

MSCI Corporate Events Methodology

Guiding Principles and Methodology for Corporate Events Implementation in the MSCI Global Investable Market Indices

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Section 1: Introduction

This methodology book describes MSCI's general maintenance policies and detailed guidelines for the implementation of corporate events affecting securities across all the MSCI Equity Indices and products. While each MSCI Index has its own separate index construction and maintenance methodology, MSCI endeavors to develop and maintain a set of corporate event implementation rules that are as generic as possible and that can apply to any equity security included in the MSCI universe, regardless of the specific indices or products the security may belong to. Unless otherwise stated the policies and guidelines apply therefore to all securities in the MSCI universe.

MSCI strives to maintain all companies and securities in its Equity Indices and products with the objective of reflecting, on a timely basis, the evolution of the underlying equity markets. In maintaining the MSCI Equity Indices, MSCI adheres to the guiding principles set forth in the MSCI Equity Indices Methodology Books, including the consistent application of its methodology over time, across regions, and for developed and emerging markets alike. Of particular relevance in the design and maintenance of MSCI's Corporate Events Methodology are the principles of replicability, consistency, continuity and minimizing turnover. These principles imply that the perspective of portfolios replicating the various indices must systematically be taken into account in the implementation of each corporate event. In particular the consistency of approach should ensure that similar events should as much as possible be given the same treatment and hence facilitate predictability of changes. Also, no unnecessary turnover should result from the implementation of corporate events. Obviously, some corporate events are very complex with many considerations coming into play, and there is a fine balance to be found between potentially conflicting implications of the various objectives, for example, when the complete information is not available until after the event, or when the event involves companies trading in different time zones. In order to provide transparency and predictability to the marketplace in all cases, MSCI not only publishes general maintenance policies and detailed guidelines for the implementation of corporate events, but has also instituted a policy of announcing all changes to its Equity Indices resulting from all corporate events in advance of implementing such changes.

Changes resulting from corporate events involve many aspects, including additions, deletions, changes in number of shares, changes in industry classification, and changes in Foreign Inclusion Factors (FIFs) and/or Domestic Inclusion Factors (DIFs) as a result of updated free float estimates. As a general policy, changes resulting from corporate events are implemented in the MSCI Equity Indices as they occur simultaneously with the event. In addition, changes in number of shares are consistently coordinated with changes in FIFs and/or DIFs to accurately reflect the investability of the underlying securities. Changes resulting from corporate events that could not be implemented on or near the effective dates, and where no price adjustment factor (PAF) is necessary, are implemented at the following regularly scheduled Index Review. Examples of such corporate events include private placements and secondary offerings.

As outlined in the [MSCI Index Calculation Methodology](#), the MSCI Equity Indices are calculated using the Laspeyres' concept of a weighted arithmetic average together with the concept of chain-linking.

For certain corporate events, MSCI applies a PAF at the security level in order to neutralize (at least partially) the price movement due to the event and keep only the price performance in the index due to real market movement. This is done (as per the Laspeyres' concept) to enable comparison with the

previous day's price. Consequently, for such events, changes in number of shares and FIF, if any, are reflected one day after the PAF is applied.

Overall, the corporate events methodology can be described in four broad categories:

- Mergers and Acquisitions (M&As) and Spin-offs.
- Corporate Actions.
- Other Events Resulting in Changes in Number of Shares and FIFs and/or DIFs.
- Suspensions and Bankruptcies.

Certain specific aspects of MSCI's Corporate Events Methodology are treated in appendices at the end of this Methodology Book.

The policies and guidelines set forth apply in most corporate events cases. For corporate events not described in this Methodology Book or combinations of different types of corporate events and other exceptional cases, MSCI reserves the right to determine the most appropriate implementation method and announces it prior to the changes becoming effective in the MSCI Equity Indices.

Throughout this document the following abbreviations apply: FIF: Foreign Inclusion Factor, DIF: Domestic Inclusion Factor, PAF: Price Adjustment Factor. For other terms, definitions and abbreviations, see Appendix I, entitled "PAF Formulas and Definitions" and Appendix II, entitled "Implementation Dates for Corporate Events".

Section 2: Mergers & Acquisitions (M&As)

Mergers and acquisitions are the combination of two or more companies achieved through a mutual agreement or through a tender offer. They can be structured in a wide variety of ways with unique characteristics and complexities. In a merger, the merging entities cease to exist and a new entity is created, while in an acquisition, the acquiror takes over the controlling interest in the acquired company. Here, in the large majority of cases, the acquiree subsequently ceases to exist as an independent entity, however this is not always the case.

MSCI adheres to consistent, transparent and predictable treatment of mergers and acquisitions both in terms of timing of implementation and pricing policy.

2.1 Treatment of M&As in the MSCI Universe

As a general principle, MSCI implements M&As as of the close of the last trading day of the acquired entity or merging entities (last offer day for tender offers), regardless of the status of the securities (index constituents or non-index constituents) involved in the event. MSCI uses market prices for implementation.

