

Sustainable Asset Management

Dow Jones Sustainability Indexes and Políticas de Meio Ambiente

SAM

Sustainable
Asset Management

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Edoardo Gai

Belo Horizonte, June 21, 2006



Our Company

Independent Asset Manager (1995):

**HQ: Zürich, Rep: Mailand, Milan, Stockholm
Montreal, San Francisco, Melbourne**

International Client Base:

**Banks, insurance companies, pension fun
foundations, private clients**

Strong Growth of Assets under Management

CAGR since YE 2002: 45%, to approx EUR 2 bn (CHF 3 bn)

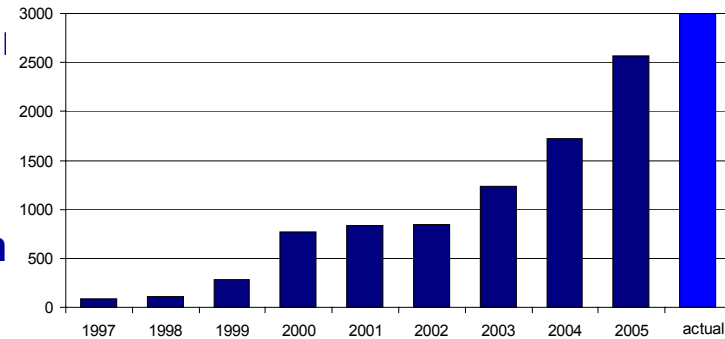
Global Leader in Sustainable Investing for 3rd party Institutionals:

- **Global & European Equities**
- **Theme Equity Investments**
- **White Label Co-operations**

Largest Private Equity Investor Globally in the Field of “CleanTech”:

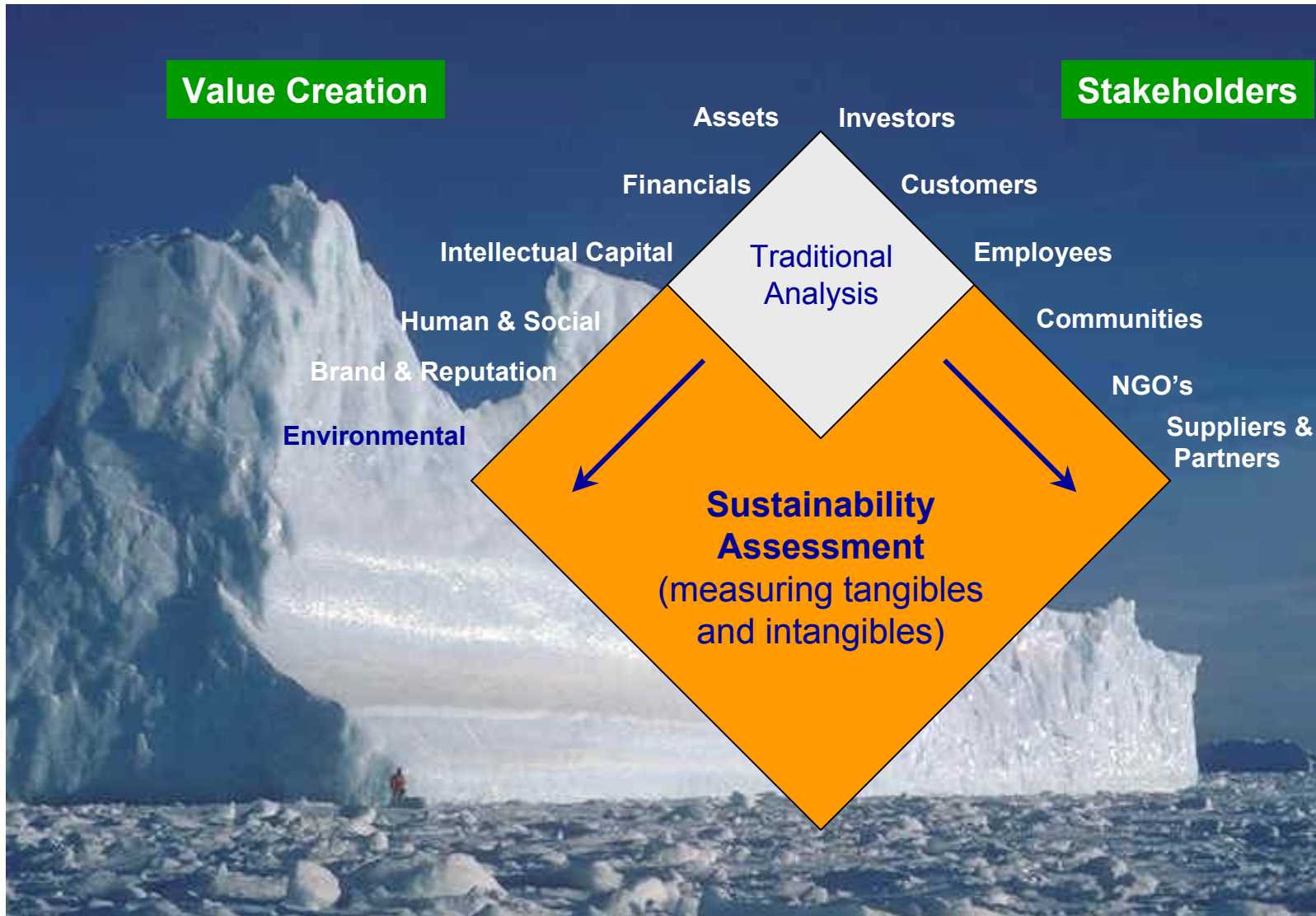
Energy, water, resource efficiency

AUM 1997 – March 06



Value Creation by Sustainability

Sustainability Assessment is simply “enhanced analytics”



Market Developments (I)

From ethical to sustainability investments ...

Mercer survey finds that the majority of investment managers worldwide expect SRI practices will become a common component of mainstream investment processes within 10 years.

Mercer Press Release – 7 April 2005

Ethical Investments

- Boycotts and ethical motivation
- Exclusion of industry groups
- Focus on a narrow selection of social and environmental criteria

Sustainability Investments

- Adding shareholder value
- Future-driven
- Best of class and industry-specific
- Integrating economic, environmental and social criteria

SAM – Sustainability Indexes

- Cooperation with Dow Jones Indexes and STOXX limited, SAM Group publishes and licences the Dow Jones Sustainability Indexes (DJSI). Launch in 1999 as a series of global sustainability benchmarks.
- Broad family of DJSI benchmarks including global, European, Eurozone, North American, and US indexes that provide an objective and professional benchmarks for sustainability investments.
- The indexes are based on SAM's corporate sustainability assessment, which identifies global sustainability leaders on the basis of economic, environmental and social criteria.

DOWJONES
Indexes

STOXX
creating success

sam 

DJSI – Overview

- Integrated assessment of economic, environmental and social criteria with a strong focus on long-term shareholder value
- Consistent rule-based methodology, primary research (direct contact to companies)
- Index range comprises global, European, Eurozone, North American and US benchmarks
- Focus on best-in-class companies
- Yearly review and continuous monitoring of companies
- 56 licenses with asset managers in 14 countries.
- 5 billion USD managed against the DJSI family
- Assurance of the assessment process by PwC

Measuring Corporate Sustainability

Information sources

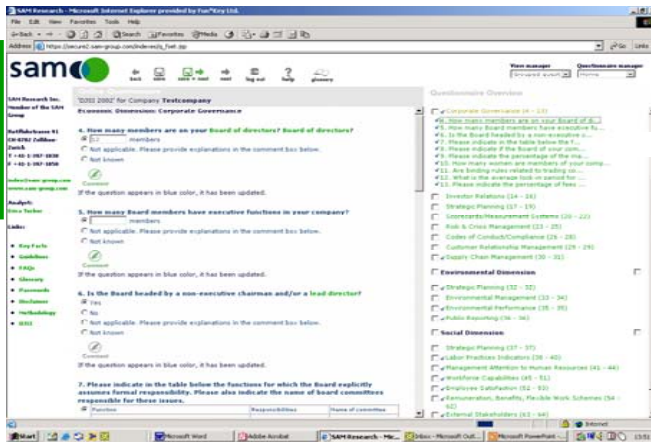
- Online Questionnaire

- Company documents

- Company visits

- Media analysis

- SAM Network



Sustainability Database

The screenshot shows a Microsoft Excel spreadsheet titled 'Database_Output'. The spreadsheet contains a table with columns for Questionnaire Name, Company Name, Industry, Total Score, and Environmental, Economic, and Social scores. A large green arrow on the left side of the slide points from the 'Scores' text towards this table.

