

GROUND RULES FOR THE MANAGEMENT OF THE FTSE4Good Australia 30 Index



FTSE4Good

TABLE OF CONTENTS

| | | |
|-------------------|---|-------------|
| 1 | Introduction | 3 |
| 2 | Index Management | 4 |
| 3 | Eligible Securities | 5 |
| 4 | Index Qualification Criteria | 6 |
| 5 | Periodic Review of Constituents | 7-8 |
| 5.1 | Review Date | 7 |
| 5.2 | Steps for Conducting a Review | 7 |
| 5.3 | Rules for Insertion and Deletion at the Periodic Review | 7 |
| 5.4 | Capping Methodology | 8 |
| 5.5 | Reserve Lists | 8 |
| 5.6 | Multiple Lines | 8 |
| 6 | Changes to Constituent Companies | 9-10 |
| 6.1 | New Issues | 9 |
| 6.2 | Deletions and Replacement | 9 |
| 6.3 | Mergers, Restructuring and Complex Takeovers | 9 |
| 6.4 | Special Situations | 10 |
| 7 | Adjustments to the FTSE4Good Selection Criteria | 11 |
| 8 | Appeals against decisions of the Committee | 12 |
| APPENDICES | | |
| A | Further Information | 13 |

SECTION 1

1.0 INTRODUCTION

- 1.1 This paper sets out the Ground Rules for the management of the FTSE4Good Australia 30 Index. Copies of these Ground Rules are available at www.ftse.com.
- 1.2 Unless specifically detailed in this document, all areas of the methodology regarding the management of the FTSE4Good Australia 30 Index are similar to the FTSE4Good Index Series Ground rules.
- 1.3 The FTSE4Good Australia 30 Index is calculated in Australian Dollars on an end of day basis.

SECTION 2

2.0 INDEX MANAGEMENT

- 2.1 The FTSE4Good Australia 30 Index is managed by the FTSE4Good Policy Committee. The membership of the Committee includes independent investment professionals experienced in socially responsible investment and experts in the principles and criteria used for determining the social responsibility of corporate entities.
- 2.2 The FTSE4Good Policy Committee is responsible for the management of the FTSE4Good selection criteria and for undertaking the review of the FTSE4Good Australia 30 Index. The FTSE4Good Policy Committee may also approve changes to the Ground Rules.
- 2.3 FTSE is responsible for the calculation of the FTSE4Good Australia 30 Index. FTSE will maintain records of the market capitalisation of all constituents and will make changes to the constituents and their weightings in accordance with the Ground Rules. FTSE will implement the resulting constituent changes from the semi-annual review or as otherwise required by the Ground Rules.

SECTION 3

3.0 ELIGIBLE SECURITIES

- 3.1 The top 30 Australian companies ranked by full market capitalisation included in the FTSE4Good Index Series are eligible for inclusion in the FTSE4Good Australia 30 Index.

Version 1.0 August 2008

SECTION 4

4.0 INDEX QUALIFICATION CRITERIA

- 4.1 To be included in the FTSE4Good Australia 30 Index, stocks should pass the eligibility criteria as detailed in the FTSE4Good Index Series Inclusion Criteria. (Please refer http://www.ftse.com/Indices/FTSE4Good_Index_Series/Downloads/FTSE4Good_Inclusion_Criteria.pdf)
- 4.2 The FTSE4Good Australia 30 Index will be capped using FTSE's capping methodology as detailed in Rule 5.4.

SECTION 5

5.0 PERIODIC REVIEW OF CONSTITUENTS

5.1 Review Date

5.1.1 The FTSE4Good Australia 30 Index is reviewed semi-annually in March and September, using market data as at the close of the last trading day in February and August respectively.

A company's performance against the FTSE4Good selection criteria will be measured using data supplied to the FTSE4Good data supplier up to and including the first working day in February and August respectively.

5.1.2 Changes arising from the reviews of the FTSE4Good Australia 30 Index will be implemented after the close of business on the third Friday in March and September.

5.2 Steps for Conducting a Review

5.2.1 Screen the list of securities for eligibility as part of the FTSE4Good Index Series review.

5.2.2 Group secondary lines, and rank all eligible companies (not securities) by full market capitalisation and select the top 30 companies.

5.2.3 Constituents are weighted by their investable market capitalisation (after the application of any investability weighting).

5.3 Rules for Insertion and Deletion at the Periodic Review

5.3.1 Buffers are implemented when reviewing the FTSE4Good Australia 30 Index to provide stability and reduce turnover in the selection of constituents of the FTSE4Good Australia 30 Index while ensuring that the Index continues to be representative of the market by including or excluding those securities which have risen or fallen significantly.

5.3.2 A company will be inserted at the periodic review if it rises above the 27th largest Australian company in the FTSE4Good Series when the eligible companies for are ranked by full market capitalisation, i.e. before the application of any investability weighting.

5.3.3 A company will be deleted at the periodic review if it falls below the 33rd largest Australian company in the FTSE4Good Series when the eligible companies are ranked by full market capitalisation, i.e. before the application of any investability weighting.

SECTION 5

5.3.4 A constant number of constituents will be maintained for FTSE4Good Australia 30 Index. Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.

5.4 Capping Methodology

5.4.1 Any constituent whose weight is greater than 10% of the index will be capped at 10%. The weights of all lower ranking constituents are increased correspondingly. The weights of lower ranking constituents are then checked and if any other constituent is greater than 10% will also be capped at 10%. This process is repeated until no constituent weight exceeds 10%.