This principle applies if all necessary information is available prior to the completion of the event and if the liquidity of the relevant constituent(s) is not expected to be significantly diminished on the day of implementation. Otherwise, MSCI will determine the most appropriate implementation method and announce it prior to the changes becoming effective in the indices.

2.1.1 M&As with Suspension Periods

M&As that encompass a suspension period prior to the listing of the post-event entity are also implemented as of the close of the last trading day using market prices and prior to the suspension of the merging entities. During the suspension period, the merged entity will be maintained with a calculated price based on the market price of one of the merging entities and the terms of the transaction.

2.1.2 Cross Border M&As

Cross-border M&As involving companies trading in different time zones or for which necessary information (such as confirmation of the date of completion, last regulatory approvals, etc.) is lacking prior to the event's completion, can be implemented as of the close of the first trading day of the post-event entity. In these cases, MSCI will use a calculated price for the acquired or merging entities, based on the terms of the transaction and the price of the acquiring or merged entity. When this is not possible, MSCI will carry forward the market price for the acquired or merging entities for one additional business day.

2.1.3 Tender Offers

Tender offers are offers to buy shares of a company, usually at a premium above the shares' market price for cash and/or stock, with the objective of taking control of the acquired company. A tender offer may be a result of friendly negotiations or may be unsolicited and possibly unfriendly.

In tender offers, the acquired or merging security is generally deleted from MSCI Indices:

- at the end of the initial offer period, when the offer is likely to be successful and / or if the free float of the security is likely to be substantially reduced (this rule is applicable even if the offer is extended), or
- once the results of the offer have been officially communicated and the offer has been successful and the security's free float has been substantially reduced, if all required information is not available in advance or if the offer's outcome is uncertain.

The main factors considered by MSCI when assessing the outcome of a tender offer (not in order of importance) are: the announcement of the offer as friendly or hostile, a comparison of the offer price to the acquired security's market price, the recommendation by the acquired company's board of directors, the major shareholders' stated intention whether to tender their shares, the required level of acceptance, the existence of pending regulatory approvals, market perception of the transaction, official preliminary results if any, and other additional conditions for the offer.

In certain cases, securities may be deleted earlier than the last offer day. For example, in the case of tender offers in the United Kingdom, a security is typically deleted two business days after the offer is declared unconditional in all respects.

If a security is deleted from an index, the security will not be reinstated immediately after its deletion even when the tender offer is subsequently declared unsuccessful and/or the free float of the security is not substantially reduced. It may be reconsidered for index inclusion in the context of a quarterly index review or annual full country index review.

MSCI uses market prices for implementation.

2.1.3.1 Partial Tender Offers

MSCI defines partial tender offers as the acquisitions of a portion of a company's shares through shares and/or cash, or as share buy-backs that are carried out by means of an offer, which is open for a pre-determined period and at a specified price.

Any changes in the number of shares and subsequent FIF and/or DIF changes are implemented as of the close of the day the PAF is applied.

However, if not all necessary information is available in advance, or if the outcome of the partial tender offer is uncertain, MSCI will implement the changes, if any, only after the results have been officially communicated.

For further details on the MSCI policy on Partial Tender Offers, see Appendix III, entitled "Guidelines Concerning Implementation of Partial Tender Offers".

2.1.4 Hostile M&As

In cases of hostile M&As or when the outcome of an M&A is unlikely to be successful, MSCI will implement the changes, if any, only when the results have been officially communicated. This usually occurs a few days following the last offer day. MSCI uses market prices for implementation.

2.1.5 Acquisitions of Unlisted Securities

Increases in security's number of shares resulting from acquisition of non-listed companies and conversion of unlisted shares are deferred to the next regularly scheduled Index Review following the completion of the event.

2.2 Late Announcements of the Completion of M&As

When the completion of an event is announced too late to be reflected as of the close of the last trading day of the acquired or merging entities, implementation occurs as of the close of the following day or as soon as practicable thereafter. In these cases, MSCI uses a calculated price for the acquired or merging entities. The calculated price is determined using the terms of the transaction and the price of the acquiring or merged entity, or, if not appropriate, using the last trading day's market price of the acquired or merging entities.

2.3 Conversions of Share Classes

Conversions of a share class into another share class resulting in the deletion and/or addition of one or more classes of shares are implemented as of the close of the last trading day of the share class to be converted.

2.4 Pro Forma Float Calculation for M&As

The post-event free float of an entity resulting from an M&A is estimated on a pro forma basis, unless the actual post-event free float is available prior to implementation. In general, any other pending shareholder information or shareholder reclassification will also be reflected in the pro forma free float estimates related to the event. Resulting changes in FIFs and/or DIFs will be implemented simultaneously.

When subsequent public disclosure is made by the company, regarding the new shareholder structure following the event, and results in a significantly different free float estimation than that calculated at the time of the event, MSCI will update the FIFs and/or DIFs at the next regularly scheduled Index Review.

2.4.1 Pro Forma Float Calculations for M&As

2.4.1.1 Cash M&A Transactions

Cash M&A transactions have no impact on the free float of the securities of the acquiring company, as no new shares are issued.

