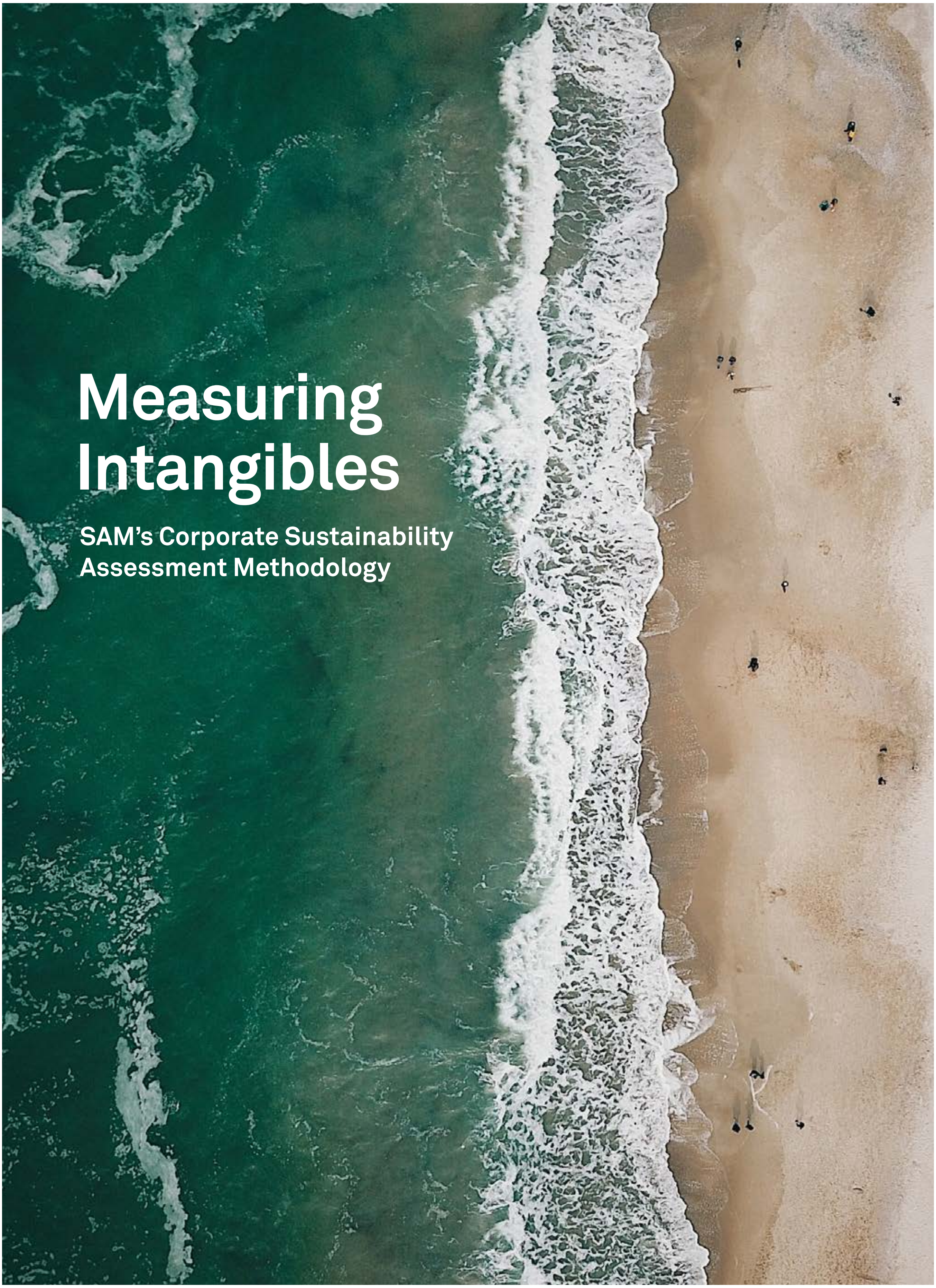


Measuring Intangibles

SAM's Corporate Sustainability Assessment Methodology

SAM

Now a Part of S&P Global

SAM is now a part of S&P Global

The SAM Corporate Sustainability Assessment (CSA), established by SAM, is now issued by S&P Global. The CSA is an annual ESG analysis of over 7,000 companies, established by SAM, an asset manager focused entirely on sustainable investing, in 1999. The acquisition of SAM closed in January 2020, which included the CSA platform and the transition of the SAM ESG Ratings and Benchmarking teams to S&P Global. The CSA has become the basis for numerous S&P ESG Indices over the last two decades attracting billions of USD in assets. S&P Global is uniquely positioned in the financial markets as a provider of indices, ratings and data. We expect to include the CSA scores in S&P Global's existing and future product offerings. SAM is a registered trademark of S&P Global.

To learn more about the Corporate Sustainability Assessment (CSA), please visit the CSA Resource Center, which contains a range of publications providing additional details on the scoring methodology, criteria weights, rationale and structure for the general and cross-industry criteria in the CSA, as well as webcasts highlighting methodology updates.

www.robecosam.com
csa/resources

SAM's Corporate Sustainability Assessment Methodology
03/2020
S&P Global
Switzerland SA
www.spglobal.com/
esg/csa

Overview

SAM has always believed that financial analysis is incomplete if it ignores material extra-financial factors. Sustainability trends such as resource scarcity, climate change or an aging population continuously reshape a company's competitive environment. SAM is convinced that companies that can adapt to such challenges through innovation, quality and productivity enhance their ability to generate long-term shareholder value. For this reason, SAM developed the annual Corporate Sustainability Assessment (CSA) in 1999 in order to identify companies that are better equipped to recognize and respond to emerging sustainability opportunities and challenges presented by global and industry trends.

SAM pursues a truly integrated approach to analyzing sustainability performance. An interdisciplinary team of analysts designs, monitors and refines the CSA with the purpose of generating additional insights into the value-creating and risk-mitigating potential of companies, ensuring that the assessment focuses on sustainability criteria that are financially relevant to corporate performance, valuation and security selection.

Not only does this make the results of the CSA assessment particularly relevant for investors, but it also helps companies to focus on sustainability issues that are more directly linked to their success as a business.

SAM's approach is also unique in that it is based on information provided by the companies directly through the online questionnaire. This allows SAM to analyze sustainability at a much deeper level than frameworks based on public disclosure alone.

SAM is often asked how the CSA works and how a company's Total Level SAM ESG Score is calculated. This paper seeks to offer some insights into how the questionnaire is structured, how the score is calculated, and by using examples from three different industries, how specific questions can have an impact on on a company's Total Level SAM ESG Score.

"SAM's rules-based assessment methodology pursues a best-in-class approach, which allows us to focus on financially material, industry-specific sustainability issues that have a link to long-term financial performance."

