

Sostenibilità ambiente e
responsabilità sociale di
impresa:

Where is **Sustainable
Investment** going?

Edoardo Gai
3. June 2008

SAM in Brief

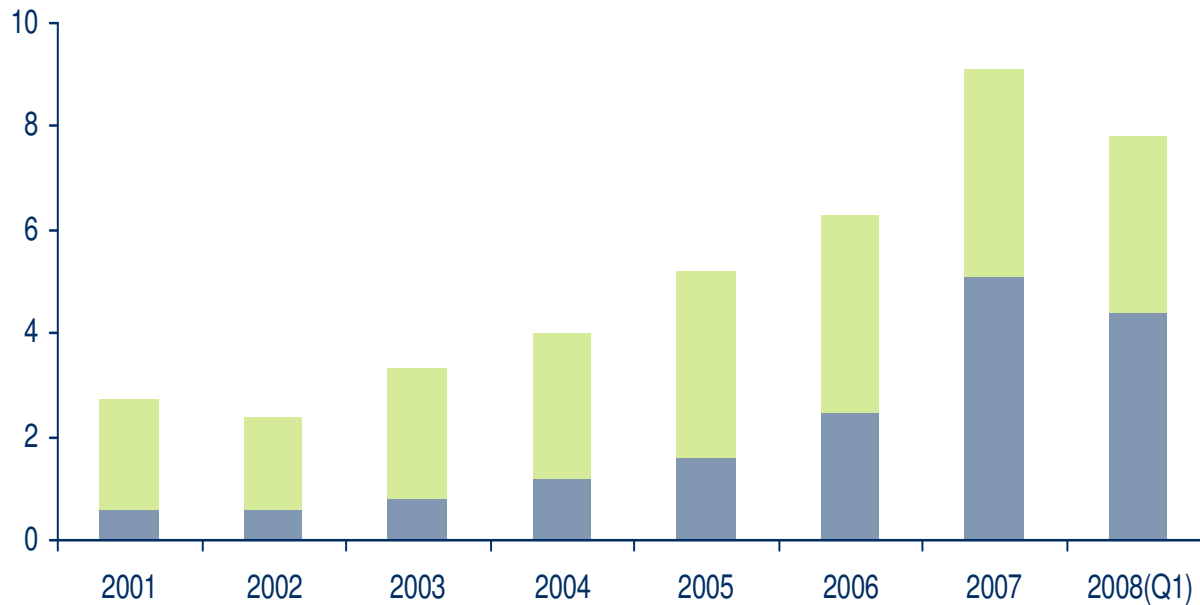
- **Specialised Investment Group for Sustainability Investments**
Founded 1995
- **Strategic Cooperation SAM – Robeco**
Creating the world's leading platform for sustainability investments
- **Over 95 Employees worldwide with Headquarters in Zurich**
- **First Swiss Company with Carbon Neutral® Status (2001)**

SAM in Brief

Strong growth of Assets under Management and under Advice (as of March 2008)

- EUR 4.4 billion assets under management
- EUR 3.4 billion assets under advice (e.g. index licences)

Total AuM in EUR bn.