2.4.1.2 Stock-for-Stock M&A Transactions

In stock-for-stock M&A transactions, the pro forma free float of the securities of the acquiring or merged entity is calculated as a weighted average of the free float of the shares of the pre-event entities.

2.4.1.3 Stock and Cash M&A Transactions

In M&A transactions involving cash and stock, the pro forma free float of the securities of the acquiring or merged entity is calculated based on the information provided by the company indicating which shareholders will be receiving newly issued shares. If this information is unavailable, then the resulting pro forma free float is calculated as a weighted average of the free float of the shares of the pre merging entities.

2.4.2 Pro Forma Float Calculations for Partial Tender Offers

2.4.2.1 Partial Acquisitions

The post-event free float of a partially acquired security is reduced by an amount corresponding to the percentage of free float shares that are acquired.

2.4.2.2 Share Buy-Backs

For share buy-backs carried out by means of an offer, MSCI generally assumes that all shareholders participate in the share buy-back on a pro-rata basis, and as such, the post-event free float of the security does not change. When, based on publicly available information, there are shareholders that will not participate in the share buy-back, this information is taken into account to determine the post-event free float.

2.5 Historical Links and PAFs

MSCI typically links the price history of one of the merging entities with the price of the newly merged entity.

The merging entity that will provide the price history is one for which the factors of continuity with the resulting entity are prevailing. These factors of continuity include: relative market capitalization size, industry classification, domicile and previous index family status.

If appropriate, historical links to existing securities may also be made in cases of conversions of a share class into another share class.

A PAF is applied on the first trading day of the merged entity to ensure that the price of the merged entity is comparable to the price of the merging entity. For mergers that encompass suspension periods, the PAF is applied on the first suspension day of the merged entity.

A PAF is required only when the terms of exchange are different from one for one. The PAF is based on the specific terms of the merger.

For further details on PAFs related to historical links, see Appendix I, entitled “PAF Formulas and Definitions”.

2.6 Spin-Offs

A spin-off is the distribution of shares in a wholly-owned or a partially-owned company to the parent company’s existing shareholders. In some countries, spin-offs are referred to as demergers or unbundlings.

On the ex-date of a spin-off, a PAF is applied to the price of the security of the parent company. The PAF is calculated based on the terms of the transaction and the market price of the spun-off security. If the spun-off entity qualifies for inclusion, it is included as of the close of its first trading day. If appropriate, MSCI may link the price history of the spun-off security to a security of the parent company.

For further details on historical links, see section 2.5, entitled “Historical Links and PAFs”.

In cases of spin-offs of partially-owned companies, the post-event free float of the spun-off entity is calculated using a weighted average of the existing shares and the spun-off shares, each at their corresponding free float. Any resulting changes to FIFs and/or DIFs are implemented as of the close of the ex-date.

When the spun-off security does not trade on the ex-date, a "detached" security is created to avoid a drop in the free float-adjusted market capitalization of the parent entity, regardless of whether the spun-off security is added or not. The detached security is included until the spun-off security begins trading, and is deleted thereafter. Generally, the value of the detached security is equal to the difference between the cum price and the ex price of the parent security.

For further details on PAFs for spin-offs, see Appendix I, entitled “PAF Formulas and Definitions”.

Section 3: Corporate Actions

Corporate actions such as splits, stock dividends and rights issues, which affect the price of a security, require a price adjustment. In general, the PAF is applied on the ex-date of the event to allow (as per the Laspeyres' concept) security prices to be comparable between the ex-date and the cum date. To do so, MSCI adjusts for the value of the right and/or the value of the special assets that are distributed and the changes in number of shares and FIF, if any, are reflected as of the close of the ex-date. Corporate actions that require a PAF are described below.

In general, corporate actions do not impact the free float of the securities because the distribution of new shares is carried out on a pro rata basis to all existing shareholders. Therefore, MSCI will generally not implement any pending number of shares and/or free float updates simultaneously with the event.

If a security does not trade for any reason on the ex-date of the corporate action, the event will be generally implemented on the day the security resumes trading.

For further details on PAF formulas for corporate actions, see Appendix I, entitled "PAF Formulas and Definitions".

3.1 Splits / Reverse Splits / Consolidations

These events are characterized by a pro rata distribution of shares to shareholders, or a pro rata consolidation of shares held by existing shareholders. Market prices and number of shares of securities are adjusted accordingly. As no funds flow into or out of the company and its securities, the free float-adjusted market capitalization value remains unchanged.

3.2 Stock Dividends / Bonus Issues

3.2.1 Distribution of New Underlying Shares

This event is characterized by a free distribution of new shares to existing shareholders on a pro rata basis. Market prices and number of shares of securities are adjusted accordingly. As no funds flow into or out of the company and its securities, the free float-adjusted market capitalization value remains unchanged.

3.2.2 Distribution of Other Types of Assets

In the case of a distribution of other types of assets (e.g. bonds, warrants, preferred shares, shares in another company), the price of the underlying share is adjusted only when the value of the other asset is available on the ex-date. The number of underlying shares generally remains unchanged.

