# DOW JONES SUSTAINABILITY INDEX (DJSI)

## Maximising your performance in 2020

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# ABOUT THE DOW JONES SUSTAINABILITY INDEX

- One of the longest-running investor indices for evaluating companies' sustainability performance.
- A collaboration between S&P Dow Jones Indices and RobecoSAM.
- Measures the value of companies' "intangible assets", based on environmental, social and governance (ESG) criteria.

In a survey of **320** institutional investors:

- **92%** said that ESG issues have real and quantifiable impacts over the long-term;
- **92%** said CEOs should set out their strategy for long-term value creation every year.

*EY (2017)*

In a review of **200** academic studies:

- **90%** said solid ESG practices lower the cost of capital;
- **80%** said stock price performance is positively influenced by sustainable practices.

*Arabesque/Oxford University (2015)*

In a survey of more than **300** sustainability professionals:

- **72%** of corporate respondents use ESG ratings to inform their decision-making;
- DJSI was ranked both the **highest quality** and **most useful** rating.

*SustainAbility (2019)*



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# 20 YEARS' DJSI EXPERIENCE...

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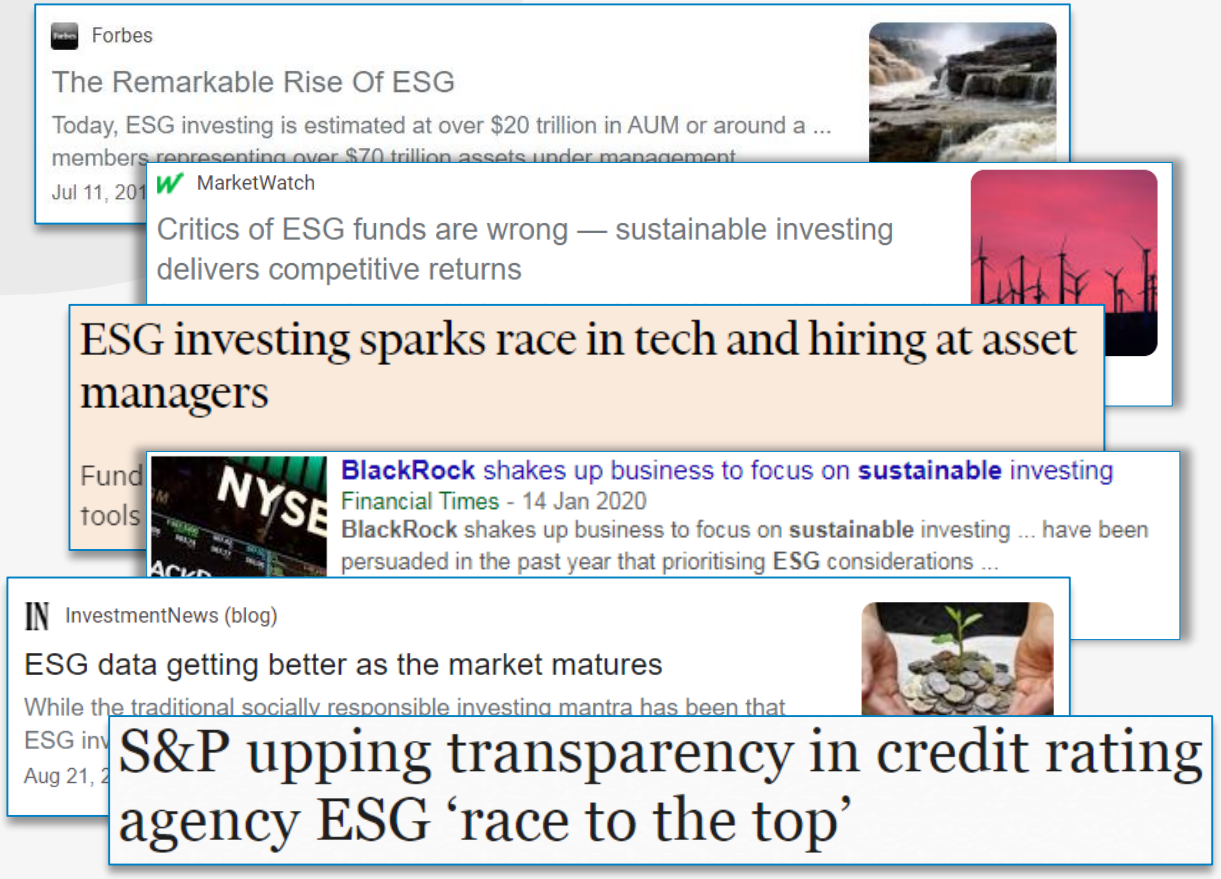
# OUR EXPERIENCE WITH DJSI IS UNPARALLELED

