Ground Rules

April 2023

Corporate Actions and Events Guide for Non-Market Capitalisation Weighted Indices

v4.8

This document applies to any index series where the guide is specifically referenced in the methodology documents.

FTSE RUSSELL
An LSEG Business

lseg.com/en/ftse-russell

Contents

Section 1 Purpose of the guide 3
Section 2 Index calculation method 4
Section 3 Treatment of index events 5
Appendix A Further information 25

FTSE Russell

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.

Section 1

Purpose of the guide

1. Purpose of the guide

1.1 This document details guidance for the treatment of corporate actions and events within non-market capitalisation weighted equity indices. These guidelines should not be construed as definitive rules that will determine FTSE Russell's actions in all circumstances. FTSE Russell reserves the right to determine the most appropriate method of implementation of any corporate event which is not covered by this document or is of a complex nature.

FTSE Russell defines a corporate action as an action affecting shareholders with a prescribed ex date, e.g. a rights issue, special dividend, stock split, etc. The share price and indices in which a company experiencing a corporate action is included will be subject to an adjustment on the ex date.

FTSE Russell defines a corporate event as a response to company news (event) that may affect the index depending on the index rules. For example, where a company announces a strategic shareholder is offering to sell shares (secondary share offer) – this may result in a free float weighting change in the index.

1.2 FTSE Russell will determine the appropriate treatment by reference to the statement of principles set out below, which summarises the ethos of 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 is sought from FTSE Russell's Governance Board.

FTSE Russell's statement of principles can be accessed using the following link:

Statement_of_Principles.pdf

1.3 This document should be read in conjunction with the Ground Rules of each index series to which this guide applies (see Appendix A).

1.4 This document will be subject to regular review (at least once a year) by FTSE Russell.

1.5 FTSE Russell Indices are recalculated whenever inaccuracies occur that are deemed to be significant. Users of the indices are notified through appropriate media.

For further information, please refer to the FTSE Russell recalculation policy and guidelines document which can be accessed using the following link:

FTSE_Russell_Index_Recalculation_Policy_and_Guidelines.pdf

Section 2

Index calculation method

2. Index calculation method

2.1 Non-market capitalisation weighted indices are not weighted by the investable market capitalisation (shares-in-issue multiplied by share price multiplied by free float) of each company. A notional market value is calculated for each constituent company by applying a weight adjustment factor (WAF) to achieve the appropriate index weightings in a non-market capitalisation weighted index.

2.2 The index value represents the aggregate market performance of all companies within the index through time. The daily index value is calculated by dividing the total notional market value of all constituent companies by a number called the divisor. The divisor is an arbitrary number chosen at the starting point of the index to fix the index starting value (e.g. at 100.0). The divisor is adjusted to compensate for certain capitalisation changes that may occur, allowing the index value to remain comparable through time.

$$\frac{\text{Notional market value of all companies}}{\text{Latest index divisor}} = \text{Index value}$$

The example below illustrates the calculation of a non-market capitalisation weighted index.

Index as at close

Company	Price (USD)	Shares in issue (m)	Free float	Weight adjustment factor	Notional market cap (USD)
A	10	1,000	100%	0.9000	9,000
B	20	2,000	50%	0.8000	16,000
C	30	3,000	60%	0.7000	37,800
				Total notional market cap	62,800

$$\text{Index value} = \frac{\text{Total notional market cap}}{\text{Latest index divisor}}$$

$$418.67 = \frac{62{,}800}{150}$$

2.3 In principle, the notional market capitalisation of index constituents should evolve only as a result of market stock price movements. The index structure of non-market capitalisation weighted indices generally should not be affected by notional market capitalisation changes, arising as a result of corporate events. Non-market capitalisation weighted indices are typically treated as ‘notional market capitalisation neutral’. The notional market capitalisation of an index constituent, before and after a corporate event remains unchanged. This is achieved by adjusting the weight adjustment factor (WAF). The remainder of this guide is principally concerned with describing such adjustments.

Section 3

Treatment of index events

3. Treatment of index events

3.1 Split (sub-division)/reverse split (consolidation)

A pro-rata distribution of shares (split) or a pro-rata consolidation (reverse split) of shares held by existing shareholders, leads to an adjustment to the shares in issue and the share price by the terms of the event, resulting in no change to the notional market capitalisation and consequently no change to the weight adjustment factor.

Event type	Index divisor adjustment	Price adjustment factor (PAF)	Weight adjustment factor (WAF) change	Event timing
Split/ reverse split	No (no change in market capitalisation)	Number of shares held before issues ÷ Number of shares held after issue	No	Ex date

Example 1: Split (sub-division)

Terms: 1 into 5

Current price	=	30 USD
Shares in issue	=	100m
Ex-split price	=	6 USD
Ex-split shares in issue	=	500m

PAF = 100/500 =0.2

WAF remains unchanged

Example 2: Reverse Split (consolidation)

Terms: 5 into 1

Current price	=	3 USD
Shares in issue	=	100m
Ex-reverse split price	=	15 USD
Ex-reverse split shares in issue	=	20m

PAF = 100/20=5

WAF remains unchanged

3.2 Scrip issue (capitalisation or bonus issue)

A scrip issue (also called a capitalisation or a bonus issue) is the pro rata issuance of new or existing shares at a price of zero to existing shareholders.

Event type	Index divisor adjustment	Price adjustment factor (PAF)	Weight adjustment factor (WAF) change	Event timing
Scrip issue of same stock (see example 1)	No (no change in market capitalisation)	Number of shares held before issues ÷ Number of shares held after issue	No	Ex date
Scrip issue of different constituent of same index (see example 2)	No	Price of company after deducting capital repayment ÷ Price of company before capital repayment	Yes WAF is updated to reflect the distribution (i.e. the event is market cap neutral)*	Ex date

Event type	Index divisor adjustment	Price adjustment factor (PAF)	Weight adjustment factor (WAF) change	Event timing
Scrip issue of non-constituent (see example 3 & 4)	No	Price of company after deducting capital repayment ÷ Price of company before capital repayment	Yes Non constituent temporary line added to index with parent WAF, in accordance with the distribution terms and deleted with notice once settlement and listing is confirmed. On deletion Parent WAF remains unchanged as proceeds reinvested across the index	Ex date
Scrip issue of an asset for which there are significant barriers to trade (e.g distribution of digital asset, crypto currency w/barrier)	No	No price adjustment is applied	No	Ex date

Example 1: Split (sub-division)

Terms: 1 for 1
(equivalent to 2 for 1 stock split)

Current price	=	30 USD
Shares in issue	=	100m
Ex-scrip price	=	15 USD
Ex-scrip shares in issue	=	200m

PAF = 100/200 = 0.5

WAF remains unchanged

Example 2: Scrip issue in a different constituent of the same index

Terms: 1 share in Company B for 1 share held in Company A, payable to holders of Company A.

