

SRI



Sustainability Research

SUSTAINABLE STOCK EXCHANGES

LEVERAGING THE ESG MOMENTUM

■ UN PRI Sustainable Stock Exchanges event

The purpose of this note is to support the aims of the New York UN PRI conference on Sustainable Stock Exchanges by examining exchange performance and their responsibility towards ESG issues.

■ More transparency, less volatility key for sustainability

The value that exchanges can add through better ESG reporting should be balanced with a responsibility to ensure market transparency and efficiency and to reduce market volatility, rather than offer increasing trading volumes. In our view, transparency and controlled volatility are key ways to respond to the G20 recent call for a more sustainable equity market.

■ Leveraging ESG: key performance indicator

We believe the ESG performance of stock exchanges should be measured not just by their managerial efforts to reduce their direct environmental footprint or improve their human capital, but also by their commitment to the promotion of sustainable investment in two core areas: sustainable indices and extra-financial reporting.

■ Integrating ESG reporting within exchange listing rules

The privatisation of European exchanges in the last few decades has reduced their regulatory ability to enforce reporting standards on listed companies. However, a voluntary extra-financial reporting framework could be used by exchange regulators to promote a global listing environment. Companies would be required to consider how responsible and sustainable their business model is, and to propose a forward-looking sustainability strategy to their AGM. We believe this would help exchanges to strengthen their role in promoting ESG.

■ Facilitating ESG reporting

We believe exchanges can incentivise listed companies to report on ESG issues through practices such as reduced trading or listing fees. Furthermore, the implementation of a specific disclosure framework would encourage companies to seek 'best in-class' status while enhancing transparency and potentially reducing risk.

■ Indices key to promoting sustainable investment

Most existing sustainable indices are the result of a partnership between CSR rating agencies and index providers, leaving a secondary role for exchanges that have lost market leadership in index production. The latest Low Carbon Index launched by NYSE Euronext demonstrates that exchanges can play a more active role in sustainable indices.

Stéphane VOISIN
 Head of Sustainability Research
 svoisin@cheuvreux.com
 (33) 1 41 89 74 69

Robert WALKER
 SRI Analyst
 rwalker@cheuvreux.com
 (44) 7621 5186

Recent crisis highlights need to restore trust in capital markets through more responsible and sustainable framework within which exchanges have key role to play

Several exchanges, mostly in emerging markets, have taken initiatives in recent years to promote better transparency and disclosure on ESG-related performance and risk factors

ESG to sustain exchange leadership?

European stock exchanges have been slow to adopt proactive commercial strategies in response to growing interest among institutional and retail investors in environmental, social and governance (ESG) issues. The recent financial crisis has highlighted the need to restore trust in capital markets through a more responsible and sustainable framework within which exchanges have a key role to play. The first step for European exchanges is probably to endorse other world trading platforms' best practices, which were highlighted in a recent report¹ by the World Federation of Exchanges (WFE).

■ What can an exchange do?

In our view, the CSR performance of stock exchanges should be measured through their strategic and commercial commitments in the following areas:

- raising corporate awareness of ESG reporting standards among listed companies;
- facilitating investor access to the ESG-related information of listed companies;
- incentivising the harmonisation of disclosure standards on listed companies' extra-financial performances;
- engaging regulators to influence reforms on ESG transparency and reporting standards;
- promoting corporate sustainability performance to investors;
- creating investment products geared to specific sustainable investment themes such as sustainable indices;
- implementing new social businesses or green business trading platform or segments.

■ Facilitating ESG reporting

Improved company reporting on social, environmental and governance issues is necessary not only because SRI investors need to fulfil their specific extra-financial mandates but also because of a growing market view that mainstream asset managers have a fiduciary duty to embed ESG issues in their investment decisions².

Furthermore, several exchanges, mostly in emerging markets, have in recent years taken initiatives designed not just to raise issuing companies' awareness of ESG issues but also to promote and require better transparency and disclosure on ESG-related performance and risk factors. Such exchanges include the following:

- **Exchanges in China**, where the authorities are focusing on promoting CSR concepts within the framework of government policy.³
- **BM & FBOVESPA and the Johannesburg Stock Exchange**. There is a strong emphasis on stakeholder consultation, industry outreach, strategic partnerships with business schools and other capacity-building organisations, and making index components and weightings publicly available.
- **The National Stock Exchange of India (NSE)**. Strategy includes the goals of educating local investors and promoting the Indian market to international investors with an interest in ESG issues.

¹ Exchanges and Sustainable Investment, a report prepared for the World Federation of Exchanges by Dan Siddiqui of Delsus Limited.

