



UNEP Water
Accounting

November 2009

SAM at a Glance

- Investment boutique focused exclusively on Sustainability Investing since 1995
- Offering complementary capabilities of Sustainability Investing
- Powering Dow Jones Sustainability Indices since 1999
- Member of Robeco (part of AAA-rated Rabobank Group)
- EUR 9.5 billion total assets (as per 30.09.2009)
- Servicing a global and diversified client base
- Approx. 100 employees headquartered in Zurich, Switzerland



SAM Research Team

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In industry since 2000; with SAM since 2000

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In industry since 2002; with SAM since 2003

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In industry since 1998; with SAM since 2001

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In industry since 1995; with SAM since 2001

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In industry since 2000; with SAM since 2004

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Sustainability Lab
In industry since 2000, with SAM since 2006

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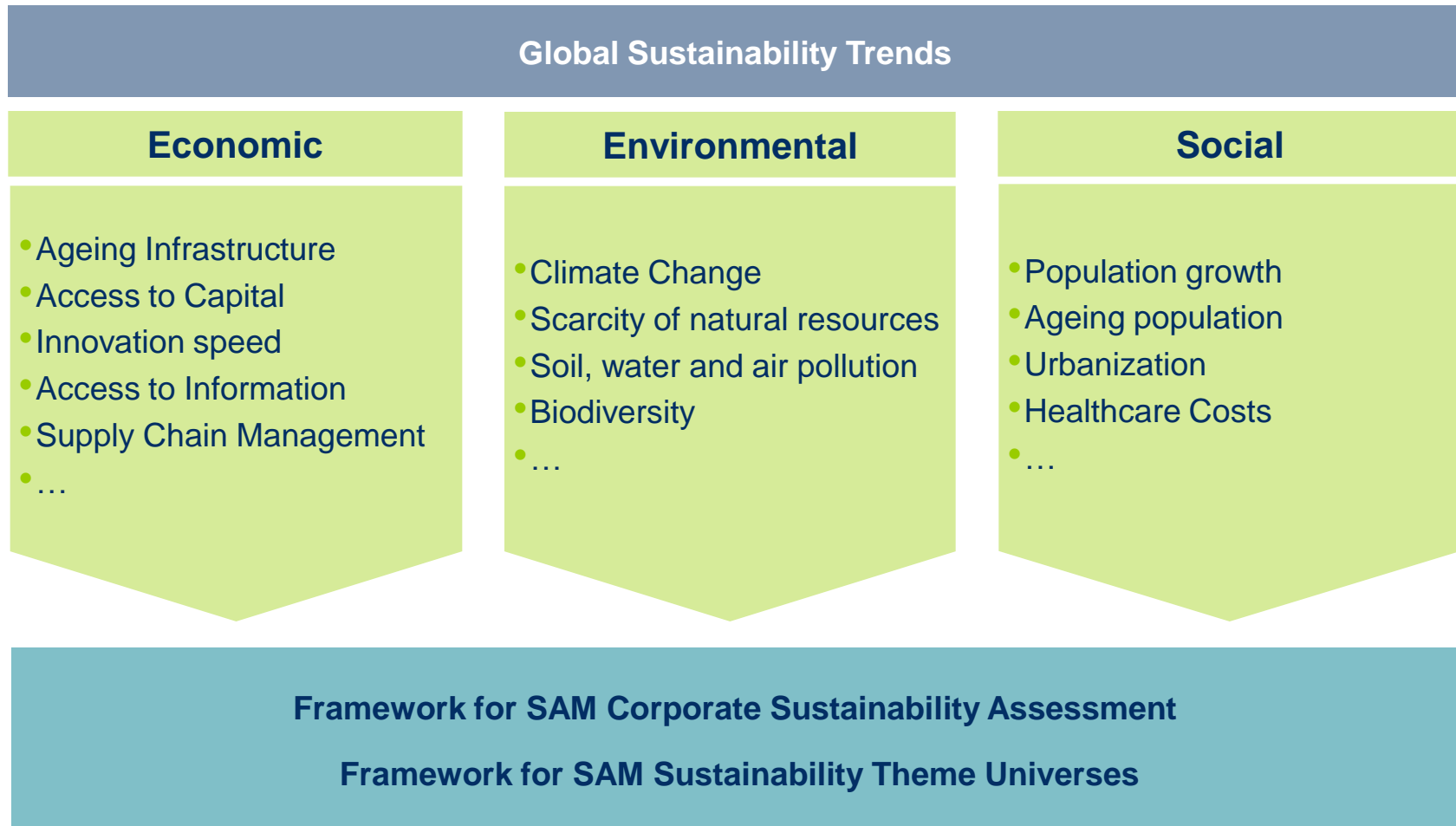
Sustainability Lab
In industry since 2001; with SAM since 2008

