

**S&P UK / Euro High Yield
Dividend Aristocrats
*Methodology***

May 2018

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Introduction

Index Objective and Family

S&P UK High Yield Dividend Aristocrats. The index is designed to measure the performance of the highest dividend yielding UK companies within the S&P Europe Broad Market Index (BMI) that have followed a managed-dividends policy of increasing or stable dividends for at least seven consecutive years.

S&P Euro High Yield Dividend Aristocrats. The index is designed to measure the performance of the highest dividend yielding Eurozone companies within the S&P Europe Broad Market Index (BMI) that have followed a managed-dividends policy of increasing or stable dividends for at least 10 consecutive years.

Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology	Equity Indices Policies & Practices
S&P Dow Jones Indices' Index Mathematics Methodology	Index Mathematics Methodology
S&P Dow Jones Indices' Float Adjustment Methodology	Float Adjustment Methodology
S&P Dow Jones Indices' Global Industry Classification Standard (GICS) Methodology	GICS Methodology

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

Eligibility Criteria

Index Eligibility

To qualify for membership in the S&P UK High Yield Dividend Aristocrats or S&P Euro High Yield Dividend Aristocrats, a stock must satisfy the following criteria during the index rebalancing:

1. For the **S&P UK High Yield Dividend Aristocrats**, a company must be a constituent of the S&P UK BMI and trade on the London Stock Exchange in British pounds. For the **S&P Euro High Yield Dividend Aristocrats**, a company must be a member of the S&P Europe BMI, have a Eurozone country classification (Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, or Spain), and trade in euros on a Eurozone domiciled exchange.
2. Have increased dividends or maintained stable dividends every year for at least seven consecutive years for the **S&P UK High Yield Dividend Aristocrats** and for at least 10 consecutive years for the **S&P Euro High Yield Dividend Aristocrats**. Calendar years and ex-dates are used for the dividend analysis, with the calendar year ending on the last business day in May.
3. A maximum 100% dividend payout ratio for new index constituents and non-negative dividend payout ratio for all index constituents. A dividend payout ratio is considered negative when the annual Earnings Per Share (EPS) is negative.
4. A maximum 10% indicated dividend yield as of the rebalancing reference date.
5. Have a float-adjusted market capitalization of at least US\$ 1 billion (US\$ 800 million for current constituents) as of the rebalancing reference date.
6. Have an average daily value traded (ADVT) of at least US\$ 5 million (US\$ 4 million for current constituents) for the three-months prior to the rebalancing reference date.
7. In case of multiple share classes, the share class with the highest trailing yield is considered. In the event that all classes have the same yield, the most liquid class is considered for eligibility.

New index constituents are added on the third Friday of June based on a review of the dividend payments of all S&P Europe BMI constituents. The dividend payout ratio is calculated as the annual Dividend Per Share divided by the annual Earnings Per Share, using data from each company's most recent fiscal year as of the rebalancing reference date (the last business day of May). All dividend criteria are based on regular cash dividends as determined by S&P Dow Jones Indices.

Index Construction

Constituent Selection

At each annual rebalancing, the 40 highest indicated dividend yielding stocks which pass all the eligibility criteria are selected and form the S&P UK High Yield Dividend Aristocrats and S&P Euro High Yield Dividend Aristocrats Indices.

If the number of eligible constituent stocks is less than the targeted constituent count, then:

- The minimum float-adjusted market capitalization is lowered from US\$ 1 billion to US\$ 500 million. Those S&P Europe BMI constituent stocks that have a float-adjusted market capitalization above US\$ 500 million, also satisfying all other index eligibility criteria, are added in decreasing order of dividend yield until the index constituent count is met.
- If the targeted constituent count is still not met, then:
 - **S&P Euro High Yield Dividend Aristocrats Index.** The S&P Europe BMI constituent stocks with a history of increased or stable dividends for more than nine consecutive years, also satisfying all other index eligibility criteria, are added in decreasing order of dividend yield until the targeted constituent count is met. The nine consecutive year condition will be reduced year by year to seven consecutive years if required until the targeted constituent count is met.
 - **S&P UK High Yield Dividend Aristocrats Index.** The S&P UK BMI constituent stocks with a history of increased or stable dividends for more than six consecutive years, also satisfying all other index eligibility criteria, are added in decreasing order of dividend yield until the targeted constituent count is met. The six consecutive year condition will be reduced year by year to four consecutive years if required until the targeted constituent count is met.

