

# FTSE Global Target Dividend Index Series

v1.0



**FTSE  
RUSSELL**

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## Section 1

# Introduction

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## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Global Target Dividend Index Series. Copies of the Ground Rules are available from [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.2 The FTSE Global Target Dividend Index Series is designed to reflect the performance of stocks representing a specific set of factor characteristics, with a particular focus on implementing dividend yield (a non-factor exposure) uplift target vs. the respective base universe (see rule 6.2).
- 1.3 Price, total return and net-of-tax total return indices will be calculated on an end-of-day basis.
- Total return indices include income based on ex-dividend adjustments. All dividends are applied as declared in FTSE Total Return Indices.
- Net-of-tax Total Return Indices are also calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.
- Net-of-tax Total Return Indices based on specified withholding tax rates (see section 9) may be calculated.
- 1.4 The base currency is US Dollars for global or regional indices and local currency for single country indices. Index values may also be published in other currencies.
- 1.5 The FTSE Global Target Dividend Index Series does not take account of ESG factors in its index design.
- 1.6 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.
- 1.7 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 series.
- 1.8 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 series 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 (or any person concerned with the preparation or publication of these Ground Rules) 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 series 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 series<sup>1</sup>.

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 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; and
- 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.

2.2.2 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 Ground 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

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### 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 Corporate Actions and Events Guide

3.2 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](#)

#### 3.3 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 Advisory Board for discussion before approval by FTSE Russell's Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

#### 3.4 Queries and Complaints

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

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

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

3.5.1 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](#)

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

3.6.1 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](#)

### **3.7 Recalculation Policy and Guidelines**

- 3.7.1 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 Global Target Dividend Index Series will be 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](#)

### **3.8 Policy for Benchmark Methodology Changes**

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

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

### **3.9 FTSE Russell Governance Framework**

- 3.9.1 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](#)

### **3.10 Real Time Status Definitions**

- 3.10.1 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

## Eligible securities

## 4. Eligible securities

- 4.1 The eligible securities of each Global Target Dividend Index are the constituents of the corresponding underlying index shown in table one.

**Table one: FTSE Global Target Dividend Indices**

Index name	Underlying index
FTSE Asia Pacific ex Japan Australia and New Zealand Factor Enhanced Target Dividend Index	FTSE Asia Pacific ex Japan Australia and New Zealand Index
FTSE ASEAN Target Dividend Index	FTSE ASEAN Index
FTSE Emerging Target Dividend Index	FTSE Emerging Index
FTSE Developed Europe Factor Enhanced Target Dividend Index	FTSE Developed Europe Index
FTSE Developed Europe ex UK Factor Enhanced Target Dividend Index	FTSE Developed Europe ex UK Index
FTSE Developed ex US Factor Enhanced Target Dividend Index	FTSE Developed ex US Index

## 4.2 Multiple lines

- 4.2.1 All lines of the same company that are eligible securities are eligible for inclusion in the relevant target dividend indices.

## 4.3 Excluded companies

- 4.3.1 Companies that have not paid a dividend in the previous 12 months prior to the review data cut-off date are excluded.
- 4.3.2 Companies in the underlying universe with robust Z-score of yield (see rule 4.3.3) greater than three and ranking in the bottom fifth percentile (by security count) for momentum (see rule 4.3.4), where momentum is negative, will be excluded.

## 4.3.3 Robust Z-score of yield

Yield is defined as each company's 12-month trailing dividend yield, the data cut-off date is the close of business on the last business day of the month prior to the review month.

Individual stock's yield is normalised to create robust Z-scores within each eligible universe according to:

$$RZ_{Y,i} = \frac{Y_i - Median_Y}{Robust \sigma_Y}$$

where:

$Y_i$  = yield of the  $i^{th}$  stock.

$Median_Y$  = median dividend yield of the respective eligible universe.

$Robust \sigma_Y$  = robust standard deviation of dividend yield within respective the eligible universe  
= (75th percentile of yield - 25th percentile of yield)/1.35.