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



sam Products and clients' portfolios

SAM Company Benchmarking Service

Scores



DJSI World – Selection

Dow Jones Global Index

2,500 largest companies

58 DJSI sectors

34 countries

Component Selection

Top 10% of companies
in terms of sustainability
in each DJSI sector

20% target market cap coverage
in each supersector

DJSI World

315 Components

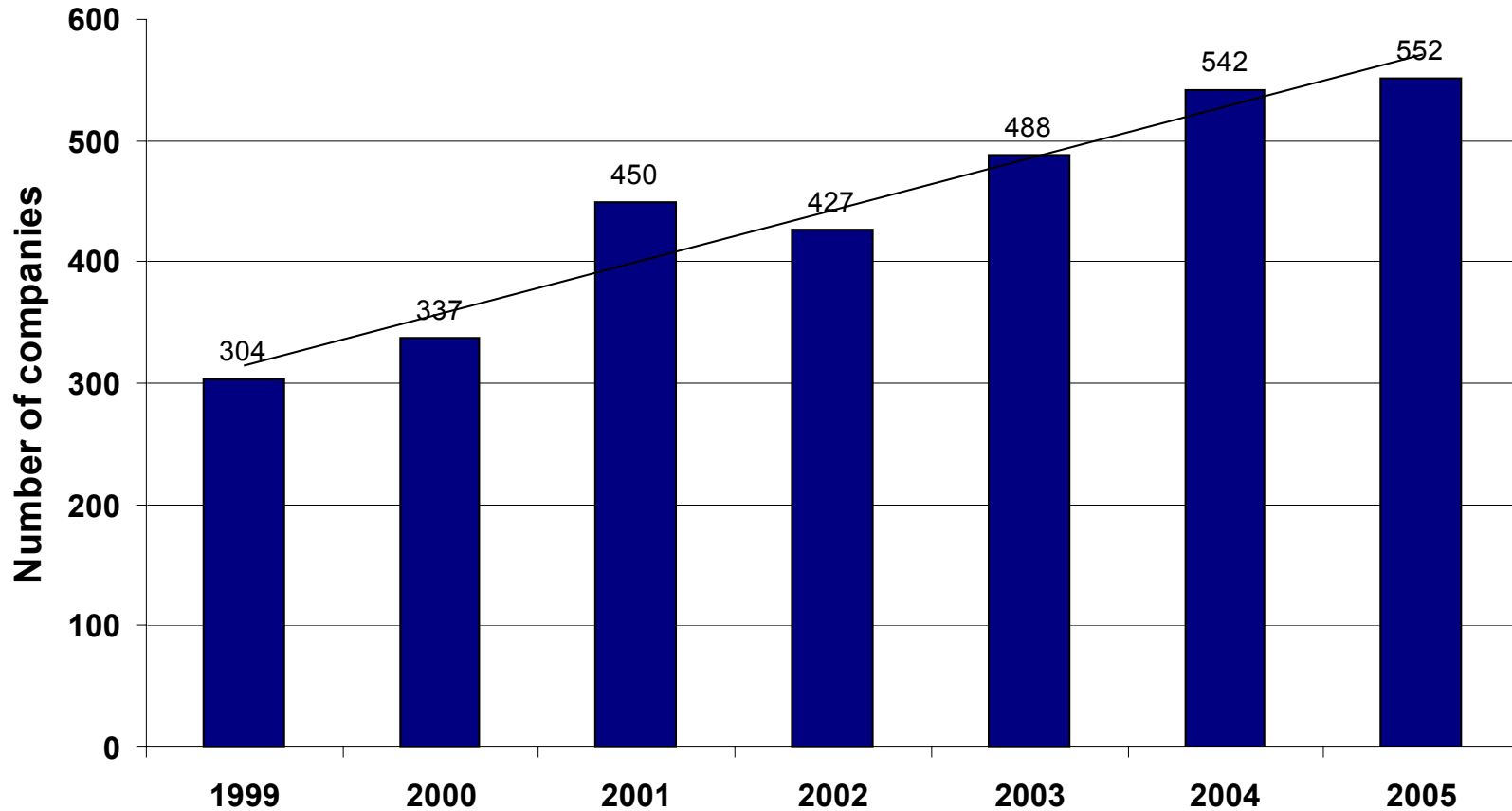
58 DJSI sectors

24 countries



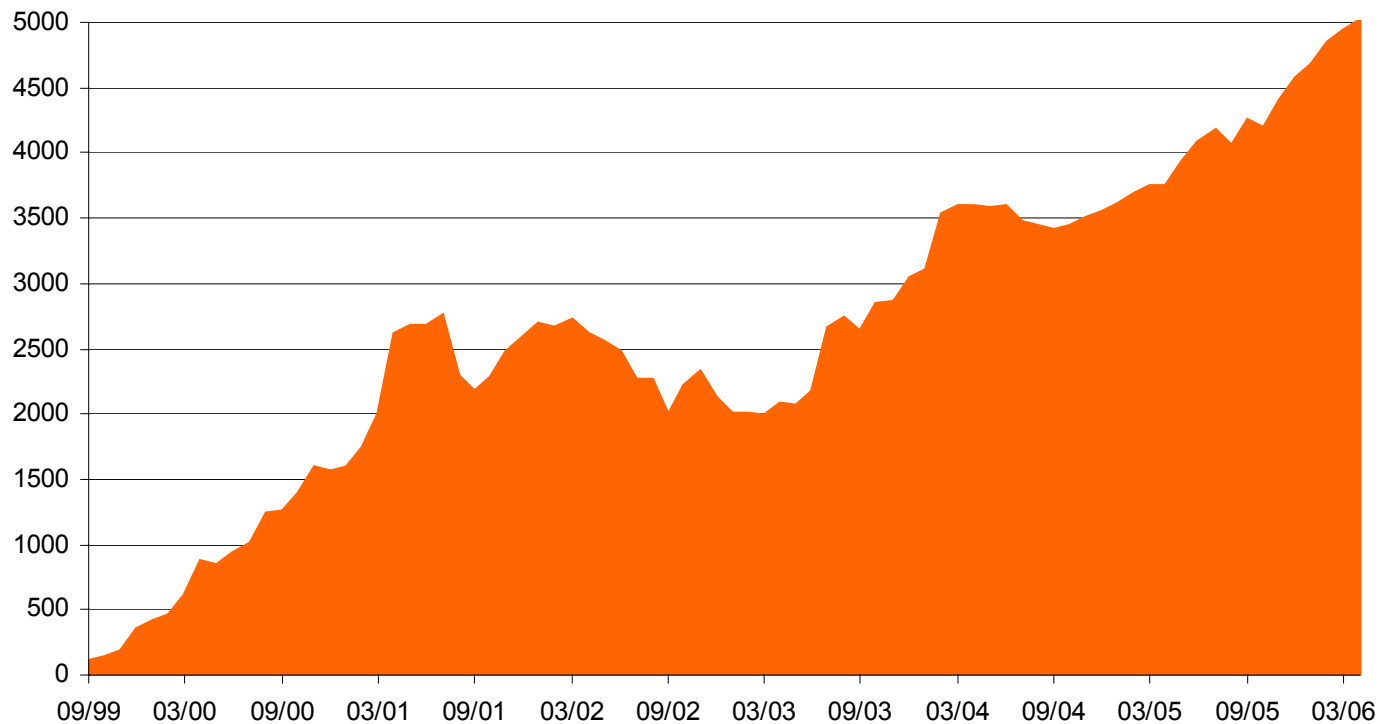
SAM Corporate Sustainability Assessment

Number of companies participating in the SAM assessment since 1999



DJSI – Assets

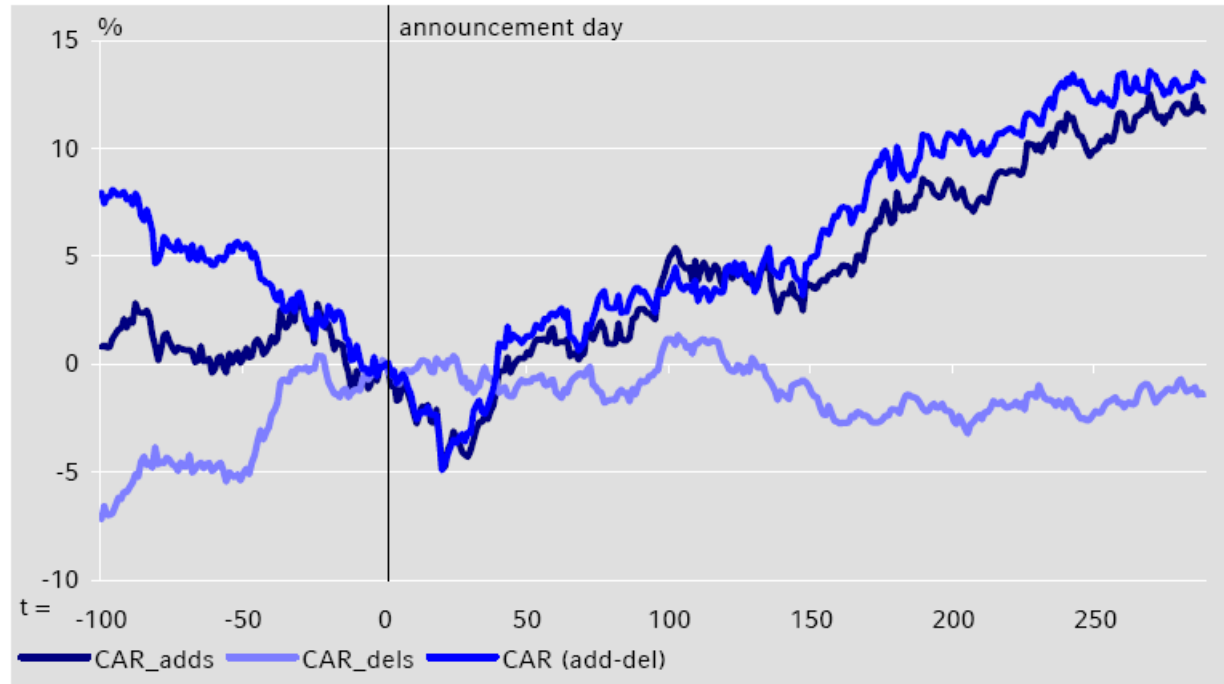
Assets based on DJSI (in million USD)



Financial performance

A look at the performance of DJSI additions and deletions (continued)

