

# **SAM's Corporate Sustainability Assessment for the Dow Jones Sustainability Indexes 2006**

## **Key Facts**

## Content

• Benefits of Participating	3
• DJSI – The venture and its partners	4
• DJSI assessment and selection process	5
• DJSI Information sources	6
• SAM's online questionnaire	7
• Completion of the Questionnaire	8
• Submission of the Questionnaire	9
• Timeline of the 2006 Assessment	10
• SAM's „Use of Information Policy“	11
• Transparency and contact details	12
<b>Appendices</b>	
• Sustainability and Financial Performance	14
• The DJSI Methodology and the assessment criteria used in 2006	15

## Benefits of Participating

- **Sustainability investing:** Shares of DJSI members are recommended for sustainability investing. Your company may therefore directly benefit from the growing demand for sustainability-related investments.
- **Benchmarking feedback:** All companies participating will receive a benchmarking report free of charge. This report covers all criteria assessed and shows your company's sustainability performance compared to the industry average and the sector's best-in-class company on a global basis.
- **Reputation and brand:** Identification as a global sustainability leader in your sector can enhance your company's reputation in the eyes of stakeholders, financial analysts and the public at large.
- **DJSI member label:** Companies that qualify for the DJSI will receive the DJSI member label for internal and external marketing and communication purposes..
- **Questionnaire:** The questionnaire is a useful tool for a company to identify sustainability criteria. The completed online questionnaire can be printed as a PDF-file and be used to communicate to internal and external stakeholders how the company is managing corporate sustainability. If you participated in last year's assessment, you can download your completed questionnaire and benchmarking report after having logged in your password protected site.



## DJSI – The venture and its partners

- The Dow Jones Sustainability Indexes family (DJSI) are the world's first financial benchmarks tracking the financial performance of leading companies in terms of corporate sustainability.
- Launched in 1999, the 2006 corporate sustainability assessment for the DJSI is the eighth of its kind.
- The DJSI is a partnership between the following:



Creates and licenses indexes for use in investment products, calculates 3,000+ indexes in real time



Provides and services the Dow Jones STOXX<sup>SM</sup> indexes, Europe's leading regional equity indexes.



Focuses exclusively on sustainability investments, offers indexes, asset management and private equity services

## DJSI assessment and selection process

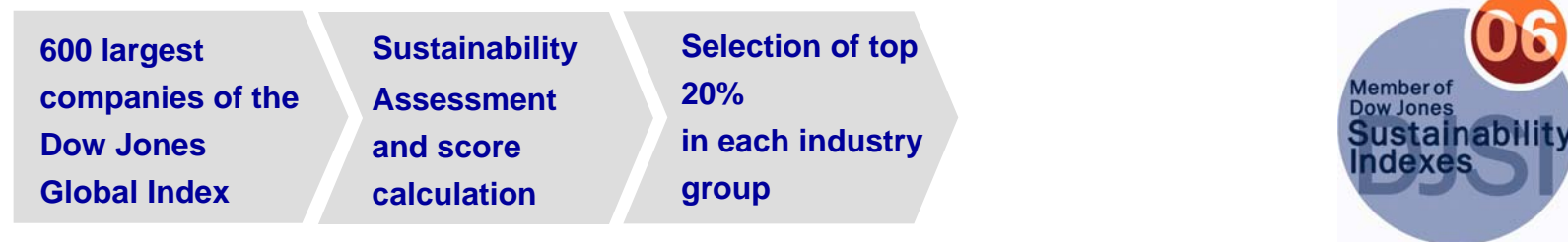
### DJSI World



### DJSI STOXX



### DJSI North America






## DJSI Information sources







**SAM uses the following sources of information to conduct the DJSI assessment:**

- Online Questionnaire
- Company documents and policies
- Media and Stakeholder Analysis (MSA)
- Company interaction & visits