#### **4.3.4 Momentum**

Momentum is defined as the cumulative total return in local currency, calculated over the period that starts 12 months prior to the review effective date (see rules 5.1.3 and 5.1.4) and ends the Monday following the third Friday of the previous month. A full history is required to calculate momentum.



## Section 5

# Periodic review of constituents

## 5. Periodic review of constituents

### 5.1 Review and price dates

5.1.1 FTSE Global Target Dividend Indices are reviewed periodically according to its underlying universe.

Index name	Review months
FTSE Asia Pacific ex Japan Australia and New Zealand Factor Enhanced Target Dividend Index	March, September
FTSE ASEAN Target Dividend Index	March, September
FTSE Emerging Target Dividend Index	March, September
FTSE Developed Europe Factor Enhanced Target Dividend Index	March, September
FTSE Developed Europe ex UK Factor Enhanced Target Dividend Index	March, September
FTSE Developed ex US Factor Enhanced Target Dividend Index	March, September

5.1.2 FTSE Global Target Dividend Indices are reviewed periodically based on the stock prices available at the close of Wednesday before first Friday of the review month (price cut-off date).

5.1.3 For Target Dividend Indices derived from a FTSE Underlying Index, the review will be implemented after the close of business on the third Friday (i.e. effective the following Monday) of the review month.

## Section 6

# Index construction

## 6. Index construction

### 6.1 Weighting methodology

Constituent weightings in the FTSE Global Target Dividend Index are determined using FTSE target exposure methodology. The weight of the constituent is determined as:

$$w_i = \frac{v_i}{\sum_j v_j}$$

$$\text{where } v_i = w'_i \times \prod_{j=1}^K F_{i,j} \times C_i \times I_i \times \Phi_i \times \Psi_i$$

- $w'_i$  is the market capitalisation weight of stock  $i$  in the underlying eligible universe.
- $K$  is the number factor tilts respectively.
- $F_{i,j}$  is the  $j^{\text{th}}$  factor tilt applied to stock  $i$ .
- $C_i$  and  $I_i$  are country and industrial ICB tilt respectively.
- $\Phi_i$  is the maximum stock capacity/maximum weight tilt.
- $\Psi_i$  is the maximum turnover tilt applied to stock  $i$ .

For details of FTSE target exposure methodology, see [FTSE Global Factor Index Series](#).

\*The active non-factor exposure target is given by:

$$\sum_i (w_i - w'_i) \times T_i = \alpha \times \sum_i w'_i T_i$$

where  $\alpha$  is the fixed percentage increase or reduction and  $T_i$  is the original measure of the non-factor exposure target, e.g. trailing 12-month dividend yield.

\*Relaxation of exposure and turnover targets

Following FTSE target exposure methodology, if no solution is reached, all targeted active exposures are reduced by 2.5% and the whole process is attempted again. If this continues to be the case after 10 reductions (i.e. after the exposure targets have been reduced by 25%), then the turnover target is increased by 50% and the targeted active exposures set to original level. The whole process will repeat again without increasing turnover target until solution is reached.

## 6.2 Index exposure targets and index constraints

	Active non-factor exposure targets	Active factor exposure targets					Constraints						
Index	Dividend yield increase	Value	Quality	Small size	Momentum	Low vol	Beta banding	Country	Industry	Capacity ratio	Max two-way turnover (%)*	Max stock weight (%)	Min stock weight (b.p.)
FTSE Asia Pacific ex Japan Australia and New Zealand Factor Enhanced Target Dividend Index	150%	–	0.2σ	–	0	–	–	–	–	20x	40	5	2
FTSE ASEAN Target Dividend Index	100%	–	–	–	–	–	–	–	–	20x	40	10	5
FTSE Emerging Target Dividend Index	150%	–	–	–	–	–	–	–	–	20x	40	5	2
FTSE Developed Europe Factor Enhanced Target Dividend Index	80%	–	0.2σ	–	–	–	–	–	–	20x	40	5	2
FTSE Developed Europe ex UK Factor Enhanced Target Dividend Index	80%	–	0.2σ	–	–	–	–	–	–	20x	40	5	2
FTSE Developed ex US Factor Enhanced Target Dividend Index	100%	–	0.2σ	–	0	–	–	–	–	20x	40	5	2

