



FTSE4Good IBEX Index Research Report

FTSE GROUP

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GROWING APPETITE FOR RESPONSIBLE INVESTMENT

Around the world, responsible investment (RI) is growing into more than just a niche market activity as environmental and social issues, in particular climate change, attract attention from an ever-broadening range of investors. The integration of what has been termed “extra-financial” analysis into existing practices, driven by an increasing realisation of the impact on company valuations that issues like climate change can make, is shifting investor’s focus to a wider range of environmental and social considerations.

A 2008 report by the European Social Investment Forum (Eurosif) estimated the European RI market to be worth 2.7 trillion euros, representing over 15% of the assets managed in Europe and a remarkable growth of 102% since the end of 2005. Another landmark and recent RI initiative, the United Nations Principles of Responsible Investment (UN-PRI) reported in August that investors representing approximately 15 trillion US dollars of assets under management had signed up to the Principles. Signatories include asset owners, asset managers and service providers. Signing these principles involves a commitment to incorporate environmental and social issues into investment decisions across all assets. The UN-PRI was launched in 2006 and has experienced a sharp growth in signatories from 20, to over 400 in the two years since launch.

RI is evolving from its position as an ethical investment proposition aimed at a niche market, to being an issue of concern to a broader mainstream investment community that recognises the need to manage social and environmental risks. In conjunction with this, there is a growing recognition by companies of the added value that good corporate responsibility can add to the bottom line (e.g. eco-efficiencies, improved brand image, etc). At the same time, the growth of environmental technology markets are also providing new attractive and sustainable investment opportunities as companies position themselves to respond to the demands of climate change.

HOW DO RESPONSIBLE INVESTMENT PRODUCTS WORK?

Whilst there are a huge range of RI products that are designed to cater to the different needs of both retail and institutional investors, traditional RI approaches can be broken down into three main categories:

- 1) **Negative Screening/Exclusions** – investors avoid investing in certain industries such as tobacco or defence according to their values
- 2) **Positive Screening** – investors choose to invest in companies that meet specific standards in environmental and social issues. These are the companies that are doing more to manage these risks and are best placed to capitalise on the benefits of good corporate responsibility (e.g. eco-efficiencies, improved brand image, etc)
- 3) **Engagement** – investors open a dialogue with company management or exercise their voting rights to encourage companies to improve their environmental and social performance

THE FTSE4GOOD APPROACH

The FTSE4Good Index Series uses a combination of all of these three approaches. For example, companies that produce tobacco and manufacture weapons are excluded from the index. There are also positive selection criteria that cover five corporate responsibility themes: environmental management, climate change, human and labour rights, supply chain labour standards and countering bribery. FTSE’s RI team carries out a programme of engagement with eligible companies to support them in their efforts to improve their corporate responsibility and meet the FTSE4Good inclusion criteria.

THE FTSE4GOOD IBEX INDEX

In April 2008, FTSE extended the FTSE4Good Index Series to include the FTSE4Good IBEX Index for the Spanish market. This was developed in conjunction with Bolsas y Mercados Españoles (BME).

