

Perhaps you thought that the Dow Jones was all about stocks and shares. In today's world, however, you might have to rethink your perceptions, because the Dow Jones Sustainability Index could be having a serious effect on your investments or, for that matter, on how your customers view you and your company.

"... been keeping my eye on the Dow Jones Sustainability Index"



Across the globe the intensive production, marketing and distribution of goods and services has led to growing criticism of the social and environmental fall-out of industrial activities. In May 2002, *World Sports Activewear's* The Summit conference carried a 'sustainable development' theme, highlighting fresh thinking on the responsibilities carried and the options available to textile producers, brand owners and apparel manufacturers; the development of the Dow Jones Sustainability Index in 1999, as an adjunct to the traditional Dow Jones, is yet another manifestation of the new political agenda.

There are so many confusing strands to this debate but current evidence leads one to believe that the public condemnation of perceived social inequality and the uneven distribution of wealth will continue. Up to now, the debate has largely centred on major corporations and the economic climate that sustains them but it would be unwise to believe that only the multinationals will stay in the media spotlight. The activities of vociferous pressure groups have successfully aroused public awareness in many parts of the world to the consequences of consumption and our present means of production.

Politicians and governments are taking note, too. In 2002, for example, the European Commission and the EU Member States have been working on a 'strategy for sustainable development' with corporate enterprises and other economic partners. The idea of 'sustainability' has become the major corporate mantra and industrial mega-trend of the early 21st Century.

Where once success and reputation were measured purely in economic terms - specifically in the value of a company's shares - the inclusion of environmental and social responsibility along with economic expansion in the 'triple bottom line' indicates a more holistic approach to conducting business in the future. The existence of various kinds of social programmes within conglomerates, and their developing partnerships with local communities, suggests that business is beginning to recognise the responsibility that comes with growth.

Certainly major companies such as Nike and adidas-Salomon are aware of just how damaging to their brands these attacks can be. As a result of its inclusion in the index, adidas published a 'World Social and Environmental report' in 2000. Nike, too, has reacted sharply and has apparently grasped the practise of sustainability with both hands by publishing its findings on factory conditions, and even recalling products deemed a health risk.

The behaviour of just these two corporations

can have a major impact on their supplier industries. The link to polymer research, yarn production, natural fibre processing and end-product manufacturing is very easy to make and it would be an unwise business manager who doesn't see these issues having an impact on his or her own business, no matter what size.

Since September 1999, those enterprises that have had more success with their sustainability policies are annually lauded by their inclusion in the Dow Jones Sustainability Group Index (DJSGI), which is fully integrated with the Dow Jones Global and STOXX indices. It allows investors to allocate assets based on sustainability criteria without considerably deviating from the market in terms of sector allocation.

Sustainability opportunities and risks are directly related to a company's commitment to five key corporate sustainability performance principles:

- innovative technology - in products and services
- corporate governance - including management quality and responsibility, organisational capability and corporate culture
- shareholder relations - sound financial returns, long-term economic growth and productivity increases, increased global competitiveness and contributions to intellectual capital
- industrial leadership - setting standards for best practise and maintaining superior performance
- social well-being - encouraging long-lasting social well-being in local and global communities, interacting with different stakeholders and responding to their specific an evolving needs, thereby securing a long term 'license to operate' and superior customer and employee loyalty.

The Corporate Sustainability methodology is structured along these lines and it covers the three central areas of corporate sustainability: economy, society and environment. The argument behind sustainability indices is that sustainable development is simply sound business practice. Transparency also appears to be the watchword here, something that chimes across the industry sectors.

Dr. Jurgen F. Strube, chairman of the board of directors at chemical giant BASF AG - a founding member of the United Nations Global Compact initiative - sees inclusion in the index as a direct result of the company's annual 'social responsibility report', with the aim of "ensuring even more transparency and openness with our readers".

The chemical industry, as a whole, follows its own 'Responsible Care Programme' - a codified set of standards dealing with environmental practice. Nevertheless, the programme is not the same as sustainable development. According to DuPont chairman and chief executive officer Charles O. Holliday Jr., "There are still enormous challenges."

While the Index does have its detractors for not going far enough, it is recognised that the DJSGI is an important tool for illuminating worldwide sustainability-driven processes, but the index itself might need to become more transparent if it is to successfully regulate corporate transparency.

David Buirski