SAM Corporate Sustainability Assessment

Building opinions on corporate sustainability performance

- SAM has access to corporate information via **web-based questionnaire**
- SAM assesses more than **2000 companies** yearly
- Assessment based on **broad range** of general and industry-specific criteria
- Emphasize **performance** over management systems and policies
- Strong focus on **industry-specific** criteria
- Assessments are complemented by a **Media & Stakeholder Analysis**
- Assessment process audited by **independent third-party firm** yearly

From Global Trend Analysis to Sustainability Foresight



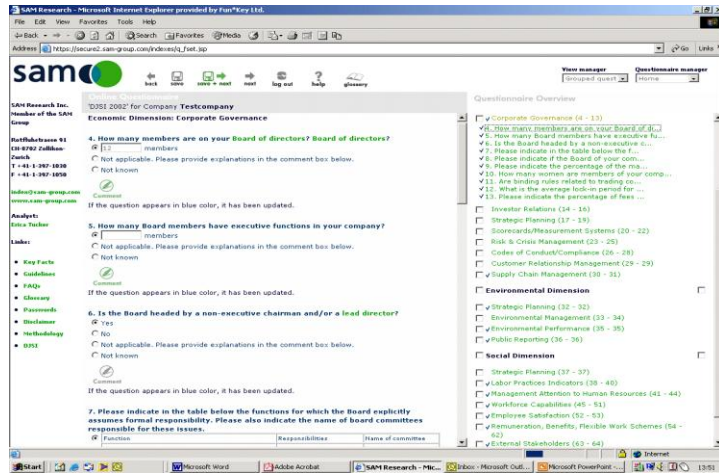
Source: SAM Research

UNEP „Water Accounting Stocktaking“ Workshop, November, Paris

SAM Corporate Sustainability Assessment

Worldwide largest proprietary database

Information Gathering



SAM Corporate Sustainability Database

1	Questionnaire Name	Company Name	Industry	Total Score	Total	Environment	Economic	Social
2	DJSI 2004	Company A	INS	64.5554	5	5	5	5
3	DJSI 2004	Company B	BLD	63.33972	5	5	5	5
4	DJSI 2004	Company C	FTS	83.31386	5	5	5	5
5	DJSI 2004	Company D	BLD	58.02794	5	5	5	5
6	DJSI 2004	Company E	INS	53.77254	4	5	5	5
7	DJSI 2004	Company F	INS	42.97924	3	5	5	5
8	DJSI 2004	Company G	INS	50.50928	4	5	5	5
9	DJSI 2004	Company H	FTS	44.14142	3	5	5	4
10	DJSI 2004	Company I	INS	38.96452	3	5	5	5
11	DJSI 2004	Company J	INS	36.88264	3	5	5	5
12	DJSI 2004	Company K	INS	53.01768	4	5	5	5
13	DJSI 2004	Company L	COS	54.85636	5	5	5	5
14	DJSI 2004	Company M	BLD	65.33284	5	5	5	5

Sources

- Web-based questionnaire
- Company documents
- Company interactions
- Media & Stakeholder analysis
- SAM Network (e.g. experts, NGOs)

