

MINISTRY OF FINANCE  
HOCHIMINH STOCK EXCHANGE



**HOSE**

**GROUND RULES FOR MANAGEMENT OF THE  
HOSE-INDEX SERIES-  
HOSE SUSTAINABILITY INDEX**

(In accordance to Decision No. /QĐ-SGDHCM on June 2019 by the General  
Director of HOSE)

**Version 2.0  
Ho Chi Minh City  
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## **1. INTRODUCTION**

- 1.1. The Ground rules for management of the HOSE-Index series – Sustainability Index (hereinafter referred to as “Ground Rules”) state the principles in constructing and managing The Sustainability Index of Hochiminh Stock Exchange (HOSE). The Ground Rules are a part of HOSE index series issued by HOSE. The Ground Rules are issued according to Decision No   /QĐ-SGDHCM on                      by the General Director of HOSE.
- 1.2. VNSI index is calculated as a price index, demonstrating the stock price fluctuation of VN100 constituents with the highest sustainable development score.
- 1.3. ESG Score is periodically reviewed by HOSE in every July based on the information of VN100 constituents in the review of January in the same year. Information of ESG Score reviewing can be accessed using the following link: [www.hsx.vn](http://www.hsx.vn) .

## VNSI INDEX CHARACTERISTICS

<b>Name</b>	<b>VNSI</b>
<b>Index type</b>	Price Index
<b>Index governance</b>	<ul style="list-style-type: none"> <li>- The Index Committee consult the standard construction strategy in the Code</li> <li>- HOSE grades ESG Score for listed companies in VN100.</li> <li>- HOSE is responsible for compiling rules and day-to-day management of the Index</li> </ul>
<b>Calculation Methodology</b>	Free-float adjusted market capitalization
<b>Number of constituents</b>	20
<b>Selection Criteria</b>	<ul style="list-style-type: none"> <li>- Constituents of VN100 and not included in Exclusion List.</li> <li>- Top ESG score ranking</li> </ul>
<b>Capping</b>	10%
<b>Periodic review</b>	<ul style="list-style-type: none"> <li>- Constituents changes disclosure: The third Monday of July and valid for the first Monday of August</li> <li>- Disclosure of Adjusting outstanding shares, and Free-float ratio: The third Monday of January, April, July and October and valid for the first Monday of February, May, August and November annually.</li> </ul>
<b>Calculation frequency</b>	Real-time (5s/ time)
<b>Base date</b>	21/07/2017
<b>Base value</b>	1000

## **2. INDEX MANAGEMENT**

### **2.1. The Index Committee**

Established by HOSE, The Index Committee consists of independent committee who are responsible for strategic consulting in development and maintenance of standards in the Ground Rules to satisfy the current and future demand of market; supporting HOSE in problems related to Index in order to ensure Index reliability and suitability.

The Index Committee nomination, scope of responsibility, organizational and operational principles, resolution of conflict of interest and confidentiality shall be stated in “*Operating principles of HOSE-Index Committee*”.

### **2.2. Hochiminh Stock Exchange**

HOSE sets the Ground Rules and is responsible for the day-to-day management of the index.

### **2.3. Cases not covered in Ground Rules**

In cases which are not expressly stated in the Ground Rules, HOSE reserves the right to take necessary action to ensure the best interest of the market participants.

In which case, HOSE shall notify to the Index Committee for consultation before taking such action.

The action shall not create precedent for HOSE’s future decisions

### **2.4. Amendment, supplement and withdrawal**

Ground Rules may be supplemented, amended or withdrawn in whole or in part at any time. Amendments, supplements or withdrawals may lead to changes in the way the Indices are constructed and managed or affect the indices.

HOSE will submit all decisions regarding supplementing, amending or withdrawing Ground Rules to the Index Committee within its scope of responsibility for consultation.

