DJSI Data Reveals US Companies’ Environmental Performance

FEBRUARY 22, 2016
Agenda

• DJSI overview
• Materiality and environment
• GHG emissions
• Reporting environmental performance
• Environmental data verification
• 2016 DJSI Assessment
Introduction

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Director
Corporate Citizenship

Robert Dornau
Sr. Manager
Sustainability Services
RobecoSAM
Who we are

Corporate Citizenship

• Global business consulting company specializing in sustainability and corporate responsibility.
• Established in 1997.
• Help companies achieve commitments to responsible business
• Worked in more than 45 countries.
• Published more than 40 thought leadership papers and host events.

RobecoSAM

• Investment specialist in Sustainability Investing.
• Founded in 1995.
• Headquartered in Zurich.
• 130 professionals.
• Asset management, indices, engagement, voting, impact analysis, sustainability assessments, and benchmarking services.
• Together with S&P Dow Jones Indices, RobecoSAM publishes the globally recognized Dow Jones Sustainability Indices (DJSI).
DJSI Overview
What is Corporate Sustainability?

A company’s capacity to prosper in a competitive and changing global business environment

by

Anticipating and managing current and future economic, environmental and social opportunities and risks

and

Focusing on quality, innovation and productivity to create competitive advantage and long-term value
RobecoSAM’s Corporate Sustainability Assessment uses a consistent, rule based methodology to convert an average of 600 data points per industry into one overall score.

Working backwards, our sustainability services enable you to benchmark your company in detail across the economic, social and environmental dimensions, all the way to individual data points.
RobecoSAM CSA: Industry Specific Methodology

**Mining**
(In percentages)

- Economic: 30.0%
- Environmental Protection: 23.0%
- Social: 47.0%

**Pharmaceuticals**
(In percentages)

- Economic: 50.0%
- Environmental Protection: 10.0%
- Social: 40.0%

**Economic Dimension**
- Corporate Governance
- Code of Conduct, Compliance
- Risk & Crisis Management
- Customer Relationship Management
- Payment transparency (MNX)
- Product Quality & Recall Mgmt (DRG)

**Environmental Dimension**
- Environmental Management System
- Operational Eco-Efficiency
- Climate Strategy
- Environmental Reporting
- Biodiversity (MNX)
- Mineral Waste Management (MNX)

**Social Dimension**
- Human Capital Development
- Talent Attraction & Retention
- Occupational Health & Safety
- Stakeholder Engagement
- Social Reporting
- Bioethics (DRG)
- Addressing Cost Burden (DRG)
Framework for assessing sustainability performance

- Reporting on materiality
- Description of process to define material issues
- Defining & prioritizing material issues, including linking the identified issues to the business case of the company
- Reporting on social and environmental initiatives leading to cost savings and/or revenue generation
- Reporting on KPIs & targets linked to the defined material issues

Quality and reliability of reporting

- Extent of operations covered by reports

Assurance

Source: RobecoSAM
Benefits from participating in DJSI

**Strengthen network**
- Build stronger connections with existing and/or new issue owners across company
- Understand how the workload to respond to DJSI can be more efficient

**Increase buy-in**
- Better illustrate link between corporate citizenship and business value
- Enhance case for more robust corporate citizenship strategy and expanded initiatives

**Improve citizenship**
- Identify strategic and programmatic areas for improvement
- Uncover activities suitable for inclusion in reporting

**Elevate reputation (once listed on DJSI)**
- Gain recognition in investor community
- Achieve equivalent of corporate citizenship *Oscar*
Materiality and environment
Operational Eco-efficiency and Performance Group

Percentage of Companies Identifying Operational Eco-efficiency as Material Issue

<table>
<thead>
<tr>
<th>Year</th>
<th>DJSI NAM Non-members</th>
<th>DJSI NAM Members</th>
<th>Top 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>65%</td>
<td>61%</td>
<td>67%</td>
</tr>
<tr>
<td>2015</td>
<td>79%</td>
<td>79%</td>
<td>93%</td>
</tr>
</tbody>
</table>
Operational Eco-efficiency and Industry Group

Percentage of Companies Identifying Operational Eco-efficiency as Material Issue

- Energy Group
- Food, Beverage, and Tobacco
- Banks and Diversified Financials
Why does materiality matter?

1. **Expectations are growing:** Increasingly materiality is the focus of sustainability standards (e.g. DJSI, GRI G4, IIRC, SASB).

2. **Materiality offers real business value:**

   - Understand trends & issues
   - More powerful communication
   - Identify opportunities & manage risk
   - Align CR with business strategy
   - Informed decision-making
   - Strategic resource allocation
What makes a robust materiality assessment?

