

The Australian SAM Sustainability Index Guide

Version 4.0, December 2007

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1 INTRODUCTION

Launched in February 2005, the Australian SAM Sustainability Index (AuSSI) tracks the performance of Australian companies that lead their industry in terms of corporate sustainability. Based on a thorough assessment of economic, environmental and social criteria, the AuSSI comprises the top sustainability-driven companies from each of 21 industry clusters covering the entire Australian economy. The index is in part the successful evolution of a proposal from the Mays report which identified sustainability leaders amongst Australia's listed companies. The report highlighted the potential value creation demonstrated by selected companies from integrating economic, environmental and social criteria into their business strategies and activities. The AuSSI takes that outcome to a new level. It allows the wider public to track the value of Australia's sustainability leaders on a day to day basis. It provides a reference point for the growing Australian interest in corporate sustainability and sustainability investing. And it aims to offer an incentive for Australia's corporate sector to independently and pro-actively raise their sustainability performance.

The AuSSI was launched on 17 February 2005 and is published by SAM Indexes – a wholly-owned subsidiary of SAM Group. Dow Jones Indexes signs responsible for the index calculation. Further support for the index is provided by the Environment Protection Authority in Victoria.

SAM was established in 1995 as the first financial services group focused exclusively on the integration of economic, environmental and social criteria into investing. The group's services comprise asset management and indexing. In 1999, SAM teamed up with Dow Jones Indexes to launch the Dow Jones Sustainability Indexes (DJSI) – the first benchmarks tracking the performance of sustainability leaders on a global scale. In 2001, STOXX joined the cooperation as a third partner to launch a separate set of regional sustainability indexes for Europe. As of December 2007, the indexes published by SAM and its partners were used by asset managers in 16 countries and were the basis for 8 billion AUD in assets under management.

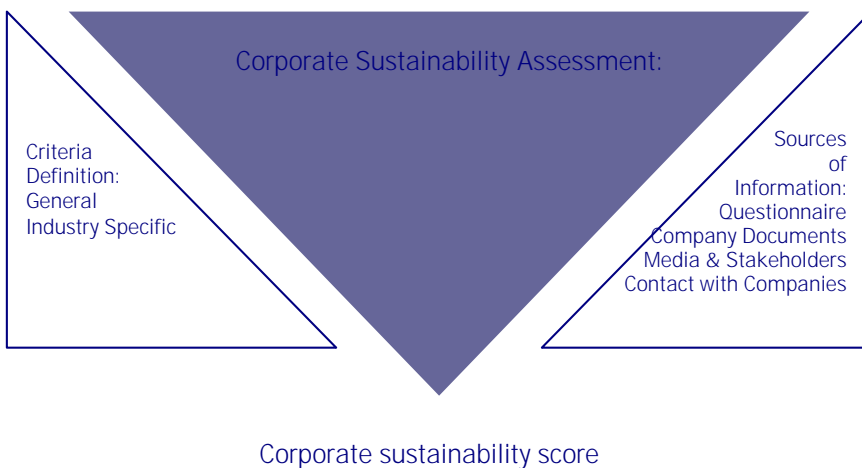
2 CORPORATE SUSTAINABILITY ASSESSMENT

2.1 Concept

Corporate Sustainability is a business approach to create long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability leaders harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks. A growing number of investors perceives sustainability as a catalyst for enlightened and disciplined management, and, thus, a crucial success factor. As a result, investors are increasingly diversifying their portfolios by investing in companies that set industry-wide best practices with regard to sustainability.

2.2 Methodology

SAM Research's Corporate Sustainability Assessment™ identifies the leading sustainability companies from the AuSSI investable stocks universe for each SAM industry group (see 5.5 and 5.6).



The methodology is based on the application of criteria to assess the opportunities and risks deriving from economic, environmental and social dimensions for each of the eligible companies in the AuSSI investable stocks universe. These criteria consist of both general criteria applicable to all industries and specific criteria applicable to companies in a certain industry group. The criteria are derived following identification of global and industry challenges.

The criteria are built into the Corporate Sustainability Assessment, which quantifies the sustainability performance of a company by assigning a corporate sustainability score. The sustainability score is used to identify the leading sustainability companies in each industry group.

For each company, the input sources of information for the Corporate Sustainability Assessment consist of the responses to the online questionnaire, submitted documentation, policies and reports, publicly available information and SAM Research analyst's direct contact with companies.

Information provided in the questionnaire is verified. Verification includes crosschecking answers with documentation provided by the company, verifying a company's track record and incidents and crisis management with media and stakeholder reports and, if necessary, direct interaction and clarification with the company.

To ensure quality and objectivity an external audit and internal quality assurance procedures, such as crosschecking of information sources, are used to monitor and maintain the accuracy of the input data, assessment procedures and results. SAM Research's Corporate Sustainability Assessment has been verified by PricewaterhouseCoopers on a yearly basis since 1999.

