



# ECPI ASIAN INFRASTRUCTURE EQUITY INDEX

The index provides exposure to the highest  
ECPI ESG-rated companies active in the Asian  
infrastructure industry

DECEMBER 2011

## EQUITY EXPOSURE TO THE ASIAN INFRASTRUCTURE SECTOR

### INFRASTRUCTURE AND ECONOMIC GROWTH

“Physical infrastructure and the related services can be seen as a form of “complementary capital” that requires the existence of available productive capital (physical or human) for investment and innovation in order to release the economic growth potential”[1].

Key to unlocking economic potential, infrastructure development plays a significant role in the kind of demographic change and urbanization process underway in fast-growing, emerging Asia: China, India, South Korea, Thailand, Taiwan, Malaysia, and the Philippines.

### EMERGING MARKETS AND ESG RATING ANALYSIS

The ultimate goal is the selection of the winning stocks in the Asian Infrastructure market on the basis of the highest ECPI ESG Rating; how well a firm addresses Environmental, Social and Governance issues – the focus of its ESG Rating – will influence its long-term financial performance.

ECPI Research has identified the main ESG risks faced by emerging market companies and has rated participants in the fast-growing Asian infrastructure market on the basis of their proactiveness in managing these risks. That analysis, using the ECPI Emerging Markets Rating Methodology, is carried out in addition to the traditional ESG Rating process.

- Emerging Market-specific ESG Risks are associated with:
  - Corruption and Bribery
  - Health and Safety
  - Supply Chain Management
  - Human Rights
  - Environment

### INFRASTRUCTURE-ASSOCIATED SECTOR SELECTION

Compiling the Index first means choosing relevant sectors. Featured companies, all listed in the global markets, must belong to one of the following infrastructure-related industries:

- Airport Services
- Electric Utilities
- Highways & Railroads
- Marine Ports & Services
- Oil & Gas Storage & Transportation
- Telecommunications Equipment
- Gas Utilities
- Multi Utilities
- Water Utilities

### SINGLE STOCK SELECTION

The selection of individual Index components is based on their:

- Geographical Revenue Distribution
- ECPI ESG Rating
- Stock Listing
- Stock Liquidity

#### 1. Geographical Revenue Distribution

More than 50% of a firm's revenues must be generated in any of the following Asia-Pacific countries:

China, India, South Korea, Thailand, Taiwan, Malaysia, Philippines

If fewer than 25 companies meet this condition, revenues from Hong Kong and Singapore are also taken into consideration.

#### 2. ECPI ESG Rating

Any companies not attaining a positive ESG Rating according to the ECPI Methodology are then excluded.

The ESG Rating -- an evaluation by ECPI Research of a firm's Environmental, Social, and Governance performance -- aims to single out companies with the highest unexpressed intangible value

#### 3. Stock Listing

- Shares and ADR/GDR listed in developed markets
- Shares listed in Indonesia, Philippines, South Korea, Taiwan, Thailand

#### 4. Stock Liquidity

- Minimum market cap.: EUR 300 mio
- Min 6-month Average Trading Volume: EUR 1 mio

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# EMERGING MARKETS ESG RISKS AND ECPI RATING FOCUS

## ESG Risks

## ECPI Rating Focus

To develop, manage and preserve infrastructure requires significant financial investment as well as state and local government involvement: **risk of sub-optimal resource allocation**



**Corruption & Bribery:** Application of anti-corruption measures, legal action and definitive sentences

Greater employee exposure to hazardous materials and other unsafe conditions such as high-voltage electrical conductors, radiation, unstable components etc.: **risk of service interruption**



**Health & Safety:** Application of a H&S Management System, legal action and definitive sentences

Complex infrastructural projects involving contractors from a range of different sectors make controlling the full supply chain more difficult: **risk of poor performance in terms of safety and reliability**



**Relationship with suppliers:** Application of a Supply Chain Management System, legal action and definitive sentences

Involvement of activities with a high impact on local communities makes preventing human rights violations more difficult: **risk of reputational damage and lower quality end-product**



**Respect of Human Rights:** Signatory of the international human rights declaration, application of legal action and definitive sentences

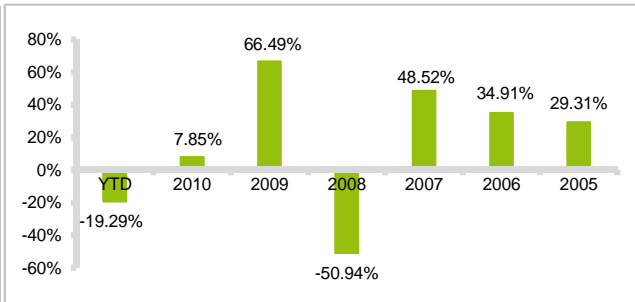
High environmental impact is often associated with a weak regulation and/or lax enforcement: **risk of financial and reputational losses**



