



Guideline relating the

Solactive Water Total Return Index (USD)

Version 1.5 dated March 3rd 2010

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This document contains the underlying principles and regulations regarding the structure and the operating of the Solactive Water Total Return Index. Solactive AG or its vicarious agents shall make every effort to implement regulations. Solactive AG and BNP Paribas do not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the index nor the index value at any certain point in time nor in any other respect. The index is calculated and published by Solactive AG and it strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for Solactive AG – irrespective of possible obligations to issuers – to advise third parties, including investors and/or financial intermediaries, of any errors in the index. The publication of the index by Solactive AG is no recommendation for capital investment and does not contain any assurance or opinion of Solactive AG regarding a possible investment in a financial instrument based on this index.

Introduction

This document is to be used as a guideline with regard to the composition, calculation and management of the Solactive Water Total Return Index. Any changes made to the guideline are initiated by the committee specified in section 1.6. The Solactive Water Total Return Index is calculated and published by Solactive AG or its vicarious agents.

1 Index specifications

The Solactive Water Total Return Index (Solactive Water) is calculated by Solactive AG and disseminated by Boerse Stuttgart AG. It tracks the price movements in shares of companies whose main business operations are in the water sector.

The Index is a total return index.

The index is published in USD.

1.1 Short name and ISIN

The Solactive Water Total Return Index is distributed under ISIN DE000A0V7550; the WKN is A0V755.

The index is published on Reuters under the code <.BNPIWATR> and on Bloomberg under the code BNPIWATR Index

1.2 Initial value

The index is based on 100 as at the close of trading on the start date of 28.09.2007.

1.3 Distribution

The Solactive Water is published via the price marketing services of Boerse Stuttgart AG and is disseminated to all affiliated vendors. Each vendor decides on an individual basis as to whether he will distribute/display the Solactive Water via his information systems.

1.4 Prices and calculation frequency

The price of the Solactive Water is calculated in Frankfurt on each trading day based on the prices on the respective home exchanges on which the index components are listed. The most recent prices of all index members are used on each trading day. Prices of shares not listed in the index currency are translated using spot foreign exchange rates quoted by Reuters on the respective trading day.

Should there be no current price available on Reuters, the most recent price or the closing price on Reuters for the preceding trading day is used in the calculation.

The Solactive Water is calculated every trading day from 9:00am to 10:15pm, CET. At 10:30 pm, CET, the Closing Price of the Index is disseminated. In the event that data cannot be provided to Reuters or to the pricing services of Solactive AG or its vicarious agents, the index cannot be distributed.

Any incorrect calculation is adjusted on a retrospective basis.

1.5 Weighting

On the adjustment dates each index member of the Solactive Water is weighted proportionally according to the individual aggregated score.

The percentage weight of an index member is capped at 20 percent on the adjustment days. In between the adjustment days, the percentage weight may exceed 20 percent due to changes in the share prices.

1.6 Decision-making bodies

The Water Committee, composed of equal numbers of staff from BNP Paribas S A and Solactive AGis responsible for decisions regarding the composition of the Solactive Water Index as well as any amendments to the rules (hereinafter referred to as the "Water Committee" or the "Index Committee"). The future composition of the Solactive Water is decided by the Water Committee on the selection days. The Water Committee shall also decide the future composition of the Solactive Water Index if any extraordinary events should occur (mergers, insolvency, etc see Chapter 2.3.) and the implementation of any necessary adjustments

The Water Committee can recommend at any time changes to the composition of the Index or to the guideline and submit them to the joint committee for approval.

1.7 Publication

All specifications and information relevant for calculating the Index are made available on the <http://www.solactive.com> page and sub-pages.

1.8 Historical data

Historical data will be maintained from the launch of the Index on 28.09.2007.

1.9 Licencing

Licences to use the Index as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by Solactive AG.

2 Composition of the Index

2.1 Selection of the index components

The initial composition as well as any ongoing adjustment is based on the following rules:

On the selection days, Solactive AG provides the selection pool.

From the selection pool, the 50 companies with the highest aggregated score are chosen as index members. Should two or more companies have the same aggregated score, the index members will be chosen according to the liquidity score. If they also have the same liquidity score, the index members will be chosen according to market capitalization. In case the selection pool contains less than 50 companies, the index will contain a correspondingly smaller number of index members.

The composition of the index is adjusted at the close of the last business day in March and September. The composition of the Index can be adjusted under extraordinary circumstances.