2.3 Criteria Definition and Weightings

Through the assessment of economic, environmental and social driving forces and trends, corporate sustainability criteria are identified. Criteria are identified for each dimension and for all industries. In addition, the criteria are defined as either general criteria applicable to all industries or industry specific criteria. All criteria are based on widely accepted standards, best practices and audit procedures as well as extensive input from industry specialists and consultants. The industry specific criteria differ between industry groups whereas the general criteria are the same for each industry group.

General

Based on the identification of major global sustainability challenges, general sustainability criteria are defined for each dimension and are applied to all industries. They include standard management practices and performance measures applicable to all industries, such as corporate governance, environmental management and performance, human rights, supply chain management, risk and crisis management and labor practices. The general criteria account for approximately sixty percent of the assessment.

Industry Specific

Industry specific criteria take into account the challenges and trends affecting specific industries. They reflect the economic, environmental and social forces driving the sustainability performance of a particular industry and have a weight of approximately forty percent of the assessment.

The assessment is divided into three distinct sections, covering the economic, environmental and social dimensions and including answers from the questionnaire as well as the results from a Media and Stakeholder Analysis (MSA) (see chapter 4 for more details on the MSA).

Corporate Sustainability Assessment Criteria

Dimension	Criteria	Weighting (%)	Sub-Criteria
Economic	Corporate Governance	6.0	Structure: Board size Board structure Non-Executive Chairman/Lead Director Responsibilities and Committees Transparency Corporate Governance policy Conflict of Interest External Auditor Diversity: Gender Board Effectiveness Entrenchment provisions Stock options expensing Transparency of Senior Management Remuneration MSA: Corporate Governance (MSA = Media and Stakeholder Analysis – See Chapter 4)
	Risk & Crisis Management	6.0	Responsibility Risk&Crisis Management Uniform Risk Analysis Definition of Risk Risk Map Sensitivity analysis & stress testing Risk response strategy MSA: Risk & Crisis Management
	Codes of Conduct/Compliance/Corruption & Bribery	5.5	Codes of Conduct: Focus Codes of Conduct: Systems/Procedures Corruption and Bribery Policy: Scope and Business Relationships Breaches Codes of Conduct: Public reporting MSA: Codes of Conduct/Compliance/ Corruption & Bribery
	Industry Specific Criteria	Depends on Industry	Brand Management, Customer Relationship Management, Supply Chain Management Marketing Practices, Innovation & R&D, Renewable Energy, etc. MSA: Selected Industry Specific Criteria
Environment	Environmental Performance (Eco-Efficiency)	7.0	Key Performance Indicators (KPI) - Energy KPI- GHG KPI- Waste KPI- Water Coverage
	Environmental Reporting*	3.0	Content: Qualitative, e.g. on material indirect/direct environmental issues; quantitative, e.g. key performance indicators, targets Assurance Coverage

	Industry Specific Criteria	Depends on Industry	Environmental Management Systems, Climate Strategy, Biodiversity Impacts, Product Stewardship, etc. MSA: Selected Industry Specific Criteria
Social	Human Capital Development	5.5	Human resource skill mapping and developing process Human Capital performance indicators Personal and organizational learning and development
	Talent Attraction & Retention	5.5	Coverage of employees through predefined performance appraisal process Percentage of performance related compensation Balance of variable compensation based on corporate and individual performance Corporate Indicators for performance-related compensation Communication of interim corporate results relevant for variable compensation Type of individual performance appraisal Communication of individual performance to team members Communication of individual performance to upper management Payout type of total performance-related compensation Trend of employee satisfaction Additional Benefits MSA Talent Attraction & Retention
	Labor Practice Indicators	5.0	Grievance Resolution KPIs & Reporting; Diversity, Discrimination KPIs & Reporting; Equal remuneration KPIs & Reporting; Freedom of Association KPIs & Reporting; Layoffs KPIs & Reporting; HSE Grievance resolution Public Commitment MSA: Labor Practice Indicators
	Corporate Citizenship/ Philanthropy	3.5	Measuring the results of contributions Philanthropy/Social Investment Volume
	Social Reporting*	3.0	Content: Qualitative, e.g. on material societal, labor related issues; quantitative, e.g. key performance indicators on workforce, suppliers, community Assurance Coverage
	Industry Specific	Depends on Industry	Product Information, Product Quality and Recall Management, Global Sourcing, Occupational Health & Safety, Healthy Living, Bioethics, etc. MSA: selected Industry Specific Criteria

* Criteria assessed based on publicly available information only

2.4 Information Sources

Four sources of information are used in the Corporate Sustainability Assessment.