**Since the first Dow Jones Sustainability Index was constructed in 1999, we have worked with companies so that they get the most out of the assessment.**

- ✓ We worked with around **50 companies** across **30 industries** in 2019 alone.
- ✓ In 2019, **85% of our DJSI clients were included in at least one index**.
- ✓ Our clients improved their percentile position by **6.7 percentile points on average**. The top increase in one year was 28 percentile points.
- ✓ Three of our DJSI clients are **industry leaders**.
- ✓ **20 of our Chilean clients have secured entry to the DJSI Chile**, and 17 are included in the new DJSI MILA Pacific Alliance index. One has also entered the DJSI World – only the second Chilean company ever to do so.

# THE GROWTH OF ESG INVESTING HAS RESULTED IN MORE SOPHISTICATED ANALYSIS OF COMPANY PERFORMANCE

- Sustainable investing now represents **1/4 of all assets under management**.
- Performance on ESG is used as a proxy for **how a company manages risk** and **creates long-term value**.
- Investors use ESG data providers to **inform their analysis and investment decisions**.



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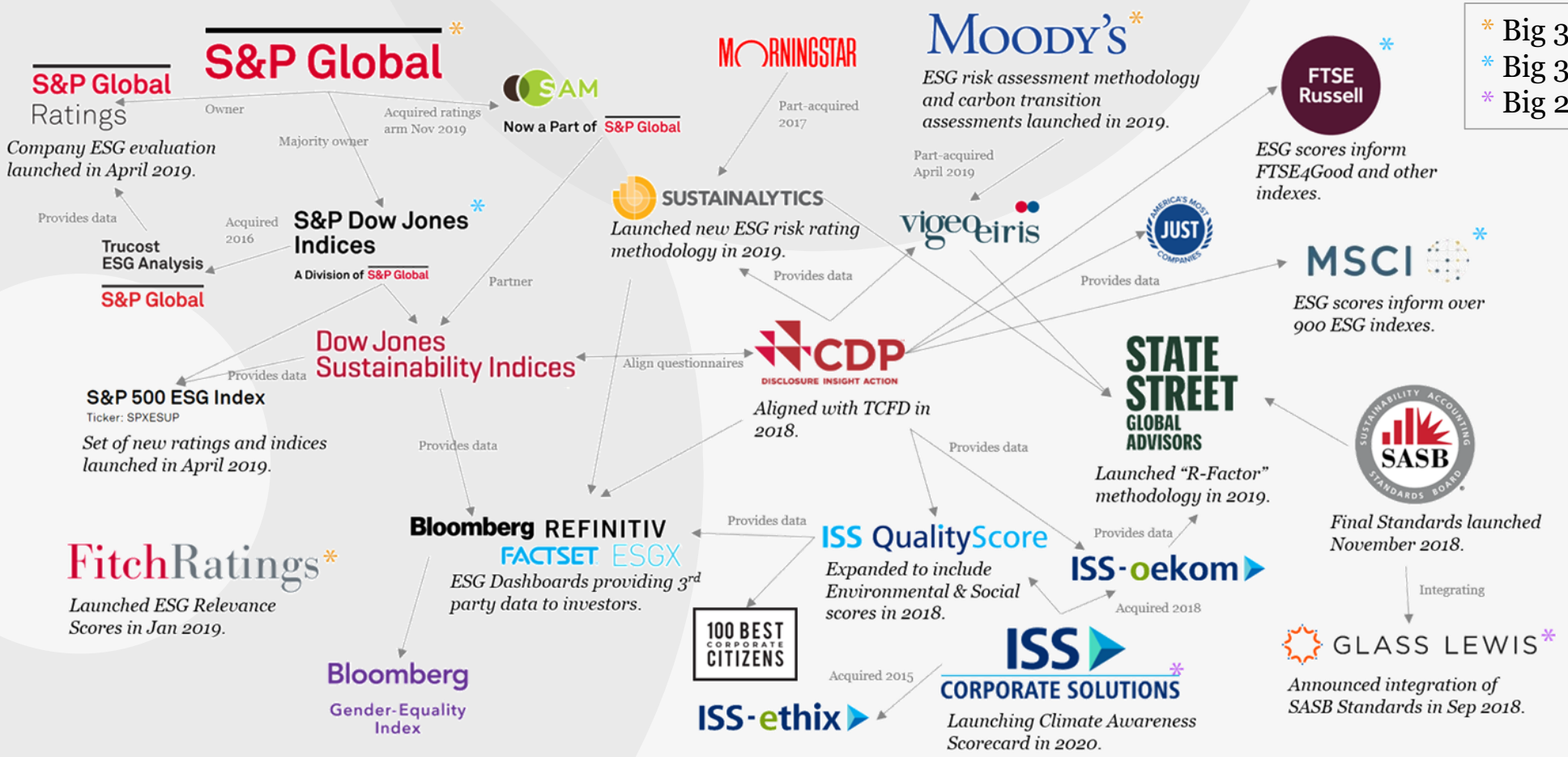
# DJSI REMAINS PROMINENT IN A CROWDED AND CONFUSING LANDSCAPE OF 600+ RATINGS AND RANKINGS




