

INDEX RULES



ECPI GLOBAL BLUE GOLD EQUITY INDEX

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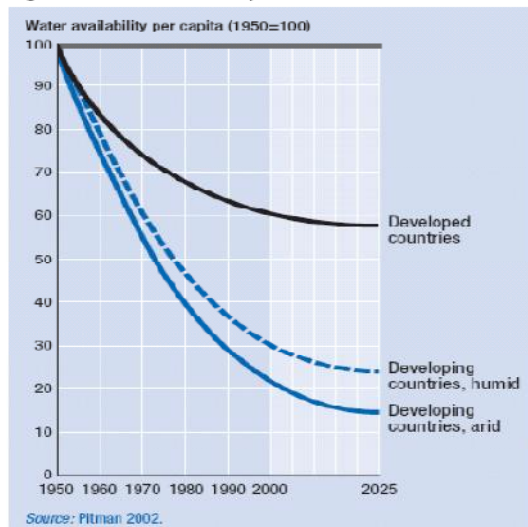
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INTRODUCTION

The present document defines the rules for the calculation and management of the ECPI Global Blue Gold Equity Index. The Index Rules are available on ECPI website, www.ecpigroup.com, and on ECPI Bloomberg page, ECPS <GO>.

Water is one of our most critical resources. Its availability is an essential component of the functioning of ecosystems and socioeconomic development. Measured per capita, though, water resources are in steady decline (see Figure 1).

Figure 1: Water availability is in decline



Major influences on water availability are:

- § Scarcity
- § Population growth and urbanization
- § Pollution
- § Climate change

WATER SCARCITY ^{1 2}

Although water covers 71% of the Earth's surface, only 2.5% of it is freshwater, with two-thirds of that locked up in polar ice caps and glaciers. Moreover, freshwater is generally not a renewable resource since the time it takes to reproduce it surpasses a human lifespan. Ground water, for instance, can have a residence time¹ of anywhere between 100 and 10,000 years.

POPULATION GROWTH AND URBANISATION ^{3 4}

Between 1950 and 2000, the world's human population increased by 150% to just over 6 billion. In that time, the proportion of the global population living in urban areas increased from 29% to 47%. In 2008, the world human

¹ United Nations Development Programme (UNDP). 2006. Human Development Report 2006. 'Beyond scarcity: Power, poverty and the global water crisis'. New York: Macmillan.

² United Nations Development Programme (UNDP). 2006. The United Nations World Water Development Report 2: 'Water, a shared responsibility'. New York/Paris: UNESCO/Berghahn Books.
URL: http://www.unesco.org/water/wwap/wdr/wdr2/table_contents.shtml

³ United Nations Population Fund. 2007. 'State of World Population 2007: Unleashing the Potential of Urban Growth'.
URL: http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/27_06_07worldpop.pdf

⁴ Food and Agriculture Organization of the United Nations (FAO). 2007. 'The state of food and agriculture: Paying farmers for environmental services'. Rome: FAO. URL: <http://www.fao.org/docrep/010/a1200e/a1200e00.htm>

population living in urban areas is estimated to have topped 50% for the first time in history. It will take an estimated 5,600 km³ of additional water each year to supply the world population in 2050. Increasing urbanization, meanwhile, heightens the need for water sanitation and alters surface run-off causing changes to the water balance.

POLLUTION

Humans have long used the surrounding air, land and water as 'sinks' for the waste we generate. Such practices leave most waste inadequately treated, though, causing water pollution, a major public health challenge and a threat to ecosystems.

CLIMATE CHANGE⁵

The percentage of the world's land classified as "very dry" has doubled since the 1970s, due in part to climate change. What's more, glacial melting is one of the reasons why many of Asia's largest rivers are projected to recede in the coming decades, reducing long-term water availability for more than one-sixth of the world's population living at the rivers' basins. The changing climate alters weather patterns such as temperatures or precipitation intensity and trends, adding further uncertainty to the security of water supply in the process.