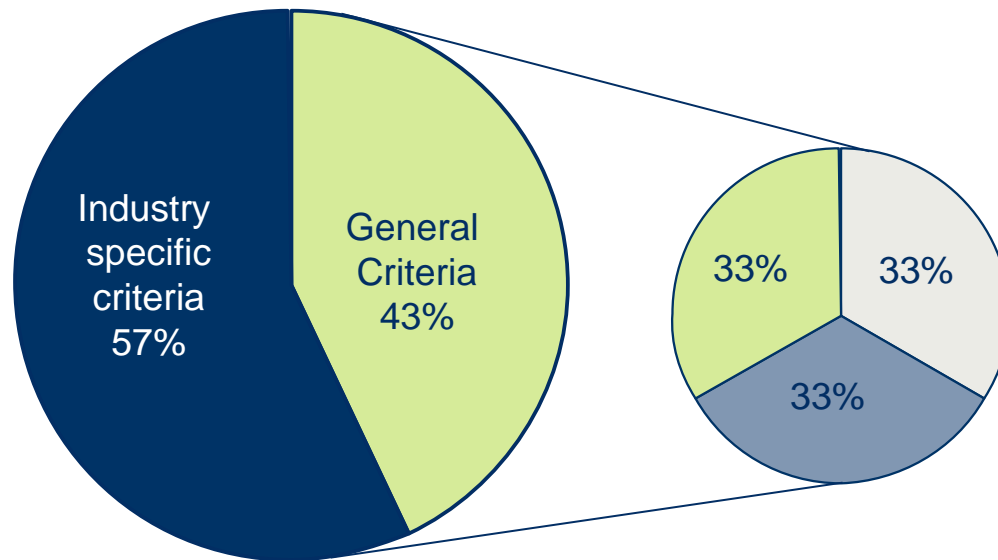
Corporate Sustainability Scores

Key input factor for investment universes for:



SAM Corporate Sustainability Assessment

Measuring performance against defined criteria



Economic Dimension

- Corporate Governance
- Code of Conduct, Compliance
- Risk & Crisis Management
- Customer Relationship Management
- Innovation Management

Environmental Dimension

- Environmental Management System
- Environmental Performance
- Climate Strategy
- Product Stewardship
- Biodiversity

Social Dimension

- Human Capital Development
- Talent Attraction & Retention
- Occupational Health & Safety
- Stakeholder Engagement
- Social Reporting