² Fiduciary Responsibility: Legal and Practical Aspects of Integrating Environmental, Social and Governance Issue into Institutional Investment (Fiduciary II). Asset Management Working Group of the United Nations Environment Programme Finance Initiative Working Group of the UN Environment Programme Initiative.

³ China's exchanges have followed a similar path of CSR awareness raising and encouraging companies to publish annual CSR reports. The Shenzhen Stock Exchange issued CSR guidance for listed companies in early 2006 and has followed this with training programs. The Shanghai Stock Exchange introduced equivalent measures in May 2008 in the form of the 'Shanghai CSR Notice' and the 'Shanghai Environmental Disclosure Guidelines'.

Lack of global regulation on extra-financial disclosure has led to the duplication of ESG reporting standards in Europe and worldwide

- **In developed markets**, the Corporate Governance Council of the Australian Securities Exchange (ASX) has taken an important step by introducing sustainability-related issues into the August 2007 revision of its Corporate Governance Principles and Recommendations. The ASX listing rules require listed companies to disclose within their annual reports the extent to which they have followed these recommendations or, if a recommendation has not been followed, the reasons for not following must be given.

■ Improving and harmonising ESG reporting standards

With nearly 80% of the largest 250 companies worldwide issuing CSR reports (up from about 50% in 2005, according to a recent KPMG report⁴), the diversity of reporting frameworks has made it difficult for investors to benchmark the ESG performance of companies without the intermediation of an external agency to provide sufficient comparability.

In addition the lack of global regulation on extra-financial disclosure has led to the duplication of ESG reporting standards in Europe and worldwide, which is potentially counter-productive for investors seeking a comparable view of corporate CSR. Since voluntary schemes remain the main option at this stage for most regulators (who do not appear to be committed to enforcing any particular standard), we believe exchanges could play a proactive and positive role in the necessary harmonisation of ESG reporting frameworks.

There is a clear need for reporting consistency and harmonisation, which could be achieved by incorporating ESG reporting standards into a single reporting framework. In our view, the following ESG frameworks should be considered:

- The Global Reporting Initiative (GRI) published the third version of its Sustainability Reporting Guidelines (G3 Guidelines) with better emphasis on the reporting process and further elaboration of methods for calculating indicators; it is the result of a development process involving some 3,000 stakeholders worldwide. The GRI standard is most used worldwide by listed companies under the G3 version.
- The Carbon Disclosure Project is an independent not-for-profit organisation holding the largest database of primary corporate climate change reporting. It is now considered to be the most relevant and legitimate framework for CO₂ reporting, but is limited to this last issue.
- The European federation of financial analysts (EFFAS) is developing a new ESG reporting framework based on key and material SR performance indicators, partly based on the German DVFA disclosure framework initiative. The main objective of this new framework is "facilitating the integration of ESG i.e. Environmental, Social & Governance aspects of corporate performance into investment processes".
- The International Organization for Standardization (ISO) is developing the ISO 26000 Guidance Standard on Social Responsibility. Although it is not a specified reporting standard, it is likely to impact ESG reporting practices, due to the dominant position of the ISO certification standard among listed companies worldwide.

⁴ KPMG International Survey of Corporate Responsibility Reporting 2008

■ Sustainable indices

The early pioneers and current main players are the London Stock Exchange (via its 50% ownership of FTSE), NASDAQ OMX and NYSE Euronext. The majority of new entrants are from developing markets such as South Africa, Brazil, Korea, Indonesia and India. Until recently, all of these indices have tended to fall into one of two main categories:

- **Broad-based indices** of stocks from all industry sectors, using a broad range of ESG criteria and scoring systems to select companies that are “leaders” in social and environmental responsibility. Examples include the FTSE4Good series, the BM&FBOVESPA Corporate Sustainability Index (ISE), the Johannesburg Stock Exchange Socially Responsible Investment Index, the NASDAQ OMX GES Sustainability Nordic Index, and the Wiener Börse VÖNIX Sustainability Index.
- **Sector-specific indices** focusing specifically on companies that provide solutions to sustainability challenges, particularly in relation to clean technology, sustainable energy and environmental services. These are frequently linked to exchange-traded funds (ETFs). Examples include FTSE’s Environmental Technology Index series, Deutsche Börse’s DAXglobal Alternative Energy Index, the NASDAQ OMX Clean Edge Global Wind Energy Index, the NYSE Arca Cleantech Index, and several indices offered by the International Securities Exchange.

