

DJSI 2016 Results Webcast

September 2016



Agenda

General Review & Developments 2016

- Manjit Jus, Head of Sustainability Application & Operations
- Christopher Greenwald, Head of Sustainability Investing Research

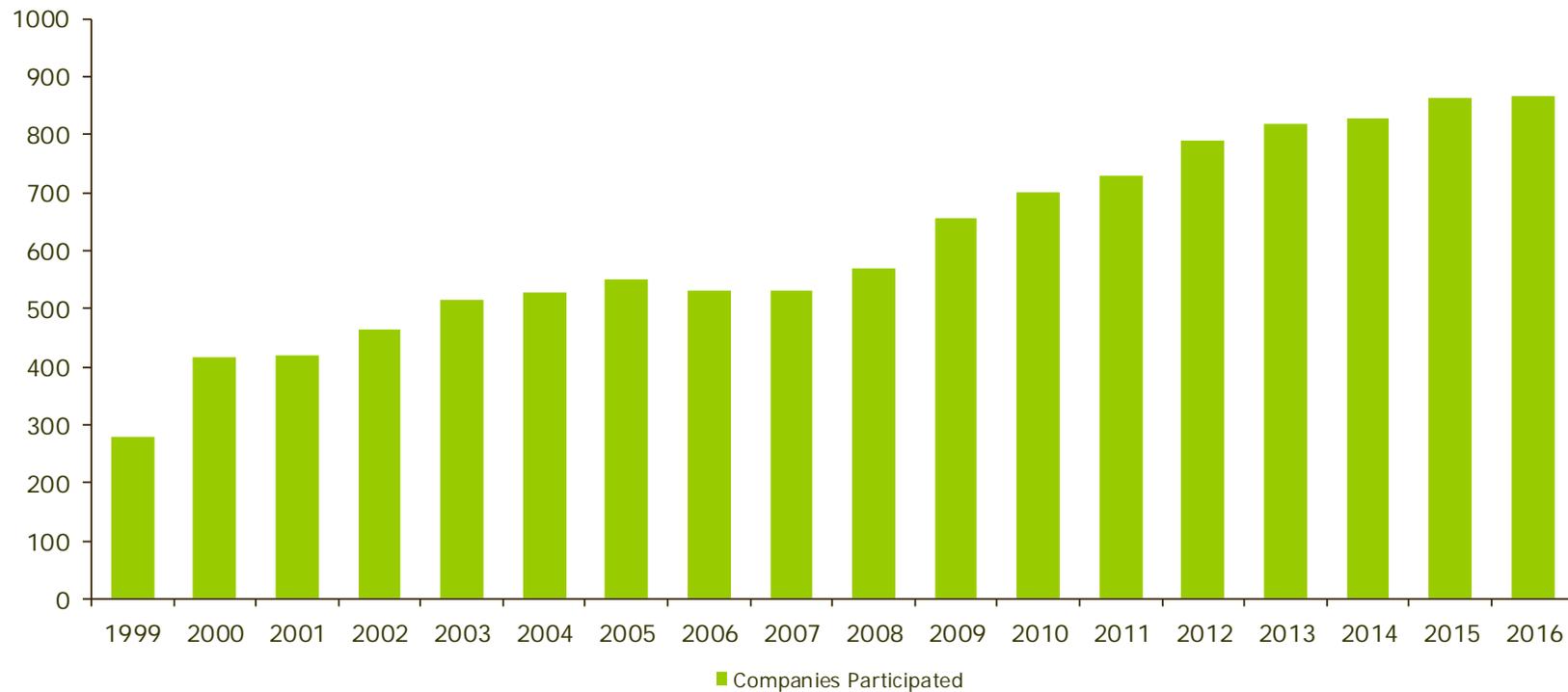
Methodology Review & CSA Findings

- Rashila Kerai, Analyst Sustainability Investing Research
- Christopher Greenwald, Head of SI Research

