

## **Dow Jones Sustainability Asia Pacific Index Guide Book**

Version 2.1, September 2009

POWERED BY



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## **1 Dow Jones Sustainability Index Family**

The Dow Jones Sustainability Indexes (DJSI) were established to track the performance of companies that lead the field in terms of corporate sustainability. All indexes of the DJSI family are assessed according to the same Corporate Sustainability Assessment™ and respective criteria.

SAM Indexes GmbH publishes and markets the indexes.

The Dow Jones Sustainability Indexes consist of a global, European, North American and Asia Pacific set of indexes.

The global indexes, the Dow Jones Sustainability World Indexes (DJSI World), were first published on September 8, 1999. They consist of a broad composite index as well as narrower, subset indexes excluding companies that generate revenue from alcohol, tobacco, gambling, armaments & firearms, and/or adult entertainment. A subset that excludes US companies is also available as a benchmark for non-US portfolios. In addition, the global benchmarks within the DJSI family also comprise two blue-chip indexes, the Dow Jones Sustainability World 80 and Dow Jones Sustainability World ex US 80 indexes that track the performance of the largest 80 sustainability leaders in the world respectively the world ex US. These blue-chip indexes were launched on 26 August 2008.

The European indexes, the Dow Jones STOXX Sustainability Indexes (DJSI STOXX) comprise a pan-European and a Eurozone index, as well as narrower subset indexes excluding companies that generate revenue from alcohol, tobacco, gambling, armaments & firearms, and adult entertainment. This set of indexes was first published on October 15, 2001. The European indexes also include two blue chip indexes, the Dow Jones STOXX Sustainability 40 Index (DJSI STOXX 40) and Dow Jones EURO STOXX Sustainability 40 Index (DJSI EURO STOXX 40). These indexes were first published on 31 January 2006.

The North American indexes comprise the Dow Jones Sustainability North America Index (DJSI North America) and the Dow Jones Sustainability United States Index (DJSI United States), as well as narrower subset indexes excluding companies that generate revenue from alcohol, tobacco, gambling, armaments & firearms. This set of indexes was first published on September 23, 2005. In addition, two blue chip indexes, the Dow Jones Sustainability North America 40 and the Dow Jones Sustainability United States 40 Index were launched on 26 August 2008.

The Asia Pacific indexes comprise the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) as well as a narrower subset index excluding companies that generate revenue from alcohol, tobacco, gambling, armaments & firearms. This set of indexes was first published on January 16, 2009. In addition, two blue chip indexes, the Dow Jones Sustainability Asia Pacific 40 and the Dow Jones Sustainability Japan 40 Index were launched on 16 January 2009 and 31 July 2009 respectively.

For each of the Dow Jones Sustainability Indexes the underlying Corporate Sustainability Assessment™ methodology, index features and data dissemination, periodic review and

ongoing review, the calculation model as well as management and responsibilities is described in the relevant guidebook.

## **2 DOW JONES SUSTAINABILITY ASIA PACIFIC INDEX**

The Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) and respective subsets track the performance of the top 20% of the 600 largest companies from Asia Pacific in the Dow Jones Global Total Stock Market Index (DJGTSM) that lead the field in terms of sustainability.

### **2.1 Benchmark Indexes**

- Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)
- Dow Jones Sustainability Asia Pacific Index excluding Alcohol, Gambling, Tobacco, Armaments and Firearms (DJSI Asia Pacific ex. Alcohol, Gambling, Tobacco, Armaments and Firearms)

### **2.2 Blue Chip Indexes**

- Dow Jones Sustainability Asia Pacific Index 40 (DJSI Asia Pacific 40)
- Dow Jones Sustainability Japan 40 Index (DJSI Japan 40)

### **2.3 Customized Indexes**

The DJSI methodology facilitates the design, development and delivery of customized sustainability indexes; e.g. indexes covering different regions, indexes covering different segments of the leading sustainability companies, indexes covering additional exclusion criteria and indexes denominated in different currencies.

