Trends in the Sustainability Data Accessibility

GRI Global Conference on Sustainability and Reporting
Amsterdam, May 23, 2013
Strong Market History of S&P Dow Jones Indices and RobecoSAM are Coupled

- Since 1999; the oldest and the most widely recognized Sustainability Index
- Best-in-class methodology
- Comprehensive criteria list for company assessment, focusing on the most relevant aspects of sustainability: 600+ questions overall; approximately 120 per each industry, grouped into 20-25 criteria
- Assessments based on answers to Company Questionnaires and analytical assessments of publicly available information. Apprx 3000 companies are invited to participate
- 5.4 billion Euros in DJSI-based investment vehicles (as per 31.12.2012)
- New DJSI Diversified Index family coming soon – controlled for sector and regional exposure*

*Methodology of the DJSI Diversified Index Family is given in Appendix 2
Additionally, S&P Dow Jones Indices Offers Vast Range of S&P Sustainability Indices*

**Clean Industry**

Investments in companies which are actively developing clean technologies such as wind, water, solar

**Low Carbon**

Broad market index trackers that reward more carbon efficient companies at the expense of less carbon efficient ones; passive exposure (together with Trucost)

**ESG (Environmental, Social and Governance)**

S&P ESG Indices in India, Egypt and Pan-Arab

New broad-market weight-adjusted global S&P ESG Index to be offered later in 2013 as part of the DJSI family*

Growth of sustainability indices manifests synergy between three trends of the last decade:

- Increasing appetite towards passive investments (up to $6 trillion), particularly ETFs (up to $2 trillion as of Feb 2013, BlackRock)
- Growth of sustainable investments. UN PRI (United Nations Principles of Responsible Investments) signatories in early 2013 represented $32 trillion of assets under management, up from $22 trillion in September 2010
- Improved and expanded sustainability reporting by companies

*Full list of S&PDJI Sustainability Indices is given in Appendix 1.
**Methodology of the Global S&P ESG Index family is given in Appendix 3
Key Data Gaps During the ESG Assessment Process: Environment

### Amount of hazardous waste produced

<table>
<thead>
<tr>
<th>% of companies which do not disclose this information</th>
<th>% of companies which disclose this information</th>
</tr>
</thead>
<tbody>
<tr>
<td>11%</td>
<td>89%</td>
</tr>
</tbody>
</table>

### Greenhouse Gas Emissions Scope 1

- **Percentage of companies which do not disclose this information**: 42%
- **Percentage of companies which disclose this information**: 58%

### Greenhouse Gas Emissions Scope 2

- **Percentage of companies which do not disclose this information**: 37%
- **Percentage of companies which disclose this information**: 63%

### Water Consumption

- **Percentage of companies which do not disclose this information**: 27%
- **Percentage of companies which disclose this information**: 73%

*Source: S&P Dow Jones based on Asset4 data as of 2011*
Key Data Gaps During the ESG Assessment Process: Social, Labor Relations

Number of lost working days of the employees and contractors

- 9% of companies do not disclose this information
- 91% of companies disclose this information

Total number of injuries that caused the employees and contractors to lose at least a working day relative to one million hours worked

- 18% of companies do not disclose this information
- 82% of companies disclose this information

Number of occupational diseases or any disease caused by continued exposure to conditions inherent in a person's occupation reported relative to one million hours worked

- 4% of companies do not disclose this information
- 96% of companies disclose this information

Source: S&P Dow Jones based on Asset4 data as of 2011
Key Data Gaps During the ESG Assessment Process: Social, Community Relations

Total amount of all donations by the company:
- 38% of companies disclose this information.
- 62% of companies do not disclose this information.

Total amount of political donations, support of political candidates or contributions to parties as reported by the company:
- 13% of companies disclose this information.
- 87% of companies do not disclose this information.

