

# Rate the Raters Phase Five

## Questionnaire for Raters

### Dow Jones Sustainability Indices

### February 2013

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#### Overview of Questionnaire

The questionnaire covers five areas: Rating Overview, Governance and Transparency, Inputs, Research Process and Outputs. SustainAbility developed a methodology to evaluate raters' responses in the latter four areas, and we used this to identify the good practices and areas for improvement described in [Rate the Raters Phase III: Uncovering Best Practices](#). We have made our methodology available on our website for readers to use while reviewing the raters' responses.

#### Directions for Raters

Please use space below each question to input your answers. While we have not set a minimum or maximum number of words for your responses, please answer the questions in sufficient detail for us to understand your practices. We have included guidance notes in italics. We recognize that certain questions may not be pertinent to every rating. If you find this to be the case, please indicate this and provide a brief explanation.

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## 0 Rating Overview

### 0.1.1 Rating Name

Dow Jones Sustainability Indices (DJSI)

### 0.1.2 Please describe the primary objectives and motivations for your rating

The DJSI index family serves as benchmarks for investors who integrate sustainability considerations into their portfolios, and provides an effective engagement platform for companies wishing to adopt sustainability best practices.

### 0.1.3 How do you evaluate the impact or success of your rating? If so, how?

The success of the DJSI can be measured in different dimensions. On the one hand, it is reflected in the steady increase in company participation rates since the indexes were launched in 1999. Over the past five years, overall participation has increased by 40%. In addition, the year-to-year increases in the sector average score suggest that companies' actual sustainability performance is improving. Finally, the growth in the assets under license reflects retail and institutional clients' growing interest in investment products designed to meet the needs of responsible investors.

**0.1.4 Please identify your audience or customer base, and, if possible how they use your rating in their decision making.**

The audience is RobecoSAM's customer base, which consists of retail and institutional investors. Clients direct their investments to the investable universe of sustainability leaders identified through the assessment (rating). In addition, participating companies often report that RobecoSAM's Corporate Sustainability Assessment helps them identify areas for improvement with respect to their own sustainability agenda.

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## **1 Governance and Transparency**

### **1.1 Disclosure of methodology**

**1.1.1 Describe how you make available the details of your methodology to the public, rated companies and other stakeholders.**

RobecoSAM does not disclose the full DJSI methodology due to its proprietary nature, but offers interested stakeholders insights into the fundamental framework for its approach. RobecoSAM discloses the nature of the [assessment process](#) as well as [a sample questionnaire](#) on its website. Additional details on the index construction approach are provided in special [guidebooks](#).

Furthermore, RobecoSAM has published a white paper – [Measuring Intangibles](#) – which explains the scoring and assessment methodology as well as the methodology development process in more detail. In some cases, RobecoSAM may share blank questionnaires with selected journalists or academic institutions. Companies wishing to disclose their own sustainability scores or completed questionnaires on their websites or in their own reports may do so upon receiving permission from RobecoSAM.

RobecoSAM publicly discloses a [sample questionnaire](#) on its website and shares the sector-specific version of the questionnaire with any DJSI-eligible company upon request.

### **1.2 Conflict Management**

**1.2.1 Do you have a policy (or guidelines, standards, etc.) that addresses conflicts of interest? If so, is it disclosed publicly?**

Yes. RobecoSAM has a formal internal policy in place aimed to deal with any conflicts of interest that may arise. In addition, the [Statement of Independence](#), which is published on the website, outlines the independence of the [Sustainability Services](#) department in relation to the annual RobecoSAM Corporate Sustainability Assessment.

**1.2.2 Do you disclose the relationships and independence of board members, advisory panel members, partners and/or other involved third-parties? If so, how? How do you manage conflicts of interest with these entities?**

Yes. The index [guidebooks](#) are available online and provide information about the roles and responsibilities of the DJSI Index Design Committee (responsible for index construction rules, inclusion and exclusion from the index). The members of the DJSI Index Design Committee and the committee's main responsibilities are also listed [here](#).

