Challenge # 18

SUSTAINABILITY INDICES: Why do Dutch MNCs score so well?

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1. Introduction and abstract

This dossier contains an analysis of the world's six leading sustainability indices:

- the Calvert Sustainability Index,
- the Dow Jones Sustainability Index,
- the Ethibel Sustainability Index,
- FTSE4Good,
- the Domini 400 Index
- the Advanced Sustainability Performance Indices.

A seventh index relating only to Dutch companies was also included: the transparency Ladder. What is the effectiveness of these indices and corporate performance? What are the trends contributing to the rise of sustainability indices? What different sustainability indices are there? Is there a global use in the criteria analyzed or does every index have their own set of criteria? This report gives (in section 2) a general overview of the trends contributing to the rise in sustainability indices, the potential link between sustainability indices and corporate performance and an overview of well-known sustainability indices worldwide. Sections 3 to 9 contain more detailed information on each of the six leading indexes, plus the Dutch index. For each index an overview of the information sources, the methodology including criteria and weightings and the monitoring process will be given. Section 10 applies these indices by specifying the position of Dutch multinationals in the different sustainability indices. Dutch multinational corporations have scored particularly well in most of these indices. Is there a pattern that would explain this (other than superior performance)? The concluding section (11) draws lessons, looks at criteria for global coordination and lists drawbacks and limitations.

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In comparison, many indices contain comparable items. The Domini 400 Social Index and the Advanced Sustainability Performance Index mention just a few widely accepted themes, while the other sustainability indices mention general dimensions with a detailed outline of specific criteria for each of these dimensions. Especially the FTSE4Good has a very detailed outline of the criteria including the aspects policy, management and reporting. Each of these indices focuses only on public companies, why the private companies are excluded is not mentioned.

There are also notable differences between the indices. The Dow Jones Sustainability Index has no criteria regarding the workplace, while the Calvert Social Index and the Domini 400 Social Index do not mention business ethics or codes of conduct. Next to this, the Dow Jones Sustainability Index and the Ethibel Sustainability Index are the only indices that mentioned the dimension economics, including crisis management and economic risks related to the policy. The Ethibel Sustainability Index is as well the only index that clearly mentions the relations with developing countries.

The research setting of the specific Dutch benchmark index is quite different than the other sustainability indices, yet some criteria are overlapping. The criteria human rights, environment, corporate governance, human resources and economic are also included in the transparency ladder. While community involvement, workplace, product safety and impact, corruption and bribery and business ethics are excluded. Instead of paying much attention to how companies are contributing to social, environmental and economic issues, the transparency ladder pays more attention to the profile of companies, the verification of the CSR reports and the obtain ability of data.

Comparison of the indices is hampered not only by the difference in criteria but also by lack of public availability of indices for certain categories, limited amount of years and the limited regional focus of some of these indices. The global index of FTSE4Good and DJSI cannot be found, and the Calvert Social Index and the Domini400Social index only concentrate on the American region making a comparison between all the indices impossible. Furthermore, the indices do not include rankings of companies based on their CSR performance, but rather is based on the alphabetical order of either their respective countries or names.

2. Characteristics of sustainability indices

2.1 Introduction

In this chapter the trends which have contributed to the increase in importance of sustainability indices will be outlined. Next, a general overview of the major sustainability indices will be given. The chapter will end with an outline of a potential link between sustainability indices and corporate performance.

2.2 Trends rising visibility

There has been a rapid increase in the number of, global and regional concentrated, sustainable indices. Several trends have contributed to this increase. First, there has been an increase in social investment funds under management. The increase in mutual funds made up of companies that pass various social screens has as well increased the demand for methodologies to rank corporate social performance (Márquez and Fombrun, 2005; Fowler and Hope, 2007). The second contributing factor to the increase are the publicity and legislations resulting from corporate accounting scandals in Europe and the U.S. (Fowler and Hope, 2007). Third, there is a growth in investor demand for comparisons of corporate social responsibility performance ratings. There is a growing level among investors who believe in the importance of sustainability. This interest in sustainability practices is nowadays considered in the configuration of their investment portfolios. This has increased the need among investors for objective indicators of sustainable development to be able to make financial decisions (Márquez and Fombrun, 2005; Fowler and Hope, 2007; López, 2007). Fourth, the growing importance of corporate social responsibility has resulted in an increase in demand for sustainability indices. Fifth, national regulations and international agreements have increased the necessity to consider social, environmental and economic implications of the activities. Next to this, companies are striving to become sustainable in order to enhance efficiency of operations and production and access new markets or resources (Makipere and Yip, 2008; Márquez and Fombrun, 2005). Sixth, the increased importance of ratings have accelerated large companies to appoint in-house specialists and teams to communicate and monitor environmental and social performance (Márquez and Fombrun, 2005).

2.3 General overview sustainability indices

The history of sustainability indices is still relatively short. In May 1990 the Domini 400 social index, launched by Kinder, Lydenberg, Domini and co., became the world's first sustainable index. An increase in importance has led to the introduction of other sustainable indices, including the Dow Jones sustainability index, FTSE4good, Calvert group index, Ethibel sustainability index and Advanced sustainability performance indices (Fowler and Hope, 2007; Statman, 2005).

There are various indicators for constructing and reviewing sustainable indices. The sustainable indices differ in the emphasis they put on several characteristics, yet the largest distinction can be made between negative and positive screening. Negative screening is the most commonly used approach. It excludes companies that are active in areas that are pursued to be unethical including, alcohol, tobacco and nuclear energy. The criteria that are used are aimed at the exclusion of companies that are active in controversial business activities. Negative screening criteria include, gambling , military contacts, nuclear power, tobacco, alcohol, armaments and firearms, human rights, adult entertainment, discrimination, forced or child labor, interference in union's activities, genetic manipulation, animal testing, chemicals damaging health or the environment. Positive screening includes companies that have a certain score according to a number of sustainability criteria. The criteria that are used are aimed at the inclusion of companies positively contributing to social, economical and environmental issues. Positive screening criteria include the environment, diversity, human rights, animal welfare and labor relations.

An index can contain **negative or positive screening criteria** or a combination of both. The six largest sustainability indices and their methodology related to negative or positive screening are presented in table 2.1 (Fowler and Hope, 2007; Hoti et al., 2007).

Table 2.1 - Leading Sustainability Indices

Company	Index	Methodology
Calvert group	The calvert social index (markets covered:USA)	Negative Screening Criteria: Excludes companies with bad environmental records and those operating in nuclear power, weapons, tobacco, alcohol, or gambling.
SAM	Dow Jones sustainability index (markets covered:world)	Positive Screening Criteria: Includes companies that score highest on a comprehensive list of sustainability criteria.
Ethibel/S&P	Ethibel sustainability index (markets covered:world)	Positive Screening Criteria: Evaluates companies according to four main criteria: internal social policy; environmental policy; external social policy; and ethical economic policy.
FTSE	FTSE4good (markets covered:world)	Mixed Screening Criteria: Excludes companies operating in: tobacco, nuclear systems, weapons systems, and uranium. Includes companies based on qualitative judgments about: environmental sustainability, relations with stakeholders, and human rights.
KLD Analytics	Domini 400 social index (markets covered:USA)	Negative Screening Criteria: Excludes companies operating in: weapons, alcohol, tobacco, nuclear power, and gaming. Also excludes companies based on qualitative judgments about the environment, diversity, employee relations, and product.
Vigeo	Advanced sustainability performance indices (markets covered:Europe)	Positive Screening Criteria: Rewards companies for introducing sustainability criteria.