* Big 3 credit raters
* Big 3 index providers
* Big 2 proxy advisers

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# WHY PARTICIPATE IN DJSI?

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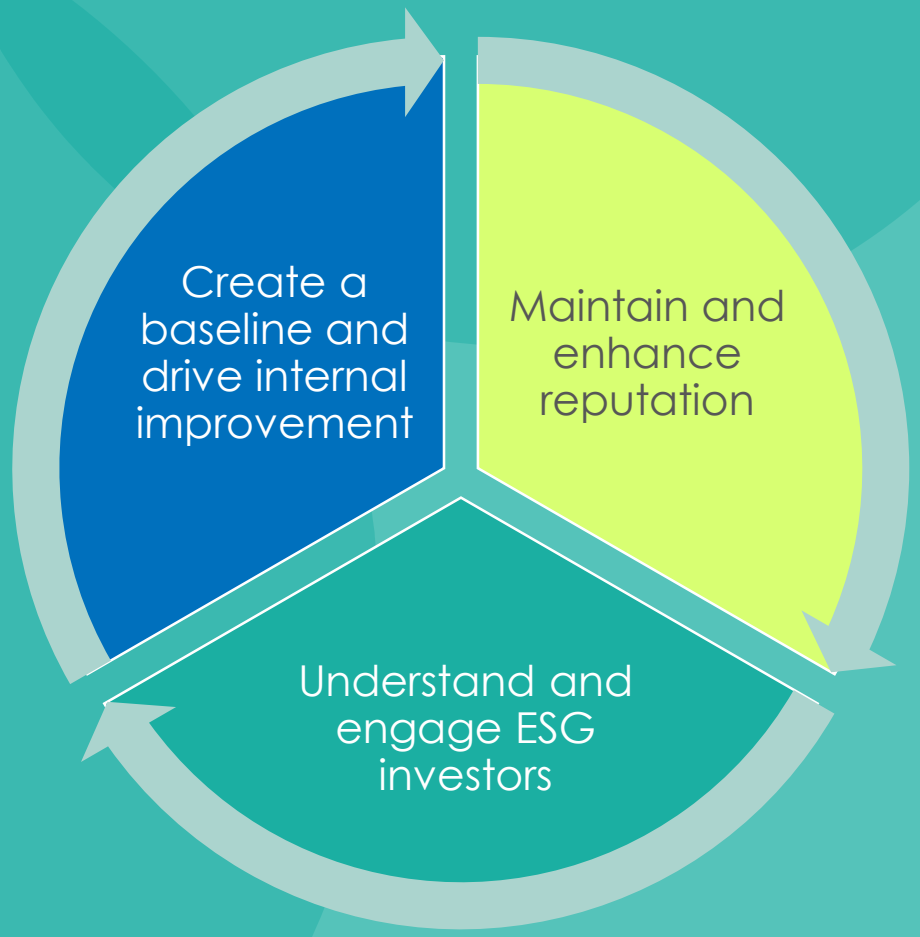
# REASONS FOR PARTICIPATING