### **2.5. Liability**

Based on the purpose of Ground Rules and the ability of amendment, supplement or withdrawn of Ground Rules from time to time, HOSE and the Index Committee (or any individuals involved in the preparation or disclosure of Ground Rules) shall not be liable for any losses, damages, claims or expenses suffered by any individuals, institutions as a result of the followings:

- (i) Any reliance on Ground Rules or database of the constituents of the Indices, and/or ;
- (ii) Any errors or any inaccuracies in Ground Rules, and/or;
- (iii) Any errors or any inaccuracies in collecting and using data relating to determine non free-float shares, and/or;

- (iv) Any non-application or misapplication of the policies and the procedures described in Ground Rules and/or;
- (v) Any errors or inaccuracies in the compilation, calculation or any data of the constituents of the indices.

HOSE shall conduct all measures within its powers to ensure the accuracy of Ground Rules and Index constituents as well as calculating, disclosing and adjusting Indices subject to the appropriate rules.

2.6. Intellectual property right

HOSE owns all intellectual property rights to Ground Rules and the indices of VNSI including name, the composition and the calculation of the indices. Any reproduction or printing in part or in whole of this document without prior consent of HOSE are considered copyright breach and are prohibited.

2.7. Correction policy

In order to maintain the index series at the highest standard of accuracy, integrity and with the reliable data source subject to the best practice in the statistics and operation, data errors in calculation process shall be adjusted and index users shall be notified in due time. However, minor errors that do not significantly affect the accuracy of the Index shall be adjusted without notice.

2.8. Index re-calculation

The indices shall be re-calculated in case of significant errors. Index users shall be notified at the earliest time.

### **3. INITIAL INDEX CONSTRUCTION AND PERIODIC REVIEW**

3.1. Initial Index creation shall be conducted in similar steps as periodic review, without taking priority to existing constituents.

3.2. Eligible securities

Securities are eligible for inclusion in the VNSI if they are current constituents of VN100 Index, evaluated ESG score by HOSE and not included in the Exclusion list at the Rule 3.3.

Companies that are found to be in administrative violation or negative information from reliable sources of Environment, Social and Governance, depending on the seriousness, will not be eligible to participate in the index and be removed from the index as soon as the information is publicly available on the media.

3.3. Exclusions

The exclusion list includes companies classified under the GICS® standard in the following areas:

- Weapon and Defense systems.
- Alcohol
- Tobacco
- Gambling
- Pornography
- Nuclear Power
- Coal.

3.4. Review process

The annual review of the Index takes place in July. Data closing day is the last trading day in June in the same year.

3.5. Selection Methodology

- a. Stocks in eligible universe (refer to Article 3.2) shall be sorted in descending order by ESG Score evaluated by HOSE. In cases where two or more stocks have the same ESG Score, the positions of these stocks shall be ranked in priority order of market capitalization.
- b. Stocks are selected to VNSI as follows:
  - + Top 15 highest ranking stocks shall always be included in VNSI.
  - + Remaining stock ranking from 16<sup>th</sup> to 25<sup>th</sup>: Priority shall be given to existing constituents, followed by non-constituent stocks in the order till 20 stocks are selected.
- c. Reserve List
  - + Excluding selection in step 3.5.b, the 10 stocks with highest ESG score shall be assigned to Reserve List in descending order to replace outgoing constituents of VNSI.

3.6. Maintenance Requirements:

Stocks in Composition List and the Reserve List must meet the conditions of clause 3.2 to be maintained in the index. In case the stock is removed from VN100 Index, it will also be excluded from the VNSI on the effective date.

Stocks in Reserve List that do not meet the maintenance requirements will not be replaced.



#### **4. PRICE INDEX CALCULATION**

- 4.1. The VNSI is calculated based on free-float adjusted market capitalization method.
- 4.2. Formula and methodology of Index calculation can be assessed in Article 5 of Ground Rules of HOSE-Index series.

