

**2009  
Environmental  
and  
Sustainability  
Summit**

September 11, 2009

**“Metrics and Impact of  
Sustainable Programs”**

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Managing Director  
Sustainable Asset Management USA, Inc.

**SAM – Member of Robeco Group**

## Agenda

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**SAM – Corporate Profile**

**What is Sustainability?**

**Trends and Developments**

**Growing Corporate Response – and why?**

**Growth in Sustainable Investing**

**Research and Investment Methodology**

**SAM Sustainable Global Active Investment Strategy**

## Sustainable Asset Management - Profile



### Specialized investment firm solely focused on sustainability related investments

- Thought Leader – founded in 1995 in Zurich Switzerland

### 100 employees worldwide with Headquarters in Zurich

- Cross disciplinary research and analytical expertise in finance, science & technology
- 27 investment professionals of which 19 in research

### In excess of \$11.6 Billion Assets Under Management and Advice

- Separate Accounts, Pooled Investment Vehicles, Mutual Funds
- Dow Jones Sustainability Indexes (established in 1999): 64 licencees in 14 countries

### Global Client Base

- Retirement Plans, Foundations, Endowments, Family Offices

### Member Robeco Group

- Independent 100% subsidiary of Rabobank (rated AAA, Aaa by S&P and Moody's)
- Ownership: Robeco 80%; Employees and Management 20%

2



## What is Sustainability?

### World Commission on the Environment and Development

The Brundtland Report, 1987, defines sustainable development as meeting economic, environmental and social needs of the present without compromising the ability of future generations to meet their own needs

### Corporate Sustainability

is a business approach to create long term shareholder value by embracing opportunities and managing risks deriving from global economic, environmental and social trends and developments

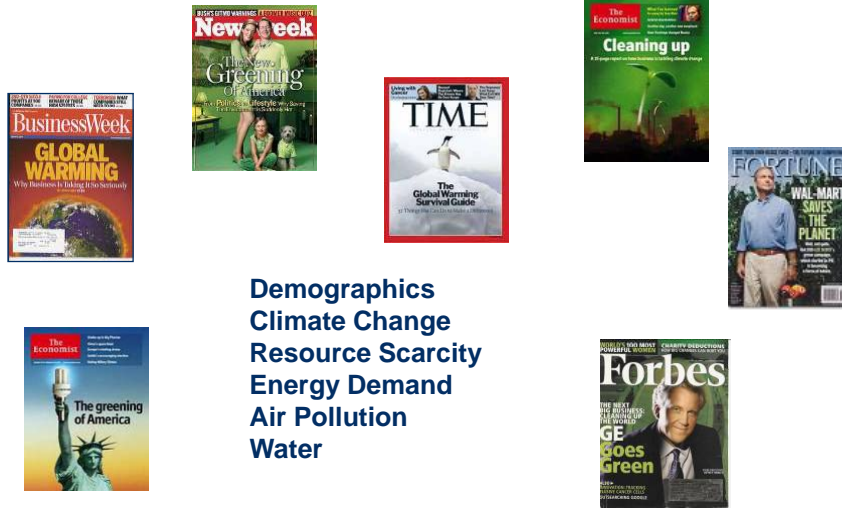
### Sustainable Investing: Investing in “Best – in – Class Companies”

**SRI:** Socially Responsible Investing  
**CSR:** Corporate Social Responsibility  
**ESG:** Environmental, Social and Governance  
**Triple Bottom Line**

3



## Awareness of Mega Trends and Sustainability



Demographics  
Climate Change  
Resource Scarcity  
Energy Demand  
Air Pollution  
Water

4

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## Global Trends give Rise to Opportunities



5

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## Demographic Changes



- Growing world population
- Economic development
- Urbanization

- UN World population projection: 9 billion by 2050 from 6 billion today
- 95% of world population growth through 2050 will occur in developing nations
- From 20% in 2006, China's middle class could reach 40% by 2020
- By 2010, 450M Indians will have middle class incomes

