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# FTSE Sustainable Yield 150 Capped 10% Index Series

v1.1

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## Section 1

# Introduction

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### 1.0 Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Sustainable Yield 150 Capped 10% Index Series calculated by FTSE International Limited (FTSE).
- 1.2 The FTSE Sustainable Yield 150 Capped 10% Index Series has been designed to reflect the performance of indexes consisting of securities exhibiting relatively high and sustainable yields.
- 1.3 These Ground Rules should be read in conjunction with the relevant underlying index Ground Rules which are available at [www.ftserussell.com](http://www.ftserussell.com).
- 1.4 The FTSE Sustainable Yield 150 Capped 10% Index Series consists of the following indexes:

FTSE Sustainable Yield 150 Capped 10% Index	Underlying Universe	Base Currency
<b>Global</b>		
FTSE Emerging Sustainable Yield 150 Capped 10% Index	FTSE Emerging Sustainable Yield Index	USD
<b>Regional</b>		
FTSE Developed Asia Sustainable Yield 150 Capped 10% Index	FTSE Developed Asia Pacific ex Japan Sustainable Yield Index AND FTSE Japan Sustainable Yield Index	USD
FTSE Developed Europe Sustainable Yield 150 Capped 10% Index	FTSE Developed Europe Sustainable Yield Index	USD
<b>Country</b>		
FTSE USA Sustainable Yield 150 Capped 10% Index	FTSE USA Sustainable Yield Index	USD
FTSE Canada Sustainable Yield 150 Capped 10% Index	FTSE Canada All Cap constituents which pass the criteria applied to the FTSE Global Sustainable Yield Index Series	CAD

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

## 1.6 **FTSE Russell**

FTSE Russell is a trading name of FTSE International Limited (FTSE), Frank Russell Company (Russell), FTSE TMX Global Debt Capital Markets Inc. and FTSE TMX Global Debt Capital Markets Limited (together, "FTSE TMX") and MTSNext Limited. FTSE, Russell and FTSE TMX are each benchmark administrators of indexes. References to FTSE Russell should be interpreted as a reference to the relevant benchmark administrator for the relevant index.

## 1.7 **Statement of Principles**

Indexes 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'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 Governance Board.

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

[Statement of Principles Non-Market Cap Equity Indexes.pdf](#)

## 1.8 **Index Objective and Intended Use**

1.8.1 The indexes and index statistics are intended to reflect the investment markets included in the index definitions and to facilitate the detailed analysis of such markets.

1.9 FTSE hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE, 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 should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.10 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 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 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.

## 1.11 **These Ground Rules**

1.11.1 This document sets out the Ground Rules for the construction and maintenance of the FTSE Sustainable Yield 150 Capped 10% Index Series.

1.11.2 These Ground Rules should be read in conjunction with the FTSE Guide to Calculation Methods and Corporate Actions and Events Guide which can be accessed using the links below:

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

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



## Section 2

# Management Responsibilities

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### **2.0 Management Responsibilities**

#### **2.1 FTSE International Limited (FTSE)**

- 2.1.1 FTSE is responsible for the daily operation of the FTSE Sustainable Yield 150 Capped 10% Index Series. FTSE will maintain records of the market capitalisation of all constituents, and will make changes to the constituents and their weightings in accordance with the Ground Rules. FTSE will also carry out the periodic country reviews of the FTSE Sustainable Yield 150 Capped 10% Index Series and implement the resulting constituent changes as required by the Ground Rules.
- 2.1.2 Changes to constituent weightings are made by FTSE in accordance with the Ground Rules. FTSE will also be responsible for publicising such changes to constituent weightings.
- 2.1.3 Underlying companies are governed by their respective underlying index rules and associated committees.

#### **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 meet the current and future requirements of investors and other index users. 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 Governance Board before approval is granted.
- 2.2.2 As provided for in Rule 1.7, 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.

#### **2.3 Recalculations**

- 2.3.1 The FTSE Sustainable Yield 150 Capped 10% Index Series is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Sustainable Yield 150 Capped 10% Index Series 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@ftse.com](mailto:info@ftse.com).

[FTSE\\_Russell\\_Index\\_Recalculation\\_Policy\\_and\\_Guidelines.pdf](#)



## Section 3

# Queries and Complaints

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### 3.0 Queries and Complaints

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

[Queries\\_and\\_Complaints\\_Policy.pdf](#)



## Section 4

# Eligible Securities

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### 4.0 Eligible Securities

4.1 All securities in the underlying universes detailed in rule 1.4 will be considered for inclusion. For information regarding eligibility of securities within the underlying universes, please see the FTSE Global Sustainable Yield Index Series Ground Rules that can be found using the following link:

[FTSE Global Sustainable Yield Index Series Ground Rules.pdf](#)

### 4.2 Financial and Operational Strength Metric Screen

4.2.1 To assess a company's financial strength, financial and operational strength scores are calculated based on "Value Investing: The Use of Historical Financial Statement Analysis to Separate Winners from Losers", Piotroski, Journal of Accounting Research, 2000.