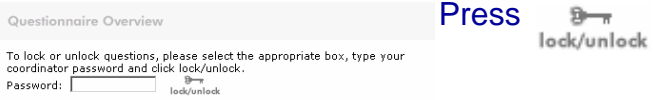


## SAM's online questionnaire

<p><b>Benefits of going online</b></p>	<ul style="list-style-type: none"> <li>• Responses of the 2005 assessment already included in the 2006 questionnaire for questions that remained the same (approx. 70%).</li> <li>• Several people can work simultaneously on completing the questionnaire.</li> <li>• Online background information on rationals of questions, link to GRI.  information</li> <li>• Key terms are linked to an extensive glossary.  glossary</li> </ul>
<p><b>System requirements</b></p>	<ul style="list-style-type: none"> <li>• Required is Microsoft Internet Explorer 5.5 SP2 or 6.0. Download the latest explorer for free at <a href="http://www.microsoft.com/ie">http://www.microsoft.com/ie</a>.</li> <li>• Screen resolution at minimum 1024 x 768 pixel.</li> <li>• Netscape internet browsers do not support the SAM questionnaire.</li> </ul>
<p><b>Security</b></p>	<ul style="list-style-type: none"> <li>• Data transfer is encrypted with 128 bit SSL technology to guarantee that only you and SAM will see the provided information. </li> <li>• Passwords are only provided by fax or phone and not by email</li> </ul>
<p><b>Passwords</b></p>	<ul style="list-style-type: none"> <li>• Upon receipt of the registration form a login and two passwords will be faxed to you</li> <li>• Your passwords and logins from last year are still valid</li> <li>• Login at <a href="http://www.sam-group.com/assessment2006">http://www.sam-group.com/assessment2006</a></li> <li>• The „access password“ provides access to the protected area. This password may be shared with any person involved in completing the questionnaire</li> <li>• The „coordinator password“ is to be used only by the person responsible for coordinating the completion of the questionnaire. You need this password to lock questions, change passwords and submit the questionnaire to SAM. This password cannot be used to access the questionnaire.</li> </ul>