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# ENHANCING REPUTATION

**Universe of Companies**

Each year, over 3,500 publicly traded companies are invited.

2,500 are eligible for the DJSI World index.

**Corporate Sustainability Assessment**

1,166 companies responded to the 2019 questionnaire.
Additional >4,000 assessed based on public information.

**Index members**

DJSI = top 10-20% of each industry.

S&P ESG indices = top 75% of each industry.

**Leading Companies**

60 Industry Leaders.
Gold/Silver/Bronze awards for top companies in each industry.

SAM
Now a Part of S&P Global

Dow Jones Sustainability Indices 20th Anniversary
In collaboration with SAM

S&P Dow Jones Indices
A Division of S&P Global

SAM | Sustainability Award Gold Class 2020



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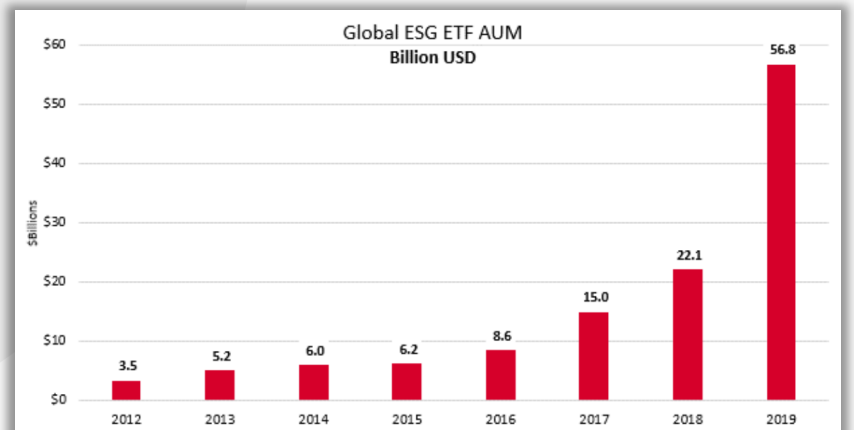
# ENGAGING INVESTORS

- **Informing investment decisions**:
  - DJSI data is available to investors via the Bloomberg platform, which has over 12,000 active users of ESG data. The data will become available on S&P data platforms in 2020.
  - Scores of over 3,000 assessed companies are now public!
- **Building ESG indices:**
  - Over $10 billion invested in indices linked directly to the assessment, including the Dow Jones Sustainability Indices and S&P ESG indices.
- **Driving disclosure on other ratings:**
  - Increasing focus on public disclosure means DJSI helps improve performance on other ESG ratings.




Source: USSIF, December 2018 https://www.ussif.org/files/US%20SIF%20Trends%20Report%202018%20Release.pdf ; Morningstar & S&P DJI data as of 12/31/2019.

# DRIVING INTERNAL VALUE

## Strengthen internal networks

- Create links with colleagues in other departments.
- Increase awareness across the organization.
- Build management buy-in for sustainability.

## Build a baseline and strengthen performance

- Implement and update policies and processes.
- Create robust management systems and track the right data.
- Benchmark performance and set ambitious targets.

## Improve measurement and reporting

- Uncover activities for reporting on the issues investors care about.
- Improve data quality and disclosures.
- Benchmark reporting with competitors.