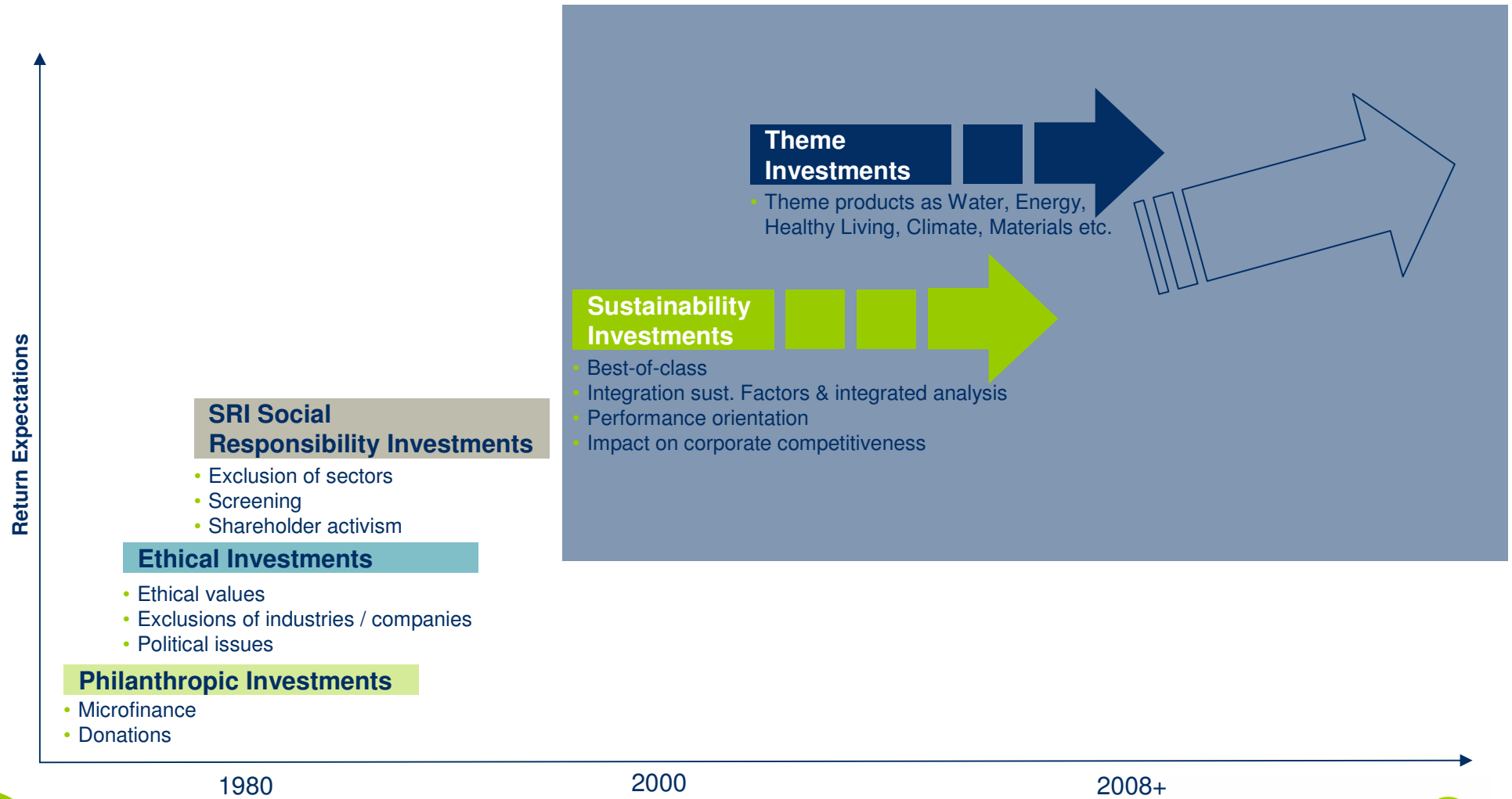
Indexes (www.sustainability-index.com)

- Dow Jones Sustainability Index
- Regional Indexes
- Theme Indexes

Asset Management (www.sam-group.com)