Announcement day - abnormal performance return during the event period

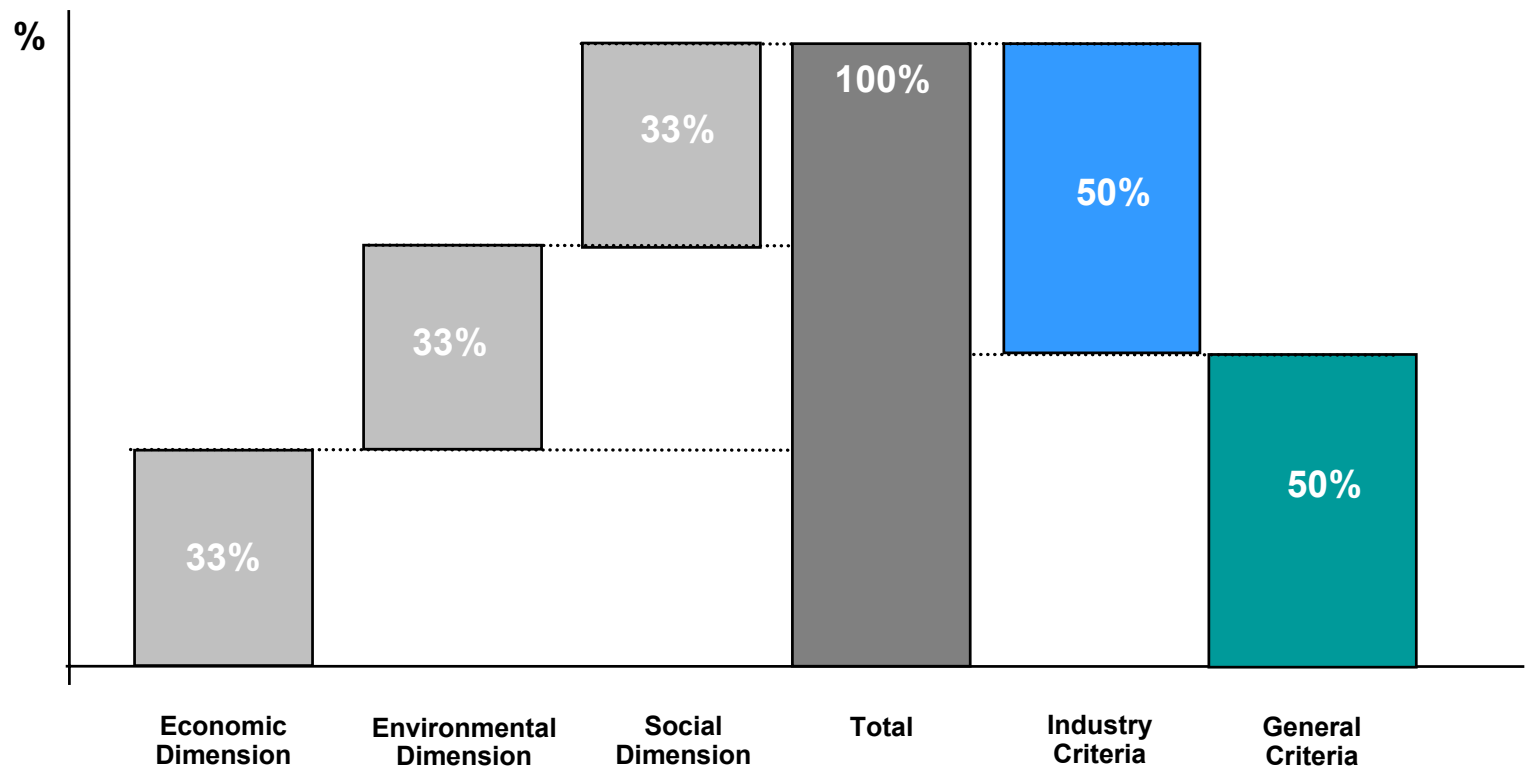


in %	-90 d	-60 d	-30 d	+30 d	+60 d	+90 d	+180 d	+270 d
Additions	2.07	0.66	1.30	-3.93	1.05	2.65	8.07	12.08
Deletions	-5.67	-4.72	-2.34	-0.66	-1.12	-0.60	-1.95	-1.24
"Hedge" portfolio	7.75	5.37	3.64	-3.27	2.17	3.26	10.02	13.32

Source WestLB Research, JCF

DJSI – Assessment Criteria (I)

Overview

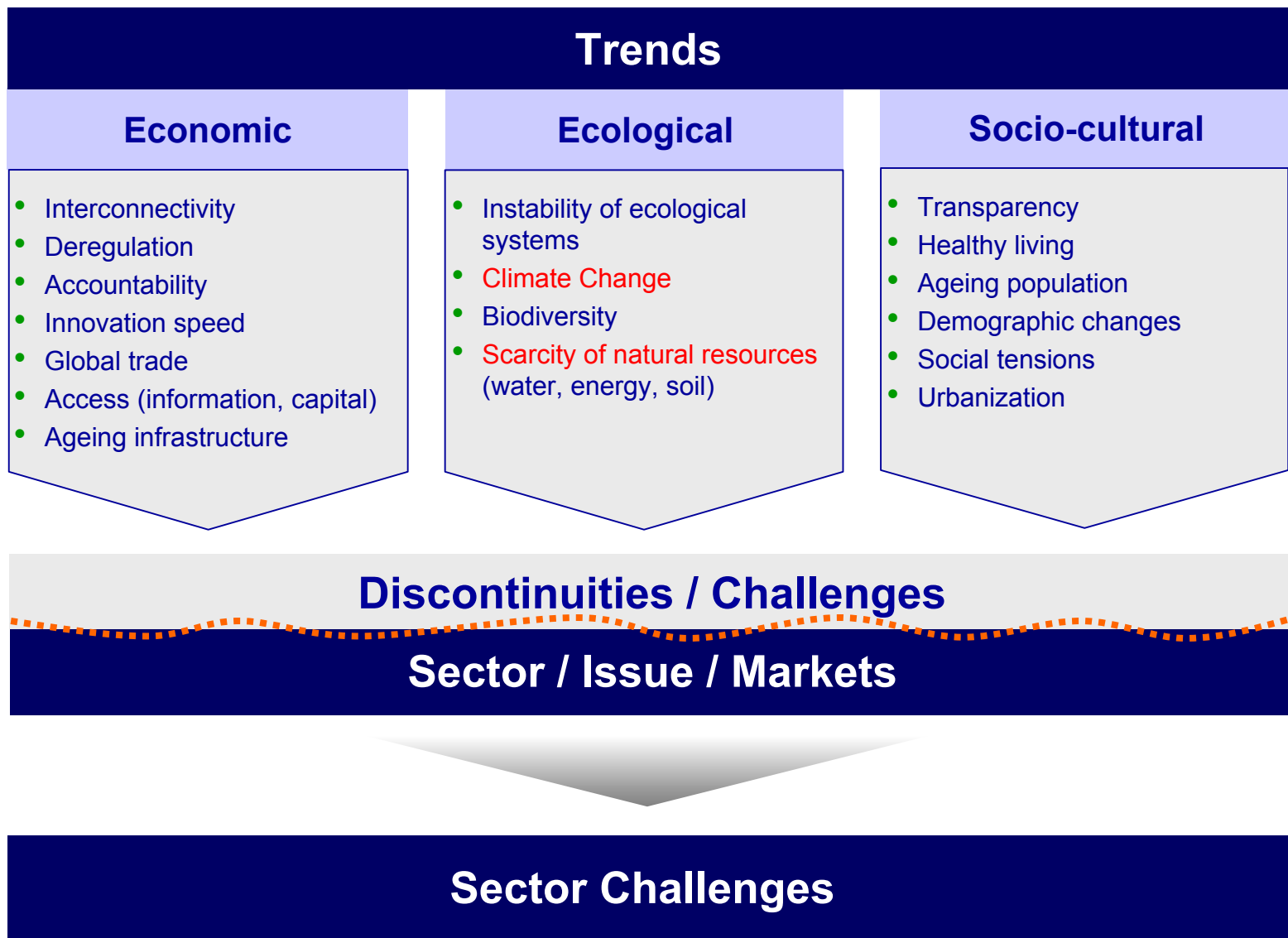


DJSI – Assessment Criteria (II)