The total amount of lobbying contributions made by the company or its employees and representatives during the fiscal year:
- 16% of companies disclose this information.
- 84% of companies do not disclose this information.

Source: S&P Dow Jones based on Asset4 data as of 2011
Key Data Gaps During the ESG Assessment Process: Governance

Does the company disclose the board's policy and objectives concerning remuneration for at least one key manager other than the CEO?

- Percentage of companies which do not disclose: 15%
- Percentage of companies which do disclose: 85%

The total compensation paid to all senior executives

- Percentage of companies which do not provide this information: 27%
- Percentage of companies which provide this information: 73%

Source: S&P Dow Jones based on Asset4 data as of 2011
### TOP DISCLOSURE

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Codes of Conduct Compliance</td>
<td>Reporting on breaches</td>
<td>96%</td>
</tr>
<tr>
<td>CorruptionnBribery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Checks &amp; Balances: Board Structure</td>
<td>95%</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Checks &amp; Balances: Non executive Chairman Lead Director</td>
<td>90%</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Checks &amp; Balances: Responsibilities and Committees</td>
<td>91%</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Transparency &amp; Accountability: Corporate Governance Policy</td>
<td>90%</td>
</tr>
<tr>
<td>Customer Relationship Management</td>
<td>Customer Feedback Process</td>
<td>94%</td>
</tr>
</tbody>
</table>

### BOTTOM DISCLOSURE

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupational Health and Safety</td>
<td>Lost Time Injuries Frequency Rate (LTIFR)  Contractors</td>
<td>5%</td>
</tr>
<tr>
<td>Corporate Citizenship and Philanthropy</td>
<td>Type of Philanthropic Activities</td>
<td>7%</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Awareness</td>
<td>8%</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Measuring Performance</td>
<td>6%</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Opportunities</td>
<td>5%</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Risk Exposure</td>
<td>6%</td>
</tr>
<tr>
<td>Climate Strategy</td>
<td>EXPOSURE Sensitivity Analysis</td>
<td>8%</td>
</tr>
<tr>
<td>Talent Attraction &amp; Retention</td>
<td>Balance of Variable Compensation Based on Corporate and Individual Performance</td>
<td>8%</td>
</tr>
<tr>
<td>Talent Attraction &amp; Retention</td>
<td>Payout Type of Total Performance Related Compensation</td>
<td>4%</td>
</tr>
<tr>
<td>Talent Attraction &amp; Retention</td>
<td>Trend of Employee Satisfaction</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Source: RobecoSAM; 2012 data from public disclosures*
Regional Differences in Disclosure as Observed by RobecoSAM

Companies' Public Disclosures by RobecoSAM Criteria

Source: RobecoSAM; 2012 data from public disclosures
Solutions to Deal with Sustainability Data Gaps: Company Questionnaires

- Company Questionnaires are effective and efficient tool, when they are:
  - Web-based, user friendly
  - Consistent with accepted disclosure guidelines
  - Relevant and tailored for each industry
  - Issued by a reputable company, with proper use of info guaranteed
  - Powered by a strong incentive (inclusion into DJSI)
- It is also an important engagement tool and a way to look deeper into the substance

DJSI Participation Trend

Source: RobecoSAM
Solutions to Deal with Sustainability Data Gaps: Relevance – Reliability Balance

• The purpose is to focus on those Sustainability factors that are most relevant for financial investors
• But: Not all relevant parameters are properly disclosed
• Policies and disclosures can serve as proxies for good behaviors: Matrix structure to ensure the right balance

<table>
<thead>
<tr>
<th>Type of Parameter</th>
<th>Relevance</th>
<th>Reliability</th>
<th>Measurability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>High</td>
<td>Low</td>
<td>Low/Moderate</td>
</tr>
<tr>
<td>Policies</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Transparency</td>
<td>Low/Moderate</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

• Performance indicators need to have the biggest weights
• Media & Stakeholder Analysis (MSA), based on RepRisk data accounts for controversies and companies’ response to them, provides a reality check
APPENDIX 1