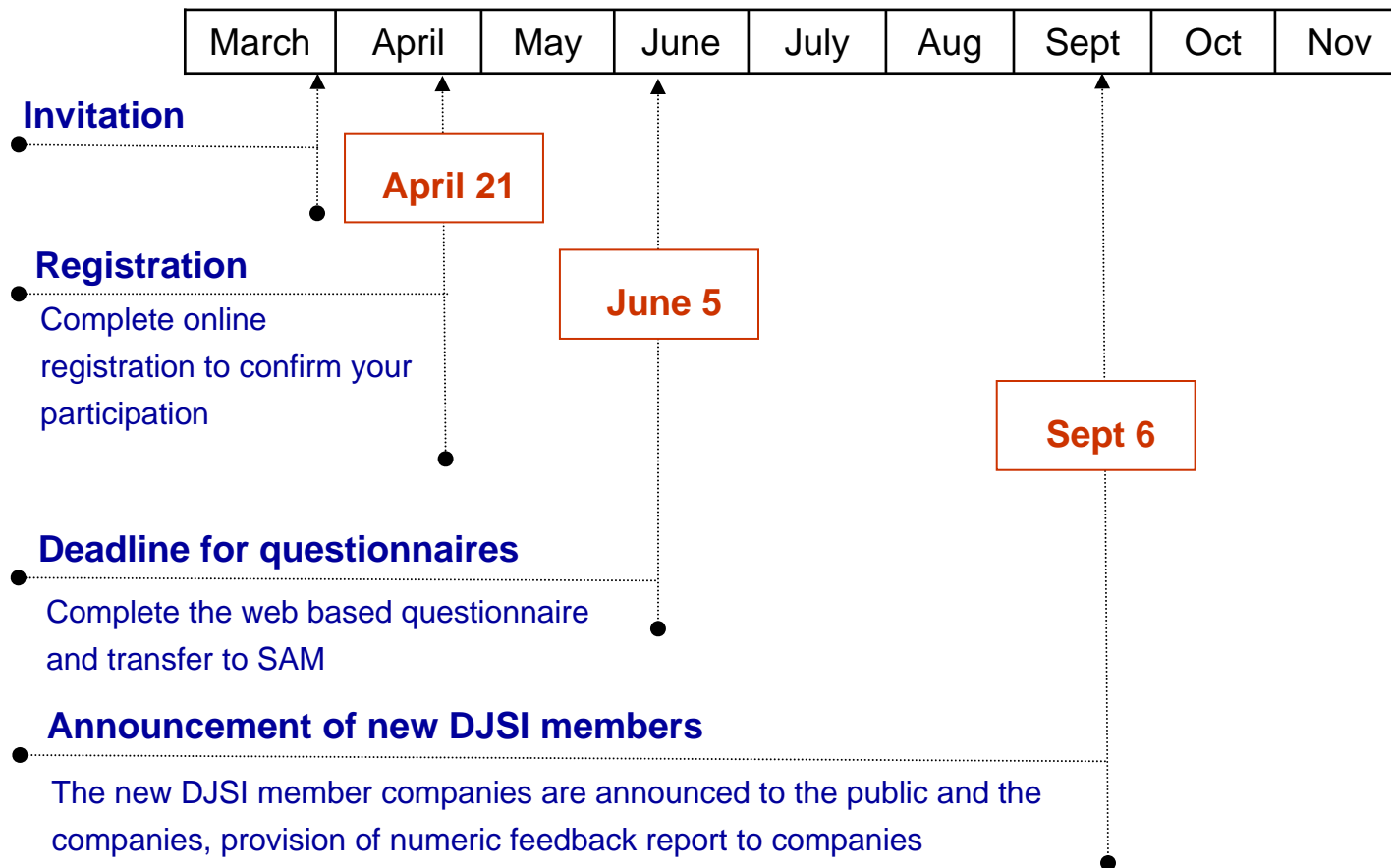
## Completion of the Questionnaire

<p><b>How to start</b></p>	<ul style="list-style-type: none"> <li>• Login at <a href="http://www.sam-group.com/assessment2006">http://www.sam-group.com/assessment2006</a></li> <li>• Select the link that leads to the DJSI 2006 questionnaire</li> <li>• Complete the registration information and press </li> </ul>
<p><b>How to complete</b></p>	<ul style="list-style-type: none"> <li>• Provide your responses to the questions in the left side of the questionnaire. All questions that belong to one criteria are listed there. If you have responded to the questions in last year's questionnaire, the responses are already provided in the question. You only need to confirm or update. After saving with  or , the question color will change from red to blue and a tick  appears in the right window to indicate that this question was updated.</li> </ul>
<p><b>How to attach supporting information</b></p>	<ul style="list-style-type: none"> <li>• You have four possibilities to support your responses given in the questionnaire:             <ul style="list-style-type: none"> <li>• Provide a comment to the question:                 <div data-bbox="1075 1003 1234 1117" style="text-align: center;">                       Comment                 </div> </li> <li>• Attach an electronic document</li> <li>• Refer to a hard copy document                 <div data-bbox="1066 1161 1260 1282" style="text-align: center;">                       References                 </div> </li> <li>• Refer to a web-page</li> </ul> </li> </ul>

# Submission of the Questionnaire

<p><b>How to print or store the completed questionnaire</b></p>	<ul style="list-style-type: none"> <li>You can create a PDF version of the completed questionnaire</li> <li>Choose „Create PDF“ in the „View manager“ in the top right corner</li> </ul>  <ul style="list-style-type: none"> <li>Press the „Generate PDF“-button . The provided responses will be transferred to a PDF version of the questionnaire. This might take some time. You can save this file at your local computer environment or print it.</li> <li>The  opens the lastly generated PDF File.</li> </ul>
<p><b>How to submit to SAM</b></p>	<ul style="list-style-type: none"> <li>After you have updated all questions (e.g. all criteria in the right window have a tick icon ✓) you need to lock the questionnaire: Tick „lock the whole questionnaire“ in the overview and enter your coordinator password in the textfield</li> </ul>  <p>Press .</p> <p>To lock or unlock questions, please select the appropriate box, type your coordinator password and click lock/unlock.      Password: <input type="text"/> lock/unlock</p> <p>Lock <input type="checkbox"/> The whole questionnaire 'DJSI 2003' <input type="checkbox"/> Unlock</p> <ul style="list-style-type: none"> <li>Select the „Finalize/Send“ section in the questionnaire manager.</li> <li>You will be asked to print an Approval Form, having it signed by two senior company representatives and send it to SAM.</li> <li>Submit the questionnaire by entering the coordinator password and press „Approve and send“.</li> <li>Send all supporting hard copy documents to the indicated address.</li> </ul> 

## Timeline of 2006 Assessment





## Introducing Evaluesserve

- Since 2004, SAM Research is assisted by professional service provider Evaluesserve for parts of the Corporate Sustainability Assessment
- Evaluesserve was founded in 2000 by former executives of McKinsey and IBM and now has 1000 employees.
- Full responsibility and accountability for the results of the Corporate Sustainability Assessment rests with SAM Research
- To learn more about Evaluesserve, please refer to [www.evaluesserve.com](http://www.evaluesserve.com) or contact us directly at [index@sam-group.com](mailto:index@sam-group.com)



## The Role of Evaluesserve

### 2004

In 2004, EVS gathered data on companies that did not actively participate in the assessment. EVS was at the same time successfully trained to validate company answers to the questionnaire based on additional company and non-company sources.