The Index comprises the following shares at its launch on 28.09.2007.

Company	ISIN
Veolia Environnement SA	FR0000124141
United Utilities Plc	GB0006462336
Severn Trent Plc	GB00B1FH8J72
Sociedad General de Aguas de Barcelona SA	ES0141330C19
Geberit AG	CH0030170408
Companhia de Saneamento Basico do Estado de Sao Paulo	US20441A1025
Pennon Group Plc	GB00B18V8630
Kurita Water Industries Ltd	JP3270000007
Northumbrian Water Group PLC	GB0033029744
Pentair Inc	US7096311052
Nalco Holding Co	US62985Q1013
Aqua America Inc	US03836W1036
Woongjin Coway Co Ltd	KR7021240007
Uponor Oyj	FI0009002158
Dionex Corp	US2545461046
Tetra Tech Inc	US88162G1031
Watts Water Technologies Inc	US9427491025
Wavin NV	NL0000290856
California Water Service Group	US1307881029
American States Water Co	US0298991011

2.2 Ordinary adjustment

The composition of the Index is ordinarily adjusted twice a year at the last business day in March and September. The composition of the Solactive Water is reviewed on the selection day (refer to section 2.1) and the appropriate decision made is announced.

The first adjustment will be made in March 2008 based on the closing prices of the index members on the adjustment day.

Solactive AG shall publish any changes made to the Index companies on the selection day and consequently with sufficient notice before the chaining.

2.3 Extraordinary adjustment

If a company included in the Solactive Water Index is removed from the Index between two adjustment days due to extraordinary circumstances, if necessary, the index committee shall designate a successor company. The Solactive Water Index is adjusted on the same day. This is announced by Solactive AG after the close of business on the day on which the new composition of the Index was determined by the index committee.

3 Calculation of the Index

3.1 Index formula

The Solactive Water is an index whose value on a trading day is equivalent to the sum over all index members of (a) the fraction of shares of the index member and (b) the price of the index member at the respective exchange on this trading day.

As a formula:

$$Index_t = \sum_{i=1}^n x_{i,t} * p_{i,t}$$

with:

$x_{i,t}$ = Fraction of shares of the index member i on trading day t

$p_{i,t}$ = Price of index member i on trading day t

3.2 Accuracy

The daily closing price of the Index will be rounded to two decimal places.

The fraction of the index members will be rounded to six decimal places.

Trading prices will be rounded to four decimal places.

3.3 Adjustments

Indices need to be adjusted for systematic changes in prices once these become effective. This requires the new fraction to be calculated on an ex-ante basis.

Following the committee's decision the Solactive Water Index is adjusted for special payments, capital increases, rights issues, splits, par value conversions and capital reductions.

This procedure ensures that the first ex quote can be properly reflected in the calculation of the Index. This ex-ante procedure assumes the general acceptance of the Index calculation formula as well as open access to the parameter values used.

The calculation parameters are provided by Solactive AG.

Any delay in calculating the new fraction would create problems as in the case for all adjustments this can result in differences in the listed values. Therefore the procedure described above is the most appropriate.

3.4 Dividends and other distributions

Dividend payments are included in the index. They cause an adjustment of the fraction of the corresponding index member.

The new fraction is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{P_{i,t-1}}{P_{i,t-1} - D_{i,t}}$$

$x_{i,t}$ = Fraction of the index member i on trading day t

$D_{i,t}$ = Payment on trading day t adjusted for the Dividend Correction Factor of the respective country

3.5 Corporate actions

3.5.1 Principles

Following the announcement by a company included in the Index of the terms and conditions of a corporate action the Index calculator determines whether such corporate action has a dilution, concentration or other effect on the computed value of the security component.

If this should be the case the Index calculator shall make the necessary adjustments to the affected security component and/or the formula for calculating the daily closing index price and/or to other terms and conditions of this document that he deems appropriate in order to take into account the dilution, concentration or other effect and shall determine the date on which this adjustment shall come into effect.

Amongst other things the Index calculator can take into account the adjustment made by an affiliated exchange as a result of the corporate action with regard to option and futures contracts on the respective security component traded on this affiliated exchange.