# OUR PROCESS

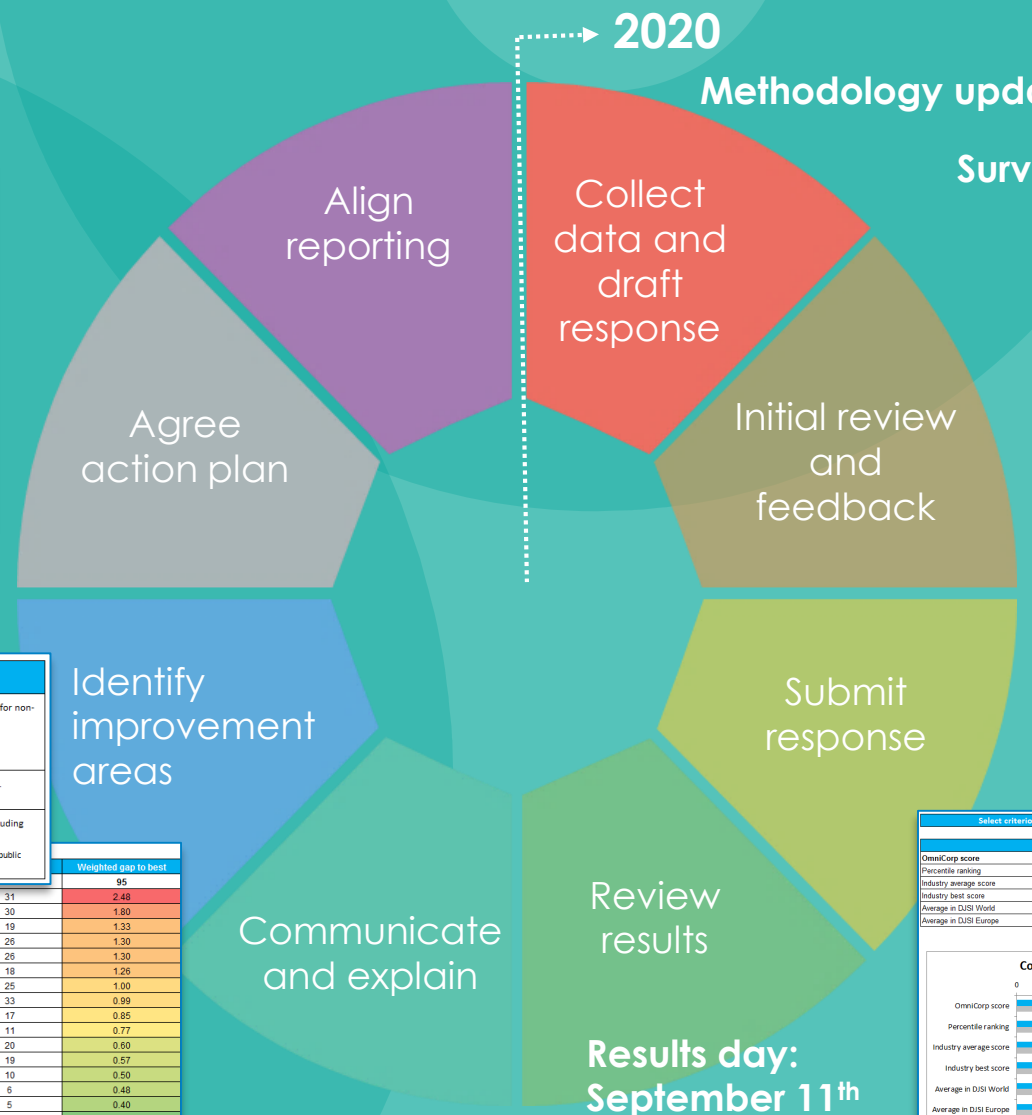
## 1.7.1 Awareness

This question seeks to understand to what extent companies are aware of the structure of their supply chain as well as if they are able to identify critical suppliers.

