

ADVANCED SUSTAINABLE PERFORMANCE INDICES (ASPI)

ASPI EUROZONE[®] GUIDELINES

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1 INTRODUCTION

1.1 The Advanced Sustainable Performance Indices

Equity indices tracking the financial performance of leading sustainability performers, the ASPI (Advanced Sustainable Performance Indices) were established in July 2001 and have since been heralded as an important new standard or benchmark for corporate sustainability and socially responsible investment (SRI).

The ASPI uses the VIGEO's rating system, which centres on a positive approach to sustainability and SRI.

The ASPI Eurozone[®] was the first of the ASPI family to go live (July 2001) and is a broad-based equity index tracking the financial performance of the Eurozone's top 120 sustainability performers (from the DJ EURO STOXXSM benchmark financial universe).

The ASPI Eurozone index is calculated and disseminated by STOXX Limited, which is the leading producer of stock indices in Europe.

IEM Finance, a well-established and independent consulting firm in stock index matters, has been entrusted by Vigeo Group to implement the methodology for the selection of index components and more generally to manage the index.

1.2 The Philosophy Behind the Indices

1.2.1 A Triple Bottom Line Perspective

The ASPI is committed to the disclosure and the promotion of best management performances in terms of social, environmental and corporate governance objectives and in terms of market behaviour. .

1.2.2 A Positive Screening Approach

The ASPI is rooted in a positive approach towards corporate sustainability. As such, companies are selected for inclusion solely on the basis of *positive screening*

1.3 The Aim of the Indices

Leading institutional investors, corporations and stakeholder groups have made clear their demand to VIGEO for SRI indices that reflect cutting-edge sustainability thinking and which offer a positive assessment of company performance.

In that vein, it is anticipated that the ASPI will:

- Offer consistent standards and definitions of sustainability and SRI;

- Serve as the basis for investment funds, trackers and benchmarks for socially responsible investing.
- Encourage dialogue and debate on sustainability and SRI;
- Help stakeholders in their assessment of companies social responsibility performances
- Encourage investment in companies that match the ASPI criteria, thus spurring the growth of sustainable policies and practices; and
- Help investing institutions by providing a list of the best ranked companies in terms of their social responsibility, a list which can be used as a complement to traditional financial analysis.

2 ASPI METHODOLOGY

2.1 Introduction

Companies are selected for inclusion in the ASPI Eurozone[®] on the basis of their corporate sustainability performance as assessed and rated by VIGEO.

2.2 Selection Criteria

VIGEO assesses and rates company performance on 6 widely accepted stakeholder themes (the *VIGEO criteria*), namely:

- **Community Involvement**
- **Corporate governance**
- **Business Behaviour**
- **Environment**
- **Human resources and**
- **Human rights**

Corporate strategy and decision-making are analysed and assessed in light of each of these domains in order to determine the effect and impact on stakeholders. This occurs through the use of the VIGEO methodology which is a well established and widely used system of corporate sustainability assessment and rating.

2.3 VIGEO Methodology

In practice, VIGEO assesses and rates company non-financial performance for each stakeholder theme or criterion on the basis of a three step methodology which assesses a company's commitment to:

1) Leadership	The role of management in institutionalising each stakeholder criterion into company policy and strategy
2) Implementation	The programmes and actions undertaken by the company to put policy and strategy into real practice for each stakeholder criterion
3) Results	The degree, level and consistency of realisation of policy and strategy and stakeholder satisfaction for each stakeholder criterion supported by quantified performance data

Following the application of the VIGEO methodology, companies are ranked and ultimately awarded a rating on each of the VIGEO domain. Each rating is designed to be illustrative of a company's performance on each domain (i.e. its rating) vis-à-vis other companies in its respective industry sector (using widely accepted financial industry sector nomenclature to define the sectors).

Table: VIGEO Ratings

VIGEO Corporate Sustainability Ratings per criterion	
Pioneer	++
Advanced	+
Average	=
Below average	-
Unconcerned	--

2.4 Composition of the Index

All companies included in the relevant benchmark financial index (i.e. the DJ EURO STOXXSM in the case of the ASPI Eurozone®) are eligible for inclusion in the relevant ASPI index. Market capitalisation is not a factor for eligibility. Benchmark constituents are assessed and rated by VIGEO with each company's ratings determining its eligibility and its rank in the ASPI. Cross ownership: companies holding over 50% of the total market capitalisation of other eligible companies are themselves not eligible to the index. (e.g. DIOR, who holds a majority stake in LVMH, is not eligible to ASPI indexes).

