



The Rules for the Sustainability Indices of the Vienna Stock Exchange

April 2010 | Version 1.0.



Table of Contents

1.	Introduction	3
1.1	Sustainability Indices by Vienna Stock Exchange	3
2.	Concept and Composition	4
2.1	Selection method	4
2.2	Smoothing Factor	4
3.	Universe	5
3.1	CEERIUS Universe	5
3.2	VÖNIX Universe	5
4.	Exclusion Criteria	6
4.1	Sustainability Exclusion Criteria	6
5.	Stakeholder and Product Criteria	8
5.1	Stakeholder Groups and Criteria	8
6.	Annual Review of Composition	9
6.1	Analysis and Selection of Shares	9
6.2	Implementation of Changes	10
7.	Extraordinary Composition Changes	11
7.1	Inclusion of Shares	11
7.2	Exclusion of Shares	11
8.	Tasks and Responsibilities	12
8.1	Index Committee	12
8.2	Sustainability Research	12
8.3	Index Management	12
9.	Contact Details	13

1. Introduction

1.1 Sustainability Indices by Vienna Stock Exchange

Vienna Stock Exchange calculates 2 sustainability indices, one for the Austrian stock market and one for the Eastern European markets:

1. VÖNIX – VBV Österreichischer Nachhaltigkeitsindex
2. CEERIUS – CEE Responsible Investment Universe

This document defines the rules for the composition and conception of the sustainability indices calculated by Vienna Stock Exchange (hereinafter: “Sustainability Indices”). Details regarding the index calculation and the adjustment of corporate actions can be found in the Rules for the CEE & CIS Indices of the Vienna Stock Exchange on www.indices.cc.

Vienna Stock Exchange is responsible for the calculation and the dissemination of the indices as well as for the index management. The trademark CEERIUS is owned by Vienna Stock Exchange, while the owner of VÖNIX is VINIS Gesellschaft für nachhaltigen Vermögensaufbau und Innovation m.b.H.

In order to guarantee an objective sustainability evaluation, rfu – Reinhard Friesenbichler Unternehmensberatung has been chosen for the sustainability research.

The abbreviations “CEERIUS” and “VÖNIX” are protected by copyright law. The use of the CEERIUS and its abbreviations by financial service providers for financial products shall be permitted on the condition that a license agreement is entered into with Vienna Stock Exchange and the corresponding license fees are paid. The use of the VÖNIX by financial service providers for financial products is permitted on the condition that a license agreement is signed with VINIS.

2. Concept and Composition

The Sustainability Indices are capitalization-weighted price indices which are composed of the leading companies in reference to social and ecological quality. VÖNIX comprises companies traded on Vienna Stock Exchange, whereas CEERIUS includes companies traded on stock exchanges in the region of Central, Eastern and South-Eastern Europe.

Both indices may be used as an underlying for structured products and for standardized derivatives (futures and options). Dividend payouts on the shares and any other distributions similar to ordinary dividend payments are not taken into account.

2.1 Selection method

The selection of the index constituents is based on a multi-level procedure.

At first the base universe of potential index constituents is defined. All companies from the base universe are reviewed according to sustainability-related exclusion criteria and according to stakeholder and product criteria. The sustainability research process leads to a rating for each company. Only stocks of companies with the best ratings are included in the Sustainability Indices.

2.2 Smoothing Factor

A smoothing factor is applied in order to increase the weighting of lower capitalized stocks and to reduce the weighting of highly capitalized stocks. Its purpose is to diminish the influence of a company's size on the index composition and, at the same time, to guarantee suitability for investment. The smoothing factor is defined in a way so as to reduce the weighting of the larger 50% of shares vs. the smaller 50%, with respect to free float market capitalization, to one-quarter of the original ratio, but not below a ratio of 5:1 (in the case of uneven numbers of index shares, the middle share is excluded for the ratio correction). However, should the ratio resulting from the free float market capitalization be smaller or equal to 5:1 from the start, then this ratio is used and the smoothing factor is defined as 1. The smoothing factor is based on the average prices of the last five exchange trading days of February, May, August and November, converted into EUR.

3. Universe

The selection of the index members begins with the definition of the base universe.

The CEERIUS base universe is defined annually at the end of September by the Index Management of Vienna Stock Exchange. The base universe of the VÖNIX is defined annually in April by the VÖNIX index committee. Any corrections to the VÖNIX universe are completed by May.

3.1 CEERIUS Universe

The base universe includes the stocks of the CECE Extended index and the CECE Mid Cap index which are both calculated by Vienna Stock Exchange. Only tradable shares of companies listed on the Belgrade SE, Bucharest SE, Budapest SE, Ljubljana SE, Prague, Sofia SE, Warsaw SE or Zagreb SE, which have a primary listing in the respective markets, are included in the CEERIUS. Dual listings of stocks remain as a rule disregarded.

