

# FTSE EPRA Nareit Global Real Estate Index Series: Ground Rule Update

04 August 2022

FTSE Russell would like to inform clients of the following clarifications to the FTSE EPRA Nareit Global Real Estate Index Series Ground Rules which is effective immediately.

## 4.9 Nationality

### New Rule

#### 4.9 Assignment of Nationality

- 49.1 Prospective or existing index constituents assigned an Emerging market nationality per the [Determining Nationality Guide](#) (the Guide) will retain that nationality within the FTSE EPRA Nareit Global Real Estate Index Series.
- 4.9.2. A prospective or existing index constituent assigned a Developed market nationality per the Guide that has over each of the previous two years derived less than 75% (prospective) or 50% (existing) of its total annual EBITDA from Developed markets (as classified by FTSE Russell) will not be assigned a Developed market nationality. Instead, provided it trades on an eligible exchange (as defined by FTSE Russell) in a similar regional time-zone to the Emerging market (as classified by FTSE Russell) from which it has derived the greatest percentage of its EBITDA over those two years, the company will be assigned the nationality of that Emerging market. If the company's annual report provides insufficient detail to allow a clear determination of the geographic breakdown of the company's EBITDA, then the preceding calculation will be based upon assets or revenue as appropriate. If the annual report provides insufficient detail to allow a clear determination using EBITDA, assets, or revenue, then the company will not be eligible for the Developed Index due to inadequate reporting.

Prospective constituents that have only one year of audited financial statements in their latest annual report (as defined by Rule 4.8A) or English IPO prospectus will be reviewed and classified based on the most recent available one year audited financial statements.
- 4.9.3. A constituent whose Emerging market nationality was determined by the application of Rule 4.9.2 above may have its nationality changed to that of a different Emerging market if for two consecutive years the greatest percentage of its EBITDA is derived from that Emerging market.
- 4.9.4. A constituent whose Emerging market nationality was determined by the application of Rule 4.9.2 above may have its nationality changed to that assigned in the FTSE Global Equity Index Series if for two consecutive years the company derives more than 75% of its EBITDA from Developed markets.
- 4.9.5. In cases where an existing constituent undergoes a significant corporate event, the nationality of that company may be assessed based on the most recent one year audited financial statements in the latest annual report or restructuring prospectus.

A visual representation of how the nationality rule works for the FTSE EPRA Nareit Global Real Estate Index Series is illustrated in Appendix 10.

## Old Rule

### 4.9 Assignment of Nationality

- 4.9.1. The procedures for assigning nationalities to prospective constituents of the FTSE EPRA Nareit Global Real Estate Index Series will generally follow the procedures set out in the FTSE Determining Nationality document which is available on the FTSE Russell website and can be accessed using the following link:

[Determining\\_Nationality.pdf](#)

- 4.9.2. A prospective constituent, which would otherwise have been assigned a nationality of a Developed market, that has over each of the previous two years derived less than 75% of its total annual EBITDA from Developed markets (as classified by FTSE Russell) will instead be assigned the nationality of the Emerging market (as classified by FTSE Russell) from which it has derived the greatest percentage of its EBITDA over those two years. If the company's annual report provides insufficient detail to allow a clear determination of the geographic breakdown of the company's EBITDA, then the preceding calculation will be based upon assets or revenue as appropriate. If the annual report provides insufficient detail to allow a clear determination using EBITDA, assets, or revenue, then the company will not be eligible for the Developed Index due to inadequate reporting.

Prospective constituents that have only one year of audited financial statements in their latest annual report (as defined by Rule 4.8A) or English IPO prospectus will be reviewed and classified based on the most recent available one year audited financial statements.

- 4.9.3. An existing constituent which has previously been assigned a nationality of a Developed market that has over each of the previous two years derived less than 50% of its total annual EBITDA from Developed markets (as classified by FTSE Russell) will be assigned the nationality of the Emerging market from which it has derived the greatest percentage of its EBITDA over those two years. If the company's annual report provides insufficient detail to allow a clear determination of the geographic breakdown of the company's EBITDA, then the preceding calculation will be based upon assets or revenue as appropriate. If the annual report provides insufficient detail to allow a clear determination using EBITDA, assets, or revenue, then the company will not be eligible for the Developed Index due to inadequate reporting.
- 4.9.4. A constituent whose Emerging market nationality was determined by the application of Rules 4.9.2 or 4.9.3 above may have its nationality changed to that of a different Emerging market if for two consecutive years the greatest percentage of its EBITDA is derived from that Emerging market.
- 4.9.5. A constituent whose Emerging market nationality was determined by the application of Rules 4.9.2 or 4.9.3 above may have its nationality changed to that assigned in the FTSE Global Equity Index Series if for two consecutive years the company derives more than 75% of its EBITDA from Developed markets.
- 4.9.6. In cases where an existing constituent undergoes a significant corporate event, the nationality of that company may be assessed based on the most recent one year audited financial statements in the latest annual report or restructuring prospectus.

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