4.2.2 Eligible securities are ranked based on their financial and operational strength scores, and the top 150 securities are selected. In the event of a tie, securities are ranked by 12 month forward dividend yield and the highest ranking securities will be selected until the index contains 150 constituents.

4.2.3 If the number of eligible securities is less than 150, the FTSE Sustainable Yield 150 Capped 10% Index will contain all securities within the underlying universe.

4.2.4 For more information on the Financial and Operational Strength Metrics and the 12 month forward dividend yield, please see the FTSE Global Sustainable Yield Index Series Ground Rules that can be found at [www.ftserussell.com](http://www.ftserussell.com).





## Section 5

# Periodic Review of Constituents

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### 5.0 Periodic Review of Constituents

- 5.1 The FTSE Sustainable Yield 150 Capped 10% Index Series will be reviewed semi-annually in March and September using data at the close of the last business day of February and August (the data cut-off date), incorporating underlying index constituents effective from the next business day following the third Friday of March and September respectively. The review will be implemented after the close of business on the third Friday in March and September.
- 5.2 At the semi-annual review, the companies of the FTSE Sustainable Yield 150 Capped 10% Index Series are capped at 10% using prices available on the close of the second Friday, adjusted for corporate actions to the third Friday, and constituents, shares in issue and free float after the third Friday of March and September respectively. The capping is implemented after the close of business on the third Friday in March and September.
- 5.3 Constituents of the FTSE Sustainable Yield 150 Capped 10% Index Series are weighted in proportion to their capped investable market capitalisation.



## Section 6

# Changes to Constituent Companies

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### **6.0 Changes to Constituent Companies**

#### **6.1 Intra-review Additions**

6.1.1 Additions into a FTSE Sustainable Yield 150 Capped 10% Index Series will be considered for inclusion at the next semi-annual review. The FTSE Sustainable Yield 150 Capped 10% Index Series will not accept intra-review additions.

#### **6.2 Intra-review Deletions**

6.2.1 A constituent will be removed from the FTSE Sustainable Yield 150 Capped 10% Index Series if it is also removed from its corresponding underlying index. The deletion will be concurrent with its deletion from the underlying index and its weight will be distributed pro-rata amongst the remaining constituents in the relevant FTSE Sustainable Yield 150 Capped 10% Index.

## Section 7

# Corporate Actions and Events

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### 7.0 Corporate Actions and Events

7.1 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 Indexes 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.

### 7.2 Mergers, Restructuring and Demergers

7.2.1 If a constituent is acquired by a non-constituent, the company will be removed from the relevant FTSE Sustainable Yield 150 Capped 10% Index and its weight will be distributed pro-rata amongst the remaining constituents. The vacancy will not be filled and the relevant FTSE Sustainable Yield 150 Capped 10% Index will comprise fewer than 150 constituents until the next periodic review.

7.2.2 If the non-constituent is added to the underlying index as a result of the stock merger or acquisition, it will be considered for inclusion at the next semi-annual review.

7.2.3 If the effect of a merger or takeover is that one constituent of the FTSE Sustainable Yield 150 Capped 10% Index Series is absorbed by another constituent, the resulting company will remain a constituent of the index. The vacancy will not be filled and the relevant FTSE Sustainable Yield 150 Capped 10% Index will comprise fewer than 150 constituents until the next periodic review.

7.2.4 If an index constituent has a demerger and the newly spun-off company is eligible for inclusion in its underlying index, it will also be eligible for inclusion in the relevant FTSE Sustainable Yield 150 Capped 10% Index and the index will have more than 150 companies until the next periodic review.

7.2.5 If an index constituent has a demerger and the newly spun-off company is ineligible for inclusion in the relevant FTSE Sustainable Yield 150 Capped 10% Index, it will remain in the index for two trading days and then be deleted at market price or if no market price is available, at zero value.

### 7.3 **Suspension of Dealing**

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

7.3.2 If a suspended company is deleted from the Index, it is not replaced until the next periodic review.

## Section 8

# Index Calculation

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### 8.0 Index Calculation

#### 8.1 Calculation Frequency

8.1.1 The FTSE Sustainable Yield 150 Capped 10% Index Series use actual closing mid-market or last trade prices, where available, for securities with local bourse quotations.

#### 8.2 Index Calculation

8.2.1 The FTSE Sustainable Yield 150 Capped 10% Index Series will be displayed to eight decimal points.

8.2.2 The FTSE Sustainable Yield 150 Capped 10% Index Series is calculated using the following formula:

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

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 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 for each security in the underlying index.
- $c_i$  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 Sustainable Yield 150 Capped 10% Index Series is available from FTSE Russell.

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

**Website:** [www.ftserussell.com](http://www.ftserussell.com)

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