A robust materiality assessment begins with a strong **Purpose** that is driven by a well-structured **Process** and framed by both internal and external **Perspectives**.

<table>
<thead>
<tr>
<th>PURPOSE</th>
<th>PROCESS</th>
<th>PERSPECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear understanding of objectives helps manage expectations and drives the optimization of results.</td>
<td>Following robust process will increase confidence in outputs and result in improved decision making.</td>
<td>Balancing internal and external viewpoint is the mark of a leader and need not be resource intensive.</td>
</tr>
</tbody>
</table>
GHG emissions
Scope 1 GHG Emissions coverage and all participating US companies

Distribution: Coverage of Scope 1 GHG Emissions Data

<table>
<thead>
<tr>
<th>Description Value</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Value</td>
<td>13</td>
<td>14</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>1st Quartile Value</td>
<td>95</td>
<td>96</td>
<td>95</td>
<td>98</td>
</tr>
<tr>
<td>Median Value</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>3rd Quartile Value</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Maximum Value</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Scope 1 GHG Emissions coverage and top 10% US companies

Distribution: Coverage of Scope 1 GHG Emissions Data

<table>
<thead>
<tr>
<th>Description Value</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Value</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
</tr>
<tr>
<td>1st Quartile Value</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Median Value</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>3rd Quartile Value</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Maximum Value</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Scope 1 GHG emissions trends and Performance Group

Percentage of Companies Reporting Year-wise Trend of Scope 1 GHG Emissions Data

- **DJSI NAM Non-members**:
  - 2015:
    - 6% Decreasing Trend
    - 41% Not Available
    - 35% Year-wise Trend Between RobecoSAM's Expected Threshold
- **DJSI NAM Members**:
  - 2015:
    - 2% Decreasing Trend
    - 41% Not Available
    - 36% Year-wise Trend Between RobecoSAM's Expected Threshold
- **Top 10% US Companies**:
  - 2015:
    - 7% Decreasing Trend
    - 53% Not Available
    - 40% Year-wise Trend Between RobecoSAM's Expected Threshold
Scope 1 GHG emissions trends and Industry Group

Percentage of Companies Reporting Year-wise Trend of Scope 1 GHG Emissions Data

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>2015 Year-wise Trend</th>
<th>Year-wise Trend Between RobecoSAM's Expected Threshold</th>
<th>Increasing Trend</th>
<th>Decreasing Trend</th>
<th>Year-wise Trend Not Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Group</td>
<td>25%</td>
<td>17%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food, Beverages, and Tobacco</td>
<td>43%</td>
<td>7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks, and Diversified Financials</td>
<td>13%</td>
<td>38%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Hallmarks of a low-carbon strategy

Source: Corporate Citizenship “The Low-Carbon Company”
Low-carbon strategy tips

- Move from simply disclosing your carbon footprint to identifying reduction opportunities.
- Move from a short-term focus on carbon to long-term goals.
- Share your progress whether or not you’ve met publically-stated goals.
- Secure the appropriate resources necessary to meet the challenge.

Source: Corporate Citizenship “The Low-Carbon Company”
Reporting environmental performance
Material environmental KPIs reported and Performance Group

**Percentage of Companies Reporting KPIs linked to Material Environmental Issue**

<table>
<thead>
<tr>
<th></th>
<th>KPIs linked to Material Issue: Reported for More than Three Years</th>
<th>KPIs linked to Material Issue: Reported for At least One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>DJSI NAM Non-members 2014</td>
<td>31%</td>
<td>9%</td>
</tr>
<tr>
<td>DJSI NAM Members</td>
<td>51%</td>
<td>14%</td>
</tr>
<tr>
<td>Top 10%</td>
<td>93%</td>
<td>7%</td>
</tr>
<tr>
<td>DJSI NAM Non-members 2015</td>
<td>43%</td>
<td>16%</td>
</tr>
<tr>
<td>DJSI NAM Members</td>
<td>64%</td>
<td>12%</td>
</tr>
<tr>
<td>Top 10%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Environmental KPIs reported and all participating US companies

KPIs Reported by Participating US Companies

- Total GHG Emissions/Scope 1 GHG Emissions, 25%
- Energy Consumption / Energy Efficiency, 21%
- Water Consumption / Withdrawal, 17%
- Waste, 13%
- Resource Efficiency (Packaging reduction, Waste Reuse), 2%
- Financial Benefits from Environmental Products/Services, 3%
- Environmentally Certified Products, 2%
- Other Environmental KPIs (Environmental audits, oil spills, recycling rate, etc.), 9%
- Scope 2 GHG Emissions, 6%
- Other Air Emissions (CH4 emissions, SOX emissions, Mercury emissions, Scope 3 emissions, etc.), 4%
Four drivers of change in reporting

I. Strategic Alignment
Closer alignment between sustainability and commercial decisions has become a business imperative.