**1.2.3 Do you offer for-fee services to the companies that you rate (including benchmark reports)? If yes, please describe these services. How do you avoid conflicts of interest in these situations?**

RobecoSAM offers participating companies both free and fee-based reports. As part of their participation in the DJSI process, companies receive free scorecards with scores for all sustainability criteria, industry averages and other benchmark scores. Participation in the assessment is free of charge for all eligible companies. For a fee, companies interested in advanced benchmarking analysis (e.g., comparisons of their question-level score with self-defined benchmarks) can ask for a detailed benchmarking report from RobecoSAM's Sustainability Services department. The independence of the Sustainability Services department in relation to the annual RobecoSAM Corporate Sustainability Assessment is outlined in the [Statement of Independence](#) which is made publicly available on the website.

**1.2.4 Do you have any other financial relationships (e.g. sponsorships, advertising) with companies you rate?**

No. RobecoSAM may be invested in some of the listed companies assessed through RobecoSAM Asset Management activities but does not entertain any contractual or commercial relationships with these companies. There are strict guidelines and processes regulating the activities of the sustainability assessment team and protecting the confidentiality of any information provided by companies as part of the sustainability assessment.

### **1.3 Regular Review**

**1.3.1 Do you have a regular approach to updating your methodology over time? If yes, describe this approach.**

Yes. The DJSI is published on an annual basis and RobecoSAM reviews and updates its methodology for each year's assessment. These reviews incorporate previous assessment results, sustainability trends and input from responding companies and other stakeholders. Where new sections are included, DJSI forms working groups with companies and experts. For example, RobecoSAM added a section on water-related risks in 2010. To ensure the new section would assess state-of-the-art practices, RobecoSAM became an active member of the CEO Water Mandate, developed working relationships with key water-related risk organizations, and joined the board of the CDP Water Project. In 2010, RobecoSAM also upgraded its technical capabilities. Among other things, a customized information platform was introduced to improve the quality of RobecoSAM's data management systems. More details about the methodology development process can be found in the white paper on [Measuring Intangibles](#).

**1.3.2 Describe how you communicate any changes in your methodologies to affected companies and other stakeholders, and how you work with them to adapt to and understand the implications of the changes.**

RobecoSAM communicates an overview of methodological changes to companies at the onset of the review process (April of each year) through its [assessment website](#) and describes major criteria changes in its review [presentation](#).

In addition, RobecoSAM provides a [webcast](#) prior to the start of the assessment which outlines the main methodology changes and allows participating companies to ask questions. The dedicated RobecoSAM DJSI Helpline is available to companies throughout the year to clarify questions regarding the assessment process and methodology.

## 1.4 Stakeholder Involvement (excluding rated companies)

### 1.4.1 Does the rating have an external and/or independent advisory body in place? If so, describe how this body is involved in the rating's construction and maintenance and the scoring, rating, or selection of companies.

Yes. The index [guidebooks](#) are available online and provide information about the roles and responsibilities of the DJSI Index Design Committee (responsible for index construction rules, inclusion and exclusion from the index). The members of the DJSI Index Design Committee and the committee's main responsibilities are also listed [here](#).

### 1.4.2 Describe how you involve / solicit feedback from external stakeholders in the development and ongoing maintenance of the rating. Please provide an example of how you revised your methodology based on stakeholder input.

RobecoSAM regularly approaches independent experts on particular aspects of the assessment. For example, when updating the supply chain management section of the assessment in 2012, RobecoSAM engaged with external supply chain experts as well as participating companies. Also, when reconsidering the philanthropy section of the assessment, RobecoSAM consulted with the London Benchmarking Group. In addition, RobecoSAM engages in selected academic collaborations to continually advance its methodology and analyze the outcome and impact of index selection.

### 1.4.3 How do you communicate the output / summary from this engagement? For example, do you make public the stakeholder comments?

