

Dow Jones Sustainability Indexes (DJSI) Annual Review 2006

6 September 2006

A cooperation of Dow Jones Indexes, STOXX Ltd. and SAM Group

DOWJONES
Indexes

STOXX
creating success

sam 

sam 

Food for thought ...

„The potential payoff from reducing short-term performance obsession in the investment and corporate communities is substantial.“

Alfred Rappaport

Source: Rappaport, Alfred (2005): The Economics of Short-Term Performance Obsession, Financial Analysts Journal, Vol. 61, Number 3, May/June 2005

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I. Key Facts

II. Research Highlights 2006

III. Dow Jones Sustainability World Index

IV. Dow Jones STOXX Sustainability Index

V. Dow Jones Sustainability North America Index

SAM – Overview

- ❑ World's only investment group offering **asset management, private equity and indexes** with an exclusive focus on **sustainability**.
- ❑ **Global customer base** including banks, insurance companies, pension funds, foundations, and private clients.
- ❑ **2.6 billion USD** in assets under management. **45% CAGR** since 2002.
- ❑ Company with **over 60 staff** and offices in Zurich, Melbourne, Milan, Montreal, San Francisco and Stockholm.
- ❑ **20 analysts** combining sustainability and financial expertise. Global expert network.

SAM – Indexes

- ❑ Cooperation with Dow Jones Indexes and STOXX for the publication and licensing of the Dow Jones Sustainability Indexes (DJSI). Launch in 1999.
- ❑ Broad family of DJSI benchmarks including global, European, Eurozone, North American, and US indexes.
- ❑ Over 5 billion USD in DJSI-based investment vehicles.
- ❑ Launch of the Australian SAM Sustainability Index (AuSSI) in 2005.
- ❑ Launch of further indexes in 2005 and 2006.

DJSI – Overview

- ❑ Integrated assessment of **economic, environmental and social criteria** with a strong focus on **long-term shareholder value**.
- ❑ Consistent **rules-based methodology**, primary research (direct contact to companies).
- ❑ Focus on **best-in-class** companies. Yearly review and continuous monitoring of companies.
- ❑ **Assurance** of the assessment process by **PwC**.

DJSI – Partners



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



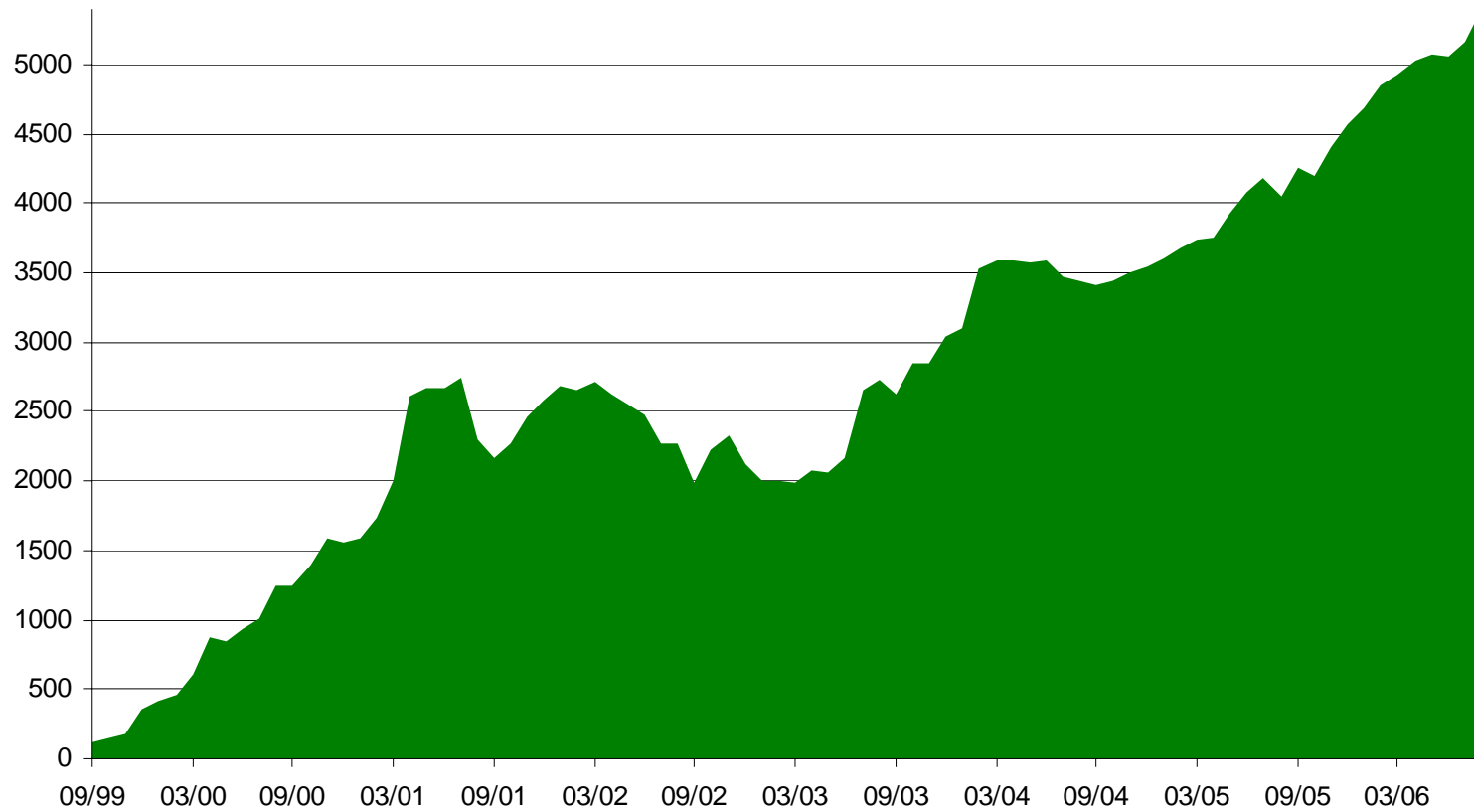
Provides and services the Dow Jones STOXXSM indexes, Europe's leading regional equity indexes.



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

DJSI – Assets

Assets based on DJSI (in million USD)



DJSI – Licensees

as of August 31, 2006

Aegon (NL)
Baloise Insurance (CH)
BNL Gestioni (IT)
BT Financial Group (AU)
Capital Invest (AT)
CIC Asset Management (FR)
Credit Suisse Asset Management (CH)
Credit Agricole Asset Management Japan Ltd.
Credit Union Central Alberta (CA)
Credit Union Central of Ontario (CA)
Danske Invest / BG Invest (DK)
Dexia Asset Management (BE)
Deutsche Bank (DE)
Deutsche Postbank (DE)
DWS (DE)
DZ Bank (DE)
Folksam Sak (SE)
Fortis Investment Management (BE)
Gestnord (IT)
IndexChange (DE)
Invesco (DE)
ING (BE)
Kepler Fonds (AT)
Mandatum Asset Management (FI)
MEAG Munich Ergo (DE)
Merrill Lynch (UK)
Nikko Asset Management (JP)
OP Fund Management Company (FI)
Raiffeisen (AT)
Rabo Bank (UK)
SAM Sustainable Asset Management (CH)
Sparinvest (DK)
SPP (SE)
State Street Global Advisors (US)
Synchrony Asset Management (CH)
Theodoor Gilissen Bankiers (NL)
UBS Global Asset Management (Japan) Ltd
UBS Deutschland AG (DE)
Union Investment (DE)
Vontobel (CH)
WestAM (DE)
WestLB (DE)
VZ VermögensZentrum (CH)

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DJSI – Assessment Universe 2006

Number of invited and assessed companies

- DJSI World Universe = 2,500
- DJSI STOXX Universe = 600
- DJSI North America Universe = 600
- Invitations sent = 2,501
- Companies analysed globally = 1,200
 - North America: 442
 - Europe: 489
 - Japan: 144
 - Asia / Pacific ex Japan: 102
 - Latin America: 14
 - South Africa: 9
- Companies completing survey = 527
- Companies analysed based on public information only = 673