***Objective:*** *Does the company actually know what its supply chain is? The questionnaire gives the opportunity to show that you do.*

**Opportunities to improve:**

- *Remove doubt about which suppliers are covered: are non-raw material suppliers in or out of the calculation?*
- *Explain precisely what the more extensive database will deliver compared to what you have now and when it will be delivered*
- *Comment in comment box about who is responsible person in this area and how the process is stewarded*




**2020**

**Methodology updates: February 20th**

**Survey opens: April 1st**

**Deadline: May 28th (+ extension)**

**Results day: September 11th**

| Criterion | 2017 score | Percentile | Traffic light | Recommendations |
|---|---|---|---|---|
| 1.3 Risk & Crisis Management | 83 | 81 | | • Provide detail on whether regular risk management education is provided for non-executive directors.<br>• Attach supporting documentation on risks correlation and sensitivity analysis.<br>• Report on two emerging risks in the public domain. |
| 1.5 Customer Relationship Management | 92 | 98 | | • Score will improve next year when three years' worth of data are available. |
| 1.6 Policy Influence | 69 | 33 | | • Provide detail in line with RobecoSAM's definition of lobbying activity (including trade associations and other groups).<br>• If no contributions are made to any such groups, this must be clearly stated in the public domain. |

| | | | | Weighted gap to best |
|---|---|---|---|---|
| | | | | 95 |
| Policy Influence | 69 | 100 | 31 | 2.48 |
| Occupational Health and Safety | 67 | 97 | 30 | 1.80 |
| Operational Eco-Efficiency | 76 | 95 | 19 | 1.33 |
| Environmental Reporting | 65 | 91 | 26 | 1.30 |
| Talent Attraction & Retention | 68 | 94 | 26 | 1.30 |
| Human Rights | 73 | 91 | 18 | 1.26 |
| Human Capital Development | 74 | 99 | 25 | 1.00 |
| Social Reporting | 57 | 90 | 33 | 0.99 |
| Risk & Crisis Management | 83 | 100 | 17 | 0.85 |
| Climate Strategy | 89 | 100 | 11 | 0.77 |
| Corporate Citizenship and Philanthropy | 68 | 88 | 20 | 0.60 |
| Materiality | 81 | 100 | 19 | 0.57 |
| Environmental Policy/Management System | 83 | 93 | 10 | 0.50 |
| Customer Relationship Management | 92 | 98 | 6 | 0.48 |
| Supply Chain Management | 92 | 97 | 5 | 0.40 |
| Tax Strategy | 76 | 85 | 9 | 0.18 |
| Labor Practice Indicators | 92 | 94 | 2 | 0.08 |
| Codes of Business Conduct | 100 | 100 | 0 | 0.00 |
| Corporate Governance | 86 | 86 | 0 | 0.00 |

Select criterion: Corporate Governance

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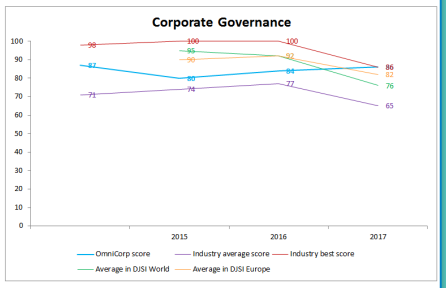
| | 2017 score | 2016 score |
|---|---|---|
| OmniCorp score | 86 | 84 |
| Percentile ranking | 100 | 55 |
| Industry average score | 65 | 77 |
| Industry best score | 86 | 100 |
| Average in DJSI World | 76 | 92 |
| Average in DJSI Europe | 82 | 92 |

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# HOW WE CAN HELP WITH YOUR RESPONSE