No, RobecoSAM does not explicitly communicate the results of these discussions. RobecoSAM incorporates the feedback received into the design of new questions, acknowledges the source of the input in the online questionnaire and informs companies of the external experts whose insights were used to refine the methodology. The outcome of academic collaborations is usually published in peer-reviewed journals.

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## 2 Inputs

### 2.1 Information Sources

#### 2.1.1 Please list and describe the information sources that you utilize to develop your rating.

RobecoSAM draws upon a combination of information sources including company responses to the DJSI questionnaire, company-submitted documents for the DJSI review and publicly available information. With the support of RepRisk, RobecoSAM also monitors the news flow on companies on a monthly basis. The observations made impact companies' total score and can potentially result in a company's delisting from the DJSI at any point during the year.

#### 2.1.2 Please describe how this information is obtained (i.e. from publicly available documents, partner organizations, directly from companies). If your rating is based on other ratings or third-party research firms, please describe how they obtain their information.

Information is obtained from all the sources described above. RobecoSAM does not use ratings from third-party research firms.

**2.1.3 How often do you refresh information / inputs on companies?**

Company inputs are refreshed annually and news flows concerning companies are considered on a monthly basis.

**2.1.4 How do you deal with non-disclosure by companies in your rating?**

RobecoSAM “penalizes” companies for poor disclosure both in terms of specific reporting-related criteria (e.g., environmental and social reporting) and in the context of specific issues (e.g. providing adequate information on water risks).

## **2.2 Company Engagement**

**2.2.1 Describe the process by which you engage / interact with the companies that you rate (i.e. frequency, nature, format).**

Engagement occurs principally through the lens of the sustainability assessment. RobecoSAM sends its information request to approximately 3200 of the largest companies in the S&P Global Broad Market Index. Many companies use the structure and results of the assessment to benchmark themselves against their peers. The assessment results, scorecards, individual personal feedback given by RobecoSAM’s analysts as well as the benchmarking reports provide a framework for systematic, quantitative engagement with companies. In addition, RobecoSAM’s analysts use company meetings within the scope of RobecoSAM’s standard asset management activities to engage senior executives on topics covered by the DJSI assessment. As a PRI signatory, RobecoSAM strives to engage with companies and other stakeholders on key sustainability issues.

**2.2.2 On average, how much time do your analysts spend engaging with each rated company on an annual basis?**

This is difficult to quantify and it is important to distinguish between the time spent analyzing companies’ answers and the time spent on direct interactions with companies. On average, one-on-one interviews with corporate decision-makers can last several hours, while the assessment can take up to several days.

**2.2.3 Please describe if and how feedback from rated companies is incorporated into your research and ratings process.**

This is part of the ongoing interaction with companies and the methodology review process. Once the assessment is finalized, companies are given the opportunity to provide additional input on different sections of the assessment in a feedback call. This information is taken into account when sections of the assessment are reviewed for the following year.

For the first time in 2012, RobecoSAM used the online system to directly request feedback from all participating companies on both the assessment process and the assessment methodology. These responses are thoroughly analyzed and the feedback is incorporated into the continuous improvement process.

A [sample questionnaire](#) including these feedback questions is publicly available.

## 2.3 Input Verification

### 2.3.1 Describe your approach to verifying the information used to assess companies. Is this approach captured in any sort of policy or guidance document?

Information is either provided by the companies themselves or retrieved from publicly available sources. In many sections of the assessment, RobecoSAM asks companies to provide supporting documents to illustrate their approach or demonstrate their management systems. RobecoSAM uses these documents to verify the information submitted through the questionnaire. In addition, RobecoSAM's company-specific Media and Stakeholder Analysis (MSA) is based on the data provided by an external research partner, RepRisk. The MSA serves as an additional source of information about a company's operations. A specific internal guidance document for each of the more than 500 questions asked ensures consistency between analysts and over time.

### 2.3.2 Is external or third-party verification a consideration in assessing the quality of information sources? If so, please explain.

