FTSE Eurozone Equal Sector 50 EW Select Index

v1.1
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Section 1

Introduction

1.0 Introduction

1.1 This document sets out the Ground Rules for the construction and management of FTSE Eurozone Equal Sector 50 EW Select Index.

1.1.1 The FTSE Eurozone Equal Sector 50 EW Select Index is designed to reflect the performance of equally weighted companies selected by a set of factor characteristics using the underlying constituents of the FTSE Eurozone Index.

1.1.2 The FTSE Eurozone Equal Sector 50 EW Select decrement indexes reflect FTSE Eurozone Equal Sector 50 EW Select Index with a fixed annual deduction on either return or index points. These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules which are available at www.ftserussell.com.

1.2 The FTSE Eurozone Equal Sector 50 EW Select Index does not take account of ESG factors in its index design.

1.3 Price and Total Return Indexes will be calculated on an end of day basis.

1.4 The base currency of the benchmark is EUR. Index values may also be published in other currencies.

1.5 FTSE Russell


1.5.1 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.6 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:
• any reliance on these Ground Rules, and/or
• any errors or inaccuracies in these Ground Rules, and/or
• any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
• any errors or inaccuracies in the compilation of the index or any constituent data.
Section 2

Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index and will:
   • maintain records of the index weightings of all constituents;
   • make changes to the constituents and their weightings in accordance with the Ground Rules;
   • carry out the periodic reviews of the index and apply the changes resulting from the reviews as required by the Ground Rules;
   • publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
   • disseminate the index series.

2.1.3 These Ground Rules set out the methodology and provide information about the publication of FTSE Eurozone Equal Sector 50 EW Select Index

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Product Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indexes, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

¹ The term administrator is used in this document in the same sense as it is defined in Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the European Benchmark Regulation).
Section 3

FTSE Russell Index Policies

3.0 FTSE Russell Index Policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

3.1 Corporate Actions and Events Guide

3.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Cap Weighted Indexes using the following link:

Corporate_Actions_and_Events_Guide_for_Non_Market_Cap_Weighted_Indices.pdf

3.3 Statement of Principles for FTSE Russell Equity Indexes (the Statement of Principles)

3.3.1 Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Product Governance Board.

The Statement of Principles can be accessed using the following link:


3.4 Queries and Complaints

3.4.1 FTSE Russell’s complaints procedure can be accessed using the following link:

Benchmark_Determination_Complaints_Handling_Policy.pdf

3.5 Index Policy for Trading Halts and Market Closures

3.5.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

Index_Policy_for_Trading_Halts_and_Market_Closures.pdf
3.6 **Index Policy in the Event Clients are Unable to Trade a Market**

3.6.1 Details of FTSE Russell’s treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market.pdf](#)

3.7 **Recalculation Policy and Guidelines**

3.7.1 FTSE Eurozone Equal Sector 50 EW Select Index is recalculated whenever errors or distortions occur that are deemed to be significant. Users of FTSE Eurozone Equal Sector 50 EW Select Index are notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indexes.pdf](#)

3.8 **Policy for Benchmark Methodology Changes**

3.8.1 Details of FTSE Russell’s policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)
Section 4

Eligible Securities

4.0 Eligible Securities

4.1 The eligible universe of FTSE Eurozone Equal Sector 50 EW Select Index is the FTSE Eurozone Index.
Section 5

Periodic Review of Constituent Companies

5.0 Periodic Review of Constituent Companies

5.1 Review Dates

5.1.1 The FTSE Eurozone Equal Sector 50 EW Select Index is reviewed in March and September.

5.1.2 The index review will be implemented after the close of business on the third Friday of the review month.

5.2 Data Dates

5.2.2 The reviews will be conducted using prices (adjusted for any corporate actions) as at the close of business on the Wednesday before the first Friday of the review month based on the constituents, shares in issue and free float on the next trading day following the third Friday of the review month.

5.2.3 Index reviews will incorporate constituent changes associated with reviews of the underlying universe.

5.3 Membership screening

5.3.1 Companies are ranked by their investable market capitalisation and the top 5 largest eligible companies are selected from each ICB industry index:

- FTSE Eurozone Index - Oil & Gas (ICB 0001)
- FTSE Eurozone Index - Basic Materials (ICB 1000)
- FTSE Eurozone Index – Industrials (ICB 2000)
- FTSE Eurozone Index - Consumer Goods (ICB 3000)
- FTSE Eurozone Index - Health Care (ICB 4000)
- FTSE Eurozone Index - Consumer Services (ICB 5000)
- FTSE Eurozone Index – Telecommunications (ICB 6000)
- FTSE Eurozone Index – Utilities (ICB 7000)
- FTSE Eurozone Index – Financials (ICB 8000)
- FTSE Eurozone Index – Technology (ICB 9000)

5.3.2 All eligible lines of a selected company are included in the FTSE Eurozone Equal Sector 50 EW Select Index.

5.4 Weighting

5.4.1 At the semi-annual review, Index constituents of the FTSE Eurozone Equal Sector 50 EW Select Index are equally weighted by company at review. The weighting of companies that consist of multiple securities will be distributed across each line in proportion to investable market capitalisation.
5.4.2 Prices used in the review will be as of Wednesday before the first Friday of March and September, adjusted for corporate actions. Shares and free float adjustments used will be as at the review implementation date.
Section 6

Changes to Constituent Companies

6.0 Changes to Constituent Companies

6.1 Intra-review Additions

6.1.1 Additions to the underlying index will be considered for inclusion in the FTSE Eurozone Equal Sector 50 EW Select Index at the next periodic review.