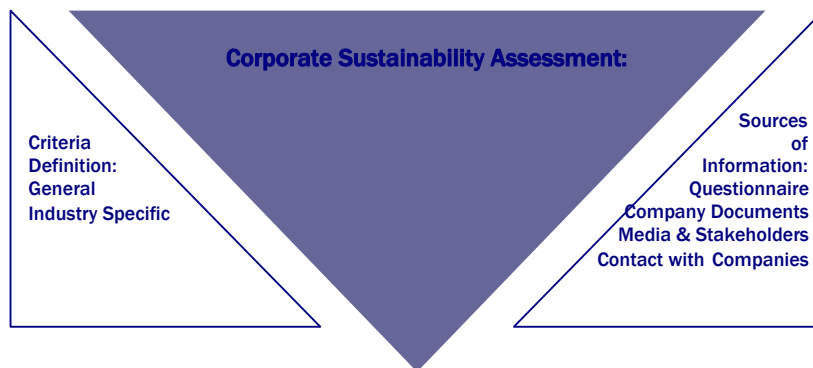
## 3 CORPORATE SUSTAINABILITY ASSESSMENT

### 3.1 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.

### 3.2 Methodology

SAM's Corporate Sustainability Assessment™ identifies the leading sustainability companies from the DJSI Asia Pacific investable universe for each sector (see 5.5 and 5.6).



#### Corporate Sustainability Performance Score

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 DJSI Asia Pacific investable universe. These criteria consist of both general criteria applicable to all industries and specific criteria applicable to companies in a certain sector. 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 performance score. The sustainability score is used to identify the leading sustainability companies in each sector.

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 assurance 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. Since the DJSI inception in 1999 external assurance for SAM's Corporate Sustainability Assessment has been provided by PricewaterhouseCoopers.

### **3.3 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 sectors whereas the general criteria are the same for each sector.

#### **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 fifty 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 fifty 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
<b>Economic</b>	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 Transparency of Senior Management Remuneration <b>MSA: Corporate Governance (MSA = Media and Stakeholder Analysis – See Chapter 4)</b>
	Risk & Crisis Management	6.0	Responsibility Risk&Crisis Management Uniform Risk Analysis Definition of Risk Risk Map Sensitivity analysis & stress testing Risk response strategy <b>MSA: Risk &amp; Crisis Management</b>
	Codes of Conduct/Compliance/ Corruption & Bribery	6.0	Codes of Conduct: Focus Codes of Conduct: Systems/Procedures Corruption and Bribery Policy: Scope and Business Relationships Breaches Codes of Conduct: Public reporting <b>MSA: Codes of Conduct/Compliance/ Corruption &amp; Bribery</b>
	Industry Specific Criteria	Depends on Industry	Brand Management, Customer Relationship Management, Supply Chain Management Marketing Practices, Innovation & R&D, Renewable Energy, etc. <b>MSA: Selected Industry Specific Criteria</b>
<b>Environment</b>	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. <b>MSA: Selected Industry Specific Criteria</b>
<b>Social</b>	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 Type of individual performance appraisal Communication of individual performance to upper management Payout type of total performance-related compensation Trend of employee satisfaction Additional Benefits <b>MSA Talent Attraction &amp; Retention</b>
	Labor Practice Indicators	5.0	KPIs & Reporting; Diversity, Discrimination KPIs & Reporting; Equal remuneration KPIs & Reporting; Freedom of Association KPIs & Reporting; Layoffs KPIs & Reporting; HSE Grievance resolution Public Commitment <b>MSA: Labor Practice Indicators</b>
	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. <b>MSA: selected Industry Specific Criteria</b>

\* Criteria assessed based on publicly available information only

### 3.4 Information Sources

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

#### 1. Company Questionnaire

Questionnaires specific to each of the DJSI sector are distributed to the Chief Executive Officers and heads of investor relations of all the companies in the DJSI Asia Pacific investable 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 two years. 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.

### **3.5 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 DJSI Asia Pacific 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		

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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

## 4 CORPORATE SUSTAINABILITY MONITORING

### 4.1 Concept

Corporate Sustainability Monitoring is part of the ongoing review process. Once a company is selected as a member of the DJSI Asia Pacific, 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. 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