Constituent Weightings

In order to achieve a relatively high dividend yield, the index constituents are dividend yield weighted. At each index rebalancing, the weight for each index constituent is capped at 5%, and the weight of each GICS Sector is capped at 30%. In addition, for the S&P Euro High Yield Dividend Aristocrats index, the weight of each country is capped at 30%.

Index Calculations

The index is calculated by means of the divisor method used for all S&P Dow Jones Indices' equity indices.

At each index rebalancing, each constituent is assigned a weight factor proportional to its indicated dividend yield on the reference date, subject to capping rules, as described in the previous section.

For more information on the Index calculation methodology, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.

Index Maintenance

Rebalancing

The indices are fully rebalanced annually on the third Friday of June by applying all the eligibility criteria.

In addition to the annual rebalancing, the indices are rebalanced on the third Friday of March, September and December, by implementing the following changes:

- The weight for each index constituent is capped at 5%.
- The weight of each GICS Sector is capped at 30%.
- The weight of each country in the S&P Euro High Yield Dividend Aristocrats is capped at 30%.

Rebalancing changes take effect after the close of the third Friday of the rebalancing month. The reference date for the price is the business day prior to the second Friday of the rebalancing month. The reference date for indicated yield, float-adjusted market capitalization, and ADVT is the close of the month prior to the rebalancing month.

At each rebalancing, stocks are weighted and assigned index shares using the closing prices of the business day prior to the second Friday of the rebalancing month as the reference price. Since index shares are assigned based on prices prior to the rebalancing, the actual weight of each stock at the rebalancing will differ from the target weights due to market movements.

Dividend Review

S&P Dow Jones Indices reviews index constituents for dividend omissions on a monthly basis. If a constituent stock publicly announces a suspension or cancellation of its dividend program, it is removed from the index effective prior to the open of the first business day of the following month.

Replacement stocks are added to the index at the same time, effective prior to the open of the first business day of the following month and will enter the index at the same weight as the dropped stock. The replacement stock is the highest ranked eligible non-constituent using data as of the reference date of the latest annual reconstitution.

Corporate Actions

Spin-offs. Spin-offs are added to the index on the ex-date without a divisor adjustment. If the spin-off remains in the underlying index, both the parent and spin-off companies remain in the index until the next index rebalancing, provided that each gives an indication it will continue and/or initiate a consistent dividend paying policy. If the spin-off does not indicate it will continue and/or initiate a consistent dividend paying policy, it is removed from the index after the first day of regular way trading with a divisor adjustment.

For more information on corporate actions, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Currency, Currency Hedged, and Risk Control Indices

The indices are calculated in British pounds and euros.

WM/Reuters foreign exchange rates are taken daily at 04:00 PM London Time and used in the calculation of the indices. These mid-market fixings are calculated by The WM Company based on Reuters data and appear on Reuters pages WMRA.

Additional currency, currency hedged, and risk control versions of the indices may be available. For a list of available currency, currency hedged, and risk control indices, please contact Client Services at index_services@spglobal.com.

For more information on currency, currency hedged, and risk control indices, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.

Base Dates and History Availability

Index history availability, base dates and base values are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P UK High Yield Dividend Aristocrats	01/31/2012	06/16/2006	06/16/2006	100
S&P Euro High Yield Dividend Aristocrats	01/31/2012	06/16/2006	06/16/2006	100

Index Data

Calculation Return Types

S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Gross Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Net Total Return (NTR) versions, if available, reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of all three indices will be identical.