RobecoSAM asks for external verification in several places in the questionnaire (e.g., eco-efficiency data, certification of environmental management systems) and also considers whether companies' sustainability reports are assured by independent parties.

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## 3 Research Process

### 3.1 Experience and Capacity of Research Team

#### 3.1.1 On average, how many years of experience do your analysts (internal or contract) have working in or analyzing the industries they cover?

On average, RobecoSAM's analysts have 8 years of experience either in the industry they cover or in dealing with sustainability topics. 50% have a scientific or engineering background and 50% a finance background; 30% hold a PhD. RobecoSAM's analysts are integrated analysts in that they are responsible for both the sustainability and financial assessments of the companies they cover.

#### 3.1.2 Describe your approach to ongoing training and industry education for your analysts.

RobecoSAM's analysts are integrated analysts. This means that they are responsible for the financial valuation and the sustainability analysis for the universe of stocks they cover. As such, they continuously ensure that their industry expertise is up-to-date through contacts with brokers, participation in conferences and meetings with the management of companies in their industries. They also interact with independent sustainability experts on specific topics of relevance to their industry. Finally, ongoing exchange takes place between the analysts at RobecoSAM as they work together to update certain sections of the assessment that may be relevant to several industries.

#### 3.1.3 On average, how many companies do your analysts cover each year?

On average, RobecoSAM's analysts cover approximately 65 companies per year.

## 3.2 Quality Management

### 3.2.1 Describe your approach to ensuring quality control throughout the ratings process. Is this process documented or codified?

RobecoSAM pursues a three-stage quality control process. In a first step, RobecoSAM appraises all of the information it collects to ensure that it is valid and can be used in the assessment (it does this by cross-checking submitted and public information). In a second step, each company evaluation is reviewed by a second analyst (this quality control measure is documented by internal guidelines).

In the third and final step, RobecoSAM processes company data through a fully automated evaluation module which translates companies' answers into scores based on predefined assessment schemes developed by the analysts. The automated nature of this final step is meant to ensure the accuracy, objectivity and fairness of the scoring mechanisms.

### 3.2.2 Have your research systems or processes been certified, assured or verified by an external organization?

Yes. Since its inception, the DJSI has been assured by an external organization. Since 2011, Deloitte has provided reasonable assurance (equates standards for annual financial statements) on the application of RobecoSAM's assessment methodology as well as the generation of corporate sustainability scores for the DJSI. See Deloitte's [assurance statement](#) for more information. Additionally, the assessment methodology and score calculation undergoes an annual internal audit by the Robeco Group.

## 3.3 Sector Specificity

### 3.3.1 Does your rating use the same criteria and weightings for all sectors and companies? If so, explain why.

RobecoSAM uses general and industry-specific criteria, weightings and questions to evaluate companies.

### 3.3.2 Describe how you take into account industry and company specific issues and context.

There are 59 distinct questionnaires for the industries covered by the DJSI. More than 50 % of the criteria used to evaluate companies are industry-specific. Some of these are disclosed in the [annual Sustainability Yearbook](#) and in the white paper [Measuring Intangibles](#).

RobecoSAM strives to determine the most material corporate sustainability issues for each industry; to measure companies' exposure to such issues; to check whether the processes applied to manage these issues represent best practices, and to assess the extent of companies' issue-specific internal and external reporting and target-setting (including third-party verification). Companies can point out when a question is not relevant due to their unique business model. In such cases, RobecoSAM will redistribute the respective question's weight across the other questions in the same criterion.

Selected criteria are disclosed in the [annual Sustainability Yearbook](#) and in the white paper [Measuring Intangibles](#).

