

FTSE Global Equity High Income Index Series

v1.1



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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 Global Equity High Income Index Series. Copies of the Ground Rules are available from www.lseg.com/en/ftse-russell/.

1.2 The FTSE Global Equity High Income Index Series has been designed to reflect the performance of securities exhibiting relatively high tax adjusted dividend yields.

These Ground Rules should be read in conjunction with the FTSE Global Equity Index Series Ground Rules and the Corporate Actions and Events Guide for Market Cap Weighted Indices, which are available at <https://www.lseg.com/en/ftse-russell>. Unless stated in these Ground Rules, the FTSE Global Equity High Income Index Series will follow the same process as the FTSE Global Equity Index Series.

1.3 The following indices are calculated:

1.3.1 FTSE All-World Equity High Income Index

The following variants are calculated:

- geographic (global, regional, single country);
- country classification (developed and emerging);
- global, regional and single country indices; additional variants may be calculated on request including indices with country exclusions.

All indices are calculated in US Dollars and local currency. The index values may also be published in other currencies.

1.4 The FTSE Global Equity High Income Index Series does not take account of ESG factors in its index design and does not pursue any ESG objectives.

1.5 Price, Total Return and Net of Tax Indices will be calculated on an end of day basis. The Total Return Indices include income based on ex dividend adjustments. All dividends are applied as declared.

A series of net of tax Total Return Indices are also calculated based on withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company.

The underlying tax rate information is available from FTSE Russell.

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

1.7 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.

1.8 Index objective and intended use

- 1.9 The index series and index statistics are intended to reflect the investment markets included in the index definitions and to facilitate the detailed analysis of such markets.
- 1.10 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.
- 1.11 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'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 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 series¹.

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.

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) 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 FTSE Global Equity Index Guide to Calculation Methods

3.2 The aim of the guide is to describe how the indices are calculated, to help users replicate the indices in order to support their investment and trading activities and to assist users in understanding the factors which influence the performance of the indices.

[FTSE Global Equity Index Series Guide to Calc.pdf](#)

3.3 Corporate Actions and Events Guide

3.4 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Market Cap Weighted Indices using the following link:

[Corporate-Actions-and-Events-Guide.pdf](#)

3.5 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](#)

3.6 Queries and Complaints

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

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

3.7 Index Policy for Trading Halts and Market Closures

3.7.1 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](#)

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

3.8.1 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](#)

3.9 Recalculation Policy and Guidelines

- 3.9.1 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 Equity High Income 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.

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

3.10 Policy for Benchmark Methodology Changes

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

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

3.11 FTSE Russell Governance Framework

- 3.11.1 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 Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

3.12 Real Time Status Definitions

- 3.12.1 For indices that are calculated in real time, please refer to the following guide for details of real-time status definitions:

[Real Time Status Definitions.pdf](#)

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

³ 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.

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Data

4. Data

4.1 The data cut-off date for the calculation is the close of business on the last business day of the month prior to the review month.

4.2 12 Month Forecast Dividend Yield

4.2.1 The dividend yield data used in the review calculation is based on forecast dividends per share from I/B/E/S.

4.2.2 The 12 month forecast dividend yield is calculated by taking a 12 month forecast dividends per share value using the most recent I/B/E/S forecast DPS values prior to the review data cut-off date, divided by the underlying security price at the review data cut-off date. I/B/E/S data will be taken from the data cut-off date.

4.2.3 I/B/E/S forecast DPS values are converted to the currency of the security price as of the review data cut-off date using WMR FX Benchmarks exchange rates.

Definition:

12 Month Forecast Dividend Yield expressed as a percentage:

$$\frac{n \times DPS_{FY1} + (12 - n) \times DPS_{FY2}}{P} \times \frac{100}{12}$$

Where:

n is the number of months to company's current fiscal year end (FY1).

P is the security price

DPS_{FY1} is the I/B/E/S Mean FY1 DPS converted to the currency of the security price

DPS_{FY2} is the I/B/E/S Mean FY2 DPS converted to the currency of the security price

4.3 12 Month Forecast Tax Adjusted Dividend Yield

The 12 month forecast tax adjusted dividend yield, based on tax domicile of the security, is calculated as:

12 Month Forecast Dividend Yield x (1 – dividend withholding tax)

Withholding tax rates at data cut-off date used can be accessed using the following link:

[Withholding Tax Service](#)

4.4 12 Month Trailing Dividend

The 12 month trailing dividend is calculated as dividend in the 12 month period prior to the data cut-off date.

4.5 Return

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

Section 5

Periodic review of constituents

5. Periodic review of constituents

5.1 Review and price dates

The FTSE Global Equity High Income Index Series is reviewed annually in September, based on the stock prices available at the close of Wednesday before first Friday of the review month (price cut-off date), incorporating eligible underlying index constituents of the FTSE All-World Index effective from the next business day following the third Friday of September. The review is implemented after the close of business on the third Friday in September.