For the ASPI Eurozone®, the number of constituent companies is fixed at 120 (i.e. the top 120 VIGEO rated companies from the benchmark financial index). It is, however, important to note that the number of constituents at any one time may temporarily fall below 120 (i.e. when a company is removed from the benchmark index in between one of the scheduled ASPI review meetings).

2.5 ASPI Scoring System

2.5.1 Translation of VIGEO's Rating

VIGEO's ratings for each of its criteria (five ratings on a scale from ++, +, =, - and --) translate respectively into five ASPI scores for each company (five scores on a scale from 4, 3, 2, 1 and 0).

VIGEO Assessment	VIGEO Rating	ASPI Score
Pioneer	++ →	4
Advanced	+ →	3
Average	= →	2
Below Average	- →	1
Unconcerned	-- →	0

2.5.2 Geometrical averaging

In turn, the six ASPI[®] scores (on each of the six VIGEO criteria) are geometrically averaged – leading to a mean sustainability score which determines a company’s overall ranking in the ASPI[®] (the highest score getting the highest ranking and the lowest score getting the lowest ranking etc.).

A geometric average means that any company scoring a “0” on any one of the VIGEO criteria (i.e. a company that is “unconcerned”) will also be granted a “0” as a final score, and then be excluded¹ from the ASPI[®].

Table: Illustrative Example of ASPI Geometric Averaging System

Company	Community Involvement	Corporate Governance	Business Behaviour	Environment	Human Resources	Human Rights	Geo Average	Rank
Company X	3	3	3	1	3	2	2.3	72
Company Y	2	2	3	1	3	2	2.0	91
Company Z	2	1	0	1	2	2	0.0	Excluded

2.5.3 Rules of decision if equality

Whenever final scores and rankings of several companies are equal, the company to be selected first is the one (i.e. ahead of other equally rated companies) whose selection has the greatest effect in reducing the absolute industry sector gap between the ASPI Eurozone[®] and the benchmark financial index. This process may be iterated if several companies have to be selected among equally rated companies. Sectoral nomenclature is the one currently used by STOXX Limited for the financial benchmark index.

¹ VIGEO believes that this will encourage the selection of companies that demonstrate a holistic view towards sustainability issues (i.e. on all stakeholder criteria).

3 CALCULATION OF THE INDEX

3.1 Introduction

The ASPI[®] Eurozone will be calculated according to the same formula and with the same free float weightings as the DJ STOXX indices (see www.stoxx.com for further details on the methodology of the DJ STOXX indices).

However, if at the end of any quarter, the relative weight of any one constituent in the total free float market capitalisation of the ASPI Eurozone[®] is greater than 10% of the total float – the weighting of any such constituent will be reduced to 10% by a weighting cap factor that is fixed until the next quarterly review.

3.2 Current Rules

3.2.1 Currency Rates

The ASPI Eurozone[®] is calculated and disseminated in € (EUR) every 15 seconds from 9.30 am CET to 5.30 p.m. CET using real time stock prices.

At closing, the ASPI Eurozone[®] is also calculated in \$US using opening and closing prices. After closing, basic data and statistics including open, close, high and low prices as well as other key index values are published.

3.2.2 Dividend Treatment

The dividend treatment for the ASPI Eurozone[®] is calculated and processed by Stoxx Ltd following the same rules that govern the benchmark DJ EuroStoxx Broad index.

3.2.3 Free Float Market Capitalisation

The ASPI Eurozone[®] is free-float market-capitalisation weighted.

3.2.4 Free Float Weighting Cap Factors

A stock's free float weighting is its free float market capitalisation expressed as a percentage of the total for an index. The free float weightings of the stocks are capped at 10% in the ASPI Eurozone[®] by free float weighting cap factors at the quarterly reviews:

- If the free float weighting of a stock is less than 10%, then its free float weighting cap factor is 1.0
- If the free float weighting of a stock is more than 10%, then its free float weighting cap factor is adjusted to reduce the weighting to 10%

3.2.5 Index Formula and Index Divisors

The index formula and the index divisors for the ASPI Eurozone[®] are calculated and processed by Stoxx Ltd following the same rules that govern the benchmark DJ EuroStoxx Broad index.

The ASPI Eurozone[®] is calculated using the Laspeyre's formula, which measures price changes against a fixed base quantity weight.

The ASPI Eurozone[®] has a unique index divisor, which is adjusted to maintain the continuity of index values in light of changes brought about corporate actions.

