

Ground Rules



FTSE Dividend Growth Index Series

v3.3

Please Note: The Index Series was previously known as the Russell Dividend Growth Index Series and was renamed in January 2018.



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Section 1

Introduction

1.0 Introduction

1.1 FTSE Dividend Growth Index Series*

The FTSE Dividend Growth Index Series is designed to represent the performance of companies that have regularly increased their dividend payments over a period of ten or more years, or 35 years in the case of the Russell 3000® Dividend Elite Index. Companies are screened for liquidity and for dividend status, and equal weighted subject to a maximum industry weight of 30%. Index constituents are rebalanced to equal weight and screened for dividend status on a quarterly basis. Please Note: The Index Series was previously known as the Russell Dividend Growth Index Series and was renamed in January 2018.

1.2 Available Indices

1.2.1 The following indices are available for the FTSE Dividend Growth Index Series. The FTSE Dividend Growth Indices are derived from existing FTSE or Russell indices. The underlying index in each case serves as the parent index for the relevant Dividend Growth Index and all companies within the underlying index are initially eligible for inclusion in the FTSE Dividend Growth Indices.

| FTSE Dividend Growth Index | Russell Index (Parent index) |
|--|------------------------------|
| Russell 1000® Dividend Growth Index | Russell 1000® Index |
| Russell 2000® Dividend Growth Index | Russell 2000® Index |
| Russell 3000® Dividend Growth Index | Russell 3000® Index |
| Russell 3000® Dividend Elite Index | Russell 3000® Index |
| Russell Top 200® Dividend Growth Index | Russell Top 200® Index |
| Russell Midcap® Dividend Growth Index | Russell Midcap® Index |

1.3 **Base Currency**

1.3.1 The base currency of the benchmark is US Dollars. Index values may also be published in other currencies.

1.4 The FTSE Dividend Growth Index Series does not take account of ESG factors in its index design.

1.5 **FTSE Russell**

1.5.1 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, The Yield Book Inc and Beyond Ratings.

1.5.2 FTSE Russell hereby notifies users of the index series 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 series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.5.3 Index users who choose to follow this index series or to buy products that claim to follow this index series 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 series.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series 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 index reviews of the index series 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 indices.

2.2 Amendments to These Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) 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 Index Governance Board before approval is granted.

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) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK 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 Queries and Complaints

3.1.1 FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

3.2 Index Policy for Trading Halts and Market Closures

3.2.1 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](#)

3.3 Index Policy in the Event Clients are Unable to Trade a Market

3.3.1 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](#)

3.4 Recalculation Policy and Guidelines

3.4.1 The FTSE Dividend Growth Index Series is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the index series are notified through appropriate media.

3.4.2 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.

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

3.5 Policy for Benchmark Methodology Changes

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

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

3.6 FTSE Russell Governance Framework

3.6.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to ensure compliance with the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE_Russell_Governance_Framework.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

³ 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

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019

Section 4

Construction and Methodology

4.0 Construction and Methodology

4.1 Liquidity and tradability screening

4.1.1 Russell 2000 index constituents are ranked annually in order of 20-day average dollar traded volume (ADDTV). The ADDTV of the company at the lowest 20th percentile is noted and for each parent universe, constituents with ADDTV below this figure are removed. This threshold, computed from the Russell 2000 constituents, is applied to the Russell 1000, Russell 3000, Russell 3000 Dividend Elite, Russell Top 200 and Russell Midcap universes. For each parent universe, constituents at or above the threshold comprise the set of constituents eligible for further screening.

4.1.2 ADDTV is defined as the cumulative trading value over the twenty trading days prior to the data cut-off date, divided by twenty. Trading days are based on the US calendar, and as such excludes US exchange holidays. The data cut-off date is the last business day of May.

4.2 Membership⁵

4.2.1 Eligible securities are assessed annually for dividend growth over 7 quarters ending as of the last business day in May. Eligible securities must have increasing annual per-share regular cash dividends⁶ for ten consecutive years, and no decrease in quarter on quarter dividends per share. Constituents that have paid, or are scheduled to pay, a decreasing quarter on quarter dividend - identified using dividend data (including declared dividends yet to be paid) available up to and including the last business day of the month preceding the review month – will be removed from the FTSE Dividend Growth Index Series concurrent with the quarterly equal weighting.

Eligible securities for the Russell 3000 Dividend Elite Index must have increasing annual per-share regular cash dividends for 35 consecutive years without a decrease.

⁵ For the purposes of creating the initial index history, the annual periods are defined relative to recon dates as the period from the first day of the newly-reconstituted parent index to the last – normally, from July 1 to June 30. After launch of the indices, the annual periods for Step 1 are defined relative to recon cut dates as the period from one day after the previous recon cut date through the current recon cut date – normally May 31. Similarly, the 20 business day window for the initial liquidity screen runs through the end of the corresponding annual period.

⁶ Prior to the 2021 annual recon, ex-date is used to assign dividends to the relevant annual period. Starting from 2021 annual recon, declaration date is used.