For a complete list of indices available, please refer to the daily index levels file (“.SDL”).

For more information on the classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices document.

For more information on the calculation of return types, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology.

Index Governance

Index Committee

The Europe (EMEA) Index Committee maintains the indices. The Index Committee is composed of full-time professional members of S&P Dow Jones Indices. At each meeting, the Index Committee may review pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Index Policy

Announcements

June's annual rebalancing announcements for the S&P UK High Yield Dividend Aristocrats and S&P Euro High Yield Dividend Aristocrats Indices are made after the European markets close. There are no separate corporate action announcements other than the annual rebalancing. For regular corporate action activity on S&P Europe BMI constituents, please refer to S&P Europe BMI announcements.

For more information, please refer to the Announcements section of S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Pro-forma Files

In addition to the corporate actions file (.SDE), S&P provides constituent pro-forma files for each index each time the indices rebalance. The pro-forma file is typically provided daily five business days in advance of the rebalancing date and it contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing. Since index shares are assigned based on prices seven business days prior to the rebalancing, the actual weight of each stock at the rebalancing differs from these weights due to market movements.

Please visit www.spdji.com for a complete schedule of rebalancing timelines and pro-forma delivery times.

Holiday Schedule

The indices are calculated on all business days of the year except the following holidays:

- New Year's Day (January 1st)
- Good Friday
- Easter Monday
- Christmas (December 25th and 26th)

A complete holiday schedule for the year is available at www.spdji.com.

Rebalancing

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

Unexpected Exchange Closures

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Recalculation Policy

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Contact Information

For questions regarding an index, please contact: index_services@spglobal.com.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at www.spdji.com, major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

Tickers

The table below lists headline indices covered by this document. All currency, currency hedged, risk control, and return type versions of the below indices that may exist are also covered by this document. Please contact index_services@spglobal.com for a complete list of indices covered by this document.

Index (Currency)	Return Type	Bloomberg	Reuters
S&P UK High Yield Dividend Aristocrats (GBP)	Price Return	SPUKHDA	.SPUKHDA
	Total Return	SPUKHDAT	.SPUKHDAT
	Net Total Return	SPUKHDAN	.SPUKHDAN
S&P Euro High Yield Dividend Aristocrats (EUR)	Price Return	SPEUHDA	.SPEUHDA
	Total Return	SPEUHDAT	.SPEUHDAT
	Net Total Return	SPEUHDAN	.SPEUHDAN

FTP

Daily constituent and index level data are available via FTP on subscription.

For product information, please contact S&P Dow Jones Indices, www.spdji.com/contact-us.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spdji.com.

Appendix

Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Previous	Methodology Updated
Dividend Payout History and Constituent Count for the S&P UK High Yield Dividend Aristocrats Index	06/15/2018	The index selects the 30 highest indicated dividend yielding stocks which pass all eligibility criteria. In addition, stocks must have a 10-year stable or increasing dividend payout history in order to be eligible.	The index selects the 40 highest indicated dividend yielding stocks which pass all eligibility criteria. In addition, stocks must have a 7-year stable or increasing dividend payout history in order to be eligible.
Review of Dividend Omissions	06/15/2018	Any index constituent which has omitted its most recent dividend is removed and replaced by the eligible stock with the highest dividend yield.	<p>S&P DJI reviews index constituents for dividend omissions on a monthly basis. If a constituent stock publicly announces a suspension or cancellation of its dividend program, it is removed from the index effective prior to the open of the first business day of the following month.</p> <p>Replacement stocks are added to the index at the same time, effective prior to the open of the first business day of the following month and will enter the index at the same weight as the dropped stock. The replacement stock is the highest ranked eligible non-constituent using data as of the reference date of the latest annual reconstitution.</p>

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