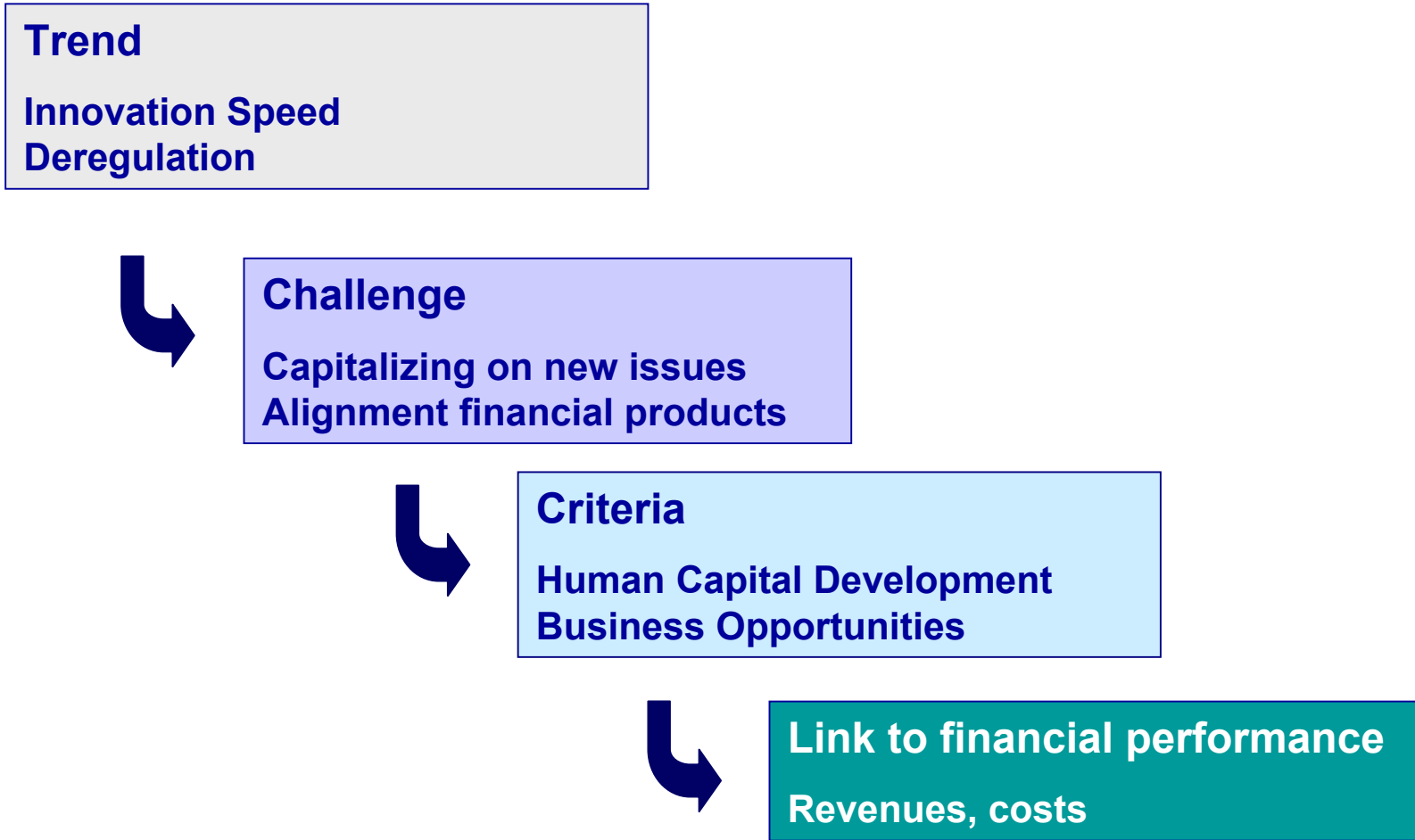
Criteria & Weightings

Economic	Weighting (in%)
Codes of Conduct / Compliance / Anti-corruption	4.8
Corporate Governance	4.8
Investor Relations	4.8
Risk & Crisis Management	4.8
Customer Relationship Management	4.2
Industry Specific Criteria	Depends on Industry
Environmental	
Environmental Performance (Eco-Efficiency)	6.0
Environmental Policy / Management	4.8
Environmental Reporting	2.4
Industry Specific Criteria	Depends on Industry
Social	
Human Capital Development	4.8
Labor Practice Indicators	4.8
Talent Attraction & Retention	4.8
Stakeholder Engagement	4.2
Corporate Citizenship / Philanthropy	3.0
Social Reporting	2.4
Industry Specific Criteria	Depends on Industry

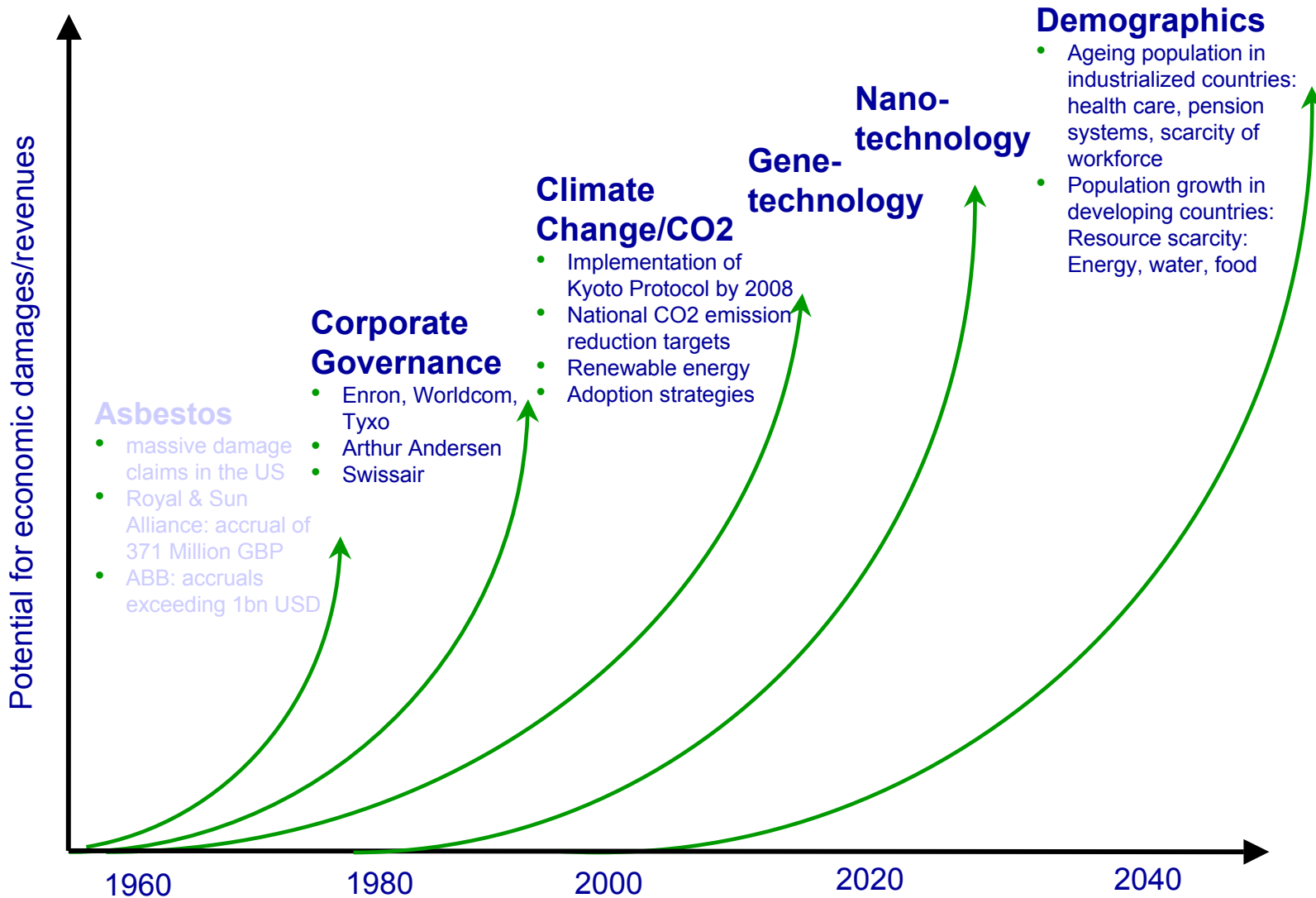
Trends Cause Discontinuities and Challenges



Trends Lead to Sustainability Challenges and Criteria

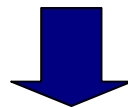


Early Identification and Management of Business Risks



Climate change and competitiveness

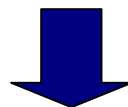
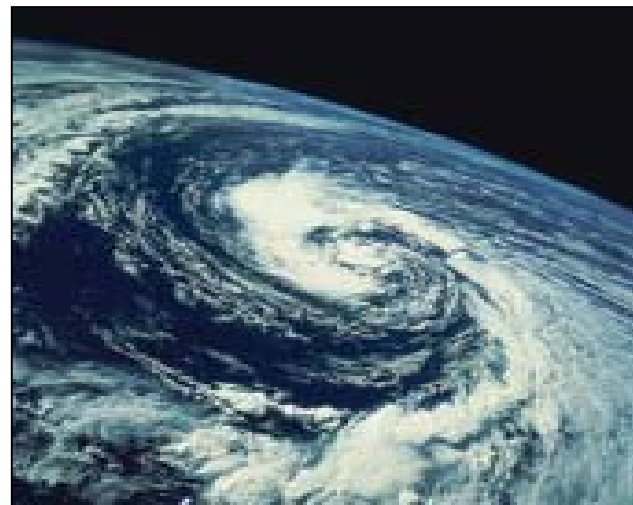
CO2 Emissions



