

**STANDARD
& POOR'S**

S&P GLOBAL ECO INDEX

INDEX METHODOLOGY

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Table of Contents

Introduction	3
Highlights	3
Index Family	3
Eligibility Criteria	5
Index Eligibility	5
Eligibility Factors	5
Index Construction	7
Approaches	7
Constituent Selection	7
Constituent Weightings	7
Index Calculations	9
Index Maintenance	10
Rebalancing	10
Corporate Actions	10
Index Actions	11
Base Date	11
Index Data	12
Total Return and Net Return Indices	12
Index Governance	13
Index Committee	13
Index Policy	14
Announcements	14
Holiday Schedule	14
Unscheduled Market Closures	14
Index Dissemination	15
Tickers	15

S&P Contact Information	16
Index Management	16
Media Relations	16
Index Operations & Business Development	16
Disclaimer	17

Introduction

The S&P Global Eco Index is comprised of 40 of the largest publicly listed companies in ecology-related industries that meet specific investability requirements. The index is designed to provide liquid exposure to the leading publicly listed companies in these industries.

Highlights

The S&P Global Eco Index includes 40 large, liquid global stocks in three different clusters, which represent ecology-related industries.

Index constituents must meet minimum size and liquidity requirements to ensure investability and tradability.

Constituent weights are driven by size, with no single stock having a weight of more than 10% in the index as of the annual rebalancing.

Index Family

The S&P Global Eco Index belongs to the S&P Global Thematic Indices. This series offers liquid exposure to emerging investment themes. Other indices in this series are the S&P Emerging Markets Infrastructure Index, the S&P Global Alternative Energy Index, the S&P Global Clean Energy Index, the S&P Global Infrastructure Index, the S&P Global Nuclear Energy Index, the S&P Global Timber & Forestry Index and the S&P Global Water Index.

S&P Emerging Markets Infrastructure Index. The S&P Emerging Markets Infrastructure Index is comprised of 30 of the largest publicly listed emerging markets infrastructure companies that meet specific investability requirements. The index is designed to provide liquid exposure to the leading publicly listed emerging market companies in the infrastructure industry.

S&P Global Alternative Energy Index. Designed to measure investable opportunities in the complete alternative energy space, the S&P Global Alternative Energy Index is the combination of the S&P Global Clean Energy Index and the S&P Global Nuclear Index, both defined below.

S&P Global Clean Energy Index. The S&P Global Clean Energy Index is comprised of 30 of the largest publicly traded companies in clean energy related businesses that meet specific investability requirements. The index is designed to provide liquid exposure to the leading publicly listed companies in the global clean energy business, from both developed markets and emerging markets.

S&P Global Infrastructure Index. The S&P Global Infrastructure Index is comprised of 75 of the largest publicly listed infrastructure companies that meet specific investability requirements. The index is designed to provide liquid exposure to the leading publicly listed companies in the global infrastructure industry, from both developed markets and emerging markets.

S&P Global Nuclear Energy Index. The S&P Global Nuclear Energy Index is comprised of 24 of the largest publicly traded companies in nuclear energy related businesses that meet investability requirements. The index is designed to provide liquid exposure to the leading publicly listed companies in the global nuclear energy business from both developed markets and emerging markets.

S&P Global Timber & Forestry Index. The S&P Global Timber & Forestry Index is comprised of 25 of the largest publicly traded companies engaged in the ownership, management or the upstream supply chain of forests and timberlands.

S&P Global Water Index. The S&P Global Water Index is comprised of 50 of the largest publicly traded companies in water-related businesses that meet specific investability requirements. The index is designed to provide liquid exposure to the leading publicly listed companies in the global water industry, from both developed markets and emerging markets.

For more information on any of these indices, please refer to their methodology documents.

Eligibility Criteria

Index Eligibility

The principal universe from which the S&P Global Eco Index is drawn is the S&P Global Broad Market Index (BMI). The BMI comprises all investable, index eligible countries in the world that meet minimum size and liquidity requirements. Currently there are approximately 11,000 index members in the BMI, representing 25 developed and 20 emerging market countries.