SECTOR SELECTION

The following industries have been identified on the basis of their link with water management, distribution and preservation

- § Water Utility
- § Water Infrastructure
- § Water Treatment

The Global Climate Change Equity Index benefits from all ECPI traditional advertising/publication tools and becomes another ideal candidate for direct and derivative investment.

STOCK SELECTION

The index components are selected on the basis of their water related corporate revenues, positive ESG Rating, liquidity and market capitalization.

The ECPI Global Blue Gold Equity Index benefits from all ECPI traditional advertising/publication tools and becomes another ideal candidate for direct and derivative investment.

⁵ Morrison J. et al. 2009. 'Water Scarcity & Climate Change: Growing Risks for Businesses & Investors'. A Ceres Report.

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 Blue Gold Equity Index is designed to provide exposure to the positively ESG-rated companies belonging to sectors expected to benefit from the water related challenges as water scarcity, population growth and urbanization, food security requirements and pollution.

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

To be eligible for the ECPI Global Blue Gold 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 3 sectors/industries:
 - § Water Utility
 - § Water Infrastructure
 - § Water Treatment
2. it belongs to the Global Developed Markets as defined in Appendix A
3. It has a positive ESG Rating (from EEE to E-)
4. It is compliant with UN CEO Water Mandate principles and has an ECPI Water Ranking
5. the issuer of the stock must have a minimum market capitalization of €250 million
6. 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 Blue Gold Equity Index has to meet the following criteria (selection order):

7. **Stock Diversification Criteria** – the ECPI Global Blue Gold Equity Index will be composed of eligible stocks selected in descending order of ECPI Water Ranking and subsequently of market capitalization, with 30 being the maximum number of components.
8. **Sector Diversification Criteria** – constituents shall be classified by sector in accordance with the Bloomberg Industry Classification System (BICS). Maximum sector concentration is 50%
9. **Geographic Diversification Criteria** – constituents shall be classified by country of domicile. Maximum country concentration is 50%.⁶

⁶ The UN CEO Water Mandate grew out of a collaborative partnership within the United Nations Global Compact. The initiative seeks to build an international movement of companies committed to the development, implementation and disclosure of water sustainability policies and practices. It requires the endorsing company's Chief Executive Officer, or equivalent, to address the global water challenge through six focus areas: Direct operations, Supply chain and watershed management, Collective actions, Public policy, Community engagement and Transparency.

As a signatory to the UN PRI, ECPI supports the development of ESG-related tools, metrics, and analyses to incorporate ESG issues into investment analysis and decision-making processes.

REVIEW

Annually, on the Reference Date⁷ immediately preceding the relevant Rebalance Date⁸, 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

- § All current constituents ranked 40 or above in the selection order will remain in the index.
- § For all index 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 € 200 million and a minimum liquidity of € 400 thousand.

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.

⁷ "Reference Date" means the last business day of June.

⁸ "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:

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

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
DIVIDENDS	Dividends are reinvested in the Index	Unchanged
SPECIAL DIVIDENDS / RETURN OF CAPITAL	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
STOCK DIVIDENDS / BONUS ISSUES	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
SHARE ISSUANCE OR REPURCHASE	None	Unchanged
SPIN-OFF	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
STOCK SPLIT / REVERSE SPLIT / CONSOLIDATIONS	Company shares are multiplied by and the price is divided by the split factor.	Unchanged
RIGHTS OFFERING	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
DELISTING, ACQUISITION OR ANY CORPORATE ACTION RESULTING IN THE DISPLACEMENT OF A STOCK	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

Austria

Belgium

Canada

Denmark

Finland

France

Germany

Greece

Hong Kong

Ireland

Israel

Italy

Japan

Netherlands

New Zealand

Norway

Portugal

Singapore

Spain

Sweden

Switzerland

United Kingdom

USA

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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