1. Company Questionnaire

Questionnaires specific to each of the SAM industry groups are distributed to the Chief Executive Officers and heads of investor relations of all the companies in the AuSSI investable stocks universe. The completed company questionnaire, signed by a senior company representative, is the most important source of information for the assessment.

2. Company Documentation

Further insight is sought via company documentation. Documents requested from companies include:

- § Sustainability reports
- § Environmental reports
- § Health and safety reports
- § Social reports
- § Annual financial reports
- § Special reports (e.g. on intellectual capital management, corporate governance, R&D, employee relations)
- § All other sources of company information; e.g. internal documentation, brochures and website.

3. Media and stakeholders

Sustainability analysts review media, press releases, articles, and stakeholder commentary written about a company over the past twelve months. This information is integrated into the assessment system as well as serving as a basis for possible downgrading of a company through the ongoing Media and Stakeholder Analysis process referred to later in this document.

4. Contact with Companies

Each Sustainability Analyst contacts companies to clarify open points arising from the analysis of the questionnaire, company documents and media and stakeholder analysis.

2.5 Corporate Sustainability Score

The Corporate Sustainability Assessment™ enables a sustainability performance score to be calculated for each company based on all four sources identified above. Reviewing, assessing and scoring all available information in line with the corporate sustainability criteria determines the overall sustainability score for each eligible company in the AuSSI investable universe. The objective of the corporate sustainability assessment is to measure and verify the corporate sustainability performance of the companies in the investable universe.

A company's total corporate sustainability score is calculated in SAM's Sustainability Information Management System (SIMS) based on a pre-defined scoring and weighting structure.

All questions related to each criteria assessed receive a score. Each question has a predetermined weight for the answer, the question, and for the theme and class within the question. The total score for the question is the combination of these weights. For example:

Answer	Score	Weight of Question	Weight of Criteria
Answer A	25	.05	.042
Answer B	100		
Answer C	0		
Not Applicable, Please specify	100		
Not Known	0		
No answer	0		

Therefore if the company has ticked Answer A, the score for that question would be calculated as follows:

$$25 \times .05 \times .042 = 0.0525$$

A company's total corporate sustainability score at the highest aggregated level is calculated according to the following formula:

$$TS = \sum (ANS * CRW * QUW) \text{ for all criteria}$$

TS = Total Score

CRW = Criteria Weight

QUW = Question Weight

ANS = Answer Score

3 ANNUAL SELECTION

3.1 Investment Universe

The AuSSI investment universe, i.e. the companies that can potentially be included in the AuSSI, comprise the largest 200 companies that are listed on an Australian stock exchange, that are not Listed Investment Companies, that are included in the Dow Jones Global Index on the universe selection date, and that have a 120 day median trading volume which exceeds 0.04 percent of its free float market capitalization on the universe selection date. In addition, current components of the AuSSI are included in the AuSSI investment universe. If a company is excluded from the Dow Jones Global Index after the universe selection date, it is also excluded from the AuSSI investment universe. For the AuSSI as launched on 17 February 2005, the universe selection date was 29 October 2004. For all subsequent annual reviews the universe selection date will be 31 December of the preceding year. Further exclusions from the AuSSI investment universe can be made upon the decision of the AuSSI index design committee.

3.2 Industry Group Classification

Every company in the AuSSI universe is classified into one of the following 21 AuSSI industry clusters:

1. Banks
2. Capital Goods
3. Commercial Services & Supplies
4. Diversified Financials
5. Energy
6. Estate Management & Development
7. Food Retailing
8. Food, Beverage & Tobacco
9. Gold
10. Healthcare, Equipment & Services
11. Hotels, Restaurants & Leisure
12. Information Technology
13. Insurance
14. Materials
15. Media
16. Mining & Metals
17. Pharmaceuticals & Biotechnology
18. Real Estate Investment Trusts
19. Retailing

20. Transportation

21. Utilities

3.3 Annual Selection

Starting from the AuSSI investment universe, the components of the AuSSI are selected annually based on the following steps:

1. Industry Group Classification:

Each company in the AuSSI investment universe is assigned to one of 21 AuSSI industry clusters (see chapter 3.2).

2. Corporate Sustainability Assessment:

Each company in the AuSSI investment universe assessed according to the corporate sustainability assessment described above is assigned a sustainability score.

3. Industry Cluster Ranking:

The analysed companies are ranked according to their corporate sustainability score within their AuSSI industry clusters.

4. Eligible Industry Groups:

Only those AuSSI industry clusters where the highest ranked company has a corporate sustainability score of at least one-fifth of the maximum score are eligible for the AuSSI. All other industry clusters – and their associated companies – are deemed ineligible and are eliminated from the selection process.