3.3 Capital Repayments

Capital repayments are characterized by the distribution of a portion of a company's reserves or capital to its shareholders. The price of the security is adjusted on the ex-date of the event.

3.4 Special Cash Dividends

A special cash dividend is a distribution of cash made by a company to its shareholders. The funds are taken from annual profits, capital and/or reserves.

Special dividends that are greater than or equal to 5% of the cum market price of the underlying security are adjusted on the ex-date.

3.5 Rights Issues

In a rights issue, the company offers existing shareholders the right to purchase new shares, generally at a cost below the current market price. Rights issues result in capital inflow, and increase both the number of shares and the free float-adjusted market capitalization of a security.

If a security does not trade for any reason on the ex-date of the rights issue, the event will be generally implemented on the day the security resumes trading.

For rights issues made by Australian companies, it is a common practice for companies first to be suspended, then to release the rights issue terms, and then to announce when the company will resume trading. MSCI generally reflects the rights issue on the first day the securities of the company resume trading by adjusting the market prices and number of shares of securities, if the subscription price of the new shares is below the cum price (as described below under sections 3.5.1.1 and 3.5.2.1).

If the subscription price of the new shares is greater than the cum price, MSCI does not reflect the rights issue on the ex-date (as described below under sections 3.5.1.2 and 3.5.2.2).

Generally, shares issued following rights issues are entitled to forthcoming dividends paid by the company, however, in certain cases, the shares issued are not entitled to the forthcoming dividend and the PAF applied to the security on the right issue's ex date is different as explained below.

3.5.1 Rights for New Underlying Shares with Normal Dividend Entitlement

3.5.1.1 Rights for New Underlying Shares (Discount to Market Price)

If the subscription price of the new shares is below the cum market price, the rights issue is generally assumed to be fully subscribed on a pro rata basis.

Market prices and number of shares of securities are adjusted accordingly. In practice, a PAF is applied to the market price of the security on the ex-date of the rights issue and the number of shares is increased as of the close of the ex-date.

3.5.1.2 Rights for New Underlying Shares (Premium to Market Price)

If the subscription price of the new shares is greater than or equal to the cum market price, MSCI generally reflects the rights issue on the ex-date by applying a PAF of 1. Any increase in number of shares

and potential changes in FIFs and/or DIFs are implemented after the results of the rights issue are made available.

3.5.2 Rights for New Underlying Shares Not Entitled to Forthcoming Dividend

In the case of a rights issue where the new shares to be issued following the rights issue are not entitled to the forthcoming known dividend paid by the company, the market price of the security is adjusted with a PAF that takes into account the forthcoming dividend.

If the dividend amount is unknown at the time of the rights issue's ex-date, then the market price of the security is adjusted with a PAF that does not take into account the forthcoming dividend (which is a PAF similar to the one applied in case of rights issues where new shares are entitled to forthcoming dividend).

3.5.2.1 Rights for New Underlying Shares Not Entitled to Forthcoming Dividend (Discount to Market Price)

If the subscription price of the new shares not entitled to the forthcoming dividend is below the cum market price minus the dividend per share, the rights issue is generally assumed to be fully subscribed on a pro rata basis. A PAF is applied to the market price of the security on the ex-date of the rights issue by taking into account the dividend amount, if available. MSCI uses the gross amount of the dividend per share, as announced by the company, in the PAF calculation. The number of shares is increased as of the close of the ex-date, accordingly.

For further details on PAF formulas, see Appendix I, entitled "PAF Formulas and Definitions".

For the dividend reinvestment in the MSCI Daily Total Return (DTR) Indices on the dividend ex-date, MSCI will reinvest the full dividend amount as announced by the company, using the number of shares on the day prior to the dividend ex-date which is the number of shares post-rights issue, according to the MSCI Index Calculation Methodology.

3.5.2.2 Rights for New Underlying Shares Not Entitled to Forthcoming Dividend (Premium to Market Price)

If the subscription price of the new shares not entitled to the forthcoming dividend is above or equal to the cum market price minus dividend per share, MSCI generally reflects the rights issue on the ex-date by applying a PAF of 1. Any increase in the number of shares and potential changes in FIFs and/or DIFs are implemented after the results of the rights issue are made available.

3.5.3 Rights for Other Types of Assets

In the case of a rights issue entitling the purchase of assets other than the underlying share (e.g. bonds, warrants, preferred shares, shares in another company), the price of the underlying share is adjusted only if the other asset value or the value of the right is available on the ex-date. The number of underlying shares generally remains unchanged.

Section 4: Other Events Resulting in Changes in Number of Shares and FIFs and/or DIFs

Changes in number of shares and subsequent FIF and/or DIF changes can also result from other events such as share placements and offerings, and debt-to-equity swaps.