6

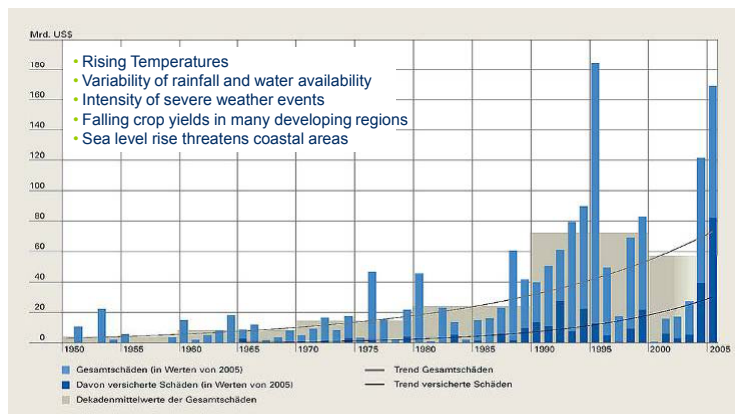
Source: SAM Research and Sustainability, Inc.

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## Climate Change - One of the Greatest Challenges

Losses as a result from natural disasters 1950-2005 (Not including hurricanes Katrina or Rita)

### Economic and insured losses



Translation:  
Total losses (in 2005 US dollars)  
Insured losses ( " )  
Mean of total losses for the decade

Trend total losses  
Trend insured losses

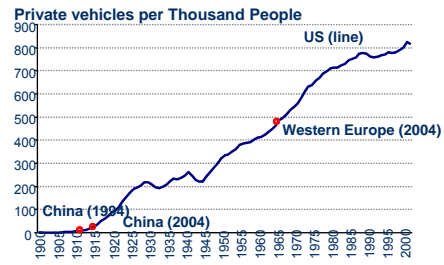
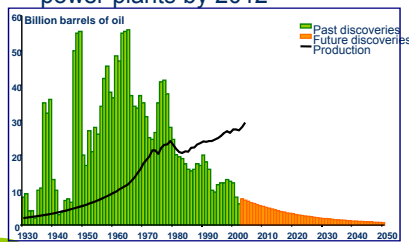
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© Munich Reinsurance - Topics Geo, 2005

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## Energy Demand

- Global demand will increase by 50% by 2030
- 70% will be from fossil fuels
- Developing nations will account for 74% of this increase
- China plans to build 560 new coal-fired power plants by 2012



8

Source: SAM Research and SustainAbility, Inc.

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## Water: too little – too much - too polluted?



- Over 1 billion people world - wide (400 million in China) don't have access to clean water today
- By 2025, 1.8 billion people will live in absolute water scarcity, and 2/3 of the world could live in water stressed conditions

9

Source: SAM Research and SustainAbility

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## Why Companies are Taking Action

- Brand and Reputation
- Operational Efficiencies
- Risk Management
- Talent and Human Capital
- Sales and Market Access
- Access to Capital



**PHILIPS**  
sense and simplicity

10

Source: SAM and SustainAbility Inc.

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## Sales and Market Access



Americans bought more **Toyota Prius** hatchbacks in 2007 than Ford Explorers (Prius sales were up 69%)

Philips expects green products to be 1/3 of revenue within five years (up 50% from today)

**PHILIPS**  
sense and simplicity

**ecomagination**  
a GE commitment

**GE** plans \$20B in sales of ecomagination products by 2010, and has pledged to invest \$1.5B in R&D by 2010

**green works**

“**Clorox** takes big chunk of green market . . . first-year sales well over \$40 million”

San Francisco Chronicle – October 12, 2008

11

Source: SustainAbility Inc. and SAM  
References to specific securities are presented to illustrate our investment philosophy and are not to be considered recommendations.