DJSI – Key Insights 2006 (I)

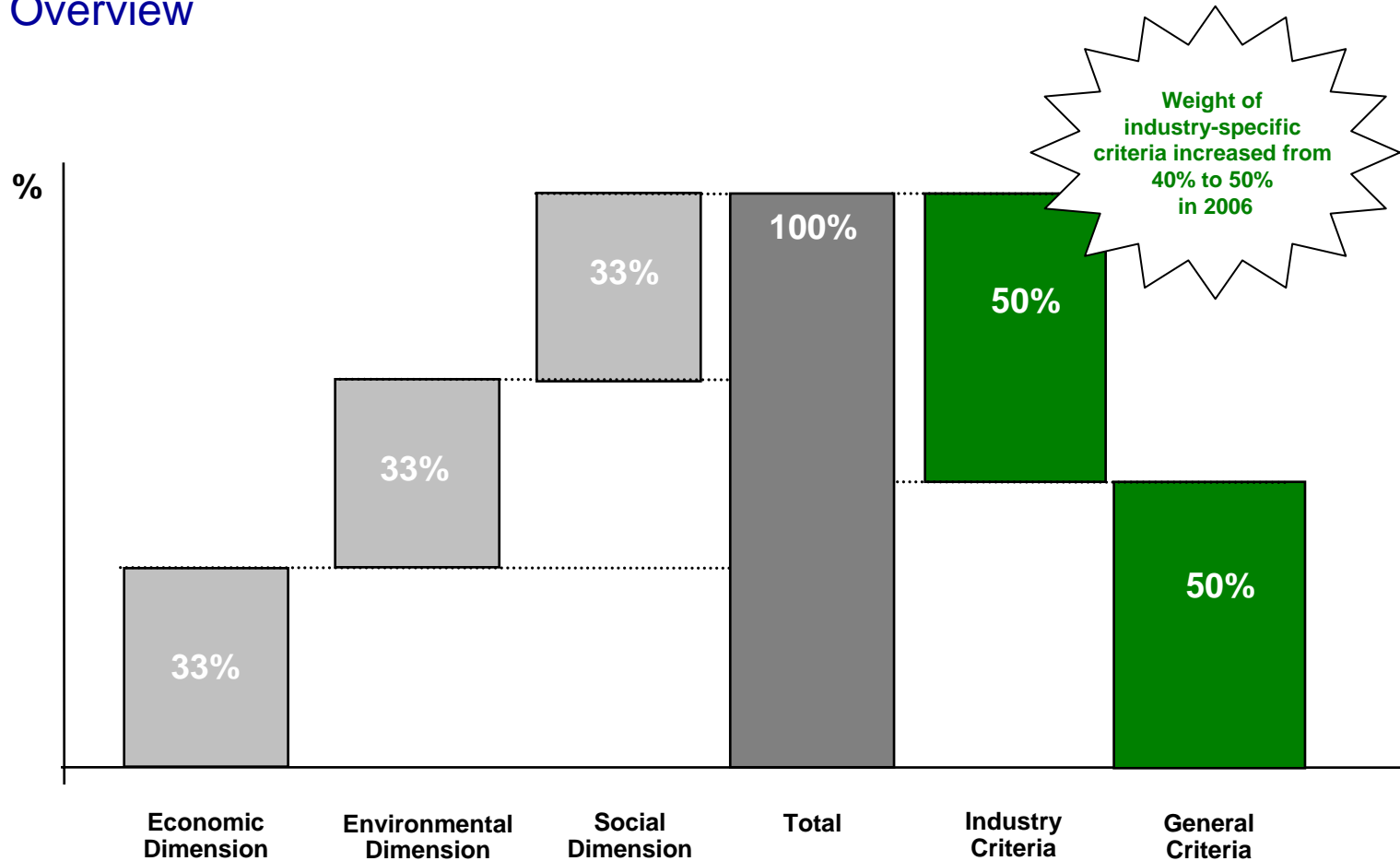
- **The trend towards industry-specific sustainability management continues.** Companies are getting increasingly educated about the specific sustainability risks and opportunities in their sector and continuously move beyond general aspects. Examples for this include waste-to-energy production of utility companies, digital inclusion in the communication technology industry, and closed-cycle bleaching in the paper industry.
- **Competition increases for sustainability leadership.** As sustainability gains recognition, an increasing number of companies are competing for sector sustainability leadership and differences between leading companies in most sectors are getting smaller.
- **Huge discrepancies exist between companies concerning their operational risk management.** Only few companies report that they have established systems to quantify and visualize operational risks with tools such as risk maps, stress testing, sensitivity analysis, etc.
- **Leaders quantify the value of their brands.** Companies care about their brands and invest heavily into brand management, but few report that they are actually able to quantify the values of their brands and the returns on their brand investments.

DJSI – Key Insights 2006 (II)

- **Climate change continues to attract increased attention.** More companies recognize that climate change will have a major impact on their future operations and product offering. Leading energy firms include a climate change impact assessment in their M&A due diligence. The top financial institutions leverage their climate change know-how gained for internal assessments to market new products and services that go beyond mere carbon emission trading (e.g. risk management systems, environmental impact assessments of potential investments, etc.)
- **More global firms tailor their product offerings to the specific needs of developing countries.** Mobile communication technology providers offer low budget mobile phones or install phone booths in under-developed regions. Consumer goods manufacturers adjust their global offering in terms of product packaging, product sizing, pricing and contents (e.g. adding iodine to salt).
- **Overall, sustainability performance continues to advance across all sectors. At the same time, substantial room for progress in sustainability remains on the corporate agenda.**

DJSI – Assessment Criteria (I)

Overview



Actual weightings for the economic, environmental and social dimension may differ between industry groups to reflect the sector's specific exposure to certain sustainability trends. The graph above is illustrative of the approximate weightings.

DJSI – Assessment Criteria (II)

Criteria & Weightings

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

A complete survey for the entire general part of SAM's assessment is available at www.sustainability-indexes.com (-> Assessment -> Information Sources).

DJSI – Assessment Criteria (III)