5. Component Selection:

From the remaining universe, every company that is among the top 20% in its industry cluster is included as an AuSSI member, provided that it has received at least one third of the score that the best company in its industry cluster has achieved. In addition, every company that is a current AuSSI member and that is among the top 60% in its industry cluster and every company that is not a current AuSSI member and that is among the top 40% in its industry cluster, is included as an AuSSI member, provided that it has received at least 50 percent of the score that the best company in its industry cluster has achieved. If the difference in the corporate sustainability scores of the company and the minimum score hurdle is within the specified average error margin, then the company is also selected for the AuSSI. The average error margin for the corporate sustainability performance assessment is determined by reviewing a random sample of companies analyzed by SAM. The average error margin is reviewed annually.

3.4 Quarterly Review

In addition to the annual reviews of a company sustainability score, quarterly reviews are implemented during March, June, September, and December to reflect possible changes to the number of shares or the float factor of each company in the AuSSI or to account for a possible deletion of a company from the Dow Jones Global Index and thus from the AuSSI investment universe (see chapter 3.1). Changes become effective at the opening on the first Monday after the third Friday of the review month.

Changes to the indexes are implemented after the official closing values have been established. All adjustments are made before the start of the next trading day. Constituent changes that result from the periodic review will be announced at least two business days prior to the implementation date.

4 ONGOING MAINTENANCE

In addition to the annual and quarterly reviews, the AuSSI is also continually reviewed for changes to the index composition necessitated by extraordinary corporate actions - e.g. mergers, takeovers, spin-offs, initial public offerings (IPOs), delistings and bankruptcy - affecting the component companies and their corporate sustainability performance.

4.1 Changes due to Corporate Sustainability Performance

Any deletions from the AuSSI due to changes in the corporate sustainability scores of the AuSSI components are effective immediately; i.e. on the same day the change is effective following a minimum notification period of 2 trading days. The AuSSI Design Committee is responsible for this decision.

A deleted component due to changes in its corporate sustainability performance will be replaced by the next highest-ranked eligible non-component within its industry cluster, provided that such replacement component meets all the inclusion criteria as described in chapter 3.2.

The replacement of any component deleted due to a change in its corporate sustainability performance is effective immediately; i.e. on the same day the change is effective following a minimum notification period of 2 trading days.

4.2 Changes due to Initial Public Offerings (IPOs)

If an initial public offering (IPO) stems from a component of the AuSSI and is in the same industry group of the component, then it is eligible for inclusion in the AuSSI. In this case the IPO is allocated the same corporate sustainability score as the parent company. The IPO is effective immediately; i.e. on the same day the change is effective following a minimum notification period of 2 trading days. The AuSSI Design Committee is responsible for this decision.

If the IPO is derived from a component of the AuSSI but is not in the same industry group or the IPO is not derived from a company in the AuSSI it is assessed as part of the next annual review.

4.3 Changes due to Spin-Offs

If an AuSSI component is split to form two or more companies, and if the original company is delisted, then the original company is deleted from the AuSSI.

If any of the new spun-off companies qualify for the AuSSI by fulfilling all the component selection criteria including the corporate sustainability performance assessment, then they are included in the AuSSI.

The changes to the composition due to a spin-off are effective immediately; i.e. on the same day the corporate action is effective following a minimum notification period of 2 trading days.

A deleted component due to a spin-off may be replaced by the next highest-ranked non-component within its industry cluster, provided that this non-component fulfils all inclusion criteria.

The replacement of any component deleted due to a spin-off is effective immediately; i.e. on the same day the deletion is effective following a minimum notification period of 2 trading days.

The AuSSI Design Committee is responsible for this decision.

4.4 Changes due to Mergers & Takeovers

Component & component:

The corporate sustainability scores of the two original companies are weighted according to their market capitalization and added together to form the adjusted corporate sustainability score for the succeeding company.

If the succeeding company qualifies for the AuSSI by fulfilling all the AuSSI component selection criteria including the corporate sustainability performance assessment, then it is added to the AuSSI.

If the succeeding company does not fulfil the component selection criteria, then it is not added to the AuSSI.

The two original components are deleted from the AuSSI.

The deleted components are replaced by the next highest-ranked eligible non-component within their industry cluster, provided that these replacements meet all the selection criteria.

The replacement of any component deleted due to a merger is effective immediately; i.e. on the same day the deletion is effective following a minimum notification period of 2 trading days.

Component & non-component:

If the share of the market capitalization of the non-component company is less than 10% of the newly merged company, then the newly merged company stays in the AuSSI.

If the market capitalization of this non-component company is more than 10% of the newly merged company and if the corporate sustainability performance of the non-component company had not been assessed at the last review, then the corporate sustainability performance of this non-component company is assessed immediately.

The non-component undergoes corporate sustainability monitoring. If the non-component company fails to fulfil the corporate sustainability monitoring process, then the newly merged company is excluded from the AuSSI.