S&PDJI Sustainability Indices
S&P’s Presence in the ESG Space

• ESG
  • S&P ESG India – Jan 2008
  • S&P/EGX ESG (Egypt) – Mar 2010
  • S&P/Hawkamah Pan Arab ESG – Feb 2011

• Low Carbon Beta
  • S&P U.S. Carbon Efficient – Mar 2009
  • S&P/IFCI Carbon Efficient (Emerging Markets) – Dec 2009
  • S&P/TOPIX Carbon Efficient (Japan) – Oct 2011

• Clean Industry
  • S&P/TSX Clean Technology
  • S&P Japan Eco, S&P Asia Water, S&P Asia Alternative Energy
## Dow Jones Sustainability Index (DJSI) Range

<table>
<thead>
<tr>
<th>Index</th>
<th>Components</th>
<th>Free-float market cap</th>
<th>Weighted by Sustainability Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DJSI World</strong></td>
<td>340</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI World Enlarged</td>
<td>592</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI World ex US</td>
<td>278</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI World 80</td>
<td>80</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI World ex US 80</td>
<td>80</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>DJSI Europe</strong></td>
<td>166</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI Eurozone</td>
<td>96</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI Europe 40</td>
<td>40</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI Eurozone 40</td>
<td>40</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>DJSI North America</strong></td>
<td>140</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI United States</td>
<td>117</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI North America 40</td>
<td>40</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI United States 40</td>
<td>40</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>DJSI Asia Pacific</strong></td>
<td>154</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI Asia Pacific 40</td>
<td>40</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>DJSI Emerging Markets</strong></td>
<td>69</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI Japan 40</td>
<td>40</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>DJSI Korea</strong></td>
<td>52</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>DJSI Korea 20</td>
<td>20</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>
DJSI Assessment Universe 2012

- **Number of invited companies**
  - Total number of invited companies = 3,208
    - DJSI World Universe = 2,500
    - DJSI Europe Universe = 600
    - DJSI North America Universe = 600
    - DJSI Asia Pacific = 600
    - DJSI Korea = 200

- **Number of assessed companies**
  - Total number of companies analyzed = 1,544
    - Completed questionnaires = 790
    - Completed assessments based exclusively on public information = 754
## Sustainability Indices in the DJSI Product Range Designed to Meet Various Investor Needs

### Sustainability Indices by S&PDJI and RobecoSAM

<table>
<thead>
<tr>
<th>Topic</th>
<th>DJSI World (Since 1999)</th>
<th>DJSI World Diversified (Planned in May 2013)*</th>
<th>Global S&amp;P ESG (Planned in October 2013)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability Approach</td>
<td>Best-in-class per sector</td>
<td>Best-in-class per country &amp; sector</td>
<td>ESG tilt</td>
</tr>
<tr>
<td>Starting universe</td>
<td>Largest 2500 companies in S&amp;P BMI</td>
<td>Largest 2500 companies in S&amp;P BMI</td>
<td>S&amp;P Benchmarks; Slicable and Customizable</td>
</tr>
<tr>
<td>Eligible universe</td>
<td>Companies that score at least 50% of sector leader</td>
<td>Top 50% of all companies with a score</td>
<td>All components</td>
</tr>
<tr>
<td>Selection rule</td>
<td>Top 10% per sector &amp; top 15% MCAP</td>
<td>Top 33% MCAP</td>
<td>None</td>
</tr>
<tr>
<td>Deviation from benchmark</td>
<td>Higher tracking error</td>
<td>Lower tracking error</td>
<td>Moderate tracking error</td>
</tr>
<tr>
<td>Number of components</td>
<td>340</td>
<td>672</td>
<td>Fixed (i.e. 60, 500, 350, etc.)</td>
</tr>
<tr>
<td>Target audience</td>
<td>Active Managers, Sustainability Purists, Companies</td>
<td>Passive Managers</td>
<td>Sell Side; Passive Managers</td>
</tr>
<tr>
<td>Assessment</td>
<td>RobecoSAM CSA</td>
<td>RobecoSAM CSA</td>
<td>RobecoSAM CSA</td>
</tr>
<tr>
<td>Weighting Scheme based on companies’</td>
<td>MCAP</td>
<td>MCAP</td>
<td>ESG Score</td>
</tr>
</tbody>
</table>