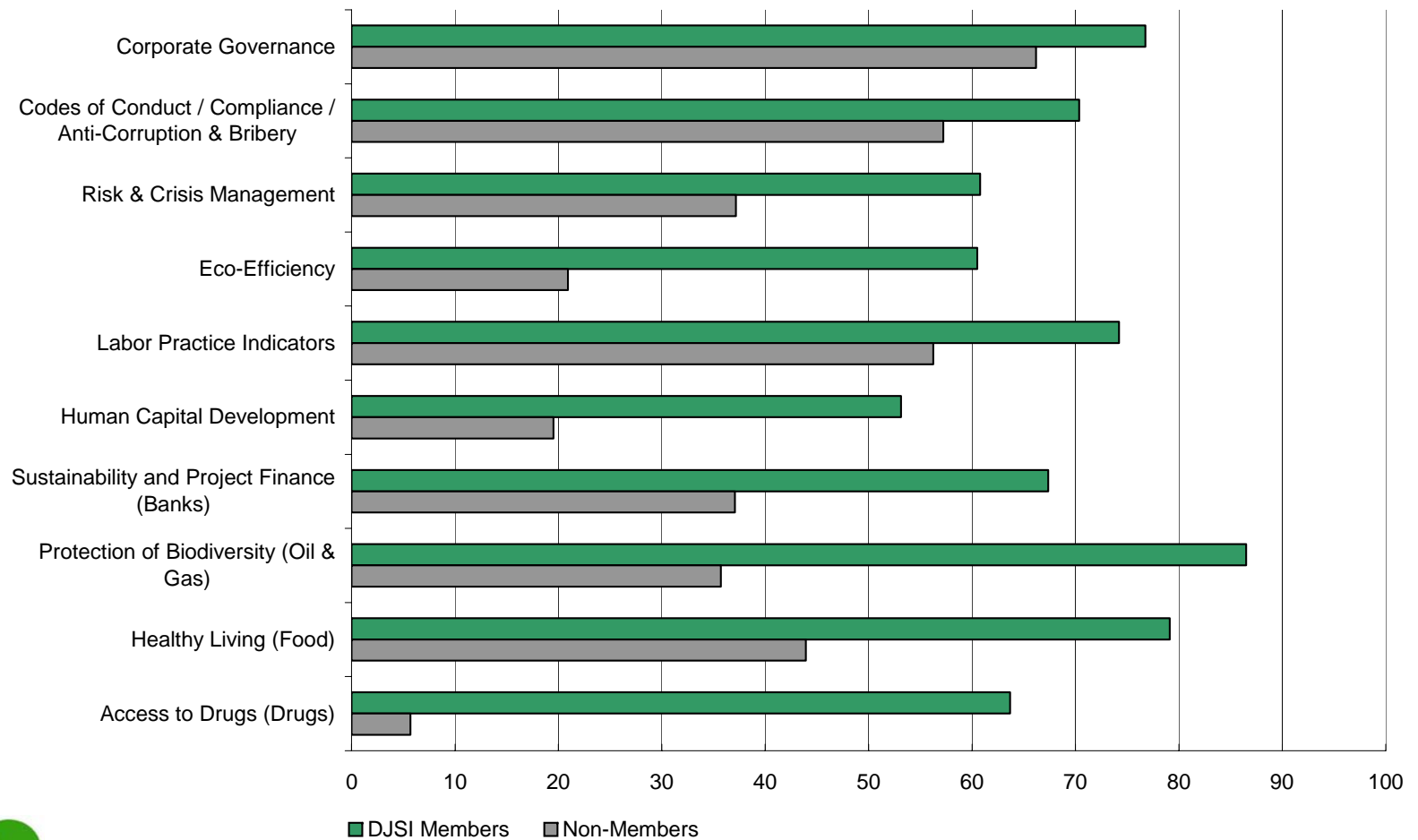
Examples of criteria changes compared to 2005

Criteria	Key changes compared to 2005
Corporate Governance	Criteria added to general part to cover board effectiveness and entrenchment provisions.
Risk & Crisis Management	Revised criteria in general part for further insights into the scope of risk management systems, and the use of various tools such as sensitivity analysis and stress testing of risk models.
Codes of Conduct/Compliance/Corruption & Bribery	Expanded focus on reporting of breaches of codes of conducts.
Brand Management	Criteria added to relevant industry-specific parts to evaluate the systems and tools companies put in place for strategically managing their brand(s) and to assess their returns on brand investments.
Climate Strategy	Questions added to relevant industry-specific parts to assess whether companies continuously monitor their consolidated balance between CO2 emissions and CO2 emission allowances, and whether they incorporate GHG emission parameters in their evaluations of new projects.
Strategy for emerging markets	Criteria added to relevant industry-specific parts to evaluate the development of a company's revenue share from emerging markets and assess its strategy to further grow its presence in these regions.

DJSI – Focus (I)

Examples of Criteria Results

Average sustainability scores for selected criteria
DJSI members and non-members

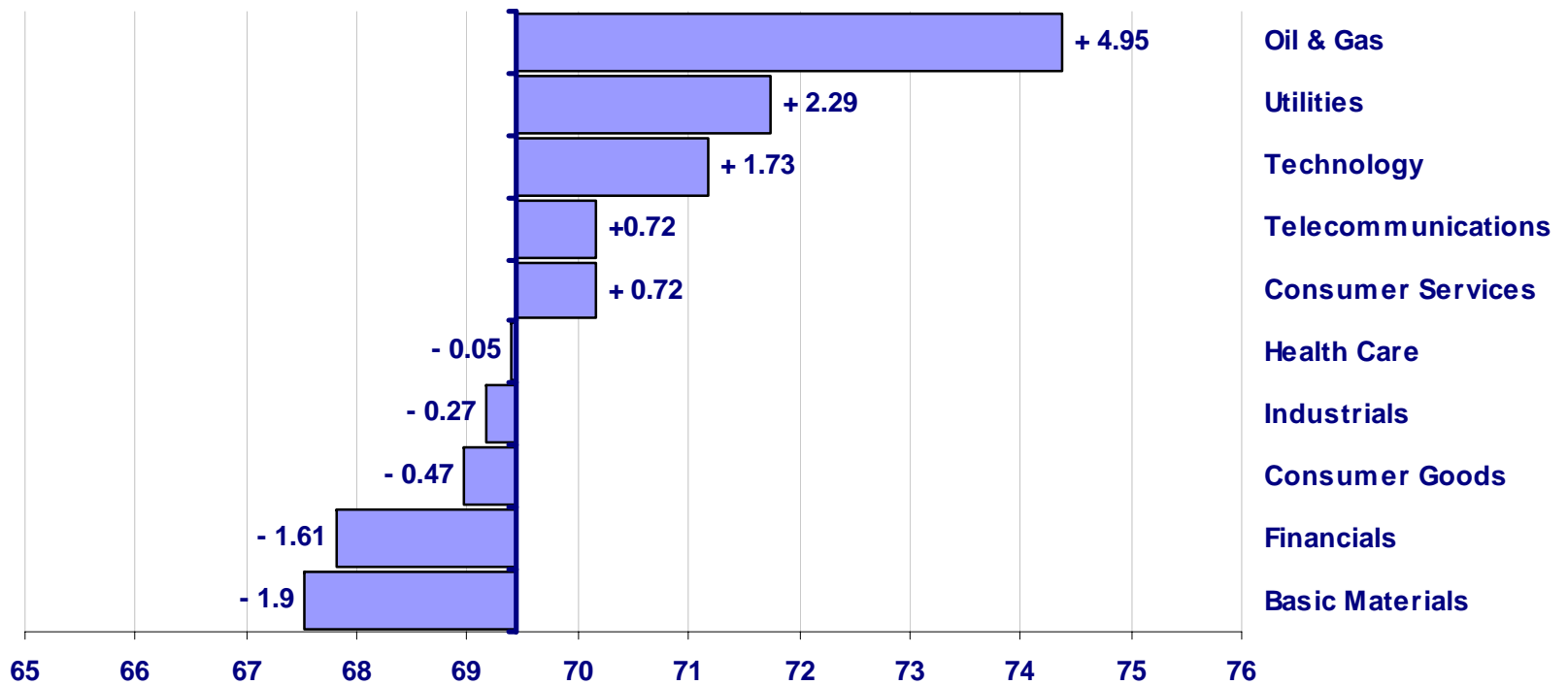


DJSI – Focus (II)