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# Walmart's Questions for Suppliers



1-800-921-0981 www.wal.com/sustainability

## Sustainability Product Index: 15 Questions for Suppliers

### Energy and Climate: Reducing Energy Costs and Greenhouse Gas Emissions

1. Have you measured your corporate greenhouse gas emissions?
2. Have you opted to report your greenhouse gas emissions to the Carbon Disclosure Project (CDP)?
3. What is your total annual greenhouse gas emissions reported in the most recent year measured?
4. Have you set publicly available greenhouse gas reduction targets? If yes, what are those targets?

### Material Efficiency: Reducing Waste and Enhancing Quality

1. If measured, please report the total amount of solid waste generated from the facilities that produce your product(s) for Walmart for the most recent year measured.
2. Have you set publicly available solid waste reduction targets? If yes, what are those targets?
3. If measured, please report total water use from facilities that produce your product(s) for Walmart for the most recent year measured.
4. Have you set publicly available water use reduction targets? If yes, what are those targets?

### Natural Resources: Producing High Quality, Responsibly Sourced Raw Materials

1. Have you established publicly available sustainability purchasing guidelines for your direct suppliers that address issues such as environmental compliance, employment practices and product/professional safety?
2. Have you obtained 3<sup>rd</sup> party certifications for any of the products that you sell to Walmart?

### People and Community: Ensuring Responsible and Ethical Production

1. Do you know the location of 100 percent of the facilities that produce your products?
2. Before beginning a business relationship with a manufacturing facility, do you evaluate the quality of, and capacity for, production?
3. Do you have a process for managing social compliance at the manufacturing level?
4. Do you work with your supply base to resolve issues found during social compliance evaluations and also document specific corrections and improvements?
5. Do you invest in community development activities in the markets you source from and/or operate within?

12

Source:  
www.Walmart.com



# Corporate Sustainability Reports



13



## SRI / Sustainability Investments in the U.S. \*:

(in \$ billions)	2005	2007	Growth
Environmental and Social screening	1,603	1,997	
Shareholder Advocacy	667	688	
Community Investing	20	26	
<b>Total</b>	<b>2,290</b>	<b>2,711</b>	<b>+18%</b>

**Total professionally managed assets in the U.S.\*: \$25.1 trillion**  
**SRI investments in 2007 (\$2.711 trillion): 11% of the total**

**Institutional Investors – Investment banks – Consultants – Broker / Dealers etc.**

14

\* Source: Social Investment Forum: "2007 Report on Socially Responsible Investing Trends in the United States- February 2008"



## Views from Thought Leaders

***"Our central message is that... Managers must start to recognise environmental improvement as an economic and competitive opportunity.... It is time to build on the underlying economic logic that links the environment, resource productivity, innovation, and competitiveness."***

*"Competitive Advantage of Nations"*

**Professor Michael Porter**  
Harvard Business School

**"Risk comes from not knowing what you are doing"**

**Warren Buffet**  
Berkshire Hathaway

**"The potential payoff from reducing short-term performance obsession in the investment and corporate communities is substantial."**

**Alfred Rappaport**

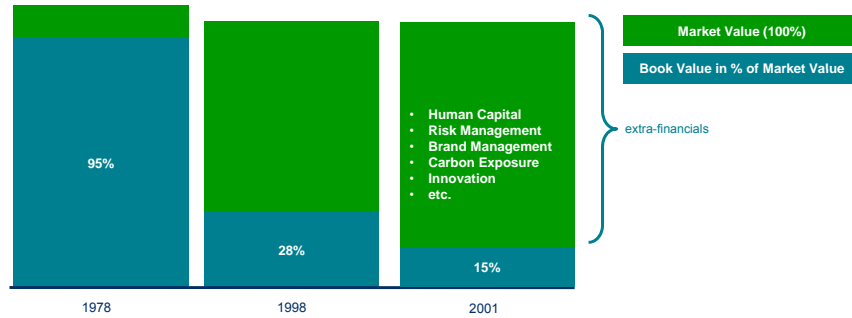
"The Economics of Short-Term Performance Obsession"  
Financial Analysts Journal, Vol. 61, Number 3, May/June 2005

15



## The Importance of Extra-Financials

Research of 3500 US companies revealed that the analysis of extra-financials has become an important part of company valuation and competitive advantage



Source: Ken Standfield: Intangible Finance Standards: 21st Century Breakthroughs in Fundamental Analysis & Technical Analysis, Elsevier Academic Press. 2004.