DJSI 2016 Review

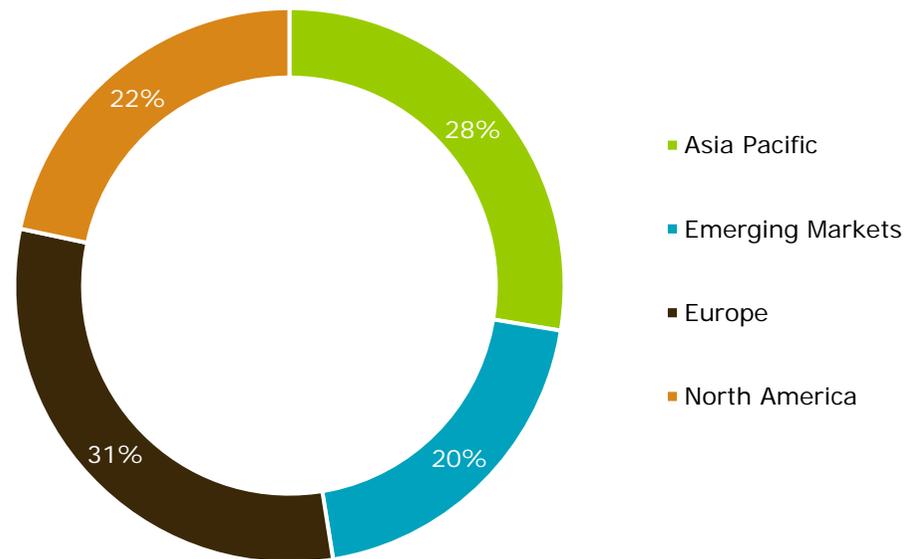
RobecoSAM CSA: Participation Trend

Increasing participation of companies in DJSI over the years

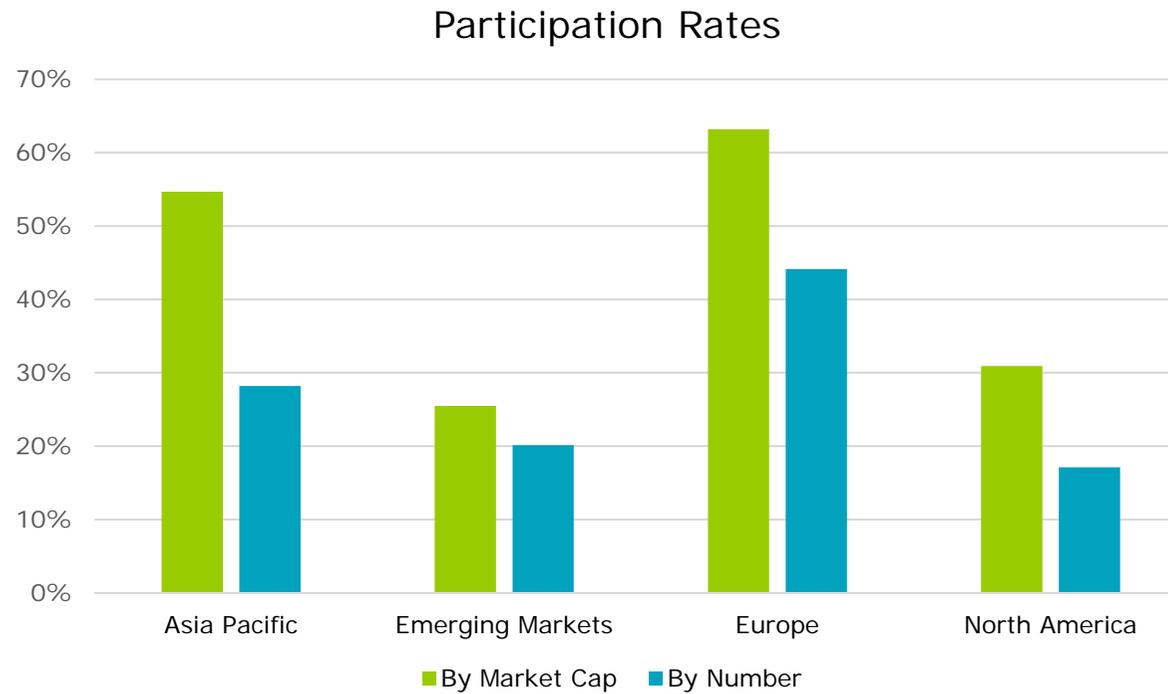


Regional Break Down of Participating Companies

Breakdown of Participating Companies



Participation Rates by Region



Major Developments in 2016

Methodology

- Methodology review of financial materiality of Corporate Sustainability Assessment (CSA) criteria
- Industry-based approach to reviewing sustainability topics and trends
- Introduction of new criteria "Materiality", "Impact Measurement & Valuation", new questions on human rights

