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FTSE UK Index Series - Treatment of Special Dividends

16 January 2025

FTSE Russell would like to inform clients of the following update to the FTSE UK Index Series Ground Rules effective from the March 2025 review.

Currently, where a UK company has specifically called out a cash distribution as a special dividend, it has been treated as special and the price of the stock is adjusted to deduct the dividend amount before the open on the ex-date (with no impact to the total return index). This treatment has been applied consistently regardless of the recurring cycle of the special dividend payment.

From the March 2025 review, in cases where a company pays a special cash dividend in a recurring cycle (e.g. monthly, quarterly, semi-annually, or annually) on more than three consecutive occasions, including special dividends distributed concurrently with a regular dividend, FTSE Russell will consider any further special dividend distributions as ordinary dividends. For the avoidance of doubt, non-recurring special dividends will continue to be treated as special. This aligns treatment for companies in the UK with the treatment of companies within other markets across the FTSE Russell indices and the treatment specified in Section 4.2 of the [corporate-actions-and-events-guide.pdf](#).

An updated copy of the FTSE UK Index Series Ground Rules will be published in due course.

Section 10

Treatment of dividends

10. Treatment of dividends

10.1 Declared dividends are used to calculate the Standard Total Return Indices in the FTSE UK Index Series. All dividends are applied as at the ex-div date.

The standard total return indices include the following versions of the FTSE 100 Total Return Index:
FTSE 100 Total Return Index - all dividends are as declared by companies and no withholding tax adjustments are made.

Please note: effective 31 January 2022, Royal Dutch Shell PLC simplified its share structure from A and B shares into a single class of shares in Shell PLC (incorporated and tax resident in the UK).

Prior to this date, no adjustment for withholding taxes was made within the FTSE 100 Dividend Index except for dividends paid by Royal Dutch Shell A shares from which 15% withholding tax was deducted.

FTSE 100 Total Return Declared Dividend Index - all dividends are as declared by companies and no withholding tax adjustments are made.

10.2 A series of net of tax Total Return Indices are also calculated.

For further details refer to the FTSE Withholding Tax Guide, which can be accessed using the following link: [FTSE_Russell_Withholding_Tax_Guide.pdf](#)

10.3 Treatment of Special Dividends.

Ordinary cash dividends are those paid to shareholders out of a company's profits or reserves. These ordinary cash dividends impact the total return and are reinvested across the index on the dividend ex date. In addition to paying ordinary dividends, a company may at times pay special cash dividends. These are normally paid outside a company's regular dividend schedule and can occur for a variety of reasons, such as a major litigation win, the sale of a business or liquidation of an investment. For special cash dividends, the price of the stock is adjusted to deduct the dividend amount before the open on the ex date. Special cash dividends are not included within the total return index calculation.

FTSE Russell deems a dividend to be special if the distributing company describes it as such. However, in cases where a company pays a special cash dividend in a recurring cycle (e.g. monthly, quarterly, semi-

annually, or annually) on more than three consecutive occasions which are not deemed to be extraordinary, FTSE Russell will normally consider any further such cash distributions as ordinary dividends.

For illustration purposes: Company A pays dividends annually. For the last three consecutive years, the company has paid an ordinary cash dividend accompanied by a special cash dividend. The special cash dividend has not been included within the total return index calculation or annual dividend yield calculation. If the company subsequently pays a fourth consecutive special cash dividend, the fourth occurrence will be treated as an ordinary cash dividend.

For any questions, please contact FTSE Client Services at info@ftserussell.com.

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

Australia	+61 (0) 2 7228 5659
Hong Kong	+852 2164 3333
Japan	+81 3 6441 1430
London	+44 (0) 20 7866 1810
New York	+1877 503 6437

Alternatively please visit our website at lseg.com/ftse-russell