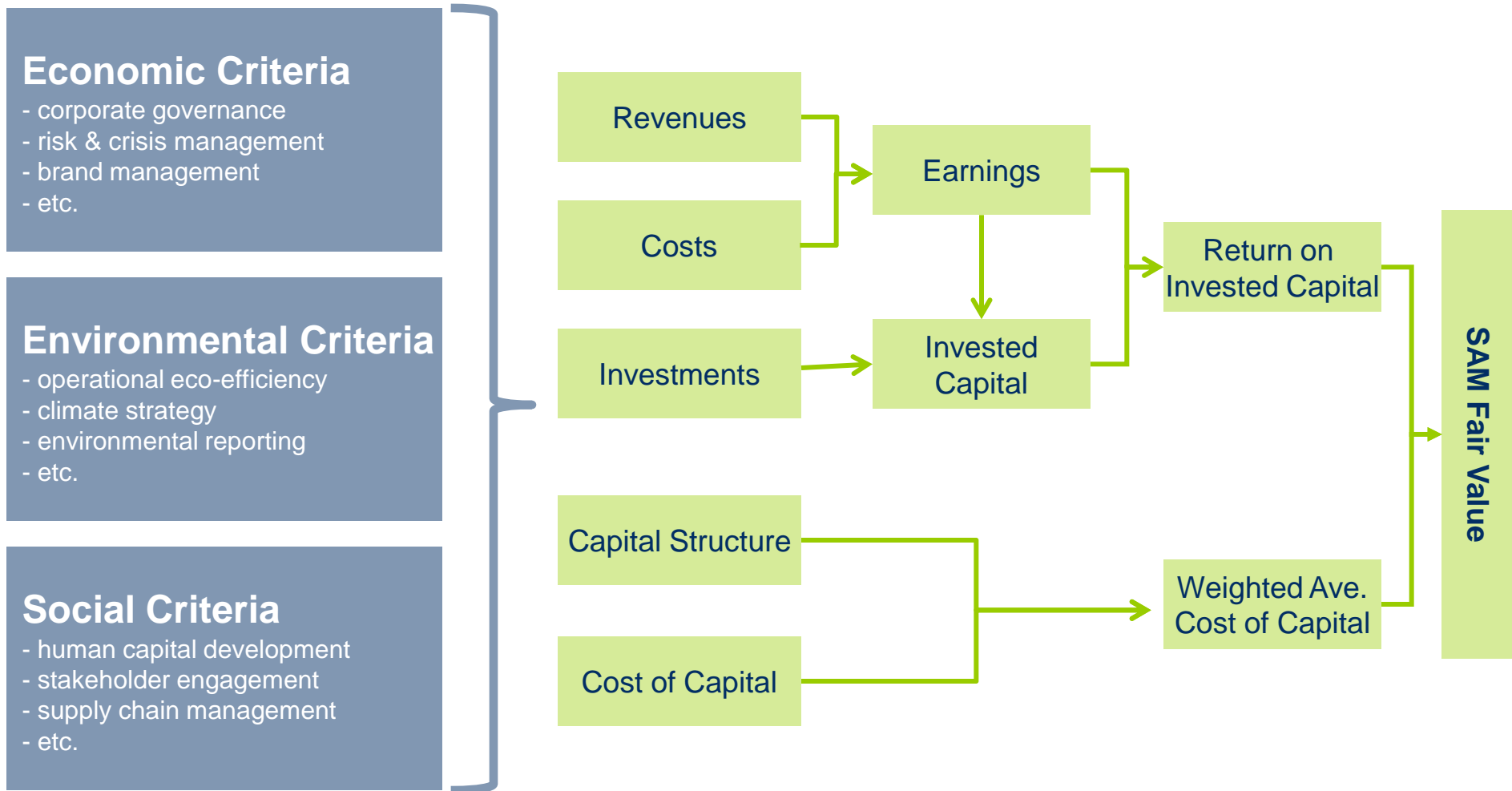
SAM Corporate Sustainability Assessment

10 year facts overview



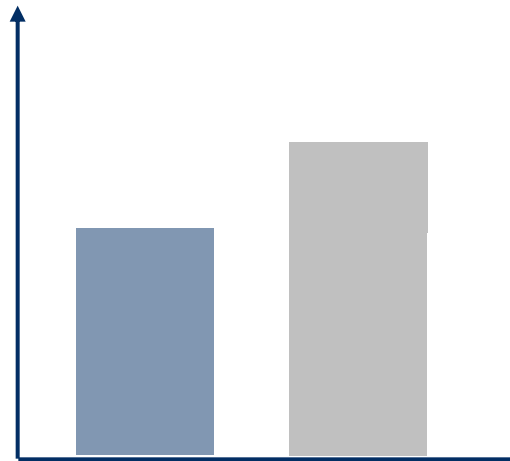
Milestones	1999	2009
Number of assessed companies	468	~ 2200
Average number of questions to companies	50	120
Average total sustainability score	27	42
% weighting of sector-specific criteria	30	57

SAM Corporate Sustainability Assessment & Valuation



SAM Corporate Sustainability Assessment & Valuation

Company Valuation - Discounted Cash Flow (DCF)



Market Value Fair Value

ROIC	10.0%
WACC	5.0%

SAM Corporate Sustainability Assessment



&

ROIC	+0.2%
WACC	-0.2%

ROIC	10.2%
WACC	4.8%

SAM Fair Value

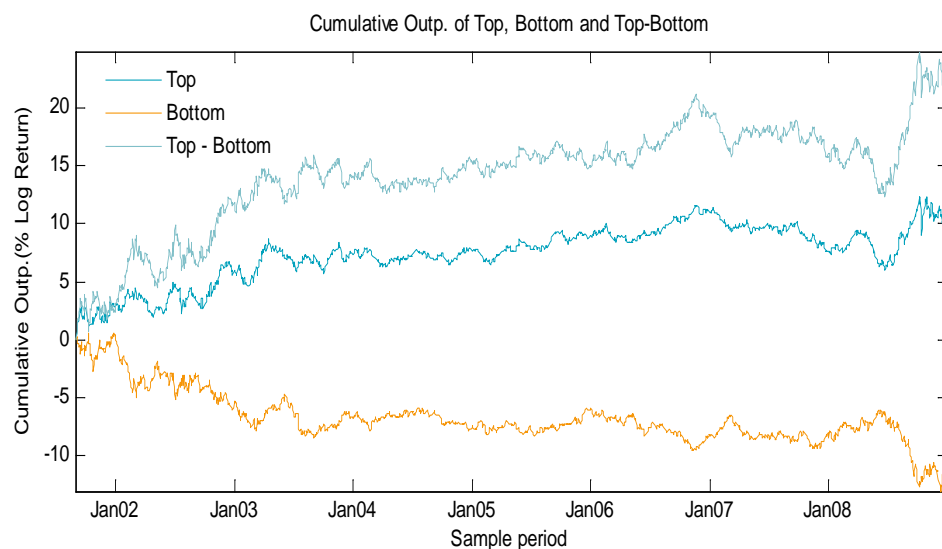


SAM Fair Value Impact
range of + 10% - 15%

Legend:

ROIC Return on Invested Capital
UNEP Water Accounting Stocktaking Workshop, November, Paris
WACC Weighted Average Cost of Capital