Corporate Governance by Industry

Average all sectors: 69.44

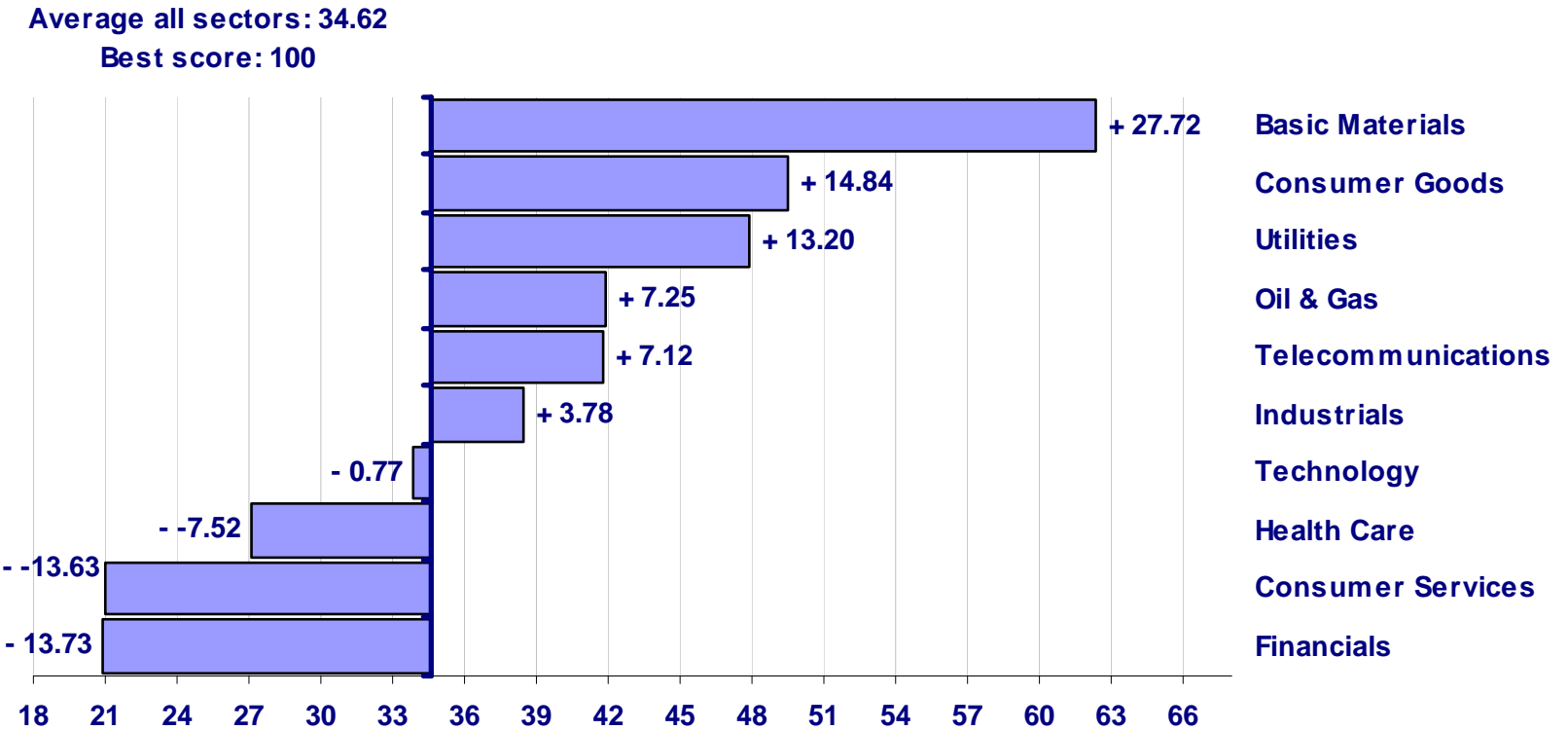
Best score: 96.25



Score 2006 and deviation from average score 2006 by industry

DJSI – Focus (III)

Eco-Efficiency Improvements by Industry



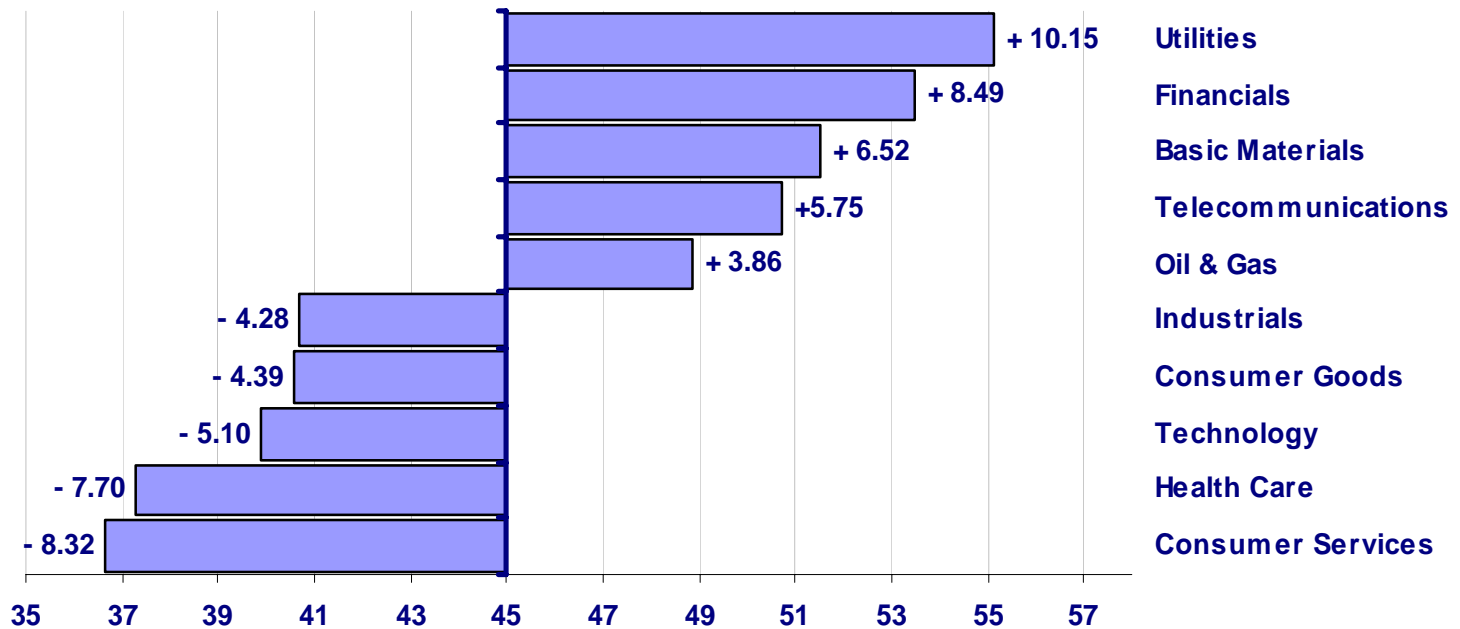
Score 2006 and deviation from average score 2006 by industry

DJSI – Focus (IV)

Risk & Crisis Management by Industry

Average all sectors: 44.97

Best score: 100



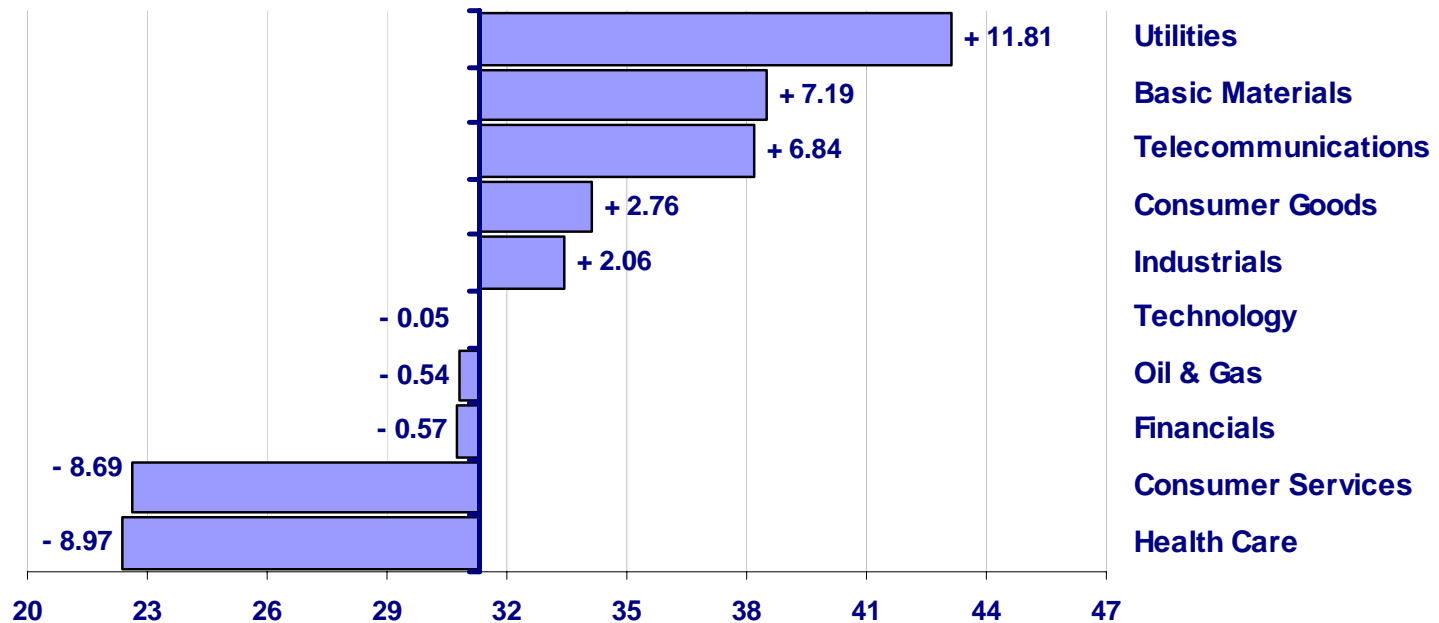
Score 2006 and deviation from average score 2006 by industry