\*Per review

## Section 7

# Changes to constituent companies

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## 7. Changes to constituent companies

### 7.1 Intra-review additions

7.2 Additions to each FTSE Russell underlying index will be considered for inclusion at the next review of the relevant FTSE Global Target Dividend Index, respectively.

### 7.3 Intra-review deletions

7.3.1 A constituent will be removed from a FTSE Global Target Dividend Index if it is also removed from its corresponding underlying index. The deletion will be concurrent with the deletion from the underlying index and its weight will be distributed pro-rata amongst the remaining constituents in their respective FTSE Global Target Dividend Index.

## Section 8

# Corporate actions and events

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## 8. Corporate actions and events

8.1 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 Global Target Dividend Index will remain unchanged pre and post such an event.

8.2 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); 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.

### 8.3 Suspension of dealing

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

### 8.4 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.

## Section 9

# Treatment of dividends

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## 9. Treatment of dividends

- 9.1 Declared dividends are used to calculate the Standard Total Return Index of the FTSE Global Target Dividend Index Series. All dividends are applied as at the ex-div date.
- 9.2 Net-of-tax Total Return Indices are calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties. Net-of-tax Total Return Indices based on specified withholding tax rates may also be calculated (see link to FTSE Russell Withholding Tax Guide below).

Withholding tax rates used in the net-of-tax indices can be accessed using the following link:

[Withholding Tax Service](#)

Please also refer to the FTSE Russell Withholding Tax Guide, which can be accessed using the following link:

[FTSE Russell Withholding Tax Guide.pdf](#)

## Section 10

# Indices algorithm and calculation method

## 10. Indices algorithm and calculation method

### 10.1 Prices

- 10.1.1 The FTSE Global Target Dividend Index Series use actual closing mid-market or last trade prices, where available, for securities with local market quotations. Further details can be accessed using the following link: [Closing Prices Used For Index Calculation.pdf](#)

### 10.2 Calculation frequency

- 10.2.1 The FTSE Global Target Dividend Index Series will be calculated on an end-of-day basis and displayed to eight decimal points.

### 10.3 Index calculation

- 10.3.1 The FTSE Global Target Dividend Indices are calculated using the algorithm described below:

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

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.
- $d$  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

# Status of index

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The FTSE Global Target Dividend Index Series may be 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 available real-time indices are set out in appendix B. Variations to the official hours of the indices will be published by FTSE Russell.

The FTSE Global Target Dividend Index Series is calculated on public holidays whenever at least one market is trading. The index series will not be calculated on 1 January.



# Appendix B

## Calculation schedule

### Normal schedule

The FTSE Global Target Dividend Index Series is calculated once daily shortly after the close of the North American securities markets. Selected indices within the series are calculated on a real-time basis; see below.

The index series is calculated every weekday, when one or more of the constituent markets are open; however, on 1 January, the indices may not be disseminated. There is no separate calculation to accommodate the Saturday or Sunday opening of any market.

### Real-time indices

Refinitiv real-time cross exchange rates are used in all calculations during the calculation period, other than for the closing value for each index. The WM/Refinitiv Closing Spot Rates™ are used in calculating the closing value for each of these indices. Corporate actions for these indices are based on the price and exchange rates as applied within the FTSE Global Target Dividend Index Series.

Index	Open	Close
There are no real-time indices enabled currently.	–	–

## 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 Global Target Dividend Index Series is available from FTSE Russell.

The FTSE Russell Sustainable Investment Metrics website can be found using the following link: [Sustainable Investment Metrics](#)

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

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