- Theme Equity Investments
- Global & European Equities

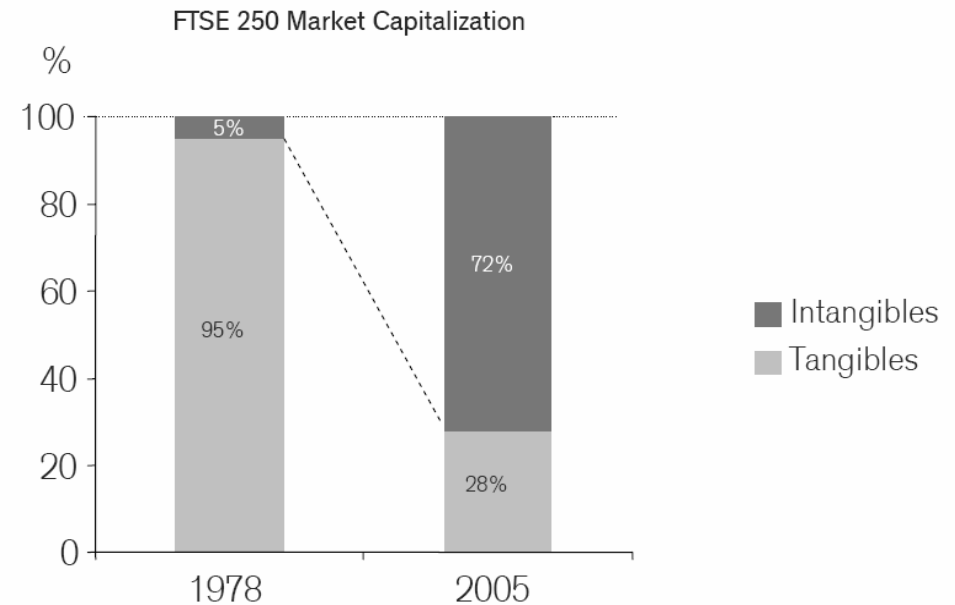
Evolution of Sustainability Investing



Intangibles and Sustainability

The analysis of intangibles has become an increasingly important part of company valuation

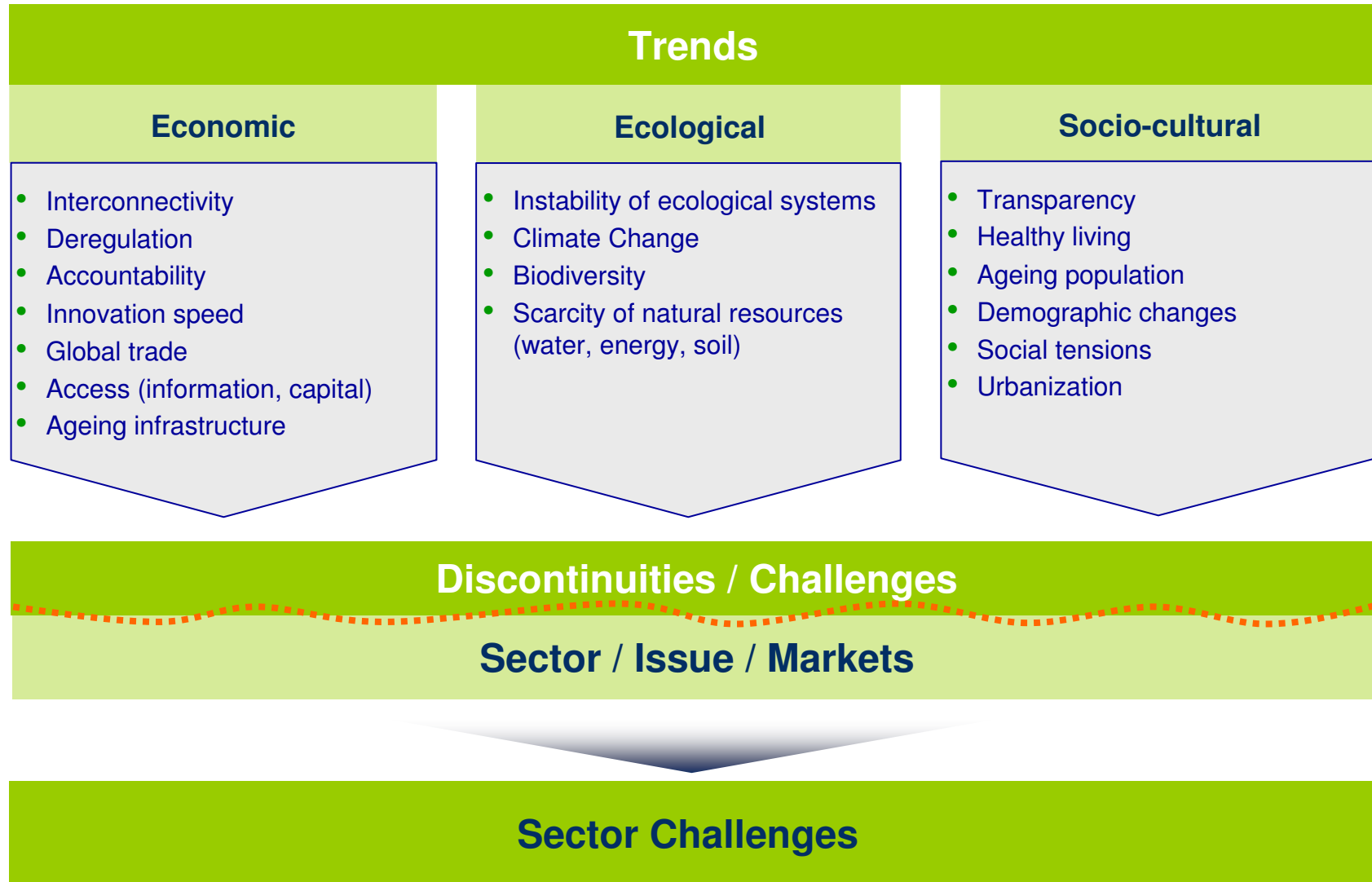
- Historically, financial markets valued companies mostly on the basis of their tangible assets (i.e. book value)
- Over the past 2 decades, markets value companies beyond their book value
- What are 'intangible assets':
 - Human capital
 - Intellectual
 - Relational
 - Structural