3.2.6 Price and Total Return Indices

The ASPI Eurozone[®] is calculated as price and total return indices – the difference being in regard to dividend treatment. Price and total return indices for the ASPI are calculated and processed by Stoxx Ltd following the same rule as edicted by Stoxx Ltd for the Stoxx relevant benchmark indices (i.e. the DJ EuroStoxx Broad index for the ASPI Eurozone[®]).

3.2.7 Euro & U.S. Dollar Indices

The ASPI are calculated with the stock prices converted to Euros (€) and U.S. dollars (\$US), as appropriate. In that field, price and total return indices for the ASPI are calculated and processed by Stoxx Ltd following the same rule as edicted by Stoxx Ltd for the benchmark DJ EuroStoxx Broad index. The euro-price index is calculated in real time during the index dissemination period.

3.2.8 Base Dates & Base Values

The base of the ASPI Eurozone[®] is 1000 (as of 31 December 2000). For indicative and comparative purposes, the ASPI Eurozone[®] is calculated using current components from 1 January 1992.

4 MANAGEMENT AND REVIEW OF THE INDICES

4.1 Management of the Indices

The management of the ASPI including the ASPI Eurozone[®] is overseen by the ASPI Committee, which is composed of VIGEO representatives, and financial and equity index specialists. The role of the ASPI Committee is to:

- i) dialogue with STOXX Limited on technical issues;
- ii) establish the framework for the selection process;
- iii) manage the scheduled annual and quarterly review meetings;
- iv) implement additions to and deletions from the index;
- v) control and disseminate information to the public;
- vi) decide on responses between scheduled meetings;
- vii) engage with corporations or stakeholders in case of contentious issues;
- viii) prepare and validate methodological changes; and to
- ix) anticipate the on-going evolution and development of the indices.

The ASPI Committee deals with these tasks on a daily and on-going basis. In addition, it meets formally at quarterly and annual review meetings.

4.2 Introduction to the Review Process

The ASPI Eurozone[®] is subject to scheduled annual and quarterly reviews as well as on-going monitoring throughout the year overseen by the ASPI Committee, which will manage the indices (*see further below*). All such reviews will be governed by two over-riding principles:

- i) the composition of the ASPI Eurozone[®] follows the day-to-day composition of the benchmark index (including any changes thereto). As such, any company in the ASPI Eurozone[®] that is excluded from the benchmark index will be removed from the ASPI Eurozone[®] on the same day.
- ii) any changes to the VIGEO company ratings, which would have an impact on a company's inclusion or exclusion from the ASPI Eurozone[®] will be implemented at a scheduled annual or quarterly review.

4.3 Annual review

4.3.1 Methodology Review

An annual review conducted every September will focus on an assessment and review of the ASPI methodology (i.e. the selection process – criteria, ratings and scorings etc.).

4.3.2 Selection Review and Buffer Mechanism

In order to reinforce the ASPI's focus on promoting sustainability, the annual review will include a global assessment and review of the performance of all of the companies included in the financial benchmark index. However, only 120 companies will be included in the ASPI Eurozone[®]:

Companies already included in the ASPI Eurozone[®] index and falling within the scope of this rule thus become ineligible and are withdrawn from the ASPI Eurozone[®] component list.

The top 100 VIGEO-rated companies in the benchmark are automatically selected for inclusion in the ASPI Eurozone[®]. The selection of the remaining 20 companies is subject to the application of a “buffer” that is designed to maintain the overall stability of the index by minimising radical changes to its composition.

The buffer applies to companies rated by VIGEO in the course of the two years preceding the review, ranked between 100 and 140 at the time of the annual review and already included within the ASPI Eurozone[®]. Those companies are included in the ASPI Eurozone[®] (up to a maximum of 20 companies, depending on their rank). Following this, if the number of constituent companies remains below 120, then the best ranked companies according to VIGEO ratings are included in the index.

Review Dates

The results of the annual review process and any changes to the ASPI's constituents will be announced on the first Friday of September. Implementation of any changes to the ASPI will be based on the closing share price on the third Friday of September and will become effective on the next trading day.

4.4 Quarterly Reviews

Quarterly reviews conducted in February, May, August and November, focus on selecting or removing companies from the ASPI on the basis of their VIGEO ratings and any changes thereto.

4.4.1 Changes due to ASPI scoring

Any changes in the VIGEO ratings / ASPI scoring that would impact upon a company's possible inclusion or removal from the ASPI Eurozone[®] are implemented at the first quarterly review meeting following the change(s).

If the company is already included within the ASPI Eurozone[®]:

A company that receives or is downgraded to a "zero" / "0" (i.e. unconcerned) on any of the VIGEO criteria, is no longer eligible for inclusion in the ASPI as a result of the ASPI's geometric average-based scoring system. The company would be removed at the next ASPI quarterly review meeting.