4.1 Share Placements and Offerings

MSCI differentiates between the following types of share placements and offerings:

- Primary equity offerings involve the issuance of new shares. The newly issued shares are generally placed by underwriters to institutional or other non-strategic investors. These events are usually referred to as public offerings or public placements. Whereas, primary private placements involve direct placement of new shares by one company to another company, an individual investor, or a group of investors. This direct placement of shares is generally accomplished without an underwriter.
- Secondary offerings involve the distribution of current shareholders' existing shares. These events are usually pre-announced by the company or by a company's shareholder and open for public subscription during a pre-determined period. These existing shares are generally placed by underwriters to institutional or other non-strategic investors.

4.1.1 Implementation of Share Placements and Offerings in the MSCI Universe

Changes in number of shares and FIF resulting from primary equity offerings representing at least 5% of the security's number of shares are generally implemented as of the close of the first trading day of the new shares, if all necessary information is available at that time. Otherwise, the event is implemented as soon as practicable after the relevant information is made available. A primary equity offering involves the issuance of new shares by a company.

Changes in number of shares and FIF resulting from primary equity offerings representing less than 5% of the security's number of shares are deferred to the next regularly scheduled Index Review following the completion of the event.

For public secondary offerings of existing constituents representing at least 5% of the security's number of shares, where possible, MSCI Barra will announce these changes and reflect them shortly after the results of the subscription are known. Secondary public offerings that, given lack of sufficient notice, were not reflected immediately will be reflected at the next Index Review. Secondary offerings involve the distribution of existing shares of current shareholders' in a listed company and are usually pre-announced by a company or by a company's shareholders and open for public subscription during a pre-determined period.

For US securities, increases in number of shares and changes in FIF and/ or DIFs resulting from primary equity offerings and from secondary offerings representing at least 5% of the security's number of shares will be implemented as soon as practicable after the offering is priced. Generally, implementation takes

place as of the close of the same day that the pricing of the shares is made public. If this is not possible, the implementation will take place as of the close of the following trading day.

For Australian securities, increases in number of shares and changes in FIF and / or DIFs resulting from primary equity offerings representing at least 5% of the security's number of shares will generally be implemented as soon as the relevant Appendix 3B is made publicly available by the company on the Australian Securities Exchange (ASX). The Appendix 3B form provides the relevant and precise information on any newly listed shares for Australian companies.

4.1.2 Pro Forma Float Calculation for Share Placements and Offerings

In general, shares issued in equity offerings and secondary offerings are assumed to be issued to non-strategic investors. As such, the post-event free float is calculated on a pro forma basis assuming that all these shares are free float.

Shares issued in private placements are considered on a case-by-case basis and the post-event free float is determined under the following assumptions: If the shares are issued to institutional or other non-strategic investors, they are considered as free float, and if issued to strategic investors, they are regarded as non-free float. If no information is available as to whom the shares are issued to, these shares are generally assumed to be issued to strategic investors.

4.2 Debt-to-Equity Swaps

In general, large debt-to-equity swaps involve the conversion of debt into equity originally not convertible at the time of issue. In this case, changes in numbers of shares and subsequent FIF and/or DIF changes are implemented as of the close of the first trading day of the newly issued shares, or shortly thereafter if all necessary information is available at the time of the swap. In general, shares issued in debt-to-equity swaps are assumed to be issued to strategic investors. As such, the post-event free float is calculated on a pro forma basis assuming that all these shares are non-free float.

Changes in numbers of shares and subsequent FIF and/or DIF changes due to conversions of convertible bonds or other convertible instruments, including periodical conversions of preferred stocks and small debt-to-equity swaps are implemented as part of the quarterly index review.

4.3 Optional Dividends

In the case of an optional dividend, the company offers shareholders the choice of receiving the dividend either in cash or in shares. However, shareholders electing the cash option may receive the dividend consideration in cash or shares, or some combination of cash and shares. These dividends are a common practice in the U.S. For dividend reinvestment purposes, MSCI assumes that investors elect the cash option, therefore the dividend is reinvested in the MSCI DTR Indices and price adjustment is not necessary (if the dividend is less than 5% of the cum market price of the underlying security). In the event that shareholders electing the cash option receive the dividend distribution in shares, or a combination of cash and shares, MSCI will increase the number of shares accordingly after results have been officially communicated, with two full business days notice.

Optional Dividends do not impact the free float of the securities because the distribution of new shares is assumed to be carried out on a pro rata basis to all existing shareholders.

In other countries, companies may extend shareholders the choice to participate in certain programs (including, but not limited to Dividend Reinvestment Plans and Bonus buyback programs). In these cases, MSCI will assume investors choose the default distribution. If no default distribution is available, MSCI will assume investors elect the cash option. If some shareholders choose to take the stock option, when it is confirmed, the number of shares will be increased accordingly at the next regularly scheduled Index Review.

Section 5: **Suspensions and Bankruptcies**

MSCI will remove from the MSCI Equity Indices as soon as practicable companies that file for bankruptcy, companies that file for protection from their creditors and/or are suspended and for which a return to normal business activity and trading is unlikely in the near future.