Source: Interbrand: Brand Value Management (2006)

- Investment professionals can no longer overlook the value of intangibles
- ➔ Sustainability criteria act as a proxy to quantify the value of a firm's intangibles assets

The measurement of sustainability ...



Early identification of business relevant trends key



Methodology & assessment process

Sustainability trends

E.g.: globalisation & liberalisation, demographics, climate change, energy security, mgt. of intangibles, ...



General / Industry-specific challenges

E.g.: resource efficiency, stakeholder mgt., shortage of skilled labour, reputational risks, ...



Assessment Criteria

Corporate Governance,
Eco-Efficiency,
Human Capital Development, ...



Links to financial performance

Sales growth, ROIC, WACC, ...

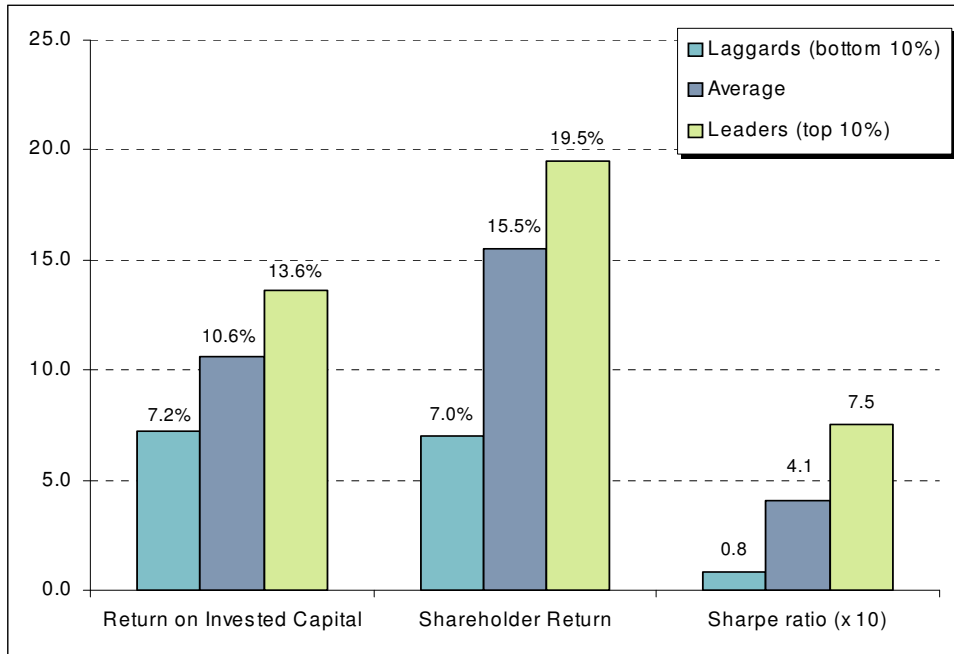
DJSI World – Performance

Since Launch, 08/99 – 04/08 (EUR, Total Return)