Source: Fowler and Hope, 2007

2.3 Effectiveness sustainability indices

Research of sustainability indices and the potential link between sustainability indices and corporate performance is lacking. Measuring the effectiveness of sustainable indices and company performance two factors need to be taken into account. First, Fowler and Hope (2007) argue that due to the short history of sustainable indices, with the exception of the Domini 400 social Index, comparisons of company performance is difficult. Second, the comparisons of company performance on the basis of benchmark indices is difficult due to differences in country, industry weighting and size. The differences between countries are the largest between developing and developed countries, due to the greater attention given to corporate social responsibility in developed countries. Large differences between developed countries are not expected. Next to this, different industries experience different levels of pressure to achieve sustainability. Large industry and size differences are to be expect especially in indices that fine "dirty" industries. This distinction leads to different assumptions regarding the appropriate risk-adjustments used in the research methodology. This can impact the study conclusions (Fowler and Hope, 2007; Makipere and Yip, 2008).

Results of a study comparing the content of the S&P 500 Index of conventional companies between the content of four large indices including, the Domini 400 social index, the Dow Jones sustainability index, the Citizens index and the Calvert social index show that the performance of socially responsible companies in general score better than conventional companies. Sustainable indices vary in the emphasis they put on particular characteristics and the mean social scores between the different sustainable indices varies as well. However, in general the mean social score of sustainable companies is higher than traditional companies. Next to this, the average returns of socially responsible indices is higher than the S&P 500 Index. These results are however related to the long-term period, not the short-term period and are not statistically significant (Statman, 2005).

Similar results are demonstrated by López et al. (2007) who researched whether there are differences in performances between companies included in the Dow Jones Sustainability Index and companies included in the Dow Jones Global Index. Results show that the first year in which companies adopt Corporate Social Responsibility the performance is negative. A possible cause for these negative short-term effects of sustainability practices on performance can be the costs associated with implementing sustainability strategies. In the long-term, results show that there is a positive correlation between performance and companies included in the Dow Jones Sustainability Index. However, the positive correlation is not statistically significant, the results are related to the long-term period and are not robust over time (López et al., 2007).

2.4 Limitations of sustainability indices

There are several limitations to the different sustainability indices. The first limitation is the limited attention paid to the financial side by sustainability indices. A good example is the FTSE4Good. The FTSE4Good index does not include the financial side into their assessment as they take this side for granted. If one believes that Corporate Social Responsibility should be integrated into the core business of the company, then it is a major limitation if the financial side is not integrated with the social and environmental aspects into the evaluation system (Broekhof and Sijtsma, 2002).

A second limitation is the fact that the indices are to the advantage of large companies, especially the DJSI world, the FTSE4good and the Ethibel sustainability index. Four reasons can be produced. First, the indices consider the largest companies for inclusion. Second, larger companies have the advantage of having more resources which can be devoted to the aspects following from the questionnaire. Third, larger companies have the advantage of having more resources which can be devoted to interacting with the company responsible for the rankings. Fourth the aim of indices especially the DJSI is to include industry leaders. (Fowler and Hope, 2007).

A third limitation is the broad measurement of the measurement systems. In general many sustainability indices include a large and broad number of measurement variables. This makes it more difficult to understand the total score as many different cases are added up (Broekhof and Sijtsma, 2002).

A fourth limitation is the multi-criteria analysis. To evaluate a complex concept like Corporate Social Responsibility all sustainability indices use the multi-criteria technique. The evaluation is then the sum of the scores attributed to different criteria. The weight of each criteria is very low. In this way a low score obtained for one criteria can be compensated by a good score for another criteria. Next to this, the end result is a ranking of companies with quite similar end scores while the score obtained for different criteria might be very different. The ranking tell nothing about the impact an individual company has on for example one specific issue as poverty or climate change (Broekhof and Sijtsma, 2002).

2.5 Conclusion

Several trends can be attributed to the rapid increase in the number of, global and regional concentrated, sustainability indices. Legislations have sharpened due to corporate scandals, investor demand for comparisons of corporate social responsibility performance ratings is growing, there is a growing importance of corporate social responsibility resulting in an increase in demand for sustainability indices and social investment funds under managers is rising. One of the indicators for constructing and reviewing sustainability indices is the screening method. A distinction can be made between positive and negative screening.

Several studies have shown that in the long-term there is a positive correlation between performance and companies included in a sustainability index. However, all studies show that the positive correlation is not statistically significant; the results are related to the long-term period and are not robust over time.

3. Calvert social index

3.1 Introduction
The Calvert Social Index is initiated by the Calvert Asset Management Company in 2004. The index tracks the performance of sustainable companies based in the United States. Currently the index has included four hundred and sixty eight companies selected from thousand of the largest publicly traded companies listed on the NYSE and NASDAQ and AMEX.

3.2 Information sources
The Calvert Social Index uses qualitative as well as quantitative data from four types of sources namely in-house files, personal contact with company management, personal contact with advocacy organizations and data from U.S. regulatory agencies.

The Calvert group has in-house files on approximately seven thousand companies. The information is gathered from the Lexis-Nexis database. Next to this, the company subscribes to specialty publications including industry publications, SEC filings, reports from international institutions including the UN and World bank, social responsibility and sustainability reports, company websites and the media. Personal contact with companies is the second source of information. The social research department has conversations with company management. Aspects such as challenges the companies face and possible innovative programs that contribute to best practices within the industry play a central role during the conversations. The third source of information is data from regulatory agencies. The Calvert Group can review a company's social and environmental performance by linking to the databases of the U.S. environmental and social regulatory agencies. The last source of information is personal contact with advocacy organizations. The Calvert Group has discussion with consumer groups, human rights organizations, labor unions and environmental groups. The main goal of these discussions is to collect critical information rather than agreeing with the viewpoints of these organizations (CSI, 2008).

3.3 Methodology

3.3.1 Criteria
The social research department of the Calvert group is responsible for administering the selection criteria and weightings. The Calvert Social Index uses negative screening criteria. Reasons for these negative screening criteria include concerns about the impact of certain products on society and the fact that Calvert wants companies to produce and manufacture products that are accessible for all consumers and avoid offensive images. Companies that produce tobacco, alcohol, firearms, casino games, pornography or military weaponry are therefore excluded from the index. The corporate performance is examined in seven areas which are presented in table 3.1 (CSI, 2008).

