

DJSI Index

CORPORATE SUSTAINABILITY

Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks.

The quality of a company's strategy and management and its performance in dealing with opportunities and risks deriving from economic, environmental and social developments can be quantified and used to identify and select leading companies for investment purposes.

Leading sustainability companies display high levels of competence in addressing global and industry challenges in a variety of areas:

Strategy: Integrating long-term economic, environmental and social aspects in their business strategies while maintaining global competitiveness and brand reputation.

Financial: Meeting shareholders' demands for sound financial returns, long-term economic growth, open communication and transparent financial accounting.

Customer & Product: Fostering loyalty by investing in customer relationship management and product and service innovation that focuses on technologies and systems, which use financial, natural and social resources in an efficient, effective and economic manner over the long-term.

Governance and Stakeholder: Setting the highest standards of corporate governance and stakeholder engagement, including corporate codes of conduct and public reporting.

Human: Managing human resources to maintain workforce capabilities and employee satisfaction through best-in-class organisational learning and knowledge management practices and remuneration and benefit programs.

Corporate sustainability performance is an investable concept. This is crucial in driving interest and investments in sustainability to the mutual benefit of companies and investors. As this benefit circle strengthens, it will have a positive effect on the societies and economies of both the developed and developing world.

CORPORATE SUSTAINABILITY ASSESSMENT

Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.

The identification of sustainability leaders for the Dow Jones Sustainability Indexes is based on the Corporate Sustainability Assessment of SAM Research.

A defined set of **criteria and weightings** is used to assess the opportunities and risks deriving from economic, environmental and social developments for the eligible companies.

A major source of information is the SAM **questionnaire** which is completed by companies participating in the annual review. Further sources include company and third-party documents as well as personal contacts between the analysts and companies.

The external **assurance report** by PricewaterhouseCoopers ensures that the corporate sustainability assessments are completed in accordance with the defined rules.

Based on SAM Research's corporate sustainability assessment companies are ranked within their industry group and selected for the Dow Jones Sustainability Indexes, if they are among the sustainability leaders in their field. For a detailed description of this selection process you can download the **guidebook** for the Dow Jones Sustainability World Indexes and the **guidebook** for the Dow Jones STOXX Sustainability Indexes.

You can also download a **presentation** about the most important characteristics of the methodology and about key results of the DJSI Review 2006.

CRITERIA AND WEIGHTINGS

Corporate Sustainability Assessment Criteria

Dimension	Criteria	Weighting (%)
Economic	Codes of Conduct / Compliance / Corruption&Bribery	5.5
	Corporate Governance	6.0
	Risk & Crisis Management	6.0
	Industry Specific Criteria	Depends on Industry
Environment	Environmental Performance (Eco-Efficiency)	7.0
	Environmental Reporting*	3.0
	Industry Specific Criteria	Depends on Industry
Social	Corporate Citizenship/ Philanthropy	3.5
	Labor Practice Indicators	5.0
	Human Capital Development	5.5
	Social Reporting*	3.0
	Talent Attraction & Retention	5.5
	Industry Specific Criteria	Depends on Industry

*Criteria assessed based on publicly available information only

For more details about each individual criteria, please have a look at the [SAM Questionnaire](#)

INFORMATION SOURCES

1. SAM Questionnaires

SAM Questionnaires specific to each of the DJSI sectors are distributed to the CEOs and heads of investor relations of all the companies in the DJSI investable stocks universe. The questionnaire is designed to ensure objectivity by limiting qualitative answers through predefined multiple-choice questions. The completed company questionnaire, signed by a senior company representative, is the most important source of information for the assessment.

For further details, you can download the entire general section of the [SAM questionnaire](#) as a PDF-file. You can also visit the entire online [questionnaire for the pharmaceuticals sector](#).

Login: drg

Password: testaccess

2. Company Documentation:

Documents analyzed include:

- Sustainability reports
- Environmental reports
- Health and safety reports
- Social reports
- Annual financial reports
- Special reports (e.g. on intellectual capital management, corporate governance, R&D, employee relations)
- All other sources of company information; e.g. internal documentation, brochures and website.

3. Media and stakeholder reports as well as other publicly available information

Analysts review media, press releases, articles, and stakeholder commentary written about a company over the past year.

4. Personal Contact with Companies

Each analyst personally contacts individual companies to clarify open points arising from the analysis of the questionnaire and company documents. This contact is made either via telephone, company visits or meetings with the company at either the SAM office or at public events.

MONITORING

Once a company is selected as a member of the DJSI family, it is monitored daily with regard to newly arising critical issues. The monitoring process comprises an assessment of a company's involvement in economic, environmental or social crisis situations and compares its crisis management against its stated principles and policies. The Corporate Sustainability Monitoring can lead to a company's exclusion from the DJSI family regardless of how well it had performed in the yearly assessment. The following issues are identified and reviewed in the monitoring process:

Objective

The objective of Corporate Sustainability Monitoring is to verify a company's involvement and management of critical environmental, economic and social issues or crisis situations that can have a highly damaging effect on its reputation. In addition, the consistency of a company's behaviour and management of crisis situations is reviewed in line with its stated principles and policies. Corporate Sustainability Monitoring can lead to a company's exclusion from the index regardless of how well the company performed in the yearly Corporate Sustainability Assessment review. The following issues are identified and reviewed in the monitoring process:

- Commercial practices; e.g. tax fraud, money laundering, antitrust, balance sheet fraud, and corruption cases.
- Human rights abuses; e.g. cases involving discrimination, forced resettlements, child labor and discrimination of indigenous people.
- Layoffs or workforce conflicts; e.g. extensive layoffs and strikes.
- Catastrophic events or accidents: e.g., fatalities, workplace safety issues, technical failures, ecological disasters and product recalls.

Sources

The monitoring of DJSI members is based on media reviews using full text database services (e.g. Factiva) as well as the analysis of stakeholder information and publicly available information.

Critical issues:

- Commercial practices
- Human rights abuses
- Layoffs or workforce conflicts
- Large disasters or accidents



Monitoring Sources:

- Factiva
- Internet / Other Publicly Available Information
- Stakeholder Analysis / Company Consultation

Impact Evaluation

Each of the components in the DJSI is monitored daily for critical issues and crisis situations. If a critical issue occurs, the responsible SAM analyst starts assessing the extent of the crisis within the

company, geographically and in terms of media coverage. If the impact of the crisis on the reputation of the company and its core business is far reaching, covered worldwide in the media or is an important concern for the company, the monitoring moves to the next phase.

Quality of Crisis Management

In a second step, the analysts verify the quality of a company's crisis management. They assess how well the company informs the public, acknowledges responsibility, provides relief measures, involves relevant stakeholders and develops solutions. An internal committee at SAM Research then weighs the severity of the crisis in relation to the company's crisis management and, if deemed appropriate, provides the DJSI Index Design Committee with a proposal to exclude the company from the DJSI family.

Review by DJSI Index Design Committee

The DJSI Index Design Committee reviews the corporate sustainability monitoring results in line with the company's track record as well as its political and cultural setting. If the crisis management of an important issue is considered poor from a sustainability point of view, the DJSI Index Design Committee can decide to exclude the company from the DJSI.

SAM Indexes GmbH informs the affected companies about their exclusion.

VERIFICATION

To ensure quality and objectivity of the Corporate Sustainability Assessment, an external review by PricewaterhouseCoopers is completed. The review monitors and maintains the accuracy of the assessment procedures and results. You can download the [Assurance Report](#) from PricewaterhouseCoopers as a PDF-file.