

# FTSE Australia High Dividend Yield Index

v2.1



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## Section 1

# Introduction

## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Australia High Dividend Yield Index.
- 1.1.1 The FTSE Australia High Dividend Yield Index is designed to represent the performance of companies with relatively high forecast dividend yields.
- 1.1.2 These Ground Rules should be read in conjunction with the FTSE ASFA Australia Index Series Ground Rules which are available from FTSE Russell ([www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)):
- 1.2 The FTSE Australia High Dividend Index does not take account of ESG factors in its index design.
- 1.3 The base currency of the benchmark is AUS Dollars. Index values may also be published in other currencies.
- 1.4 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.
- 1.5 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.
- 1.6 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 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 inaccuracies in the compilation of the index or any constituent data.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index<sup>1</sup>.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE Australia High Dividend Yield Index 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 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.

### 2.2 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. 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.

<sup>1</sup> 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. 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 Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground 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 summarises the ethos underlying 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 Group for discussion before approval by the FTSE Russell Index Governance Board. The Statement of Principles can be accessed using the following link:

[Statement\\_of\\_Principles.pdf](#)

### 3.2 Corporate Actions and Events Guide

3.2.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate\\_Actions\\_and\\_Events\\_Guide.pdf](#)

### 3.3 Queries and Complaints

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

[Benchmark\\_Determination\\_Complaints\\_Handling\\_Policy.pdf](#)

### 3.4 Index Policy for Trading Halts and Market Closures

3.4.1 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](#)

### 3.5 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.5.1 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\\_or\\_a\\_Security.pdf](#)

### 3.6 Recalculation Policy and Guidelines

3.6.1 The FTSE Australia High Dividend Yield Index is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Australia High Dividend Yield Index are notified through appropriate media.

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](mailto:info@ftserussell.com).

[Recalculation\\_Policy\\_and\\_Guidelines\\_Equity\\_Indices.pdf](#)

### **3.7 Policy for Benchmark Methodology Changes**

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

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

### **3.8 FTSE Russell Governance Framework**

3.8.1 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 meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.9 Real Time Status Definitions**

3.9.1 Please refer to the following guide for details of real time status definitions for indices that are calculated in real time.

[Real Time Status Definitions.pdf](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> 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.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Index review

## 4. Index review

### 4.1 Universe

4.1.1 At review the universe will comprise of constituents from the FTSE Australia 200 to determine the eligible universe.

4.1.2 Semi-Annual Review (implementation date)

4.1.3 The semi-annual reviews will be implemented after the close of business on the third Friday (i.e., effective Monday) of June and December.

4.1.4 12 Month Forward Dividend Yield

4.1.5 The constituents are ranked according to each security's 12 month forecast dividend yield (sourced from I/B/E/S the Institutional Brokers' Estimate System) with companies not forecast to pay dividends in the next 12 months being eliminated. For the review universe constituents that do not have I/B/E/S forecast DPS values, an additional independent source will be used. Companies with the highest forecast dividend yield are included in the index until approximately half of the float adjusted market capitalisation of the eligible universe is reached.

### 4.2 Review Methodology

The constituents of the index will be selected from the eligible universe by:

1. Removing all real estate investment trusts (REITs – ICB Sector Real Estate Investment Trusts 351020 and Mortgage Real Estate Investment Trusts 302030).
2. Removing all stocks that are not forecast to pay dividends over the next 12 months.
3. The remaining stocks are ranked from highest to lowest by 12-month forward dividend yield.
4. Additional proprietary screens are applied with the aim of balancing the high dividend objective of the index while reducing turnover.

### 4.3 Partial Review Implementation

To help reduce turnover, the methodology includes processes such as implementing additions/deletions from the index across multiple Index Reviews.

### 4.4 Capping at Review

4.4.1 As part of the semi-annual review process, no more than 40% of the index can be invested in any one industry and no more than 10% can be invested in any one company.

## Section 5

# Constituent changes outside of a review

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## 5. Constituent changes outside of a review

### 5.1 Intra-review Additions

5.1.1 There will be no intra-review additions to this index.

### 5.2 Intra-review Deletions

5.2.1 A constituent will be removed from the FTSE Australia High Dividend Yield Index if it is also removed from the FTSE Australia 200 Index.

5.3 If a constituent converts to a REIT intra-review and its ICB classification changes to REIT (ICB sector 8670) it will remain a constituent of the FTSE Australia High Dividend Yield Index until the next quarterly review.



## Section 6

# Corporate actions and events

## 6. Corporate actions and events

6.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.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. 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 will provide notice advising of the timing of the change.

These Ground Rules should also be read in conjunction with the FTSE ASFA Australia Index Ground Rules which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).

### 6.2 Shares in Issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

### 6.3 Investability Weightings

Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

### 6.4 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 will be eligible to continue as constituents in the index providing they pass the criteria outlined in the FTSE ASFA Australia Index Series Ground Rules.

### 6.5 Suspension of Dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

## **6.6 Takeovers, Mergers and Demergers**

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide.

If an existing index constituent acquires a non-constituent, it will remain in the FTSE Australia High Dividend Yield Index if the newly merged company remains a constituent in the FTSE ASFA Australia 200 Index.

If a non-constituent acquires a constituent of the FTSE Australia High Dividend Yield Index as a result of the stock merger or acquisition, it will be considered for inclusion in the FTSE Australia High Dividend Yield Index at the next semi-annual review.

If an index constituent has a complex reorganisation or de-merger, the newly spun-off company will remain in the FTSE Australia High Dividend Yield Index as long as it remains a constituent in the FTSE Australia 200 Index.

## Section 7

# Industry Classification Benchmark (ICB)

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## 7. Industry Classification Benchmark (ICB)

### 7.1 Classification Structure

- 7.1.1 The FTSE Australia High Dividend Yield Index are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB)<sup>5</sup>.
- 7.1.2 Details of the Industry Classification Benchmark are available from FTSE Russell and published on the FTSE Russell website ([www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)) and can be accessed using the following link:  
[Industry Classification Benchmark](#)

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<sup>5</sup> FTSE indexes migrated to the new ICB classification system in March 2021.

## Section 8

# Algorithm and calculation method

## 8. Algorithm and calculation method

### 8.1 Calculation Frequency

The FTSE Australia High Dividend Yield Index will be available on a real time (price return only) basis in AUD. Total Return will be available on an end of day basis in AUD.

### 8.2 Algorithm

The FTSE Australia High Dividend Yield Index is calculated using the algorithm described below.

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f \times c_i)}{d}$$

Where,

- $i=1,2,\dots,N$
- $N$  is the number of securities in the Index.
- $p_i$  is the latest trade price of the component security (or the price at the close of the Index on the previous day).
- $e_i$  is the exchange rate required to convert the security's currency into the Index's base currency.
- $s_i$  is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- $f_i$  is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- $c$  is the Capping Factor to be applied to a security to correctly weight that security in the index.
- $d$  is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

## Appendix A

# Further information

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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 Australia High Dividend Yield Index Methodology is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

**Website:** [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)

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