### 2005

In 2005, EVS covered the research tasks of data gathering and data validation allowing the SAM analysts to focus further on the development of criteria and data interpretation. The full responsibility and accountability for the results of the Corporate Sustainability Assessment was with SAM Research.

### 2006

In 2006, EVS will have the same task and responsibilities as in 2005.

## SAM's „Use of Information Policy“

### Use of Information Policy and Disclaimer

SAM Research Inc. (this term shall include its related, affiliated and subsidiary companies) will use the information provided by your company in connection with this survey as a basis for defining and distributing index products. In addition, this information may be used in aggregated form for other commercial activities of SAM Research Inc. such as research, advisory or investment activities. In aggregated, but never in individual, form, this information may also be used for publication. Aggregated information refers to information that is expressed in scores, not to the detailed information contained in the SAM Corporate Sustainability Assessment Questionnaire. By completing and returning to us this questionnaire, you agree to the use of such information as specified herein and that such information may be transferred abroad. To the extent permitted by law, SAM Research Inc. shall not be liable for any direct, indirect or consequential damages arising out of the use of such information. With regard to other important legal issues we refer to the disclaimer as stated on <http://www.sam-group.com/assessment2006> (after login). This policy and the disclaimer may be updated occasionally. Our use of such information is subject to the policy and disclaimer in effect at the time of use.

## Transparency and contact details

**SAM is committed to full transparency on its assessment for the DJSI and the communication of the selection results. You find the following information on the DJSI webpages at [www.sustainability-indexes.com](http://www.sustainability-indexes.com):**

- SAM Online Questionnaire
- Methodology, Criteria and weightings
- DJSI Guidebooks
- Overviews of results for all 18 market sectors
- Detailed benchmarking reports of market sector leaders
- External verification letter from PWC

**For further questions on the 2006 assessment for the DJSI please visit:**

- [www.sam-group.com/assessment2006](http://www.sam-group.com/assessment2006) for a list of frequently asked questions (FAQs)
- Contact SAM by email through [index@sam-group.com](mailto:index@sam-group.com)
- Call our DJSI helpline at +41 44 397 10 30, between 8:30 am – 6 pm CET