Current price of A: USD 10
Shares in issue: 300m
Current investability weight: 100%
Current weight adjustment factor: 0.5

Current price of B: USD 3
Shares in issue: 620m
Current investability weight: 50%
Current weight adjustment factor: 0.4

Ex-scrip price of A = USD 10 – (1 * USD 3) = USD 7
PAF: USD 7/USD 10 = 0.7

300m * 100% * 1 = 300m
300m + (620m * 50%) = **610m**
Ex-scrip investability weight of Company B = 610m/620m = 98.39%

Ex-scrip index shares of Company B:
(300m * 100% * 0.5) * 1 = 150m shares of B issued
150m + (620m * 50% * 0.4) = **274m**

Ex-scrip WAF of Company B = 274m/610m = **0.44918**

WAF of Company A remains unchanged.

Therefore, the distribution is market capitalisation neutral.

Example 3: Scrip issue in a non-constituent

Terms: 1 share in Company B for 1 share held in Company A, payable to holders of Company A.

Ex date:

Capital repayment implemented to Company A equivalent to the value of the Company B distribution.

Company B temporary line added to Company A memberships (with the same WAF as Company A) to reflect the distribution in accordance with the distribution terms (i.e. market capitalisation neutral).

Settlement/listing date:

Temporary line deleted once settlement and listing is confirmed and has occurred, with appropriate notice (i.e. divisor is adjusted).

The deletion date of the temporary line will occur, at the earliest, after the close of the settlement/first trade date of the distribution shares (with the provision of appropriate notice).

Example 4: Scrip issue in a non-constituent that has not yet listed and no valuation is available

Terms: 1 Class B share for every 1 Class A share held
(Class A is an index constituent and Class B is unlisted)

Ex date:

Capital repayment equivalent to the value of the Class B distribution is applied to Class A.

Company B temporary line added to Company A memberships (with the same WAF as Company A) to reflect the distribution in accordance with the distribution terms (i.e. market capitalisation neutral).

*If no valuation is available for Company B, the temporary line will be added at zero and no price adjustment will be implemented to Company A.

Settlement/listing date:

Temporary line deleted once settlement and listing is confirmed and has occurred, with appropriate notice. No change to the WAF of Company A (i.e. divisor is adjusted).

The deletion date of the temporary line will occur, at the earliest, after the close of the settlement/first trade date of the distribution shares (with the provision of appropriate notice).

*If Company B has not listed or a listing date remains unknown after 20 business days, the temporary line will be deleted at zero. WAF of Company A remains unchanged.

Note:

A temporary line may be utilised – as detailed within Example 3 – across all indices regardless of shared membership when memberships are unshared across other non-capitalisation weighted indices.

3.3 Capital repayments

Special cash distributions are not treated as market capitalisation neutral events. Consequently, the index weight of a constituent experiencing such an event will fall post the event.

Event type	Index divisor adjustment	Price adjustment factor (PAF)	Weight adjustment factor (WAF) change	Event timing
Return of capital	Yes (Decrease in market capitalisation)	Price of company after deducting capital repayment ÷ Price of company before capital repayment	No	Ex date

Example: Capital repayment

Current price = USD 10
Shares in issue = 300m
Terms: 2 USD capital repayment per share

Current weight adjustment factor = 0.9
Current investability weight = 100%
Current notional market cap = Price * Shares * IW * WAF

= 10 * 300 * 100%* 0.9 = USD 2,700m

Ex-capital repayment price = USD 8
Ex-capital repayment shares in issue = 300m

PAF = 8/10 = 0.8

Post Capital repayment notional market cap
= 8 * 300 * 100% * 0.9 = 2 USD 160m

Special dividends – Tax adjustments

Where the special dividend distribution (payable in cash and/or shares) is 10% or greater against the share price (measured against the cum price) and subject to FTSE Russell identifying that there are withholding tax implications, a compensating negative XD adjustment will be applied to provide the correct return net-of-tax. FTSE Russell withholding tax rates are used to calculate the adjustment. There is also an associated adjustment to the total return index to reflect the tax liability.

Example – Special cash dividend of USD 61 (subject to 25% withholding tax)

Capital repayment

– Current price	=	USD 112
– Shares in issue	=	300m
– Ex-capital repayment price	=	112 - 61 = USD 51
– Ex-capital repayment shares in issue	=	300m
– Adjustment factor	=	51/112 = 0.45

Negative XD adjustment

– Withholding tax	=	25%
– Tax liability	=	61 * 25% = USD 15.25
– Net special dividend	=	61 - 15.25 = USD 45.75

– Compensating negative XD adjustment = [15.25/(1-0.25)] = 20.33p

Underlying tax rate information and the FTSE Russell withholding tax guide are available from the FTSE Russell website (link below) or by contacting info@ftserussell.com.

FTSE_Russell_Withholding_Tax_Guide.pdf

3.4 Rights issues/entitlement offers

Rights issues are an entitlement or right to purchase additional shares directly from the company in proportion to existing holdings[1].

Note: New shares are always included in the index on a fully paid basis from the ex date.

Event type	Index divisor adjustment	Price adjustment factor (PAF)	Weight adjustment factor (WAF) change	Event timing
Rights issue/ entitlement offer – *where subscription price is at a discount to the market price*	No	Shares and price adjusted in accordance with offer terms **See example 1**	Yes WAF changes to maintain an unchanged notional market capitalisation	Ex date **See notes 2, 3, 4, 5 & 6**
Rights issue/ entitlement offer – *where subscription price is equal to or at a premium to the market price*	No	No adjustment on the ex date. Shares will only be included after they have been listed, together with any investability weighting change and will be added at the prevailing market price	Yes WAF changes upon the addition of the shares together with any investability weighting change	Additional shares and changes to free float reviewed at the next quarterly review
Rights issue/ entitlement offer – *where subscription price is unknown before ex date*	No	Where the subscription price is unknown but a range for the value being raised has been provided an estimate price will be used – see note 7 and example 4 **Please note:** Where subscription price can not be estimated no adjustment will be made on the ex date. Upon subscription price discovery and subject to the subscription price representing a discount to the cum-price, an adjustment will be applied T+1 to the prevailing market price	Yes WAF changes upon price discovery to maintain an unchanged notional market capitalisation	T+1 (applied at close of subscription price announcement date)
Rights issue/ entitlement offer – *where rights are not entitled to the next dividend*	No	See example 2	Yes	
Rights issue/ entitlement offer – *where offering is highly dilutive (terms ratio is greater than 10 for 1)*	No	See example 3	Yes	
Rights issue/ entitlement offer – *cancelled after ex date*	No	Subsequent adjustment by removing new rights shares from company's shares in issue total at the subscription price on a T+1 basis	Yes WAF reverts to pre-rights level	T+1

[1] Exceptions to this rule exist for the following indices: Russell Australia High Dividend Index, Russell Australia High Value Index and Russell Australia ESG High Dividend Index. Please see methodology documents for these products for complete details.

