

# INDEX RULES



# ECPI GLOBAL AGRICULTURE EQUITY INDEX

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## INTRODUCTION

The present document defines the rules for the calculation and management of the ECPI Global Agriculture Equity Index. The Index Rules are available on ECPI website, [www.ecpigroup.com](http://www.ecpigroup.com), and on ECPI Bloomberg page, **ECPS <GO>**.

The ECPI Global Agriculture Equity Index offers investors exposure to the agriculture sector, through commodity production and related industries. The Index is designed to select companies best placed to seize the opportunities arising from the gap between demand for food, feed and fuel and the supply of the necessary inputs.

Chosen firms would be focused on the production of eight major crops: wheat; red wheat; corn; soybeans; cotton; sugar; coffee and cocoa; and related sectors:

- § Agricultural Chemicals:  
The production and marketing of fertilizers, crop nutrients, potash, seeds and crop-protection products
- § Agricultural Equipment:  
The production and marketing of equipment such as tractors, sprayers, replacement parts, grain dryers and grain cleaning machines
- § Agricultural Products:  
The growing, cultivation, harvesting and marketing of the commodities.

### INDUSTRY SELECTION:

ECPI has identified the following industries based on their link to the agricultural soft commodity markets:

- § Agricultural Chemicals
- § Agricultural Operations
- § Chemicals – Diversified
- § Coffee
- § Food – Flour and Grain
- § Food – Misc./Diversified
- § Machinery – Farm
- § Textile – Products
- § Sugar

The list of industries will be reviewed on an annual basis by the Index Advisory Board so as to reflect structural changes that might otherwise impact substantially on the Index's performance.

### STOCK SELECTION

Selection of Index constituents is based on a company's:

- § Corporate revenues
- § ECPI ESG Rating
- § Liquidity

### CORPORATE REVENUES

At least 20% of the firm's corporate revenues must be generated by its agriculture-related businesses (in Agricultural Chemicals, Agricultural Equipment or Agricultural Products, as previously defined).

### ESG RATING

Companies included in the Index must have a positive ECPI ESG Rating.

The ESG Rating is an evaluation of corporate Environmental, Social, and Governance performance, as defined by the ECPI ESG Rating Methodology. Through ECPI Research, the rating is designed to single out companies with the most unexpressed intangible value.

## LIQUIDITY SCREENING

Traditional liquidity criteria are applied in order to build a liquid and hedgeable investment tool:

- § Minimum market capitalization: EUR 1 billion
- § Minimum 6-month average trading volume: EUR 1 million

## FINAL CONSTITUENTS LIST

All stocks satisfying both the industry and stock selection criteria are included in the ECPI Global Agriculture Equity Index.

## GUIDING PRINCIPLES

ECPI Indices are constructed and maintained according to the following principles:

§ **ESG Rated Companies**

The index is representative of the positively/highest ESG-rated companies according to the proprietary ECPI ESG Rating Methodology.

§ **Investible and Replicable**

The index should be capable of being replicated by reference to securities of reasonable size and liquidity.

§ **Disciplined Approach**

The index is constructed and managed using a set of principles, rules and guidelines. This approach is followed to maintain the attributes of stability, diversification across industries and securities accurate with respect to the ESG Rating Methodology.

§ **Transparency**

The index is built and maintained using clear and pre-defined rules in the public domain. The index is published on a daily basis through a variety of well known financial services providers.

§ **Independence and Objectivity**

The index is based on independent and objective content decisions. ECPI believes in an open dialogue with its clients, considering with objectivity their suggestions to enhance the index provision. By analyzing all the feedback received from its clients, ECPI takes the final decision independently in order to preserve the quality of the index.

## ELIGIBILITY CRITERIA

The ECPI Global Agriculture Equity Index is designed to provide exposure to the positively ESG rated companies that belong to those sectors that could benefit the most from the growth of agricultural commodities demand.

The index is equally weighted and rebalanced annually on the third Friday of July.

