

FTSE EPRA/NAREIT Global Real Estate Index Series – Ground Rule Update

21 July 2017

FTSE Russell would like to inform clients of the following update to the FTSE EPRA/NAREIT Global Real Estate Index Series Ground Rules which are effective immediately.

Section 4: Eligibility Criteria

- 4.7 The following are not considered relevant real estate activities:
- A. The financing of real estate.
 - B. The provision of construction management, general contracting and project management services.
 - C. The provision of property management, facilities management, **insurance, power supply, brokerage, investment management funds and services.**
 - D. Holding companies are excluded from the index. Holding companies are defined as companies that have more than 50 percent of their net assets invested in the securities of other listed companies.
 - E. Storage caverns/units for commodities such as oil & gas.
 - F. Companies for which the ownership of real property is incidental to the primary revenue generating activities, including those companies in the gaming, theme park and other entertainment businesses.
 - G. Infrastructure assets, including transportation assets (roads, bridges, tunnels, airports, etc.), energy and utilities assets (power generation, fuels, etc.), water and waste management assets and communication assets (line-based networks, air-based networks, etc.) **and prisons.**
 - H. **Timberland and farmland.**
 - I. **Outdoor advertising.**
 - J. **Data center revenues labelled colocation will be considered real estate revenues for the purpose of the EBITDA screen only if the information is provided in sufficient detail to ensure that revenues from ineligible activities are not included.**
- 4.8 The constituents of the FTSE EPRA/NAREIT Global Real Estate Index Series are required to meet all of the following criteria where applicable:
- A. A company may only be added to the FTSE EPRA/NAREIT Global Real Estate Index Series if it provides an audited annual report in English*. This is defined as a current set of accounts in English consisting of a profit and loss statement, a balance sheet, directors' review and full notes to the accounts.

*** Audited fiscal reports in Japan in English are also eligible. Reporting requirements in the United States are such that official announcements or filings may be used in addition to annual reports for US companies only, in exceptional circumstances.**

- B. If a company newly introduces English annual reporting it becomes eligible for the indexes at the next quarterly review, providing it meets all other index inclusion criteria.
- C. Existing index constituents are required to produce an eligible annual report, as defined by Rule 4.8A, within 12 months after its fiscal year end. Companies that fail to do this will become ineligible at the next quarterly review.
- D. If a company meets the EBITDA criteria based on its latest annual report (Rule 4.8A), it becomes eligible for the indexes at the next quarterly review, providing it meets all other index inclusion criteria.
- E. If a company fails the EBITDA criteria (see Rule 4.5), it becomes ineligible for the indexes at the next quarterly review.
- F. In circumstances where annual reports are published within 20 business day of the review cut-off date, consideration for index inclusion may be deferred until the subsequent review to allow sufficient time for the full analysis of the information provided.
- G. **A prospective constituent that derives more than 25% of its total annual EBITDA from Frontier or standalone markets (as classified by FTSE Russell) will not be eligible for inclusion in the FTSE EPRA/NAREIT Global Real Estate Index Series.**

See Appendix 9 for the Eligibility Criteria of Speciality Indexes.

4.9 Assignment of Nationality

4.9.1 The nationality assigned to constituents of the FTSE EPRA/NAREIT Global Real Estate Index Series will generally be the same as that assigned by FTSE Russell in the construction of the FTSE Global Equity Index Series. Details can be accessed using the following link:

Determining_Nationality.pdf

<http://www.ftse.com/products/downloads/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. 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.

4.9.4 A constituent whose 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 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.

An updated copy of the FTSE EPRA/NAREIT Global Real Estate Index Series Ground Rules (v7.8) is now available on the FTSE Russell website : www.ftserussell.com

For further information please contact FTSE Russell Client Services at info@ftserussell.com or call:

Australia	+1800 653 680
Hong Kong	+852 2164 3333
Japan	+81 3 3581 2764
London	+44 (0) 20 7866 1810
New York	+1866 551 0617

Alternatively please visit our website at www.ftserussell.com

[Terms of Use](#) | Copyright © 2017 FTSE Russell