Sustainability Investing – Measuring Intangibles

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Head Indexes
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Introduction to SAM

- Investment boutique focused exclusively on Sustainability Investing since 1995
- Offering complementary capabilities to Sustainability Investing
- Powering Dow Jones Sustainability Indexes since 1999
- Member of Robeco
- EUR 8.8 billion total assets (as per 31.12.2011)
- Servicing a global and diversified client base
- Approximately 100 employees based in Zurich, Switzerland
Corporate Sustainability and Sustainability Investing

Corporate sustainability ...
... is a business approach to create long-term shareholder value by seizing the opportunities and managing the risks that stem from sustainability trends and challenges.

Sustainability investing ...
... is a long-term investment approach that integrates economic, environmental and social considerations in the selection and retention of investments.

→ The aim of sustainability investing is creating alpha
Companies are in the Lead – Investors will close the gap

“93% of CEOs believe that sustainability issues will be critical to the future success of their business.”

“We believe that companies which take environmental, social and governance issues into account in their operations will benefit from this in the longer term”
Tomas Hildebrandt
Senior Portfolio Manager
Evli Investment Management Co. Ltd.
Sustainability Integrated in All Investment Products

Indexes
- Core
- Themes (Customized)

Asset Management
- Core
- Themes

Private Equity
- Clean Tech
- Timber

Core Active
- Broad
- Blue Chip
- Single Themes
- Multi-Theme

DJSI
- DJSI Asia-Pacific
- Global
- European
- Water
- Energy
- Materials
- Healthy Living
- Climate
- Agribusiness
Measuring Sustainability
SAM Corporate Sustainability Assessment

Assessment: ~3000 Companies annually (58 sectors)
3 dimensions / 20 criteria / 130 questions > 1000 data points

**Environmental Dimension**
- Climate Strategy
- Water-related Risks
- Environmental Management System
- Environmental Performance
- Product Stewardship
- ...

**Social Dimension**
- Talent Attraction & Retention
- Human Capital Development
- Occupational Health & Safety
- Stakeholder Engagement
- Human Rights
- ...

**Economic Dimension**
- Corporate Governance
- Code of Conduct, Compliance
- Risk & Crisis Management
- Customer Relationship Management
- Innovation Management
- ...

E S E (G)
SAM Corporate Sustainability Assessment

One of the largest proprietary database worldwide

Information Gathering

- Web-based questionnaire
- Company documents
- Company interactions
- Media & Stakeholder analysis
- SAM Network (e.g. experts, NGOs)

SAM Corporate Sustainability Database

Corporate Sustainability Scores

Key input factor for investment universes for:
SAM Benchmarking Scorecard as Broad Engagement

Corporate Sustainability Assessment Results

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Company Score</th>
<th>Average Score</th>
<th>Best Score</th>
<th>Lowest Score DJSI World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Scores:</td>
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<td>Total Score</td>
<td>78</td>
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<td>Economic Dimension</td>
<td>86</td>
<td>61</td>
<td>93</td>
<td>79</td>
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<tr>
<td>Environmental Dimension</td>
<td>77</td>
<td>58</td>
<td>93</td>
<td>75</td>
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<tr>
<td>Social Dimension</td>
<td>73</td>
<td>54</td>
<td>88</td>
<td>73</td>
</tr>
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</table>

Criteria Scores:

Economic Dimension

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Company Score</th>
<th>Average Score</th>
<th>Best Score</th>
<th>Lowest Score DJSI World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Codes of Conduct/Compliance/Corruption&amp;Bribery</td>
<td>89</td>
<td>67</td>
<td>92</td>
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<tr>
<td>Corporate Governance</td>
<td>84</td>
<td>68</td>
<td>89</td>
<td>69</td>
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<tr>
<td>Customer Relationship Management</td>
<td>66</td>
<td>58</td>
<td>91</td>
<td>66</td>
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<tr>
<td>Innovation Management</td>
<td>80</td>
<td>40</td>
<td>94</td>
<td>68</td>
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<tr>
<td>Risk &amp; Crisis Management</td>
<td>97</td>
<td>65</td>
<td>100</td>
<td>72</td>
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</table>

Environmental Dimension

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Company Score</th>
<th>Average Score</th>
<th>Best Score</th>
<th>Lowest Score DJSI World</th>
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</thead>
<tbody>
<tr>
<td>Climate Strategy</td>
<td>88</td>
<td>49</td>
<td>100</td>
<td>72</td>
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<tr>
<td>Environmental Policy/Management System</td>
<td>93</td>
<td>79</td>
<td>100</td>
<td>93</td>
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<tr>
<td>Environmental reporting</td>
<td>78</td>
<td>65</td>
<td>99</td>
<td>74</td>
</tr>
<tr>
<td>Genetically Modified Organisms</td>
<td>100</td>
<td>89</td>
<td>100</td>
<td>65</td>
</tr>
</tbody>
</table>
Participation Trend

Participation of Companies in DJSI has been Constantly Increasing Over the Years

Source: SAM
Transmission Of Non-financials to Financial Performance

**Economic Criteria**
- Corporate governance
- Risk & crisis management
- CRM
- etc.

**Environmental Criteria**
- Operational eco-efficiency
- Climate strategy
- Product stewardship
- etc.

**Social Criteria**
- Human capital development
- Stakeholder engagement
- Supply chain management
- etc.
DJSI - #1 Corporate Responsibility Benchmark in the World

How credible do you find the following ratings and rankings to be? Only rate the ratings and rankings that you are familiar with.