SAM's evidence

Sustainability research delivers added-value to investors



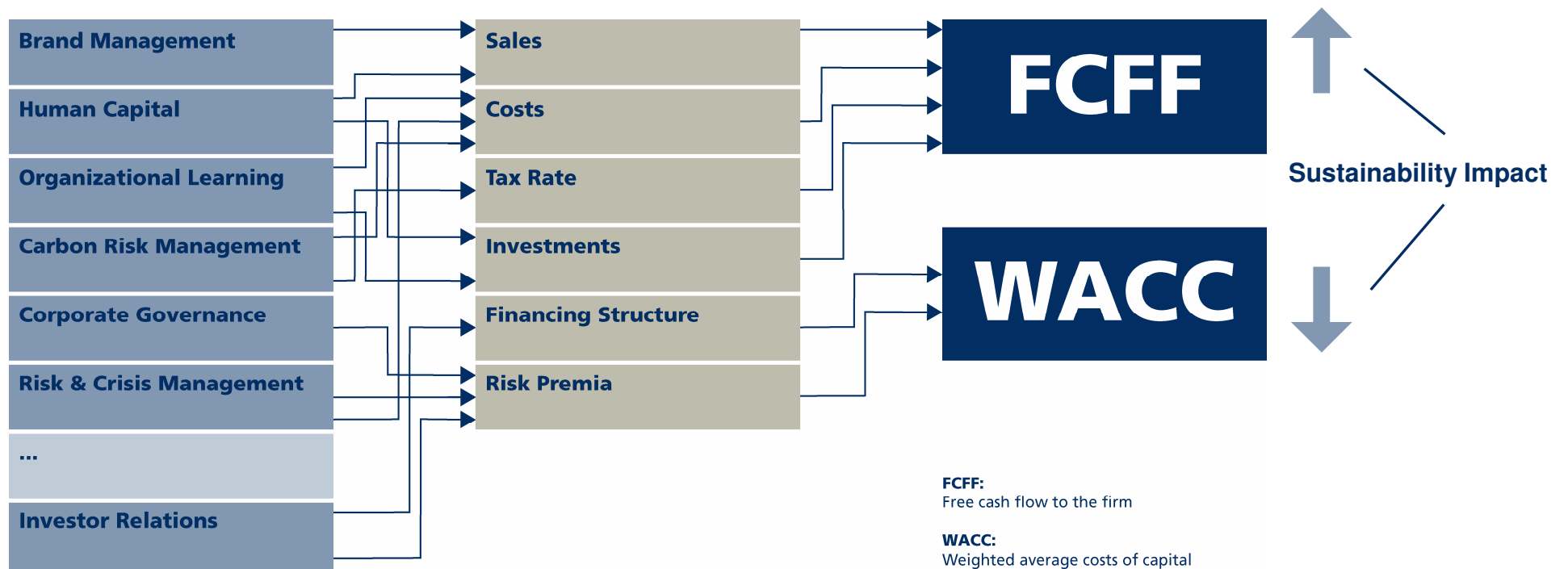
Description

- Scope: DJSI Participants, ex. financials
- Time frame: 2002-2006 (5 years)
- Geography: Global, ex. Japan
- Sustainability metric: Total score
- Number of companies: 1342 (pooled set-up)
- Statistical method: One sample t-test

- Sustainability trends impact firm fundamentals (e.g. return on invested capital)
- Markets are getting increasingly efficient at pricing-in sustainability considerations
 - Markets punish sustainability worse-performers heavily
 - Markets only reward sustainability best-performers