DJSI – Focus (V)

Human Capital Development by Industry

Average all sectors: 31.34

Best score: 100

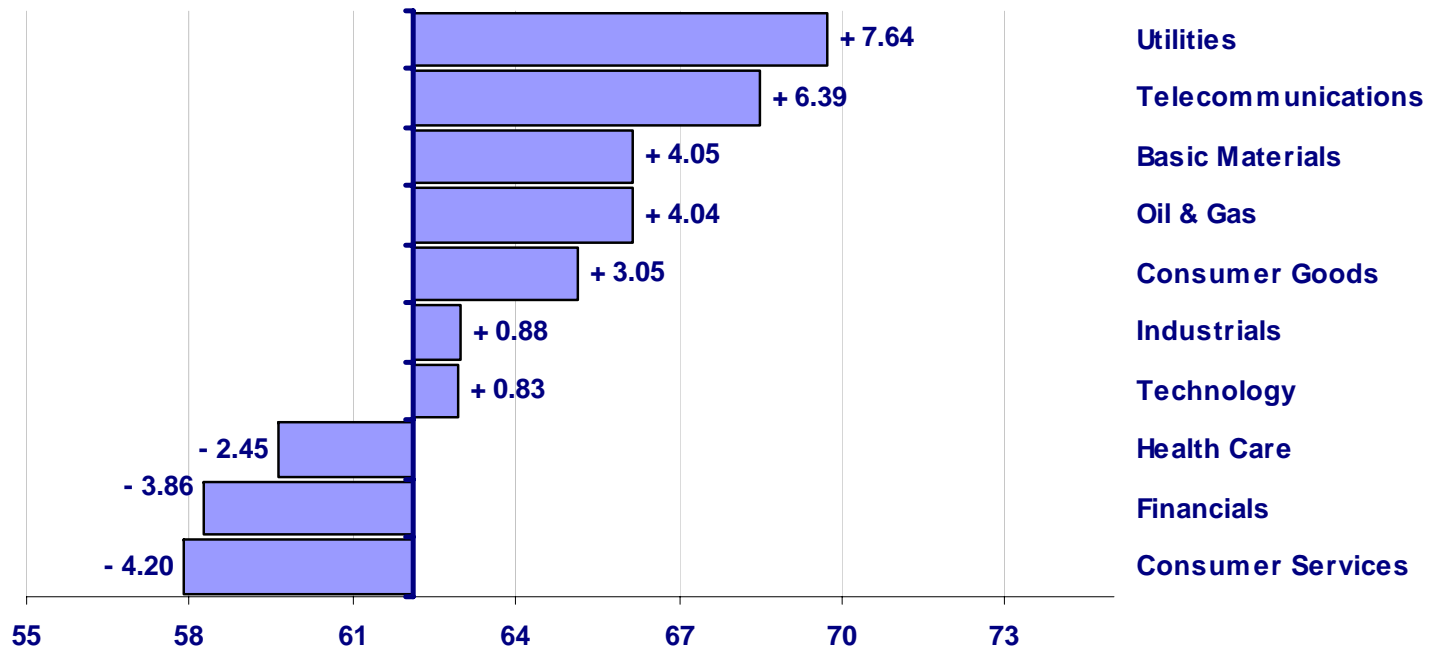


Score 2006 and deviation from average score 2006 by industry

DJSI – Focus (VI)

Labor Practice Indicators by Industry

Average all sectors: 62.09
Best score: 100



Score 2006 and deviation from average score 2006 by industry

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DJSI World – Selection 06/07

Dow Jones Global Index

2,500 largest companies
58 DJSI sectors

Component Selection

Top 10% of companies
in terms of sustainability
in each DJSI sector

20% target market cap coverage
in each supersector

DJSI World

318 Components
58 DJSI sectors

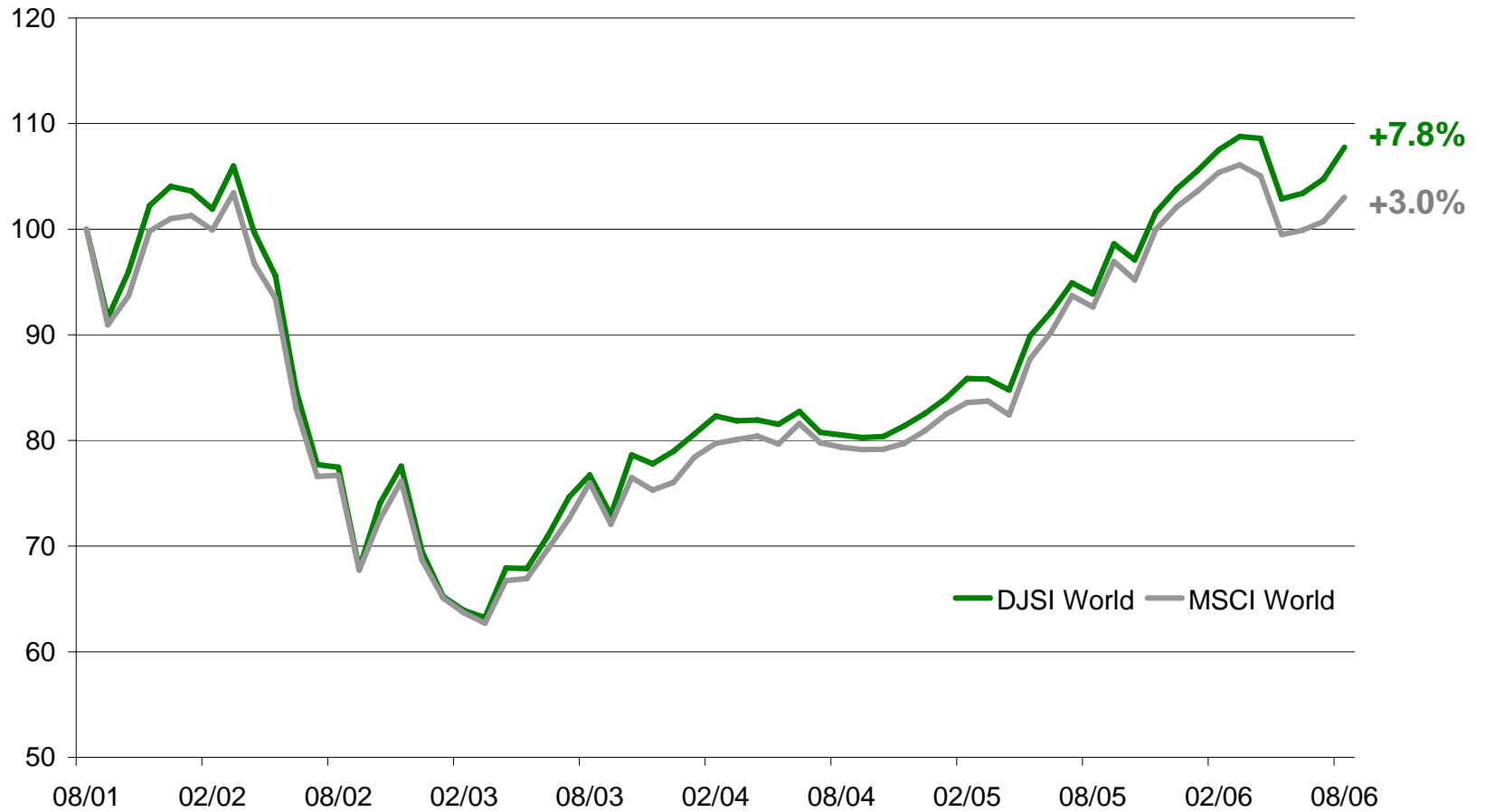
46 Adds (8.5% of mcap)
36 Deletes (5.0% of mcap)