Table 3.1 - Criteria

Dimension	Criteria
Governance and ethics	Disclosure of policies and procedures Board independence diversity Executive compensation Attention to stakeholder concern
Workplace	Disclosure of policies in diversity, labor relations, employee health and safety Quality of policies and programs Compliance with national laws and regulations Proactive management initiatives
Environment	Environmental performance Responsiveness to incidents Compliance with environmental regulations Sustainability strategies and solutions
Product safety and impact	Safe products in accordance with federal consumer product safety guidelines
International operations	Support of culturally appropriate development
Indigenous people's right	Support of appropriate economic development, with respect to the rights of indigenous peoples
Community relations	Solid relationships with local communities Corporate philanthropy Employee volunteerism Support of women- and minority-owned business

Source: Calvert Social Index

3.3.2 Weightings

The weightings are presented in table 3.2 The table is based on sector weightings, a detailed description of the weightings per criteria is not publicly revealed.

Table 3.2 - Weightings

Economic sector	Weighting (in %)
Information technology	28.70
Financials	20.51
Health Care	14.39
Consumer staples	10.14
Consumer discretionary	8.84
Industrials	7.57
Telecomm service	3.83
Energy	3.20
Materials	1.77
Utilities	1.05

Source: Calvert Social Index

3.4 Monitoring

The index is reviewed on three levels. On an annual basis in September the index will be reconstituted based on a updated list of the thousand largest companies and the economic sector weightings will be reviewed. On a quarterly basis the index is reviewed to modify the index due to changes in social criteria, to reflect share adjustments and to review sector weightings. On a regular basis companies are reviewed to reflect corporate actions including mergers and acquisitions. When a company does not meet the environmental, social and governance criteria the Calvert group uses strategic corporate engagement and advocacy, including filing shareholder resolutions, proxy voting and dialogue with company executive, to positively change the lacking commitments.

There are three reasons for a company to be excluded from the index, namely annual reconstitution, the company may no longer meet the social screening standards or the stock may disappear due to a corporate event including mergers or acquisitions (CSI, 2008).

4. Dow Jones Sustainability Index

4.1 Introduction

The Dow Jones Sustainability Index (DJSI) is initiated in the year 1999 by Dow Jones and Sustainable Asset Management (SAM). The index globally tracks the financial performance of the leading sustainability-driven companies and provides asset managers with reliable and objective benchmarks to manage sustainability portfolios. The DJSI comprise companies from sixty industry groups and eighteen market sectors. The Dow Jones Sustainability index defines corporate sustainability as follows: *"Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments"* (DJSI, 2008).

There are different types of Dow Jones Sustainability Indexes. The Dow Jones Sustainability World Index (DJSI world), includes the top 10 percent among the twenty five hundred largest companies by free-market float capitalization in the Dow Jones World Index. The Dow Jones STOXX Sustainability Index (DJSI STOXX) includes the top 20 percent of the sustainability of companies in the Dow Jones STOXX SM 600 Index. A variant of this index, is the Dow Jones EURO STOXX Sustainability Index (DJSI EURO STOXX) which is related to the Euro zone. The Dow Jones Sustainability North America Index includes the top 20 percent on the area of sustainability of the six hundred biggest North American companies in the Dow Jones World Index. A variant of this index is the Dow Jones Sustainability United States Index (DJSI, 2008).

4.2 Information sources

The Dow Jones Sustainability Index uses four types of information sources namely, SAM questionnaires, company documentation, media and stakeholder information and personal contact with companies. The SAM questionnaire is the most important type of information.

The questionnaires are modified to each DJSI sector and distributed to CEO's and heads of investor relations of all companies in the DJSI investable stocks. To ensure objectivity the questionnaires consists of multiple-choice questions instead of open-questions. Company documentation as a source consists of analysis of environmental reports, sustainability reports, health and safety report, social report, special reports (including, corporate governance, R&D, employee relations, intellectual capital management) and other sources of company information (including, website, brochures and internal documentation). The third source of information are the media and stakeholder reports, which include press releases, articles, stakeholder commentary written about a company and analysts review media. The personal contact with companies is the result of questions arising from the analysis of the questionnaires and company documents. The personal contact is made via company visits, by telephone or meeting with the company at public events or the SAM office. The results of the analysis of all information are subjected to an external and internal audit. After this, a score is calculated for each company.

To ensure that the sustainability assessments are in accordance with the defined rules and external assurance report is issues by Deloitte. The review monitors and maintains the accuracy of the assessment procedures and results (DJSI, 2008).

4.3 Methodology

4.3.1 Criteria

SAM is responsible for administering the selection criteria and weightings. These criteria and weightings are (reviewed) on an annual basis and are determined based on research by SAM and feedback from external parties including, NGO's, international bodies, academic and consultants (Fowler and Hope, 2007).

The Dow Jones sustainability Index uses positive screening criteria, also named "best-in-class" selection rules. The index includes the leading companies in each industry based on a set of environmental, social and economic criteria. The criteria cover general as well as industry-specific criteria based on sustainability trends. The leading companies are defined as *"sustainability leaders who achieve long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks"* (Foreman, 2005). The main criteria, presented in table4.1, all have a clear focus on long-term shareholder value creation. For each industry there are approximately 50 different criteria which are sub divided among three dimensions, namely economic, environmental and social issues (Makipere and Yip, 2008; DJSI, 2008).

4.3.2 Weightings

The weightings are presented in table 4.1. A detailed description of the weightings within each dimension is confidential. De DJSI puts more emphasis on economic factors than social or environmental factors. This division of the weightings is however in line with how the Dow Jones Sustainability index defines corporate sustainability: *"Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments"* (DJSI, 2008).

Table 4.1 – Criteria and weightings

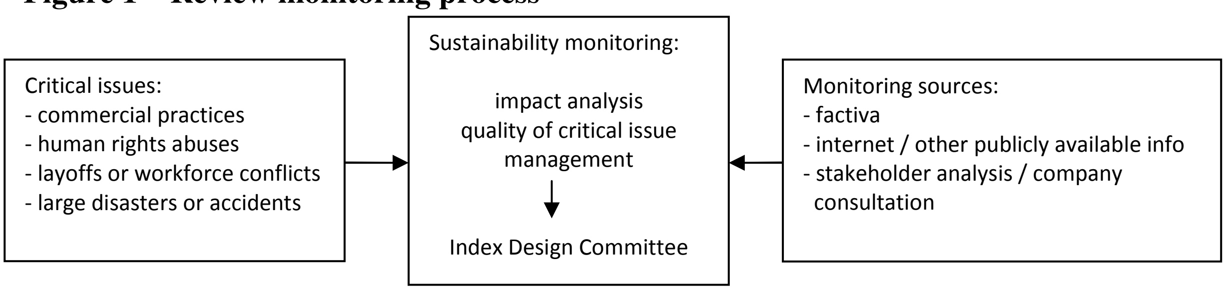
Dimension	Criteria	Weighting (in %)
Economic	Code of conduct/compliance/corruption & bribery	5.5
	Corporate governance	6.0
	Risk & crisis management	6.0
	Industry specific criteria	Depends on industry
Environment	Environmental performance (Eco-efficiency)	7.0
	Environmental reporting	3.0
	Industry specific criteria	Depends on industry
Social	Corporate citizenship/philantrophy	3.5
	Labor practice indictors	5.0
	Human capital development	5.5
	Social reporting	3.0
	Talent attraction & retention	5.5
	Industry specific criteria	Depends on industry

Source: Dow Jones Sustainability Index

4.4 Monitoring

Companies included in the DJSI are monitored on a daily basis. The process is related to assessing the company's involvement in crisis situations related to environmental, social and economic issues and their crisis management in relation to the principles and policies stated. The objective, sources, impact evaluation and quality of crisis management are all relevant aspect in the monitoring process. A visual overview of the review process is presented in figure 1.