When the primary exchange price is not available, MSCI will delete securities at an over the counter or equivalent market price when such a price is available and deemed relevant. If no over the counter or equivalent price is available, the security will be deleted at the smallest price (unit or fraction of the currency) at which a security can trade on a given exchange.

For securities that are suspended, MSCI will carry forward the market price prior to the suspension during the suspension period.

Section 6: General Announcement Policy for Corporate Events

All changes resulting from corporate events affecting constituents of the MSCI Equity Indices are announced prior to their implementation.

The changes are typically announced at least ten business days prior to these changes becoming effective in their respective indices as “expected” announcements, or as “undetermined” announcements, when the effective dates are not yet known or when aspects of the event are uncertain. MSCI sends “confirmed” announcements at least two business days prior to events becoming effective in the indices provided that all necessary public information concerning the event is available. The full list of all new and pending changes is delivered to clients on a daily basis, at 5:30 PM US Eastern Standard Time (EST) through the Advance Corporate Events (ACE) File.

In exceptional cases, events are announced during market hours for same or next day implementation. Announcements made by MSCI during market hours are usually linked to late company disclosure of corporate events or unexpected changes to previously announced corporate events.

In the case of secondary offerings representing at least 5% of a security’s number of shares for existing constituents, these changes will be announced prior to the end of the subscription period when possible and a subsequent announcement confirming the details of the event (including the date of implementation) will be made as soon as the results are available.

Both primary equity offerings and secondary offerings for US securities, representing at least 5% of the security’s number of shares, will be confirmed through an announcement during market hours for next day or shortly thereafter implementation, as the completion of the events cannot be confirmed prior to the notification of the pricing.

Early deletions of constituents due to bankruptcies or other significant events are announced prior to their implementation in the MSCI Equity Indices as soon as practicable.

A more descriptive text announcement may be sent to clients for significant events according to the index specific announcement criteria as described in the respective MSCI Equity Indices Methodology Books or for events that are complex in nature and would benefit from additional clarification.

For further details, see Appendix V, entitled “Announcement Status and Timing”.

Appendices

Appendix I: PAF Formulas and Definitions

Event Type	Comments	PAF = [Cum Price Formula] / [Ex Price Formula]
Capital Repayment		$[P(t) + \text{Cash}] / [P(t)]$
Consolidation		$[\text{Shares Issued}] / [\text{Shares Before}]$
Conversion	Exchange of Shares (PAF applied for historical link when terms are <> 1for 1)	$[\text{Other Asset Issued}] / [\text{Shares Before}]$
Merger	Exchange of Shares (PAF applied for historical link when terms are <> 1for 1)	$[\text{Other Asset Issued}] / [\text{Shares Before}]$
Merger	Exchange of Cash and Shares	$[(P(t) * \text{Other Asset Issued} + \text{Cash}) / \text{Shares Before}] / [P(t)]$
Partial Tender Offer	Exchange of Shares	If Premium > 20% and Estimated Gain per Share > 5% on t-1 then $[(\text{Other Asset } P(t) * \text{Other Asset Issued} / \text{Shares Before} * \text{Estimated Minimum Entitlement} + (100 - \text{Estimated Minimum Entitlement}) * P(t)) / 100] / [P(t)]$ else PAF=1
Partial Tender Offer	Against Cash	If Premium > 20% and Estimated Gain per Share > 5% on t-1 then $[(\text{Estimated Minimum Entitlement} * \text{Offer Price} + (100 - \text{Estimated Minimum Entitlement}) * P(t)) / 100] / [P(t)]$ else PAF= 1
Reverse Split		$[\text{Shares Issued}] / [\text{Shares Before}]$
Rights Issue	Right of New Underlying Shares	If Issue P is greater or equal to P(t-1) then PAF=1 else $[P(t-1)] / [(P(t-1) * \text{Shares Before} + \text{Shares Issued} * \text{Issue P}) / (\text{Shares Issued} + \text{Shares Before})]$