DJSI World – Index Range

- DJSI World**
(318 Components)
- DJSI World ex Alcohol**
(309 Components)
- DJSI World ex Tobacco**
(316 Components)
- DJSI World ex Gambling**
(305 Components)
- DJSI World ex Armaments & Firearms**
(313 Components)
- DJSI World ex Alcohol, Tobacco, Gambling,
Armaments & Firearms**
(289 Components)

DJSI World – Performance

5 Years, 08/01 - 08/06, EUR, Total Return Index



DJSI World – Global Sector Leaders

Automobiles & Parts	BMW
Banks	Westpac Banking Corp.
Basic Resources	Norsk Hydro
Chemicals	DSM
Construction & Materials	Holcim
Financial Services	Investa Property Group
Food & Beverage	Unilever
Healthcare	Novartis
Industrial Goods & Serv.	3M

DJSI World – Global Sector Leaders

cont'd

Insurance	Allianz
Media	ITV
Oil & Gas	Statoil
Personal & Household	Procter & Gamble
Retail	Kesko
Technology	Intel
Telecommunications	BT Group
Travel & Leisure	Sodexo
Utilities	Veolia Environment

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DJSI STOXX – Selection 06/07

Dow Jones STOXX® 600

600 Companies
50 DJSI sector clusters

Component Selection

Top 20% of companies
in terms of sustainability
in each DJSI sector cluster

45% target market cap coverage
in each supersector

DJSI STOXX

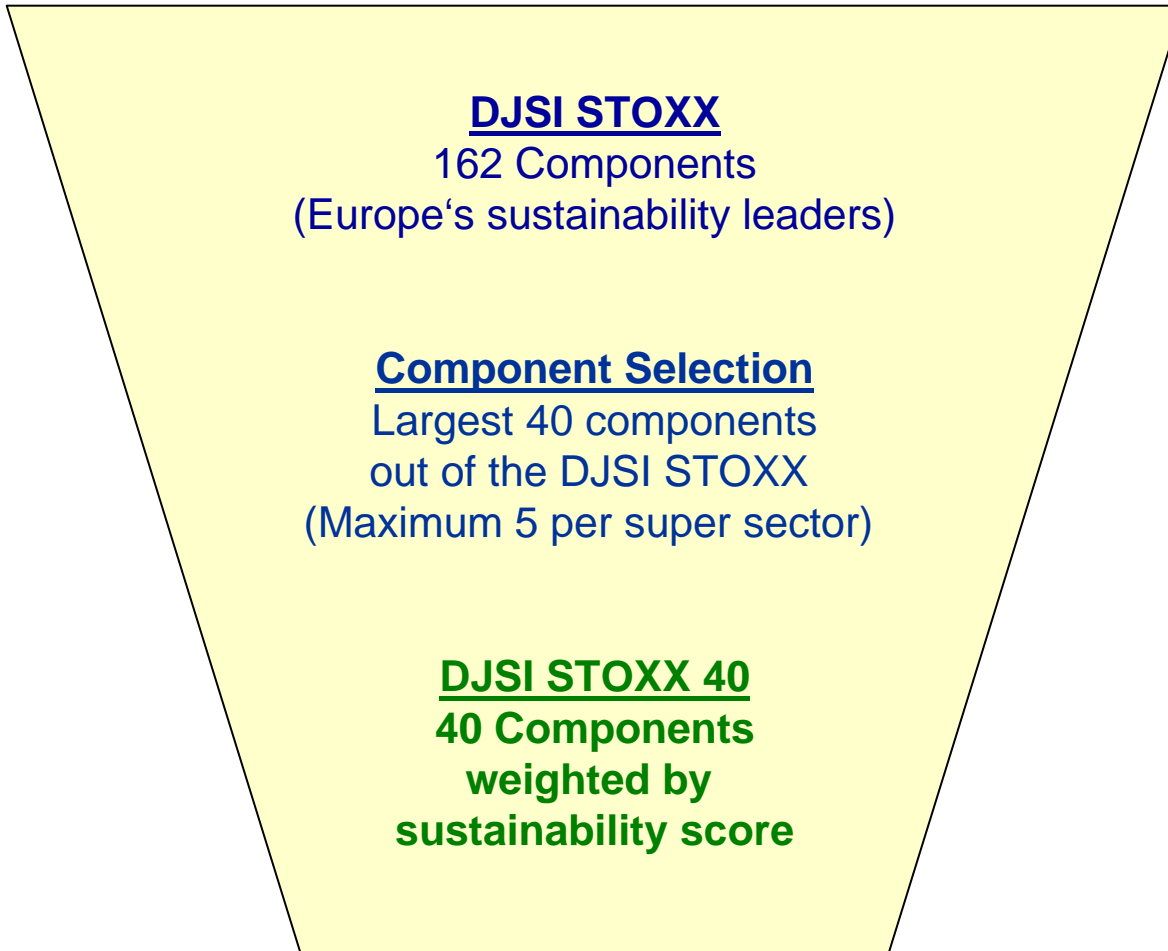
162 Components
50 DJSI sector clusters
12 countries