In addition to the annual review, the FTSE Global Equity High Income Index Series will apply quarterly updates in March, June and December. Please see Rule 5.3 for additional information.

5.2 Annual review

5.2.1 Regions and universe

A list of eligible regional universes for the FTSE All-World Equity High Income Index and its variant indices is shown below

Asia Pacific ex China ex Japan
China
Japan
Developed Europe
Emerging Europe
Middle East & Africa
Latin America
North America

- 5.2.2 Securities with negative returns only (return calculation from Rule 4.5) are ranked in descending order from less to more negative returns within each region and percentiles are calculated by number of securities with negative returns within each region. Securities are removed in the bottom fifth percentile with the most negative returns. Securities with no return data are not included in the calculation and not removed from the index.
- 5.2.3 Securities are removed with no 12 month forecast dividend yield.
- 5.2.4 Securities are removed with zero 12 month forecast dividend yield.
- 5.2.5 Securities are removed with zero 12 month trailing dividend.
- 5.2.6 The remaining securities are ranked in descending order from highest to lowest by 12 month forecast tax adjusted dividend yield within each region and percentiles are calculated using investable market capitalisation within each region.
- 5.2.7 In the first review of the index series, securities were selected if they rank within the top 50th percentile.

5.2.8 In subsequent reviews, an existing index constituent will remain a member of the index until its yield rank falls beyond the 55th percentile. A stock that is not in the index will become a constituent in the index if its yield rank is within the top 45th percentile.

5.2.9 The remaining securities are weighted by their investable market capitalisation as the final index weights.

5.3 Quarterly review

5.3.1 In addition to the annual review in September, in March, June and December, using data at the close of the last business day of the previous month (the data cut-off date):

5.3.1.1 Securities are removed with zero 12 month forecast dividend yield.

5.3.1.2 Securities are removed with zero 12 month trailing dividend.

5.3.1.3 Additions to the underlying index are considered for inclusion at the next annual review.

5.3.1.4 A constituent is removed from the FTSE Global Equity High Income Index Series if it is also removed from its corresponding underlying index. The deletion is concurrent with its deletion from the underlying index and its weight will be distributed pro-rata amongst the remaining constituents in the relevant FTSE Global Equity High Income Index.

5.3.1.5 The quarterly review will be implemented after the close of business day on the third Friday in March, June, and December.

Section 6

Changes to constituent companies

6. Changes to constituent companies

6.1 Intra-review additions

6.1.1 Additions to the underlying index are considered for inclusion at the next annual review. The FTSE Global Equity High Income Index Series do not accept intra-review additions.

6.2 Intra-review deletions

6.2.1 A constituent is removed from the FTSE Global Equity High Income Index Series if it is also removed from its corresponding underlying index. The deletion is concurrent with its deletion from the underlying index and its weight will be distributed pro-rata amongst the remaining constituents in the relevant FTSE Global Equity High Income Index.

Section 7

Corporate actions and events

7. Corporate actions and events

7.1 For all market cap weighted FTSE Global Equity High Income Indices, full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Market Cap Weighted Indices 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. 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.

7.2 Suspension of dealing

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

7.3 Takeovers, mergers and demergers

The treatment of takeovers, mergers and demergers can be found within the respective Corporate Actions and Events Guide for Market Cap Weighted Indices.

7.4 Mergers/takeovers between an index constituent and a non-constituent

- A. If an existing constituent is acquired by a non-constituent for cash or stock, the existing constituent is deleted from the index and the acquiring non-constituent will not be added to the index;
- B. If an existing constituent acquires a non-constituent for stock, the existing constituent will remain in the index.

Section 8

Treatment of dividends

8. Indices algorithm and calculation method

8.1 Declared dividends are used to calculate the Standard Total Return Indices in the FTSE Global Equity High Income Index Series. All dividends are applied as at the ex-div date.

8.2 A series of net of tax Total Return Indices are also calculated based on the tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company.

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 9

Index calculation

9. Index calculation

9.1 Calculation frequency

9.1.1 The FTSE Global Equity High Income Index Series uses actual closing mid-market or last trade prices, where available, for securities with local bourse quotations.

9.2 Index calculation

9.2.1 The FTSE Global Equity High Income Index Series will be displayed to eight decimal points.

9.2.2 The FTSE Global Equity High Income Index Series is calculated using the following formula:

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

Where,

$$i=1,2,\dots,N$$

- N is the number of securities in the Equity High Income 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.
- 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

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 Equity High Income Index Series is available from FTSE Russell.

For contact details, please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

Website: www.lseq.com/en/ftse-russell/

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