Basically the companies of the universe should not fall below a market capitalization of 100 mln EUR. Taking into account the actual market situation and the specifics of the local financial markets, the capitalization can be less than 100 mln EUR in the exceptional case.

3.2 VÖNIX Universe

The VÖNIX universe includes all Austrian shares in the Prime Market, Mid Market and Standard Market Continuous of the Vienna Stock Exchange (except for shares whose delisting or switch in market segment/exchange is imminent for which the criteria of marketability and sustainability no longer apply).

Further the universe includes Austrian shares from the Auction Market of the Vienna Stock Exchange. These shares are pre-selected according to their marketability and sustainability potential. The measures used for deciding marketability are free float market capitalization and trading volume.

4. Exclusion Criteria

All of the shares in the universe are reviewed according to the following sustainability-related exclusion criteria:

4.1 Sustainability Exclusion Criteria

Armaments

- ABC weapons, systems and core components
- Conventional military weapons, systems and core components
- Specific military materials and services

Nuclear Energy

- Electricity from nuclear power plants
- Nuclear power plants and specific core components and services
- Nuclear fuels

Addictive Drugs

- Tobacco and tobacco products as well as specific substances
- Alcoholic beverages with over 20% by volume

Genetic Technology

- Ethically and socially problematic human genome technology
- Ethically and ecologically problematic genetic technology in agriculture and animal husbandry

Gambling

- Gambling and betting games
- Gambling and betting specific equipment and services

Other

- Other activities and practices with highly negative ethical, social and ecological effects and risks e.g. major infringements of standards relating to human rights and labour (such as ban on child labour or ILO Standards), major infringements of legal standards (such as balance manipulation), major infringements of ethical principles (such as corruption), major damage done to nature (such as pollution or avoidable animal tests), major damage done to human health and dignity (such as child pornography).

There are definitions for all exclusion criteria. These refer to type of activity (e.g. development, production, distribution, financing, etc.); differentiation from other activities not of relevance for exclusion (e.g. dual use products with military application possibilities) as well as to scope of tolerance for insignificant activities, such as maximum permissible percentage in total sales revenues of a company (between 0% for ABC weapons, and 10% for the distribution of alcoholic beverages).

Generally it is not possible to include companies that meet one or more of the exclusion criteria in the index. If several criteria are concerned, but each one is below the tolerance limit, the respective shares in the revenues are added pursuant to the cumulating rule, which may also result in the exclusion of the share.

5. Stakeholder and Product Criteria

A total of six stakeholder groups are analyzed at the following levels

- Fundamental principles and strategies
- Management systems and organization
- Product and services
- Programs, activities and results

5.1 Stakeholder Groups and Criteria

Employees

This stakeholder group includes, among others, the management, fixed employees, freelance workers, temporary employees, and interest group representatives, etc. Examples for concrete criteria are health and safety management, training and further education, work-life balance.

Society

This group includes, e.g., plant site municipality, neighbors, citizens' groups, media and the general public. Sustainability criteria include, among other things, corporate citizenship, social value of the products and human rights.

Customers

Apart from end users, this group includes traders, further processing firms and consumer protection organizations. Criteria are quality management, durability of products, service-orientation, customer satisfaction, etc.

Market partners

These include mainly suppliers, external service providers and cooperation partners. The sustainability analysis focuses, e.g., on the aspects of supply chain management, partnership and social responsibility selection criteria for suppliers.

Investors

In addition to shareholders, investors also include lenders of external capital such as banks and bondholders as well as rating agencies and capital market supervisory authorities. Criteria are corporate governance, creditworthiness, information policy, shareholder rights, etc.

Environment

Direct stakeholders of this group are animals, plants, eco-systems, water and land, etc., or indirect environmental NGOs, environmental authorities and the general public. Within the scope of the sustainability analysis, the following aspects are analyzed: Environmental management system, ecology of product resource consumption, emissions, recycling, etc.

6. Annual Review of Composition

The objective of the annual review and adjustments to the index composition of the Sustainability Indices is to provide tradable and reliable indices, consisting of stocks of the leading companies in reference to social and ecological quality.

6.1 Analysis and Selection of Shares

Within the scope of the annual sustainability analysis, around 100 individual criteria are examined for each company and some 400 indicators being collected and evaluated with the help of publicly available information on the company (annual reports, sustainability reports, websites, press releases, etc.), individual sources (questionnaire, direct contact) and others (media, experts, databases, etc.).