26 Adds (8.2% of mcap)
16 Deletes (5.7% of mcap)

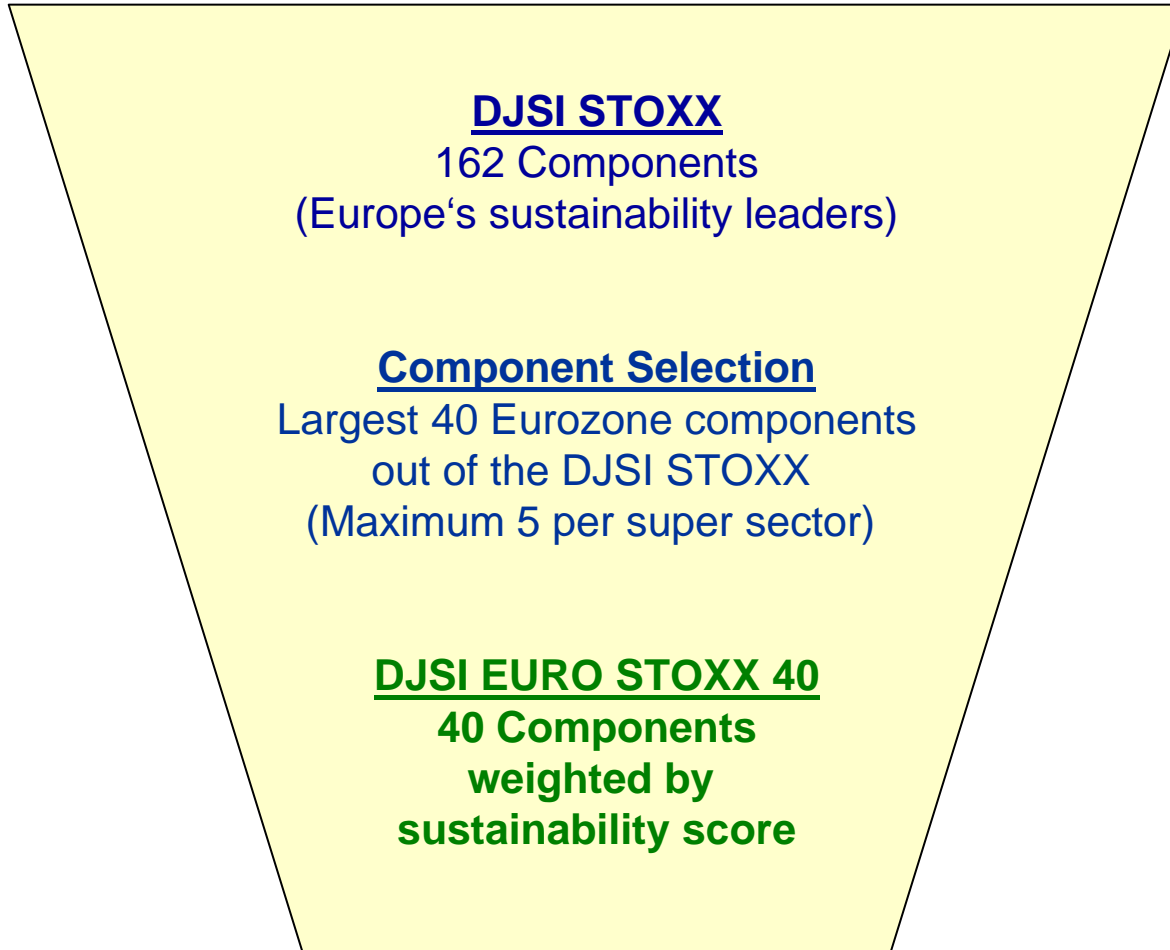
DJSI STOXX – Index Range

- DJSI STOXX**
(162 Components)
- DJSI STOXX ex Alcohol, Tobacco, Gambling,
Armaments & Firearms**
(147 Components)
- DJSI STOXX 40**
(40 Components)
- DJSI EURO STOXX**
(77 Components)
- DJSI EURO STOXX ex Alcohol, Tobacco, Gambling,
Armaments & Firearms**
(70 Components)
- DJSI EURO STOXX 40**
(40 Components)

DJSI STOXX 40 – Selection 06/07



DJSI EURO STOXX 40 – Selection 06/07



DJSI STOXX 40 / DJSI EURO STOXX 40 –

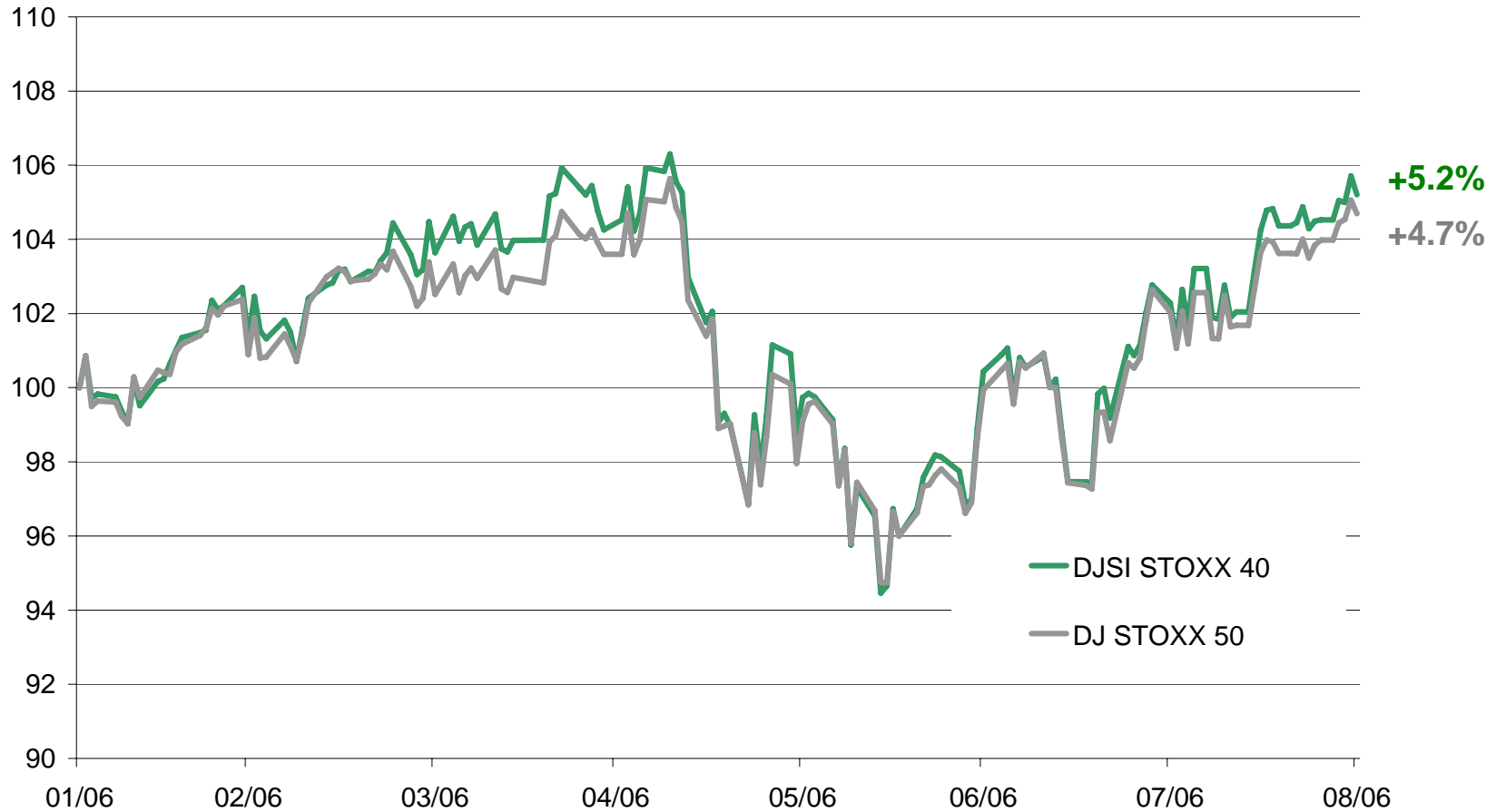
Weighting

	Market Cap (in million EUR)	Sustainability Score*	Weighting
Company 1	10'000	100	$100/3000 = 3.3\%$
Company 2	60'000	80	$80/3000 = 2.7\%$
Company 3	30'000	60	$60/3000 = 2.0\%$
...
...
...
...
...
...
Company 39	50'000	50	$50/3000 = 1.7\%$
Company 40	90'000	40	$40/3000 = 1.3\%$
Total		3000	

* The 40 components of the DJSI STOXX 40 and DJSI EURO STOXX 40 are weighted by their normalized sustainability score, i.e. the result of the company in SAM's annual assessment of economic, environmental and social criteria.