If the non-component company fulfils the corporate sustainability monitoring process and the market capitalization of this non-component is less than 20% of the succeeding company, than the newly merged company is added to the AuSSI and subset indexes.

If the non-component company fulfils the corporate sustainability monitoring process, and the market capitalization of this non-component is greater than 20% of the succeeding company, the management control of the newly merged company is reviewed.

If the component company holds full management control of the newly merged company, then no further corporate sustainability assessment is needed, and the newly merged company is added to the AuSSI.

If the component company does not maintain full management control, then the corporate sustainability performance of the non-component company is assessed. The corporate sustainability scores of the two merging companies are weighted according to their market capitalization and added together to form the adjusted corporate sustainability score for the merged company. If the merged company qualifies for the AuSSI by fulfilling all the AuSSI selection criteria including the corporate sustainability performance assessment, then it is added to the AuSSI.

If the newly merged company does not fulfil the component selection criteria, then it is not added to the indexes.

The original component is deleted from the AuSSI.

The deleted component is replaced by the next highest-ranked eligible non-component within its industry cluster, provided that that non-component meets all the AuSSI selection criteria.

The changes to the composition of the AuSSI due to a merger/takeover are effective immediately; i.e. on the same day the corporate action is effective following a minimum notification period of 2 trading days.

4.5 Changes due to Industry Group Classifications

If the industry group reclassification is due to an extraordinary corporate action, then the resulting changes to the composition of the AuSSI are effective immediately; i.e. on the same day the corporate action is effective following a minimum notification period of 2 trading days

If the industry group reclassification is due to a change in a company's largest source of revenue, then the resulting changes to the composition of the AuSSI are effective at the next annual review; i.e. on the same day the changes due to the annual review are effective following a minimum 2-week notification period.

In exceptional cases, the 2-week notification period may be reduced. The AuSSI Index Design Committee is responsible for this decision.

4.6 Changes to Weightings

If, due to an extraordinary corporate action, the number of free floating shares outstanding for an index component changes immediately by more than 10%, then the new number of shares and weighting are effective immediately; i.e. on the same day the corporate action is effective following a minimum notification period of 2 trading days.

Changes in the number of free floating shares outstanding and weighting - due to stock dividends, splits, rights issues and other corporate actions - are also effective immediately; i.e. on the same day the corporate action is effective following a minimum notification period of 2 trading days.

If, due to an extraordinary corporate action, the number of free floating shares outstanding for an index component changes immediately by less than 10% or if the changes occur over a period, then the new number of shares and weighting are effective at the next relevant quarterly review, following a minimum notification period of 2 trading days.

4.7 Changes to Liquidity

Stocks that are illiquid for the following reasons are considered for deletion from the AuSSI World:

- § 10 consecutive non-trading days
- § Suspension from trading
- § Ongoing bankruptcy proceedings

The changes to the composition of the AuSSI due to the deletion of an illiquid stock are effective immediately; i.e. on the same day the corporate action is effective following a minimum notification period of 2 trading days.

The deleted component may be replaced by the next highest-ranked eligible non-component within its industry cluster, provided that such non-component meets all the AuSSI selection criteria.

The AuSSI Index Design Committee is responsible for this decision.

5 CORPORATE SUSTAINABILITY MONITORING

5.1 Concept

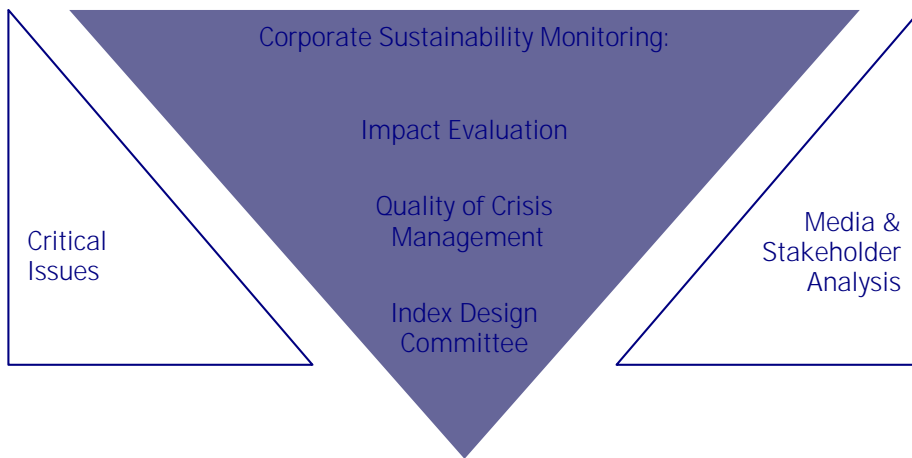
Corporate Sustainability Monitoring is part of the ongoing review process. Once a company is selected as a member of the AuSSI, it is continuously monitored for its corporate sustainability performance.