CO2 rights are a scarce resource

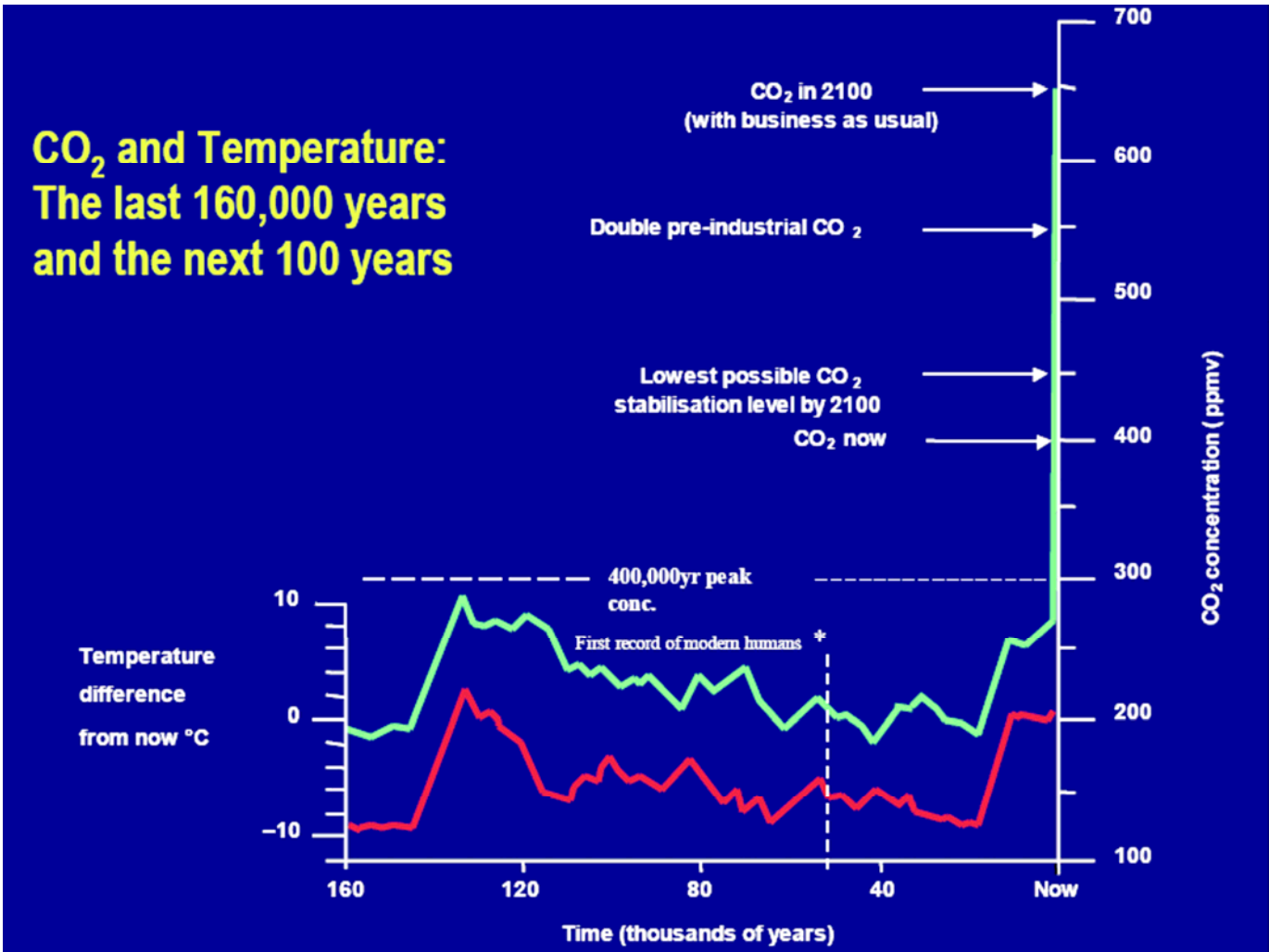


Climate change - new environment



CO2 risks and opportunities change the competitive environment

Climate change is happening



Source: Prof. Tim Flannery, 2006

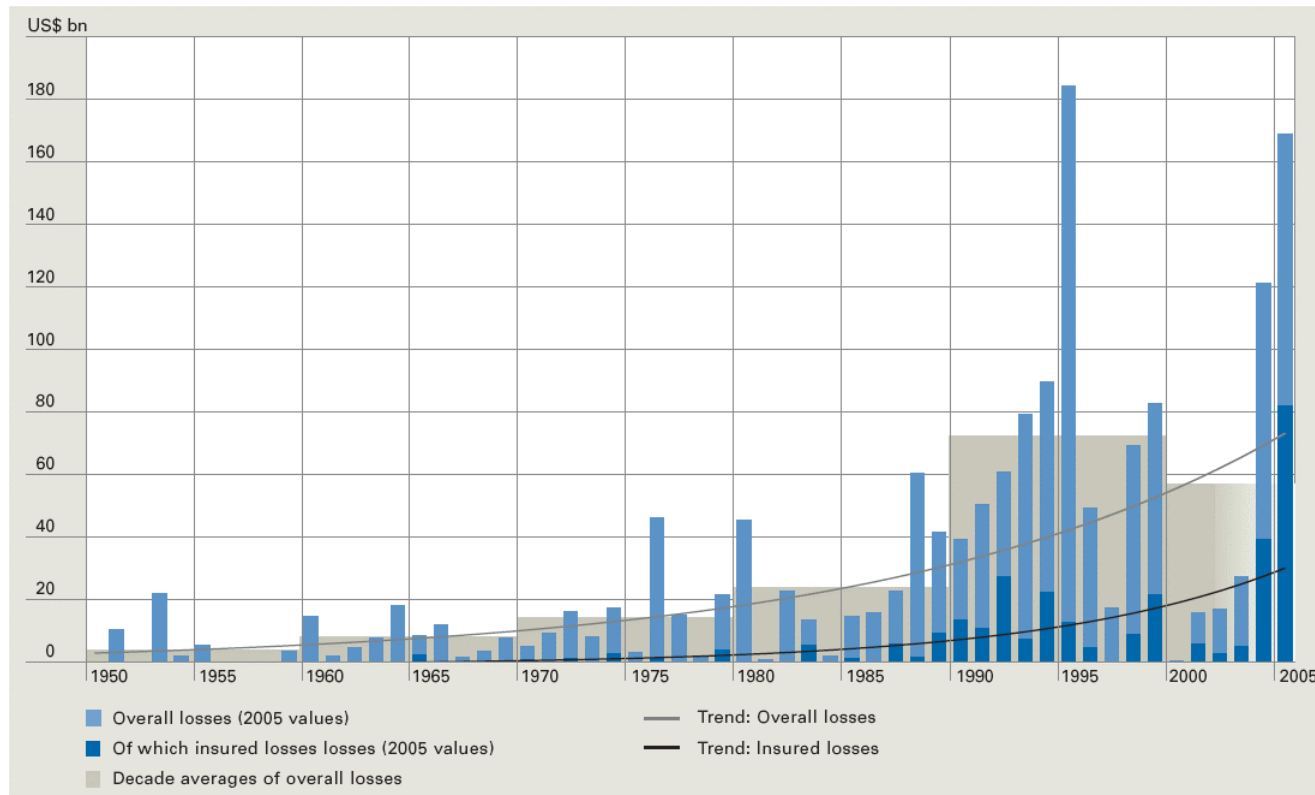
Climate Change and financial losses

CDP Project Revealed That Only 35-40% of Companies Taking Actions

CARBON DISCLOSURE PROJECT

CDP3: "The 155 Signatories to the Carbon Disclosure Project's third information request (CDP3) represent over \$21 trillion in assets, a doubling from CDP2 (95 investors with \$10 trillion in 2004) and quadruple that of CDP1 (35 investors with \$4.5 trillion in 2003)..."

The CDP3 study found climate change and shareholder interest are becoming more closely intertwined. 89% of companies responded to CDP3.



Source: Munich Re, Topics Geo 2005

Climate change and financial losses (cont.)

Climate change is already impacting energy infrastructure as well as natural ecosystems



**Emergency cooling
Alsace Nuclear Reactor
Summer 2003**



**"Thunderhorse" Oil Field
US Gulf Hurricane - 2005**



**Bombay High Gas Field
Mumbai Monsoons - 2005**

Source: Prof. Tim Flannery, 2006

Climate change impacts Brazil

“Amazon dries out as worst ever drought hits rainforest”



nt on river

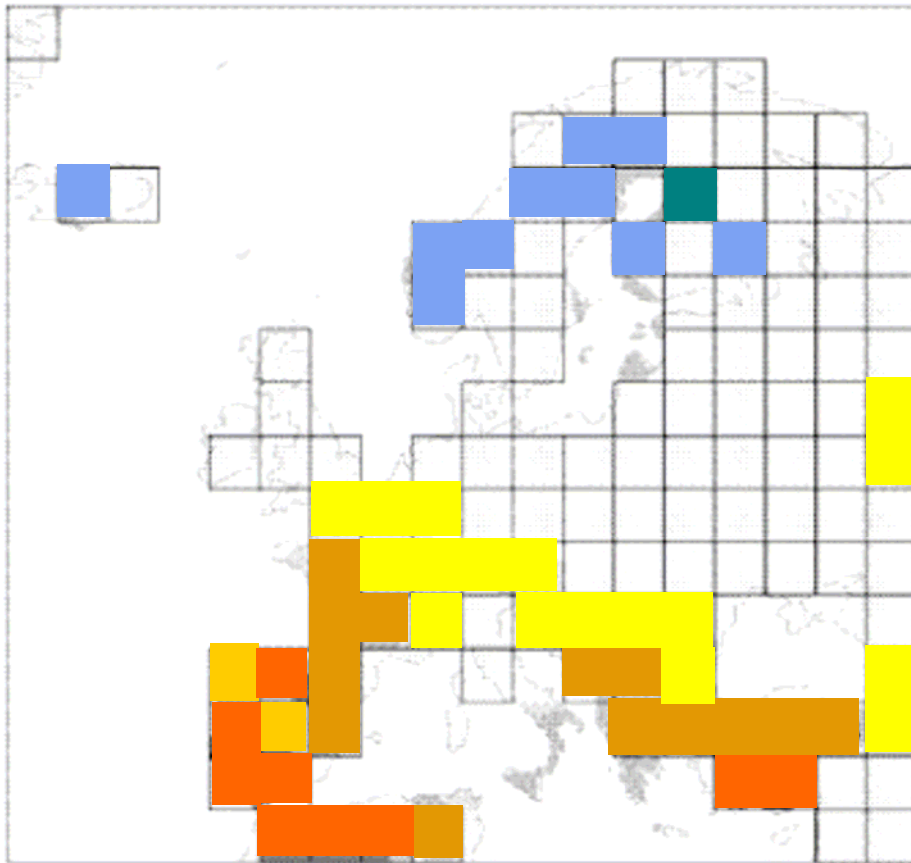


Source: Alex Bellos in Manaus, October 1, 2005,
The Guardian
and other sources

Correlation of Climate Change and Water

Expected Change of Average Summer Rainfalls

(until 2050 compared to 1961 – 1990)



Summer months:

More rain (10%)



Less rain (20%)

But:
increase of flood water events

Source: European Environment Agency, 2004; IPCC 2001. BUWAL 2004.