**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

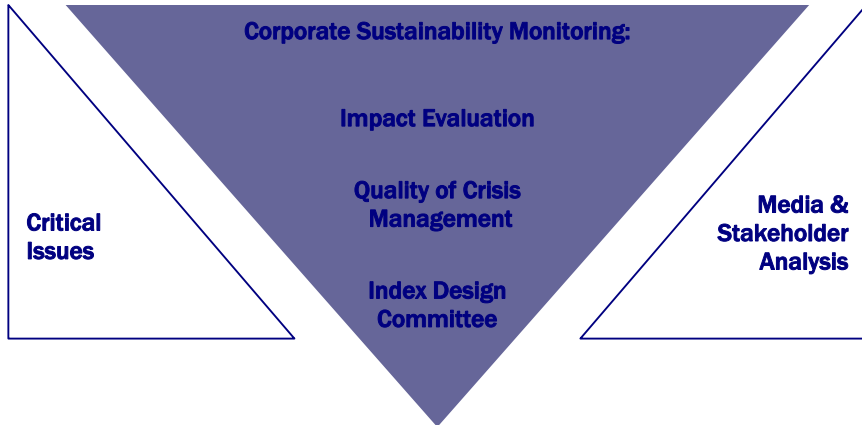
**External Stakeholders;** e.g. cases indicative of company systematically exploiting weak governance in emerging countries,

**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

### 4.2 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 DJSI Asia Pacific 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 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. 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 DJSI Index Design Committee**

If deemed appropriate, SAM Research provides the DJSI Index Design Committee (as described in Section 9.1) with a proposal for the company's exclusion from the DJSI Asia Pacific. The DJSI Index 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 DJSI Index Design Committee can decide to exclude the company from the DJSI Asia Pacific.

SAM Indexes GmbH informs the affected companies about their exclusion.

## 5 INDEX FEATURES & DATA DISSEMINATION

### 5.1 Introduction

The objectives of the DJSI Asia Pacific are:

- Measure the stock market performance of the top 20% of the leading sustainability companies in all sectors.
- Provide a liquid base for a variety of financial products

In addition to the index features described above, a crucial requirement for achieving these objectives is transparency. SAM Indexes GmbH provides this transparency by widely disseminating data and information on all aspects of the index composition and methodology. These data and information are updated regularly.

The index values are disseminated via major data vendors while the index component data are disseminated via [www.sustainability-indexes.com](http://www.sustainability-indexes.com) as appropriate.

Information on the index features and methodology are disseminated via [www.sustainability-indexes.com](http://www.sustainability-indexes.com).

### 5.2 Index Concept

The DJSI Asia Pacific is derived from and fully integrated with the Dow Jones Global Total Stock Market Index.

In addition to the Dow Jones Global Total Stock Market Index component selection process, SAM's Corporate Sustainability Assessment is implemented to select the DJSI components from the Dow Jones Global Total Stock Market Index components.

The Corporate Sustainability Assessment pays particular attention to the sustainability opportunities and risks, and more specifically, the economic, environmental and social dimensions. As a result it offers a financial quantification of corporate sustainability performance.

All other aspects of the DJSI methodology are identical to the Dow Jones Global Total Stock Market Index methodology.

SAM's Corporate Sustainability Assessment methodology aims to produce an investable index in which all component stocks are easily tradable.

### 5.3 Product Concept

The DJSI Asia Pacific index is designed to track the stock market performance of the leading sustainability companies in Asia Pacific.

The DJSI Asia Pacific ex. Alcohol, Gambling, Tobacco, Armaments and Firearms is designed to track the performance of the DJSI Asia Pacific excluding companies that derive more than 0% of its sales from alcohol, gambling, or tobacco or more than 5% of its sales from armaments and/or firearms.

The DJSI Asia Pacific ex. Alcohol, Gambling, Tobacco, Armaments and Firearms excludes companies that produce alcoholic beverages; and/or manufacture or market gambling equipment or that own or operate a casino or racetrack; and/or produce tobacco or tobacco products; and/or produce and/or supply armaments or firearms. The US Department of Defense's definition of armaments is used. This definition includes companies that produce and/or supply for military purposes one of the following:

- Ships (Aircraft Carriers, Cruisers, Frigates, Destroyers)
- Submarines (Attack Submarines, Ballistic Missile Submarines)
- Missiles (Strategic Missiles)
- Ground Combat Systems (Tanks, Multiple Launch Rocket System, Artillery, Helicopters)
- Aircraft (Conventional Bombers, Fighter/Attack Aircraft, Specialized Aviation Forces)
- Defence electronics (space systems, communications...), if clearly developed and supplied to / for military purposes

Firearm companies are defined as companies that manufacture firearms for non-military markets.

Every effort is made to exclude companies based on their revenue stream from alcohol, gambling, tobacco, armaments and/or firearms as defined above. However, due to the limited quality of revenue data in certain sectors and regions throughout the world, no guarantee of accuracy and completeness can be given to the quality of exclusions.