"Research by McKinsey shows, across industry sectors, up to 80% of company share value is attributable to cash flow expectations **beyond three years out**. This value has to be evaluated through analysis of current intangibles or "extra financial" issues that cannot simply be accounted for in pure financial analysis of companies."

16

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## Research Approach



17

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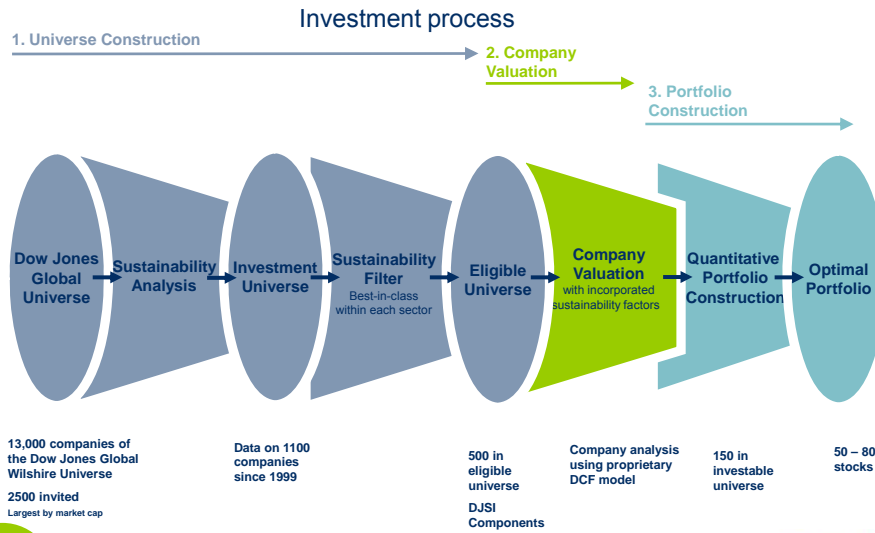
# Assessment Criteria

## Criteria & Weightings

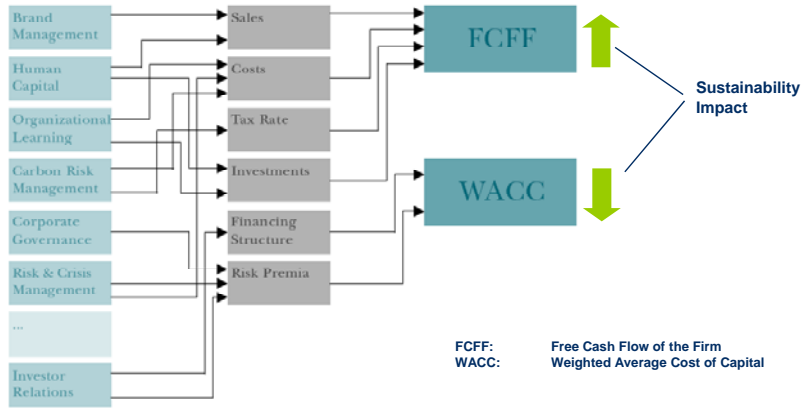
Criteria	Weighting (in%)
<b>Economic</b>	
Corporate Governance	6.0
Risk & Crisis Management	6.0
Codes of Conduct/Compliance/Anti-Corruption & Bribery	6.0
Industry Specific Criteria	Depends on Industry
<b>Environmental</b>	
Environmental Reporting	3.0
Industry Specific Criteria	Depends on Industry
<b>Social</b>	
Human Capital Development	5.5
Talent Attraction & Retention	5.5
Labor Practice Indicators	5.0
Corporate Citizenship / Philanthropy	3.0
Social Reporting	3.0
Industry Specific Criteria	Depends on Industry