Water Headlines

Water events accumulate and have economic consequences

Too little



Switzerland 2003:

- CHF 500m less crop yield

Spain 2005:

- EUR 6m receivables from Portugal

Source: Swiss Farmers Union, Media, Swiss Underwriting Association

Too much



Switzerland 2005:

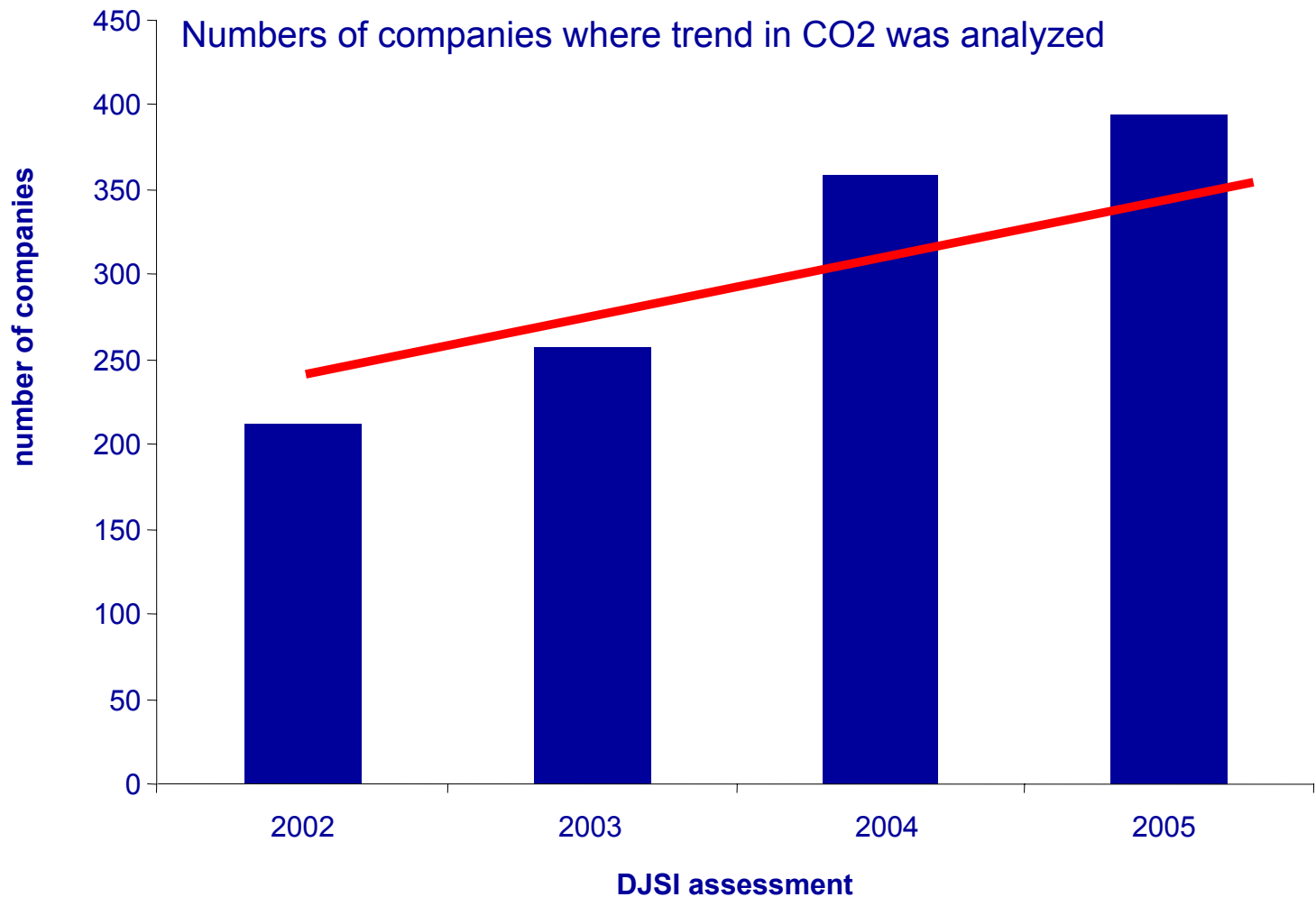
- CHF 1.3bn estimated losses

Mexico/USA 2005:

- Economic losses, human tragedies

Disclosure of CO₂ Data – Observed Trends

Disclosed Data in Annual DJSI Assessment

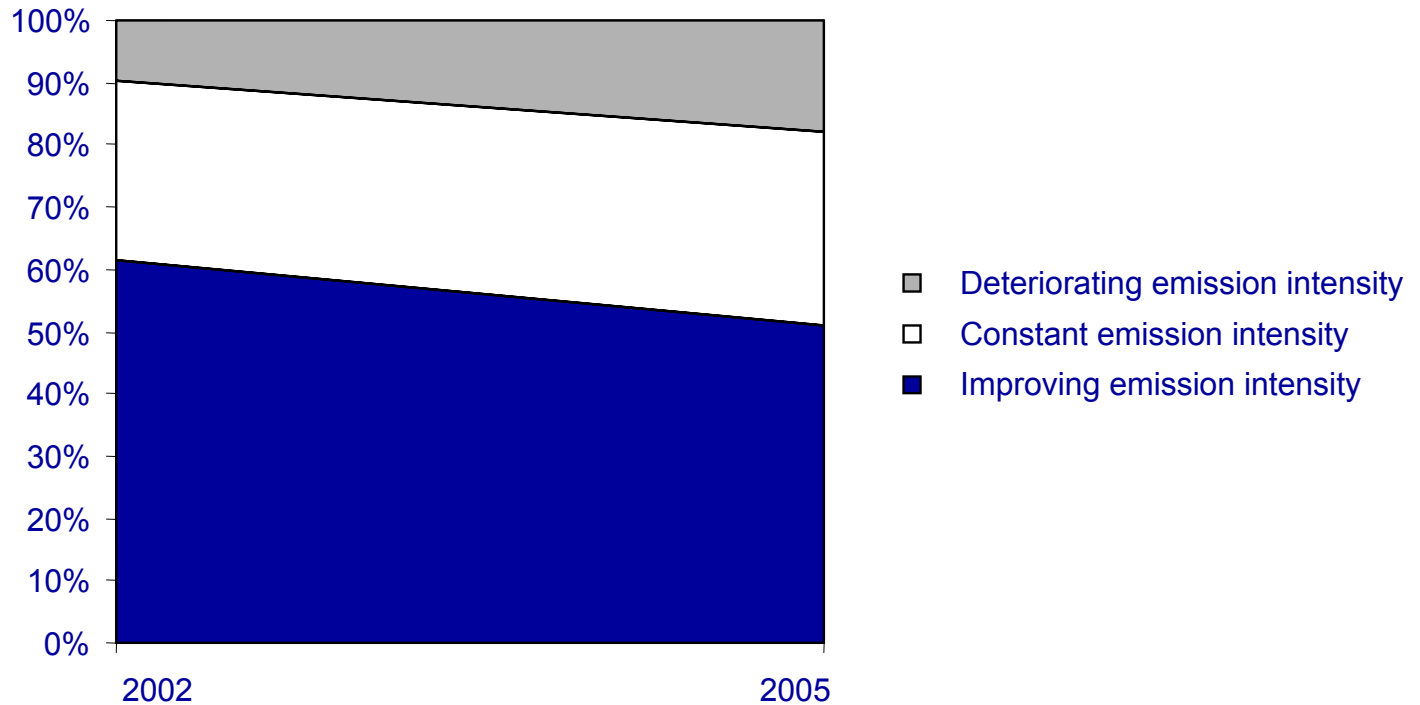


Source: SAM

Disclosure of CO₂ Data – Observed Trends (cont.)

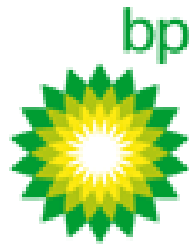
Disclosed Carbon Data in Annual DJSI Assessment

Percentage of companies with trends in CO₂ emission Intensity



Source: SAM

Climate Change - How does the Industry react?



Lord John Brown, CEO BP



**Demand increase,
higher prices (higher costs)**

Increasing temperatures (“hotter seas”)

**Energy consumption causes global
warming**

“There is a limit”

We shall:

“...conserve energy”

“...reduce CO₂ emissions”

“...open up and develop new energy sources”

Source: Interview Lord Brown, September 2005

Climate change – How does the economy react?

Address <http://www.gs.com/> Go Links

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Goldman Sachs

FROM OUR PRINCIPLES: Our clients' interests always come first.

