

REFINITIV ESG GLOBAL SELECT DIVIDEND 40 INDEX

Index Methodology

June 2022

Published: 1st June 2022

© 2022 Refinitiv Limited. All Rights Reserved.

Refinitiv Limited, by publishing this document, does not guarantee that any information contained herein is or will remain accurate or that use of the information will ensure correct and faultless operation of the relevant service or associated equipment. Neither Refinitiv Limited, nor its agents or employees, shall be held liable to any user or end user for any loss or damage (whether direct or indirect) whatsoever resulting from reliance on the information contained herein.

This document may not be reproduced, disclosed, or used in whole or part without the prior written consent of Refinitiv.

Contents

- Introduction.....3
- Construction Methodology5
- Calculation Methodology10
- Maintenance11
- Quality Control.....12
- Governance.....13
- Methodology and Change Procedure14
- Appendix15

Intended Readership

This document provides details on the construction and maintenance of the Refinitiv ESG Global Select Dividend 40.

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

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 The Index

The Refinitiv ESG Global Select Dividend 40 captures the performance of stocks of companies in Refinitiv Global Developed Market Index that actively invest in and promote environmental, social and governance (ESG) values and principles in the running of their businesses. The index tracks the price return, total return and net total return of selected 40 constituents. The index is a weighted index with a constituents cap of 5%.

1.3 Constituent Universe

The constituents' universe is derived from Refinitiv Global Developed Index (South Korea is excluded from this index), which is called the parent index. The parent index is free float adjusted market capitalization 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;
- 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](#)

2. CONSTRUCTION METHODOLOGY

2.1 Universe

The Index Universe is made of companies from countries as described in section 1.3

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:

- Market Cap
- Pricing available on rebalance date
- Share Type
- TRBC
- Company Code from Refinitiv product DataStream
- Dividend Yield (as of rebalance date)
- Dividend Payout Ratio Percent, 5 year average
- Dividend Per Share, Mean, Forward, Next 12 months
- Reuters Knowledge Direct (RKD) identifier (for NAICS data lookup)
- Indicator whether revenue is derived from specific NAICS codes:
 - 212111 Bituminous Coal and Lignite Surface Mining
 - 212112 Bituminous Coal Underground Mining
 - 213111 Drilling Oil and Gas Wells
 - 213112 Support Activities for Oil and Gas Operations
 - 213113 Support Activities for Coal Mining
 - 21111 Oil and Gas Extraction
 - 21211 Coal Mining
 - 2111 Oil and Gas Extraction
 - 2121 Coal Mining
 - 211 Oil and Gas Extraction
 - 333132 Oil and Gas Field Machinery and Equipment Manufacturing
 - 42152 Coal and Other Mineral and Ore Wholesalers
 - 4861 Pipeline Transportation of Crude Oil
 - 48611 Pipeline Transportation of Crude Oil
- ESG composite scores
 - ESG score
 - ESGC score (addition of controversies)
 - ESG controversies score

- UN Global Compact-related data points:
 - ESG_ControvAntiCompetition
 - ESG_ControvBusinessEthics
 - ESG_ControvChildLabor
 - ESG_ControvCriticalCountries
 - ESG_ControvDiversityOpportunity
 - ESG_ControvEnv
 - ESG_ControvFreedomofAssociation
 - ESG_ControvHumanRights
 - ESG_ControvPublicHealth
 - ESG_ControvWorkingCondition
 - ESG_RecentControvAntiCompetition
 - ESG_RecentControvBusinessEthics
 - ESG_RecentControvChildLabor
 - ESG_RecentControvCriticalCountries
 - ESG_RecentControvDiversity
 - ESG_RecentControvEnv
 - ESG_RecentControvHumanRights
 - ESG_RecentControvPublicHealth
 - ESG_RecentControvWorkingCondition
 - ESG_Strikes
- ESG_Armaments
- ESG_ArmamentRevenues
- ESG_AntiPersonnelLandmines
- ESG_ClusterBombs
- ESG_Tobacco
- ESG_TobaccoRevenues
- ESG_Nuclear (does company produce nuclear reactors, produce nuclear energy, or is active in nuclear energy industry)
- ESG_NuclearProduction (percentage of total energy production from nuclear energy)
- ESG_Nuclear5Pct (are revenues/energy from nuclear greater than 5% of revenues/energy)
- ESG_Gambling
- ESG_GamblingRevenues
- ESG_Pornography
- ESG_Alcohol
- ESG_AlcoholRevenues
- ESG_AnimalTesting

- ESG_AnimalTestingCosmetics
- ESG_GMOProducts
- ESG_BriberyFraudControv
- Average Daily Traded Value (ADTV), 365 calendar days.