However, according to the WFE report on sustainable exchanges,⁵ in the past year, the NYSE Euronext has launched a third variation: a broad-based (non-sector specific) index oriented around a single ESG issue, in this case climate change. The NYSE Euronext Low Carbon 100 Europe Index is an index weighted by free-float market capitalisation designed to measure the performance of the 100 largest European companies having the lowest carbon (CO₂) intensity in their respective sectors or homogeneous subsectors.

■ Social business platform

The idea of creating social stock markets is developing through exchange platforms that operate in a similar fashion to traditional exchanges with the exception that companies listing on social exchange platforms are valued on both their financial and social performance. Examples of such platforms include the following:

- The South Africa Social Investment Exchange (SASIX) has raised USD2.2m for a total of 53 projects in its first three years.
- The Environmental and Social Investment Exchange (BVS&A) in Brazil has brought in more than USD5.5m for dozens of NGO projects since 2003.
- The Rockefeller Foundation granted USD360,000 to support research into the feasibility of establishing a social stock exchange in the UK.
- Ethex, the ethical exchange or matched trading service provided by Triodos Bank in the UK.
- Brazil's Social and Environmental Stock Exchange, which is connected with the Bovespa Index.
- South African exchange has launch a social business platform.
- Other exchanges are looking at the implementation of such platforms (e.g. in India, New Zealand, Portugal and Thailand).

⁵ Exchanges and Sustainable Investment, a report prepared for the World Federation of Exchanges by Dan Siddy of Delsus Limited.

Deutsche Börse

■ Company profile

Deutsche Börse is one of the world's biggest exchange providers in terms of market capitalisation. Its operating business encompasses **five segments**, with the three main segments accounting for >80% of profits. **Clearstream**, the settlement and custody provider, is the group's second-largest sales generator and gives DB1 a level of integration that sets it apart from its major competitors. The biggest revenue and profit contributor is **Eurex**, one of the world's leading derivatives exchanges alongside Euronext.liffe and CME/CBOT. Through the acquisition of ISE in December 2007, Eurex has also established a strong position in US options trading. The third main segment is **Xetra**, the world's sixth-largest equity trading exchange. These three segments are supported by the IT segment, which develops IT upgrades to support the operating segments as well as for external sale. The fifth segment, Market Data & Analytics, markets information generated by Eurex and Xetra.

■ SWOT analysis

Strengths

- Strong position in derivatives
- Vertical integration covering a large part of the value chain
- Balanced business model offering growth and value
- Technological leadership
- Low financial leverage

Weaknesses

- Low-cost flexibility driven by high share of fixed costs
- Dependence on political decisions
- Dependence on Eurex volumes

Opportunities

- Move of OTC derivatives business to exchanges
- Favourable conditions at capital markets
- Active participation in market consolidation
- Margin improvements through cost cutting

Threats

- Acquisition risk
- Increased competition and price pressure from new and/or newly merged exchanges (Project Turquoise, Chi-X, NYSE-Euronext, CME-CBOT)
- Emergence of derivative MTFs
- Sharp drop in Eurex volumes

■ Valuation

We derive our target price from two valuation approaches: a multiple-based sum of the parts and a DCF model. We also carry out a multiple comparison as an added guideline.

Our SOTP model indicates a fair value of EUR51, while our DCF renders a fair value per share of EUR75. Our target price of EUR63 is the rounded average of both values.

Based on our estimates, Deutsche Börse is currently trading at a 2010E P/E of 11.9x vs its historical average (2004-2008) of 17.2x.

■ Investment case

Given the company's high operational leverage, rising volumes in Xetra and Eurex will boost Deutsche Börse's EBITA margins. Thus, the stock, also given its defensive character through the diversification in earnings, is a call option on rising stock markets, which we expect to happen in 2010E in anticipation of an economic recovery in 2011E at the latest.

We expect Deutsche Börse to benefit from its diversified business model and its low dependence on cash equity markets. Its strong cash generation should enable the company to: 1) continue its share buyback programme; and 2) maintain its attractive dividend policy. Additionally, low financial leverage will allow DB1 to actively participate in market consolidation.

We believe Deutsche Börse could be one of the beneficiaries of the current race for regulation. Its integrated business model, which includes not only trading but also post-trading services, is a competitive edge to attract additional volume which could arise from OTC business, e.g. a shift of OTC credit default swaps to standardised contracts with a clearinghouse.