Manjit Jus

Global Head of ESG
Research and Data
S&P Global

CSA at a glance

- January 2020 Sam was aquired by S&P Global. The transaction included the CSA platform and the transition of the SAM ESG Ratings and Benchmarking teams to S&P Global.
- Since 1999, SAM has been conducting the annual Corporate Sustainability Assessment (CSA), which serves as the framework for measuring corporate sustainability performance and forms the research backbone for the construction of the Dow Jones Sustainability Indices (DJSI)
- The world's largest 3,500 publicly traded companies are invited to participate in SAM CSA for possible inclusion in the Dow Jones Sustainability Indices (DJSI)
- 61 SAM industries derived from the GICS industry classification system are analyzed using industry-specific questionnaires [1]
- No industries are excluded from the assessment
- Companies are evaluated based on a range of financially relevant sustainability criteria covering the economic, environmental and social dimensions
- Companies receive a Total Level SAM ESG Score between 0 – 100 and are ranked against other companies in their industry
- The top 10% of companies within each industry are selected for inclusion in the DJSI World [2]
- The CSA identifies sustainability leaders across all industries, enabling investors to track their performance and integrate sustainability considerations into their portfolios

[1] The Global Industry Classification System (GICS) is the most broadly used industry classification system for companies.

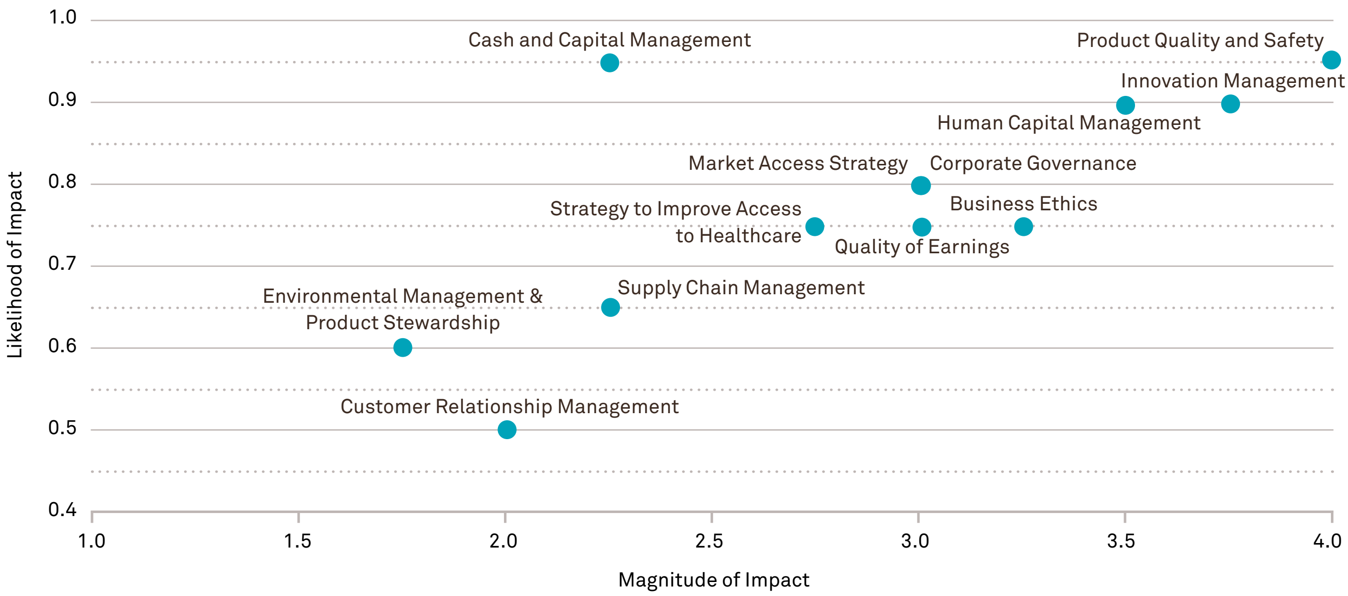
[2] The threshold for inclusion in the regional, local, and DJSI Diversified Indices will vary.

Focus on Financial Materiality

The starting point for the CSA is SAM's financial materiality framework, which draws upon more than 20 years of experience in integrating sustainability into the investment process. For each of the 61 industries evaluated through the CSA, SAM's analysts conduct a financial materiality analysis to identify those sustainability factors that drive business value and that have the greatest impact on the long-term valuation assumptions used in financial analysis. This analysis results in a materiality matrix for each industry, which serves as the basis for determining the applicability and weights of the various sustainability criteria in the CSA.

The financial materiality analysis focuses on industry-specific business value drivers that contribute to company performance. It leverages SAM's quantitative research, which identifies which intangible factors have demonstrated the clearest correlations to past financial performance. Most importantly however, the materiality analysis draws upon the experience of the SI industry analysts, who determine which long-term economic, social or environmental factors are likely to have the most significant impact on a company's business value drivers of growth, cost or risk, and ultimately, future financial performance. Each factor is analyzed and ranked according to the magnitude and likelihood of its impact on the company's business value drivers and financial performance over time. Those factors that are considered to have the greatest impact on the long-term financial assumptions are given the highest weighting in the CSA, and those factors that rarely impact the financial cases either receive a much lower weight or are not are not included in the CSA. An example of a financial materiality matrix for the pharmaceuticals industry is provided in Figure 1.

Figure 1: Financial materiality matrix for the Pharmaceuticals industry



The factors that appear in the upper right-hand corner of the matrix are the most financially material.