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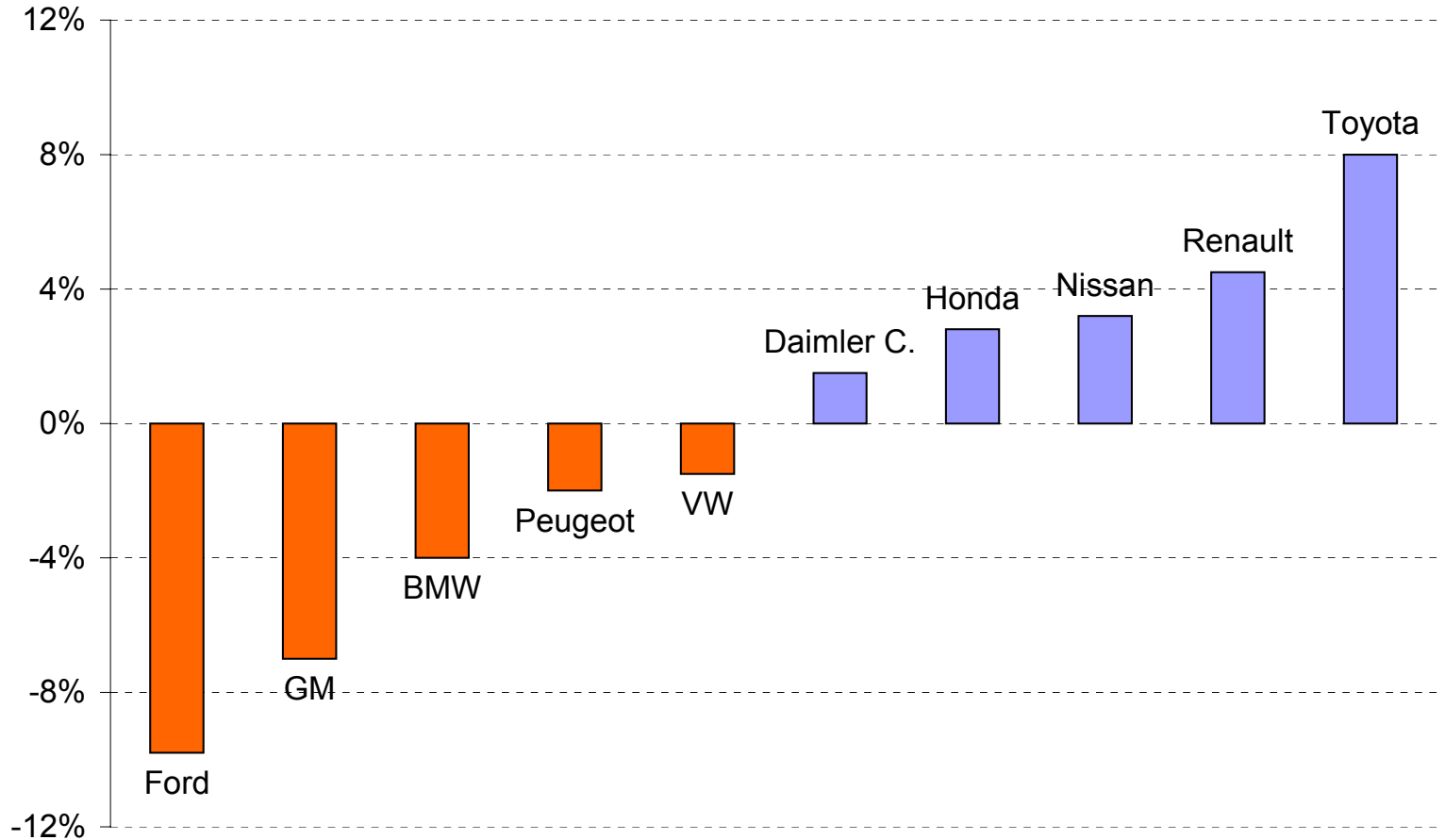
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- >> Community Capital Group
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- >> Rebroadcast of the Goldman Sachs Conference Call to Announce Second Quarter 2006 Results
13 Jun 2006
- >> Goldman Sachs Reports Second Quarter Results; Net Revenues Exceed \$10 Billion for the Second Consecutive Quarter, Driving a Record First Half for 2006
13 Jun 2006
- >> Board of Directors of Goldman Sachs Announces Its Intention to Elect Lloyd Blankfein as Its

Automotive Manufacturers and Climate Change

Impact of increased CO₂ measures on profits (EBIT)



Source:
SAM Research, Changing Drivers Study, October 2003

Share price development of Toyota and GM

October 2003 – October 2005 (indexed)

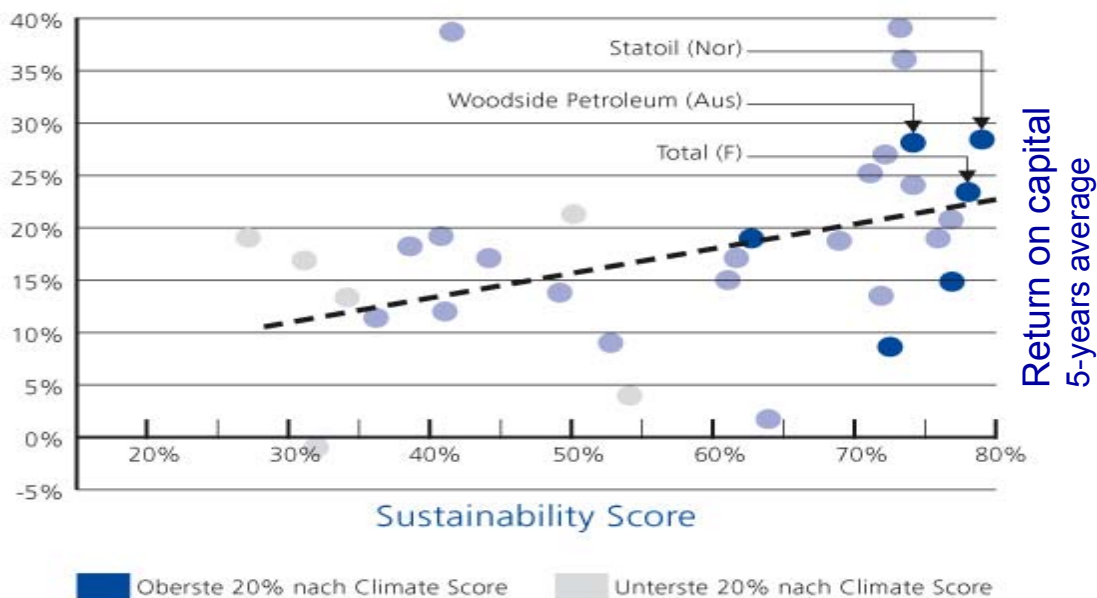


Source:
Bloomberg

Climate Score and added value: Oil & Gas sector

Evaluation of the positioning of 32 companies in the oil & gas sector

Quelle: SAM Group, Bloomberg



Sustainability leaders lead in financial performance!

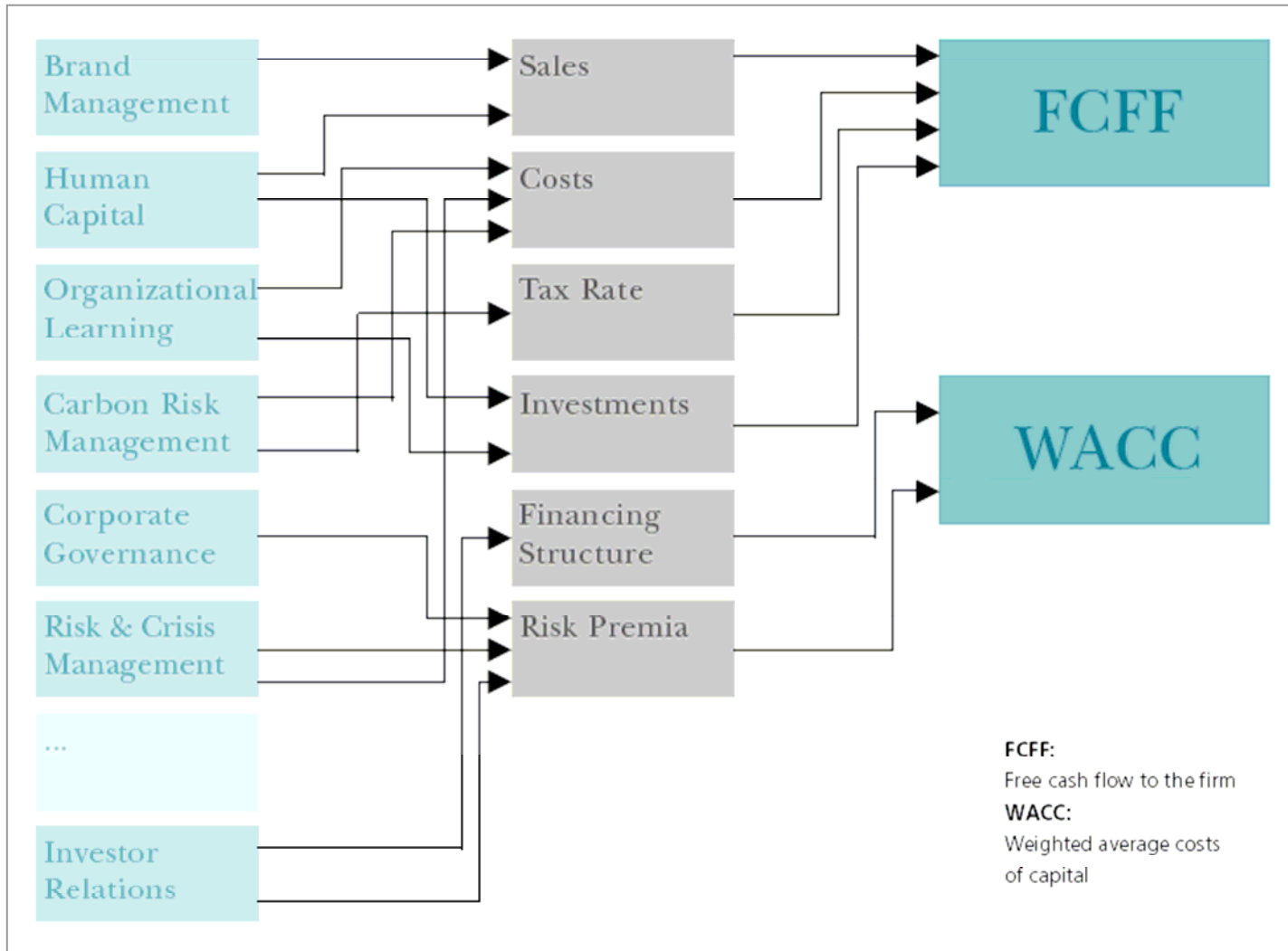
Source: SAM Group, Bloomberg

© SAM Research AG

Presentation for Belo Horizonte 22.06.2006

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Linking Intangibles and Shareholder Value