Environmental, social and governance issues

■ CORPORATE GOVERNANCE HIGHLIGHTS

1. Does the company have a combined chair/CEO?	No
2. Percent Independent Directors	72.20%
3. Does the company disclose its corporate governance policies or guidelines?	Yes
4. Do all executive board members own shares after excluding options held?	No
5. Is the company currently under investigation for accounting irregularities?	No
6. Do all common or ordinary equity shares have one-share, one-vote, with no restrictions?	Yes
7. Do shareholders have a right to convene an EGM with 10% or less of the shares requesting one?	Yes
8. Do shareowners have a right to act in concert through written communication?	No
9. Potential Dilution from Stock Options Outstanding + Not Yet Granted Under Old or New Plans	0.00%
10. Is there a single shareholder or shareholder group which controls a majority of the voting power of the company?	No
11. Has the company adopted a shareholder rights plan ("poison pill")?	No
12. Disclosure on CEO remuneration details (amount detailed if disclosed)	ND

The information contained in this table is written and presented under the sole responsibility of GMI. CA Cheuvreux does not accept any responsibility for any loss which may arise from reliance on information contained in this table

Source: GMI

■ CORPORATE GOVERNANCE ANALYSIS

Deutsche Börse complies with the German Corporate Governance Code (GCGC). The company provides detailed information on its compensation practices. Annual executive incentive compensation is based on predetermined, individual objectives. Options are granted with a vesting period of three years followed by a two-year exercise period. However, the size of severance payments that can be paid out to management following the change of control is an area of concern. The total amounts are set up on the level of three to six times their aggregate annual remuneration including salary, bonus and phantom shares.

Deutsche Börse's two major shareholders, TCI and Atticus, have significantly reduced their stakes. Thus, we expect the influence of shareholders on management decisions is likely to diminish. Deutsche Börse's shareholders are not subject to voting right limitations. Moreover, there are no specific mechanisms installed to prevent takeovers; hostile takeovers are possible. In addition we find no governmental issues that would limit partnerships with other stock exchanges.

■ E&S ISSUES FOR THE SECURITIES & DERIVATIVES EXCHANGES SECTOR

- 1 Reputational issues: Does the company integrate best practises regarding issues such as money laundering and inside trading ?

Analysis for Deutsche Börse

DB1 has implemented several guidelines and mechanisms to counter money laundering.

- 2 Liabilities issues. Does the company communicate to non professional individuals on the implied risks of trading on its platforms? If so, how? Are all market participants treated equally? How does the company guarantee transparency of transactions?

Analysis for Deutsche Börse

Deutsche Börse sets certain standards and prerequisites (e.g. free float, reporting standards, etc) for the listing of companies. It thereby creates transparency for financial market participants (retail and institutional). For instance, the prerequisites for the companies included in the Prime Standard (including the indices DAX, TecDAX, MDAX, SDAX) are higher than in the open market. Furthermore, DB1 reports the trading volumes, etc, of listed companies on a daily basis.

In addition, DB cooperated in 2008 with the European Commission on further implementing the European Code of Conduct for Clearing and Settlement. The company also made an impact with regard to setting up a Europe clearing house for credit derivatives – a political requirement stipulated by the EU Commission, the European Central Bank and the European Parliament in reaction to the financial market crisis.

- 3 Product responsibility. How does the company facilitate or leverage SRI investment and ESG reporting standards? Is it committed to creating or supporting SRI investment trading vehicles or benchmarks such as indices, or to implementing Social Business or Green Business trading segments?

Analysis for Deutsche Börse

Deutsche Börse (DB) has a limited record in ESG commitment, which we believe is the consequence of the lack of development of an SRI fund market in Germany, which remains far below the UK, Nordic, Dutch or Swiss markets. However, the German market has been very focused on the areas of clean and green tech due to the country's leadership in these technologies and DB has created two indices in partnership with Sarazin: Öko DAX and the DAX global Sarasin Sustainability Index. DB is also working in conjunction with the European Energy Exchange AG (EEX). Trading in emission certificates has been made possible (for more details, see p33 of DB CSR report 2008). On ESG reporting, Deutsche Börse has so far not cooperated in the development of the innovative extra-financial disclosure standards implemented and pushed by the DVFA.

BME

■ Company profile

BME was created from the merger of the Madrid, Barcelona, Bilbao and Valencia stock exchanges, Iberclear (clearing and settlement unit), MEFF (derivatives) and BME Consulting.

BME has seven business units: Equities (39% of EBITDA 2009E), Clearing & Settlement (28%), Market Information (16%), Listing (6%), Derivatives, (10%), Fixed Income (2%) and IT & Consulting (4%). BME is Europe's fourth-largest stock exchange by trading volume and the most efficient, with cost/EBIT of 42% in 2008.