For two of the three clusters in the index, a company must be a current constituent of the corresponding S&P Thematic Index to be eligible for the S&P Global Eco Index. For the remaining cluster, Environmental Services, the company must be in the S&P Global Broad Market Environmental Services Index (a subset of the BMI) and must operate in the waste management industry.

The clusters are chosen based on the relevant indices as follows:

Cluster	Index	Number of companies per cluster
Clean Energy	S&P Global Clean Energy Index	15
Environmental Services	S&P Global BMI Environmental & Facilities Services	10
Water	S&P Global Water Index	15

Eligibility Factors

The universe is, then, narrowed down to an investable set of stocks based on the following criteria:

Market Capitalization. Stocks must have a total market capitalization above the Market Capitalization Threshold as of each rebalancing reference date. The Market Capitalization Threshold is currently US\$ 500 million.

Liquidity. Stocks must have three-month average daily trading value above the Liquidity Threshold as of each rebalancing reference date. The Liquidity Threshold is currently US\$ 2 million.

Exchange Listing. Companies must be listed on a developed market exchange to be eligible for the index. Companies domiciled in an emerging market country are eligible if they are listed on a developed market, such as through an ADR or GDR.

Stocks passing these criteria form the Investable Universe.

The reference dates for the eligibility screens above are the third Friday of March and September of each year. The Market Capitalization Threshold and Liquidity Threshold are subject to change on an annual basis according to market conditions.

Index Construction

Approaches

The methodology employs a modified market capitalization-weighting scheme, using the divisor methodology used in most Standard & Poor's equity indices.

There are two steps in the creation of the index. The first is the selection of the 40 companies; the second is the weighting of the index constituents.

Constituent Selection

The selection of index constituents is done as follows:

1. All stocks in the Investable Universe that meet the eligibility criteria are classified in one of the three clusters: Clean Energy, Environmental Services and Water.
2. Stocks are, then, assigned an exposure score of 1 or 0.5 based on the corresponding exposure score designated to the stock in its respective S&P Thematic Index. The exposure score is a measure of the level of exposure to the industry represented by the corresponding thematic index. Stocks whose primary business is in the relevant industry are assigned an exposure score of 1 while stocks with significant exposure to the industry, but whose primary business is not solely in the relevant industry, are assigned an exposure score of 0.5.
3. In each cluster, stocks are sorted first by exposure score and then by float-adjusted market capitalization.
4. For each cluster, the largest stocks with an exposure score of 1 are chosen for the index. If there are not enough stocks with an exposure score of 1, the largest stocks with an exposure score of 0.5 are chosen until the count reaches the target number of companies per cluster.

Constituent Weightings

At each rebalancing, the weight for each index constituent is set in the following manner:

1. Every stock is given an initial Index Capitalization (*IC*) equal to its exposure score multiplied by its float-adjusted market capitalization. The Maximum Weight (*MW*) for each stock in the index is 10%. The weight of the i^{th} stock in the index is defined as follows:

$$\text{Weight of Stock}_i = \frac{IC_i}{\sum_{i=1}^{40} (IC)_i}$$

2. The IC for each stock is, then, modified as follows:

If $\text{Weight of Stock}_i > MW$

Then $IC_i = IC_{i, \text{previous}} - (5\% * IC_{i, \text{previous}})$

Else $IC_i = IC_{i, \text{previous}}$

3. If, for every stock $W_i < MW$, then the process is complete and the weights derived in Step 2 are used. If not, Steps 1 and 2 are repeated until all stocks meet the maximum weight and basket liquidity requirements.

The maximum weight (MW) parameter is the maximum weight of each stock at the rebalancing. This parameter can be changed depending upon market circumstances. Steps 1 through 3 modify the market cap-weighting scheme in a looped manner until the MW constraints are satisfied for all index constituents.

Index Calculations

The index is calculated by means of the divisor methodology used in all Standard & Poor's equity indices. The index value is simply the index market value divided by the index divisor:

$$\text{Index Value} = \frac{\text{Index Market Value}}{\text{Index Divisor}} \quad (1)$$

For more information on the Index calculation methodology, please refer to the Modified Market Capitalization Weighted Indices section of Standard & Poor's Index Mathematics Methodology.

In order to maintain basket series continuity, it is also necessary to adjust the divisor at the rebalancing.