## **5. CAPPING FACTOR OF CONSTITUENT STOCK**

- 5.1. In order to reduce any concentration of a particular constituent, the market capitalization weight of constituent stocks in the index will be limited by capping.
- 5.2. The capping level is fixed at 10% for each constituent stocks.
- 5.3. Formula and principles of capping factor can be assessed in Article 7 of Ground Rules of HOSE-Index series

## 6. ADJUSTMENTS TO CONSTITUENT STOCKS

No.	Type of Adjustment	Time of Adjustment	
		Periodic review	During the period
6.1	<b>Constituent replacement</b>	In the periodic review, the components of VNSI will be determined according to the conditions of clause 3.	<ul style="list-style-type: none"> <li>- If a stock is removed from VN100 Index, it will also be excluded from the VNSI on the effective date.</li> <li>- If a stock categorized “Under monitoring” is found to be in administrative violation or negative information from reliable sources of Environment, Social and Governance, depending on the seriousness, it will be removed from the index as soon as the information is publicly available on the media</li> <li>- A stock that is removed from VNSI will be replaced by the highest-ranking stock in the Reserve List.</li> </ul>
6.2	Mergers and Acquisitions	<i>* Mergers among constituent companies</i>	
			<ul style="list-style-type: none"> <li>- The new company will remain a constituent of the index. Some relevant specification (number of outstanding shares, free-float ratio, capping factor) will be accordingly adjusted.</li> <li>- The acquired constituent will be de-listed.</li> </ul>
		<i>*A constituent company is taken over by a non-constituent company:</i>	

			<ul style="list-style-type: none"> <li>- The original company and new company from acquisition will be removed from the index.</li> <li>- The new company resulting from acquisition that meets the requirements will be included in the Index next period.</li> </ul>
6.3	<b>Spin-off</b>	<i>* The original company is eliminated.</i>	
			<ul style="list-style-type: none"> <li>- The new companies shall be removed from the Index and reviewed for the next period if it can meet the requirements</li> </ul>
		<i>* The original company is not eliminated.</i>	
			<ul style="list-style-type: none"> <li>- The original company will continue to be included in the index if it meets the requirements in Article 3.</li> <li>- The new company can be included in the next period if it meets the requirements in Article 3.</li> </ul>

## **7. DIVISOR ADJUSTMENT**

- 7.1. In case of any increase or decrease in market capitalization which is influenced by corporate actions or changes in number of constituents, not for price fluctuation, Divisor needs to be adjusted in order to maintain the continuity of the index. The principle of Divisor adjustment is to keep the index before and after adjustment the same.
- 7.2. Formula divisor adjustment can be assessed in Article 9 of Ground Rules of HOSE-Index series

## 8. INFORMATION DISCLOSURE POLICY

Changes to the indices, excepting for special cases, will be disclosed on HOSE's website ([www.hsx.vn](http://www.hsx.vn)). Time of disclosure is applied as follow:

No.	Content of disclosure	Time of disclosure
<b>A</b>	<b>Periodic review</b>	
1	Index constituent changes in review period.	The 3 <sup>rd</sup> Monday of July and the effective date will be applied on the 1 <sup>st</sup> Monday of August.
2	Changes at free-float ratios, outstanding shares, capping factors.	The 3 <sup>rd</sup> Monday in January, April, July and October and the effective date will be applied on 1 <sup>st</sup> Monday of February, May, August and November
<b>B</b>	<b>Non-periodic changes</b>	
1	Removal / Replacement of stock (discarded / replaced shares, circulating volume, capitalization limit).	At least 05 business days before the effective date of the changes.
2	Information disclosure on business events.	Methods of handling corporate events are published in accordance with the current regulations of HOSE
3	Index management policy	At least 30 days before the effective date. However, time of disclosure can be flexible if the changes do not conflict with the benefits of relevant parties.
<b>C</b>	<b>Other disclosures</b> Notices mentioned at Article 2.7, 2.8 and other announcements	To be announced as soon as possible.

## 9. CONTACT INFORMATION

For further information or any feedback regarding the VNSI, please visit our website at [www.hsx.vn](http://www.hsx.vn) or:

- The Research and Development Department of Hochiminh Stock Exchange for index construction and calculation methods.
  - The Market Information Department of Hochiminh Stock Exchange for information services.
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