To be eligible for inclusion in the ECPI Global Agriculture Equity Index, a stock must satisfy the following criteria (in which case, it will be an “eligible stock”):

1. It belongs to one of the following sectors/industries:
  - § Agricultural Chemicals
  - § Agricultural Operations
  - § Chemicals Diversified
  - § Coffee
  - § Food-Flour & Grain
  - § Food-Misc/Diversified
  - § Machinery-Farm
  - § Textile-Products
  - § Sugar
2. It belongs to the Global Markets as defined in Appendix A
3. It has a positive ECPI ESG Rating (from EEE to E-)
4. The issuer of the stock must have a minimum market capitalization of € 1 billion
5. The average daily traded value of the stock over the last 6 months shall be equivalent to a minimum of € 1 million

Additionally, the ECPI Global Agriculture Equity Index has to meet the following criteria (selection order):

6. Stock Exposure Criteria – the ECPI Global Agriculture Equity Index will be composed of all stocks for which at least 20% of corporate revenues are generated in the agriculture-related businesses: Agricultural Chemicals, Agricultural Equipment and Agricultural Products as previously defined.

## REVIEW

Annually, on the Reference Date<sup>1</sup> immediately preceding the relevant Rebalance Date<sup>2</sup>, stocks will be selected in accordance with the criteria described above (paragraph 3) as new constituents of the index.

As a consequence, if a constituent company is downgraded between two consecutive review dates so that it doesn't satisfy the eligibility criteria any more, it will be replaced on the immediately following rebalance date.

### **BUFFER RULE**

For all current constituents, a tolerance of 20% is applied to the market capitalization and 6-months daily average value traded limits. Therefore, a constituent will be allowed to remain in the index if it has a minimum market cap of €800 million and a minimum liquidity of €0.8 million.

### **STOCK REPLACEMENT**

If index constituents are displaced, replacement stocks are selected starting from the highest ranked non-constituent in the reference universe according to criteria defined in paragraph 3.

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<sup>1</sup> "Reference Date" means the last business day of June.

<sup>2</sup> "Rebalance Date" means the third Friday of July provided that if such day is not a Scheduled Trading Day the Rebalance Date shall be the next Scheduled Trading Day.  
In the event that the scheduled Rebalance Date is a Disrupted Day, the Rebalance Date for such rebalancing will be the next Scheduled Trading Day which is not a Disrupted Day.

## CALCULATION METHOD

On the Reference Date, the number of shares of each stock will be determined so that every stock is equally weighted. This number of shares will be effective from the immediately following Rebalance Date.

From that moment till the following Rebalance Date, the number of shares will be fixed and constituent weights will vary according to price changes (see Paragraph 6, "Adjustments for Corporate Actions", for details on possible share changes).

### CALCULATION FREQUENCY

The Index is calculated and published daily, on a next day basis.

Calendar for the Index calculation is the TARGET calendar.

### PRICES

The Index end-of-day calculations use official closing prices from the relevant exchanges of the constituent stocks. Such prices shall be converted into euro using the relevant GMT WM Reuters Currency cross rates.

### INDEX CALCULATION ALGORITHM

The closing price of securities is converted into Euro and the index is then calculated using the algorithm described below.

The price index is calculated as follows:

$$I(P)_t = I(P)_{t-1} * \frac{\sum_1^n (P_{i,t} N_{i,t})}{\sum_1^n P_{i,t-1} N_{i,t}}$$

Where

- $I(P)_t$  = price index on day t
- $P_{i,t}$  = official closing price in Euro for stock i on day t
- $N_{i,t}$  = number of shares for stock i on day t
- n = number of index constituents

The net total return index is calculated as follows:

$$I(TR)_t = I(TR)_{t-1} * \left( \frac{\sum_1^i P_{i,t} N_i + \sum_1^n D_{i,t} N_{i,t}}{\sum_1^n P_{i,t-1} * N_{i,t}} \right)$$

Where

- $I(TR)_t$  = total return index on day t
- $P_{i,t}$  = official closing price in Euro for stock i on day t
- $D_{i,t}$  = gross (net) dividend in Euro for stock i on the ex-dividend date t
- $N_{i,t}$  = number of shares for stock i on day t
- n = number of index constituents

Note:

The Official Closing Price shall be intended as the official closing price for the stock on the relevant Exchange. The price shall be in Euro or converted into Euro using the foreign exchange spot rate, as defined above. In case, the price of a stock is not available due to exchange holiday, previous day's price is used for index calculations.

See Appendix B for Dividend Withholding Tax Rates used for the calculation of Net Dividends.