Example 1: Rights issue where the subscription price is at a discount to the market price

Current price	=	USD 30
Shares in issue	=	300m
Terms:		1 for 4 at USD 26
Theoretical ex-rights	=	[(4×30) + (1×26)] ÷ 5
	=	USD 29.2
PAF	=	Ex-rights price/cum-rights price
	=	29.2/30
	=	0.9733

Current weight adjustment factor = 0.9
Current investability weight = 100%

Pre rights notional market cap = Price * Shares *IW * WAF

= 30 * 300 * 100%*0.9 = USD **8,100m**

Post rights price = 29.2
Post rights shares = 375m= 300 * (1 + ¼)

Post rights notional market cap = Price * Shares *IW * WAF

= 29.2 * 375 * 100% * 0.9 = USD 9,855m

New WAF = Existing WAF * (Pre rights notional mcap**/post** rights notional mcap**)**

= 0.9 * (8,100/9,855) = 0.739726027397

The new WAF of 0.739726027397 ensures the notional index market capitalisation of the security remains unchanged following the rights issue.

Example 2: Rights issue where new shares are <u>not entitled to the next dividend</u>

Current price	=	USD 300
Shares in issue	=	300m
Next dividend	=	USD 16.5
Terms:		1 for 4 at 260 p
Theoretical ex-rights	=	[(4×300) + (1x260) + (1×16.5)] ÷ 5
	=	USD 295.3
PAF	=	Ex-rights price/cum-rights price
	=	295.3/300
	=	0.9843

Ordinary line = 300m shares; USD 295.3 adjusted price
Nil paid line = 75m shares (300m * (1/4)); USD 18.8 price (i.e. USD 295.3 – USD 260 – USD 16.5)
Call (dummy) line = 75m shares; USD 260 subscription price

This event is implemented in two stages with each stage being a notional market capitalisation neutral event.

Stage 1

The weight adjustment factor of the ordinary line changes to reflect the number of underlying shares which have to be sold in order to raise sufficient cash to take up the required number of rights.

A nil paid line (reflecting the rights minus the dividend) and call dummy line (reflecting the cash required to take up the rights) are assigned the same new WAF as the ordinary line and are added to the index as separate lines until they trade on an equivalent basis to the existing ordinary line. This is expected to occur once the existing ordinary shares trade ex dividend, after which both the nil paid and call lines will be deleted and merged with the ordinary line.

Stage 2

The deletion of the nil paid and call dummy lines is off-set by an increase in the shares in issue of the ordinary line in line with the offer terms. The WAF remains unchanged resulting in no change to the notional market capitalisation and a zero divisor change.

Example 3: Highly dilutive rights issue (i.e. terms ratio is greater than 10 for 1)

Current price	=	USD 224
Shares in issue	=	100m
Current weight adjustment factor	=	0.90000
Investability weight	=	100%
Terms:		13 for 1 at USD 43
Theoretical ex-rights	=	[(1×224) + (13x43)] ÷ 14
	=	USD 55.9
PAF	=	Ex-rights price/cum-rights price
	=	55.9/224
	=	0.24968

Ord line = 100m shares; USD 55.9 adjusted price

Nil paid line = 1,300m shares; USD 12.9 price (i.e. USD 55.9 – USD 43)

Call (dummy) line = 1,300m shares; USD 43 fixed subscription price

This event is implemented in two stages with each stage treated as a notional market capitalisation neutral event.

Stage 1

The WAF of the ordinary line changes to reflect the number of underlying shares which have to be sold in order to raise sufficient cash to take up the required number of rights.

A nil paid line (reflecting the rights) and call dummy line (reflecting the cash required to take up the rights) are assigned the same new WAF as the ordinary line and are added to the index as separate lines until they trade on an equivalent basis to the existing ordinary line. This is expected to occur at the close of the subscription period, after which both the nil paid and call lines will be deleted and merged with the ordinary line.

Stage 2 – where rights trading is suspended before the subscription period ends

At the end of the subscription period a price adjustment is applied to the nil paid rights line to ensure the rights line is removed at a theoretical value based on the underlying ordinary price and the rights terms.

The deletion of the nil paid line and call (dummy) line is off-set by an increase in the shares in issue of the ordinary line in line with the terms. The WAF remains unchanged resulting in a notional market capitalisation neutral event and a zero divisor change.

Please note: Where the nil paid line trades as a lot (e.g. each right representing 13 shares as opposed to each right representing 1 share) then the shares represented by the nil paid line will be adjusted accordingly. For illustrative purposes, using the example above:

Ord line = 100m shares; USD 55.9 adjusted price

Nil paid line = 100m shares; USD 167.7 price (USD 12.9 * 13)

Call (dummy) line = 1,300m shares; USD 43 fixed subscription price

Example 4: Rights issue where subscription price is unknown and has been estimated

Current price	=	USD 300
Shares in issue	=	300m
Terms:		1 for 4 at unknown price; USD 20bn being raised
Estimated price	=	[(300m/4 = 75m) (USD 20bn/75m = USD **267**)
Theoretical ex-rights	=	[(4×300) + (1x267)]÷ 5
	=	**USD 293.3**
Price adjustment factor	=	Ex-rights price/cum-rights price
	=	293.3/300
	=	0.9778

Ord line = 300m shares; USD 293.3 adjusted price

Nil paid line = 75m shares; USD 26.3 price (i.e. USD 293.3-USD 267)

Following confirmation of the subscription price the nil paid line will be deleted and the new shares will be added to the ordinary line at the subscription price T+1.