Other developments

- Announcement of collaboration with Bloomberg to make the results of the CSA more transparent and relevant to the broader investment community
- Extended use of CSA information for other index products

Upcoming Developments

September 20, 2016

- Publishing of selected percentile rankings on Bloomberg at the total and dimension levels (criterion-level information to be published by the end of 2016).
- Information will be the same as presented on the Company Benchmarking Scorecard
- Companies will have access to the percentile ranks within their industry through the online assessment portal – <https://assessments.robecosam.com>
- Companies that have not participated in the assessment will be able to access scorecards, if they have been assessed by RobecoSAM using publicly available information.

DJSI / CSA and Use of the Data

DJSI Family of products

- **DJSI World Family, DJSI Diversified Family, DJSI Emerging Markets**
- \$6.6 Billion in Index Licenses

S&P Long-Term Value Creation Index (LTVC)

- Launched in January 2016 with Canadian Pension Plan Investment Board (CPPIB) using the Economic Dimension Score and S&P Quality Score

S&P ESG Index Family

- S&P 500, S&P Europe 350, ASX 200, Topix 150

S&P / JPX Human Capital Index

Robeco Asset Management

- Over €80 Billion of assets integrating CSA Scores

Bloomberg: Publication of Scores

- 12,000+ active users of ESG Data
- Additional information to be published by the end of 2016

**New Methodology
Review & CSA Findings
- Materiality**

New Materiality Criterion

Question on material issues and the sources of long-term value creation

- Developed in Collaboration with the Canadian Pension Plan Investment Board (CPPIB)
- Long Term Value Creation Initiative – To promote better reporting on long-term sources of value creation
- No Longer in “Environmental Reporting” and “Social Reporting” criteria
- **2 Questions**
 - Material issues, business case, metrics / KPIS, time frame and executive incentives
 - Disclosure question on materiality analysis and reporting on targets / progress

Question on Material Issues

Most Material Issues

- Neutral with regard to issues, but should be something that is **driving value**
- Did not accept: Financial results, market share gain, acquisitions, general economic conditions

Business Case

- Should explain **business relevance of the issue** not societal relevance.
- How does the issue impact the company? (Revenue, cost, risk)