The evaluation model is based on a weighting system that aggregates the individual grades, differentiated by industry and sector and other structural data, to form an overall rating on a nine steps scale from A+ (“innovative”) to C- (“regressive”). If the data rate (% of relevant criteria that were appraisable) is too low for a detailed rating, an indicative rating on a gross scale may be deduced. This is shown by small characters (a, ab, ...). If the data rate is absolutely insufficient, this leads to an NR (“No Rating”).

Rating	A+	A	A-	B+	B	B-	C+	C	C-	EX
Indicative Rating	a			b			c		NR	
	ab		bc		ba					

Inclusion in the indices is possible by the Absolute Inclusion Rule and by the Best in Sector Inclusion Rule.

The CEERIUS includes all companies rated A+, A, A-, B+, a and ab, as well as companies with a ba rating in higher areas (absolute inclusion). Additionally companies with a rating of ba in lower areas as well as B and b in higher areas can be included in the CEERIUS to cover the best third of an industry group or industry (best in sector inclusion).

The VÖNIX includes all companies rated A+, A, A-, B+, a and ab, as well as companies with a ba rating in higher areas (absolute inclusion). Additionally companies with a rating of ba in lower areas can be included in the VÖNIX to cover the best third of an industry group or industry (best in sector inclusion).

The stock selection for the CEERIUS takes place in December, while for the VÖNIX the selection is done in June. The composition of both indices is basically valid for one year.

A detailed description of the research methodology of rfu is available at www.rfu.at.

6.2 Implementation of Changes

The changes in the compositions of the CEERIUS resulting from the annual review are executed after trading closes on the third Friday in December. If this day is no trading day on one of the stock exchanges of Belgrade, Bucharest, Budapest, Ljubljana, Prague, Sofia, Warsaw or Zagreb, index adjustments are carried out on the day before the third Friday on which trading takes place on all of the above mentioned stock exchanges. The local holidays will only be considered, if at least one stock of the respective market is contained in the CEERIUS. Index changes take effect on the trading day following their operational implementation.

The changes to the VÖNIX composition resulting from the annual review of the index composition are carried out after the close of trading on the last trading day in ATX products in the month of June.

7. Extraordinary Composition Changes

Extraordinary changes of the index composition can occur due to special events such as an IPO of a new company, a delisting of an index member or a sustainability related misdeed of an index member.

7.1 Inclusion of Shares

Adding newly listed shares or already listed shares to the index in the course of the year is possible if the shares qualify according to the criteria defined for the universe and the sustainability evaluation results in an adequate rating.

Decisions on the inclusion of a share in the CEERIUS in the course of a year are reached by the CEERIUS Index Committee. For the VÖNIX the Sustainability Research team decides on the inclusion of a share in the course of a year.

7.2 Exclusion of Shares

Shares are excluded from the index during the course of the year in the following cases:

- Delisting
- Reasons for exclusion relating to sustainability arise or become known
- Liquidity is no longer sufficient

The exclusion of a share in the first case is done on the day on which the listing ends or in the second or the third case, in the course of the quarterly adjustments after reasons for removal arise or become known. Decisions on the exclusion of a share from one of the Sustainability Indices in the course of a year are reached by the respective Index Committee.

8. Tasks and Responsibilities

8.1 Index Committee

The Index Committee is the central decision-making body for all adjustments and changes to the indices. The Index Committee deals with the examination and resolutions regarding the base universe, as well as with decisions regarding the calculation parameters of the indices and periodical and operational adjustments. Additionally, the Index Committee decides about changes to the Index Rules.

8.2 Sustainability Research

The Sustainability Research is responsible for the annual valuation of sustainability and selection of the shares for the Indices, as well as the ongoing sustainability monitoring of the index members and of the entire base universe with respect to possible extraordinary composition changes. Another duty of the Sustainability Research is the further development of sustainability criteria and valuation rules.

8.3 Index Management

The Index Management of Vienna Stock Exchange is responsible for the ongoing operations, controlling the index calculation and the passing on of index values via the data providers. Furthermore, the Index Management informs market participants about any adjustments of the composition of the index and/or calculation parameters and implements index adjustments.

9. Contact Details

For any inquiries relating to the indices, index data and licensing, please contact us:

Index Management

phone: +43-1-53165-222

e-mail: index@wienerborse.at

Licences

phone: +43-1-53165-169 or 198

e-mail: licences@wienerborse.at

Market Data Services

phone: +43-1-53165-288

e-mail: marketdataservices@wienerborse.at

VINIS

Mag. Wolfgang Pinner

VINIS GmbH

phone: +43-0-50100 19930

e-mail: wolfgang.pinner@vinis.at

Sustainability Research

Mag. Reinhard Friesenbichler

rfu – Reinhard Friesenbichler Unternehmensberatung

phone: +43-1- 7969999-0

e-mail: office@rfu.at

Corporate Websites

www.indices.cc

www.wienerborse.at

www.ceeseg.com

www.rfu.at