Notes:

1. Where the rights issue is highly dilutive (terms greater than 10 for 1) or where the shares being issued are not entitled to the next dividend, the rights are included in the index in the form of separate temporary lines of stock; the NIL paid line reflecting the market value of the rights (using the old shares) and the CALL line reflecting the value of the rights subscription price (using the number of new shares).

   A highly diluted rights issue is implemented by applying a price adjustment according to the terms of the rights issue in the form of a capital repayment to the existing security. There are no corresponding shares in issue increase, instead a rights line (representing the rights entitlement) and a cash call dummy line (representing the cash required to take up all the rights) are added to the index.

   The temporary lines are included in the index up until the end of the rights subscription period at which point the temporary lines are deleted and the new shares issued as part of the rights issue are amalgamated into the existing share line. Where the new shares are not entitled to the next dividend, the temporary line is included until they rank pari-passu with existing shares (i.e. amalgamated at close of the ex dividend date).

   The overall impact of applying a capital repayment to the existing security and adding the rights and cash call dummy lines is neutral with respect to notional market capitalisation.

2. In the event the rights issue involves equity in another stock, an adjustment will be applied on the ex date by way of a capital repayment.

   Capital repayment = closing price of other stock minus subscription price.

3. In the event the rights issue involves non-equity and where the value of the right cannot be determined, there will be no adjustment to the parent stock on the ex date. If the rights line does not trade, there will be no further action.

   If the rights line trades, it will be included in the index at zero value on the ex date (with no inclusion of the cash call value) and subsequently be deleted at market price after two business days.

4. Where a company (typically in the UK) announces an open offer with an ex-entitlement date on the same day, FTSE Russell will apply an index adjustment either before the market-open on the ex-entitlement day or as an intra-day adjustment as soon as possible thereafter. The adjustment will be applied based on the previous day’s closing price with the new shares included in the index weighting at the open offer price. The index may be temporarily held whilst the adjustment is being applied.

   FTSE Russell will issue an intra-day notice and affected products will be re-issued so that clients are informed of the action having taken place together with the amended index divisors.

5. Where the rights issue/entitlement offer subscription price remains unconfirmed on the ex date an estimated price will be used. FTSE Russell will estimate the subscription price using the value being raised and the offer terms. Where there is a range of values the mid value will be used to estimate the subscription price. Where the value being raised and/or offer terms are unknown no adjustment will be made on the ex date.

6. The equal treatment obligations for companies listed on the Oslo Bors require Norwegian companies to treat the holders of listed securities equally, unless differential treatment can be justified. To comply with the principle of equal treatment, it is fairly common for Norwegian companies to carry out a subsequent repair offering to all existing shareholders that were not invited to participate in an initial equity offering. Within non-capitalisation weighted indices, these events will be neutralised by updating the WAF, so any shares issued as part of these actions will not be added to the index.

   See rights issue examples on pages 13-16.

3.5 Share updates and investability weight changes

Changes in the number of shares in issue or investability weights are treated as notional market capitalisation neutral events through an adjustment to the WAF that off-sets the change in notional market capitalisation arising from a change in shares in issue or investability weight as a consequence of the following:

Quarterly updates

In March, September and December, free float will be updated to reflect the following:

– Changes greater than 1% for cumulative shares in issue changes

– Changes greater than 3 percentage points for cumulative free float changes*

*A constituent with a free float of 15% or below will not be subject to the 3 percentage points threshold and will instead be updated if the change is greater than 1 percentage point. For example, Company B with a free float of 8% would trigger a change if its free float moved to above 9% or below 7%.

Intra-quarter updates

Intra-quarter changes in index shares resulting from primary and secondary offerings and UK/AU tender offer buy backs will be neutralised.

Outside of the quarterly update cycle, shares and free float will be updated with at least two days' notice if occasioned by primary or secondary offerings or UK/AU tender offer buy backs if:

– There is a USD 1bn investable market cap change related to a primary/secondary offering/UK/AU tender offer buy back measured by multiplying the change to free float shares by the subscription/offer price, or

– There is a resultant 5% change in index shares related to a primary/secondary offerings/UK/AU tender offer buy back and a USD 250m investable market cap change measured by multiplying the change to free float shares by the subscription/offer price.

Example 1: Shares in issue change due to a primary offering

Current price	=	USD 30
Shares in issue	=	300m
Investability weight	=	100%
Current WAF	=	0.9

Current investability weight = 100%

Current notional market cap = 30 * 300 * 100% * 0.9 = 8,100m

Shares in issue increases from 300m to 400m

New notional market cap = 30 * 400 * 100% *0.9 = 10,800m

New WAF = Current WAF * Current notional mcap/new notional mcap

New WAF = 0.9 * 8100/10800 = 0.675

Example 2: Investability weight change due to a secondary offering

Current price	=	USD 30
Shares in issue	=	300m
Investability weight	=	50%
Current WAF	=	0.9

Current notional market cap = 30 * 300 * 50% * 0.9 = 4,050m

Investability weight increases from 50% to 100%

New Nnotional market cap = 30 * 300 * 100% * 0.9 = 8, 100m

New WAF = Current WAF * Current notional market cap/New Notional market cap

New WAF = 0.9 * 4050/8100 = 0.45

Example 3: Shares In Issue Change due to a UK/AU tender offer buy back

Current price	=	USD 30
Shares in issue	=	300m
Investability weight	=	100%
Current WAF	=	0.9

Current investability weight = 100%

Current notional market cap = 30 * 300 * 100% * 0.9 = 8,100m

Shares in issue decreases from 300m to 150m

New notional market cap = 30 * 150 * 100% *0.9 = 4,050m

New WAF = Current WAF * Current notional mcap/new notional mcap

New WAF = 0.9 * 8100/4050 = 1.8

3.6 Compulsory share purchases

3.6.1 Compulsory partial share purchase

A compulsory partial purchase of shares at a set ratio and price. The shares in the index will be reduced per the offer terms, with those shares being removed at the offer price.

Compulsory purchase of 51 out of every 100 shares at USD 29

Pre-offer

Current price	=	USD 30
Shares in issue	=	300m
Investability weight	=	50%
Current WAF	=	0.9

Current notional market cap = 30 * 300 * 50% * 0.9 = 4,050m

Shares purchased = 153m [300 x (51/100)]
Notional market cap of purchased shares = 29 * 153 * 50% * 0.9 = 1,996.65m

Post-offer
New notional market cap = 2,053.35m [4,050 – 1,996.65]
New share in issue = 147m [300 – 153]
New notional shares = 66.15m [147 * 50% * 0.9]
Adjusted price = USD 31.04 [2,053.35/66.15]

3.6.2 Compulsory full share purchase

A compulsory purchase of all outstanding shares at a set price.