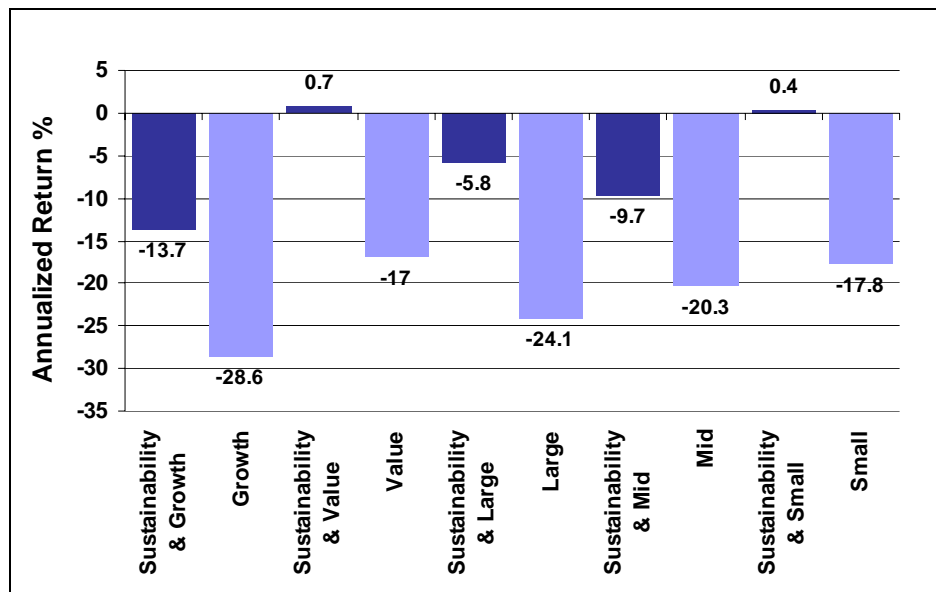


**What is behind the DJSI and Sustainability Investing?**

# Appendices

# Sustainability and Financial Performance

- Traditional investment styles can be complemented by sustainability.
- Enhancing Growth, Value, Large, Mid and Small cap investment styles with sustainability considerations has shown to add value.
- Indicators of a company's sustainability performance are increasingly used by mainstream investors to select which stocks they own.
- Corporate sustainability allows companies to generate value for shareholders by enabling better access to capital, better talent attraction, enhanced innovation, strengthened stakeholder license to operate, optimized cost, access to new markets and strengthened reputation.



Source: WestLB Panmure, Datastream

## Sustainability and Value Creation within a company

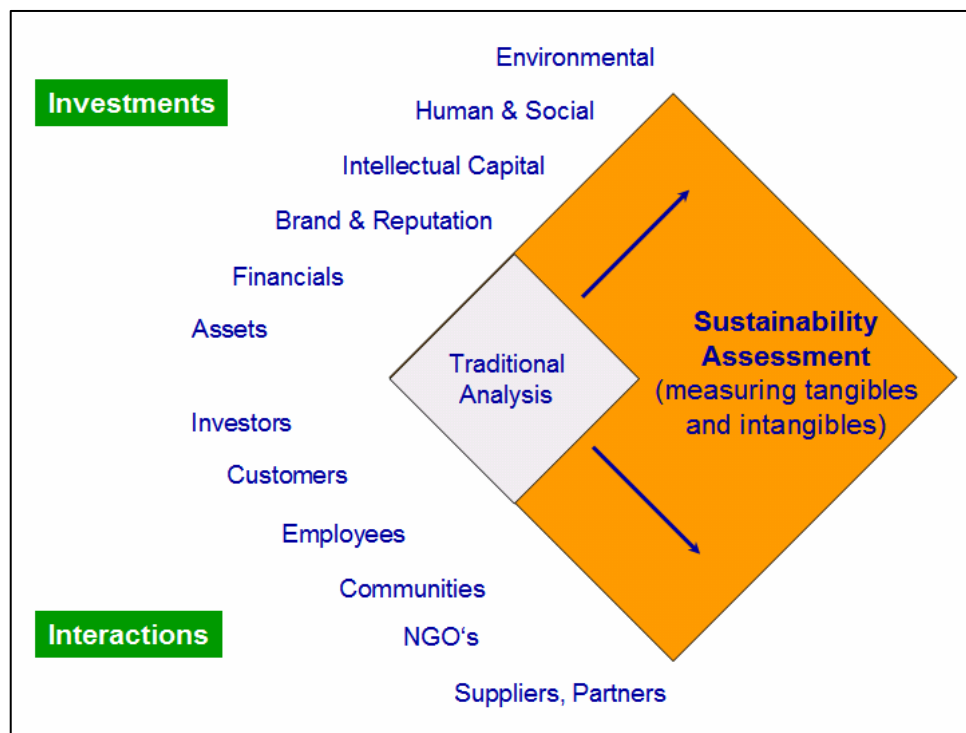
SAM's approach: Corporate sustainability is an approach to business creating shareholder value.

The competitive position held by any market participant determines its share of overall value added. Global and industry-specific trends and developments change the competitive environment.

By seizing the opportunities and by effectively managing the risks, sustainable companies enhance their competitive position, and are thus better positioned to create investor value

SAM uses assessment criteria that are linked to a company's value drivers, such as:

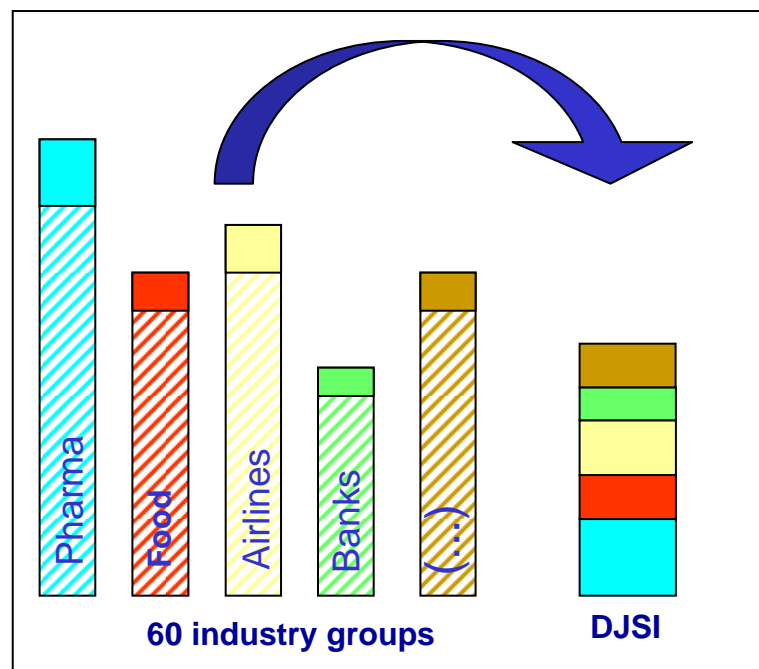
- **Operational efficiency, risk reduction**
- **Aligning and attracting employees**
- **New markets**
- **Innovation**
- **Reputation and brands**



Further details on how sustainability adds value can be found by downloading the document „Sustainability and Value Creation“ on [www.sam-group.com/assessment2006](http://www.sam-group.com/assessment2006)

## The DJSI use a „best in class“ selection

- The selection of companies for the indexes is based on a “best in class” approach, i.e. the aim of the assessment is to identify the best companies in each sector. No sector is excluded.
- The starting universe for the DJSI World are the 2500 biggest companies in terms of market capitalization. For the DJSI STOXX it is the 600 companies listed in the STOXX 600 Index.
- The DJSI World has a 10% selection rule. That means, that the best 10% of companies by number are selected for the index. A minimum market cap rule of 20% is applied to each industry.
- The DJSI Stoxx has a 20% selection rule. That means, that the best 20% of European companies by numbers are selected for the index. A minimum market cap rule of 45% is applied.
- To minimize turnover within the DJSI a “buffer rule” is applied in the selection process. For the DJSI World, this means that existing DJSI members need only to qualify amongst the best 13%, whereas a new component needs to be ranked amongst the best 7% in its industry group. The numbers for the DJSI STOXX are 25% and 15% respectively.



Visualization of the „Best in Class“-Selection

## SAM's Corporate Sustainability Assessment Criteria

DJSI 2006 General Criteria - Economic
Corporate Governance
Risk & Crisis Management
Codes of Conduct/Compliance/ Corruption&Bribery

DJSI 2006 General Criteria - Environmental
Environmental Performance
Environmental Reporting

DJSI 2006 General Criteria - Social
Labor Practices Indicators
Human Capital Development
Talent Attraction & Retention
Corporate Citizenship/Philanthropy
Social Reporting

## 2006 Assessment Criteria

- The table shows the 2006 assessment criteria of the general part of the SAM questionnaire. To reflect unique sustainability challenges, specific questions for each industry have been developed in addition to the general criteria. They can be found in your company's specific questionnaire.
- 70% of the questions in the questionnaire remain the same as in 2005. The overall number of questions has remained stable with a reduction of general questions by 10% and a comparable increase in industry-specific questions. Major changes from 2005 to 2006 are indicated in the table.
- Several criteria are not assessed based on the questionnaire but by using publicly available information, such as the criteria of environmental, social reporting and Media and Stakeholder Analysis (MSA). These criteria/questions are visible in your company's specific questionnaire. The evaluation will be filled in by the responsible analyst of your industry. No additional information is required from your company.