- 4.2.2 Where there are fewer than 40 index constituents, eligible securities with nine years, or thirty four years in the case of the Russell 3000® Dividend Elite Index, of increasing dividends are added in descending order of dividend yield, until the total number of constituents is 40. If there are still fewer than 40, index constituents, eligible securities with eight years, or thirty three years in the case of the Russell 3000® Dividend Elite Index, of increasing dividends are added to the constituent list. If after there are still fewer than 40 constituents, no further additions are made. Due to the quarterly screening to remove companies that do not fulfill the quarter on quarter appreciating dividend requirement, there may be fewer than 40 index constituents until the following annual reconstitution. Dividend yield is defined as latest 12 month trailing dividend, divided by full market capitalization. The data cut-off date is the last business of May.
- 4.2.3 Index constituents are equally weighted.
- 4.2.4 Where any industry represents 30% or more of the Dividend Growth Index, constituents are removed from that industry starting from securities with lowest dividend yield and shortest history of dividend growth. For example, if the industry breaching the 30% limit contains securities with eight, nine and ten years (thirty three, thirty four and thirty five years in the case of the Russell 3000® Dividend Elite Index) of increasing dividends, the lowest yielding eight year (thirty three year in the case of the Russell 3000® Dividend Elite Index) dividend growth stocks would be removed. When all eight year (thirty three year in the case of the Russell 3000® Dividend Elite Index) stocks are removed, then the lowest yielding stocks from the set of securities with nine years (thirty four years in the case of the Russell 3000® Dividend Elite Index) of dividend growth history would be removed, and so on. This is continued until the industry represents less than 30% of the index. The industry cap is applied at annual reconstitution. Industry schemes used are in table below:

| Dividend Growth Index Universe | Industry Scheme |
|---------------------------------------|---|
| Russell 1000, 2000, 3000 | Prior to Jun 2018 - Russell Global Sector (RGS) headline sector Starting Jun 2018 - FTSE Industry Classification Benchmark (ICB) headline industry |
| Russell Midcap, Top 200, 3000 Elite | FTSE Industry Classification Benchmark (ICB ⁷) headline industry |

- 4.2.5 If the number of constituents is less than 40, constituents with nine years (thirty four years in the case of the Russell 3000® Dividend Elite Index) of increasing dividends are added to industries with weights below 30%, in descending order of dividend yield, until there are 40 constituents. If there are still less than 40 constituents, securities with eight years (thirty three years in the case of the Russell 3000® Dividend Elite Index) of increasing dividends are added in descending order of dividend yield. If there still are fewer than 40 constituents, no further additions are made. For indices with a Russell underlying index, if the parent index includes multiple share classes for a given company, only the primary share class will be included in the index, i.e. each company will have only one share class represented in the Russell Dividend Growth Indices

For further details on the primary share class please refer to the Russell US Equity Indices Construction and Methodology document which can be found on the FTSE Russell website.

⁷ Russell US related indices migrated to the new ICB classification system in September 2020. FTSE related indices migrated to the new ICB classification system in March 2021.

4.3 **Annual reconstitution and quarterly rebalance⁸**

- 4.3.1 The FTSE Dividend Growth Indices are reconstituted each year and implemented in line with the Russell US Indices, based on stock prices at the close of eleven business days prior to the implementation date. Reconstitution of the FTSE Dividend Growth Indices is implemented the last Friday in June, with the following exceptions: if the last Friday in June is the 29th or 30th, reconstitution will be implemented on the Friday prior. A full calendar for reconstitution is made available each spring on ftserussell.com.
- 4.3.2 In addition to the annual reconstitution in June, the FTSE Dividend Growth Indices are rebalanced quarterly to equal weights, based on stock prices at the close of eleven business days prior to the implementation date; and screened to remove constituents that have paid a decreasing quarter on quarter dividend - identified using dividend data available up to and including the last business day of the month preceding the review month.
- 4.3.3 The quarterly rebalance will be implemented after the close of business day on the third Friday in March, September and December.

4.4 **Intra-Review Deletions**

- 4.4.1 A constituent will be removed from a FTSE Dividend Growth Index (with a minimum of 2 days notice) if it is being removed from its corresponding underlying index with its weight distributed pro-rata amongst the remaining constituents in the relevant index.

⁸ For the Russell 2000 Dividend Growth, Russell 1000 Dividend Growth and Russell 3000 Dividend Growth Indices, stock prices at the close of ten business days prior to the implementation date through December 2017.

Section 5

Corporate Actions and Events

5.0 Corporate Actions and Events

5.1.1 If a constituent in the underlying index 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 (with the exception of tender offers), the constituent's weighting in the corresponding FTSE Dividend Growth Index will remain unchanged pre and post such an event.

5.1.2 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 Indices 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. The index will be adjusted in line with 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.

5.2 Suspension of Dealing

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

5.3 Takeovers, Mergers and Demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indices.



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 Dividend Growth Index Series visit www.ftserussell.com or e-mail info@ftserussell.com. Contact details can also be found on this website.

For more information about our indices, please visit ftserussell.com.

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