The objective of the Corporate Sustainability Monitoring is to verify a company's involvement and management of critical environmental, economic and social crisis situations that can have a highly damaging effect on its reputation and its core business. In addition, the consistency of a company's behaviour and management of crisis situations is reviewed in line with its stated principles and policies. The Corporate Sustainability Monitoring can lead to a company's exclusion from the index regardless of how well the company performed in the yearly Corporate Sustainability Assessment. The following issues are identified and reviewed in the monitoring process:

- Codes of Conduct; e.g. tax fraud, money laundering, antitrust, corruption, bribery
- Corporate Governance; e.g. balance sheet fraud, insider trading
- Customer Relationship Management; e.g. product recall, customer complaints
- Financial Robustness; e.g. bankruptcy situation, access to capital
- Risk and Crisis Management; e.g. accidents, fatalities, workplace safety issues, technical failures
- Supply Chain Management; e.g. major price fixing, unfair competition cases
- Environmental Management; e.g. ecological disasters, hazardous substances, grossly mismanaged long-term pollution
- External Stakeholders; e.g. cases indicative of company systematically exploiting weak governance in emerging countries,
- Labor Practice Indicators; e.g. cases involving discrimination, forced resettlements, child labour and discrimination of indigenous people; workplace accidents and occupational health and safety
- Remuneration, Benefits, Flexible working schemes; e.g. extensive layoffs and strikes

5.2 Media & Stakeholder Analysis

Corporate Sustainability Monitoring is based on media reviews and analysis of stakeholder information as well as publicly available information.



Impact Evaluation

Each of the components in the AuSSI is monitored daily for crisis situations. If a crisis occurs the impact of this is assessed. The extent of the crisis within the company, geographically and in the media is monitored. As a result, the impact of the crisis on the reputation of the company and its core business is assessed.

Quality of Crisis Management

If the impact evaluation of the crisis is far reaching, covered worldwide in the media or is an important concern for the company, then the second step is an analysis of the quality of the company's crisis management. This step comprises a monitoring of how well the company communicates, informs the public, acknowledges responsibility, provides relief measures, involves relevant stakeholders and develops solutions preventing a similar crisis. In this context, SAM Research weighs the severity of the crisis in relation to the company's reputation and quality of crisis management.

Review by AuSSI Design Committee

If deemed appropriate, SAM Research provides the AuSSI Design Committee (as described in Section 8.1) with a proposal for the company's exclusion from the AuSSI. The AuSSI Design Committee reviews the corporate sustainability monitoring results in line with the company's track record, political and cultural setting. If the crisis management of an important issue is considered poor from a sustainability point of view, the AuSSI Design Committee can decide to exclude the company from the AuSSI.

SAM Indexes informs the affected companies about their exclusion.

6 INDEX FEATURES & DATA DISSEMINATION

6.1 Introduction

In addition to the index features described above, a crucial requirement for indexes in general and sustainability indexes in particular is transparency. SAM Indexes GmbH provides this transparency by widely disseminating data and information on all aspects of the index composition and methodology. This data and information is updated regularly.

The index values are disseminated via The Australian while the index component data are disseminated via www.aussi.net.au as appropriate.

Information on the index features and methodology are disseminated via www.aussi.net.au.

6.2 Base Date & Base Value

The base date for the AuSSI is October 29, 2004.

The corresponding base value is 1,000.

6.3 Index Calculation

The AuSSI is calculated with the Laspeyres formula.

Price and return indexes are calculated reflecting different dividend treatments.

All these indexes are denominated in Australian dollars and US dollars.

6.4 Stock Prices

Official opening stock prices:

The official opening stock price for the index calculation is the first traded price during the official trading hours of the Australian Stock Exchange.

Until an official opening price is available, the previous day's official closing price is used as the opening price and subsequent intraday price for the index calculation. If there is a corporate action effective that day, then the adjusted closing price for the previous day is used instead.

Intraday stock prices:

The intraday stock price for the subsequent index calculation is the latest traded price during the index dissemination hours.

Official closing stock prices:

The official closing stock price for the index calculation is the last traded price at the close of the index dissemination period.

Suspended quotations:

If a stock quotation is suspended before the official opening of the relevant stock exchange/trading system, then the previous day's closing price is used for the subsequent index calculation that day. If there is a corporate action effective that day, then the adjusted closing price for the previous day is used instead.

If a stock quotation is suspended during the official trading hours of the relevant stock exchange/trading system, then the last traded price before the suspension is used for the subsequent index calculation.

Stock exchange holidays:

If there is a stock exchange holiday, then the previous day's closing prices are used for the subsequent index calculation that day. If there is a corporate action effective that day, then the adjusted closing price for the previous day is used instead.

6.5 Currency Rates

The applicable closing currency rate for the calculation of the closing index values is the official WM closing spot rates as reported by Reuters.