DJSI 2006 General Criteria	Changes compared to 2005
Corporate Governance	New questions related to board effectiveness, entrenching provisions reflecting findings of most recent empirical studies
Investor Relations	Deleted. Majority of analyzed companies conducting perception studies. Question related to stock option expenses shifted to corporate governance.
Risk & Crisis Management	New questions reflecting most recent changes in risk management. Findings based on 3rd party studies.
Codes of Conduct/Compliance/Corruption&Bribery	New focus in question concerning reporting on breaches of codes of conducts/ethics.
Customer Relationship Management (CRM)	Deleted and moved to industry specific part. This allows to better reflect sector specific challenges and reduce potential overlaps.
Environmental Policy/Management	Deleted and moved to industry specific part. This allows to better reflect sector specific challenges and reduce potential overlaps.
Environmental Performance	No changes
Environmental Reporting	Refined

## 2006 Assessment Criteria (cont.)

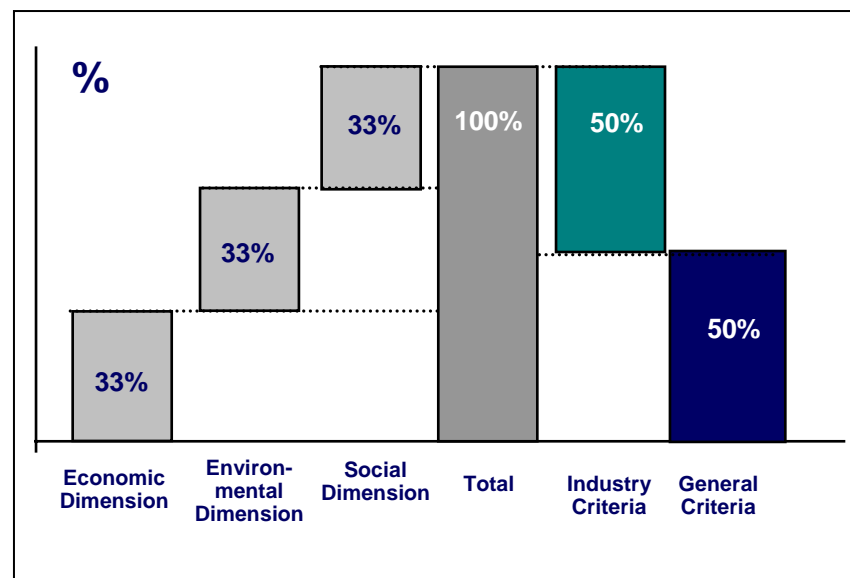
- Human Capital Development, Talent Attraction & Retention as well as Knowledge Management/Organizational learning have been changed considerably. Our internal empirical analysis as well as our discussions with external experts provided new insights into the link to value creation.
- In Corporate Citizenship/Philanthropy the questions regarding the alignment with the corporate strategy and the types of contribution have been deleted. The first is covered by the remaining questions and the second has already been covered by industry specific criteria.
- Standards for Suppliers has been integrated at industry specific level to better account for industry specific characteristics of suppliers.

DJSI 2006 General Criteria	Changes compared to 2005
Labor Practices Indicators	Performance Indicator: reporting dropped and integrated into Social Reporting.
Human Capital Development	Changed.
Talent Attraction & Retention	Changed.
Knowledge Management /Organizational learning	Aims of systems and coverage deleted. Tools/processes integrated in Human Capital Development.
Standards for Suppliers	Deleted and moved to industry specific part.
Stakeholder Engagement	External stakeholders' satisfaction refined
Corporate Citizenship/Philanthropy	Alignment and type of contribution deleted.
Social Reporting	Refined

Main changes at a criteria level in 2006 (cont. from slide before)

## Criteria Weightings and Scoring

- 50% of SAM's assessment criteria are of general nature and are applied to companies across all sectors. 50% are of a sector specific nature. The ratios changed compared to 2005 reflecting the increased focus on industry-specific criteria.
- The criteria are allocated to the three dimensions of sustainability – economic, environmental and social. These dimension are, in general, equally weighted – however, some industries might have a non-equal exposure to the three dimensions, which is reflected in the industry specific assessment part (e.g. software industry vs. mining industry).
- A company gets a score for each criteria depending on the performance – these scores are added to a total sustainability score which forms the basis for the best in class selection.
- The weighting of each criteria for 2006 will be published at the same time as the announcement for the new DJSI members will be made. Last year's weightings can be found in the DJSI guidebook at [www.sustainability-indexes.com](http://www.sustainability-indexes.com).