### 3.4 Basis for Rating

**3.4.1 Describe the basis for your rating of companies, including how you determine what constitutes the different degrees of performance. For example, if you grade companies on an A-F scale, how do you determine these levels?**

RobecoSAM scores companies on a scale of 0 to 100 for each criterion across the environmental, social and economic dimensions. RobecoSAM develops the scoring schemes based on consultation with external experts, empirical evidence from academic research as well as through quantitative analyses of the data available in its proprietary database. The scores for all criteria are weighted and aggregated to generate a total corporate sustainability score for each company. Companies are then ranked within their industry on the basis of their total corporate sustainability score. The scoring process is explained in more detail in the white paper [Measuring Intangibles](#).

**3.4.2 Do you factor company-specific context into your rating?**

Yes. RobecoSAM does this partly through the use of "not applicable" options. Companies can point out when a question is not relevant due to their unique business model. In such cases, RobecoSAM will redistribute the respective question's weight across the other questions in the same criterion. With the introduction of its new information management platform, RobecoSAM has further improved its ability to measure exposures and adapt the focus of the assessment to company-specific contexts. In 2010 for instance, a new section on water-related risks was introduced. This section consists of three main building blocks: (1) a set of questions to determine companies' exposure (geographical and economical), (2) a set of questions on companies' risk management strategies (related to their level of exposure) and (3) a number of questions on companies' actual performance in terms of water footprint.

**3.4.3 Do you incorporate external norms, standards or principles (e.g. UN MDGs, GRI, UNGC, etc.) into your rating or process? If so, describe how you use these to calibrate or assess company performance.**

Yes. Where appropriate, RobecoSAM makes reference to external norms, standards or principles. However, RobecoSAM does not use any of these as an analytical framework for its assessment.

**3.4.4 How do you deal with unforeseen, negative company events in your ratings process (e.g. environmental incidents, ethics breaches)?**

RobecoSAM conducts a company-specific Media and Stakeholder Analysis (MSA) based on the data provided by an external research partner, RepRisk. The MSA serves as an additional source of information about a company's practices and can impact the company's total score. The MSA methodology is described in more detail in the white paper [Measuring Intangibles](#).

The results of the MSA can also prompt the DJSI Index Design Committee to remove companies from the index between reviews.

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## 4 Outputs

### 4.1 Validation of Results

#### 4.1.1 Describe the steps you take to verify your rating results (including scores and reports) prior to their finalization.

RobecoSAM has developed an automated system for compiling final scores. Deloitte has assured the application of RobecoSAM's methodology to the DJSI as well as the generation of corporate sustainability scores ([assurance statement](#))

#### 4.1.2 Do you give rated companies an opportunity to review draft scores or reports? If yes, describe this process, including timeframe given for review.

No. RobecoSAM does not share any type of draft report or profile with companies prior to the public release of the DJSI. As the calculated scores may be considered material non-financial information they are not disclosed prior to the annual index review.

#### 4.1.3 Do you have a formal policy and/or process for addressing challenges or disputes presented by companies or other stakeholders?

No. However, RobecoSAM does engage with companies after the release of the DJSI. For example, RobecoSAM provides participating companies with a company benchmarking scorecard. Upon request, companies may also obtain additional feedback on specific aspects. The ratings, however, are proprietary and are not reviewed based on discussions with companies.

### 4.2 Accessibility

#### 4.2.1 Describe how you disclose and explain your results to rated companies. Do you share the full details of the assessment or results? If no, explain why not.

RobecoSAM offers all participating companies individual feedback calls with their respective industry analyst as well as scorecards listing their overall score and criteria scores, as well as the top, average and lowest score in their industries. For a fee, companies may also obtain detailed reports which allow them to benchmark themselves against their peers.

#### 4.2.2 Describe how and to what extent stakeholders (other than rated companies) can access the details and results of your rating.

On its [website](#), the DJSI currently discloses the supersector leaders (from 2013 onwards industry group leaders) as well as the main additions and deletions resulting from the review process. The complete list of index components is disclosed to participating companies and index licensees. In addition, monthly DJSI factsheets listing the top 10 holdings are made publicly available and country listings may be shared with selected journalists. Finally, the annual RobecoSAM Sustainability Yearbook discloses the top-scoring companies from each industry that were assessed in the previous year.