Source: SAM

A Structured Approach

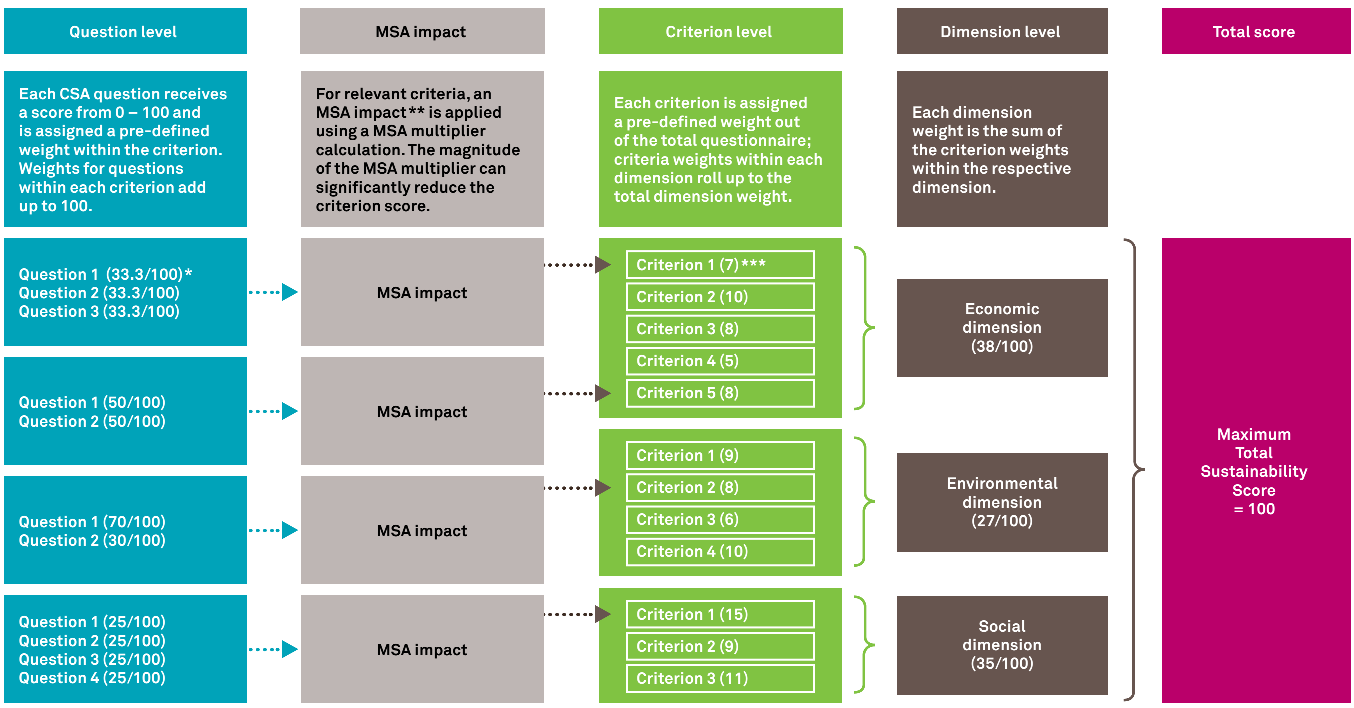
Each year, SAM invites 3,500 of the world's largest publicly traded companies [3] to participate in the CSA. The starting point for SAM's annual corporate assessment is an industry-specific questionnaire focusing on financially-relevant economic, environmental and social criteria. SAM centers attention on sustainability factors that can have an impact on companies' long-term value creation.

Calculating a company's final sustainability scores is a process of applying points which are progressively weighted and summed until a final aggregated score is reached. The starting point consists of individual questions, the values of which are weighted, summed and aggregated into broader areas called criteria. Similarly, criteria values are weighted, summed and aggregated into even broader areas called dimensions. Following the same pattern, dimensions values are then weighted and summed to find a maximum sustainability score. See Figure 2 for a visual overview of the process.

While each year the CSA collects fresh data on corporate sustainability practices, the reported results are supplemented with a Media & Stakeholder Analysis (MSA) that examines more recent findings which have surfaced via the media and other channels. The MSA monitors a company's sustainability performance on an ongoing basis by assessing current controversies which could have potentially negative reputational or financial impact on a company. The MSA is an additional overlay used to modify company scores downward based on evidence ranging from deliberate involvement and mismanagement of controversial incidents to negligent lapses in oversight (see page 10 for more detail).

[3] As measured by float-adjusted market capitalization based on the S&P Global BMI Index.

Figure 2: Structure of the SAM Corporate Sustainability Assessment



* Pre-defined question weight
** Media & Stakeholder Analysis (MSA). Selected criteria in the CSA are assigned an MSA impact. The MSA impact is used to adjust criterion scores downward based on the magnitude of negative impact stemming from an MSA case. For detailed information, please refer to p. 10 of this document and to the MSA Methodology Guidebook
*** Pre-defined criterion weight

Question, criteria, and dimension weights provided in the diagram above are for illustrative purposes only. The actual number of questions, criteria and their corresponding weights will vary from industry to industry.

Source: SAM

A Comprehensive Analysis With an Industry-Specific Focus

Based on major global sustainability challenges identified by SAM's analysts, general criteria relating to standard management practices and performance measures such as Corporate Governance, Human Capital Development and Risk & Crisis Management are defined and applied to each of the 61 industries. The general criteria account for approximately 40 – 50% of the assessment, depending on the industry.

The remaining part of the CSA is made up of industry specific risks and opportunities that focus on economic, environmental and social challenges and trends that are relevant to companies within that industry. This focus on industry-specific criteria reflects SAM's conviction that industry-specific sustainability opportunities and risks play a key role in a company's long-term success and allows SAM to compare companies against their own peers in order to identify sustainability leaders. For instance, a manufacturing company's management of its exposures to climate change risks cannot be compared to a bank's response to climate change. Therefore, for industries with complex supply chains and logistics, the assessment focuses on evaluating their efforts to manage carbon emissions, whereas for financial services providers, the assessment focuses on whether companies address climate change through their financial products or by offering innovative funding schemes that encourage a transition towards a low-carbon economy.

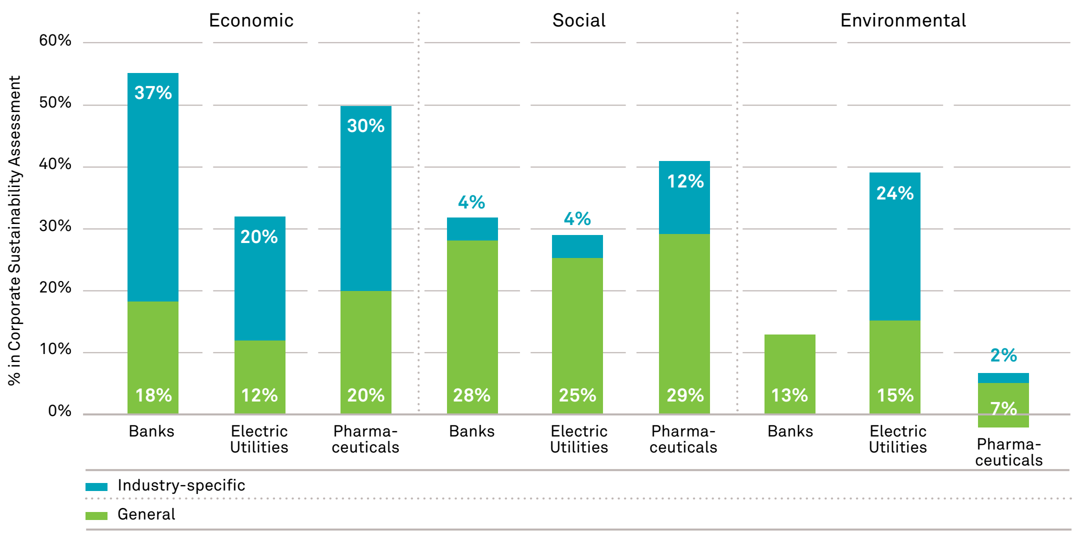
The relative weights of the economic, environmental and social dimension of the questionnaire vary by industry. For example, as shown in Figure 3, the environmental dimension warrants a higher weighting in the Electric Utilities industry than in the Banking or Pharmaceutical industries.