A complete survey for the entire general part of SAM's assessment is available at [www.sustainability-indexes.com](http://www.sustainability-indexes.com) (-> Assessment -> Information Sources)

# Investment Focus: Alpha Generation



## Sustainability Impacts Shareholder Value

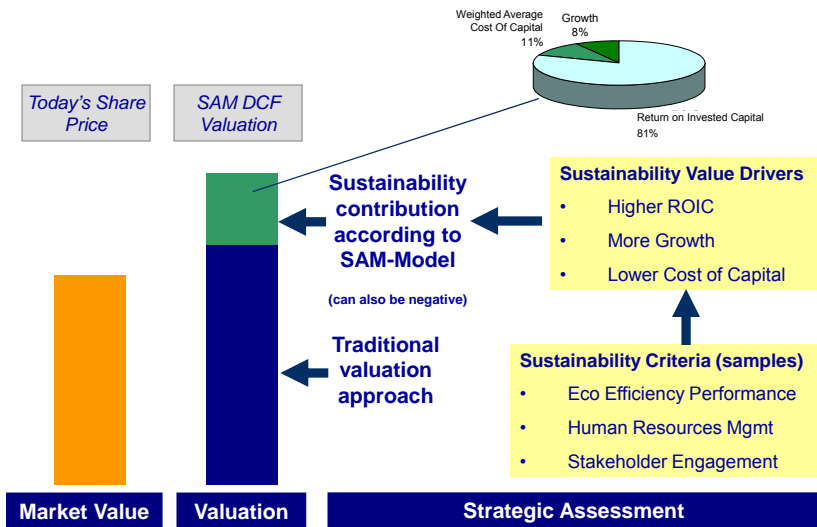


How Sustainability Insights are used to assess tangible impact on Shareholder Value

20

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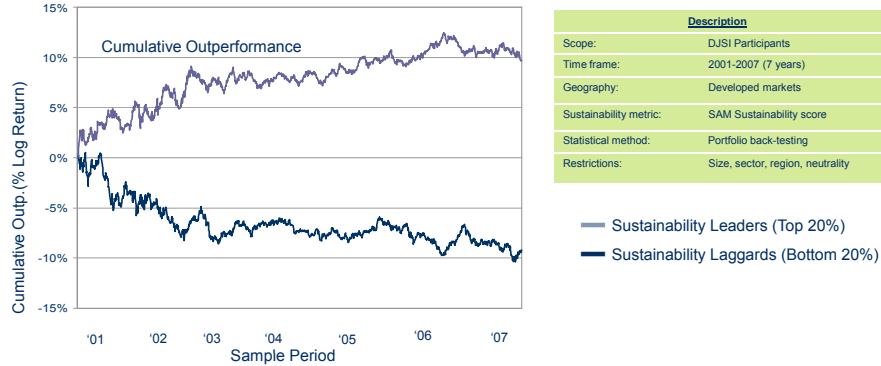
## Sustainability and Shareholder Value



21

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## Sustainability research delivers value added to investors



- SAM's sustainability data has predictive power for stock-selection, reflected in the positive information ratio (0.5) of the portfolio consisting of sustainability leaders
- Added value is generated by selecting sustainability leaders and excluding sustainability laggards
- Value creation is consistent and stable for the entire back-testing period

The graph does not represent returns of an actual portfolio. It depicts returns of sustainability investments as rated by SAM. During the time period shown, SAM did not manage a long/short portfolio. Results are shown gross of fees. Results would be reduced by application of fees and expenses incurred in the management of the account. Returns shown do not represent the results of actual trading but were achieved by retroactive application of a model with the benefit of hindsight. If the strategy had been in existence during this time periods, actual results could have been higher and potentially lower than the hypothetical results that are presented.