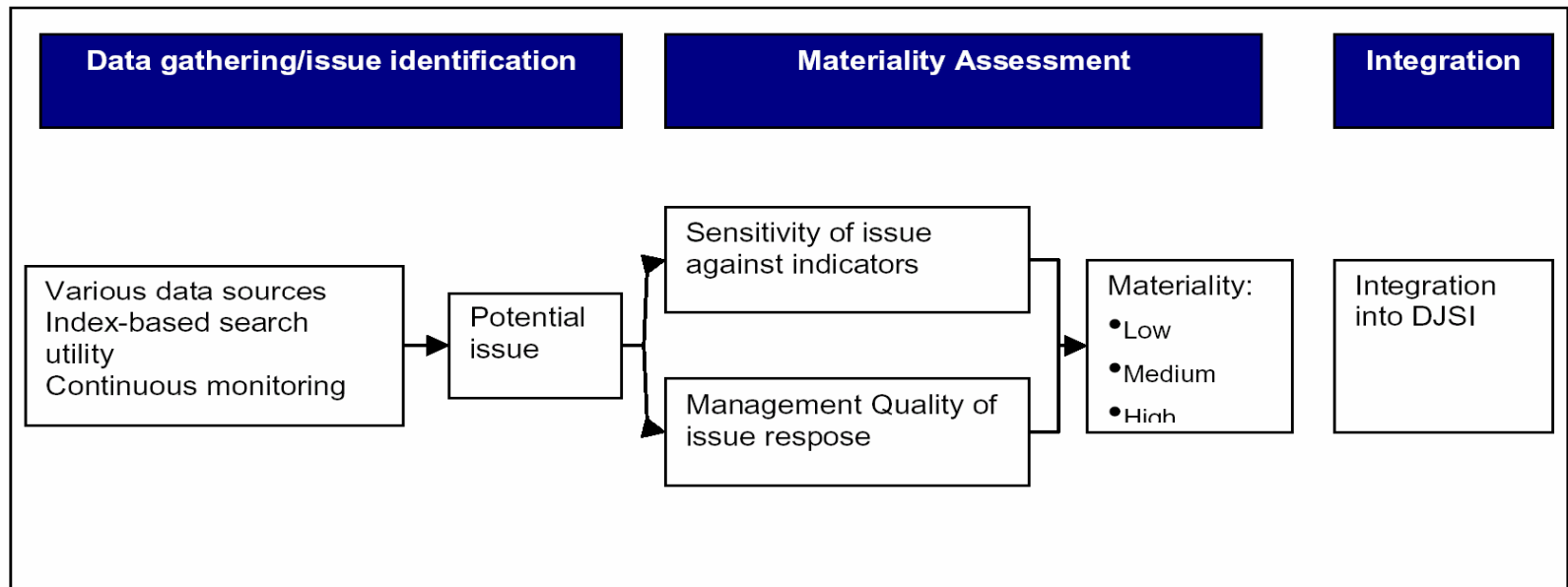
## Media and Stakeholder Analysis

**The media and stakeholder analysis can add up to 50% of the weighting in a criteria and covers issues such as:**

- Price fixing, insider trading, financial statement frauds
- Corruption & bribery
- Corporate governance breaches
- Extensive layoffs & labor disputes
- Environmental accidents
- Workplace accidents & occupational health
- Environmental, workplace and human rights in supply chain

## Media and Stakeholder Analysis (cont.)

- MSA helps to verify a company's involvement and management of critical economic, social and environmental issues or crisis situations
- MSA can add up to 50% of the weighting in an individual criteria
- Cases identified in the MSA can lead to exclusion of the DJSI anytime during the year



## Media and Stakeholder Analysis (cont.)

### Information Sources:

- SiRi Alert Service provides SAM Research with alerts on corporate incidents
- SiRi screens more than 5,000 news services and journals based on Factiva, a joint venture between Dow Jones & Co and Reuters
- Google Alert Service provides SAM Research with additional hints and information, based on key words derived from an issue mapping process
- Structured dialogue with key opinion leaders, industry „watchdogs“, and NGOs

### SiRi Alert Service®

The SiRi Alert Service® aims to fill this gap. Based on information collected from source list of more than **5'000 publications** worldwide, SiRi analysts monitor corporate behaviors on an on-going basis, conduct a detailed assessment, put the information in the wider context of existing corporate policies and management systems (available through SiRi Pro) and provide an overview of both the **facts** and the **assessment**.