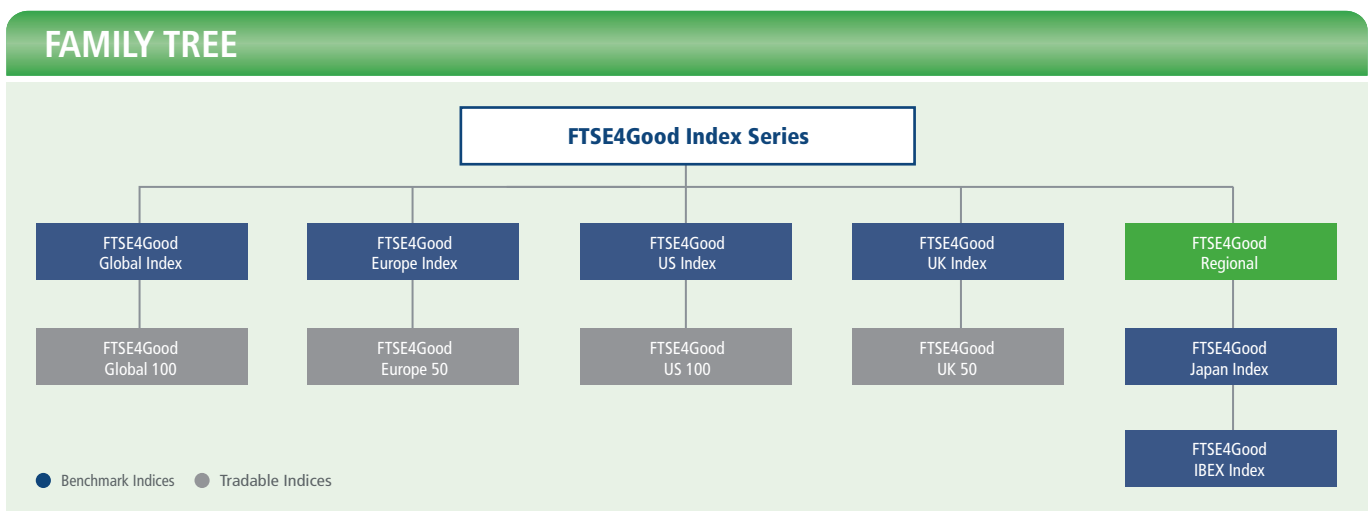
The index comprises companies in the BME's IBEX 35 Index and the FTSE Spain All Cap Index that meet the relevant FTSE4Good inclusion criteria, and are therefore, committed to good standards of practice in corporate responsibility (CR).

| COMPANY SELECTION PROCESS | | | | |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| | Eligible Universe | Excluded Sectors | Inclusion Criteria ¹ | Indices |
| Details | <ul style="list-style-type: none"> FTSE Spain All Cap Index (part of the FTSE Global Equity Index Series) IBEX 35 | <ul style="list-style-type: none"> Tobacco Producers Companies manufacturing, or testing and developing, whole weapons systems Companies manufacturing either whole, strategic parts, or platforms for nuclear weapon systems Owners or operators of nuclear power stations | <p>Environment</p> <ul style="list-style-type: none"> Environmental Management Climate Change <p>Social</p> <ul style="list-style-type: none"> Human & Labour Rights Supply Chain Labour Standards Countering Bribery | FTSE4Good IBEX Index |

Companies are assessed against the FTSE4Good IBEX inclusion criteria by our research provider, the Ethical Investment Research Service (EIRIS) and their Spanish research partner Ecodes (Fundacion Ecologia y Desarrollo).

The FTSE4Good inclusion criteria are an evolving set of CR good practice standards. By regularly enhancing the criteria, the index keeps pace with the international CR and RI agenda. They are developed using an extensive market consultation process and are shaped by a broad range of stakeholders including NGOs, governmental bodies, consultants, academics, the investment community and the corporate sector.

The inclusion criteria are fully transparent and can be downloaded at http://www.ftse.com/Indices/FTSE4Good_IBEX_Index/Downloads/FTSE4Good_IBEX_Inclusion_Criteria.pdf



MEETING THE NEEDS OF RESPONSIBLE INVESTORS

The FTSE4Good IBEX Index has CR inclusion criteria that are fully transparent and publicly available. The index can be used:

- To enable responsible investors to identify and invest in companies that meet globally recognised CR standards
- To provide asset managers with a RI benchmark and a tool for the development of RI products such as tracker funds, structured products and ETFs
- As a solution for public pension fund managers, who in future are likely to be required by Spanish law to invest 10% of public pension funds in RI
- To allow investors to capitalise on the benefits of good CR (e.g. ecoefficiencies, improved brand image, etc)
- As an engagement tool to encourage companies to be more responsible

The FTSE4Good IBEX ETF was launched by BBVA ASSET MANAGEMENT on 1 October 2008. Details can be downloaded by clicking on the following link <http://www.bbvafondos.com/BBVAGESTION/BBVAGestion/meta/popup/FTSE4GOOD.jsp>

THE EVOLUTION OF THE FTSE4GOOD INCLUSION CRITERIA

Using a market consultation process, the criteria are regularly revised to ensure that they reflect developments and trends in RI and CR. All new criteria are developed in a manner into which all key stakeholders are able to participate. This can be a lengthy process but allows FTSE to develop robust criteria that reflect international standards of good corporate practice. The five stages of this process are laid out and are overseen by the independent FTSE4Good Policy Committee.