22

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## Sustainable Investment Products

Domestic, international & global equities

Sustainability related themes

Water – energy – climate change etc.

Alternative investments

cleantech private equity

hedge funds

emerging markets

Indexes and related investment products

ETF's

23

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## Global Equities

### Investing in the Best-in-Class Companies (Super Sector Leaders 2008-2009)

NAME	SUPERSECTOR	COUNTRY
BMW	Automobiles	Germany
Australia & New Zealand Banking Grp.	Banks	Australia
Xstrata	Basic Resources	UK
BASF	Chemicals	Germany
Holcim	Construction & Materials	Switzerland
Itausa-Investimentos Itau	Financial Services	Brazil
Unilever	Food & Beverage	Netherlands
Novartis	Healthcare	Switzerland
TNT	Industrial Goods	Netherlands
Swiss Re	Insurance	Switzerland
Pearson	Media	UK
ENI	Oil & Gas	Italy
Adidas	Personal & Household	Germany
Land Securities Group	Real Estate	UK
Kingfisher	Retail	UK
Intel Corp	Technology	USA
BT Group Plc	Telecommunications	UK
Air France-KLM	Travel & Leisure	France
Grupo Iberdrola	Utilities	Spain

24

Super Sectors as defined by Dow Jones and FTSE, which consolidates 57 sectors. Super Sector Leaders have achieved the highest sustainability scores as calculated by SAM through its Corporate Sustainability Assessment, which is based on economic, social and ecological factors.

References to specific holdings are presented to illustrate our investment philosophy and are not to be considered recommendations. The specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients.



## Global Sustainability Themes

### Global Trends Give Rise to New Investment Opportunities



#### WATER

- Population growth and lifestyle changes
- Aging infrastructure
- Water quality and health



#### ENERGY

- Resource scarcity and rising demand
- Energy security and technical innovation
- Climate change and change in the global energy mix



#### CLIMATE CHANGE

- Mitigation: renewable energy; energy efficiency
- Adaptation: infrastructure adjustments; agriculture
- Response: construction machinery; sanitary provisions



#### MATERIALS

- Population and income growth leads to increased demand for resources
- Limited resources require efficient use and creation of innovative materials
- Scarce resources and increasing waste encourages recycling and waste management



#### HEALTH

- Healthy lifestyle trends & access to information leading to higher product expectations
- Growing demand for products geared towards ageing, leisure and healthcare
- New science-based opportunities in medicine and nutrition (organics)

25



## Water – The Investment Case

Limited supply collides with rising demand



### Water is a scarce resource

Quantity issue

Quality issue

Allocation issue

- Resource management
- Water and wastewater treatment
- Infrastructure build-up and maintenance

Investment opportunities

26

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## Water Trends

## Solutions

Global trends are creating new investment opportunities in the solution providers

Demographic changes



Efficient irrigation  
Purification technologies  
Desalination  
Water re-use

Aging Infrastructure



Renovation solutions  
Pipes and pumps  
Engineering services

Water quality & health



Drinking water purification  
Sanitation  
Analysis and monitoring

Climate change



Resource management  
Dam construction  
Engineering services

27

Source: SAM

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## Water Trends - Outlook

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High Growth Expected

### Distribution and Management (growth 5–10%)

- Utilities (growth 5%)
- Infrastructure goods such as pipes and pumps (5–10 %)

### Advanced Water Treatment Technologies (growth 10% +)

- UV – Light Disinfection (++)
- Membrane (++)
- Biological Treatment (regional different): Developed World (-), Emerging Markets (+)

### Water and Food (growth 10% +)

- Efficient irrigation (10%)
- Organic food (10–15 %)

### Demand-side Efficiency (growth 10%)

- House Installation (growth 10%)
- Metering (growth 10%)

28

Source: Proprietary SAM Research; Estimated anticipated growth based on internal research. Actual results will vary and may be lower.



## SAM USA, Inc.

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29