BME should have a cash position of EUR424m at end-2009E (29% of market cap). We calculate a 88% payout for the next few years, giving a dividend yield of 7% p.a. for 2009-11E. For any future improvements in its dividend policy, BME requires regulatory approval for capital reductions. We think BME is aware of the inefficiency of its balance sheet and is working with the regulator to modify its capital structure, although there is no specific timeframe.

Shareholders: BBVA 5.6%, Bank of Spain 5.3%, Santander 5.2%, Caja Madrid 4.8%, Criteria CaixaCorp 3.5% and BNPP 3.2%. The Spanish government has the right to veto any hostile bid.

■ SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ■ Quasi-monopoly in the Spanish market ■ Most efficient European stock exchange ■ Strong cash flow generation/ healthy balance sheet ■ Good technological platforms 	<ul style="list-style-type: none"> ■ Dependency on capital market conditions ■ High weighting of cash businesses ■ Small size in sector where economies of scale are important ■ Political interference
Opportunities	Threats
<ul style="list-style-type: none"> ■ Participating in sector consolidation ■ Improving shareholder remuneration policy ■ Expanding product range ■ Potential pan-European alliances (i.e. LUM) 	<ul style="list-style-type: none"> ■ Competition risk (and pressure on tariffs) ■ Shrinking volumes on tougher capital market conditions ■ Political/regulatory risk ■ Potential conflicts of interest (main clients are also main shareholders)

■ Valuation

Our EUR32.70 target price for BME offers 44% upside at current market prices.

We base our EUR2.8bn valuation (15x10E implicit P/E, in line with historical average) on a DCF, using a WACC of 9.3% (equal to K_e as BME has no debt), which reflects a 4.5% risk-free rate, a 4.0% risk premium and a beta of 1.2. We also consider a terminal growth rate (g) of 2%. We assume a 1% OpFCF CAGR 10-16E to reflect the threat of a fiercer competitive environment in the long term.

BME trades at 12x10E earnings (10x10E P/E ex cash) or at a significant discount to peers and a 12% discount to its mid-cycle 15x earnings multiple for 2005-09E.

■ Investment case

Higher volumes around the corner. Historical data suggest that rising share prices and growing confidence generate higher volumes (and trading velocity) going forward. We also think that, in a zero interest rate environment where equities are the most attractive asset class, volumes are bound to rise. Our estimates point to EUR922bn (-26%) of value traded in 2009E and a turnaround already in 2010E (+25) and EUR1.3bn for 2011E (+10%).

Higher competition in Spain already in our numbers. We reckon that the competitive landscape has changed after the Iberclear's proposed regulatory changes, but still believe BME's position is strong enough to defend itself against MTFs. Our estimates assume a 10% market share loss in 2011E.

The M&A case still valid. We think that further sector consolidation is inevitable and that the process will resume actively in the medium term given the clear advantages of merging trading platforms, especially for synergies and increased liquidity. Moreover, we see M&A as a defensive move against competition from MTFs while it makes financial sense (the industry is cash-rich, financially inefficient and has limited growth opportunities).

Attractive valuation. BME trades at 12x10E P/E, which is attractive in both absolute and relative terms. Our EUR32.7 target price offers >40% upside potential.



Environmental, social and governance issues

■ CORPORATE GOVERNANCE HIGHLIGHTS

1. Does the company have a combined chair/CEO?	No
2. Percent Independent Directors	33.30%
3. Does the company disclose its corporate governance policies or guidelines?	Yes
4. Do all executive board members own shares after excluding options held?	Yes
5. Is the company currently under investigation for accounting irregularities?	No
6. Do all common or ordinary equity shares have one-share, one-vote, with no restrictions?	Yes
7. Do shareholders have a right to convene an EGM with 10% or less of the shares requesting one?	Yes
8. Do shareowners have a right to act in concert through written communication?	No
9. Potential Dilution from Stock Options Outstanding + Not Yet Granted Under Old or New Plans	0.00%
10. Is there a single shareholder or shareholder group which controls a majority of the voting power of the company?	No
11. Has the company adopted a shareholder rights plan ("poison pill")?	No
12. Disclosure on CEO remuneration details (amount detailed if disclosed)	ND

The information contained in this table is written and presented under the sole responsibility of GMI. CA Cheuvreux does not accept any responsibility for any loss which may arise from reliance on information contained in this table

Source: GMI

■ CORPORATE GOVERNANCE ANALYSIS

BME provides detailed information on the shareholder structure and voting rights, on the composition of the board (4 independents on the 15-seat board) and various committees, on the AGM and the degree of compliance with corporate governance recommendations as well as on its executive compensation practices. BME has an internal code of conduct that applies to all employees and members of the board. It also complies with the European Code of Conduct for Clearing and Settlement. However, the low level of board independence is a concern and we note that the majority of non-independent directors appear to be connected to the company's core shareholders of Banco Santander Central Hispano (8% of issued share capital) and Banco Bilbao Viscaya Argentaria (6.6% of issued share capital) and Caja de Ahorros y Pensiones de Barcelona (5% of issued share capital). In our view, the absence of a majority of independent directors means that the interests of minority investors may not be sufficiently protected.