## 5.4 Investable Stocks Universe

The DJSI Asia Pacific investable universe comprises the largest 600 companies from the developed Asia Pacific markets in the Dow Jones Global Total Stock Market Index.

## 5.5 Sector Classification

The DJSI sector classification is based on the ICB industry, supersector, sector, and subsector classification.

All the companies in the DJSI Asia Pacific investable universe are assigned - based on the company's primary revenue source - to one of the 58 DJSI sectors.

The DJSI sectors - and their associated ICB supersectors - are listed below:

<b>ICB Supersector (19)</b>	<b>DJSI Sector (58)</b>	<b>DJSI Sector Abbreviation</b>
Oil & Gas	Oil & Gas Producers	OIX
	Oil Equipment & Services	OIE
	Pipelines	PIP
	Alternative Energy	ALT
Chemicals	Chemicals	CHM
Basic Resources	Forestry & Paper	FRP
	Aluminum	ALU
	Steel	STL
	Mining	MNX
Construction & Materials	Building Materials & Fixtures	BLD
	Heavy Construction	CON
Industrial Goods & Services	Aerospace & Defense	ARO
	Containers & Packaging	CTR
	Diversified Industrials	IDD
	Electrical Components & Equipment	ELQ
	Electronic Equipment	ITC
	Industrial Engineering	IEQ
	Industrial Transportation	TRA
	Support Services	ICS
	Waste & Disposal Services	POL
Automobiles & Parts	Auto Parts & Tires	ATX
	Automobiles	AUT
Food & Beverage	Beverages	BVG
	Food Producers	FOA
Personal & Household Goods	Durable Household Products	DHP
	Furnishing	FTR
	Home Construction	HOM
	Nondurable Household Products	HOU
	Leisure Goods	LEG
	Personal Products	COS
	Clothing, Accessories & Footwear	TEX
Tobacco	TOB	
Health Care	Healthcare Providers	HEA
	Medical Products	MTC
	Biotechnology	BTC
	Pharmaceuticals	DRG
Retail	Food & Drug Retailers	FDR
	Specialized Consumer Service	CSV
	General Retailers	RTS
Media	Media	PUB

Travel & Leisure	Gambling	CNO
	Hotels, Restaurants, Bars, and Recreational Services	REX
	Travel & Tourism	TRT
	Airlines	AIR
Telecommunications	Fixed Line Telecommunications	FTS
	Mobile Telecommunications	CTS
Utilities	Electricity	ELC
	Gas Distribution	GAS
	Water	WAT
Banks	Banks	BNK
Insurance	Insurance	INS
Real Estate	Real Estate	REA
Financial Services	Financial Services	FBN
Technology	Software	SOF
	Computer Services & Internet	TSV
	Communication Technology	CMT
	Semiconductors	SEM

Due to the small number of companies in some DJSI sectors in the DJSI Asia Pacific investable universe, the following DJSI sectors have been merged for the selection of the DJSI Asia Pacific components:

- ALU+STL
- RTS+CSV
- DHP+HOM+TOB
- ARO+TRA
- OIX+OIE+ALT
- ICS+POL
- HEA+MTC

## 5.6 Base Date & Base Value

The base date for the DJSI Asia Pacific is 31 December 2003.

The corresponding base value is 100.

## 5.7 Index Calculation

The DJSI Asia Pacific and its respective subset indexes are calculated with the Laspeyres formula.

Price and return indexes are calculated reflecting different dividend treatments.

All these indexes are denominated in US dollars.

## 5.8 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 relevant stock exchange/trading system.

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 in any of the countries covered by the DJSI Asia Pacific, then the previous day's closing prices - from the relevant stock exchange/trading system - 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.

## 5.9 Currency Rates

The middle of the latest bid- and ask-prices is used as the currency rate for the index calculation. The intraday currency rate updates are triggered when the first opening stock price in the respective index is received.

### **5.10 Index Dissemination Period**

The index dissemination period begins when the first major trading system covered by the DJSI Asia Pacific opens for trading. The actual dissemination of each index is triggered when the first opening stock price for that index is received. The index dissemination period ends when the last major trading system closes.

### **5.11 Closing Data**

The closing data are disseminated after the index dissemination period:

### **5.12 Dividend Treatment**

All gross dividend payments are imputed in the total return index values of the DJSI Asia Pacific and respective subset indexes.

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.