Criteria within the questionnaire will vary from industry to industry to reflect industry-specific drivers, as shown in Figure 4, which provides a comparison of the criteria applied to the Banks, Electric Utilities and Pharmaceutical industries.

Moreover, certain criteria – even when applied to more than one industry – can have different weights within the CSA. For example, the Banks, Electric Utilities and Pharmaceutical industries each contain the "Occupational Health & Safety" criterion within the social dimension of their respective questionnaires, but the relative weight assigned to Occupational Health & Safety is 3%, 4%, and 3%, respectively. These differences stem from SAM ESG Research analysts' fundamental bottom-up analysis of each industry. Furthermore, the same criterion, when applied to different industries, may contain a slightly different set of questions to reflect industry-specific issues.

Criteria and weights are based on the 2019 CSA for Banking, Electric Utilities, and Pharmaceutical industries and are provided for illustrative purposes only. Criteria and weights will differ for other industries. Specific criteria and their corresponding weights for subsequent years may change.

Figure 3: General versus Industry specific Weights by Dimension[4]



Source: SAM

[4] For a complete overview of the criteria weights for each of the 61 SAM industries, please refer to the Criteria Weights document in the CSA Resource Center at www.robecosam.com/csa/ resources.

Figure 4: Comparison of criteria and relative dimension weights for the Banks, Electric Utilities and Pharmaceutical industries

Economic Dimension	Banks	Electric Utilities	Pharmaceuticals	
Anti-crime Policy&Measures	●			industry-specific
Codes of Business Conduct	●	●	●	general
Corporate Governance	●	●	●	general
Customer Relationship Management	●	●		industry-specific
Financial Stability and Systemic Risk	●			industry-specific
Information Security, Cybersecurity & System Availability	●	●		industry-specific
Innovation Management		●	●	industry-specific
Market Opportunities		●		industry-specific
Marketing Practices			●	industry-specific
Materiality	●	●	●	general
Product Quality and Recall Management			●	industry-specific
Risk & Crisis Management	●	●	●	industry-specific
Supply Chain Management		●	●	industry-specific
Tax Strategy	●		●	industry-specific
Sustainable Finance	●			industry-specific
Privacy Protection	●	●		industry-specific
Policy Influence	●	●	●	general
Total Economic Dimension Weight	**55%**	**32%**	**50%**	

Environmental Dimension	Banks	Electric Utilities	Pharmaceuticals	
Environmental Reporting	●	●	●	general
Operational Eco-Efficiency	●	●	●	general
Climate Strategy	●	●	●	general
Environmental Policy & Management		●	●	industry-specific
Biodiversity		●		industry-specific
Electricity Generation		●		industry-specific
Transmission & Distribution		●		industry-specific
Water-related Risks		●		industry-specific
Total Environmental Dimension Weight	**13%**	**39%**	**9%**	

Social Dimension	Banks	Electric Utilities	Pharmaceuticals	
Social Reporting	●	●	●	general
Labor Practices indicators	●	●	●	general
Human Rights	●	●	●	general
Human Capital Development	●	●	●	general
Talent Attraction & Retention	●	●	●	general
Corporate Citizenship and Philanthropy	●	●	●	general
Occupational Health & Safety	**3%**	**4%**	**3%**	**general**
Financial Inclusion	●			industry-specific
Stakeholder Engagement		●		industry-specific
Addressing Cost Burden			●	industry-specific
Health Outcome Contribution			●	industry-specific
Strategy to Improve Access to Drugs or Products			●	industry-specific
Total Social Dimension Weight	**32%**	**29%**	**41%**	

Criteria and weights are based on the 2019 CSA for Banking, Electric Utilities, and Pharmaceutical industries and are provided for illustrative purposes only. Criteria and weights will differ for other industries. Specific criteria and their corresponding weights for subsequent years may change.[5]

Source: SAM

[5] For a complete overview of the criteria weights for each of the 61 SAM industries, please refer to the Criteria Weights document in the CSA Resource Center at www.robecosam.com/csa/ resources.

What Is Sam Looking For?

In line with SAM's conviction that material nonfinancial factors contribute to better informed investment decisions, the methodology focuses on long-term sustainability factors that are relevant to each industry, material to the company's financial performance and under-researched in conventional financial analysis.

Within each criterion, SAM looks for evidence of a company's awareness of sustainability issues and for indications that it has implemented strategies to address them. SAM also evaluates the company's progress in implementing such strategies as well as the quality of its reporting on these issues. Therefore, the questions within each criterion are structured to capture and evaluate the following elements:

1. Awareness of the importance of these factors to its financial success

2. Determination of the potential financial impact (i.e. materiality) of its exposure to sustainability factors

3. Implementation of strategies to manage these sustainability risks or to capitalize on related opportunities in a manner that is consistent with its business models

4. Measurement of results in relation to stated Key Performance Indicators (KPI) in order to evaluate the effectiveness of its sustainability strategy

5. Validation or external audit of stated results

6. Transparent communication of its corporate sustainability strategies and extent to which stated targets have been met

This framework for evaluating corporate sustainability performance enables SAM to develop a more robust understanding of a company's quality of management.[6]

[6] To learn more about the methodology used in the Corporate Sustainability Assessment, please refer to the CSA Companion, which provides additional detail on the rationale and structure for the general and cross-industry criteria in the CSA. The CSA Companion can be accessed at the CSA Resource Center at www.robecosam.com/csa/ resources.

Scoring the Questions

The questionnaire is designed to ensure objectivity and uses predefined multiple-choice questions in which each potential answer is assigned a number of points between 0 – 100. For questions in which qualitative answers are allowed, SAM analysts codify the response using a predefined appraisal method which then results in a quantitative score. In addition, companies must submit documentation to support the answers they have provided. For many questions, companies will only receive the maximum score for the question if they have provided adequate supporting material. In the following pages, we provide examples of specific questions from the Pharmaceutical and Banking industries, and show how a company's response to these questions has an impact on the Total Level SAM ESG Score.