Disclosure of individual components of remuneration for key executive directors is not provided although the aggregate remuneration paid to directors as a group is disclosed. The lack of long-term incentives via the use of share awards is a concern and it is unclear whether the interests of management and shareholders are aligned and sustainable over the long term. In the event of the Chairman being removed from his post, he would be entitled to receive the equivalent to three times his fixed annual remuneration. Two other senior directors are entitled to receive compensation equivalent to 24-36 months of their salaries. BME has an incentive plan for executives and board members for the next three years linked to achieving a 30% CAGR in shareholder returns, at a maximum annual cost of EUR2.5m.

The absence of a controlling shareholder or anti-takeover measures are welcome as it reduces the chance of the rights of minority shareholders being diminished in the event of a change in control.

There are no restrictions on voting rights. However, the Spanish regulator, the Comisión Nacional del Mercado de Valores (CNMV), has the power to oppose the acquisition of significant stakes in BME or group companies, and it must also be notified of and its approval obtained for any acquisition in excess of 1% of BME's capital or voting rights. Furthermore, the Ministry of Economy may oppose the acquisition of a significant stake in BME's capital.

■ E&S ISSUES FOR THE SECURITIES & DERIVATIVES EXCHANGES SECTOR

1 Reputational issues. Does the company integrate best practice on issues such as money laundering and inside trading?

Analysis for BME

BME does not have an official policy for conduct related to money laundering. However, the company is subject to the EU Directive on money laundering and the relevant Spanish legislation. This regulatory framework is also applicable as regards the use of privileged information, on which the company has also established specific rules in its internal code of conduct. BME was included in the FTSE4Good IBEX on 9 April 2008, the day this index was launched in the Spanish market.

- 2 Liabilities issues. Does the company communicate to non professional individuals on the implied risks of trading on its platforms? If so, how? Are all market participants treated equally? How does the company guarantee transparency of transactions?

Analysis for BME

BME's annual report on corporate governance provides a general description of the main risks for investors inherent in operating through its platforms and of the control systems in place. BME publishes the fees applicable to its clients to guarantee equal treatment for all the market members. Also, to ensure market transparency, BME publishes daily session summaries through its SIBE platform, with daily, monthly and yearly details of the trades in its indexes and the securities that comprise them, as well as a daily summary of all the securities traded on the computerised trading system (SIBE).

Moreover, BME publishes monthly summaries of all the trades made through its platforms (equities, derivatives, fixed income). BME's markets and systems operating committee is responsible, inter alia, for ensuring that the principle of equal treatment is applied in all transactions.

- 3 Product responsibility. How does the company facilitate or leverage SRI investment and ESG reporting standards? Is it committed to creating or supporting SRI investment trading vehicles or benchmarks such as indices, or to implementing Social Business or Green Business trading segments?

Analysis for BME

BME has no record at this stage concerning any ESG commitment. This view is reinforced by the very recent and limited development of the SRI fund market in Spain. In addition, the absence of any regulatory framework or private local initiative on ESG reporting does not create the right incentive for BME to implement any project in this area.

RESEARCH & DISTRIBUTION CENTRES

AUSTRIA

CRÉDIT AGRICOLE CHEUVREUX – VIENNA BRANCH OFFICE
5TH FLOOR, OPERNRING 3-5
1010 VIENNA
TEL: +43 1 22 712 70 00
FAX: +43 1 22 712 70 01

BENELUX

CRÉDIT AGRICOLE CHEUVREUX – AMSTERDAM BRANCH
HONTHORSTSTRAAT 9
1071 DC AMSTERDAM
TEL: +31 20 573 06 66
FAX: +31 20 672 40 41

FRANCE

CRÉDIT AGRICOLE CHEUVREUX S.A.
9, QUAI PAUL DOUMER
92400 COURBEVOIE
TEL: +33 1 41 89 70 00
FAX: +33 1 41 89 70 05

GERMANY

CRÉDIT AGRICOLE CHEUVREUX – FRANKFURT BRANCH
TAUNUSANLAGE 14
D-60325 FRANKFURT AM MAIN
TEL: +49 69 47 897 100
FAX: +49 69 47 897 530