3.5.2 Capital increases

In the case of capital increases (from the company's own resources or through cash contributions) the new fractions are calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{P_{i,t-1}}{P_{i,t-1} - rB_{i,t-1}} \quad \text{with:} \quad rB_{i,t-1} = \frac{P_{i,t-1} - B - N}{BV + 1}$$

$x_{i,t}$ = Fraction of index member i on the day of the distribution

$x_{i,t-1}$ = Fraction of index member i on the day prior to the distribution

$P_{i,t-1}$ = Closing price on the day prior to ex date

$rB_{i,t-1}$ = Calculated value of rights issue

B = Price of rights issue

N = Dividend disadvantage

BV = Subscription ratio

$B=0$ if capital is increased from the company's own resources.

The last dividend paid or the announced dividend proposal is applied as the dividend disadvantage.

3.5.3 Capital reductions

In the case of capital reductions the new fraction is determined as follows:

$$x_{i,t} = x_{i,t-1} * \frac{1}{H_{i,t}}$$

$H_{i,t}$ = Reduction ratio of the company on day t

$x_{i,t}$ = Fraction of the affected index member on the day of the distribution

$x_{i,t-1}$ = Fraction of the affected index member on the day prior to the distribution

3.5.4 Share splits and par value conversions

In the case of share splits and par value conversions it is assumed that the prices change in ratio to the number of shares or to the par values. The new fraction is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{N_{i,t-1}}{N_{i,t}}$$

$N_{i,t-1}$ = Former par value of security class i (or new number of shares)

$N_{i,t}$ = New par value of security class i (or former number of shares)

$x_{i,t}$ = Fraction of the affected index member on the day of the distribution

$x_{i,t-1}$ = Fraction of the affected index member on the day prior to the distribution

3.6 Calculation of the Index in the event of a market disruption

An Index is not calculated in the event of a market disruption. If the market disruption continues over a period of eight trading days, Solactive AG (also referred to as the Index calculator) calculates the daily closing Index value, taking into account the market conditions prevailing at this point in time, the last quoted trading price for each of the components of the Index as well as any other conditions that it deems relevant for calculating the daily closing Index value.

4. Definitions

4.1 Index Specific Definition

“**Water sector**” particularly includes business activities such as water supply and water treatment.

4.2 Other Definitions

“**Selection pool**” in respect of a selection day are those companies that fulfill the following conditions:

- (a) Listed on a regulated stock exchange
- (b) Main business operations in the water sector
- (c) Market capitalization of at least 500 million US-Dollars
- (d) Average daily trading volume of at least 5 million US-Dollars in the last 3 months

On an exceptional basis and in order to guarantee the sectoral representativity and diversification of the index, criterion (c) and (d) may be ignored.

“**Economic score**” is for any company in the selection pool in respect of the last fiscal year

- 4 if the company made more than 75% of its EBIT in the Water sector.
- 3 if it made more than 50% of its EBIT in the Water sector.
- 2 if it made more than 20% of its EBIT in the Water sector.
- 1 if the company made less than 20% of its EBIT in the Water sector but the index committee assumes this proportion to be enlarged in the near future.

“**EBIT**” is earnings before interest and taxes. In case EBIT or the proportion of EBIT resulting from Water activities cannot be determined for any company, a different suitable accounting ratio may be used.

“**Liquidity score**” is for any company in the selection pool

- 4 if its current market capitalization is larger than 3 billion USD and its average daily trading volume over the last 3 months is larger than 25 million USD.
- 3 if it does not fulfill the requirements for a rating of 4, its current market capitalization is larger than 1 billion USD and its average daily trading volume over the last 3 months is larger than 10 million USD.
- 0 if does not fulfill the requirements for a rating of 3 or 4.

“**Fundamental score**” is calculated using fundamental criteria applied in the methodology of BNP Paribas GURU Indices. This fundamental criteria uses the following three categories of indicators: (i) profitability indicators, such as ROE (Return on Equity) and ROEA (Return on Economic Asset); (ii) indicators of the company’s prospects, such as earnings revisions or price momentum; and (iii) valuation indicators, such as PEG (Price/Earning ratio divided by prospective Earnings growth rate), VEG (Enterprise Value / EBIT ratio divided by prospective EBIT growth rate), cash flow yield, book value yield and earnings yield and/or any other fundamental criteria as determined by the Index Committee to be appropriate acting in a commercially reasonable manner.

The “**Fundamental Score**” is for any company in the selection pool

- 4 if the relevant share’s fundamental score is in the top quartile;
- 3 if the relevant share’s fundamental score is in the second quartile.
- 2 if the relevant share’s fundamental score is in the third quartile.
- 1 if the relevant share’s fundamental score is in last quartile.

