

# REFINITIV GLOBAL RESOURCE PROTECTION SELECT INDEX

Index Methodology

OCTOBER 2020

Published: October 13, 2020

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# Contents

Introduction.....3

Construction Methodology .....6

Calculation Methodology .....8

Maintenance .....119

Quality Control.....110

Governance.....111

Methodology and Change Procedure .....12

## Intended Readership

This document provides details on the construction and maintenance of the Refinitiv Global Resource Protection 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 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.

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.

## 1.3 The Index

The Refinitiv 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.

## 1.4 Constituent Universe

The constituents' universe is derived from Refinitiv Europe Index, Refinitiv Americas Index and Refinitiv Asia Index. These indices are free float adjusted market capitalization weighted indices. They are broad market indices 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

They are 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 Resource Protection Index, the following exclusions apply:

- i) As a very first step, exclude securities from following TRBC<sup>1</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.

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<sup>1</sup> Parent index follows Thomson Reuters Business Classification (TRBC) Sector Schema. For detail on TRBC, click [here](#).

iv) Apply dual listing filter.

The composition obtained represents the Parent Index.

## 2. CONSTRUCTION METHODOLOGY

### 2.1 Universe

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

1. Asia:

The 600 companies with the highest Free Float Market Capitalizations from the Parent Index that are members of the Refinitiv 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 Refinitiv 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 Refinitiv 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.

### 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 Resource Use Scores. For details, please refer to the link on rating methodology:  
<https://financial.thomsonreuters.com/content/dam/openweb/documents/pdf/financial/esg-scores-methodology.pdf>
- iii) 12-month historical dividend yield
- iv) 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 Refinitiv Resource Use score 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) Next, remaining stocks are sorted based on their Refinitiv 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 Refinitiv Resource Use scores, priority goes to the stock with the highest dividend yield.*

- iii) 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.
- iv) 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.
- v) The final index composition is obtained by keeping the 30 stocks with the lowest volatilities.

## 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

10/07/2018

## 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 Resource Protection 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.

**CONTACT US:**

[IndexManagers@Refinitiv.com](mailto:IndexManagers@Refinitiv.com)