Figure 1 – Review monitoring process



Source : Dow Jones Sustainability Index

The objective of monitoring is *"to verify a company's involvement and management of critical environmental, economic, and social issues or crisis situations that can have a highly damaging effect on its reputation"* (DJSI, 2008). Issues reviewed include, commercial practice (money laundering, fraud, corruption and antitrust), human rights abuses (discrimination, child labor and forced resettlements), layoffs or workforce conflicts (extensive layoffs and strikes) and catastrophic events or accidents (workplace safety, technical failure, ecological disasters and product recalls) (DJSI, 2008).

The monitoring process consists of three phases. Phase one is the impact evaluation. In case of a crisis situation the analysts of SAM assesses the impact of the crisis within the company, media and geographically. In case the crisis affects the reputation of the company, the crisis is covered worldwide in the media or is an important concern for the company than the process moves to phase two. Phase two is the quality of the crisis management of the company. The analyst assesses the quality of the company in informing the public, involving stakeholders, developing solutions, taking responsibility and providing relief measures. If the quality is considered poor the process moves to the third and last phase. In the third phase the DJSI Index Design Committee assesses the monitoring results in relation with a company's performance records and its political and cultural setting. If the crisis management of the company is considered poor the Index Design committee can decide to exclude the company from the Dow Jones Sustainability Index.

5. Ethibel sustainability index

5.1 Introduction

In 1992, the 'Ethibel Label' for Socially Responsible Investing (SRI) funds and investment portfolios was introduced by Ethibel, an independent not-for-profit organization. In June 2000, Ethibel founded the limited company Stock at Stake, which has been responsible for all of the research activities since 2001. In 2005 Stock at Stake merged with the French Vigeo, so Vigeo is the owner of the ESI indices.

Ethibel states that *"The Ethibel Sustainability Index (ESI) provides a comprehensive perspective on the financial performance of the world's leading companies in terms of sustainability for institutional investors, asset managers, banks and retail investors"* (ESI, 2008). This set of indices was first published on June 27, 2002.The Ethibel Sustainability Index (ESI) groups four indices namely ESI Pioneer Global and ESI Excellence global and two regional indices, namely ESI Pioneer Europe and ESI Excellence Europe. (ESI, 2008)

5.2 Information Sources

The Ethibel Sustainability Index uses a selection procedure before a company is included in the investment register. This selection procedure exist form the following steps.

1) *Preliminary examination:* Looking for companies which can be considered for inclusion in the investment register. This can be done by looking at annual reports, websites, databanks, publications of consumers etc.
2) *Screening:* This phase takes place by direct contact with the company, information from partners and a survey of stakeholders.
3) *Company profile:* Based on this screening, a company profile can be made which includes the conclusions of the examination. At first background and general context will be given. Secondly detailed information on four main fields of the investigation will be given: Internal social policy, Environmental policy, External social policy and Ethical-economic policy.
4) *Rating:* The evaluation of the company is done in relative terms to overall performance of the sector and region. The scores vary from 1 to 5, ranging from "far below average" to "normal for the sector" and right up to "exceptional, plays a pioneering role".
5) *Opinion of the Register Committee:* this register committee is independent and exist from external experts.
6) *Decisions of the Board of Directors:* Making the decision whether to include a company.
7) *Inclusion or exclusion:* If a company is included it will be monitored by the Ethibel team. Every year there is a quick update and after three years there is a re-evaluation. If a company does not satisfy all of the criteria it will be removed from the list.
8) *Communication about the register:* At first the company will be informed about the inclusion. Secondly, every time when there is an update the fund manager will be informed. Finally, the registration can be followed via the online databank. (ESI, 2008)

Interesting is that the research activities have been separated from the evaluation procedure. Vigeo is doing the research and Ethibel is doing the evaluation procedure. This is done to avoid conflicts of interest and bias.

5.3 Methodology

5.3.1 Criteria

The Ethibel Sustainability Index uses mixed screening criteria. Companies with a major involvement in activities including armament gambling, nuclear energy and tobacco, are automatically excluded from the Ethibel Sustainability Index. Involvement in the other controversial activities including hazardous chemicals, the sex-Industry, genetically modified organisms(GMO's) in food and feed, alcohol and animal treatment are carefully examined, yet these companies are not automatically excluded from the index.

The extensive checklist of "sustainability criteria" is divided into four areas namely internal social policy, environmental policy, external social policy and ethical economic policy. The areas are divided into several themes, and the themes are divided into several topics. For each topic, there is a set of indicators and criteria, linked to a rating system, presented in table 5.1 (ESI, 2008).

Table 5.1 - Criteria

Dimension	Criteria
Internal Social Policy	Strategy
	Employment
	Job content
	Terms of employment
	Working conditions
	Industrial realtions
Environment Policy	Strategey
	Management
	Production
	Products
External Social Policy	Societal impact of the company's core activities, products and services
	Communication with stakeholder
	Human Rights
	Social Investment
	Socio-economic
	Relations with developing countries
Economic policy	Economic potential
	Economic risk
	Clients
	Corporate governance
	Suppliers
	Business ethics

Source: Ethibel Sustainability Index

5.3.2 Weightings

The scores attributed to different criteria are presented in table 5.1. the scores vary from 1 to 5, ranging from 'far below average' to 'normal for the sector' and right up to a 'pioneering role'.

Table 5.2 – Ratings per criteria

Pioneer	5
Advanced	4
Average	3
Below average	2
Far below average	1

Source: Ethibel Sustainability Index

5.4 Monitoring

The index is maintained by Standard & Poor's (S&P). The companies included in the Ethibel Social Index are monitored on a regularly basis. The company profiles are updated every eighteen to twenty-four months. Three steps are undertaken when the company is involved in irregularities. First, the company is screened again. Second, a report is submitted to the Register Committee for re-evaluation. The third and last step is the exclusion of a company from the index in case the company does not meet the criteria of the index (ESI, 2008).

