Ground Rules

FTSE UK Dividend+ Index
v2.7
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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 the FTSE UK Dividend+ Index. Copies of these Ground Rules are available from FTSE Russell on the website www.ftserussell.com.

1.2 The FTSE UK Dividend+ Index is designed to represent the performance of the 50 highest yielding companies in the FTSE 350 Index excluding investment trusts. Companies are selected by forecast one-year dividend yields after size and liquidity screens have been applied.

1.3 These Ground Rules should be read in conjunction with the FTSE UK Index Series Ground Rules. These rules are available on www.ftserussell.com.

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

1.5 Price, Total Return and Net of Tax Indexes are available. Total Return and Net of Tax Indexes are published at the end of each working day.

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

1.7 IOSCO

1.7.1 FTSE considers that the FTSE UK Dividend+ Index Series meets the IOSCO Principles for Financial Benchmarks as published in July 2013. Full details can be accessed at www.iosco.org.

1.7.2 Details of FTSE Russell’s Statement of Compliance with respect to the IOSCO Principles can be accessed using the following link: IOSCO Statement of Compliance.

1.8 FTSE Russell


1.9 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.

1.10 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 weighting 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 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.

2.1.3 FTSE is also responsible for monitoring the performance of the FTSE UK Dividend+ Index throughout the day and will determine whether the status of the index should be ‘firm’, ‘indicative’ or ‘held’.

2.2  Status of these Ground Rules

2.2.1 These Ground Rules set out the methodology and provide information about the publication of the FTSE UK Dividend+ Index.

2.3  Amendments to these Ground Rules

2.3.1 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. 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.

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).
2.3.2 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 Rules should subsequently be updated to provide greater clarity.
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 Statement of Principles for FTSE Russell Equity Indexes (the Statement of Principles)

3.1.1 Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the 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 summarise the ethos underlying FTSE Russell’s approach to index construction. The Statement of Principles which 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:


3.2 Queries, Complaints and Appeals

3.2.1 A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indexes from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

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

Benchmark_Determination_Complaints_Handling_Policy.pdf

FTSE Russell’s Appeal Process can be accessed using the following link:

Appeals_Against_Decisions.pdf

3.3 Index Policy for Trading Halts and Market Closures

3.3.1 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
3.4 **Index Policy in the Event Clients are Unable to Trade a Market**

3.4.1 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](Index_Policy_in_the_Event_Clients_are_Unable_to_Trade_a_Market.pdf)

3.5 **Recalculation Policy and Guidelines**

3.5.1 The FTSE UK Dividend+ Index is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE UK Dividend+ Index are notified through appropriate media.

For further information please refer to the FTSE Russell Recalculation Policy and Guideline document which is available on the FTSE Russell website using the link below or by contacting info@ftserussell.com.

[Recalculation_Policy_and_Guidelines_Equity_Indexes.pdf](Recalculation_Policy_and_Guidelines_Equity_Indexes.pdf)

3.6 **Policy for Benchmark Methodology Changes**

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

[Policy_for_Benchmark_Methodology_Changes.pdf](Policy_for_Benchmark_Methodology_Changes.pdf)
Section 4

Eligible Securities

4.0 Eligible Securities

4.1 The constituents of the FTSE UK Dividend+ Index are selected from the FTSE 350 Index excluding investment trusts and securities without a one year dividend per share forecast.

4.2 Forecast One-Year Dividend Yield

4.2.1 Dividend yield is based on the one-year dividend per share (DPS) forecast (excluding capital repayments and special dividends) sourced from a third party data provider. DPS estimates are converted to the currency of the security price as of the review data cut-off date using WM/Reuters Closing Spot Rates.

4.2.2 Companies that do not have a one-year dividend per share forecast will not be eligible for index inclusion.
Section 5

Periodic Review of Constituents

5.0 Periodic Review of Constituents

5.1 Review universe

5.1.1 The review universe will comprise the top 250 constituents, by full market capitalisation, from the FTSE 350 Index excluding investment trusts and securities without a one-year dividend per share forecast.

5.2 Semi-Annual Review (Data Cut-off Date)

5.2.1 The semi-annual review will use data from the close of trading on the Tuesday before the first Friday of March and September.

5.3 Semi-Annual Review (Implementation Date)

5.3.1 The semi-annual review will be implemented in line with the FTSE UK Index Series after the close of trading on the third Friday (i.e. effective Monday) of March and September.

5.4 Review Methodology

A. The review universe is ranked in descending order by the forecast one-year dividend yield (see Rule 4.2).

B. For each company in the review universe, the twelve month average daily traded value in GBP is calculated. (see Rule 7.3).

C. Non-constituents that rank 25th or above are added to the index.

D. Existing index constituents that rank 101st or below are removed from the index.

E. Where a company consists of more than one line of stock, only the highest yielding line will be included in the index.

F. If there are fewer than 50 constituents after the above process, the next highest-ranking non-constituent is included until 50 constituents are selected. If more than 50 constituents are selected the lowest ranking constituents are removed until the index contains 50 constituents.