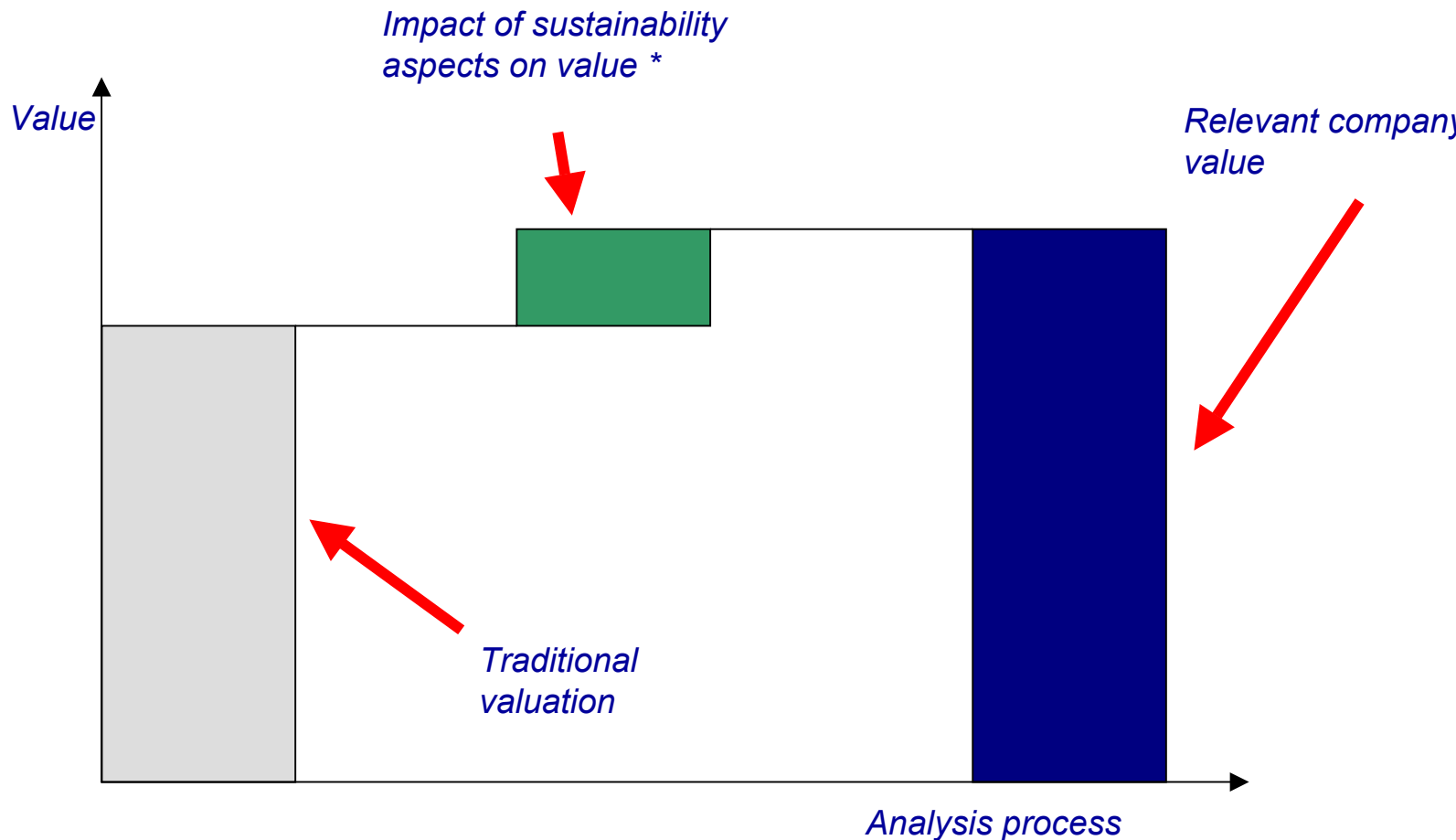


Source: SAM Sustainability Yearbook 2006

http://www.sam-group.com/html/research/output/studies/sam_sustainability_yearbook.cfm

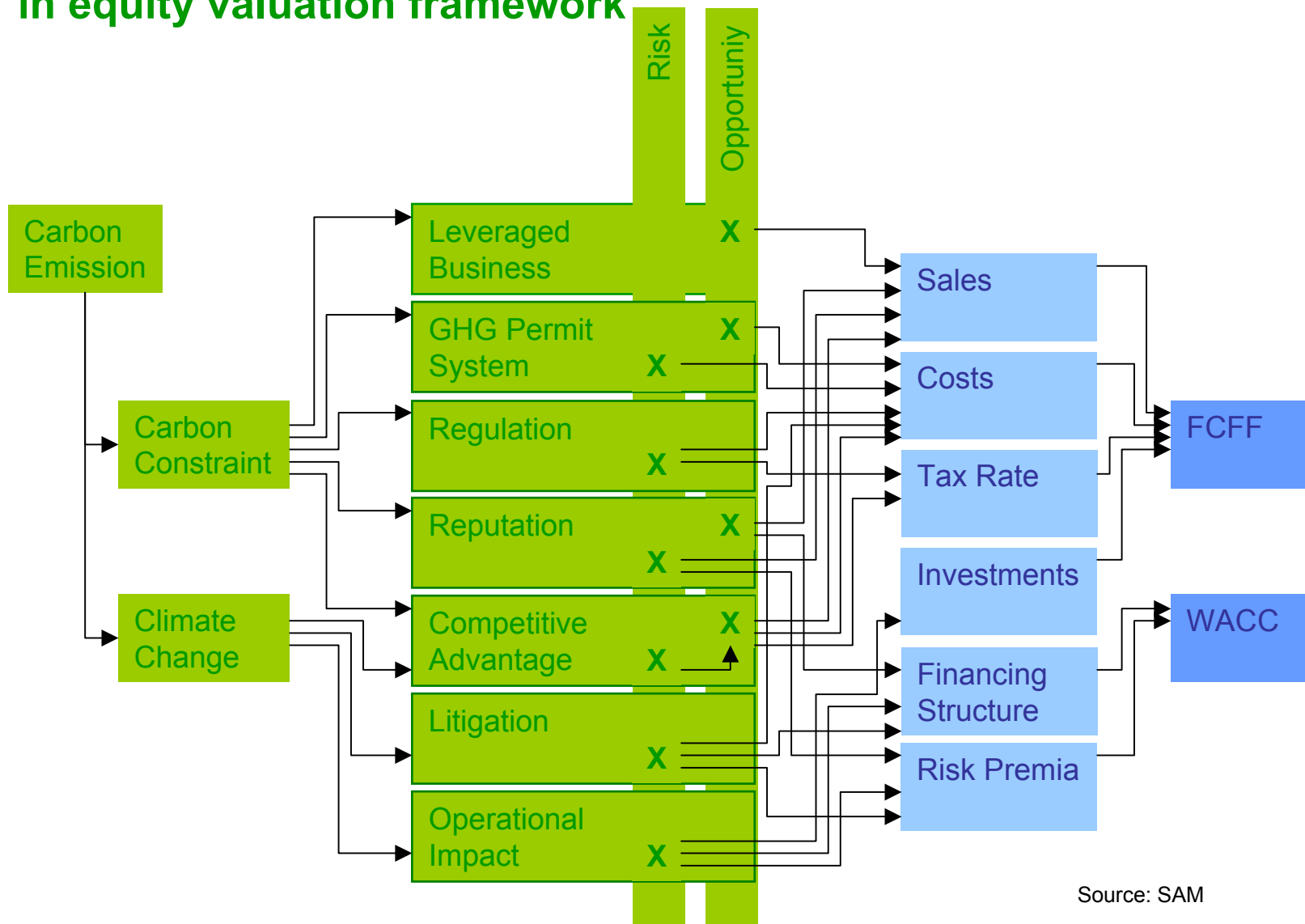
Sustainability Criteria as long term value drivers

SAM explicitly considers the Sustainability criteria in the valuation methodology



*can be negative


Capturing Carbon risk (& opportunities) in equity valuation framework



Source: SAM

Market Developments (I)

Brokerage Research

EQUITY RESEARCH 

13 September 2005

Inside SRI

Pan European Equity

SRI Strategy

DJSI reshuffling – does it add value?

We detect significant differences between SAM's and our own sustainability

Equity Markets 

FINANCIAL MARKETS

Additional sensitivity for Oils sector

Western Europe

Sustainable Impact


an-Euro oils sustainability issues

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Smith Barney

See page 58 for Analyst Certification and Important

Industry Report

EQUITY
RESEARCH:
EUROPE

Socially Responsible Investment

1 July 2005

Crossing the River...

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Please refer to the disclosure appendix for our disclaimer and all relevant disclosures. In respect of any compendium report covering six or more companies, all relevant disclosures are available on www.drkwresearch.com/disclosures or by contacting DrKW research, 20 Fenchurch Street, London, EC3P 3DB

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Socially Responsible Investment News

Contents

1. News from the wires

Market Developments (II)

... from retail to institutional investors ...

The UK Environment Agency allocated 80 million GBP into a best-practice environmental portfolio. [UK Environment Agency – 16 May 2005](#)

The 87 billion Canada Pension Plan unveiled a new „responsible investing“ policy that says „investment analysis should incorporate [environmental, social and governance] factors to the extent that they affect long-term risk and return.“ [National Post – October 2005](#)

The California Public Employees' Retirement System (CalPERS) selected six U.S. and international managers to invest up to \$500 million in environmental public equity funds. [CalPERS Press Release – 14 November 2005](#)

The French Pension Reserve Fund (FRR) is moving into the second phase for an RFP to award five European equity mandates using socially responsible investment criteria for a total indicative amount of 600 million euros. [FRR Press Release – 15 November 2005](#)

Investing is changing

Recent scandals; economic, environmental and social trends are shaping market opportunities and risks

Your company ...

- **Is addressing these challenges?**
- **Is minimizing the risks?**
- **Is harvesting the opportunities?**



is Carbon Neutral[®]

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futureforests



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Private Equity
<ul style="list-style-type: none">• Sustainability Private Equity• Sustainability Energy

Sustainability Indexes
<ul style="list-style-type: none">• Dow Jones Sustainability Index• DJ STOXX Sustainability Europe Index• Dow Jones Sustainability North America Index