6. FTSE4good

6.1 Introduction

The FTSE4good Index was initiated in July 2001 by the Financial Times (FTSE) group. The index measures the performance of companies that meet the global recognized standards for corporate social responsibility. The FTSE4good index can be used in four ways. First, as a research tool to identify sustainable companies. Second, as a benchmark index to track the performance of responsible investment portfolios. Third, as a basis for responsible investment. Fourth, as a reference tool to provide companies with transparent sustainability standards. There are five FTSE4Good benchmark indices based on geographical coverage including the FTSE4Good Global, FTSE4Good UK, FTSE4Good Europe, FTSE4Good US, FTSE4Good Japan (FTSE, 2008).

6.2 Information Sources

To research company performance, FTSE is collaborating with the Ethical Investment Research Service (EIRIS) and a number of international partners. These partners include Centre for Australian Ethical Research (CAER, Australia), EthiFinance (France), Avanzi (Italy), Stock-at-Stake (Belgium), Institut fur Markt-Umwelt-Gesellschaft (IMUG, Germany) and Fundacion Ecologia y Desarrollo (FED, Spain). The FTSE4good index is reviewed in September and March, during this period the research process is undertaken as well. The review is undertaken by the FTSE4Good policy committee and the research process is managed and analyzed by EIRIS on a directly basis or by collaborating with the partnering research organizations. The FTSE4Good index uses quantitative and qualitative sources of information (FTSE, 2008).

An extensive written questionnaire is distributed in June to the companies. Company documentation is a second source of information. This documentation consists of analysis of annual reports, a research of company websites and other publicly available information. A third source of information is personal contact. The personal contact with companies is the result of questions arising from the analysis of the questionnaires and company documents. A last source of information is the distribution of a factsheet. Factsheets with detailed information held by EIRIS is on a regularly basis distributed to companies for updating and review (FTSE, 2008).

6.3 Methodology

6.3.1 Criteria

The FTSE4Good policy committee is responsible for determining the criteria and weightings. To be included companies must first be included already in the FTSE All-Share index (UK) or the FTSE Developed Index (global). The index uses negative screening criteria. Companies that have interests in the areas of tobacco, nuclear weapon systems, nuclear power stations, extraction or processing of uranium. Although the index is currently still based on negative screening methods, the FTSE4Good policy committee is considering to replace the negative screening criteria for performance-based criteria supported by public consultation (FTSE, 2008).

Corporate performance is currently examined on five areas which are presented in table 6.1. The criteria are revised on a regularly basis to incorporate new developments and trends. In line with these developments and trends, several changes in the criteria have taken place since its initiation in 2001. In the year 2002 the environmental criteria were strengthened. In the year 2003 the human rights criteria were strengthened. In the period of 2004 – 2005 supply chain labor standards criteria were introduced. In the period of 2005 – 2006 countering bribery criteria were introduced. For the environmental and human rights criteria companies are classified based on their impact. The higher the impact the more stringent the criteria. For the criteria stakeholder relationship companies must meet two of the seven criteria. The criteria supply chain labor standards and countering bribery are at present, due to the recent introduction of the criteria, applicable to companies that are identified as having the highest level of exposure to risk (FTSE, 2008).

Table 6.1 - Criteria

Dimension		Criteria/remarks
Environmental sustainability	Policy	- policies refer to all key issues - commitment to use of targets, monitoring and audit, publicly reporting
	Management	- identification of significant impact - outline of processes, responsibilities, manuals, action plans - documented objectives and targets in key areas - internal reporting, internal audits, management review
	Reporting	- text of environmental policy + description of main impacts - quantitative data - performance measured against targets
Relationship with stakeholders	Policy	- adopting a code of conduct - adopting an equal opportunities policy
	Management	- evidence of equal opportunity systems - evidence of health and safety systems - evidence of training/employee development systems - evidence of systems to maintain good employee relations
	Reporting	- make donations or operating payroll given schemes or providing gifts to community schemes
Human rights	Policy	- public policy - ILO core labor standards or UN global standards / SA8000 - UDHR - guidelines on armed security guards - indigenous people
	Management	- implementing policy criteria and monitoring - employee human rights training - stakeholder consultation - human rights impact assessment
	Reporting	- produce a human rights report - cover policies and management systems
Supply chain labor standards	Policy	- policy/code based on the four ILO core convention areas: equality/discrimination, forced labor, child labor, worker representation - policy/code must be available on request
	Management	- communication of a policy/code to suppliers - some monitoring of supply chain
	Reporting	- publicly available report: policy and management systems
Countering bribery	Policy	- prohibits giving and receiving bribes - commits to obeying laws + restricting facilitation payments - commits to restricting giving and receiving gifts
	Management	- communicates policy to and trains employees - compliance mechanisms; audits, assurance, board reports - procedures to remedy non-compliance
	Reporting	- policy and compliance mechanisms are publicly disclosed

Source: FTSE4Good

6.3.2 Weightings

No information available

6.4 Monitoring

The monitoring is a systematic and transparent process. In the period of October till June and April till December the company’s progress is measured on the basis of the questionnaires issued by EIRIS, company report, company websites and direct contact with FTSE and the company. In July & August and January & February, EIRIS and the international partners assess the data found against the criteria of the FTSE4Good index. The FTSE4good index is reviewed in September and March. During this period, the FTSE4Good policy committee reviews the company in the FTSE4Good index and the content of the index will be changed if necessary with approval of the FTSE4Good policy committee (FTSE, 2008).

7. Domini 400 social index

7.1 Introduction

The Domini 400 Social Index is initiated in 1990 by KLD Research & Analytics. The index is a benchmark for social investors and determines how environmental and social issue affect the risks and returns of investment portfolios. The index tracks the performance of approximately two hundred and fifty S&P500 companies, one hundred large and medium-sized companies chosen for sector diversification and 50 smaller companies with excellent social and environmental performance.

7.2 Information Sources

The Domini 400 Social Index analysis the records of public information including annual reports, corporate social responsibility reports, media information, company websites and other publicly available information. The information obtained is maintained in SOCRATES. SOCRATES is a database which allows users to screen portfolio on sixty-three criteria. Next to this, KLD social reports can be called up on screened companies (D400SI, 2008).

7.3 Methodology

7.3.1 Criteria

KLD is responsible for administering the selection criteria and weightings. The Domini 400 Social Index uses negative screening. Companies that produce alcohol, tobacco, firearms, nuclear power, military weapons or gambling will not be included in the index. Next to this, companies must meet the financial screening of KLD. Companies must meet the targets set for market capitalization, liquidity, earnings, stock price and debt to equity ratio to be included in the index. Companies included in the Domini 400 Social Index must have positive social and environmental records based on the criteria presented in table 7.1. The companies are evaluated on a general as well as industry-specific context (D400SI, 2008).

Table 7.1 - Criteria

Dimension
Community relations
Diversity
Employee relations
Human rights
Product quality and safety
Environment governance
Corporate governance

Source: Domini 400 Social Index

7.3.2 Weightings

No information available on the weightings.