Event Type	Comments	PAF = [Cum Price Formula] / [Ex Price Formula]
Rights Issue	Right of New Underlying Shares Not Entitled to Forthcoming Dividend	<p>If Forthcoming Gross Dividend is available and Issue P is greater than or equal to $[P(t-1) - \text{Forthcoming Gross Dividend}]$ then $PAF = 1$</p> <p>or</p> <p>if Forthcoming Gross Dividend is available and Issue P is smaller than $[P(t-1) - \text{Forthcoming Gross Dividend}]$ then $[P(t-1)] / [(P(t-1) * \text{Shares Before} + \text{Shares Issued} * \text{Issue P} + \text{Shares Issued} * \text{Forthcoming Gross Dividend}) / (\text{Shares Issued} + \text{Shares Before})]$</p> <p>or</p> <p>if Forthcoming Gross Dividend is not available and Issue P is greater than or equal to $P(t-1)$ then $PAF = 1$</p> <p>or</p> <p>if Forthcoming Gross Dividend is not available and Issue P is smaller than $P(t-1)$ then $[P(t-1)] / [(P(t-1) * \text{Shares Before} + \text{Shares Issued} * \text{Issue P}) / (\text{Shares Issued} + \text{Shares Before})]$</p>
Rights Issue	Right of New Underlying Shares with Another Asset (bond, warrant, preferred, etc.) attached	<p>If Right $P(t)$ is available then $[P(t) + \text{Right per Share } P(t)] / [P(t)]$</p> <p>or</p> <p>if Other Asset $P(t)$ is available and $\text{Issue P} < P(t-1)$ then $[(P(t) * (\text{Shares Issued} + \text{Shares Before}) + \text{Other Asset Issued} * \text{Other Asset } P(t) - \text{Shares Issued} * \text{Issue P}) / \text{Shares Before}] / [P(t)]$</p> <p>or</p> <p>if Other Asset $P(t)$ is available and $\text{Issue P} > P(t-1)$ then $[P(t) + \text{Other Asset } P(t) / \text{Shares Before}] / [P(t)]$</p> <p>or</p> <p>if Other Asset $P(t)$ is not available and $\text{Issue P} < P(t-1)$ then $[P(t-1)] / [P(t-1) * \text{Shares Before} + \text{Shares Issued} * \text{Issue P}] / (\text{Shares Issued} + \text{Shares Before})]$</p> <p>or</p> <p>if Other Asset $P(t)$ is not available and $\text{Issue P} > P(t-1)$ then $PAF = 1$</p>
Rights Issue	Right of Another Type of Asset (bond, warrant, preferred, etc.)	<p>If Other Asset $P(t)$ is available then $[P(t) * \text{Shares Before} + (\text{Other Asset } P(t) - \text{Issue P}) * \text{Other Asset Issued}] / \text{Shares Before}] / [P(t)]$</p> <p>or</p> <p>if Other Asset $P(t)$ is not available but Right $P(t)$ is available then $[P(t) + \text{Right per Share } P(t)] / [P(t)]$</p> <p>or</p> <p>if Other Asset $P(t)$ and Right $P(t)$ are not available then $PAF=1$</p>
Rights Issue	Right of Shares in Another Listed Security	$[P(t) + (\text{Other Security } P(t) - \text{Issued P}) * \text{Other Security Shares Issued}] / \text{Shares Before}] / [P(t)]$

Special Dividend	PAF is applied for special dividends when the impact of dividend on the price of the day prior the ex-date is greater than or equal to 5%.	If impact of Special Div on $P(t-1)$ is greater or equal 5%, then $[P(t) + \text{Special Div}] / [P(t)]$
Spin-off	Spun-off traded on the ex-date	$[P(t) + \text{Spun Off } P(t) * \text{Spun Off Shares Issued} / \text{Shares Before}] / [P(t)]$
Spin-off	Spun-off NOT traded on the ex-date (creation of a 'detached' security)	$[P(t-1)] / [P(t)]$
Split		$[\text{Shares Issued}] / [\text{Shares Before}]$
Stock	Stock Dividend / Bonus / Scrip Issue / Stock	$[\text{Shares Issued} + \text{Shares Before}] / [\text{Shares Before}]$
Stock	Distribution of Another Type of Asset (bond, warrant, preferred, etc.)	If Other Asset $P(t)$ is not available then $PAF=1$ else $[(P(t) * \text{Shares Before} + \text{Other Asset } P(t) * \text{Other Asset Issued}) / \text{Shares Before}] / [P(t)]$
Stock	Distribution of New Underlying Shares with Warrants attached	If Other Asset $P(t)$ is not available then $[\text{Shares Issued} + \text{Shares Before}] / [\text{Shares Before}]$ else $[(P(t) * (\text{Shares Issued} + \text{Shares Before}) + \text{Other Asset } P(t) * \text{Other Asset Issued}) / \text{Shares Before}] / [P(t)]$

Terms/abbreviations	Definitions
Cash	Amount shareholders are entitled to
Cum Date	Day prior to the ex-date
Estimated gain per share	$[(\text{Offer price} - P(t-1)) * \text{estimated minimum entitlement}] / P(t-1)$
Estimated Minimum Entitlement	Minimum percentage of shareholders' holdings that will be accepted by the acquirer assuming all shareholders tender their shares, except for the acquirer and the shareholders who explicitly state that they will not participate in the partial tender offer.
Ex Date	Day on which a security is traded without a previously declared dividend, distribution, or other right
Issue P	Issue price
Another Asset Issued	Number of other asset distributed (e.g. warrant, convertible bond)
Another Asset $P(t)$	Closing price of the other asset on the ex-date
$P(t)$	Closing price on the ex-date
$P(t-1)$	Closing price on the cum date (ex-date -1)
Premium	$[(\text{Offer price} - P(t-1)) / P(t-1)] * 100$

Terms/abbreviations	Definitions
Right P(t)	Closing right price on the ex-date
Shares Before	Number of shares shareholders need to hold before the event
Shares Issued	Number of shares distributed
Forthcoming Gross Dividend	Gross dividend per share paid by the company following another event. In certain cases of rights issues, the newly issued shares are not entitled to the dividend which is ex after the rights issue ex-date.
Special Div	Amount shareholders are entitled to
Spun Off P(t)	Closing price of the spun off security on the ex-date
Spun Off Shares Issued	Number of spun off security shares distributed

Appendix II: Implementation Dates for Corporate Events

MSCI uses several terms to specify the timing of corporate events implementation:

- As of the close of date (t-1) indicates that the changes are implemented after the close on day t-1. For example, if a security is deleted as of the close of t-1, the security still appears in the index on the day t-1.
- Effective date/Ex-date (t) indicates the date on which the changes are reflected. For example, if a security is deleted as of the close of t-1, the security no longer appears in the index on the effective date (t). It also indicates the date on which a security is traded without a previously declared dividend, distribution, or other right.