*The indices are not yet in existence; the information is being back-tested*
Methodology of the DJSI Diversified Index Family
New: DJSI Diversified Family Will Be Launched Soon Aiming for Better Control of the Risk Profile

- Because of the regional biases and high tracking error, investability of the DJSI is limited. The family is being expanded to meet investors’ needs.

- The objective of the DJSI Diversified family is to provide a similar performance measurement as the S&P Global Broad market Index (BMI) and its regional subsets, with a higher concentration on sustainability leaders.

- The DJSI Diversified selects the most sustainable companies from the global or regional S&P BMI universe while ensuring the minimal country, industry or size biases relative to the S&P Global BMI benchmark.

- Tracking error is negligible: Each of the resulting DJSI Diversified indices closely tracks its respective S&P BMI benchmark in terms of risk-return profile while also ensuring high sustainability standards.

- The DJSI World Diversified covers 26 developed market and 20 emerging market countries and replicates the regional and industry allocation of the S&P BMI while taking sustainability performance into account.

- The DJSI World Diversified is further broken down into regional and local subsets, which automatically inherit the unbiased country and industry allocations from the DJSI World Diversified.

- All DJSI Diversified indices are calculated in both price and total-return in EUR and USD versions and are disseminated in real-time.

- Companies are analyzed using the same RobecoSAM’s Corporate Sustainability Assessment (CSA) methodology.

- The resulting numbers of components will be decided within one week.

- We plan to launch the DJSI Diversified Family in mid-May 2013.
Construction of DJSI World Diversified Index Family

**DJSI Diversified Starting Universe**
S&P Global BMI  
(approx 10,000 companies)

**Assessed Universe**
Companies analyzed based on RobecoSAM Corporate Sustainability Assessment  
(approx 2,600 companies)

**Eligible Universe**
Companies’ Total Sustainability Scores are converted into relative scores for industry and market cap peer groups. The eligible universe consists of the top 50% of the assessed companies and whose absolute Total Sustainability Score meets a minimum threshold.  
(approx 1,300 companies)

**DJSI World Diversified**
Unbiased selection of most sustainable companies totaling 33% of the free float market capitalization of the starting universe per country and GICS Sector  
(690 components)

- **DJSI Emerging Markets Diversified**  
  (xxx components)
- **DJSI Developed Markets Diversified**  
  (xxx components)
- **DJSI Europe Diversified**  
  (xxx components)
- **DJSI Americas Diversified**  
  (xxx components)
- **DJSI APAC Diversified**  
  (xxx components)

**Regional Subsets**

The indices are not yet in existence; the information is being finalized and back-tested.
APPENDIX 3

Methodology of the Global S&P ESG Index Family
Coming Soon: New Broad Market Weight-Adjusted Global ESG Index Family

- At a later stage, may include S&P Global Large-Mid Cap BMI (2700 stocks)
- Based on analytical tilt, i.e., re-weighting of the underlying index constituents, where ESG scores are used as weighting factors
- Fully transparent and condensed list of criteria and key scoring policies
- Based on RobecoSAM CSA process: information is either provided by companies and checked by analysts, or collected by analysts. Universal scoring method for all companies irrespectively of the source of data allowing to neutralize potential biases (“As available” assessment methodology, with minimum checklist ensured)
- To be complemented by the data from Asset4, CDP and GMI Ratings
- Planned to be launched in Q4 2013
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