The security is deleted from the index at the last traded price. In the event that trading in the security has halted at the time of index implementation, it will be deleted from the index at the redemption price.

3.7 Mergers, acquisitions and tender offers

Mergers and acquisitions (M&A) activity may result in changes to index membership as well as to the shares included within the index. Adjustments due to mergers and acquisitions are applied to the index after the action is determined to be final, typically after the close of the last trade date of the target company*, with provision of appropriate notice. To avoid unnecessary delays, FTSE Russell may consider merger & acquisition transactions ‘final’, prior to shareholder approval, or prior to a delisting notice. FTSE Russell will consider prevailing shareholder sentiment, board/director recommendations, exchange notification, expected completion date and stock price versus offer value when making this decision. Additionally, in the absence of final or confirmed terms, FTSE Russell may use estimated deal terms in an effort to implement mergers and acquisitions on a timely basis**. Estimates will generally be based on either (1) company provided information or (2) estimates calculated by FTSE Russell using publicly available information which can be used to calculate a reliable estimate.

*In the event that a constituent is being acquired for cash or delisted subsequent to an index review, it will be removed from the index concurrent with the index review assuming that the event can be considered “final” and a minimum of two days’ notice can be provided. For example, the last trade date of a constituent being acquired is confirmed for the day following the index review. The constituent will be removed from the index in conjunction with the index review, assuming that two days’ notice can be provided.

**For deals involving proration and elections, where an estimate has been used to communicate final index treatment and a confirmed rate is subsequently disclosed, a change will not be implemented at the time of the event and any updates will be reviewed during the next index review.

For deals without proration and elections (e.g. straight stock deals), where an estimate has been used to communicate final index treatment and a confirmed rate is subsequently disclosed, an update to previously communicated index treatment will be made if appropriate notice can be provided. Otherwise, the event will be implemented as previously communicated with any updates reviewed during the next index review.

In exceptional circumstances, should FTSE Russell become aware of a tender offer which is due to complete on or around the index review effective date, any review changes due to be effective for the companies involved may be retracted with advance notification. Exceptional circumstances may include undue price pressure being placed on the companies involved, or if proceeding with the changes would compromise the replicability of the index. For the avoidance of doubt, if implementing the review as normal would increase the turnover on the companies involved, no exceptional treatment would be warranted on that basis alone. Please note that it may be unavoidable for the retraction to be announced during the index review lock down period.

Tender offers are generally implemented immediately after all prerequisites (detailed below) have been achieved, with appropriate notice. Note: When non-tradable contingent value rights (CVRs) are included within the tender offer terms, FTSE Russell may consider a tender offer “final” prior to the expiration date of the offer. Doing so minimises the risk of index implementation moving into “delayed” status and prevents managers who are passively investing in the index from receiving CVRs that do not carry a confirmed and realizable economic value. FTSE Russell will establish the likelihood of tender offer completion using confirmed tendered shares, board/director recommendations, exchange notifications, stock price versus deal value and any other available information.

3.7.1 Mergers/takeovers between index constituents

The acquired constituent is deleted from the index on the effective date of the acquisition and the following treatment is implemented to the acquiring company:

– All stock financed acquisitions: the resulting company will remain a constituent of the relevant index at the combined weight of the previous companies;

– All cash financed acquisitions: the cash is allocated across the index;

– Cash and stock financed acquisitions: the acquiring company's weight will be increased per the stock terms with the cash component allocated across the index.

Mergers/takeovers between an index constituent and a non-constituent

A. If an existing constituent is acquired by a non-constituent for cash or stock, the existing constituent is deleted from the index and the acquiring non-constituent will not be added to the index;

B. If an existing constituent acquires a non-constituent for stock, the existing constituent will remain in the index and the WAF recalculated to ensure no change in notional market capitalisation resulting from any shares in issue or investability weight change.

Example 1

Company A (Japan) – index constituent
Company B (USA) – index constituent

Company A acquires company B in a stock transaction

Company A will be retained in the index at the combined weight of both companies (i.e. the index shares of Company A will be increased in accordance with the merger terms).
Company B will be deleted

Example 2

Company A (Japan) – index constituent
Company B (USA) – index constituent

Company A and B combine via a merger of equals to create a new entity Company C which is assigned a US nationality

Company A will be deleted
Company B will be deleted

As Company C (USA) is assigned the same nationality as Company B, it will be added to the same non capitalisation weighted indices, if eligible, as Company B at the combined weight of both companies.

If Company A and Company B have the same nationality, then Company C will be added to the same non capitalisation weighted indices, if eligible, as the larger of Company A & B at the combined weight of both companies

Example 3

Company A – index constituent
Company B – non-constituent

Company A merges for stock with Company B to create a new entity Company C

Company A will be deleted

If Company C is assigned the same nationality as Company A, Company C will be added to the same non capitalisation weighted indices, if eligible, as Company A and with the same index weight as Company A (in accordance with the deal terms).

If Company C is not assigned the same nationality as Company A, Company C will be added to the non capitalisation weighted indices that Company A was a constituent of AND is consistent with its nationality. e.g. a Japanese non-constituent merger with a US constituent to form a Japanese entity would not be added to FTSE RAFI US Indices, but would be added to FTSE RAFI All-World 3000 Index.

Example 4

Company A – index constituent
Company B – non-constituent

Company A is acquired for cash or stock by Company B and Company B forms the continuing ineligible line

Company A will be deleted

Company B will not be considered for inclusion to the non capitalisation indices until the next periodic review in accordance with the ground rules of the relevant index series (e.g. FTSE RAFI index eligibility will be evaluated at the next annual review).

Treatment within equally weighted fixed constituent indices

If a constituent is acquired by a non-constituent, is acquired by another constituent for cash, or if two constituents merge involving stock, the target company will be removed from the impacted equally weighted indices and the replacement constituent will be added to the index at the same weight of the company it replaces. Where the acquiring company is a constituent, no changes to its weight will be implemented.

3.8 Tender offers: guidance on circumstances which will trigger a target company deletion or free float change

Target company deletion

The target company will normally be removed from the index with a minimum T+ 2 notice when either:

a) Offer acceptances reach 90% (initial, extension or subsequent), and

Shareholders have validly tendered and the shares have been irrevocably accepted for payment, and

All pertinent offer conditions have been reasonably met and the acquirer has not explicitly stated that it does not intend to acquire or squeeze out the remaining shares, or

b) Where offer acceptances are below 90%, there is reason to believe that the remaining free float is under 5% based on information available at the time, or

c) Following completion of the offer the acquirer has stated intent to finalise the acquisition via a short-form merger, squeeze-out, top-up option or any other compulsory mechanism*.