5.5 Reserve Lists

5.5.1 The secretary to the FTSE4Good Policy Committee will be responsible for publishing the three highest ranking non-constituents for the FTSE4Good Australia 30 Index. The Reserve List will be used in the event that one or more constituents are deleted from the FTSE4Good Australia 30 Index during the period up to the next semi-annual review.

5.6 Multiple Lines

5.6.1 Where there are multiple lines of equity capital in a company, all are included and priced separately, provided that:

- i. The line passes eligibility criteria (see Ground Rules 4.1).
- ii. The secondary line's full market value (i.e. before the application of any investability weightings) is greater than 25% of the full market capital of the company's main line. Should the market value of a secondary line that is already a constituent of the Index Series fall below 20% at the next review, the secondary line is deleted from the index.

SECTION 6

6.0 CHANGES TO CONSTITUENT COMPANIES

6.1 New Issues

6.1.1 FTSE4Good Australia 30 Index will not have intra-review additions and new issues will be reviewed for index inclusion at the next semi-annual review, in line with FTSE4Good Index Series. When a constituent is added to the universe (either fast entries or normal review entries), it will be therefore considered for inclusion at the next semi-annual review of the FTSE4Good Australia 30 Index.

6.2 Deletions and Replacements

6.2.1 If a constituent is removed from the universe i.e. FTSE4Good Index Series, the constituent will be removed from the FTSE4Good Australia 30 Index.

6.2.2 If an index constituent is deleted resulting in the FTSE4Good Australia 30 Index having less than 30 companies, the highest ranking non-constituent from the reserve list will be added into the Index.

6.3 Mergers and Takeovers

6.3.1 In the case of a takeover or merger between existing FTSE4Good Australia 30 Index constituents, the resulting new company will be eligible for inclusion. If such an event occurs the highest ranking eligible reserve list Company will be added to the index.

6.3.2 In the case of a non-constituent taken over by the FTSE4Good Australia 30 Index constituent, the resultant entity will remain eligible for inclusion in the FTSE4Good Australia 30 Index. The eligibility of the resultant entity will be assessed in full at the next semi-annual review.

6.3.3 In the case of a constituent taken over by a non-constituent, the resultant entity will not be eligible for inclusion in the FTSE4Good Australia 30 Index. The eligibility of the resultant entity will be assessed in full at the next semi-annual review. If such an event occurs the highest ranking eligible reserve list Company will be added to the index.

SECTION 6

6.4 Special Situations

- 6.4.1 The Committee may, in exceptional circumstance, convene a special meeting to consider the eligibility of corporate entities arising from corporate events where these give rise to immediate concern as to the eligibility of the resulting companies.
- 6.4.2 The Committee may examine special situations that may arise from time to time. It will do so according to a standard framework that allows the Committee to ascertain whether changes to the FTSE4Good Selection Criteria are appropriate as a result of such situations. On extremely rare occasions, individual companies might be deemed ineligible for FTSE4Good Australia 30 Index as a result of such a situation; it indicates that they are in breach of the best practice framework.
- 6.4.3 In exceptional circumstances (e.g., the index becomes distorted by a major corporate event), the FTSE4Good Policy Committee may agree to re-cap the index, providing at least 5 days notice is given.

SECTION 7

7.0 ADJUSTMENTS TO THE FTSE4GOOD SELECTION CRITERIA

- 7.1 The FTSE4Good Policy Committee is responsible for the FTSE4Good Australia 30 Index Selection Criteria.
- 7.2 The FTSE4Good Policy Committee may, at its semi-annual meetings, change existing criteria, remove existing criteria, or add new criteria.
- 7.3 FTSE will endeavour to give six months notice before implementation of changes to the selection criteria.

SECTION 8

8.0 APPEALS AGAINST DECISIONS OF THE COMMITTEE

- 8.1 A constituent or prospective constituent company (or advisor acting on behalf of the company) may appeal against decisions of the Committee only on grounds that the Committee acted outside of the FTSE4Good Australia 30 Index Ground Rules.
- 8.2 Companies that wish to update data, or who believe that data used for FTSE4Good Australia 30 Index is incorrect should contact FTSE. If there is a dispute, the Committee shall make a final decision.
- 8.3 Submissions as to the suitability of FTSE4Good criteria and suggesting future directions are always welcome.
- 8.4 Appeals and submissions should be made initially via email to the following address.

Secretary to the FTSE4Good Policy Committee
FTSE Group
info@FTSE.com

Version 1.0 August 2008

APPENDIX A - Further Information

For further information and enquiries log on to: www.ftse.com/ftse4good

NA 26/08/08

Copyright © FTSE International Limited 2008. All rights reserved.

All rights in and to the FTSE4Good Australia 30 Index vest in FTSE International Limited ("FTSE"). The FTSE Global Classification System is compiled and operated by FTSE in conjunction with the Institute and Faculty of Actuaries. All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of FTSE International Limited. All information provided is for information purposes only and no warranty is made as to its fitness for purpose, satisfactory quality or otherwise. Every effort has been made to ensure that all information given is accurate, but no responsibility or liability (including in negligence) can be accepted by FTSE International Limited or EIRIS Services Limited for errors or omissions or for any losses arising from the use of the FTSE4Good Australia 30 Index and data or these ground rules.

"FTSE™" is a trade and service mark of the London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license. "FTSE4Good™", is trade and service marks of FTSE.