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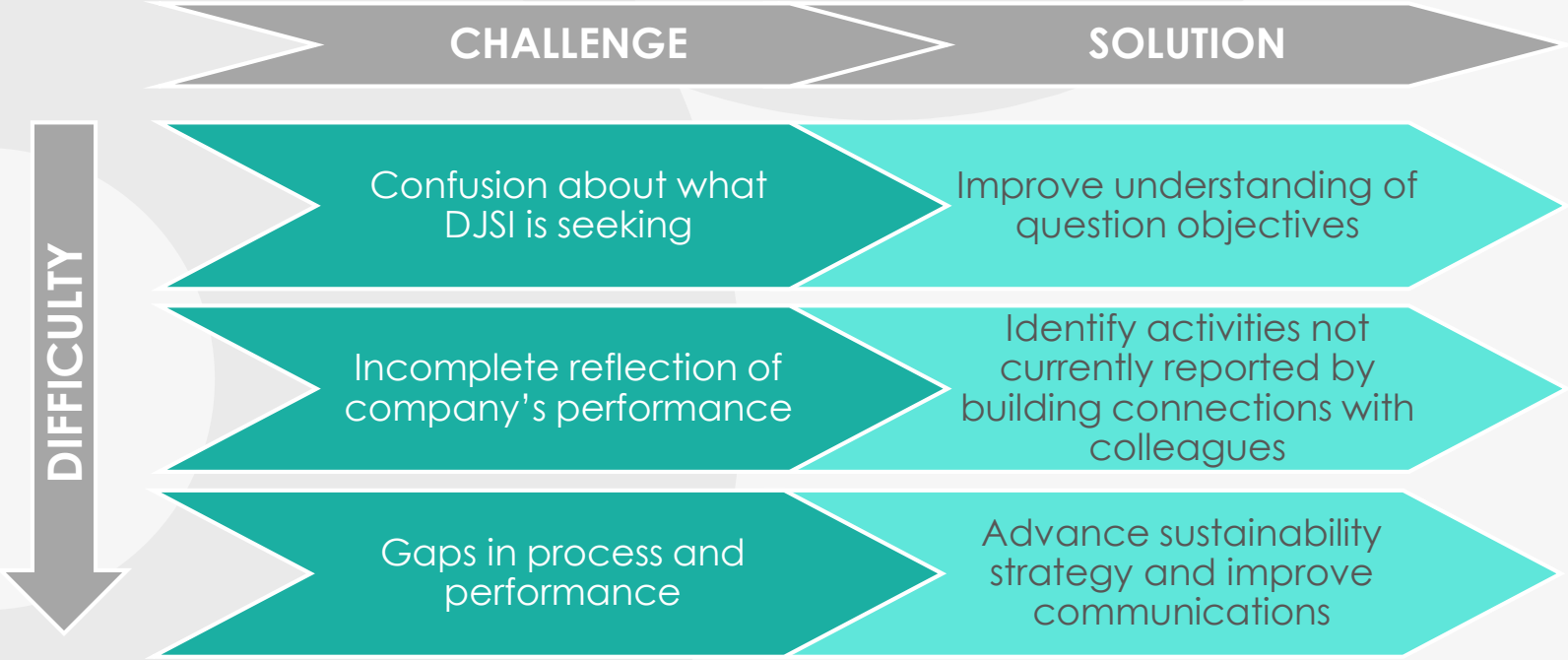
# OUR APPROACH TO DJSI

**We have one unwavering approach to our work. We begin where our client is. We work alongside them to improve their score, and help them understand which solutions are most appropriate for them.**



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# HOW WE HELP OUR CLIENTS

**Our DJSI consultancy ranges from the smallest particular query to managing the whole of a company's DJSI response. The three most common services clients ask for are:**

**Scorecard gap analysis**

- Analyse your scorecard and quantitatively identify quickest wins;
- Review your submission and identify areas to focus, based on our experience in DJSI and understanding of the scoring methodology;
- Provide "traffic-light table setting out opportunities for improvement in every criterion.

**Subject-specific feedback**

- Conduct analysis on specific DJSI questionnaire sections;
- Provide easy-to-understand explanation of what the issue is, insight into the scoring system for the criterion and an action-plan for improvement.

**Manage entire submission**

- Analyse scorecard and submission to identify improvement areas;
- Advise on questionnaire changes and new requirements, through engagement with the RobecoSAM analyst;
- Engage with issue-owners across the business to explain DJSI requirements;
- Produce bespoke templates to collect responses and provide commentary on drafts;
- Draft and submit the response to the DJSI portal.

# QUANTITATIVE FEEDBACK: FULL SPREADSHEET ANALYSIS

- Our custom-made spreadsheet allows automatic, intuitive analysis of your DJSI scores.
- It highlights performance over time, and enables you to identify priority areas for action based on percentile rankings and weighted gaps. Ask us for a demonstration!