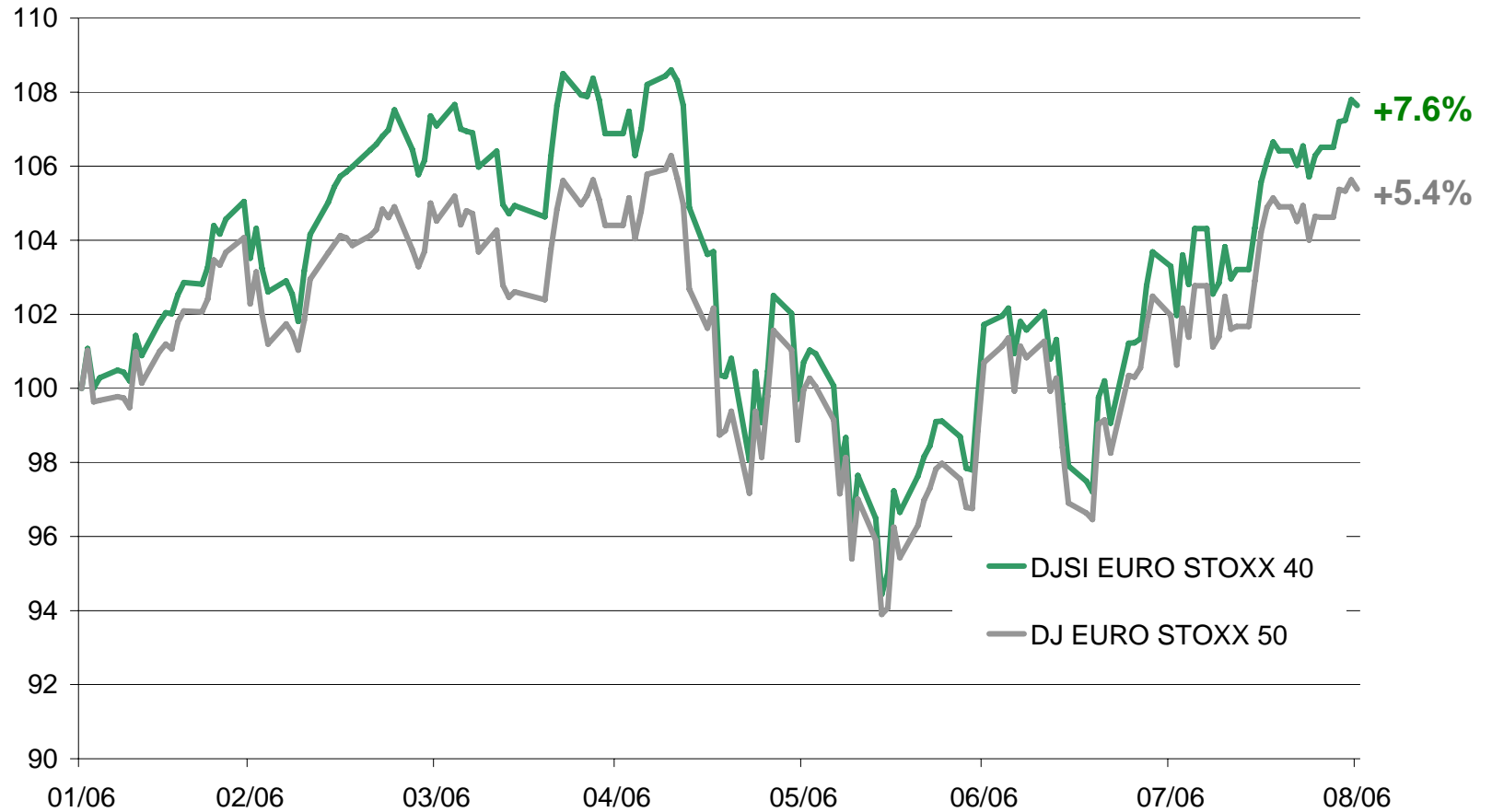
DJSI STOXX 40 – Performance

Since launch (01/06) - 08/06, EUR, Total Return Index



DJSI EURO STOXX 40 – Performance

Since launch (01/06) - 08/06, EUR, Total Return Index



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DJSI North America – Selection

Dow Jones Global Index

600 largest companies
from North America
47 DJSI sector clusters

Component Selection

Top 20% of companies
in terms of sustainability
in each DJSI sector cluster

DJSI North America

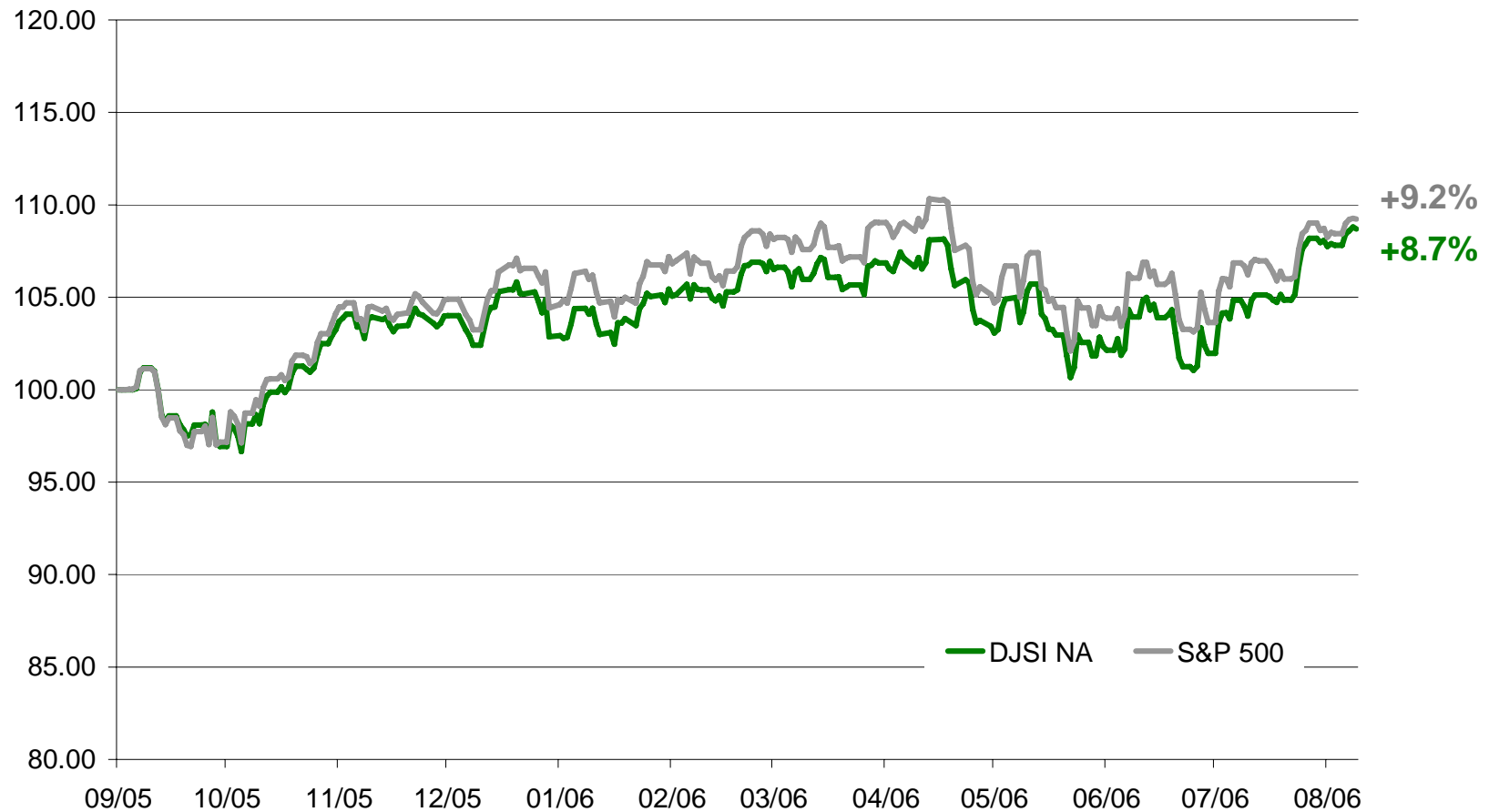
112 Components
47 DJSI sector clusters
17 Adds (10.6% of mcap)
13 Deletes (4.2% of mcap)

DJSI North America – Index Range

- ❑ **DJSI North America**
(112 Components)
- ❑ **DJSI North America ex Alcohol, Tobacco, Gambling, Armaments & Firearms**
(106 Components)
- ❑ **DJSI United States**
(92 Components)
- ❑ **DJSI United States ex Alcohol, Tobacco, Gambling, Armaments & Firearms**
(86 Components)

DJSI North America – Performance

Since launch (09/05) - 08/06, USD, Total Return Index



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