“**Aggregated score**” is the sum of a company’s economic, liquidity and fundamental score.

“**Fraction of an index member**” is in respect of an index member and any given trading day, the number or fraction of shares included in the index. It is calculated for any index member as the ratio of the percentage weight of an index member multiplied by the index value divided by its trading price.

“**Percentage weight**” of an index member is the ratio of its trading price multiplied by its fraction divided by the index value.

“**Extraordinary events**”:

In particular an extraordinary event is

- a merger
- a takeover offer
- a delisting
- the nationalisation of a company
- insolvency.

The trading price for this security component on the day the event came into effect is the last available market price for this security component quoted on the stock exchange on the day the event came into effect (or, if a market price is not available for the day the event came into effect, the last available market price quoted on the stock exchange on a day specified as appropriate by the Index calculator), as determined by the Index calculator, and this price is used as the trading price of the particular security component until the end of the day on which the composition of the Index is next set.

In the event of the insolvency of an issuer of a security component the security component shall remain in the Index until the next chaining date. As long as a market price for the affected security component is available on a trading day at the time of the stock exchange listing, this shall be applied as the trading price for this security component on the relevant trading day, as determined in each case by the Index calculator. If a market price is not available for a trading day the trading price for this security component is set to zero on the relevant trading day. The Water Committee may also decide to eliminate the respective index member at an earlier point in time prior to the next adjustment date. The procedure in this case is identical to an elimination due to “extraordinary circumstances”.

A security component is “**delisted**” if the exchange announces pursuant to the stock exchange regulations that the listing of, the trading in or the issuing of public quotes on the security component at the exchange has ceased immediately or will cease at a later date, for whatever reason (provided delisting is not because of a merger or a takeover bid), and the security component is not immediately listed, traded or quoted again on an exchange, trading or listing system, acceptable to the Index calculator,

“**Insolvency**” occurs if (A) all security components of the issuer must be transferred to a trustee, liquidator, insolvency administrator or a similar public officer as result of a voluntary or compulsory liquidation, insolvency or winding-up proceedings or comparable proceedings affecting the issuer of the security components or (B) the holders of the security components of this issuer are legally enjoined from transferring the security components.

A “**takeoverbid**” is a bid to acquire, an exchange offer or any other offer or act of a legal person that results in the related legal person acquiring as part of an exchange or otherwise more than 10% and less than 100% of the voting shares in circulation from the issuer of the security component or the right to acquire these security components, as determined by the Index calculator based on notices submitted to public or self-regulatory authorities or other information considered by the Index sponsor to be relevant.

With regard to a security component a “**merger**” is

- (i) a change in the security class or a conversion of this security component that results in a transfer or an ultimate definite obligation to transfer all the security components in circulation to another legal person,
- (ii) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part on the issuer to exchange shares with another legal person (except in a merger or share exchange under which the issuer of this security component is the acquiring or remaining company and which does not involve a change in security class or a conversion of all the security components in circulation),
- (iii) a takeover offer, exchange offer, other offer or another act of a legal person for the purposes of acquiring or otherwise obtaining from the issuer 100% of the shares issued that entails a transfer or

- the irrevocable obligation to transfer all shares (with the exception of shares which are held and controlled by the legal person), or
- (iv) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer of the share or its subsidiaries to exchange shares with another legal person, whereby the issuer of the share is the acquiring or remaining company and it does not involve a change in the class or a conversion of the all shares issued, but the shares in circulation directly prior to such an event (except for shares held and controlled by the legal person) represent in total less than 50% of the shares in circulation directly subsequent to such an event.

The “**merger date**” is the date on which a merger is concluded or the date specified by the Index calculator if such a date cannot be determined under the law applicable to the merger.

“**Nationalisation**” is a process whereby all shares or the majority of the assets of the issuer of the shares are nationalised or are expropriated or otherwise must be transferred to public bodies, authorities or institutions.

“**Exchange**” is, in respect of the selection pool, the respective primary exchange where the index member has its primary listing. The committee may decide to declare a different stock exchange the “exchange” for trading reasons, even if the company is only listed there via a stock substitute.

“**Stock substitute**” includes in particular American Depository Receipts (ADR) and Global Depository Receipts (GDR).

With regard to an Index component (subject to the provisions given below under “extraordinary events”) the “**trading price**” in respect of a trading day is the closing price on this trading day determined in accordance with the stock exchange regulations. If the exchange has no closing price for a share contained in the Index, the Index calculator shall determine the trading price and the time of the quote for the share in question in a manner that appears reasonable to him.