GREECE

CRÉDIT AGRICOLE CHEUVREUX - ATHENS BRANCH
1 KORAI STREET (3RD FLOOR)
10564 ATHENS
TEL: +30 210 373 4000
FAX: +30 210 373 4001

ITALY

CRÉDIT AGRICOLE CHEUVREUX ITALIA SIM S.P.A.
VIA BRERA 21
20121 MILAN
TEL: +39 02 80 62 83 00
FAX: +39 02 86 46 15 70

SPAIN

CRÉDIT AGRICOLE CHEUVREUX ESPAÑA S.V. S.A.
PASEO DE LA CASTELLANA 1
28046 MADRID
TEL: +34 91 495 16 48
FAX: +34 91 495 16 60

SWEDEN

CRÉDIT AGRICOLE CHEUVREUX NORDIC AB
REGERINGSGATAN 38
10393 STOCKHOLM
TEL: +468 723 5100
FAX: +468 723 5101

SWITZERLAND

CRÉDIT AGRICOLE CHEUVREUX – ZURICH BRANCH
BAHNHOFSTRASSE 18
8001 ZURICH
TEL: +41 44 218 17 17
FAX: +41 44 218 17 87

TURKEY

CRÉDIT AGRICOLE CHEUVREUX MENKUL DEGERLER A.S.
BUYUKDERE CAD. YAPI KREDI PLAZA C BLOK KAT:15
LEVENT 80620 - ISTANBUL
TEL: +90 212 371 19 00
FAX: +90 212 371 19 01

UNITED ARAB EMIRATES

CRÉDIT AGRICOLE CHEUVREUX – MIDDLE EAST BRANCH
702, 7TH FLOOR, PRECINCT BUILDING #2, THE GATE DISTRICT
DUBAI INTERNATIONAL FINANCIAL CENTRE
P.O. BOX 506611
DUBAI, UAE
TEL: +971 4 428 3600
FAX: +971 4 428 3644

UNITED KINGDOM

CRÉDIT AGRICOLE CHEUVREUX INTERNATIONAL LIMITED
12TH FLOOR
MOORHOUSE - 120 LONDON WALL
LONDON EC2Y 5ET
TEL: +44 207 621 5100
FAX: +44 207 621 5101

DISTRIBUTION CENTRES

JAPAN

CHEUVREUX
CALYON CAPITAL MARKETS ASIA B.V., TOKYO BRANCH
SHIODOME SUMITOMO BUILDING, 15TH FLOOR
1-9-2 HIGASHI-SHIMBASHI
MINATO-KU
TOKYO 105-0021
TEL: +81 3 4580 8522
FAX: +81 3 4580 5534

UNITED STATES

CRÉDIT AGRICOLE CHEUVREUX NORTH AMERICA, INC.

NEW YORK

1301 AVENUE OF THE AMERICAS 15TH FLOOR
NEW YORK, NY 10019
TEL: +1 (212) 492 8800
FAX: +1 (212) 492 8801

SAN FRANCISCO

388 MARKET STREET; SUITE 960
SAN FRANCISCO, CA 94111
TEL: +1 (415) 255 9802
FAX: +1 (415) 307 7782

Copyright © Crédit Agricole Cheuvreux, 2009. All rights reserved

This research report or summary ("Research") has been prepared by Crédit Agricole Cheuvreux or one of its affiliates or branches (collectively "CA Cheuvreux") from information believed to be reliable. The opinions and projections expressed in this document are entirely those of CA Cheuvreux and are given as part of its normal research activity. CA Cheuvreux has not independently verified the information given in this document. Accordingly, no representation, guarantee or warranty, express or implied, is made as to the accuracy, completeness, correctness or fairness of this information and opinions contained in this document or the research or analysis upon which such information and opinions are based. Any opinions or estimates expressed herein reflect the judgment of CA Cheuvreux as of the date the Research was prepared and are subject to change at any time without notice. Unless otherwise stated, the information or opinions presented, or the research or analysis upon which they are based, are updated as necessary and at least annually.

Not all investment strategies are appropriate at all times, and past performance is not necessarily a guide to future performance. CA Cheuvreux recommends that independent advice should be sought, and that investors should make their own independent decisions as to whether an investment or instrument is proper or appropriate based on their own individual judgment, their risk-tolerance, and after consulting their own investment advisers.