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \quad (2)$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = \frac{(\text{Index Market Value})_{\text{after rebalancing}}}{(\text{Index Value})_{\text{before rebalancing}}} \quad (3)$$

Index Maintenance

Rebalancing

Frequency. Index rebalancings occur after the closing on the third Friday of April and October of each year. The rebalancing reference dates are the third Friday of March and September, respectively. No companies are added to the Index between rebalancings.

Corporate Actions

Corporate Action	Adjustment made to index	Divisor adjustment?
Spin-off	No weight change. The price is adjusted to the Price of the Parent Company minus (the Price of the Spun-off company/Share Exchange Ratio). Index Shares change so that the company's weight remains the same as its weight before the spin-off.	No
Rights Offering	No weight change. The price is adjusted to the Price of Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index Shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Split	Index Shares are multiplied by and the price is divided by the split factor.	No
Share Issuance or Share Repurchase	None. Actual shares outstanding of the company play no role in the daily index calculation.	No
Special Dividends	The price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Delisting, acquisition or any other corporate action resulting in the deletion of the stock from the index.	Stock is dropped from the Index. No intra-year replacements are made.	Yes

Index Actions

S&P Global BMI Action	Adjustment made to the index	Divisor adjustment?
Constituent change	If the constituent is a member of the index, it is dropped.	Yes
Share changes between quarterly share adjustments	None.	No
Periodic share or float factor changes	None.	No

Base Date

The index base date is November 21st, 2003. The base value, for both the price return and total return series, is 1000. Daily returns are available from November 21st, 2003.

Index Data

Total Return and Net Return Indices

The index has a total return counterpart, which assumes dividends are reinvested in the index after the close on the ex-date. On any given date t :

$$\text{Total Return Multiplier}_t = \frac{[\text{Index Value}_t + \text{Index Dividend Points}_t]}{\text{Index Value}_{t-1}} \quad (4)$$

$$\text{Total Return Index Value}_t = (\text{Total Return Index Value}_{t-1}) * (\text{Total Return Multiplier}_t) \quad (5)$$

$$\text{Index Dividend Points}_t = \sum_{i=1}^N (\text{Index Shares})_{i,t} * (\text{Ex-dividends})_{i,t} / \text{Divisor}_t \quad (6)$$

There is also a net return index series, which adds dividends after adjustments for withholding taxes based on a Luxembourg domicile. Effectively, the net return index adds index dividend points, as in Equation 7, except that the Ex-dividends term is multiplied by (100% - withholding tax rate).

Index Governance

Index Committee

An Index Committee maintains the S&P Global Thematic index series. The Index Committee meets regularly. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

Standard & Poor's considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Index Policy

Announcements

Announcements of additions and deletions are made at 05:15 PM U.S. (ET) via the Web site at www.indices.standardandpoors.com. Rebalancing announcements are typically made four-to-seven business days prior to the rebalancing date.

Holiday Schedule

The index is calculated daily, throughout the calendar year. The only days the index is not calculated are on days when all exchanges where the S&P Global Eco Index constituents are listed are officially closed or if WM Reuters' exchange rates services are not published.

A complete holiday schedule for the year is available on Standard & Poor's Web site at www.indices.standardandpoors.com.

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, Standard & Poor's will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each stock before the exchange closed. In all cases, the prices will be from the primary exchange for each stock in the index. If an exchange fails to open due to unforeseen circumstances, the index will use the prior day's closing prices. If all exchanges fail to open, Standard & Poor's may determine not to publish the index for that day.

Index Dissemination

Complete data for index replication (including share counts, tickers and data on index levels and returns) are available through Standard & Poor's index data group for subscription via FTP.

Tickers

	Bloomberg	Reuters
S&P Global Eco Index – Price Return	SPGTECOL	.SPGTECOL
S&P Global Eco Index – Total Return	SPGTECOT	.SPGTECOT
S&P Global Eco Index – Price Return (Euro)	SPGTECEP	.SPGTECEP
S&P Global Eco Index – Total Return (Euro)	SPGTECET	.SPGTECET
S&P Global Eco Index – Price Return (Yen)	SPGTECYP	.SPGTECYP
S&P Global Eco Index – Total Return (Yen)	SPGTECYT	.SPGTECYT

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