Appendix III: Guidelines Concerning Implementation of Partial Tender Offers

As a general principle, MSCI applies a PAF for partial tender offers on the ex-date when the following criteria are fulfilled:

- a) The premium is greater than 20%, and
- b) The estimated gain per share is greater than 5%.

Premium in % = $[(\text{offer price} - P(t-1)) / P(t-1)] * 100$

Estimated gain per share in % = $[(\text{offer price} - P(t-1)) * \text{estimated minimum entitlement}] / P(t-1)$

where

P(t-1) is the closing market price on the day prior to the ex-date.

The premium of the offer is calculated on the day prior to the ex- date.

The estimated minimum entitlement is the minimum percentage of shareholders holdings that will be accepted by the acquiror assuming all shareholders tender their shares, except for the acquiror and the shareholders who explicitly state that they will not participate in the partial tender offer.

PAF Formula:

If premium > 20% and estimated gain per share > 5% on t-1 then

$PAF = [(\text{estimated minimum entitlement} * \text{offer price} + (100 - \text{estimated minimum entitlement}) * P(t)) / 100] / [P(t)]$, or PAF=1.

where

(t-1)= day prior to the ex- date

P(t)= price on the ex-date

In cases where the ex-date is not available, the PAF is applied on the first business day after the end of the offer.

Appendix IV: Clarification Regarding Effective Dates in Option P, Q, T, US Announcements

This appendix provides clarification regarding the effective date field in the Option P, Q, T, US announcements following the changes in format effective as of June 2, 2003.

MSCI has enhanced the content of its Option P, Q, T, US announcements with additional fields to make them comparable to the data provided in the daily Advance Corporate Events (ACE) files.

In general, the effective date in the header of the Option P, Q, T, US announcement means that all related changes are reflected in the indices as of the open of the specified date, unless indicated otherwise in the text of the announcement. This is typically the case for most mergers and acquisitions.

In some exceptional cases, such as rights issues, stock dividends and splits, the effective date in the header of the Option P, Q, T, US announcement represents the ex-date (or ex-entitlement date) of the event. A PAF is applied on the ex-date (effective date), and the number of shares is changed as of the close of the effective date.

MSCI will continue to use "as of the close of" in the text of the announcements to clarify if the changes are effective as of the open or as of the close of the specified date.

For more details regarding "as of the close of", "ex-date" or "effective date", please refer to Appendix II entitled "Implementation Dates for Corporate Events" in the MSCI Corporate Events Methodology Book.

Appendix V: Announcement Status and Timing

All changes resulting from corporate events affecting constituents of the MSCI Equity Indices are announced prior to their implementation. The changes can have the following status:

Status	Description	Timing
Acknowledged	The "Acknowledged" status is used to indicate that MSCI is aware of an upcoming event. With this status, MSCI will not disclose any details of the treatment of the corporate event. The "Acknowledged" status is used for all corporate events (mergers, acquisitions, spin off, buybacks, and conversions), except for corporate actions resulting in a price adjustment (stock, split, rights, etc.), where an "Expected" or "Undetermined" announcement will be sent. For IPOs, a "Confirmed" announcement will be sent.	As early as practicable.
Undetermined	The "Undetermined" status will be used when the event is conditional upon uncertain events (e.g.: the outcome of the tender offer is uncertain), or the effective date is not known. MSCI describes the event and how it intends to implement it if and when the event becomes effective.	Undetermined announcements will be sent when there is a reasonable level of certainty that the event will take place.
Expected	The "Expected" status will be used when the effective date is known; MSCI describes the event and how it intends to implement it based on current information.	Generally 10 business days before the effective date.
Confirmed	The "Confirmed" status will be used when all details for the implementation of the security's change have been finalized.	Confirmed announcement is generally sent 2 days before the effective date.
Implemented	The "Implemented" status will be used when the change has been implemented in the index.	The event will remain in the Advance Corporate Events (ACE) file 2 days after its effective date.
Canceled	The "Canceled" status will be used when a previously announced event does not occur.	As early as practicable.
Correction	The "Correction" status will be used when a modification needs to be made to an event that was previously "Confirmed".	As early as practicable.

List of Updates to the Methodology Book

The following sections have been modified in the Methodology Book published in May 2009:

- 1 Introduction**
- 4.3 Optional Dividends**

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