Example 1: Pharmaceuticals

Question: Access to drugs	**Please indicate your company's approaches to improve accessibility of drugs in both developing and developed countries. Please provide supporting documents.**
Question Points	0 – 100
Question weight within criterion	50%
Criterion	Strategy to improve access to drugs or products
Dimension	Social
SAM Rationale	Underprivileged patients are often unable to access treatment due to financial constraints. Not only is this issue prevalent in developing countries, it is also becoming a growing concern in developed countries. Such a challenge provides companies in the healthcare industry with an opportunity to design and implement initiatives that provide patients with access to drugs and products. Companies that take innovative steps towards addressing these issues can in turn benefit from enhanced credibility, improved corporate and product brands, and increased market penetration of their products and services. Therefore, SAM asks companies in the pharmaceuticals industry whether they have strategies in place to address the issue of access to drugs and products.
Possible Answers	**Number of Points Awarded**
A) list of potential approaches (company can check all that apply)	0 – 100 (depending on which approaches have been selected)
B) not applicable	A question that has been marked "Not Applicable" will not be scored and the weight of the question will be equally redistributed across the other questions within the same criterion, only if the analyst agrees that the question does not apply to the company's business model. This option is only granted in exceptional cases.
C) not known	0

Assuming the company receives 50 points for its response to this question, its score will be calculated as follows:

Number of Points Received (between 0 and 100) **50**	X	**Question Weight** (within the criterion) 50/100 = **0.50**	X	**Criterion Weight** (within questionnaire) 3/100 = **0.03**	=	**Question Score = 0.75 of Total Level SAM ESG Score**

Example 2: Banks

Question: Customer Data Security & Data Privacy	**Which of the following qualitative and assurance aspects does your company's on-line financial service/system platform cover? Please provide supporting documents.**
Question Points	0 – 100
Question weight within criterion	15%
Criterion	Customer Relationship Management
Dimension	Economic
SAM Rationale	New lifestyles such as flexible working hours, increased mobility, and working from home are shifting consumer attitudes towards online services. By adopting a multi-channel strategy that includes online services, companies can further enhance their product offerings, service availability and standardization while improving customer loyalty and lowering costs. SAM assesses what type of online services banks offer their customers. Networked data and globalized corporate activities require the diligent handling of information. Therefore, not only must companies have a comprehensive (online) privacy policy in place, they must also have the mechanisms to ensure the proper implementation of their policy. Over the past decade, the number of data breaches has grown exponentially. Therefore, SAM's question asks companies if they have the necessary security systems in place and the ability to evaluate potential costs associated with such data breaches.

Possible Answers	Number of Points Awarded
A) list of potential approaches (company can check all that apply)	0 – 100 (depending on which approaches have been selected)
B) not applicable	A question that has been marked "Not Applicable" will not be scored and the weight of the question will be equally redistributed across the other questions within the same criterion, only if the analyst agrees that the question does not apply to the company's business model. This option is only granted in exceptional cases.
C) not known	0

Assuming the company receives 67 points for its response to this question, its score will be calculated as follows:

Number of Points Received (between 0 and 100) **67**	X	**Question Weight** (within the criterion) 15/100 = **0.15**	X	**Criterion Weight** (within questionnaire) 6/100 = **0.06**	=	**Question Score = 0.60 of Total Level SAM ESG Score**

Calculating the Total Level SAM ESG Score:

Total Level SAM ESG Score = Σ (Number of Question points received x Question Weight x Criterion Weight)

A company's Total Level SAM ESG Score at the highest aggregated level is the sum of all Question Scores. Each company receives a Total Level SAM ESG Score ranging from 0 – 100. Once the Total Level SAM ESG Score have been calculated, companies within the same industry are ranked against their peers in order to determine which companies are eligible for inclusion in the Dow Jones Sustainability Indices (DJSI). In addition, the 61 CSA-specific industries roll up into 24 GICS industry groups, and the top scoring company from each is named the Industry Group Leader and is profiled on the DJSI website.[7]

[7] Additional insights into our scoring methodology can be found in our annual Scoring & Methodology Review documents, published annually. The Scoring & Methodology Review documents can be found at the CSA Resource Center at www.robecosam.com/csa/resources.

Media and Stakeholder Analysis (MSA)

An integral component of the CSA is the ongoing monitoring of publicly available information from print and online media, government bodies, regulators, think tanks and other sources to identify companies' involvement and response to environmental, economic and social incidents that may have a damaging effect on their reputation, financial situation or core business.

SAM monitors news coverage of companies in the universe on a daily basis using media and stakeholder stories compiled and pre-screened by RepRisk, a leading business intelligence provider specializing in environmental, social and governance issues. MSA cases vary considerably; individual cases can range from economic crime, corruption, fraud, illegal commercial practices, human rights abuses, labor disputes, workplace safety, to catastrophic accidents and environmental violations.

A case is created if a company has been involved in a specific negative event for which it is considered to be responsible, and if the incident reveals that the company's actions are inconsistent with its stated policies and goals and/or exposes either a failure of management or of company systems and processes.

In order for an MSA case to be created, it must also meet a condition of materiality—meaning there is significant potential for reputational and financial damages through loss of customers, exposure to liabilities, litigation and fines, or the interruption of business operations. Once an MSA case has been opened, SAM expects the company to redress the issue by taking measures to minimize its negative impact as well as the possibility of future incidents. In order to evaluate the quality of the company's response to the situation, SAM contacts companies for which an MSA case has been created and continues to monitor related information flows until it has been resolved.

Measuring MSA Impact

Measuring MSA impact is a step-wise process that begins with identifying an MSA case. The MSA case is scored based on the impact of the case and the response of the company to the incident. The MSA score is then used to assign an "MSA multiplier"—a coefficient used to adjust relevant CSA criteria in proportion to the negative impact of MSA cases (if any).

The MSA multiplier amplifies the negative impact of poor MSA scores on the final criteria scores. The larger the negative impact, the larger the downward adjustment of criterion scores. Figure 5 provides an overview of how a specific MSA case is identified, evaluated and integrated into the CSA. Figure 6 provides a formula for how the MSA multiplier is used in calculating final criteria scores.