1. Issues identified with experts (e.g. leading international organisations like the International Labour Organisation, WWF, Amnesty International, and Transparency International)
2. Focus groups to find or test potential criteria that could be used and to identify areas of consensus that different stakeholders (e.g. investors, NGOs and companies) can all support
3. Public market consultation via website on proposed criteria options
4. The results from the consultation and recommendations are given to the FTSE4Good Policy Committee which makes the final decisions and approves the final criteria
5. Criteria implementation is then carried out in a staged manner.





DELIVERING RESULTS THROUGH ACTIVE ENGAGEMENT

There is increasing focus among investors and companies around the world in the corporate management of environmental and social issues. In particular, there is a growing acceptance that these issues have a significant impact on companies' long-term success and competitive differentiation in the global marketplace. This interest is spreading across financial markets worldwide as investors seek to influence companies within their portfolios to improve their environmental and social practices. Therefore, engagement or "active ownership" is becoming a more common approach used by fund managers and asset owners to implement their RI policies. An engagement process in the form of direct communication with senior corporate executives is taken up widely by European asset managers, while proxy voting is an approach to challenge corporate governance issues that is common in the US.

As an index company, FTSE is proactively involved in engagement with companies based on the FTSE4Good inclusion criteria. As new criteria are developed FTSE directly contacts the companies in the index to explain the new standards and implementation timelines. This is then followed up by email dialogue, telephone calls and face to face meetings. By introducing criteria in phased stages it also allows companies time to reach the standards necessary to remain in the index.

The RIU engages with affected companies to improve their CR and disclosure practices to ensure that they meet criteria in the following areas:

- Publishing a clearly defined **Public Policy** which establishes broad goals and sets objectives and targets for improved performance
- Establishing **Management Systems** which define internal processes and structures to ensure policies are implemented and risks are managed effectively
- Setting up appropriate **Performance Monitoring** mechanisms to enable them to continually measure and improve their CR performance
- **Reporting** regularly to stakeholders about their impacts, policies, management systems and performance, and
- **Consulting** with key stakeholders on the above.

To facilitate this process, new criteria are phased in over time. For example, companies affected by the Climate Change Criteria launched in 2007 have been given two years to meet the full requirements, with interim 'check points' to measure progress.

Dialogue may take place with a variety of people within a company, including chairmen and chief executives, directors, investor relations officers, company secretaries, and CR and human resource managers. An important characteristic of the engagement process at FTSE is that the goals and results of engagement are measurable according to clear and transparent criteria.

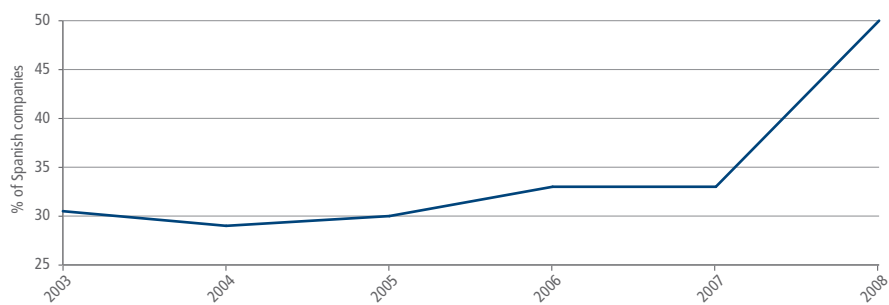
The newest FTSE4Good criteria on Climate Change are still being rolled out, but the initial responses to these requirements and past successes in implementing the environmental management, human and labour rights, countering bribery and supply chain labour standards criteria, highlight the fact that companies continue to respond positively to FTSE's engagement, and have improved practices in order to remain in the Index.

MORE SPANISH COMPANIES MEETING FTSE4GOOD ENVIRONMENTAL AND SOCIAL CRITERIA

There has been a steady increase in the number of Spanish companies in the FTSE4Good Index Series since 2001 even though more stringent inclusion criteria have been introduced throughout the lifetime of the index. These inclusions are the result of companies now meeting the inclusion requirements and are, therefore, also an indication of enhanced CR practice since launch of the FTSE4Good Index. Two key features explain this trend:

- (i) inclusion criteria that are challenging but achievable
- (ii) the role of the FTSE4Good engagement programme in helping companies meet the criteria.