6.2 Intra-review Deletions

6.2.1 A constituent will be removed from the FTSE Eurozone Equal Sector 50 EW Select Index if it is also removed from the underlying index. The deletion will be concurrent with its deletion from the underlying index.
Section 7

Corporate Actions and Events

7.0 Corporate Actions and Events

7.1 If a constituent has a stock split, stock consolidation, rights issue, bonus issue, a change in the number of shares in issue or a change in free-float, the constituent’s weighting in the FTSE Eurozone Equal Sector 50 EW Select Index remains unchanged pre and post such an event.

7.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indexes using the following link:

Corporate_Actions_and_Events_Guide_for_Non_Market_Cap_Weighted_Indices.pdf

A Corporate ‘Action’ is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division) / Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate ‘Event’ is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE Russell will provide notice advising of the timing of the change.

7.3 Suspension of Dealing

Suspension of Dealing rules can be found within the Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indexes.

7.4 Takeovers, Mergers and Demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indexes.
Section 8

Treatment of Dividends

8.0 Treatment of Dividends

8.1 Declared dividends are used to calculate the FTSE Eurozone Equal Sector 50 EW Select Index. All dividends are applied as at the ex-div date.

8.2 A net of tax Total Return Index is also calculated based on dividends received following deduction of withholding tax at the rates applicable to a UK pension fund that benefits from double-taxation treaties.

Withholding tax rates used in the net-of-tax indexes can be accessed using the following link:

Withholding_Tax_Service

Please also refer to the FTSE Russell Withholding Tax Guide which can be accessed using the following link:

FTSE_Russell_Withholding_Tax_Guide.pdf
Section 9

Indexes Algorithm and Calculation Method

9.0 Indexes Algorithm and Calculation Method

9.1 Prices

9.1.1 The FTSE Eurozone Equal Sector 50 EW Select Index uses actual closing mid-market or last trade prices, where available, for securities with local market quotations. Further details can be accessed using the following link:
Closing_Prices_Used_For_Index_Calculation.pdf

9.2 Calculation Frequency

9.2.1 The FTSE Eurozone Equal Sector 50 EW Select Index will be calculated on an end of day basis and displayed to eight decimal points.

9.3 Index Calculation

The FTSE Eurozone Equal Sector 50 EW Select Index is calculated using the algorithm described below:

\[
\sum_{i=1}^{N} \left( \frac{p_i \times e_i \times s_i \times f_i \times c_i}{d} \right)
\]

Where,

- \(i=1,2,...,N\)
- \(N\) is the number of securities in the index.
- \(p_i\) is the latest trade price of the component security (or the price at the close of the index on the previous day).
- \(e_i\) is the exchange rate required to convert the security’s currency into the index’s base currency.
- \(s_i\) is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- \(f_i\) is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
• $c_i$ is the Weight Adjustment Factor (WAF) to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index.

• $d$ is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

### 9.4 Decrement Index Calculation

#### 9.4.1 Decrement by percentage is calculated as below:

$$ ID(t) = ID(t - 1) \times \left[ \frac{I(t)}{I(t - 1)} - D \times \frac{ACT(t - 1, t)}{DAYCOUNT} \right] $$

where

- $I(t)$ is the **FTSE Eurozone Equal Sector 50 EW Select Index** value at day $t$
- $D$ is the annualized decrement by percentage
- $ACT(t - 1, t)$ is the number of calendar days between Calculation Date $t - 1$ (excluded) and Calculation Date $t$ (included).

#### 9.4.2 Decrement by points is calculated as below:

$$ IP(t) = IP(t - 1) \times \frac{I(t)}{I(t - 1)} - P \times \frac{ACT(t - 1, t)}{DAYCOUNT} $$

where

- $I(t)$ is the corresponding **FTSE Eurozone Equal Sector 50 EW Select Index** value at day $t$
- $P$ is the annual decrement by index points
- $ACT(t - 1, t)$ is the number of calendar days between Calculation Date $t - 1$ (excluded) and Calculation Date $t$ (included).

#### 9.4.3 The index parameters are listed below:

<table>
<thead>
<tr>
<th>Decrement Index</th>
<th>FTSE Eurozone Equal Sector 50 EW Select Index</th>
<th>Decrement (p.a.)</th>
<th>Day count</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE Eurozone Equal Sector 50 EW Select Decrement 5% index</td>
<td>FTSE Eurozone Equal Sector 50 EW Select Index</td>
<td>5%</td>
<td>365</td>
</tr>
<tr>
<td>FTSE Eurozone Equal Sector 50 EW Select Decrement 50 points index</td>
<td>FTSE Eurozone Equal Sector 50 EW Select Index</td>
<td>50 points</td>
<td>365</td>
</tr>
</tbody>
</table>
Appendix A: Further Information

A Glossary of Terms used in FTSE Russell’s Ground Rule documents can be found using the following link [Glossary.pdf](#).

For further information on the FTSE Eurozone Equal Sector 50 EW Select Index visit [www.ftserussell.com](http://www.ftserussell.com) or e-mail [info@ftserussell.com](mailto:info@ftserussell.com). Contact details can also be found on this website.

**Website:** [www.ftserussell.com](http://www.ftserussell.com)

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