2.3 Composition list

- Filter companies for which no market cap could be established.
- Sector specific filter: Using The Refinitiv Business Classification (TRBC), remove instruments associated with the following codes (and any descendant codes):
 - 501010 Coal
 - 501020 Oil and Gas
 - 501030 Oil and Gas Related Equipment and Services
 - 591010 Electric Utilities & IPPs
 - 591020 Natural Gas Utilities
 - 591040 Multiline Utilities
 - 52101010 Aerospace and Defense
 - 54101010 Brewers
 - 54101020 Distillers
 - 54102030 Tobacco
 - 5110102012 Pesticide
 - 5120102012 Coke Coal Mining
 - 5330102013 Quick Service Restaurants
 - 5330203016 Adult Entertainment Production and Broadcasting
 - 5330204016 Adult Publishing
 - 5340309025 Adult Products Retailers
 - 5410103011 Carbonated Soft Drinks
 - 5410201013 Red Meat
 - 5410201016 Sugarcane Farming
 - 5410201020 Fur Farming
 - 5410202022 Sugar & Artificial Sweeteners
 - 5410202023 Chocolate & Confectionery
- Index specific filter
 - ESG and Industry Filtering (in addition to TRBC filtering, above)
 - UN Global Compact
 - For each company, we sum the values of the 19 “controversies” and “recent controversies” data points listed above and take only those candidates with a sum of 0.
 - Include only companies where the “Strikes” data point is FALSE (or NA).
 - Miscellaneous ESG filters

- Armaments: Retain companies where Armaments data point is FALSE or NA.
- Armaments Revenue: Retain companies where Armaments Revenue data point is 0 or NA.
- Anti-personnel Land Mines: Retain companies where Anti-personnel Land Mines data point is FALSE or NA.
- Cluster Bombs: Retain companies where Cluster Bombs data point is FALSE or NA.
- Nuclear: Exclude companies where Nuclear data point is TRUE AND Economic Sector is Utilities (59).
- Nuclear Production: Retain companies where nuclear revenue data point is 0 or NA.
- Nuclear Revenue/Energy 5Pct: Exclude companies where Nuclear 5% data point is TRUE AND Economic Sector is Utilities (59).
- Tobacco: Retain companies where Tobacco data point is FALSE or NA.
- Tobacco Revenue: Retain companies where tobacco revenue data point is 0 or NA.
- Gambling: Retain companies where Gambling data point is FALSE or NA.
- Gambling Revenue: Retain companies where gambling revenue data point is 0 or NA.
- Alcohol: Retain companies where Alcohol data point is FALSE or NA.
- Alcohol Revenue: Retain companies where alcohol revenue data point is 0 or NA.
- Pornography: Retain companies where Pornography data point is FALSE or NA.
- Animal Testing: Retain companies where Animal Testing data point is FALSE or NA.
- Animal Testing Cosmetics: Retain companies where Animal Testing Cosmetics data point is FALSE or NA.
- GMO Products: Retain companies where GMO Products data point is FALSE or NA.
- Bribery/Fraud Controversies: Retain companies where Bribery/Fraud Controversies data point is FALSE or NA.
- Calculate the ratio Electricity.to.CO2.Ratio_grams_per_kWh. For any remaining utilities that have passed the TRBC screen, exclude any company for which the ratio cannot be calculated, or where the ratio exceeds the threshold value (315).
- Remove any companies where any revenue is attributed to the NAICS sectors (for coal) indicated by the add-in.
- Remove any companies without an ESGC (overall ESG + Controversies) score.
- Remove companies below the median ESGC score.
- Liquidity Screening
 - Instruments that do not meet average daily trading value threshold of €5.000.000.
 - Remove multiple issues from the same company (based on Datastream Company Code identifier). Retained instrument to represent a given company will be the one with the highest free float market cap. Dual issues are identified using a manually curated list, and (if necessary) only the issue with the highest free float market cap is retained.

- Instruments that are not Ordinary Shares (e.g., Closed Ended Funds, Investment Trusts, Preference Shares) are excluded.
- Instruments that do not have a price as of the rebalance date are eliminated.
- Dividend Screening
 - Exclude companies with dividend yield of NA or 0.
 - Exclude companies where historical dividend yield payout ratio is NA or 0.
 - Exclude companies where mean forward (next twelve month) dividend yield is 0.
- Selection of Portfolio
 - Sort by dividend yield, and select portfolio of top 40 companies, ensuring that there is:
 - A maximum of six (6) companies per sector, and
 - A maximum of eight (8) companies per country.
- Weight by dividend yield (mean estimate, next 12 months; if next 12 month estimated yield is not available [NA or NaN], use historical dividend yield). There is an individual constituent weight cap of 5%.

2.4 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 free float market cap.

2.5 Base values and Inception date

100, on 02/11/2009

2.6 Index live date

March 6th 2021

2.7 Index types, currencies, calculation frequency

Price return, Total return and Net Total return. Currency: EUR. Ticks real time, pricing every 15 seconds.

2.8 Index tickers

.RFESGDP1	Refinitiv ESG Global Select Dividend 40 Price Return Index
.RFESGDT1	Refinitiv ESG Global Select Dividend 40 Total Return Index
.RFESGDN1	Refinitiv ESG Global Select Dividend 40 Net Total Return Index

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 available [here](#).

4.2 Index Rebalance

Rebalance frequency of Refinitiv ESG Global Select Dividend 40 Index is annual (after close of business on last trading date of October)

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.

4.3 Dividend Cancellation and ad-hoc Rebalance

If an index constituent cancels the dividend in a financial year, the constituent is deleted without replacement. If due to dividend cancellation triggered deletion of constituents causes index constituents to drop 30 or below, an index rebalance is triggered i.e. an ad-hoc rebalance is performed.

4.4 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.

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 ESG Global Select Dividend 40 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. APPENDIX

8.1 Appendix I: Withholding tax rates applicable to the index

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%						

8.2 Appendix II: Updates to the Index Methodology

Month & Year	Update
March 2021	Publish Methodology at Index Launch
May 2021	Added section 4.3 on Dividend Cancellation and ad-hoc Rebalance
June 2022	Added section 4.4. on Removal of index constituents due to trading suspension

CONTACT US:

IndexManagers@refinitiv.com