### **5.13 Weightings**

The DJSI Asia Pacific and respective subset indexes are 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.

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.

### **5.14 Index Divisors**

Index divisors for the DJSI Asia Pacific and respective subset indexes 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.

### **5.15 Review, Implementation & Effective Dates**

Changes to the index composition - as specified at the annual review of the DJSI Asia Pacific - are announced in the first week in September and implemented - after the official closing prices have been determined - on the third Friday of September.

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.sustainability-indexes.com](http://www.sustainability-indexes.com).

### **5.16 Historical Index Values**

A historical perspective of the DJSI Asia Pacific - dating back to 31 December 2003 - is updated daily and available on major data vendor sites as well as [www.sustainability-indexes.com](http://www.sustainability-indexes.com).

### **5.17 Data Vendor Codes**

The current data vendor codes for all the DJSI Asia Pacific are updated as necessary and available on [www.sustainability-indexes.com](http://www.sustainability-indexes.com).

### **5.18 Publications**

SAM Indexes GmbH also provides additional information - e.g. index performance reports and announcements of new products and services - via the following publications:

- Press Releases
- Monthly reports
- Quarterly Newsletters

These publications are disseminated via the most appropriate media and available on [www.sustainability-indexes.com](http://www.sustainability-indexes.com).

## 6 PERIODIC REVIEWS

### 6.1 Introduction

The DJSI Asia Pacific and the DJSI Asia Pacific ex AGTAF are reviewed annually and quarterly.

The DJSI Asia Pacific 40 and the DJSI Japan 40 are reviewed annually.

The annual review methodology selects the leading sustainability companies from the investable stocks universe. The resulting changes to the index composition are announced on the annual review date in September.

Following a minimum 10-day notification period, these changes will be implemented - after the official closing prices have been determined - on the third Friday of September.

All these changes will be effective on the next trading day.

The quarterly reviews reflect changes in the investable stocks universe as well as changes with regard to the number of shares and free float factors.

Quarterly reviews are implemented on the third Friday in March, June, September, and December to become effective on the next trading day.

Changes to the index 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 quarterly review will be announced at least two business days prior to the implementation date.

Results of the annual and quarterly reviews are disseminated via [www.sustainability-indexes.com](http://www.sustainability-indexes.com).

### 6.2 DJSI Asia Pacific

The annual review process follows the following steps:

#### 1. Investable Universe and DJSI Sector Classification:

The annual review of the DJSI Asia Pacific index is based on the Dow Jones Asia Pacific investable stocks universe which is based on the market capitalization of the DJGTSMI components at the end of the preceding December. It consists of the largest – by free floating market capitalization - 600 companies from Canada and the United States as listed in the Dow Jones Global Total Stock Market Index on 31 December of the preceding year. In addition, it consists of all current DJSI Asia Pacific components that have a free float market capitalization above US\$500m. For each company only the most liquid stock is eligible.

The investable stocks universe is reviewed annually.

Each of the companies in the DJSI Asia Pacific investable universe is assigned – based on the company's primary revenue source – to one of the 58 DJSI sectors. Companies that are deleted from the Dow Jones Global Total Stock Market Index are also deleted from the DJSI Asia Pacific investable universe.

**2. Corporate Sustainability Assessment:**

Each of the evaluated companies within the investable universe is assigned a corporate sustainability performance score.

**3. DJSI Sector Ranking:**

The companies in each of the DJSI sectors are ranked according to their corporate sustainability performance score.

**4. Eligible DJSI Sectors:**

Only those DJSI sectors – where the highest ranked company on a global basis has a corporate sustainability performance score of at least one-fifth of the maximum score – are eligible for the DJSI Asia Pacific. All other sectors – and their associated companies – are deemed ineligible and are eliminated from the review process.

**5. Eligible Companies:**

From each eligible DJSI sector, only companies with a corporate sustainability performance score of at least half of the highest ranked company in the DJSI World (see separate guidebook on [www.sustainability-indexes.com](http://www.sustainability-indexes.com)) in the same sector are eligible for the DJSI Asia Pacific. All other companies are deemed ineligible and are eliminated from the review process.