Alpha from sustainability - results



	Q1	Q5	Q1-Q5
Outp. (%)	1.48	-1.46	2.98
TE (%)	3.17	3.22	4.90
IR	0.47	-0.45	0.61
T-Stat	1.28	-1.25	1.68
Beta	0.99	1.00	-0.01

Terminology:

- Outperformance** - average annualized performance of a given portfolio relative to the overall sample (portfolios 1, 2, 3, 4 and 5) in % terms
- Tracking Error** - how closely a portfolio follows the benchmark (portfolios 1, 2, 3, 4, and 5), as measured by the standard deviation of the relative stock returns in % terms
- Information Ratio** - outperformance / tracking error
- T-stat** - statistical significance

Alpha from sustainability - conclusions

- SAM's corporate sustainability data has predictive power for stock picking
 - Value is created both from picking sustainability leaders and avoiding sustainability laggards
 - Good performance in both up- and down-markets. This suggests sustainability investing has also the potential to mitigate downside risk
 - Most sustainability criteria show a positive impact on relative performance. Highest contribution from Human Capital Development and Risk & Crisis Management
 - Relatively low correlation to other stock-selection factors (value: 21%, momentum: 17%, earnings revision: 12%) implies corporate sustainability can be seen as a stand-alone factor that can add diversification benefits
- Sustainability investing enhances financial returns

	Bull	Bear
Outp.(%)	1.94	4.85
TE(%)	4.13	5.30
IR	0.47	0.92

* Data refers to portfolio Q1-Q5

Key sectors with using water questions

- **MNX – Mining**
- **SEM – Semiconductors**
- **TEX – Textile**
- **BVG – Beverages**
- **Energy**

Table 3. Relative Water Footprint of Various Industry Sectors

	Raw material production	Suppliers	Direct operations	Product use/ end of life
Apparel				
High-Tech/ Electronics				
Beverage				
Food				
Biotech/Pharma				
Forest Products				
Metals/Mining				
Electric Power/ Energy				

Water drops indicate the value chain segments that have relatively high blue, green and gray water footprint intensities.

Source: Ceres

Water Related Criteria (1)

- **Mining (MNX):**

- Trend in water consumption; third party verification of indicator
- % of sites with need for implementation of water management plans
- % of sites of need for water management, having implemented such plans
- Framework of water management plans (context, targets, audits, all with reference to local environment)
- Measures to reduce environmental impacts of tailings disposals (audit, worst-case scenario, leaching control, effluent treatment)
- Surface water and groundwater monitoring of waste rock dumps
- Production according to “International Cyanide Management Code for the manufacture, transport, and use of cyanide in the production of gold”

- **Electric Utilities (ELC)**

- Water consumption ranking based on own power production (kWh); third party verification of indicator

Water Related Criteria (2)

- **Food Producers (FOA); Beverages (BVG)**

- Trend in water consumption; third party verification of indicator
- Environmental guidelines on reduced water consumption in agriculture production; coverage
- Water stewardship programs in own operations and in supply chain

- **Semiconductors (SEM)**

- Trend in water consumption; third party verification of indicator
- Ultrapure water consumption trend
- % of sites with wastewater treatment
- % of sites with reuse process wastewater
- % of recycled ultrapure water
- measures taken for guaranteeing access to water for production sites

Water related criteria (3)

- **Water Utilities (WAT)**

- Exposure: Water availability (extraction vs licenses)
- Asset Quality: age of pipes, leakage rate, Infrastructure Leakage Index, Economic Level of Leakage
- Knowledge: R&D expenditures, Research partnerships
- Efficiency: variable tariffs availability, water meter installations, energy intensity
- Renewable energy production vs wastewater treated
- Fines for environmental incidents

Water Criteria Development (1)

- ❖ Exposure
- ❖ Water Policy & Strategy – Risk Management
 - Goals
 - Targets
- ❖ Performance
 - Materiality
- ❖ Engagement with
 - Suppliers (e.g. Best Practice for AF-KLM)
 - Community
 - Outside partners
 - Stakeholders
- ❖ Impact on Supply Chain (BVG,TEX,FOA,...)

Water Criteria Development (2)

Exposure

- What we seek to assess:
 - The importance of water to the sector and the company's business model
 - How companies reduce water related risks:
 - Quality
 - Quantity

Contribution to financial sustainability

- What we seek to assess:
 - How companies manage their **water exposure** to sustain their long-term financial performance.

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