7.4 Monitoring

The Domini 400 Social Index is monitored and maintained by a KLD committee. The committee includes a KLD research director, a KLD product development director, a senior research analyst and staff from KLD indexes. Companies included in the index are monitored on a daily basis. Companies will be removed from the index due to violation of exclusionary screens, concerns related to performance or corporate actions. The index must be maintained at 400 companies at all time, so adding a company means removing another.

KLD has three characteristics which are considered when selecting companies. First, the largest 3000 US equities and companies in the S&P500 that exhibit positive environmental and social performance. Second, companies that have a strong environmental and social performance relative to their peer group. Third, companies on the S&P500 in cases where an S&P500 company is removed from the index(D400SI, 2008).

8. Advanced sustainability performance index

8.1 Introduction

The advanced sustainability performance index was initiated in July 2001 by Vigeo. Vigeo describes the index as follows: "*The Advanced Sustainable Performance Indices (ASPI) is the European index of reference of companies and investors wishing to commit themselves in favor of sustainable development and corporate social responsibility*". The Advanced Sustainable Performance Index tracks the top one hundred and twenty companies from the Dow Jones EURO STOXX benchmark.

8.2 Information sources

No information available

8.3 Methodology

8.3.1 Criteria

The Advanced Sustainable Performance Index uses positive screening criteria. Vigeo rewards companies for introducing sustainability criteria. These criteria are based on six widely accepted stakeholder themes which are presented in table 8.1. The criteria can be subdivided into action steps. Before each sector related study, the generic reference model is adjusted in order to take into account the characteristics and risks related to the sector under review (Vigeo, 2008).

Table 8.1 - Criteria

Dimension
Human Rights
Human resources
Environment
Business behavior
Corporate governance
Community involvement

Source: Advanced sustainability performance indices

In table 8.2 and 8.3, two examples of criterion and their action steps are presented.

Table 8.2 - Example of criterion 1: Commitment to the economic and social development of the country where the company operates

Definition of criteria	
	Is the company committed to: Making a sustainable contribution to the economic and social progress of host countries by optimising local economic benefits linked to its activity? Local investments Policy that promotes local employment Skills and technology transfers Consideration of the impact of restructuring on local employment opportunities Optimise local economic benefits linked to the activity
Action Steps	Promote the creation and development of new businesses in the country where the company is based Promote the transfer of skills and technologies to developing countries and economies in transition Promote employment and training of local workforce Promote the local labour market Limit the impact of site closures in affected countries

Source: Vigeo

Table 8.3 - Example of criterion 2: Improve employability

Definition of criteria	Is the company committed to: Providing its staff with opportunities for career development and look after their personal development? Ensuring the future employability of its staff by providing opportunities for employees to develop their skills and adapt to changes in the business environment? Facilitating job mobility? Anticipating employment needs?
Action Steps	Anticipate medium/long-term employment needs and skills Provide opportunities for staff to adapt their skills in line with changes both in their profession and job description Provide ongoing opportunities for improving qualifications Ensure regular consultation with staff Provide follow-up tailored to each individual Establish fully transparent appraisal criteria and career plans

Source: Vigeo

Vigeo assesses and rate a company’s non-financial performance for each stakeholder theme on the basis of a three-step methodology.

1. Leadership: the role of management in institutionalizing each stakeholder criterion into company policy and strategy
2. Implementation: the programs and actions undertaken by the company to put policy and strategy into real practice for each stakeholder criterion
3. Results: the degree, level and consistency of realization of policy and strategy and stakeholder satisfaction for each stakeholder criterion supported by quantified performance data (Vigeo, 2008)

8.3.2 Weightings

There are five ratings for each of the criteria. These ratings are respectively translated into five ASPI scores. The Vigeo and ASPI ratings are presented in table 8.4.

Table 8.4 - Weightings

Vigeo Assessment Dimension	Vigeo rating	ASPI rating
Pioneer	++	4
Advanced	+	3
Average	=	2
Below average	-	1
Unconcerned	--	0

Source: Vigeo

The five ASPI scores, on each of the five Vigeo criteria, are geometrically averaged meaning that any company scoring a “0” on any one of the Vigeo criteria, will also be granted a “0” as a final score, and then be excluded from the ASPI. This leads to a mean sustainability score which determines a company’s overall ranking in the ASPI (Vigeo 2008). Whenever companies have an equal final score and ranking, the company selected first is the one whose selection has the greatest effect in reducing the absolute industry sector gap between the ASPI Eurozone and the benchmark financial index (Vigeo, 2008).

8.4 Monitoring

After inclusion in the index, the companies are reviewed on a regular basis. This enables Vigeo to take scheduled or unscheduled corporate actions including spin-offs, IPOs, changes in weights or mergers & acquisitions into account.

The annual review takes place in September. Each September, a monitoring process is executed by using the scores. The top 100 Vigeo-rated companies are automatically selected for inclusion. Of the other companies (ranking between 100 and 140), 20 companies are selected by keeping former index constituent first and completing if necessary with the best rated companies previously not represented in the index (Vigeo, 2008). In case companies have the same ratings, the companies contributing to the sector representation closest to that of the benchmark (DJ Euro STOXXSM) are chosen first.

9 A Dutch index: the Transparency ladder

9.1 Introduction

In the year 2003, the management and advice agency Berenschot, introduced the transparency ladder in their report “MVO in de etalage 2003”. The follow-up to this report is the transparency benchmark report. The transparency benchmark is the largest-scale research in the Netherlands giving insight into the transparency of Dutch companies. The benchmark reviews the amount of responsibility of the largest Dutch companies quoted and not quoted on the stock exchange in their annual report in the area of Corporate Social Responsibility (Berenschot, 2005).

9.2 Information sources

The primary source of information are annual reports and additional corporate social responsibility reports. Information sources based on expression including speeches, press releases and folders maintaining information on corporate social responsibility are excluded from the research. As well other activities than the core activities of the company including, sponsoring, donations or voluntary work are excluded from the research(Berenschot, 2005).

9.3 Methodology

9.3.1 Criteria

To determine the transparency/position of Dutch companies, the Dutch company Berenschot has introduced the transparency ladder. A distinction can be made between six steps namely, “voorhoede” (frontrunners), “subtoppers”(runners-up), “kanshebbers”(those with potential), “zoekers”(seekers), “hekkensluiters”(bottom of the list) and “bezemwagen”(those without reports). The position on the transparency ladder depends on the percentage of the maximum score (maximum is 100 points) on the basis of the research. Companies with 0 points – no annual report – are in the ”bezemwagen”, 15 – 29 points is “hekkensluiter”, 30 – 44 points is “zoeker”, 45 – 60 points is “kanshebber”, 61 – 75 points is “subtopper”, 76 – 91 points is “voorhoede”.

