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The Refinitiv logo, which is a blue stylized 'R' shape composed of two L-shaped elements: one on the left and one on the right, both pointing towards the bottom-right.

# Thomson Reuters Global Equal Opportunities Select Index

## Index Methodology

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### Intended Readership

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

### Feedback

Your questions about the document, suggestions, and contributions are welcome. Please address enquiries to: [index\\_queries@thomsonreuters.com](mailto:index_queries@thomsonreuters.com)



## INTRODUCTION

### Thomson Reuters Indices

Refinitiv is world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets, powered by the world's most trusted news organization.

Refinitiv provides trusted and innovative indices and index-related services to the investment community.

Whether you require indices for benchmarking, or for the development of investment vehicles, Refinitiv offers a range of index solutions to satisfy your requirements.

### Index Description

The Thomson Reuters 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.

### Constituent Universe

#### Parent Index

The constituents' universe is derived from Thomson Reuters Global Index. This index is a free float adjusted market capitalization weighted index, including large, mid and small caps, 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, 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 along with other Thomson Reuters Global Equity Indices.

For a complete description of the index rules, please refer to the methodology for Thomson Reuters Global Equity indices, [here](#)

### **Exclusions from the Parent Index**

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

- i) As a very first step, the Thomson Reuters 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.

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, Thomson Reuters, UBS, and Unilever. The HK HSBC listing is removed, in preference to the London listing.

- v) The Equal Opportunities score is computed as the average of the four pillars (PEO-PLI.DEVELOPMENT.SCORE, INCLUSION.SCORE, DIVERSITY.SCORE, and CONTROVERSITY.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.
- vi) 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 600<sup>th</sup> 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**.

## Thomson Reuters Global Equal Opportunities Select Index

### Index Methodology

#### Base Value and Inception Date:

100, on 21/12/2007

#### Index types, currencies, calculation frequency and calendar:

Price return in EUR, ticks real time, pricing every 15 seconds, follows United Kingdom trading calendar.

#### Selection list:

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) Thomson Reuters 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 Thomson Reuters 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.

### **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 900<sup>th</sup>, 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 150<sup>th</sup>, 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.

### 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 in EUR of component i

## Calculation Methodology

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

## Maintenance

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

## **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.

## **Governance**

There is a committee to oversee the Index at Thomson Reuters 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.

### **Index Action Committee at Thomson Reuters Indices**

There is an index action committee (IAC) for Thomson Reuters Indices that oversees the Index. It is composed of the Thomson Reuters Equity Indices Index Manager, Thomson Reuters Commodities Index Manager, Head of Index Research and Design, Head of Product Management, Head of Data Operations and the Head of Technology.

The main activity of this Index Action Committee is to ensure that the attributes the index claims to possess – are indeed present. 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 quarterly basis.

IAC also uses its discretion in the event of market disruption. If the Index cannot be published due to market stress or disruption (e.g., because prices are not reliably available), the processes that govern Changes to Index Methodologies will be started, to review and possibly adjust the Index Methodology to market realities. If the Market Disruption Event continues over a period of five Trading Days, then the Committee will determine the necessary action so that the affected securities resulting from the Market Disruption Event are no longer causing such disruption to occur.

## **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.



## 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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