<table>
<thead>
<tr>
<th>Rating and Ranking</th>
<th>High Credibility</th>
<th>Medium Credibility</th>
<th>Low Credibility</th>
<th>Don't Know/Not Applicable</th>
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<tbody>
<tr>
<td>Dow Jones Sustainability Index</td>
<td>48</td>
<td>19</td>
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<tr>
<td>Carbon Disclosure Project Leadership Index</td>
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<td>FTSE4Good Index Series</td>
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<tr>
<td>Global 100 Most Sustainable Corporations</td>
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<tr>
<td>Bloomberg SRI</td>
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<tr>
<td>Fortune's Most Admired Companies</td>
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<td>21</td>
<td>20</td>
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<td>Newsweek's Green Rankings</td>
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<tr>
<td>KLD 400 Social Index</td>
<td>12</td>
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<td>6</td>
<td>75</td>
</tr>
<tr>
<td>CRO's 100 Best Corporate Citizens</td>
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<td>10</td>
<td>9</td>
<td>71</td>
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<td>Oekom Corporate Ratings</td>
<td>10</td>
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<td>5</td>
<td>77</td>
</tr>
</tbody>
</table>

High Credibility | Medium Credibility | Low Credibility | Don't Know/Not Applicable
Sustainability Investing: The DJSI Index Family
Dow Jones Sustainability Indexes (DJSI)

Overview

• Cooperation with Dow Jones Indexes for the publication and licensing of the DJSI, since 1999.

• Integrated assessment of economic, environmental and social criteria with a strong focus on long-term shareholder value.

• Rules-based methodology and use of primary research.

• Focus on best-in-class companies. Yearly review of component selection and continuous monitoring of companies.

• Broad family of geographic benchmarks.

• 5.6 billion USD in DJSI-based investment vehicles (as per 31.12.2011).

• Assurance of the assessment process by Deloitte.
## DJSI Assessment and Selection Process

### DJSI World
- **2,500 largest companies of the Dow Jones Total Global Stock Market Index**
- **58 DJSI Sectors**
- **52 Countries**
- Selection of top 10% in terms of Sustainability in each sector
- 15% target market cap coverage in each super sector

### DJSI Europe
- **600 largest European companies of the Dow Jones Total Global Stock Market Index**
- **54 DJSI Sectors**
- **16 Countries**
- Selection of top 20% in terms of Sustainability in each sector
- 45% target market cap coverage in each super sector

### DJSI North America
- **600 largest North American companies of the Dow Jones Total Global Stock Market Index**
- **56 DJSI Sectors**
- **2 Countries**
- Selection of top 20% in terms of Sustainability in each sector
- 45% target market cap coverage in each super sector

### DJSI Asia Pacific
- **600 largest companies from Asia/Pacific* of the Dow Jones Total Global Stock Market Index**
- **55 DJSI Sectors**
- **7 Countries**
- Selection of top 20% in terms of Sustainability in each sector
- 45% target market cap coverage in each super sector

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*600 largest companies from South Korea, Australia, New Zealand, Japan, Hong Kong, Taiwan, and Singapore
Figures as of launch September 19, 2011

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*45% target market cap coverage in each super sector

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*30 Countries
Review 2011: 41 ADD / 23 DEL

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*15 Countries
Review 2011: 21 ADD / 13 DEL

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*2 Countries
Review 2011: 20 ADD / 12 DEL

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*52 Countries
Review 2011: 41 ADD / 23 DEL

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*30 Countries
Review 2011: 41 ADD / 23 DEL

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*15 Countries
Review 2011: 21 ADD / 13 DEL

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*2 Countries
Review 2011: 20 ADD / 12 DEL

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*52 Countries
Review 2011: 41 ADD / 23 DEL

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*30 Countries
Review 2011: 41 ADD / 23 DEL

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*15 Countries
Review 2011: 21 ADD / 13 DEL
DJSI World – Performance

Since Launch, 08/99 – 05/12 (EUR, Total Return)

Dow Jones Sustainability World Index (in EUR, TR)
MSCI World (in EUR, TR)
Indexes - Investment Vehicles

- Branded Index-Replication Fund
- Pension Fund
- Enhanced Replication Fund
- Structured Product
- Branded Actively-Managed Fund
- Actively/Passively-Managed Separate Account
- Exchange Traded Fund (Replication/Representative Sampling)
Services provided to Licensees – Analytics

The Analytics provided by SAM’s partner S&P Dow Jones Indexes include:

- Performance Overviews and Statistics
- Risk and Risk / Return Analysis
- Rolling Correlation Statistic
- Other Statistics (Sharpe Ratio, Standard Deviation, Tracking Error, Information Ratio etc.)

Source: http://www.djindexes.com/mdsidx/downloads/analytics_info/Dow_Jones_Sustainability_Indexes_Analytics.pdf
Conclusion
Conclusion

- SAM uses an integrated sustainability research approach that integrates ESG factors into the financial analysis of companies.
- Key idea is to research ESG factors that can impact the long term business success of a company.
- Objective standardized research approach covering over 3000 large and mid-caps globally.
- Broad variety of investment solutions including private equity, active funds and investable indexes covering all global regions.
- Index based investment products are available in the form of certificates, structured products and ETFs.
SAM Indexes

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