Metrics / Targets

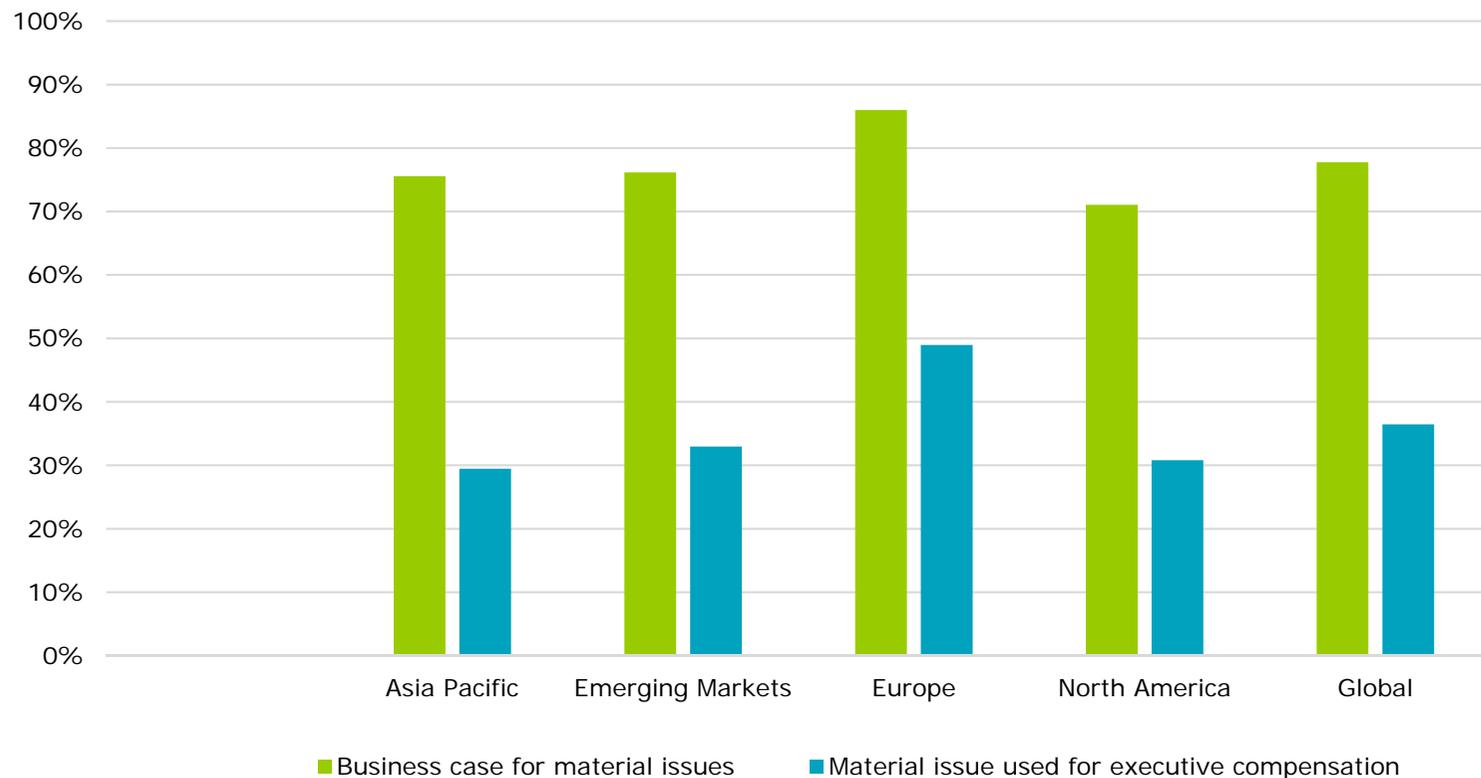
- Can be qualitative or quantitative, relevant to the issue and measurable

Link to Executive Compensation

- Should be **specifically linked to the issue**
- Should be clear which executives are compensated / at what level

Business Case vs. Executive Compensation

While most companies make clear links between their material issues and their key business drivers, few companies integrate these into the long-term incentives for executives.



Materiality Reporting

Expectations for the Question

- A **clear description** of the process for identifying material issues. This should ideally include the process of engaging stakeholders and collecting and evaluating their feedback.
- Evidence that the company has also involved **external stakeholders** in the materiality process.
- **Prioritization** of the most material issues, either a materiality matrix or some other format.
- Reporting **on targets and progress**. This may change from year to year, but it should be clear to stakeholders what the focus areas are and where the most resources need to be invested.
- **Alignment of most material issues and public disclosure**. There should be a consistency in most material issues and those in the public reporting.

Impact Measurement & Valuation

Impact Measurement & Valuation

New criterion introduced in 2016

- Applied to approximately 1/3 of the industries

2 main themes covered:

Business Programs for Social Needs

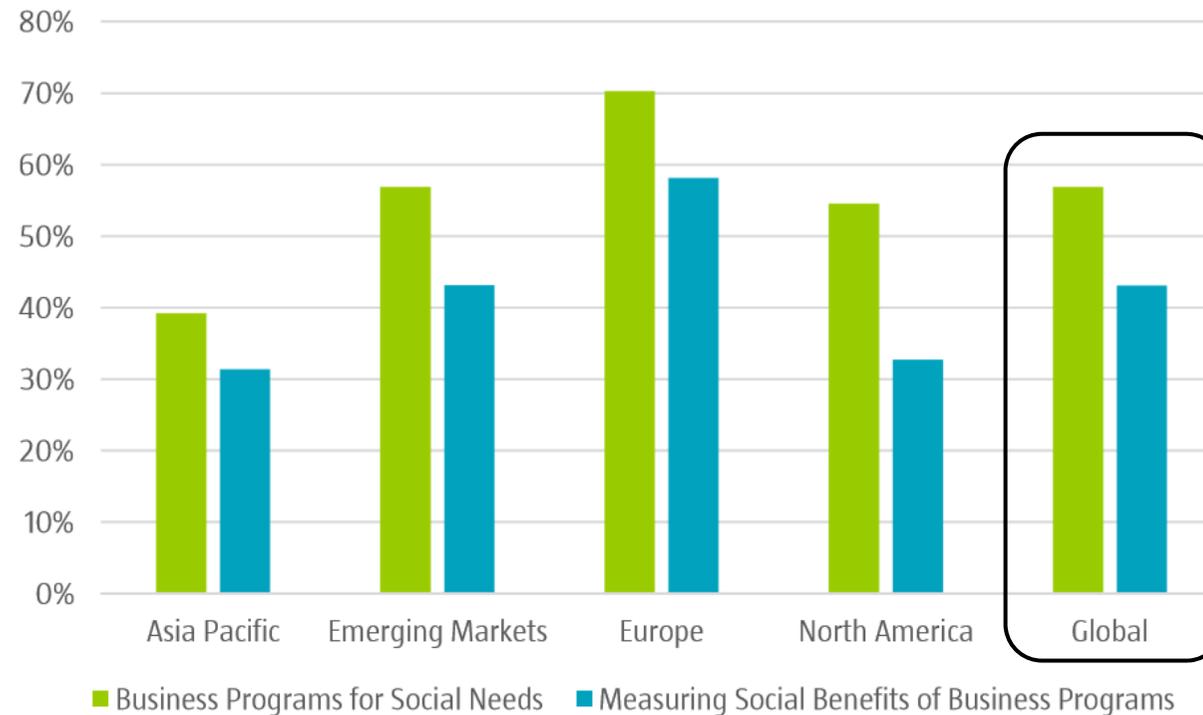
- Business Program for Social Needs
- Measuring Social Benefits
- Disclosure

Impact Valuation

- Impact Valuation
- Type of Valuation
- Disclosure

Business Programs for Social Needs

Increasingly, companies are developing products and services to address social needs. Fewer companies are actually measuring the benefits derived from the programs.



Business Programs for Social Needs

What we were looking for:

- Company wide approach
- Active ongoing programs that generate business value through addressing social needs
- Clear measurable business benefits
- Meeting a clear societal need

What we did not accept:

- Philanthropy programs (e.g. donations, volunteering)
- Legal requirements to obtain permits
- Corporate reputation or social license to operate
- Main business benefit was operational efficiency (e.g. waste reduction)

Measuring Social Benefits

This question was only accepted if the previous question “Business Programs for Social Needs” was accepted.

What we were looking for:

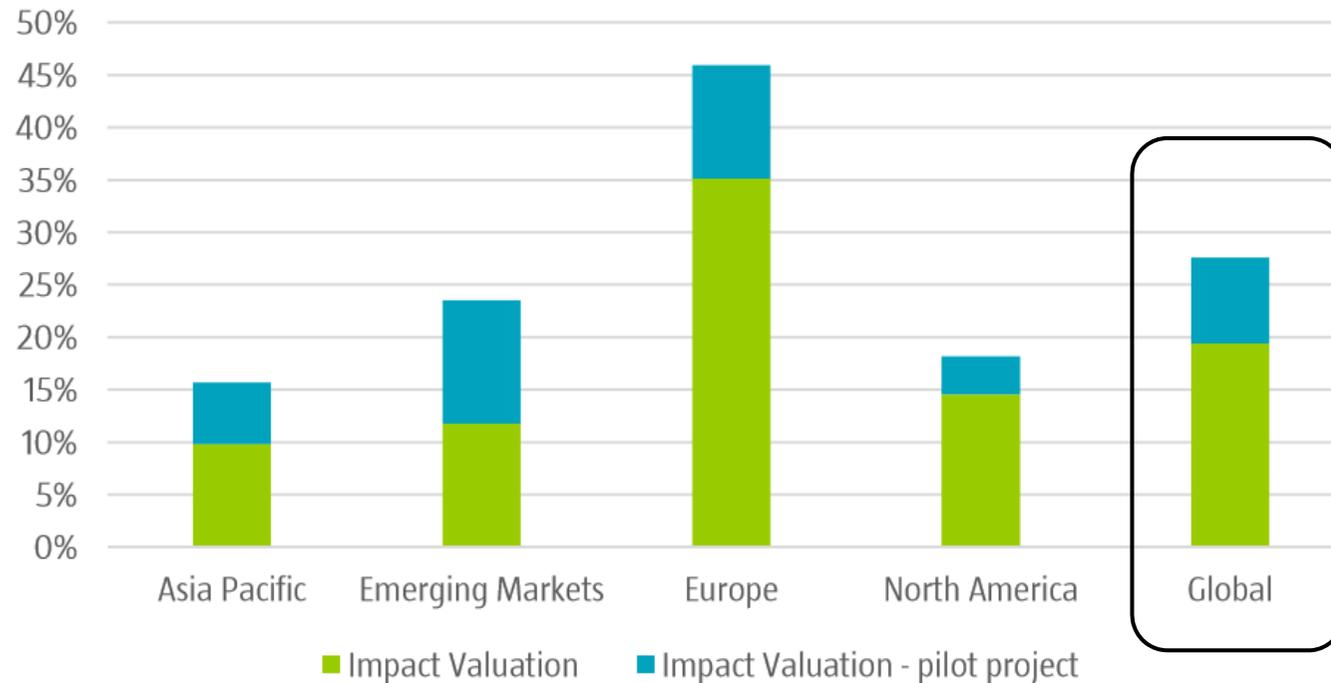
- Metrics to track delivered benefits

What we did not accept:

- Skills improvement of company workforce
- Measuring community engagement
- Metric relates only to business benefit (amount of products sold /distributed)

Impact Valuation

Very few companies are able to measure their impact on society and the environment but companies are beginning to explore new methodologies to do so.



Impact Valuation

What we were looking for:

- Company wide approach
 - Active ongoing programs
 - Externalities have been identified and valued
 - Explanation of methodology or results
-
- If pilot testing or developing methodologies, indication of current status and expected completion was needed.

Impact Valuation

What we accepted:

- Social/ environmental profit loss statements
- Application of existing methodologies such as True Value, TIMM, Social Return on Investment
- Pilot testing of frameworks like the Natural or Social Capital Protocol
- Shadow pricing (for example of carbon) for internal decision making

What we did not accept:

- Footprint (consumption, emissions, raw materials, product toxicity, area rehabilitated)
- Donations to social, community, or philanthropy projects
- Capital or operating expenditures to improve operational efficiency
- Revenues from “more sustainable” products and services
- Classical Environmental Social Impact Assessments

Valuation Type

We only accepted this question if we accepted the previous question “Impact Valuation” – with sufficient evidence that impacts are being valued.

What we were looking for:

- Evidence of valuation, preferably monetized

What we did not accept:

- Unrelated to information provided in Impact Valuation question
- CAPEX/OPEX for operational efficiency
- Increase in amount recycled, or collected for recycling
- Number suppliers assessed / certified
- Philanthropy related