% OF SPANISH COMPANIES MEETING FTSE4GOOD CRITERIA



FTSE4GOOD IBEX PERFORMANCE AND CHARACTERISTICS

PERFORMANCE TABLE (EUR CAPITAL RETURN)

| | 3M (%) | 6M (%) | YTD (%) | 12M (%) | 3YR (%) | 5YR (%) | 3YR (%pa) | 5YR (%pa) |
|--------------------------|--------|--------|---------|---------|---------|---------|-----------|-----------|
| FTSE4Good IBEX Index | -18.2 | -13.1 | -24.8 | -6.7 | 6.7 | 76.4 | 2.2 | 12.0 |
| IBEX 35 Index | -13.9 | -10.2 | -21.7 | 0.5 | 17.5 | 68.2 | 5.5 | 11.0 |
| FTSE Spain All Cap Index | -14.2 | -10.5 | -21.8 | -0.3 | 14.7 | 67.4 | 4.7 | 10.9 |
| FTSE4Good Europe | -12.2 | -12.2 | -22.3 | -16.6 | -6.1 | 23.3 | -2.1 | 4.3 |

Source: FTSE Group, data as at 31 July 2008

PERFORMANCE TABLE (EUR TOTAL RETURN)

| | 3M (%) | 6M (%) | YTD (%) | 12M (%) | 3YR (%) | 5YR (%) | 3YR (%pa) | 5YR (%pa) |
|--------------------------|--------|--------|---------|---------|---------|---------|-----------|-----------|
| FTSE4Good IBEX Index | -16.7 | -12.1 | -23.5 | -1.9 | 14.8 | 99.5 | 4.7 | 14.8 |
| IBEX 35 Index | -12.3 | -8.1 | -19.4 | 7.6 | 29.8 | 97.9 | 9.1 | 14.6 |
| FTSE Spain All Cap Index | -12.7 | -8.5 | -19.5 | 6.6 | 26.9 | 96.6 | 8.3 | 14.5 |
| FTSE4Good Europe | -10.8 | -9.6 | -19.9 | -10.6 | 4.0 | 45.1 | 1.3 | 7.7 |

Source: FTSE Group, data as at 31 July 2008

VOLATILITY TABLE (EUR TOTAL RETURN)

| | 1YR Vol (%pa)* | 3YR Vol (%pa)** | 5YR Vol (%pa)** |
|--------------------------|----------------|-----------------|-----------------|
| FTSE4Good IBEX Index | 24.0 | 16.6 | 14.6 |
| IBEX 35 Index | 24.6 | 16.0 | 14.2 |
| FTSE Spain All Cap Index | 24.0 | 15.8 | 14.0 |
| FTSE4Good Europe | 22.9 | 13.5 | 11.8 |

*Based on daily capital returns and annualised based on 260 trading days in a year

**Based on monthly total returns

Source: FTSE Group, data as at 31 July 2008

1-YEAR CORRELATION TABLE (EUR TOTAL RETURN)

| | FTSE4Good IBEX Index | IBEX 35 Index | FTSE Spain All Cap Index | FTSE4Good Europe |
|--------------------------|----------------------|---------------|--------------------------|------------------|
| FTSE4Good IBEX Index | 1.000 | 0.969 | 0.970 | 0.926 |
| IBEX 35 Index | | 1.000 | 0.999 | 0.913 |
| FTSE Spain All Cap Index | | | 1.000 | 0.917 |
| FTSE4Good Europe | | | | 1.000 |

Based on daily total returns

Source: FTSE Group, data as at 31 July 2008

3-YEAR CORRELATION TABLE (EUR TOTAL RETURN)

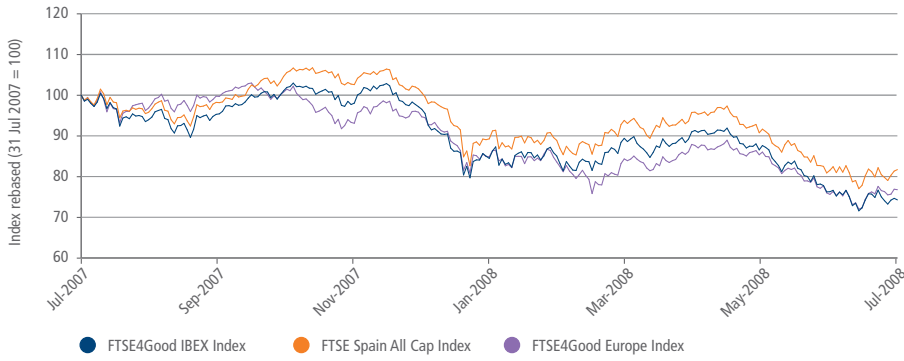
| | FTSE4Good IBEX Index | IBEX 35 Index | FTSE Spain All Cap Index | FTSE4Good Europe |
|--------------------------|----------------------|---------------|--------------------------|------------------|
| FTSE4Good IBEX Index | 1.000 | 0.966 | 0.971 | 0.833 |
| IBEX 35 Index | | 1.000 | 0.998 | 0.823 |
| FTSE Spain All Cap Index | | | 1.000 | 0.825 |
| FTSE4Good Europe | | | | 1.000 |