II. Issues Expansion
The scope and significance of issues are expanding across extended value chains.

III. Standards Proliferation
There is a rapid proliferation of sustainability-related standards, rankings, ratings, and indices.

IV. Digital Innovation
Digital innovation offer new ways of presenting data and communicating with audiences.

Source: Corporate Citizenship “The Future of Reporting: From Routine to Strategic”
## The reporting journey: 8 defining questions

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Aims</td>
<td>What is the objective of the report?</td>
</tr>
<tr>
<td>2. Audience</td>
<td>Who are the audiences for the report?</td>
</tr>
<tr>
<td>3. Materiality</td>
<td>What is the approach to identifying issues that are important to the business and to stakeholders?</td>
</tr>
<tr>
<td>4. Systems &amp; Processes</td>
<td>What types of reporting systems and processes are in place to facilitate sustainability communications</td>
</tr>
<tr>
<td>5. Standards &amp; Frameworks</td>
<td>What reporting standards and frameworks are used?</td>
</tr>
<tr>
<td>6. Outputs</td>
<td>What is produced from the reporting process?</td>
</tr>
<tr>
<td>7. Engagement</td>
<td>What is the approach to engaging audiences?</td>
</tr>
<tr>
<td>8. Frequency</td>
<td>How often will the exercise be repeated or other outputs be produced?</td>
</tr>
</tbody>
</table>

Source: Corporate Citizenship “The Future of Reporting: From Routine to Strategic
Third party data verification
Third-party GHG verification and Performance Group
Third-party GHG verification and Industry Group

Percentage of Companies Providing Third-party Verification of Scope 1 GHG Emissions data

- Energy Group
- Food, Beverages, and Tobacco
- Banks, and Diversified Financials
Third-party verification benefits

Improved internal management

- Identification of future areas of improvement for data and management systems.

Increased credibility

- Creation of trust with certain external stakeholders, which can increase stakeholders’ praise and willingness to work with a company.

Higher external ratings

- Possible assistance in achieving a higher rating from external evaluators of certain awards, ratings, and indices (e.g. CDP, DJSI).
2016 DJSI Assessment
Assessment Process

**Early Feb - Online invitation list**

See whether the company is invited or not and for which indices you are eligible

http://www.sustainability-indices.com/review/timeline.jsp

**March - Webinars**

March 17, 2016: General information on DJSI and assessment process

March 22, 2016: Overview of the major methodology changes

**Mid March – Official Invitation letter**

Company will receive an invitation letter via email

If you do not receive the email, please check your spam filter or contact us!

**April 5 to May 31, 2016 – Questionnaire open**

Extension until end of June can be provided – first come first serve

**8 September 2016 – Publication of results**

Announcement of Index Members, provision of scorecards to participating companies

**January 2017 – Launch of Sustainability Yearbook 2017**
Assessment Process – How we support you

**Before the Assessment:** Contact us to receive background information to make an informed decision about your participation

- **2015 questionnaire** for your industry
- Questionnaire **companion** providing question rational and requirements
- Blanc **scorecard for your industry**, to understand the level of sustainability in your peer group
- If prepared by RobecoSAM: your **company specific scorecard**, based on an assessment of publicly available information
- Contact: services@robecosam.com, +41 44 653 1211

**During the assessment period**

- **Dedicated DJSI helpline** answering questions related to: the online assessment tool, the methodology and question guidance as well as general DJSI/ CSA related questions
- Free 40min **feedback calls** with responsible analysts (after September)
- Contact: index@robecosam.com or +41 44 653 1030
  US Phone number to be available for 2016 assessment
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W:  www.sustainability-indices.com
Appendix: How to read the charts

How to Read

Values

Maximum Value
3\textsuperscript{rd} Quartile Value
Median Value
1\textsuperscript{st} Quartile Value
Minimum Value

<table>
<thead>
<tr>
<th>Description Value</th>
<th>XYZ Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Value</td>
<td>20</td>
</tr>
<tr>
<td>1\textsuperscript{st} Quartile Value</td>
<td>40</td>
</tr>
<tr>
<td>Median Value</td>
<td>60</td>
</tr>
<tr>
<td>3\textsuperscript{rd} Quartile Value</td>
<td>80</td>
</tr>
<tr>
<td>Maximum Value</td>
<td>100</td>
</tr>
</tbody>
</table>