**6. Component Selection:**

The target selection for each eligible DJSI sector is 20% of the companies in the investable universe in that group. In a first step, the top 15% of the eligible companies in each DJSI sector – by corporate sustainability performance ranking – are selected for the DJSI Asia Pacific. In a second step, the eligible current DJSI Asia Pacific component companies ranked in the buffer zone between the top 15% and the top 25% of the eligible companies – by corporate sustainability performance ranking – are selected for the DJSI Asia Pacific. If after adding all current component companies in the buffer zone the target selection number is not reached, then additional non-component companies – in their corporate sustainability ranking order – are added to the selection universe, but only until the target selection number of companies is reached. If the difference in the corporate sustainability performance scores between the last selected company in order to reach the target selection number of companies in each DJSI sector and the next company in the sustainability ranking order is within the specified average error margin, then this next ranked company is also selected for the DJSI Asia Pacific. The average error margin for the corporate sustainability performance assessment is determined by reviewing a random sample of companies among the upper half of the companies that were not selected because of relatively low corporate sustainability performance scores and the lower half of companies selected for the DJSI. The average error margin is reviewed annually.

**7. Market Capitalization Coverage:**

The target free float market capitalization coverage for each DJ super sector is 45% of the largest 600 Asia Pacific companies in the DJGTSMI as of 31 July.

For each super sector, if the cumulative market capitalization of the selected companies exceeds this target, then no further companies from this market sector are selected for the DJSI Asia Pacific.

If the market capitalization target is not yet exceeded, then further companies from this market sector are selected for the DJSI Asia Pacific – according to their sustainability ranking order – until the cumulative market capitalization is as close as possible to the market capitalization target. Only companies that belong to the top 13% in their DJSI sector are eligible for inclusion. Selection priority is given to companies that have a higher percentage of the best company's score in their DJSI sector. Finally, runner-ups that are current components will be added from the list of eligible companies, provided their addition reduces the combined imbalance between both the currency and sector allocations of the DJSI Asia Pacific and the comparable currency and sector distribution of the largest 600 Asia Pacific companies in the Dow Jones Global Total Stock Market Index as of 31 July.

The results of the annual review of the DJSI Asia Pacific are disseminated via press releases and [www.sustainability-indexes.com](http://www.sustainability-indexes.com).

### 6.3 DJSI Asia Pacific 40

The annual review of the DJSI Asia Pacific 40 is based on the annual review of the DJSI Asia Pacific (see chapter 6.2).

#### 1. Universe:

The universe for the annual review of the DJSI Asia Pacific 40 is the reviewed DJSI Asia Pacific, i.e. the DJSI Asia Pacific as it will be implemented upon the next annual review date.

#### 2. Ranking List:

Each company in this universe is ranked according to its free float market capitalization on 31 July.

#### 3. Selection:

The target number of components for the DJSI Asia Pacific 40 is 40. To reach this number, the 30 biggest companies by free float market capitalization are selected in a first step, provided, however, that from each super sector (see chapter 5.7) a maximum of five companies can be selected. This restriction also applies for the two following steps. In a second step, all current components of the DJSI Asia Pacific 40 between ranks 31 and 50 are selected in descending order until a total number of 40 components is reached. Third, provided that 40 components are not yet selected, additional companies which are not yet components of the DJSI Asia Pacific 40 are selected in descending order as new components until the total number of 40 components has been reached.

## 6.4 DJSI Japan 40

The annual review of the DJSI Japan 40 is based on the annual review of the DJSI Asia Pacific (see chapter 6.2).

### 1. Universe:

The universe for the annual review of the DJSI Japan 40 are the Japanese companies in the reviewed DJSI Asia Pacific, i.e. the DJSI Asia Pacific as it will be implemented upon the next annual review date.

### 2. Ranking List:

Each company in this universe is ranked according to its free float market capitalization on 31 July.

### 3. Selection:

The target number of components for the DJSI Japan 40 is 40. To reach this number, the 30 biggest companies by free float market capitalization are selected in a first step, provided, however, that from each super sector (see chapter 5.7) a maximum of five companies can be selected. This restriction also applies for the two following steps. In a second step, all current components of the DJSI Japan 40 between ranks 31 and 50 are selected in descending order until a total number of 40 components is reached. Third, provided that 40 components are not yet selected, additional companies which are not yet components of the DJSI Japan 40 are selected in descending order as new components until the total number of 40 components has been reached.

## 6.5 Quarterly Review

The quarterly reviews encompass a review of the free float factors, number of shares of each constituent and – if applicable – free float cap factors.

## 7 ONGOING MAINTENANCE

In addition to the annual and quarterly reviews, the DJSI Asia Pacific 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.