Based on monthly total returns

Source: FTSE Group, data as at 31 July 2008

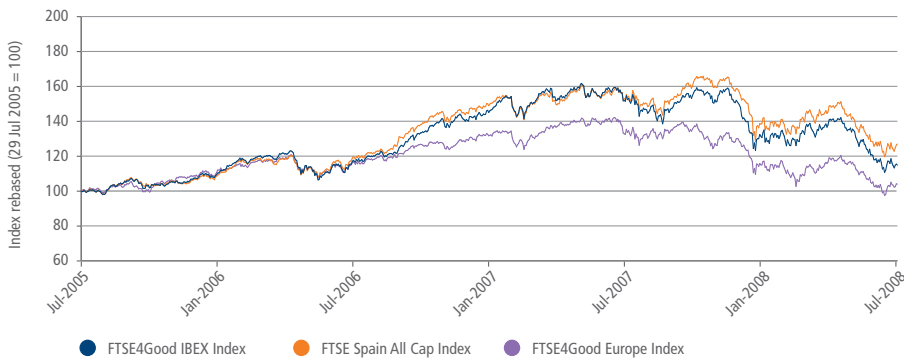


1-YEAR PERFORMANCE (EUR TOTAL RETURN)



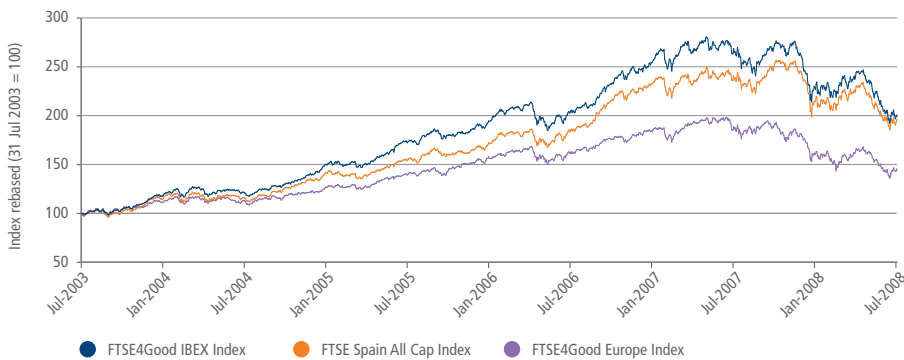
Source: FTSE Group, data as at 31 July 2008

3-YEAR PERFORMANCE (EUR TOTAL RETURN)



Source: FTSE Group, data as at 31 July 2008

5-YEAR PERFORMANCE (EUR TOTAL RETURN)