## ADJUSTMENTS FOR CORPORATE ACTIONS

CORPORATE ACTION	ADJUSTMENT MADE TO INDEX	DIVISOR ADJUSTMENT
<b>DIVIDENDS</b>	Dividends are reinvested in the Index	Unchanged
<b>SPECIAL DIVIDENDS / RETURN OF CAPITAL</b>	Price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date. Cash from the special dividend is reinvested in the index	Yes
<b>STOCK DIVIDENDS / BONUS ISSUES</b>	No weight change. This event is characterized by a free distribution of new shares to existing shareholders on a pro rata basis. Market Prices and number of shares of securities are adjusted accordingly.	Unchanged
<b>SHARE ISSUANCE OR REPURCHASE</b>	None	Unchanged
<b>SPIN-OFF</b>	The price is adjusted to Price of the parent company minus price of the spun-off company/share exchange ratio. Index shares change so that the company's weight remains the same.	Unchanged
<b>STOCK SPLIT / REVERSE SPLIT / CONSOLIDATIONS</b>	Company shares are multiplied by and the price is divided by the split factor.	Unchanged
<b>RIGHTS OFFERING</b>	Price is adjusted to the price of parent company minus price of the rights offering/rights ratio. Index shares change so that the company's weight remains the same.	Unchanged
<b>DELISTING, ACQUISITION OR ANY CORPORATE ACTION RESULTING IN THE DISPLACEMENT OF A STOCK</b>	When a constituent company is acquired or merged or displaced for any other reason, its shares are removed from the index. The company will be replaced at the next rebalancing.	Yes

## APPENDIX A: GLOBAL DEVELOPED MARKETS

### GLOBAL DEVELOPED MARKETS

Australia

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Austria

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Belgium

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Canada

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Denmark

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Finland

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France

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Germany

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Greece

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Hong Kong

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Ireland

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Israel

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Italy

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Japan

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Netherlands

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New Zealand

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Norway

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Portugal

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Singapore

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Spain

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Sweden

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Switzerland

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United Kingdom

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USA

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## APPENDIX B: DIVIDEND WITHHOLDING TAXES

COUNTRY NAME	COUNTRY ISO	TAXATION
Austria	AT	0.25
Australia	AU	0.3
Belgium	BE	0.25
Bermuda	BM	0
Brazil	BR	0
Canada	CA	0.25
Switzerland	CH	0.35
Chile	CL	0.1875
China	CN	0
Czech	CZ	0.15
Germany	DE	0.26375
Denmark	DK	0.28
Spain	ES	0.19
Finland	FI	0.28
France	FR	0.25
Great Britain	GB	0
Greece	GR	0.21
Hong Kong	HK	0
Hungary	HU	0
Indonesia	ID	0.2
Ireland	IE	0.2
India	IN	0
Iceland	IS	0.15
Italy	IT	0.27
Japan	JP	0.07
South Korea	KR	0.22
Luxembourg	LU	0.15
Mexico	MX	0
Netherlands	NL	0.15
Norway	NO	0.25
New Zealand	NZ	0.15
Philippines	PH	0.3
Poland	PL	0.19
Portugal	PT	0.215
Russia	RU	0.15
Sweden	SE	0.3
Singapore	SG	0
Thailand	TH	0.1
Taiwan	TW	0.2
USA	US	0.3
South Africa	ZA	0

## APPENDIX C: DEFINITIONS

### **Index Constituent or Constituent**

Any security comprised in the index, provided that on any Reference Date and in the relevant Rebalance Period, Constituent shall include any stock which will be included in the index as of the next Rebalance Date at the end of such Rebalance Period.

### **Rebalance Period**

It is the timeframe between Reference Date and Rebalance Date.

### **Exchange and Related Exchange**

Each exchange on which any Index Constituent is, in the determination of ECPI, principally traded.

### **Scheduled Trading Day**

Any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading session.

### **Disrupted Day**

Any Scheduled Trading Day on which: (i) a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session; or (ii) a Market Disruption Event has occurred.

### **Market Disruption Event**

The occurrence, in respect of the Index Constituent of:

- § a Trading Disruption
- § an Exchange Disruption
- § an Early Closure

where the aggregate of all Index Constituents in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs, comprises 20 per cent or more of the aggregate number of all Index Constituents for which the Exchange and Related Exchange were scheduled to be open for trading for its regular trading session on such day.

### **Trading Disruption**

Any suspension of or limitation imposed on trading by the Relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange and Related Exchange or otherwise.

### **Exchange Disruption**

Any event that disrupts or impairs (as determined by the ECPI) the ability of market participants in general (i) to effect transaction in, or obtain market values for the Index Constituents.

### **Early Closure**

The closure on any Exchange Business Day of the Relevant Exchange or any Related Exchange prior to its Scheduled Closing Time.

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