### 7.1 Changes in the Corporate Sustainability Performance

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

A deleted component due to changes in its corporate sustainability performance may be replaced by the next highest-ranked eligible non-component within its supersector. Selection priority is given to companies that have a higher percentage of the best company's score in their DJSI sector in the DJSI World.

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.

### 7.2 Changes due to Initial Public Offerings (IPOs)

If an initial public offering (IPO) stems from a component of the DJSI Asia Pacific and is in the same DJSI sector of the component, then it is eligible for inclusion in the DJSI Asia Pacific and its respective subset indexes. 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 DJSI Asia Pacific Index Design Committee is responsible for this decision.

If the IPO is derived from a component of the DJSI Asia Pacific but is not in the same DJSI sector or the IPO is not derived from a company in the DJSI Asia Pacific it is assessed as part of the next annual review.

### 7.3 Changes due to Spin-Offs

If a DJSI Asia Pacific component is split to form two or more companies, and if the original company is delisted, then the original company is deleted from the DJSI Asia Pacific and the relevant specialized indexes.

If any of the new spun-off companies qualify for the DJSI Asia Pacific by fulfilling all the Dow Jones Global Total Stock Market Index and DJSI Asia Pacific component selection

criteria including the corporate sustainability performance assessment, then they are included in the DJSI Asia Pacific and the respective subset indexes.

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 eligible non-component within its supersector. Selection priority is given to companies that have a higher percentage of the best company's score in their DJSI sector in the DJSI World.

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

The DJSI Index Design Committee is responsible for this decision.

#### **7.4 Changes due to Mergers & Takeovers**

##### **Component & component:**

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

If the succeeding company qualifies for the DJSI Asia Pacific by fulfilling all the Dow Jones Global Total Stock Market Index and DJSI Asia Pacific component selection criteria including the corporate sustainability performance assessment, then it is added to the DJSI Asia Pacific and the respective subset indexes.

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

The two original components are deleted from the DJSI Asia Pacific.

The deleted components may be replaced by the next highest-ranked eligible non-component within their supersector. Selection priority is given to companies that have a higher percentage of the best company's score in their DJSI sector in the DJSI World.

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 DJSI Asia Pacific.

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 DJSI Asia Pacific and respective subset indexes.

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, then the newly merged company is added to the DJSI Asia Pacific and respective 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 DJSI Asia Pacific and respective subset indexes.

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 performance scores of the two merging companies are weighted according to their market capitalization and added together to form the adjusted corporate sustainability performance score for the merged company. If the merged company qualifies for the DJSI Asia Pacific by fulfilling all the Dow Jones Global Total Stock Market Index and DJSI Asia Pacific component selection criteria including the corporate sustainability performance assessment, then it is added to the DJSI Asia Pacific and respective subset indexes.

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 DJSI Asia Pacific.

The deleted component may be replaced by the next highest-ranked eligible non-component within its supersector. Selection priority is given to companies that have a higher percentage of the best company's score in their DJSI sector in the DJSI World.

The changes to the composition of the DJSI Asia Pacific 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.

## **7.5 Changes due to Sector Classifications**

If the sector reclassification is due to an extraordinary corporate action, then the resulting changes to the composition of the DJSI Asia Pacific 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 sector reclassification is due to a change in a company's largest source of revenue, then the resulting changes to the composition of the DJSI Asia Pacific 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 DJSI Index Design Committee is responsible for this decision.

### **7.6 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.

### **7.7 Changes to Liquidity**

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

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

The changes to the composition of the DJSI Asia Pacific 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 supersector. Selection priority is given to companies that have a higher percentage of the best company's score in their DJSI sector in the DJSI World.

The DJSI Index Design Committee is responsible for this decision.

## 8 CALCULATION MODEL

### 8.1 Input Data Specification

The calculation of the DJSI Asia Pacific is based on the following input data:

- Real time stock prices
- Real time currency rates
- Number of shares outstanding for each stock class
- Corporate action information and data

### 8.2 Input Data Sources

The input data for the calculation of the DJSI Asia Pacific are obtained from several reliable sources, including:

- Relevant stock exchanges / trading systems
- Regulatory agencies
- Companies involved

### 8.3 Input Data Monitoring

SAM Indexes GmbH implements various verification and audit procedures to ensure that the real time stock price and currency rate input-data feeds are of the highest accuracy, consistency and quality. 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

### 8.4 Input Data Corrections

SAM Indexes GmbH makes every effort to prevent erroneous input data from affecting the DJSI Asia Pacific.