Figure 5: Overview of the MSA process: from identification to resolution

	Identification of MSA case	Impact evaluation	Identification of criteria affected	Initiate company contact	Evaluation of company's response	Applying the MSA score to calculate impact on CSA criteria
Description	An event arises: Does the event imply the **company responsibility?** – Is there a breach of company policies/ international policies /accepted best practices? – Is there a flaw in company processes or monitoring systems? – Is there a court decision /settlement? • Is there evidence of management failure? Is the event material? • Is there a financial impact? • Is there a reputational impact? • Is there a contractual impact and/or marketing disruptions • Is there an operational impact, (e.g. interruption of operations) – Are there indications of deficits in company systems, even in the absence of major incidents? Is the **timing** relevant? – Has new information surfaced in the current assessment cycle? – Were MSA impacts in past assessment cycles negative?	The case's impact is judged as minor, medium or major according to the following criteria: – How severe and how clear is the breach of: company policies, accepted best practices or international regulations indicating systemic issues in the company's management or monitoring systems? – How large are the resulting fines/l egal costs? – How severely has the company's reputation been affected?	The analyst matches MSA case details to CSA criteria: – The more criteria involved, the greater the potential impact on the company's total level SAM ESG Score.	When an MSA case is identified, the affected company is requested to respond via the CSA online platform, including evidence of communications to stakeholders and corrective measures taken.	The analyst evaluates the company's response based on one of the following options: • No communication – zero measures taken • Communication – zero to partial measures taken • Communication – appropriate measures taken • Communication – appropriate measures taken and publicly disclosed	A three-step approach is used to calculate the impact of MSA cases on CSA criteria: 1. An MSA score is determined using a matrix approach which combines the results of the incident's impact evaluation and the analysis of the company's response. Low MSA scores are assigned to cases with significant negative impact, high scores are awarded to cases with low impact. 2. The MSA score is then used to assign the MSA multiplier accord-ing to a set of predefined values. A high MSA multiplier value (e.g. 0.80) is assigned to poor MSA scores. Similarly, a low MSA multiplier value (e.g. 0.60) is used for MSA scores with moderate to no impact. 3. The MSA multiplier is then used to adjust the relevant criterion score. A high MSA multiplier will signifi-cantly reduce the overall criterion score. A low MSA multiplier will only moderately reduce it (See Figure 6).
Example	Company A pleads guilty to violating US sanctions with Iran and North Korea. It is fined US $1 billion and agrees to settle with the US Department of Justice. New information reveals it obstructed justice using forged documents resulting in a higher fine than other companies involved.	The analyst determines the case has major impact: • Current political sensitivities and the amount of press coverage allocated to the topic amplify the risk of near and long-term reputational damage • The breach of regulations and company policies is significant • The fined amount is significant relative to company earnings and other fines given in that industry • Company revenue forecast dim and company stock price suffers	The analyst determines the following CSA criteria are affected: • Risk & Crisis Management: Company A deliberately engaged in non-compliant behavior indicating inadequate risk control mechanisms • Codes of Business Conduct: Company A violated best practice in business ethics and the company's own code of conduct	The analyst contacts the company. Company A states it has issued a press release announcing the fine but provides no further information on corrective measures undertaken to prevent future incidents.	Company A has communicated the case to its stakeholders, but did not indicate whether processes or control mechanisms were re-evaluated and improved. The analyst selects "Some communication, no or partial measures taken."	Based on the major negative impact of the case and the evaluation of the company's response, a low MSA score is assigned. The MSA score is subsequently used to assign a high MSA Multiplier coefficient which significantly reduces the final CSA criteria scores (e.g. Risk & Crisis Management Criteria and Codes of Business Conduct).

Please see MSA Methodology Guidebook for a more detailed description of the MSA multiplier calculations with examples.

The hypothetical MSA example has been provided for illustrative purposes only and does not reflect an actual MSA case or outcome. MSA scores have been arbitrarily applied and are used for illustrative purposes.

Source: SAM

A simplified model for adjusting CSA criteria for MSA risk is below.

Based on the example outlined in Figure 5, Company A receives a low MSA Score. This score is then used to determine the magnitude of the MSA multiplier used to calculate the final scores of the relevant CSA criteria of "Codes of Business Conduct" and "Risk & Crisis Management." Please see Figure 6.

Figure 6: Applying the MSA Multiplier* to CSA criterion scores:

CSA criterion score without MSA adjustment	X	MSA Multiplier Calculation	=	Final Criterion Score
Unadjusted Score Codes of Business Conduct	X	MSA Multiplier Calculation	=	Final Score for Business Conduct
Unadjusted Score Risk & Crisis Management	X	MSA Multiplier Calculation	=	Final Score for Risk & Crisis Management

* For detailed information on the MSA multiplier, please refer to https://portal.csa.spglobal.com/survey/documents/SAM_MSA_methodology_guidebook.pdf

If a company has no MSA cases identified during the course of the year, the criterion score will remain unchanged. As previously discussed, the MSA multiplier is used to adjust criterion scores downward in proportion to the severity of the MSA case/incident.

The results of the MSA process can reduce a company's Total Level SAM ESG Score and affect its inclusion in any of the DJSI Indices. In addition, an analyst can escalate severe incidents and breaches that cast strong doubts on a company's procedures and its incident management abilities to the DJSI Index Committee.

During the course of the MSA evaluation, the analyst may contact companies to clarify open points that have arisen from the MSA case, providing the analysts with more information to facilitate a determination of a company's response when making a recommendation to the DJSI Index Committee. The Committee consists of two SAM representatives and two S&P Dow Jones Indices representatives and meets on a quarterly basis. Following a thorough analysis, the DJSI Index Committee may decide to change a company's eligibility immediately, regardless of the company's Total Level SAM ESG Score.

For more details on SAM's updated scoring approach and the decision process used to determine an MSA impact, please refer to the MSA Methodology Guidebook.

Updating the Questionnaire – Raising the Bar

The CSA is reviewed on an annual basis and adjustments are made to the methodology in order to enhance reporting and ensure the continued relevance of issues already captured and to address emerging, forwardlooking sustainability issues that are expected to have an impact on companies in the coming years. This approach allows the CSA to address under-reported topics of interest to investors and other stakeholders and challenge companies on new sustainability topics that may be part of upcoming regulatory changes or future reporting guidelines or requirements. A detailed review of the previous year's results is performed at the end of each assessment cycle in order to identify areas for improvement, apply scoring updates, provide methodology clarifications or to re-consider questions that can be removed from the questionnaire.

The overall responsibility for updating the CSA methodology and ensuring the assessment process runs smoothly lies with the SAM ESG Research team.

Analysts within SAM ESG Research are assigned to specific industries and draw upon knowledge gained through their participation in industry conferences, roundtable discussions with industry organizations, as well as direct contact with companies throughout the course of the year in order to determine which industry-specific criteria within the CSA warrant review. As a general rule, analysts rely on their sustainability and financial expertise to determine the materiality of sustainability topics, both current and upcoming - identifying which sustainability opportunities and challenges are most likely to have an impact on a company's financial performance. This materiality review also aids analysts in determining the overall weight questions and criteria will have within each industry-specific questionnaire. In addition to their industry coverage, analysts are assigned general and cross-industry criteria such as Supply Chain Management, Occupational Health & Safety and Corporate Governance.

In addition to performing a fundamental review of the sustainability topics in the CSA, SAM ESG Research also performs statistical analysis of companies' scores to identify questions that merit further review. Examples which include questions at the extremes (i.e. where all or most companies received the highest or the lowest score) or questions that have a very low statistical distribution of scores. This analysis provides SAM with an indication of which questions may be outdated, which corporate sustainability practices have been widely adopted by companies, or which ones may need to be refined in order to more adequately distinguish the leaders from the laggards.