A “**trading day**” is in relation to the Index a trading day on the exchange (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may be ceased prior to the normal stock exchange closing time. The Index calculator is ultimately responsible as to whether a certain day is a “trading day” with regard to the Index or in any other connection relating to this document.

The “**Index calculator**” is Solactive AG or its vicarious agent or any other appropriately appointed successor in this function.

The “**Index Closing Price**” is calculated by using the Trading Price with regard to an index component. In calculating the Index Closing Price the WM/Reuters Closing Spot Rates for the relevant Trading Day are used. The WM/Reuters Closing Spot Rates are provided by The World Markets Company plc (“WM”) in conjunction with Reuters. WM shall not be liable for any errors in or delays in providing or making available the data contained within this service or for any actions taken in reliance on the same, except to the extent that the same is directly caused by its or its employees’ negligence.

The “**Index currency**” is USD.

“**Market capitalization**” is with regard to each of the shares held in the selection pool on adjustment day the value published by Reuters (or a successor) as the market capitalization for this day. As at the date of this document market capitalization is defined by Reuters as the value of a company calculated by multiplying the number of shares of the company in circulation by its share price.

If Reuters (or a successor):

- (i) does not publish for a selection day a market capitalization the share in question on this selection day or
 - (ii) adopts another method for calculating the market capitalization for all shares or only with regard to the share in question or uses different assumptions in calculating the market capitalization for all shares or only with regard to the share in question, and in the reasonable assessment of the Index sponsor involves material changes (the Index sponsor makes the decision as to whether such changes are to be deemed “material” by applying factors that in his reasonable assessment appear appropriate to him),
- the Index sponsor will determine the market capitalization in respect of the shares or of a share included in the selection pool index and the respective selection day either from another publicly accessible source specified at

his sole discretion or from other sources that in his assessment are reasonable and appropriate in the event that no other publicly quoted suitable prices are available.

“**Selection day**” is the trading day 5 exchange trading days before the chaining date.

An “**affiliated exchange**” is with regard to an Index component an exchange, a trading or quotation system on which options and futures contracts on the Index component in question are traded, as specified by the Index calculator.

A “**market disruption event**” occurs if

1. one of the following events occurs or exists on a trading day prior to the opening quotation time for a share included in the selection pool:
 - A) trading is suspended or restricted (due to price movements that exceed the limits allowed by the exchange or an affiliated exchange, or for other reasons):
 - 1.1. across the whole exchange; or
 - 1.2. in options or futures contracts on or with regard to a share in the selection pool or a share included in the selection pool that is quoted on an affiliated exchange; or
 - 1.3. an exchange or in a trading or quotation system (as determined by the Index calculator) in which a share included in a selection pool is listed or quoted; or
 - B) an event that (in the assessment of the Index calculator) generally disrupts and affects the opportunities of market participants to execute on the exchange transactions in respect of a share included in the selection pool or to determine market values for a share included in the selection pool or to execute on an affiliated exchange transactions with regard to options and futures contracts or these shares or to determine market values for such options or futures contracts; or
2. trading on the exchange or an affiliated exchange is ceased prior to the usual closing time (as defined below), unless the early cessation of trading is announced by the exchange or affiliated exchange on this trading day at least one hour before
 - (aa) the actual closing time for normal trading on the exchange or affiliated exchange on the trading day in question or, if earlier.
 - (bb) the closing time (if given) of the exchange or affiliated exchange for the execution of orders at the time the quote is given.“**Normal exchange closing time**” is the time at which the exchange or an affiliated exchange is normally closed on working days without taking into account after-hours trading or other trading activities carried out outside the normal trading hours; or
3. a general moratorium is imposed on banking transactions in the country in which the exchange is resident if the above-mentioned events are material in the assessment of the Index calculator, whereby the Index calculator makes his decision based on those circumstances that he considers reasonable and appropriate.

5 Appendix

5.1 Contact data

Information regarding the Solactive Water concept

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5.2 Calculation of the Index – change in calculation method

The application by the Index calculator of the method described in this document is final and binding. The Index calculator shall apply the method described above for the composition and calculation of the Index and the daily closing Index value. However it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The Index calculator may also make changes to the terms and conditions of the Index and the method applied to calculate the daily closing Index value, which he deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The Index calculator is not obliged to provide information on any such modifications or changes. Despite the modifications and changes the Index calculator will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.