The target company is deleted from the index at the last traded price. In the event that trading in the target company has halted at the time of index implementation it will be deleted from the index at a price based on the offer terms.

If a company has been deleted from the index but retains a listing with a float greater than 5% it will be considered for index eligibility as a new issue following a period of 12 months.

(*) For constituents of the FTSE UK Index Series, the qualifying announcement is that the offer has been declared wholly unconditional.

3.8.1 Where the conditions for index deletion are not met, FTSE Russell may implement a free float change based on the reported acceptance results at the expiration of the initial, subsequent, or final offer period. These changes will be reflected in the index shares of the target and acquiring companies as applicable (i.e. changes to shares outstanding and free float will not be neutralised), dependant on the below:

– The minimum acceptance level as stipulated by the acquirer has been met, and

– Shareholders have validly tendered and the shares have been irrevocably accepted for payment, and

– All pertinent offer conditions have been reasonably met, and

– The change to the current float factor is greater than 3 percentage points.

FTSE Russell uses the published results of the offer to determine the new free float of the target company. If no information is published in conjunction with the results from which FTSE Russell can determine which shareholders have and have not tendered, the free float change will reflect the total shares now owned by the acquiring company. A minimum T+2 notice period of the change is generally provided. Any subsequent disclosure on the updated shareholder structure will be reviewed during the quarterly review cycle.

If the offer includes a stock consideration, the acquiring company's shares will be increased proportionate to the free float change of the target company. If the target company's free float change is greater than 3%, the associated change to the acquiring company's shares will be implemented regardless of size. Additionally, if the change to the target company is less than 3%, then no change will be implemented to the target or the acquiring company at the time of the event, regardless of any change to the acquiring company's shares.

The target company will then be deleted as a second-step, if the conditions for deletion are achieved at the expiration of a subsequent offer period.

3.8.2 Replacing ordinary lines with tendered shares lines

In the event that a tender offer results in an additional listed and active 'tendered' line prior to the tendered shares being accepted and exchanged for settlement, FTSE Russell will generally evaluate the following factors to determine whether to switch to the tendered line:

1. The objective of the offer is to fully acquire and delist the target company (and FTSE Russell is not aware of any obstacles designed to prevent this objective – e.g. there are no major shareholders who have publicly disclosed that they will not be tendering), and
2. The offer is deemed to be successful (i.e. the minimum acceptance threshold has been achieved), and
3. More than 50% of the shares subject to the offer have been tendered, and
4. There is an additional tender offer period to provide a window for index users to tender into the tendered shares' line, and
5. There are outstanding regulatory or other substantive hurdles preventing the transaction completing immediately at the conclusion of the tender offer, with the results not expected to be known for some time.

Index implementation will generally occur immediately after the opening of the additional offer period (with the provision of appropriate notice) – with an informative notice published announcing the change, to supplement the information within the applicable tracker files. The tendered line will replace exactly the original line, with all index shares and WAFs transferring into the tendered line.

In the event that the tendered line is halted prior to index implementation, its close price will be updated to reflect the deal terms until implementation.

In the event that the prerequisites for deletion are not achieved and the target company is retained within the index at a reduced weight, the tendered line will be removed at deal terms (if no active market) with the ordinary line being re-added at a reduced weight at its last close price.

3.9 Spin-offs

If a constituent company is split and forms two or more companies by issuing new equity to existing shareholders, then the resulting companies may be eligible to continue as constituents in the same FTSE Russell Non-Market Capitalisation Weighted Indices as their predecessor company (refer to index series ground rules for specific conditions). FTSE Russell recognises two distinct scenarios which will be implemented as follows:

Spin-off of an eligible security

The spin-off entity will be added to the same indices as the parent company, per the terms, on the ex date of the distribution. The spin-off entity will be retained in the relevant non-market capitalisation weighted indices with the same WAF as the parent company until the next periodic review. Where the spin-off entity has not commenced trading within 20 business days from the ex date of the distribution and no firm trading date has been announced, then it will normally be deleted at zero value with T+2 notice.

Note: the ICB classification, capping factor and free float of the spun-off entity will initially mirror that of the parent. Any subsequent required change to either the parent or the spun-off entity will be applied with the appropriate notice period. See table and examples below for more information.

Spin-off of an ineligible security

The spin-off entity will be added to the same indices as the parent company, per the terms, on the ex date of the distribution. It will remain in the index until listing and settlement and then deleted at market price with notice. If the ineligible security does not trade on the ex date, it will remain in the index until it commences trading and then deleted after two business days at market price. Where the spin-off entity has not commenced trading within 20 business days from the ex date of the distribution and no firm trading date has been announced, then it will normally be deleted at zero value with T+2 notice. See table and examples below for more information.

Nationality of spin-offs

Where the spin-off company is determined to have the same nationality to that of the parent, the child company will be treated as an ‘eligible security’ within country (and regional if applicable) indices (provided it is eligible in all other respects). Where the spin-off company is determined to have a different nationality to that of the parent, the child company will be treated as an ‘ineligible security’ within country (and regional if applicable) indices. Within global indices any nationality difference will generally not impact eligibility.

Taxation of spin-offs

In some spin-off transactions, the distributed stock can be subject to a withholding tax on the value of the distribution. Subject to FTSE Russell identifying that there are withholding tax implications and the distribution is valued at 10% or greater against the share price (measured against the cum price), FTSE Russell may implement an adjustment to the reflect the tax payable by applying a compensating negative XD adjustment to provide the correct return net-of-tax.

FTSE Russell withholding tax rates are used to calculate the adjustment. There is also an associated adjustment to the total return index to reflect the tax liability. Note: tax adjustments are not implemented within the Russell 3000E Index Series and the FTSE/JSE Africa Index Series.

Spin-off valuation

FTSE Russell will assign an estimated price to the spin-off company on the ex date open using the following valuation hierarchy, listed in order of preference:

– A 'when-issued' price will be used where available (child or parent);

– If no 'when-issued' price is available, a primary exchange estimate will be used;

– If a primary exchange estimate is unavailable, a company valuation will be used;

– If a company valuation is unavailable, a broker estimate will be used;

– If a broker estimate is unavailable, the spin-off will be added at zero.