The criteria to determine the position of the company on the transparency ladder are based on the “Richtlijn 400 Jaarverslag” and the “Handreiking Maatschappelijke Verslaggeving van de Raad voor de Jaarverslaggeving”. These guideline are in accordance with the Global Reporting Initiative. Corporate performance is based on seven criteria, which are presented in table 9.1 (Berenschot, 2005)

9.3.2 Weightings

Table 9.1 - Criteria and Weightings

Dimension	Criteria	Weighting (in %)
Profile of the company	Revenue, profit/loss, personnel, geographical reach, brands, activities, products, organization structure, ownership relations	19
Social influence of the operational management	Influence of the economy, environment, employees, Human rights, internal/external guidelines	21
Stakeholder dialogue	External stakeholders, dilemma's, position in relevant Value chains	16
Embedment of corporate Social responsibility	Embedment in the organizational structure and management systems	9
Results and objectives	Continuity of objectives, results, goals of the future corporate social responsibility policy	8
Formality	Obtain ability, contact information, date, implication	17
Verification	Verification of the corporate social responsibility report by an external party	10

Source: Berenschot

9.4 Results

To give an impression of the transparency in the area of Corporate social Responsibility of Dutch companies, the position of Dutch companies on the transparency ladder will be outlined. However, it must be noted that the comparisons are based on the years 2004 and 2005, so only an impression can be given, yet no definitive conclusions can be drawn from these results.

In the year 2005 approximately 13 percent of the one hundred and seventy-nine Dutch companies included in the transparency ladder were included in the "voorhoede" or "subtop". 25 percent of the companies are included in the "kanshebbers", while 47 percent of the companies are included in the "zoekers" or "hekkensluiters". 15 percent of the companies do not issue an annual report and are included in the "bezemwagen" (Berenschot, 2005)

For the dimension "profile" the companies with an annual report gain an average of 15.1 of the maximum of 19 points in the year 2005. This score is unchanged in comparison with the year 2004. For the dimension "social influence of operational management" companies with an annual report gain an average of 10.4 of the maximum of 21 points in 2005. This is an increase of 1.5 in comparison with the year 2004. For the dimension "stakeholder dialogue" companies with an annual report gain an average of 2.2 of the maximum of 16 points in 2005. This indicates that transparency concerning stakeholder dialogue is still a dilemma among Dutch companies. For the dimension “embedment of CSR” companies gain an average of 1.6 of the maximum of 9 points in 2005. This is an increase of 0.6 points in comparison with the year 2004. For the dimension “results and objectives” companies gain an average of 2.5 of the maximum of 8 points in 2005. This is a decrease of 0.5 point in comparison with 2004. For the dimension “formality” companies gain an average of 12.2 of the maximum of 17 points in 2005. This is a decrease of 0.6 points in comparison with the year 2004. For the dimension “verification” companies with an annual report gain an average of 0.8 points of the maximum of 10 points. This is a decrease of 0.1 points in comparison with 2004.

Dutch companies on an average score very low on the dimensions stakeholder dialogue, verification and embedment of CSR. Next to this, in the year 2004 as well in the year 2005 companies quoted on the stock exchange perform, with a average score of 47.4, better than companies not quoted on the stock exchange, with an average score of 39.9. Besides this companies quoted on the stock exchange are rapidly increasing on the transparency ladder. In the report “MVO in de etalage 2003” as well in the report “transparantiebenchmark 2004” and “transparantiebenchmark 2005” employees and environment are the most common criteria discussed by Dutch companies. Human rights is less discussed. A possible explanation for the increase of decrease in transparency can be the thwart a company is in. Companies in turbulent thwart, because of acquisitions, mergers or crisis situations might be devoting less attention to reporting corporate social responsibility (Berenschot, 2005)

10. Position Dutch companies – Global and Europe

10.1 Introduction

By way of example: what is the position of the 27 largest Dutch companies – as listed on the AEX stock exchange - on these sustainability indices? The above indices pose a number of limitations for this exercise. The Calvert Social Index and the Domini400Social index for instance had to be excluded as they only include American companies. Both DJSI and FTSE4Good do not state the global index on the webpage. Researchers and companies have to register and request the information separately. Most of the indices only provide lists of companies included in the year 2007 or 2008. This makes comparisons across time rather difficult. Some companies issue annual performance reviews in which not a list stating all companies included in the index is distributed, but only the companies included and excluded in that specific year are presented. The information in these performance reviews is taken into account in the lists of companies presented in the appendix.

10.2 Transparency Benchmark

Dutch companies are slowly progressing in transparency in their annual report concerning Corporate Social Responsibility. The twenty-seven Dutch companies included in the research score very well on the transparency ladder. In the year 2004, ABN-Amro, Philips, Rabobank, Shell, DSM, ING Group, Unilever, TNT and Akzo Nobel were belonging to the "voorhoede" in the year 2005. Ahold Fortis, Heineken and Reed Elsevier were belonging to the "subtopper". Aegon, ASML, Bam, Kpn, Arcelor Mittal, Randstad, SBM and Wolters Kluwer were belonging to the "kanshebbers". Only Wereldhave, Fugro, Corio and Rodamco were scoring badly on the transparency ladder and could be found in the steps "zoeker" or "hekkensluiter". KPMG and USG People are not included in the transparency benchmark. All twenty-seven companies included in the research score high on the criteria profile, social influence of operational management and formality. The fourteen companies not included in the "voorhoede" score low on embedment of Corporate Social Responsibility and stakeholder dialogue. Next to this, none of the companies excluded from the step "voorhoede" have verified their reports with the exception of Fortis.

47 percent of all Dutch companies included in the transparency benchmark have improved their transparency related to Corporate Social Responsibility in comparison with the year 2004. Of the twenty-seven Dutch companies included in the research only Unilever, Rodamco, Reed Elsevier, KPN, Heineken, Corio and AEGON scored lower compared to the year 2004. The fastest increase in transparency was made by Ahold, as well Akzo Nobel, Arcelor Mittal and Fortis increased rapidly in comparison with the year 2004. It might be that companies in turbulent thwart, because of acquisitions, mergers or crisis situations might be devoting less attention to reporting corporate social responsibility. This would also explain the rapid increase of Ahold, as the company is not in a crisis situation at present. In the period of 2002 – 2004 the company was dealing with the accounting scandal. It might be that Ahold had devoted less attention to Corporate Social Responsibility in this period.

10.3 Sustainability indices – Global and Europe

In table 10.1 an overview is presented of the position of Dutch multinationals in the different sustainability indices. Many multinationals included in one sustainability index are also included in one or more other indices.

