

# ANNOUNCEMENT – TREATMENT CHANGE OF DEPOSITORY RECEIPT DIVIDENDS

15 April 2025

## OBJECTIVE

This document aims to provide information about the updated treatment of Depository Receipt (DR) dividends, enhancing the replicability of indices calculated by Solactive AG and accurately reflecting market practices in index calculations.

The following outlines the updated treatment. For further insights, an overview of the current and future treatment is included.

## CONTENT

Depository Receipts (DRs) are negotiable financial instruments representing ownership of securities issued by foreign companies. DRs are created when the underlying shares are deposited with a financial institution, typically a bank, that subsequently issues the DRs to investors in the local market.

Dividend payments for DRs are announced by the depository banks in the currency of the market where the DRs are listed. Applicable fees—such as cash dividend fees and tax relief fees—along with the appropriate withholding tax (WHT), are deducted from the announced dividend amount.

The taxation of dividend payments from DR lines is contingent upon the investor's country of residence and the jurisdiction in which the dividend-paying company is incorporated. Tax treaties—where applicable—between the investor's country of residence and the country of incorporation of the dividend-paying company serve as the key factor in determining the effective tax rate applied to dividend payments.

## CURRENT TREATMENT VS. FUTURE TREATMENT

### CURRENT TREATMENT:

For all indices calculated by Solactive AG, dividend payments from DRs are currently reinvested at their net amounts, without distinction between different return types of indices—Gross Total Return (GTR) and Net Total Return (NTR). Consequently, the final reinvestment amount remains identical for both index return types.

### FUTURE TREATMENT:

To refine this approach, GTR indices will reinvest the gross dividend amount, while NTR indices will reinvest the net dividend amount, calculated by applying the WHT rate based on the dividend-paying company's country of incorporation and the cash dividend fee announced by the depository bank, aligning with the Solactive Equity Index Methodology.

Solactive AG will not consider tax treaties, as the WHT rate of the dividend-paying company's country will be applied irrespective of any applicable agreements. Accordingly, the tax relief fee will be disregarded.

*$Dividend Amount_{GTR} = Gross Dividend Amount$*

*$Dividend Amount_{NTR} = Gross Dividend Amount * (1 - WHT) - Dividend Fee$*



## DEPOSITORY RECEIPT DIVIDENDS: LATE DIVIDEND CONFIRMATIONS

In Japan and South Korea, dividends declared by companies are often estimated figures, which are confirmed after the dividend ex-date. As a result, the final confirmed dividend amount may deviate from the initial estimate. While the Solactive Equity Index Methodology currently addresses this situation for local listings in these countries, it does not encompass their DR lines. To enhance index replicability, the methodology will be expanded to cover DRs from these markets.

Depository banks may not display the estimated dividend amounts for DRs on the ex-date of the dividend event; instead, they announce the final dividend amount on a later date. Therefore, Solactive AG will apply the confirmed dividend amount as a delta dividend for the DR line once the depository bank announces the final amount, as per the Post Ex-Date Dividend Adjustment specified in Section 2.1.1.3.8 of the Solactive Equity Index Methodology.

## SCOPE AND TIMING

Solactive AG has decided to implement these changes to the treatment of Depository Receipt Dividends, effective **June 30, 2025**. From this date onwards, the updated treatment will be applied to all existing and future indices calculated by Solactive AG, in accordance with the index calculation methodology described in Section 1.2.1 and 1.2.2 of the Solactive Equity Index Methodology available at <https://www.solactive.com/documents/>.

Additionally, the Solactive Equity Index Methodology will be updated on the effective date to incorporate the enhanced treatment.

Solactive AG provides all relevant information about corporate events in its Daily Corporate Action Files (DCAF). These files will be expanded to reflect the dividend characteristics specified above.

Please be informed that along with the announcement, Solactive AG will provide the DCAF Description File to all relevant parties, detailing the new structure of the DCAF following the change in dividend treatment. Subscribers that have not received the DCAF Description File are requested to contact Solactive AG for assistance.

With the effective date as **June 30, 2025**, Solactive AG will only distribute the new version of the DCAF.

For any queries, please contact [equity.data@solactive.com](mailto:equity.data@solactive.com).

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