6.6 Dividend Treatment

All dividend payments are imputed in the AuSSI return index.

Only special dividends - from either non-operating income or cash dividends that are larger than 10% of the equity price - are imputed in the price indexes.

6.7 Weightings

The AuSSI is free-float market-capitalization weighted. The weighting of the components is based on the free-float portion of the total number of shares outstanding. Free-float is defined as the total number of shares outstanding less the block ownership. Block ownership is defined as the sum of all holdings larger than 5% - held by companies, governments, families and private investors, but excluding those by investment companies and funds - that have to be reported to the domestic regulatory agencies. In addition, the weighting of each component is adjusted on each annual review to optimize the index composition in terms of its industry and size allocation compared to the AuSSI universe.

The weightings are reviewed during the third month of each calendar quarter. Changes are implemented following the third Friday of that month.

The weightings are effective on the next trading day, following a minimum notification period of 2 trading days.

6.8 Index Divisors

Index divisors for the AuSSI are adjusted to maintain the continuity of the indexes and prevent distortions due to corporate actions affecting the market capitalization of the indexes.

These corporate actions include changes in the index composition due to the addition, deletion or replacement of companies, and weighting changes due to changes of more than 10% in a component's number of shares. Also included are mergers, takeovers, spin-offs, rights offerings, repurchase of shares, public offerings, return of capital, special cash distribution and special stock distribution of other than the same stock.

6.9 Review, Implementation & Effective Dates

Changes to the index composition - as specified at the annual review of the AuSSI - are announced on the review date in the first half of October.

Following a minimum 2-week notification period, these changes are implemented - after the official closing prices have been determined - on the last trading day in October.

All these changes are effective on the next trading day.

The forthcoming review, implementation and effective dates for the annual reviews are updated as necessary and disseminated via www.aussi.net.au.

6.10 Historical Index Values

A historical perspective of the AuSSI - dating back to October 29, 2004 - is at www.aussi.net.au.

6.11 Data Vendor Codes

The data vendor codes for the AuSSI are updated as necessary and available on www.aussi.net.au.

7 CALCULATION MODEL

7.1 Input Data Specification

The calculation of the AuSSI is based on the following input data:

- § End-of-day stock prices
- § End-of-day currency rates
- § Number of free float shares
- § Corporate action information and data
- § Optimization factors

7.2 Input Data Monitoring

Various verification and audit procedures are implemented to ensure that the stock price and currency rate input-data feeds are of the highest accuracy and consistency. These procedures include:

- § Data filters
- § Quality assurance tools
- § Computerized range-check warning systems for both ticker plant and real time index systems
- § Verification against secondary sources

7.3 Input Data Corrections

Every effort is made to prevent erroneous input data from affecting the AuSSI.

Any incorrect or missing data - e.g. stock prices, currency rates, number of shares outstanding and corporate actions - are corrected immediately.

7.4 Index Formula

The AuSSI is calculated with the Laspeyres formula below:

$$\text{Index}_t = \frac{\sum_{i=1}^n (p_{it} \cdot q_{it} \cdot w_{it})}{C_t \cdot \sum_{i=1}^n (p_{i0} \cdot q_{i0} \cdot w_{i0})} \cdot \text{base value} = \frac{M_t}{B_t} \cdot \text{base value}$$

The divisor (D_t) is different for the price and return indexes because of the different dividend treatments.

The formula can be simplified as follows:

$$\text{Index}_t = \frac{M_t}{D_t}$$

$$D_t = \frac{B_t}{\text{base value}} = \text{divisor at time (t)}$$

- n = the number of stocks in the index
- p_{i0} = the closing price in AUD of stock (i) at the base date (29/10/2004)
- q_{i0} = the number of free float shares of stock (i) at the base date (29/10/2004)
- w_{i0} = the optimization factor at the base date (29/10/2004)
- P_{it} = the price in AUD of stock (i) at time (t)
- q_{it} = the number of free float shares of stock (i) at time (t)
- w_{it} = the optimization factor of stock (i) at time (t)
- t = the time the index is computed
- M_t = the adjusted free float market capitalization based of the index at time (t)
- B_t = adjusted base date market capitalization of the index

base value = 1,000 on the base date; i.e. October 29, 2004

7.5 Data Accuracy

The accuracy of the input, computational and output data is specified below:

Input and other underlying computational data: rounded to 7 decimal places

Index divisors: rounded to integers

Index values: rounded to 2 decimal places

7.6 Index Divisor Adjustments

The index divisors are adjusted as follows in response to corporate actions:

$$D_{t+1} = D_t \cdot \frac{\sum (p_{it} q_{it} w_{it}) \pm \Delta MC_{t+1}}{\sum (p_{it} q_{it} w_{it})}$$

where:

D_t = divisor at time (t)