Any other changes to ASPI scoring will not impact upon inclusion or exclusion before the next annual review.

If the company is not already included within the ASPI Eurozone[®]

The changes are made available at the next quarterly review for possible inclusion, if the number of constituent companies is below 120.

4.4.2 Changes due to market changes

Any company that has been removed from ASPI Eurozone[®] since the last review as a result of market changes, and any company that is going to be removed at the following review of the benchmark index, is replaced by the next best ranked eligible company at the first quarterly review meeting following the change(s).

Review Dates

The ASPI scoring review is conducted every quarter on the last Friday of February, May, August and November (following the accompanying release of VIGEO's company ratings). The results of the quarterly reviews and any changes to the ASPI Eurozone[®]'s constituents (additions or deletions) will be announced on the first Friday of March, June, September and December.

Implementation of any changes to the ASPI Eurozone[®] will be based on the closing share price on the third Friday of March, June, September² and December and will become effective on the next trading day.

² The annual review of September replaces the quarterly review to occur in this month.

4.5 On-going Review and Maintenance

On-going monitoring of companies within the ASPI Eurozone[®] universe will allow for the incorporation of any scheduled or unscheduled changes (i.e. corporate changes and/or changes in the benchmark financial universe), which occur between the scheduled annual or quarterly reviews.

4.5.1 Initial Public Offerings (IPOs)

As companies are included within the ASPI on the basis of the VIGEO rating, any company newly admitted to the benchmark financial index will become eligible for the index at the first quarterly review following the release of their VIGEO rating and ASPI scoring.

4.5.2 Spin-offs

If a company is spun-off, and if the parent company remains in the benchmark financial universe, then the company stays included within the ASPI. Otherwise, none of the newly spun-off companies are included within the ASPI Eurozone[®]. They will then become eligible at the first quarterly review following a complete VIGEO rating and ASPI scoring.

4.5.3 Mergers and Acquisitions

If total market capitalisation of a merging company -company A- exceeds, at the time of the merger, four times that of each of the other companies merging with it, the resulting merged entity remains an ASPI component if company A was an index component prior to the merger. If none of the merging companies market capitalisation reaches this ratio, following rules apply:

- a. Two (or more) companies were previously included in the ASPI index:
In such a case, the newly merged company is included in the ASPI following a minimum notification period of 1 trading day.
- b. At least one of the companies previously received an ASPI score and was not selected for inclusion in the ASPI:
In such a case, the newly merged company is not included in the ASPI and the previously included company is immediately deleted from the ASPI following a minimum notification period of 1 trading day.
- c. One (or more) of the companies did not previously receive an ASPI score but the other one(s) is (are all) already included in the ASPI:
In such a case, the newly merged company will be included in the ASPI.
- d. None of the companies were previously included in the ASPI index:
In such a case, the newly merged company will not be included in the ASPI index.

4.5.4 Changes to weightings

The weighting of any component in the ASPI follows the same rules as the financial benchmark universe. Any changes to weighting(s) in the benchmark index will be implemented at the same time and in the same manner vis-a-vis the ASPI (except for the application of the ASPI's 10% cap rule).

5 DISSEMINATION OF THE INDEX

5.1 Introduction

The ASPI® are disseminated via major data vendors, including Reuters, Bloomberg, Datastream and Fininfo. Index calculations including index weightings, adjustment coefficients, high, low, open and close values, and index performance are also sent on a daily basis e-mail to index users.

Table: Disseminated Performance Data for the ASPI Eurozone®

Region	Curr.	Type	Short Name (Descr)	ISIN	Valor	Alpha Code	Calculation
EURO	EUR	Price	Advanced Sustainability (Price)	CH0012449630	1244963	AESE	realtime 15 sec
EURO	EUR	Return	Advanced Sustainability (Return)	CH0012449648	1244964	AEST	realtime 15 sec
EURO	US\$	Price	Advanced Sustainability \$ (Price)	CH0012449655	1244965	AESK	dayend
EURO	US\$	Return	Advanced Sustainability \$ (Return)	CH0012449663	1244966	AESU	dayend

Companies included in the ASPI® and any changes to the ASPI® universe will be publicly disclosed and available to all interested parties on the ASPI® website at www.vigeo.com.

5.2 Index Dissemination Period

The ASPI Eurozone® is calculated and disseminated in EURO / € every 15 seconds from 9.30 am CET to 5.30 p.m. CET using real time stock prices. At closing, the ASPI EUROZONE® is also calculated in US\$ using opening and closing prices.