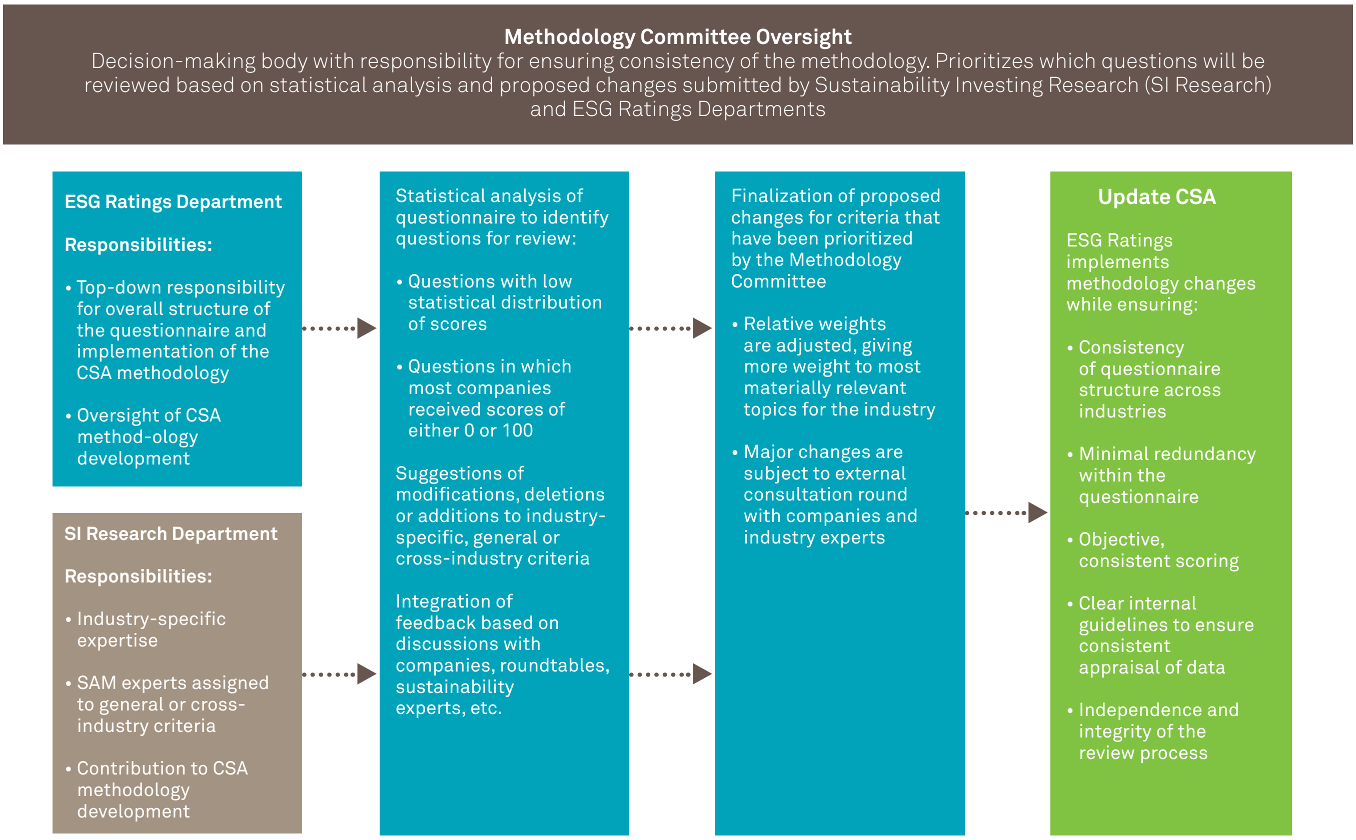
The Methodology Committee has the final responsibility for ensuring consistency of the methodology and that all relevant stakeholder views and interests are fairly represented in the CSA – ensuring its continued relevance to companies and investors. Every year, SAM aims to limit changes to approximately 10-20% of the questionnaire.

Once the methodology priorities for an assessment year have been decided, and adequate background research has been performed on the topics, SAM ESG Research is responsible for ensuring that the proposals are translated into the CSA and systematically and objectively applied to the respective industries and companies. This also extends to how company answers are appraised and how final scores for each question are calculated.

Once a new assessment cycle has been launched, SAM ESG Research manages the assessment process, interactions with companies, and the overall quality control process. They are also responsible for ensuring that the assessment process remains objective and independent of SAM's other business units.

An overview of the methodology review process is provided in Figure 7.

Figure 7: Updating the CSA*



* Methodology Committee structure reflects the historical CSA methodology development processes. A new structure is currently being developed.
Source: SAM

External Verification

Information provided in the questionnaire is verified for accuracy by crosschecking companies' answers with the supporting documentation they have provided, checking publicly available information, and by verifying a company's track record on crisis management with media and stakeholder reports.

In addition, to ensure quality and objectivity of the CSA, SAM voluntarily obtains independent third party assurance. Deloitte provides annual assurance of the assessment process each year.

Leveraging Sustainability Insights

In addition to determining the components of the full range of the DJSI and DJSI Diversified index families, the CSA information is also used to construct innovative products such as the S&P ESG series of indices, which include iconic benchmarks such as the S&P 500 ESG as well as products like the S&P Long-Term Value Creation Index.[8]

Furthermore, SAM uses the results of the CSA to determine the companies that are eligible for inclusion in The Sustainability Yearbook[9] – a reference guide to the world's sustainability leaders.

The Sustainability Yearbook provides extensive qualitative analysis highlighting current and future challenges shaping the competitive landscape for each of the 61 industries. In addition, The Sustainability Yearbook contains statistical information indicating the total number of companies assessed for each industry, as well as the average and top scores at the dimension level.