CA Cheuvreux, its parent companies or its affiliates may effect transactions in the securities described herein for their own account or for the account of others, may have positions with the issuer thereof, or any of its affiliates, or may perform or seek to perform securities, investment banking or other services for such issuer or its affiliates. The organisational and administrative arrangements established by CA Cheuvreux for the management of conflicts of interest with respect to investment research are consistent with rules, regulations or codes applicable to the securities industry. These arrangements can be found in CA Cheuvreux's policy for managing conflicts of interest, available at www.cheuvreux.com. Current research disclosures regarding companies mentioned in this Research are also available at www.cheuvreux.com.

This Research is provided for information purposes only. It is not intended as an offer, invitation or solicitation to buy or sell any of the securities described or discussed herein and is intended for use only by those Professional Clients to whom it is made available by CA Cheuvreux. This Research is not for distribution to Retail Clients. The recipient acknowledges that, to the extent permitted by applicable securities laws and regulations, CA Cheuvreux disclaims all liability for providing this Research, and accepts no liability whatsoever for any direct, indirect or consequential loss arising from the use of this document or its contents.

1. IN THE UNITED STATES, CRÉDIT AGRICOLE CHEUVREUX NORTH AMERICA, INC. ("CAC NORTH AMERICA") SPECIFICALLY ADVISES THAT IT DID NOT PREPARE, HAS NOT CONTRIBUTED TO, HAS NOT ANALYZED, AND DOES NOT ENDORSE THIS RESEARCH. CAC North America is a SEC-registered broker-dealer, and is not an investment adviser. CAC North America does not manage assets of other entities. CAC North America does not provide investment advice, and CAC North America neither issues nor promulgates reports or analyses within the meaning of Section 202(a)(1) of the Investment Company Act of 1940, as amended. CAC North America is unable to provide any additional information of any sort regarding this Research, and can neither support or refute any of the content, opinions, estimates, or conclusions contained in the Research. CAC North America further advises that this Research is solely intended to be delivered to customers of CAC North America who qualify as "Major U.S. institutional investors" as defined in Rule 15a-6 of the Securities and Exchange Act of 1934, as amended ("CAC North America Customers"). CAC North America Customers are restricted from re-delivering the Research to any other entity, and shall be held strictly liable for any and all costs, legal fees, damages, fines, or penalties resulting from any re-delivery of the Research to persons or entities other than CAC North America Customers. The existence of this Research, or CAC North America's forwarding the Research to certain of its customers, shall not be deemed a recommendation or endorsement by CAC North America of the Research, a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed in the Research.

2. In the United Kingdom, this report is approved and/or distributed by Crédit Agricole Cheuvreux International Ltd (authorised by the Financial Services Authority ("FSA")).

3. In Italy, this Research is approved and/or distributed by Crédit Agricole Cheuvreux Italia SIM S.p.a. (regulated by CONSOB) and is not intended for circulation or distribution either to the public at large or to any other parties other than professional clients and/or qualified counterparties, as defined in Legislative Decree No.58 of 24 February 1998 as amended, and implementing Consob regulations.

4. In the Middle East, this Research is approved and/or distributed by CA Cheuvreux Middle East, based out of Dubai International Financial Centre (DIFC) and regulated by the Dubai Financial Services Authority (DFSA).

5. In Turkey, this document is based on information available to the public. CA Cheuvreux Menkul Değerler A.Ş. has spent reasonable care in verifying the accuracy and completeness of the information presented within the document and cannot be held responsible for any errors, omissions or for consequences arising from the use of this information. The information should not be construed, implicitly or explicitly, as constituting investment advice. This document is not an offer to buy or sell any of the securities discussed herein and has been prepared for the qualified representatives of our institutional investors.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW, AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. BY ACCEPTING THIS REPORT YOU AGREE TO BE BOUND BY THE FOREGOING INSTRUCTIONS.

The MSCI indexes are the exclusive property of MSCI Inc. ("MSCI"). MSCI and the MSCI index names are service mark(s) of MSCI or its affiliates and have been licensed for use for certain purposes by CA CHEUVREUX. The financial securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such financial securities. The Prospectus contains a more detailed description of the limited relationship MSCI has with CA CHEUVREUX and any related financial securities. No purchaser, seller or holder of this product, or any other person or entity, should use or refer to any MSCI trade name, trademark or service mark to sponsor, endorse, market or promote this product without first contacting MSCI to determine whether MSCI's permission is required. Under no circumstances may any person or entity claim any affiliation with MSCI without the prior written permission of MSCI.

The Dow Jones GCC Index™, or other applicable index, are calculated, distributed and marketed by Dow Jones & Company, Inc. and have been licensed for use. All content of the Dow Jones Indexes™ © 2009 Dow Jones & Company, Inc.

No part of this report may be reproduced in any manner or redistributed without the prior written permission of CA Cheuvreux.