G. Once 50 constituents have been selected index weights are calculated. The index is yield weighted.

H. The weight of each index constituent is multiplied by GBP 150 million.

I. The value of each constituent calculated in (Step H) is divided by the twelve month average daily traded value (Step B).
J. Securities are removed from the index if the number of days to trade (Step 1) is greater than 1 day. Where no constituent fails the liquidity test the selection of index constituents is complete.

K. Where a constituent is removed from the index as a result of failing the liquidity test, the next highest ranking non-constituent by one-year forecast dividend yield is selected, provided it passes the liquidity test after the recalculation of the index weights.
Section 6

Corporate Actions and Events

6.0 Corporate Actions and Events

6.1 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, the constituent’s weighting in the corresponding FTSE UK Dividend+ Index will remain unchanged pre and post such an event.

6.2 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. 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.

6.3 New issues

6.3.1 New issues will be eligible for inclusion in the FTSE UK Dividend+ Index at the next semi-annual review.

6.4 Removal and Replacement

6.4.1 The FTSE UK Dividend+ Index will not have intra-review rebalance additions.

6.4.2 A constituent will be removed from the FTSE UK Dividend+ Index if it is also removed from the underlying FTSE 350 Index. The removal will be concurrent with a stock’s deletion from the FTSE 350 Index.
6.4.3 If a constituent company publicly announces a zero dividend policy then the constituent will be deleted.

6.5 Mergers, Restructuring and Complex Takeovers

6.5.1 If a constituent is acquired by a non-constituent, the company will be removed from the FTSE UK Dividend+ Index and the weight of the deleted constituent redistributed pro-rata amongst the remaining index constituents...

6.5.2 If the effect of a merger or takeover is that one constituent of the FTSE UK Dividend+ Index is absorbed by another constituent, the resulting company will remain a constituent of the index and any cash resulting from a merger or takeover will be distributed pro-rata amongst the remaining constituents.

6.5.3 If an index constituent has a complex reorganisation or demerger, the newly spun-off company will remain eligible for inclusion into the index as long as it remains a constituent in the FTSE 350 Index. The weight of an eligible spun-off company included in the FTSE UK Dividend+ Index will follow the terms of the corporate event, such that the weight of the entity pre and post event remains the same (ex any cash component). Any cash component will be distributed pro-rata amongst the remaining constituents.
Section 7

Index Algorithm and Calculation Methodology

7.0 Index Algorithm and Calculation Methodology

7.1 Prices

The FTSE UK Dividend+ Index will use actual trades on SETS.

7.2 Calculation Methodology

Each of the 50 index constituents are weighted within the index at review by their forecast one year dividend yield. A Weight Adjustment Factor (WAF) is applied to the investable market capitalisation of each constituent to achieve the desired index weight.

7.3 Average Daily Traded Value

The formula to calculate the Average Daily Traded Value is as follows:

\[ ADTV_i = \frac{1}{N} \sum_{i=1}^{N} (p_i \times e_i \times v_i) \]

Where,

- \( i = 1, 2, \ldots, N \)
- \( N \) is the number of days in the 12 month period.
- \( p_i \) is the price of the component security.
- \( e_i \) is the exchange rate required to convert the security’s currency into the Index’s base currency.
- \( v_i \) is the number of shares traded, i.e. the volume of the security.

7.4 Days to trade

The formula to calculate the Days to Trade for each constituent is as follows:

\[ DTT_i = \frac{w_i \times x}{ADTV_i} \]

- \( w_i \) is the weight of the constituent in the index.
- \( x \) is the value of the index basket, i.e. GBP 150 million.
## Appendix A: Index Opening and Closing Hours

<table>
<thead>
<tr>
<th>Index</th>
<th>Open</th>
<th>Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE UK Dividend+ Index</td>
<td>08:00</td>
<td>16:30</td>
</tr>
</tbody>
</table>

**Notes:**

1. Closing prices will be London Stock Exchange Official Closing Price.
2. The indexes will not be calculated on UK Public Holidays and may close early on the business day prior to the Christmas and New Year Public Holidays.
3. Timings are UK hours (GMT or BST).
Appendix B: Status of Index

The FTSE UK Dividend+ Index is calculated in real-time and may exist in the following states:

A) Firm

The index is being calculated using trade prices from the relevant local stock exchanges for all constituents during the hours of the Official Index Period.

The Official Closing Index for the real time index is the last index value calculated at the end of the firm period.

B) Closed

When the index has ceased all calculations for the day, the message ‘CLOSED’ is displayed against the index value.

C) Held

During the firm period, the index has exceeded pre-set operating parameters and calculation has been suspended pending resolution of the problem. The message ‘HELD’ is displayed against the last index value calculated.

D) Indicative

If there is a system problem or a situation in the market that is judged to be affecting the quality of the constituent prices at any time when the index is being calculated, the index will be declared indicative. The message ‘IND’ will be displayed against the index value.

The official opening and closing hours of the FTSE UK Dividend+ Index are set out in Appendix A. Variations to the official hours of the index will be published by FTSE Russell.
Appendix C: Further Information

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

Further information on the FTSE UK Dividend+ Index is available from the FTSE Russell website or email info@ftserussell.com. Contact details are available on this website.

Website: www.ftserussell.com