D_{t+1} = divisor at time (t+1)

P_{it} = stock price of company (i) at time (t)

q_{it} = number of free float shares of company (i) at time (t)

w_{it} = the optimization factor of stock (i) at time (t)

ΔMC_{t+1} = adjusted free float market capitalization calculated with

adjusted closing prices and new number of free float shares at time (t+1) minus adjusted free

float market capitalization calculated with closing prices and number of free float shares at time (t), of companies with corporate actions effective at time (t+1)

For the corporate actions listed below, the following assumptions apply:

Shareholders will receive 'B' new shares for 'A' currently held shares (where applicable)

If the new shares have a dividend disadvantage - i.e. the new shares have a different dividend from the old shares - the price for these new shares will be adjusted accordingly (taking into account the withholding tax).

Cash dividend (applied for return index only): Divisor \uparrow

adjusted price = closing price - dividend announced by the company * (1 - withholding tax)

Special cash dividend (applied for price and return index): Divisor \uparrow

adjusted price = closing price - dividend announced by the company * (1 - withholding tax)

Split and reverse split: Divisor $\frac{A}{B}$

adjusted price = closing price * A / B

new number of shares = old number of shares * B / A

Rights offering: Divisor \downarrow

adjusted price = (closing price * A + subscription price * B) / (A + B)

new number of shares = old number of shares * (A + B) / A

Stock dividend: Divisor $\frac{A}{A+B}$

adjusted price = closing price * A / (A + B)

new number of shares = old number of shares * (A + B) / A

Stock dividend of another company: Divisor \uparrow

adjusted price = (closing price * A - price of the other company * B) / A

Return of capital and share consolidation: Divisor \uparrow

adjusted price = [closing price - dividend announced by company * (1 - withholding tax)] * A / B

A / B

new number of shares = old number of shares * B / A

Repurchase of shares / self tender: Divisor \uparrow

adjusted price = [(price before tender * old number of shares) -

(tender price * number of tendered shares)] / (old number of shares - number of tendered shares)

new number of shares = old number of shares - number of tendered shares

Spin-off: Divisor \uparrow

$$\text{adjusted price} = (\text{closing price} * A - \text{price of spun-off shares} * B) / A$$

Combination stock distribution (dividend or split) and rights offering

For the above corporate action, the following additional assumptions apply:

Shareholders receive B new shares from the distribution and C new shares from the rights offering for every A shares held.

If A is not equal to one, then all the following 'new number of shares' formulae need to be divided by A:

§ Rights are applicable after stock distribution: Divisor \uparrow

$$\text{adjusted price} = [\text{closing price} * A + \text{subscription price} * C * (1 + B / A)] / [(A + B) * (1 + C / A)]$$

$$\text{new number of shares} = \text{old number of shares} * [(A + B) * (1 + C / A)] / A$$

§ Stock distribution is applicable after rights: Divisor \uparrow

$$\text{adjusted price} = [\text{closing price} * A + \text{subscription price} * C] / [A + B + C]$$

$$\text{new number of shares} = \text{old number of shares} * [A + B + C] / A$$

§ Stock distribution and Rights: Divisor \uparrow

$$\text{adjusted price} = [\text{closing price} * A + \text{subscription price} * C] / [A + B + C]$$

$$\text{new number of shares} = \text{old number of shares} * [A + B + C] / A$$

7.7 Index Divisor Corrections

If an incorrect index divisor is discovered within five days of its occurrence, then it is corrected immediately.

If a divisor error is discovered more than five days after occurrence, the adjustment will depend upon how significant the error is, how far back the error occurred and the feasibility of performing the adjustment. This decision is the responsibility of the AuSSI Index Design Committee.

8 INDEX MANAGEMENT & RESPONSIBILITIES

8.1 AuSSI Index Design Committee

The AuSSI Index Design Committee is composed of representatives from SAM Group and is responsible for:

- § Auditing the index composition at the annual and quarterly reviews
- § Ongoing review of all extraordinary corporate actions for possible changes to the index composition
- § Deciding on the composition and accuracy of the AuSSI. In particular, the AuSSI Index Design Committee is solely responsible for all changes to the index methodology, which is detailed in the current AuSSI Index Guide.

All new indexes and changes to the index composition and methodology will be announced - with a sufficient notification period - before they become effective.

8.2 AuSSI Advisory Board

The AuSSI Advisory Board is composed of independent, third party professionals from the financial sector and corporate sustainability performance experts. It comprises a maximum of ten persons to provide insights into the field of sustainability and investing, give advice on possible implications for sustainability-driven portfolio management and offer input regarding the methodology, marketing as well as product development for the AuSSI.

8.3 Customer Service

Customer Service is available Mondays to Fridays on:

Tel.: +41-44-395 28 32

E-mail: info@aussi.net.au