Labor Practice Indicators & Human Rights

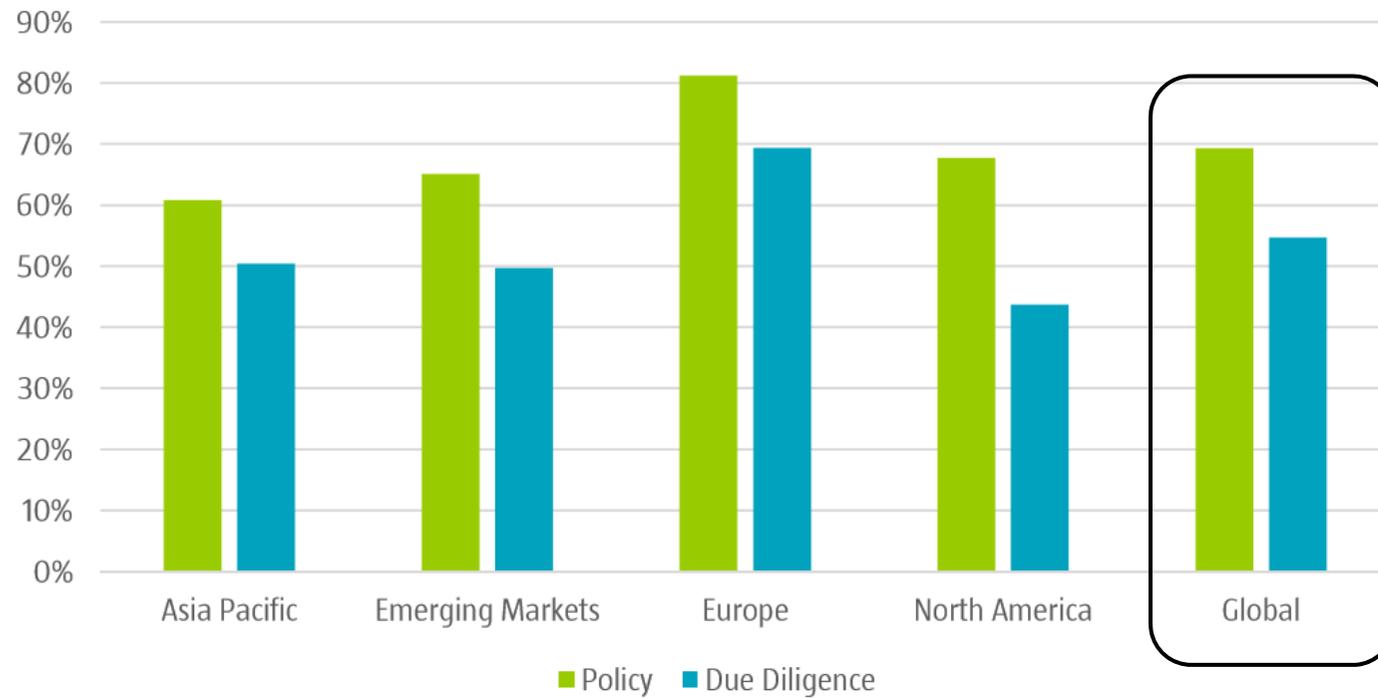
Labor Practice Indicators & Human Rights

Expanded criterion in 2016

- Move from assessing whether companies have basic human rights commitments to systematically assessing proactive approach to identifying and managing risks related to human rights
- **4 questions**
 - Commitment
 - Due diligence process
 - Assessment
 - Disclosure

Human Rights

Majority of companies have human rights policies, but do not have due diligence processes in place.



Human Rights - Commitment

What we were looking for:

- Company specific that is company-wide
- Explicit commitments in codes of conduct, other policy documents, suppliers policy
- In line with internationally accepted frameworks (UN Global Compact, ILO, OECD)
- Coverage of commitment with supporting evidence

What we did not accept:

- Brief statements recognizing human rights
- Commitment to UN Global Compact with no other supporting statements
- UN Global Compact update letters
- Coverage of commitment without any supporting evidence
- Only participation in industry-specific initiatives

Human Rights – Due Diligence

What we were looking for:

- Evidence of a proactive process to identify and mitigate human rights risks
- Evidence that due diligence is being conducted:
 - Identification of potential issues
 - Specific vulnerable groups
 - Mitigation actions
 - Monitoring

What we did not accept:

- Passive systems such as whistle-blower or hotlines
- Inclusion only in enterprise risk management
- Employee evaluations
- Communication and training

Human Rights – Assessment

What we were looking for:

- Evidence of proactive investigation into potential human rights issues across all business activities
- Recent investigations (within 3 years)
- Extent of the business activities assessed
- Where assessed, the portion that is at risk
- Where there is risk, the portion with mitigation plans in place
- Which vulnerable groups were included in the assessment

What we did not accept:

- Inclusion only in enterprise risk management
- Reference to external studies
- Employee evaluations
- Employee surveys
- 100% for business activities if only direct operations assessed

Developments for 2017

Key focus areas:

- Review of alignment of CSA with other public reporting standards (e.g. GRI)
- Further development of Impact Measurement & Valuation
 - Extending to additional industries
 - Further alignment with Sustainable Development Goals
- Improvements based on feedback and discussions with companies

Questions?

Contact us:

RobecoSAM DJSI Helpline

+41 44 653 10 30

assessments@robecosam.com

Visit our brand new CSA website:

www.robecosam.com/CSA

Read our annual “Scoring & Methodology Review” document:

www.robecosam.com/CSA/resources

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