Table 10.1 – Position of leading Dutch MNCs on Sustainability Indices (2008)

Company	Dow Jones Sustainability Index – Europa (2007)	Ethibel Sustainability Index – excellence Europe (2008)	Ethibel Sustainability Index –excellence Global (2008)	FTSE4Good – Global (2008)	ASPI Europe (2008)
Ageon	X			X	X
Ahold					X
Akzo Nobel	X		X	X	X
Arcelor Mittal				X	
Asml	X		X		X
Bam Group					
Corio				X	
DSM	X	X	X	X	X
Fortis	X			X	X
Fugro					
Heineken	X			X	
ING Group	X	X	X	X	X
KPN		X	X		X
Philips	X		X	X	X
Randstad	X		X	X	X
Reed Elsevier	X	X			X
Shell				X	
SBM Offshore					
Tom Tom					
TNT	X				X
Unibail-Rodamco					
Unilever	X			X	X
USG Peolpe					
Wereldhave	X				
Wolters Kluwer	X				
Rabobank					
KPMG Int.					
Vitol					
SHV					
Maxeda					
Arcadis					
Getronics			X		
Grondmij			X		
Holland Colours			X		
Koninklijke Wessanen			X		
OCÉ		X	X		
Sioen Industries			X		
STMicroel.		X	X		
VNU	X				
Wegener N.V.			X		

In general many Dutch multinationals included in one sustainability index are also included in one or more other indices. Clearly visible is the fact that several Dutch multinationals are obviously less transparent in comparison to other European companies as they are not included in any of the sustainability indices. No information can be given concerning the position of Dutch multinationals on the sustainability indices as the rankings are by name or country and not by score. However information can be given about the transparency of Dutch multinationals.

Analysis of the position of Dutch multinationals in the Dow Jones Sustainability Index shows that Dutch multinationals are becoming more transparent. In the year 2003 nine companies were included in the DJSI, while in the year 2007 sixteen companies were included in the DJSI. In the period 2003 till 2007 only three companies, including Royal Dutch Shell, Océ and VNU, have been excluded from the DJSI. Also according to the FTSE4Good index Dutch multinationals are becoming more transparent. In the period of 2004 till 2008 six companies including Corio, Randstad, SNS reaal, Akzo Nobel, Heineken and DSM, have been added to the index while no companies have been removed in this period from the index. A clear overview of the FTSE4Good index was not found. The companies listed in table 10.1, mentioned on their own website that they are involved in the FTSE4Good Index. Broekhof & Sijtsma (n.d.) stated that the FTSE4Good index is a very closed index.

However analysis of the Advanced Sustainability Performance Index shows that Dutch multinationals are not increasing their transparency at the pace requested by society. There is a small difference visible in the number of Dutch companies included in the ASPI. In the year 2006 fifteen Dutch multinationals were included in the ASPI, while in the year 2008 the number of Dutch companies included decreased to thirteen. In the period of 2006 till 2006, Getronics, Royal Numico, Heineken, Wereldhave, Arcelor Mittal and Wolters Kluwer have been excluded from the index. These companies environmental, social and/or governance performance were no longer best rated among the one hundred and forty companies by Vigeo or were excluded from the Dow Jones Euro Stoxx Index, so also withdrawn from the ASPI. Also according to the Ethibel Sustainability Index for Europe and Global, the transparency of Dutch multinationals is not rapidly improving. In 2008 no companies have been added to the index, while two companies including Unilever and Arcellor Mittal have been excluded from the index for not meeting the criteria.

The position of the Dutch companies can be viewed as follows. The Dow Jones Sustainability Index included the most Dutch companies and the Ethibel Sustainability Index: Excellence Europe the less.

Table 10.2 – Number of Dutch companies (2008)

Index	Number of Dutch companies
Dow Jones Sustainability Index	14
Ethibel Sustainability Index: Excellence Europe	4
Ethibel Sustainability Index: Excellence Global	7
FTSE4Good	12
ASPI	13

The ING Group is the only one who is included in all of the five indices. The public companies: Bam Group, Fugro, SBM Offshore, TomTom, Unibail-Rodamco and USG People were not mentioned in anyone of the indices. The private companies (Rabobank, KPMG Int., Vitol, SHV, Maeda) are also not mentioned in anyone of the indices.

11. Discussion

11.1 Summary

There is at present no standardized set of indicators for measuring and monitoring corporate social responsibility. Table 11.1 shows that although every index uses different methodologies and criteria for screening companies the issues are quite similar across the various sustainability indices.

Table 11.1 – Overview criteria[2]

Criteria	Calvert Social Index	Dow Jones Sustainability Index	Ethibel Sustainability Index	FTSE4 Good	Domini 400 Social Index	ASPI
Human Rights	X		X	X	X	X
Environment	X	X	X	X	X	X
Corporate Governance	X	X	X		X	X
Community Involvment	X	X	X	X	X	X
Workplace (diversity, health)	X		X	X	X	
Human Resources	X	X	X	X	X	X
Product safety, impact	X		X		X	
Corruption and bribery		X		X		
Business ethics	X	X	X	X		X
Economic (risks, crisis management)		X	X			

Many criteria are mentioned in other words, yet they have the same meaning. It is remarkable that the Domini 400 Social Index and the Advanced Sustainability Performance Index just mention a few widely accepted themes, while the other sustainability indices mention general dimensions with a detailed outline of specific criteria by every dimension. Especially the FTSE4Good has a very detailed outline of the criteria including the aspects policy, management and reporting.

There are some differences in the criteria. The Dow Jones Sustainability Index has no criteria regarding the workplace, while the Calvert Social Index and the Domini 400 Social Index do not mention business ethics and code of conduct. Next to this, the Dow Jones Sustainability Index and the Ethibel Sustainability Index are the only indices that mentioned the dimension economics including, crisis management and economic risks

[2] The transparency benchmark is not included in this table. The setting of the research is quite different than for the other sustainability indices.

related to the policy. The Ethibel Sustainability Index is as well the only index that clearly mentions the relations with developing countries.

The research setting of the Dutch benchmark index is quite different than the other sustainability indices, yet some criteria are overlapping. The criteria human rights, environment, corporate governance, human resources and economic are as well included in the transparency ladder. While community involvement, workplace, product safety and impact, corruption and bribery and business ethics are excluded. Instead of paying much attention to how companies are contributing to social, environmental and economic issues, the transparency ladder pays more attention to the profile of companies, the verification of the CSR reports and the obtain ability of data.

11.2 Drawbacks and limitations

There are some limitations which need to be highlighted. The first limitation is the availability of the indices, for instance the global index of FTSE4Good and DJSI are not founded. Other indices, like the Calvert Social Index and the Domini400Social index, only concentrate on the American region. So a comparison between all the indices was therefore impossible. The second limitation is the fact that the different indices are ranked by name or country and not by score. This makes it more difficult to give an impression of the position of Dutch multinationals in Global and European sustainability indices. A third limitation is the fact that the majority of the indices only provide lists of companies for the year 2007 or 2008. This makes comparisons across time more difficult.

11.3 Areas for further research

It is would be very interesting to know why the indices are ranked by name or country and not by position. When the positions of the companies are mentioned, a comparison between Dutch and other companies can be made. Also the reasons why some companies have a good position and others do not can then be researched.

Another area that needs further research are the private companies. Now these kind of companies are not mentioned in any of the indices. It would be interesting to know if there is a special reason for this fact. In addition to this, also the Transparency Benchmark report (Berenschot, 2005) states that companies quoted on the stock exchange are better performing in the sustainability indices than companies not quoted on the stock exchange. It might be interesting to research why these companies perform better.

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