Integration in the financial analysis

Sustainability influences Shareholder Value



Trends Give Rise to Opportunities



ENERGY



WATER



RESOURCE EFFICIENCY



HEALTHY LIVING



CLIMATE CHANGE

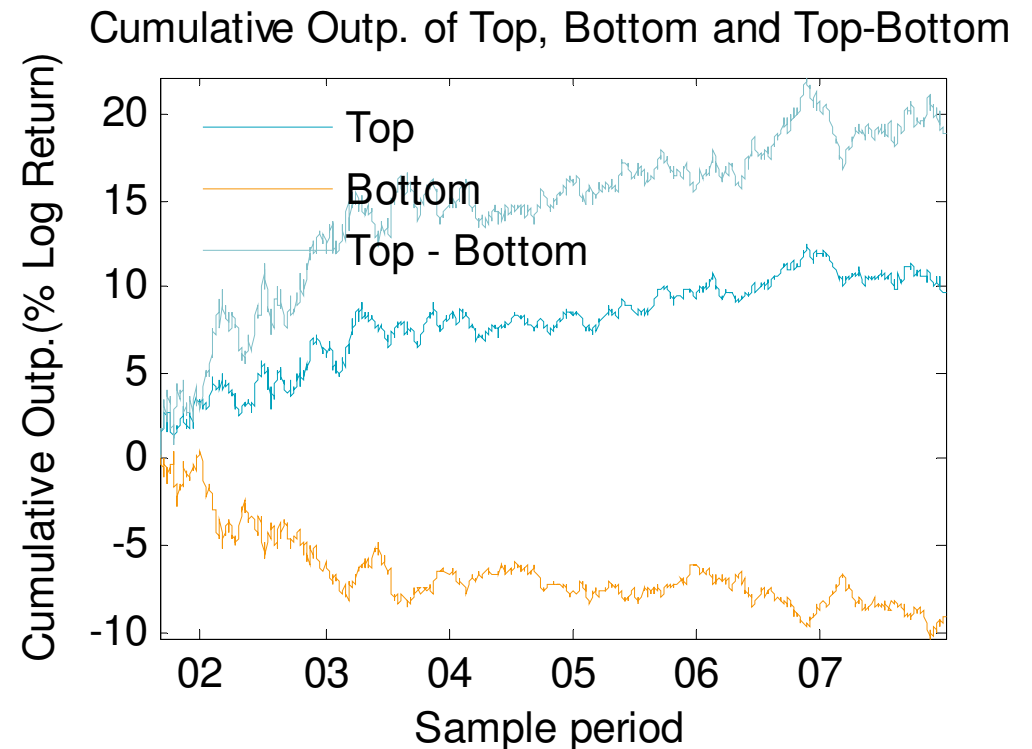
SAM's latest evidence

Sustainability research delivers added-value to investors

Description

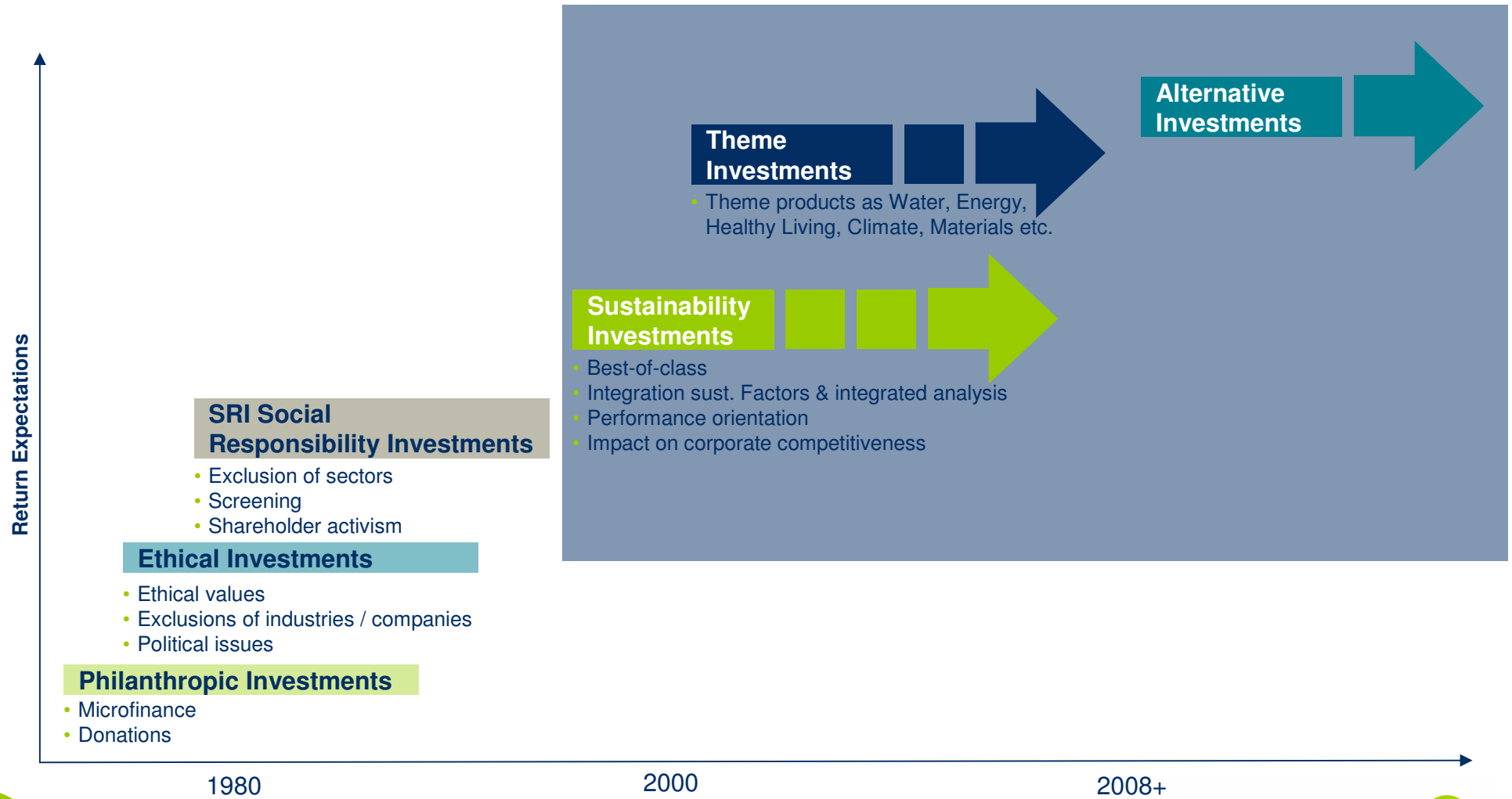
- Scope: DJSI Participants
- Time frame: 2001-2007 (7 years)
- Geography: Developed markets
- Sustainability metric: Total score
- Number of companies: approx. 500 p.a.
- Statistical method: Portfolio back-testing
- Restrictions: Size, sector, region neutrality

	Q1	Q5	Q1-Q5
Outp. (%)	1.48	-1.41	2.88
TE (%)	2.93	3.08	4.63
IR	0.50	-0.46	0.62
T-Stat	1.29	-1.17	1.60
Beta	1.00	1.03	-0.03



- SAM's sustainability data has predictive power for stock-picking, as shown by the positive information ratio (0.5) of the portfolio containing sustainability leaders
- Added value is created both from picking sustainability leaders and avoiding sustainability laggards
- Value creation remains relatively stable over the entire back-testing period

Evolution of Sustainability Investing



Conclusions

The aim of sustainability investing is creating alpha

- Sustainability trends and challenges change the competitive environment in which firms operate.
- Sustainability with opportunities and risks is a strategic success factor
- The impact of these “sustainability” trends and factors is still under-researched and largely unconsidered by financial markets.
- Sustainability criteria allow to truly assess a company’s competitive positioning and intrinsic value.
- These insights need to be integrated in stock selection in order to generate alpha.
- A larger number of financial products is integrating sustainability in the investment process

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