Providing an active market exists for the spin-off company on the ex date, FTSE Russell will make no further adjustments, regardless of the actual trading price of the spin-off company.

If the spin-off company does not trade on the ex date and the estimated value is incorrect by >10% of the parent's value as measured at open, the spin-off valuation will be updated intraday to set the value equal to the change in parent's value. This will be measured by parent's cum-date close minus ex date open. FTSE Russell product files will be reissued to reflect this change.

Event type	Index divisor adjustment	Weight adjustment factor (WAF) change	Event timing
Existing constituent is split and forms two or more companies by issuing eligible equity to existing shareholders in new entity (see example 1)	No Capital repayment adjustment applied to the parent company on the ex date Spin-off included in the same indices as the parent company	No No adjustment to the WAF of the parent company Spin-off is added to the same alternatively weighted indices as the parent with the same WAF	Ex date
Existing constituent is split and forms two or more companies by issuing ineligible equity to existing shareholders (see example 2)	No Capital repayment adjustment applied to the parent company on the ex date Ineligible spin-off is included in the same indices as the parent company Ineligible entity is deleted and the proceeds reinvested across the index	No No adjustment to the WAF of the parent company Ineligible spin-off added to the same indices as the parent with the same WAF WAF of parent company remains unchanged as proceeds are reinvested across the index	Ex date T+2 after effective date
Existing constituent distributes shares in another existing constituent (see example 3)	No Capital repayment adjustment applied to the parent company on the ex date Shares in issue/Investability weight change applied to other existing constituent on ex date	No No adjustment to the WAF of the parent company No adjustment to the WAF of the company in which the shares have been distributed	Ex date
Existing constituent distributes shares in another listed non-constituent (see example 4)	No Capital repayment adjustment applied to the parent company on the ex date Ineligible spun-off proportion is included in the same indices as the parent company Ineligible entity is deleted and the proceeds reinvested across the index. The index divisor changes	No No adjustment to the WAF of the parent company Ineligible spin-off added to the same indices as the parent with the same WAF WAF of parent company remains unchanged as proceeds are reinvested across the index	Ex date T+2 after Ex date

Example 1: Existing constituent splits into two or more eligible entities

Terms: 1 new Company B share for every 1 Company A share held (both eligible)

Company A (constituent) – Capital repayment equivalent to the value of the Company B distribution is applied and is **not** treated as a notional market capitalisation neutral event.

Company B (new entity) – Added to the same indices as Company A with the same WAF.

Overall impact on the index is a zero divisor change as the capital repayment applied to Company A is off-set by the addition of Company B.

Example 2: Existing constituent splits into two for more entities where one is ineligible

Terms: 1 new Company B share for every 1 Company A share held (Company B ineligible)

Ex date

Company A (constituent) – Capital repayment equivalent to the value of the Company B distribution is applied and is **not** treated as a notional market capitalisation neutral event.

Company B (new ineligible entity) – Added to the same indices as Company A with the same WAF.

Overall impact on the index is a zero divisor change as the capital repayment applied to Company A is off-set by the addition of Company B.

T+2 after Ex date

Company B is deleted as it is ineligible.

The WAF of Company A remains unchanged as the proceeds from the sale of Company B stub are reinvested across the index.

Example 3: Existing constituent distributes eligible shares in an existing constituent

Terms: 1 new Company B share for every 1 Company A share held (Company B existing constituent)

Ex date

Company A (constituent) – Capital repayment equivalent to the value of the Company B distribution is applied and is **not** treated as a notional market capitalisation neutral event.

Company B (constituent) – Apply shares in issue/investability weight change in proportion to the share distribution. No WAF adjustment.

Overall impact on the index is a zero divisor change as the capital repayment applied to Company A is off-set by the shares in issue/investability weight change in Company B*.

*In the event that the investability weight change within the cap weighted index is less than 3%, the weight change within the non-cap weighted indices will not be adjusted. In this scenario the capital repayment will be treated as a market neutral event. Please see section 3.5.

Example 4: Existing constituent distributes eligible shares in a non-constituent

Terms: 1 new Company B share for every 1 Company A share held (Company B is a listed non-constituent)

Ex date

Company A (constituent) – Capital repayment equivalent to the value of the Company B distribution is applied and is **not** treated as a notional market capitalisation neutral event.

Company B (non-constituent) – portion (stub) of Company B being distributed is added to the same indices as Company A with the same WAF.

Overall impact on the index is a zero divisor change as the capital repayment applied to Company A is off-set by the addition of Company B stub.

T+2 after Ex date

Company B stub is deleted.

The WAF of Company A remains unchanged as the proceeds from the sale of Company B stub are reinvested across the index. The index divisor changes.

Tracking stocks

A line of stock issued to "track" the fortunes of a particular division, business unit, subsidiary or group of assets of the issuing company (the "parent") is generally referred to as a tracking stock. A distribution into a tracking stock that is scheduled to list will commonly be implemented in accordance with the spin-off guidelines within the FTSE Russell Indices. A distribution into an already listed tracking stock will be implemented per the scrip issue guidelines detailed in Section 3.2.

3.10 Stock conversion

Event type	Index divisor adjustment	Weight adjustment factor (WAF) change	Event timing
Conversion of existing constituent share class B into existing constituent share class A	No Assuming full conversion**:** Shares of constituent share Class A will be increased in accordance with the conversion terms Constituent share Class B is deleted	Yes The post conversion notional market capitalisation of share Class A is the sum of the pre-conversion notional market cap of share Classes A and B	Effective date
Conversion of existing constituent Class A into non-constituent Class B which is eligible	No Class A is deleted and replaced by Class B	Yes Class A is deleted Class B is added with the same notional market capitalisation as Class A	Effective date
Conversion of existing constituent Class A into non-constituent and ineligible Class B	Yes Class A is deleted and Class B is not added as it is ineligible	N/A Class A is deleted	Effective date
Conversion of non-constituent Class B into constituent Class A (see 3.5 Share Updates and Investability weight Changes)	No Treated as a share increase and/or investability weight change	Yes WAF adjusts to negate the share update and/or investability weight change	Next quarterly review

Notes:

– Where the free float of each line differs, an initial theoretical free float is calculated to ensure there is no divisor change. If, post the stock conversion, the free float requires revision (based on an updated shareholder structure), this change will be applied at the next quarterly review;

– Where a Chinese company publicly announces its intention to mandatorily convert Class B shares into **ineligible** Class A shares, the Class B shares will be deleted with a minimum T+2 notice.