**Environment:** Environmental Strategy and Policy, Environmental Management, impact of Products and the Production Process, application of legal action and definitive sentences

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Number of Constituents	<b>25</b>
Eligibility Monitoring	<b>Daily</b>
Constituent Weights	<b>Equal</b>
Index Rebalancing Frequency	<b>Annual</b>
Min. ADV (last 6 months)	<b>1 mio EUR</b>
Currency of Calculation	<b>EURO</b>
Average Market Cap. (EUR bio)	<b>3.45</b>
Largest Market Cap. (EUR bio)	<b>24.93</b>
Smallest Market Cap. (EUR bio)	<b>0.31</b>
Highest Index Value (since 2003)	<b>6246.18</b>
Lowest Value (since 2003)	<b>987.83</b>



Average	Annualized Volatility
Since 2003	<b>22.71%</b>

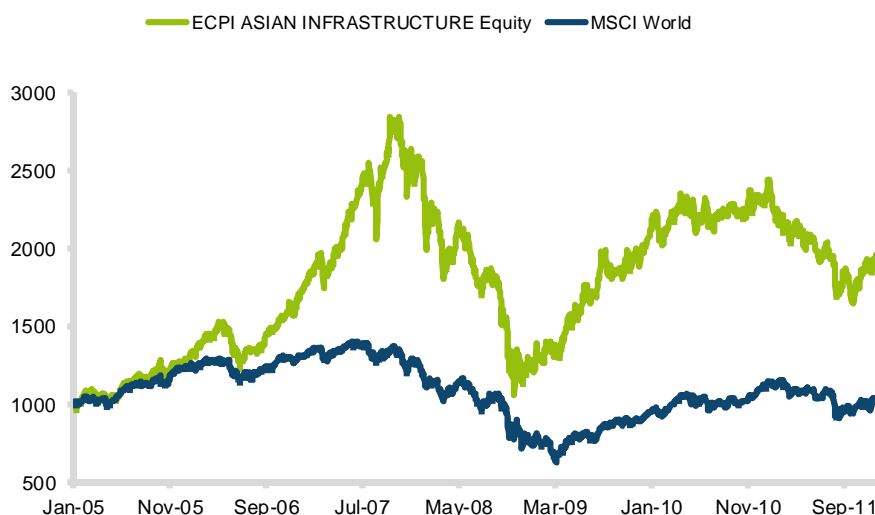
Fundamental Analysis	P/E Trailing	P/E Projected	P/B	P/S	P/CF	Dividend Yield
	15.37	13.69	1.31	1.27	8.37	2.11

**Country**

CHINA	35.19%
HONG KONG	44.47%
INDIA	8.02%
SOUTH KOREA	4.00%
THAILAND	4.48%
UNITED STATES	3.84%

**Sector**

Industrial	20.10%
Utilities	20.40%
Financial	8.34%
Energy	11.73%
Diversified	8.09%
Communications	10.76%
Consumer, Non-cyclical	20.57%



Index Summary			
Asset Class	Equity	Bond	Alternative
Investment Objective	Beta	Alpha	Income
Constituents	Large Caps	Medium Caps	Small Caps
Screening	Positive	Negative	Both
Bias	Geographical	Industry	Quantitative

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## DEFINITIONS

**P/E trailing:** Current price/index earnings. Index earnings are calculated by summing up the trailing 12 months EPS before XO items of the member companies multiplied by the shares in the index and divided by the index divisor. US and Canada: calculated using trailing 12 month diluted EPS from continuous operations of each member.

**P/E projected:** Current price/index projected earnings. Index projected earnings are calculated by summing all members' best EPS in FY1 multiplied by shares in the index and divided by the index divisor.

**P/B:** Current price/index weighted book value. Index weighted book value is calculated by summing up current book value per share of the member companies, multiplied by the shares in the index and divided by the index divisor.

**P/S:** Current price/index sales. Index sales are calculated by summing up all trailing 12 month sales per share, multiplied by shares in the index and divided by the index divisor.

**P/CF:** Current price/index cash flow. Index cash flow is calculated by summing up the trailing 12 month cash flow per share of the member companies, multiplied by the shares in the index and divided by the index divisor.

**Dividend Yield:** Index dividend/current price. Index dividend is calculated by taking the sum of all members' last 12 month dividends, multiplied by shares in the index and divided by the index divisor. Market convention dividends use gross dividends except for Australia, New Zealand, and the United Kingdom, which use net.

Fundamental Data Source: Bloomberg

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