Select criterion: Corporate Governance

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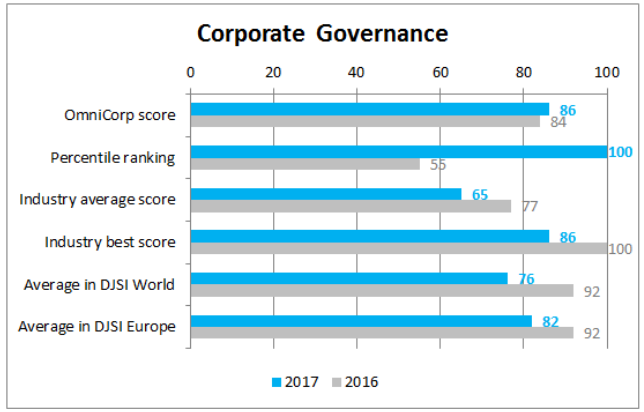


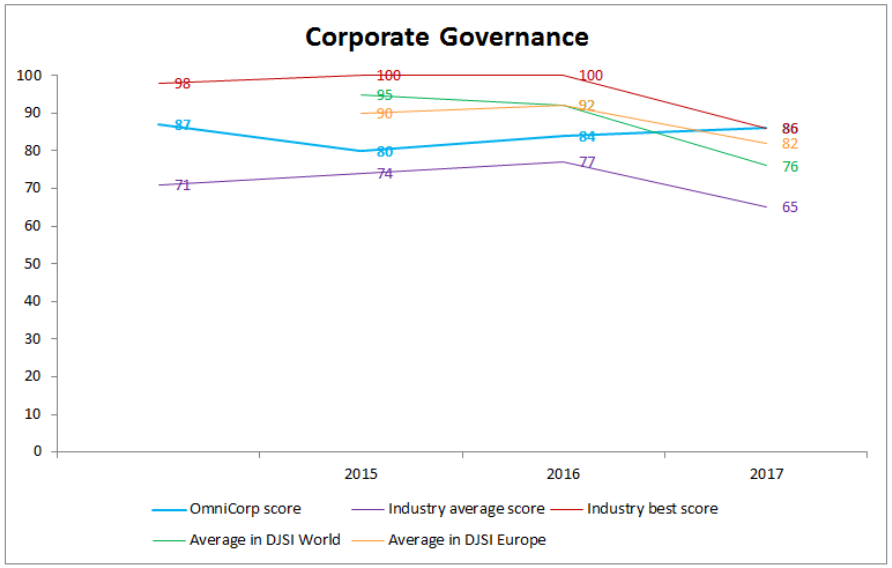




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# QUALITATIVE FEEDBACK: DETAILED GAP ANALYSIS

- We review your submission to identify opportunities for improvement and rate each criterion based on the size of the opportunity.
- Two options:
  - **Overview feedback**: Slide deck covering an overview of performance, areas for greatest potential improvement, and top tips to improve your score.
  - **Detailed feedback:** Full feedback report, covering detailed analysis of performance, areas for greatest potential improvement and a traffic-light table setting out specific recommendations for every criterion.

## Percentile changes: how did Omnicorp move relative to the industry?

In 2019, Omnicorp's overall percentile ranking increased by 7, to 84. This means that Omnicorp moved ahead of 7% of companies in the industry. Given that the industry contains 28 companies, this mean that Omnicorp overtook 2 competitors, and now stands in 5th place in the industry.

Examining the change in percentile rankings for each criterion shows where Omnicorp moved relative to the rest of the industry.

**Table 8: Percentiles change 2018 to 2019**

| Criterion | 2019 percentile | 2018 percentile | Change from 2018 |
|---|---|---|---|
| Climate Strategy | 44 | 34 | +10 |
| Occupational Health and Safety | 88 | 82 | +6 |
| Environmental Policy/Management System | 86 | 83 | +3 |
| Social Reporting | 18 | 15 | +3 |
| Tax Strategy | 72 | 70 | +2 |
| Supply Chain Management | 63 | 61 | +2 |
| Risk & Crisis Management | 100 | 100 | 0 |
| Codes of Business Conduct | 95 | 95 | 0 |

| Criterion | 2017 score | Percentile | Traffic light | Recommendations |
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