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

### 8.5 Index Formula

The DJSI Asia Pacific and its respective subset indexes are calculated with the Laspeyres formula below:

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

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:

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

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

$n$  = the number of stocks in the index

$P_{i0}$  = the closing price of stock (i) at the base date (December 31, 1998)

$q_{i0}$  = the number of shares of company (i) at the base date (December 31, 1998)

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

$q_{it}$  = the number of shares of company (i) at time (t)

$C_t$  = the adjustment factor for the base date market capitalization

$t$  = the time the index is computed

$M_t$  = market capitalization of the index at time (t)

$B_t$  = adjusted base date market capitalization of the index at time (t)

$X_{it}^{\text{USD}}$  = cross rate: domestic currency in USD of company (i) at time (t) {applies only to companies that are not traded in USD}

base value = 100 on the base date; i.e. December 31, 1998

## 8.6 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

Index Divisor Adjustments

The index divisors are adjusted as follows in response to corporate actions affecting the market capitalization of the DJSI Asia Pacific:

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

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 shares of company (i) at time (t)

$\Delta MC_{t+1}$  = market capitalization calculated with adjusted closing prices and new number of shares at time (t+1) minus market capitalization calculated with closing prices and number of 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 every 'A' share held (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.

**Cash dividend (applied for return index only):** Divisor ↘

adjusted price = closing price - dividend announced by the company

**Special cash dividend (applied for price and return index):** Divisor ↘

adjusted price = closing price - dividend announced by the company

**Split and reverse split:** Divisor ↔

adjusted price = closing price \* A / B

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

**Rights offering:** Divisor ↗

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

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

**Stock dividend:** Divisor ↔

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

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

**Stock dividend of another company:** Divisor ↘

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

**Return of capital and share consolidation:** Divisor ↘

adjusted price = (closing price - dividend announced by company) \* A / B

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

**Repurchase of shares / self tender:** Divisor ↘

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 ↘**

adjusted price = (closing price \* A - 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 share, then all the following 'new number of shares' formulae need to be divided by A:

- **If rights are applicable after stock distribution (one action applicable to other): Divisor ↗**  
adjusted price = [closing price \* A + subscription price \* C \* (1 + B / A)]  
/ [(A + B) \* (1 + C / A)]  
new number of shares = old number of shares \* [(A + B) \* (1 + C / A)] /  
A
- **If stock distribution is applicable after rights (one action applicable to other): Divisor ↗**  
adjusted price = [closing price \* A + subscription price \* C] / [A + B + C]  
new number of shares = old number of shares \* [A + B + C] / A
- **stock distribution and rights (neither action is applicable to the other):  
Divisor ↗**  
adjusted price = [closing price \* A + subscription price \* C] / [A + B + C]  
new number of shares = old number of shares \* [A + B + C] / A

**8.7 Index Divisor Corrections**

If an incorrect index divisor is discovered within five days of its occurrence, then it is corrected immediately to prevent the error from propagating.

If the incorrect index divisor is discovered more than five days after its occurrence, then it is corrected immediately if the correction is feasible and if the error is deemed significant. This decision is the responsibility of the DJSI Index Design Committee.

## 9 INDEX MANAGEMENT & RESPONSIBILITIES

### 9.1 DJSI Index Design Committee

The DJSI Index Design Committee is composed of two representatives from each – Dow Jones Indexes and SAM Group.

The DJSI Index Design Committee 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
- Verifying the integrity of input price, currency rate and other related market data
- Deciding on the composition and accuracy of the DJSI Asia Pacific.

The DJSI Index Design Committee is solely responsible for all decisions on the composition and accuracy of the DJSI Asia Pacific. In particular, the DJSI Asia Pacific Index Design Committee is solely responsible for all changes to the index methodology, which is detailed in the current DJSI Asia Pacific 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.

### 9.2 DJSI Advisory Committee

The DJSI Advisory Committee 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 advise on possible implications for sustainability-driven portfolio management and offer input regarding the methodology, marketing as well as product development for the Dow Jones Sustainability Indexes.

### 9.3 Customer Service

Customer Service is available Mondays to Fridays on:

Tel.: +41 44 653 1802

E-mail: [indexes@sam-group.com](mailto:indexes@sam-group.com)