3.11 Deletions

A constituent will be deleted if it is delisted from all eligible exchanges. A constituent will be deleted if FTSE Russell becomes aware (in the country of its assigned nationality) that it has become bankrupt, filed for bankruptcy protection, enters into administration, or receivership, is insolvent or is liquidated (or local equivalents); or has filed for delisting and no regulatory or shareholder approvals are outstanding, converts into an ineligible corporate structure or where evidence of a change in circumstances makes it ineligible for index inclusion. The stock will only be re-considered for index eligibility after a period of 12 months from its deletion. For the purposes of index eligibility, it will be treated as a new issue.

For example, if FTSE Russell becomes aware that a U.S. company has filed for Chapter 7 bankruptcy, Chapter 11 bankruptcy protection, a receiver is appointed, has filed for delisting under a Form 25 or a liquidation plan is filed, it will be removed from the FTSE Russell indices with notice. Similarly, if a UK company has moved into administration or has been declared insolvent, it will be removed with notice. If a constituent is being removed pursuant to rule 3.11 and is not trading and there is no express confirmation that shareholders will receive a fixed cash amount per share held, FTSE Russell will remove the stock at a nominal price of 0.0001. If a price on an ineligible market (e.g. OTC) is available, the constituent may be removed using this price.

Within the Russell US and derived indices, a company emerging from bankruptcy protection or insolvency will be re-considered for index inclusion at the next annual reconstitution (i.e. there will be no 12 month exclusion).

A constituent will be deleted if FTSE Russell becomes aware that the price of the constituent has reached its minimum permissible trade price. The constituent will be removed from the index in conjunction with the next index review subject to it still being at the minimum permissible trade price at the start of the quarterly review lock down period. As illustration, Indonesian constituents that have reached the minimum permissible trade price of IDR 50 per share are captured under this rule. The stock will only be re-considered for index eligibility after a period of 12 months from its deletion. For the purposes of index eligibility, it will be evaluated as a new issue.

3.12 Suspended companies*

If FTSE Russell becomes aware that a constituent is suspended, index treatment will be determined as follows:

- Unless the circumstances set out in Section 3.11 apply, the constituent will continue to be included in the index for a period of up to 20 business days at its last traded price;
- If the constituent continues to be suspended at the end of that period (the suspension period), it will be subject to review. FTSE Russell will take into account the stated reasons for the suspension. These reasons may include announcements made by the company regarding a pending acquisition or restructuring and any stated intentions regarding a date for the resumption of trading. If following review, a decision is taken to remove the constituent, FTSE Russell will provide notice (via an informative notice for those index series which are supported by the index notice service*) of 20 business days (the notice period) that it intends to remove the constituent, at zero value, at the conclusion of the notice period**. If the security has not resumed trading at the conclusion of the notice period, it will be removed with two days' notice.

*For the avoidance of doubt, constituents of those index series not supported by the index notice service will be removed at the conclusion of 40 business days, with two days' notice.

**If during the notice period further details are disclosed as to the reason for a company's suspension, those reasons (and any possible resumption of trade date) will be taken into account when determining if the company should remain on notice.

- If a suspended constituent resumes trading on or before the last business day of the notice period, the deletion notice will be rescinded and the constituent will be retained in the index. However, where the constituent resumes trading after the 40th business day of suspension, the constituent will continue to be removed from the index as previously announced but in these circumstances the deletion will instead be implemented at market value unless there are barriers that render a market value irreplicable. In this event, the company will continue to be removed at zero;
- If the notice period expires in the week preceding an index review, the company will be removed in conjunction with the index review;
- In certain limited circumstances where the index weight of the constituent is significant and FTSE Russell determines that a market-related value can be established for the suspended constituent, for example because similar company securities continue to trade, deletion may take place at the market-related value instead. In such circumstances, FTSE Russell will set out its rationale for the proposed treatment of the constituent at the end of the suspension period. The company would then be removed at that value at the end of the notice period;
- If a constituent has been removed from the index and trading is subsequently restored, the constituent will only be re-considered for inclusion after a period of 12 months from its deletion. For the purposes of index eligibility, it will be treated as a new issue.

3.13 Suspended companies treatment at review

- If following Rule 3.12 a suspended constituent continues to be a member of the index at the periodic review, its weight adjustment factor (WAF) will be updated as part of the index review process;
- If a constituent addition becomes suspended from the review announcement date and up to the Tuesday prior to the review effective date it will no longer be included as a constituent at review. When the security resumes trading FTSE Russell will provide notice advising of the timing of its addition with its new WAF;
- If a constituent deletion becomes suspended from the review announcement date and up to the Tuesday prior to the review effective date it will no longer be deleted from the index at review. The constituent's WAF will remain unchanged as part of the index review process unless specified in the respective index rules. When the constituent's trading resumes, FTSE Russell will provide notice advising of the timing of its deletion. The deleted constituent's weight will be distributed pro-rata amongst the remaining constituents.

3.14 The use of dummy lines in FTSE Russell indices

Dummy lines are non-tradable instruments which have been temporarily created by FTSE Russell in order to reflect a corporate event.

The use of dummy lines are normally determined on an ad hoc basis and typically results from the treatment of complex corporate events.

Where the use of dummy lines are necessary FTSE Russell provides advance notification either via an informative notice published on the FTSE Russell website or through email.

Dummy lines are generally used to reflect the investor experience and to facilitate index replication.

3.15 Non-ranking for dividend

In the event that an existing index constituent issues new shares which do not rank for the next dividend, FTSE Russell may include these in the index on a separate temporary non-ranking for dividend line:

- Where the non-ranking for dividend line ceases trading on or before the ex dividend date, the temporary line will be deleted from FTSE Russell indices **on the open** of the ex dividend date and the new shares amalgamated into the main line. FTSE Russell will also make an adjustment to the declared dividend in order to reflect that only the existing shares were entitled to the dividend;
- Where the non-ranking for dividend line ceases trading after the ex dividend date, the temporary line will be deleted from FTSE Russell indices **at close** of the ex dividend date and the new shares amalgamated into the main line. As a result, no adjustment to the declared dividend is necessary.

Appendix A

Further information

The corporate event treatment detailed in this guide is applicable to any index series where this guide is specifically referenced in the Ground Rules.

A glossary of terms used in FTSE Russell's Ground Rule documents can be found using the following link: Glossary.pdf

For contact details, please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

Website: www.lseg.com/en/ftse-russell/

Disclaimer

FTSE RUSSELL
An LSEG Business