally the timeline for cessation. Internally, detailed operating procedures will be drafted to ensure a managed cessation.

## 8. Definitions

The realised net dividend yield is calculated as 1 minus the withholding tax rate applicable in the country where the company is listed, times the realised gross dividend yield. Please refer to the applied country-wise withholding tax rates in Appendix-II.



## 9. Appendix

### Appendix I: Maximum number of constituents for member countries

Country	# of Constituents	Country	# of Constituents	Country	# of Constituents
United States	15	Canada	4	United Kingdom	3
Finland	3	Switzerland	4	Italy	3
France	4	Spain	3	Germany	4
Netherlands	3	Belgium	3	Sweden	3
Poland	3	Ireland	3	Denmark	3
Norway	3	Austria	3	Portugal	3
Hungary	3	Czech Republic	3	Japan	6
Hong Kong	3	Australia	4	Singapore	3
New Zealand	3	Luxembourg	3		

## Appendix II: Country level withholding tax rates

Country	Rate	Country	Rate	Country	Rate	Country	Rate
Argentina	7%	Australia	30%	Austria	27.50%	Bahrain	0%
Belgium	30%	Bolivia	12.50%	Brazil	0%	Bulgaria	5%
Canada	25%	China	10%	Columbia	35%	Czech Republic	15%
Denmark	27%	Egypt	10%	Finland	20%	France	30%
Germany	26.38 %	Greece	15%	Great Britain	0%	Hong Kong	0%
Hungary	0%	Iceland	20%	India	0%	Indonesia	20%
Ireland	20%	Israel	25%	Italy	26%	Japan	20%
Korea	22%	Kuwait	0%	Luxembourg	15%	Malaysia	0%
Mexico	10%	Monaco	0%	Morocco	15%	Netherlands	15%
New Zealand	30%	Nicaragua	15%	Norway	25%	Pakistan	20%
Panama	10%	Paraguay	15%	Peru	5%	Philippines	30%
Poland	19%	Portugal	25%	Puerto Rico	10%	Qatar	0%
Romania	5%	Russia	15%	Saudi Arabia	5%	Singapore	0%
South Africa	20%	Spain	19%	Sweden	30%	Switzerland	35%
Taiwan	21%	Thailand	10%	Turkey	15%	Ukraine	15%
UAE	0%	US	30%	Venezuela	34%	Vietnam	5%
Zimbabwe	10%						

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