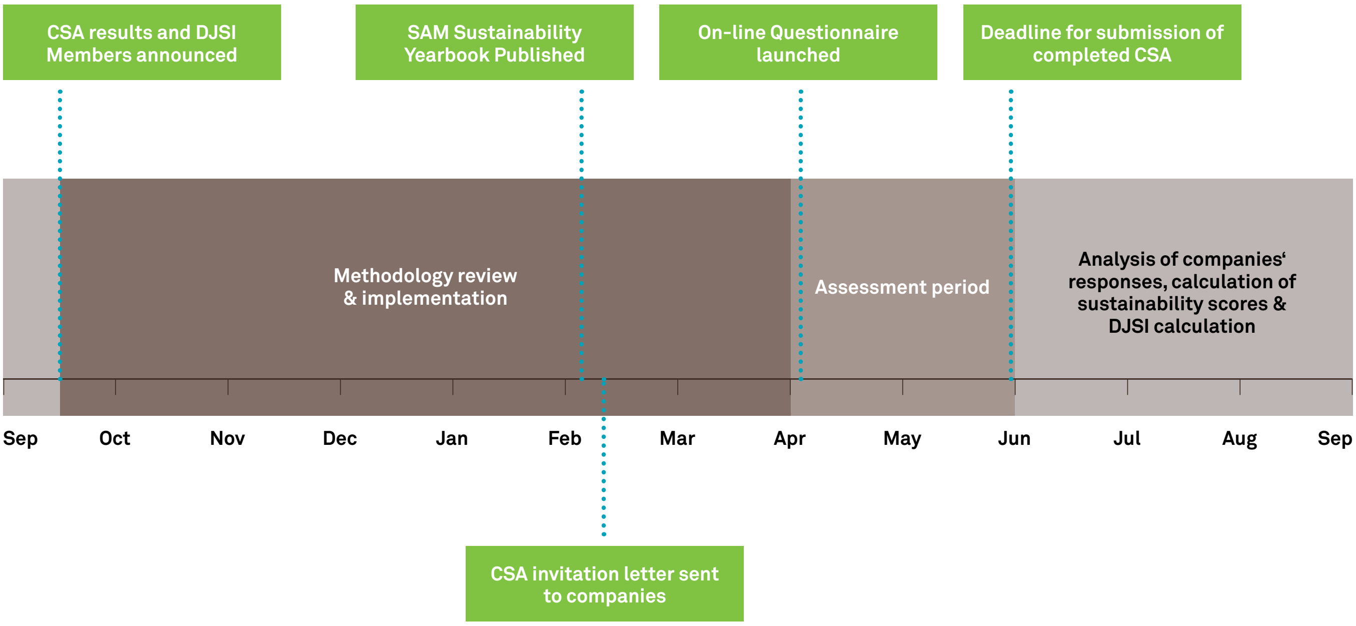
As of 2020, the Total Level SAM ESG scores of over 3,000 companies are also made publicly available on the Sustainability Yearbook Website.

[8] For additional information on the various DJSI index families that are constructed using information from the CSA, please visit the DJSI website at: https://www. sustainability-indices. com/

[9] https://yearbook. robecosam.com/

Annual Milestones

Figure 8: Timeline of CSA Process



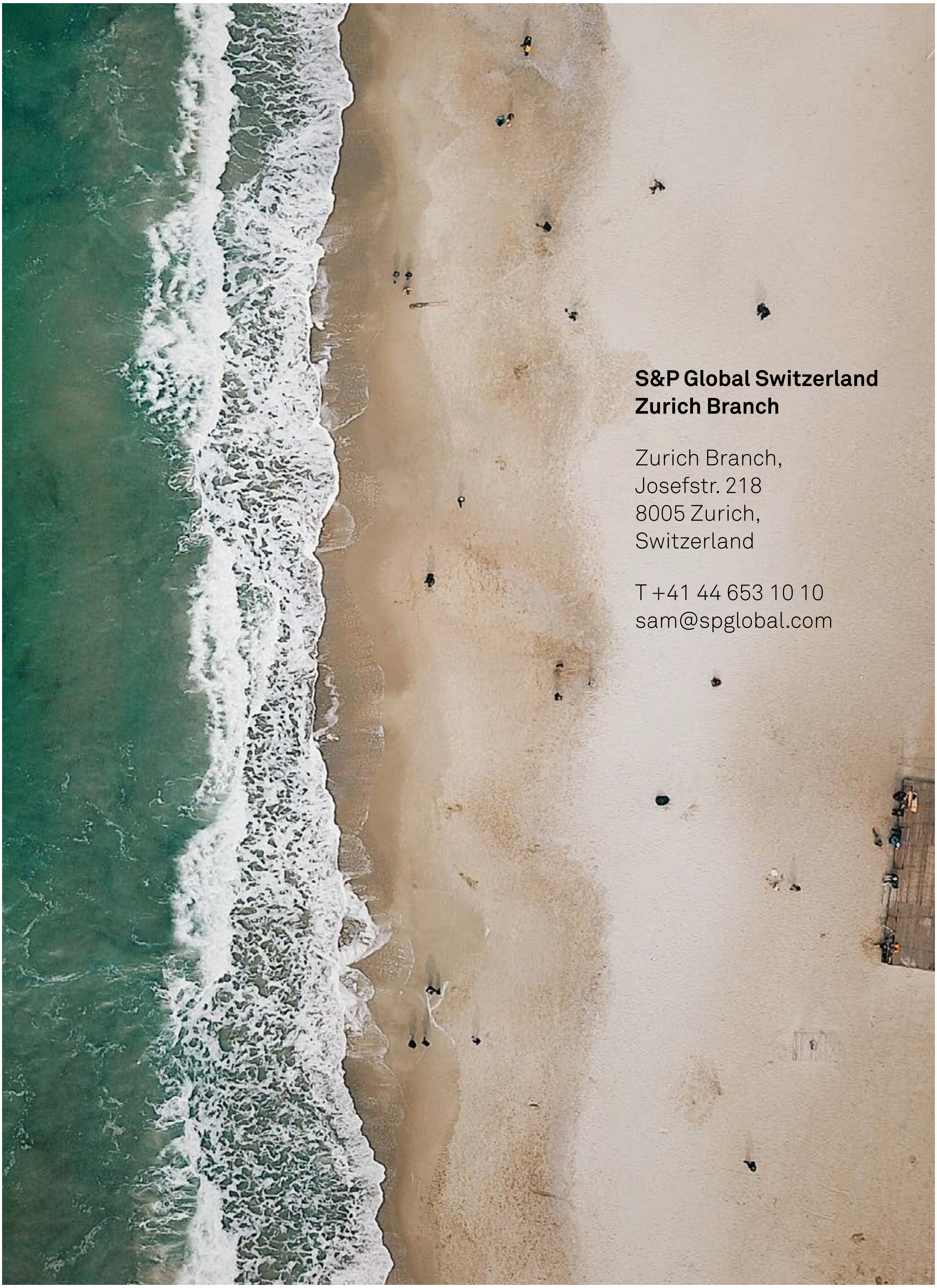
Source: SAM

Conclusions: the Benefits of Measuring Intangibles

Investors' demand for long-term oriented strategies that integrate economic, environmental and social criteria within their portfolios is expected to grow – even more so after the recent financial crisis exposed significant risks associated with short-termism. As investors seek to invest in companies with a superior business model and attractive long-term potential, their stock selection decisions will increasingly be influenced by sustainability considerations.

The results of the Corporate Sustainability Assessment are a suitable proxy for quantifying the value of a firm's intangible assets, leading to better informed investment decisions. By using industry-specific criteria to identify sustainability leaders that are likely to outperform in the long-run, SAM's best-in-class approach creates vibrant competition among companies within the same industry for inclusion in the DJSI while accelerating the momentum toward sustainability across all industries.

Disclaimer



S&P Global Switzerland
Zurich Branch

Zurich Branch,
Josefstr. 218
8005 Zurich,
Switzerland

T +41 44 653 10 10
sam@spglobal.com