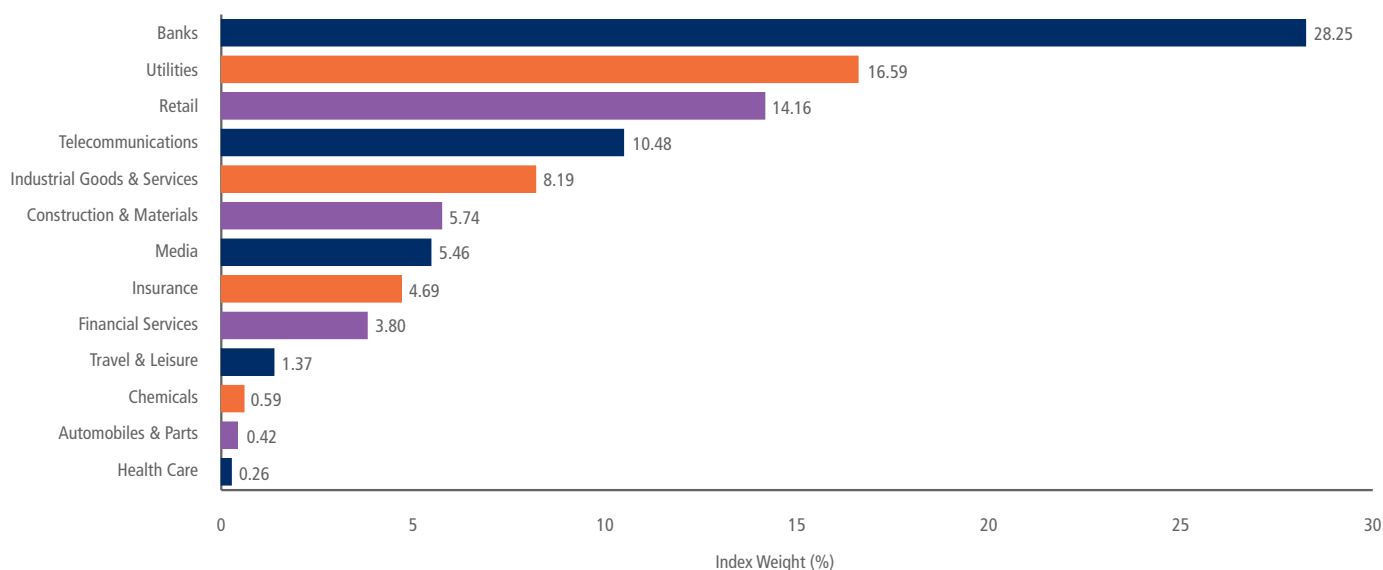
Source: FTSE Group, data as at 31 July 2008

FTSE4GOOD IBEX INDEX TOP 5 CONSTITUENTS

| Rank | Constituent Name | ICB Industry Group | Net Mkt Cap (EURm) | Index Weight (%) |
|------|---------------------------------|--------------------|--------------------|------------------|
| 1 | Banco Santander S.A. | Banks | 3,495 | 10.79 |
| 2 | Telefonica | Telecommunications | 3,393 | 10.48 |
| 3 | Banco Bilbao Vizcaya Argentaria | Banks | 2,566 | 7.92 |
| 4 | Repsol-Ypf | Oil & Gas | 2,512 | 7.76 |
| 5 | Inditex | Retail | 2,074 | 6.40 |
| | Totals | | 14,040 | 43.36 |

Source: FTSE Group and Bolsas y Mercados Españoles (BME), data as at 29 August 2008

FTSE4GOOD IBEX INDEX INDUSTRY BREAKDOWN



Source: FTSE Group and Bolsas y Mercados Españoles (BME), data as at 29 August 2008

FTSE4GOOD IBEX INDEX PORTFOLIO CHARACTERISTICS

| Attribute | Value |
|-------------------------------------------------|--------|
| Number of Constituents* | 27 |
| Net Market Cap (EURm) | 32,377 |
| Constituent Sizes: (Net Market Cap EURm) | |
| Average | 1,199 |
| Largest | 3,495 |
| Smallest | 83 |
| Median | 1,020 |
| Weight of Largest Constituent (%) | 10.79 |
| Top 10 Holdings (% Index Market Cap) | 65.88 |

Source: FTSE Group and Bolsas y Mercados Españoles (BME), data as at 29 August 2008

* This is not a fixed number of constituents

INFORMATION

INDEX UNIVERSE

FTSE Spain All Cap Index (part of the FTSE Global Equity Index Series) and the BME IBEX 35 Index

INDEX LAUNCH

9 April 2008

BASE DATE

31 December 2002

BASE VALUE

5000

INVESTABILITY SCREEN

Free float adjusted and liquidity screened

CAPPING

Any constituent whose weight is greater than 10% of the index will be capped at 10%. The weights of all lower ranking constituents are increased correspondingly.

INDEX CALCULATION

Index calculated by BME. Real-time index calculated every 15 seconds. Capital and Total Return indices are available on an end of day basis.

END-OF-DAY DISTRIBUTION

Index will be available from BME

CURRENCY

Euros

REVIEW DATES

Full review semi-annually in March and September

INDEX RULES

Available at www.ftse.com

VENDOR CODES

Bloomberg – FTSEIBEX

Reuters – IBEXFG

DATA AND PRODUCTS LICENCE

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