

# FTSE UK Dividend+ Index

v3.5



**FTSE  
RUSSELL**

An LSEG Business

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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 UK Dividend+ Index. Copies of these Ground Rules are available from FTSE Russell on the website [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 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 after eligibility 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.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 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 indices are available. Total return and net of tax indices 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](http://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**

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.

  - 1.9 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;
  - any inaccuracies in these Ground Rules;
  - 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 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 (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.

2.3.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, 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.

<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)

3.1.1 Indices 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 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 advisory board 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 Queries, Complaints and Appeals

3.2.1 A constituent or prospective constituent company (or professional adviser acting on behalf of the company), a national organisation or a group of no fewer than 10 users of the indices 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 or a Security

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

### **3.5 Recalculation Policy and Guidelines**

- 3.5.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index recalculation guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE UK Dividend+ Index will be 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](mailto:info@ftserussell.com).

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

### **3.7 FTSE Russell Governance Framework**

- 3.7.1 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](#)

### **3.8 Real Time Status Definitions**

- 3.8.1 Please refer to the following guide for details of real time status definitions for indices which 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

# Eligible securities

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## 4. Eligible securities

- 4.1.1 The constituents of the FTSE UK Dividend+ Index are selected from the FTSE 350 Index, excluding the investment trusts index.



## Section 5

# Periodic review of constituents

## 5. Periodic review of constituents

### 5.1 Review universe

- 5.1.1 The review universe will comprise the top 250 companies by full market capitalisation from the FTSE 350 Index excluding investment trusts.
- 5.1.2 Existing index constituents that rank in the top 275 by full market capitalisation will remain index constituents providing they pass all eligibility criteria.

### 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. Securities in the review universe with an average negative six and 12 months cumulative local total returns that are in the bottom fifth percentile (by security count) are excluded.

The cumulative local total return is calculated over the period that starts six (12) months prior to the review effective date, and ends the Monday following the third Friday of the previous month. A full history is required to calculate the cumulative local total returns.

- B. Securities without a one-year forecast dividend per share are excluded.

The one-year forecast dividend per share is based on the one-year forecast dividend per share (DPS) (excluding capital repayments and special dividends) sourced from IHS Markit. DPS estimates are converted to the currency of the security price as of the review data cut-off date using WM/Refinitiv Closing Spot Rates.

For further details of IHS Markit's Dividend Forecasting Methodology, please use the following link:

[IHS Markit – Dividend Forecasting](#)

- C. Securities that have not paid a dividend in the previous 12 months prior to the review data cut-off date are excluded.
- D. Non-constituents that have a three-month median daily traded value of less than GBP three million calculated over the period that starts three months prior to the review data cut-off date are excluded.

Existing index constituents that have a three-month median daily traded value of less than GBP two million calculated over the period that starts three months prior to the review data cut-off date are excluded.

- E. The remaining securities in the review universe are then ranked in descending order by a composite of one-year historic (50%) and one-year forecast (50%) dividend yield using security prices on review data cut-off date.
- F. Non-constituents that rank 25th or above are added to the index.
- G. Existing index constituents that rank 101st or below are removed from the index.
- H. Where a company consists of more than one line of stock, only the highest-yielding line that passes all the eligibility criteria will be included in the index. Once the highest yielding line is included, it will remain in the index until it fails the eligibility criteria.
- I. 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.
- J. Once 50 constituents have been selected index weights are calculated. The index is initially weighted by each security's combined one-year historic (50%) and one-year forecast (50%) dividend yield. A 5% limit is imposed on a constituent's weight before and after the tilting process.

The index constituents are then tilted towards their investable market capitalisation using the FTSE Global Factor Index Series methodology.

The index weights  $W_{M_i}$  is calculated:

$$W_{M_i} = \frac{1}{\Lambda} \times S_{M,i} \times W_{Y_i} \quad (1)$$

where, for each stock  $i$  of the index  $\mathcal{U}$ , the tilt is defined by:

- $S_{M,i}$  is a tilt to the investable market capitalisation  $\mathbf{M}$ ,  $S_{F,i} = \mathbf{S}(\mathbf{Z}_{F,i})$  and  $\mathbf{S}(\mathbf{Z})$  is a monotonic mapping of Z-scores to positive real numbers.
- $W_{Y_i}$  is the initial index weighted by each security's combined one-year historic (50%) and one-year forecast (50%) dividend yield.
- $\Lambda$  is the normalisation factor defined by:

$$\Lambda = \sum_{i \in \mathcal{N}} S_{M,i} \times W_{Y_i} \quad (2)$$

This ensures that the tilt weights sum to one, i.e.  $\sum_{i \in \mathcal{N}} W_{M_i} = \mathbf{1}$ .

## Section 6

# Corporate actions and events

## 6. 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 (with the exception of tender offers), 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 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); and
- 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 providing they pass the eligibility criteria.

### 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 lasting for a period of 12 months or greater or until further notice, then the constituent will be deleted with the provision of a minimum of T+2 advanced notification.

6.4.4 Where a constituent company of the FTSE UK Dividend+ Index is scheduled to be deleted after the periodic review changes have been announced but before they have been implemented, no replacement addition will be selected.

## **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 among 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.

## **6.6 Suspension of dealing**

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

## Section 7

# Index algorithm and calculation methodology

## 7. Index algorithm and calculation methodology

### 7.1 Prices

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

### 7.2 Calculation frequency

7.2.1 The FTSE UK Dividend+ Index is calculated in real time.

### 7.3 Index calculation

7.3.1 The FTSE UK Dividend+ Index is calculated using the algorithm described below:

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d} \quad (3)$$

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;
- $c_i$  is the weighting factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index; and
- $d$  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.

## 7.4 Daily traded value

7.4.1 The formula to calculate the daily traded value is as follows:

$$DTV_i = p_i \times e_i \times v_i \quad (4)$$

Where:

- $p_i$  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; and
- $v_i$  is the number of shares traded, i.e. the volume of the security.

## Appendix A

# Index opening and closing hours

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Index	Open	Close
FTSE UK Dividend+ Index	08:00	16:30

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### Notes:

1. Closing prices will be London Stock Exchange official closing price.
2. The indices 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

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The FTSE UK Dividend+ Index is calculated in real time.

For further details of real time definitions please refer to the following guide:

[Real Time Status Definitions.pdf](#)

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

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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 UK Dividend+ Index is available from the FTSE Russell website or email [info@ftserussell.com](mailto:info@ftserussell.com). Contact details are available on this website.

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

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