

Delivering a low carbon society – mobilising the finance sector

The 3rd Workshop of Japan-UK Joint Research Project
“Roadmap to a Low-Carbon World”

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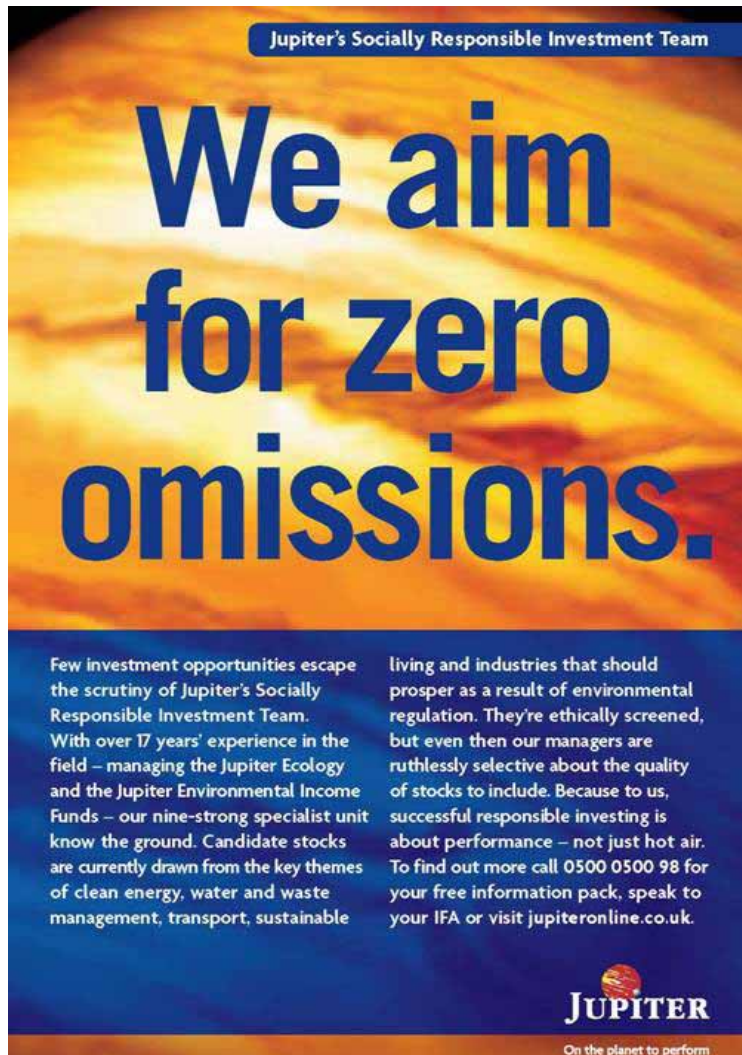
Agenda

- Setting the context – a 20 year perspective
- Trends in low-carbon investing
 - Increase in investment
 - focus on corporate disclosure
 - asset owner initiatives
- Importance of sustainability criteria in investment decisions
 - focus on corporate disclosure
 - asset owner initiatives
 - growth of sell-side research
- The importance of P8
- Concluding remarks

Setting the context – a 20 year perspective



Setting the context – a 20 year perspective



Jupiter's Socially Responsible Investment Team

We aim for zero omissions.

Few investment opportunities escape the scrutiny of Jupiter's Socially Responsible Investment Team. With over 17 years' experience in the field – managing the Jupiter Ecology and the Jupiter Environmental Income Funds – our nine-strong specialist unit know the ground. Candidate stocks are currently drawn from the key themes of clean energy, water and waste management, transport, sustainable living and industries that should prosper as a result of environmental regulation. They're ethically screened, but even then our managers are ruthlessly selective about the quality of stocks to include. Because to us, successful responsible investing is about performance – not just hot air. To find out more call 0500 0500 98 for your free information pack, speak to your IFA or visit jupiteronline.co.uk.

JUPITER
On the planet to perform

- Over 19 years managing screened green and socially responsible investment funds
- Delivering long-term performance by investing in companies with positive growth supported by environmental trends
- Large, experienced and respected SRI and Governance Team
- Rigorous SRI research and screening process

At the forefront of green investing

Long-term performance from environmental solutions

Over £695m* FUM in Green & SRI Portfolios

- Product evolution – from negative screens to performance-driven green-themed approach

Fund	Aim	Focus
Jupiter Ecology	Global growth	Six green investment themes (85% of portfolio) Companies actively managing environmental & social impacts (15% of portfolio) Full range of negative screens
Jupiter Climate Change Solutions (SICAV)	Global growth	Six green investment themes (100% of portfolio)

Investing for green – our core beliefs

The Jupiter Ecology Fund

A green fund that invests globally. Because there is no planet B.

For a sustainable investment that aims for sustainable returns, look to the Jupiter Ecology Fund. Managed by Citywire AA* rated Charlie Thomas, it seeks to invest in companies which actively demonstrate a positive commitment to environmental protection and it can do so globally, free of geographical constraints. Each company's ethical and environmental credentials are scrutinised by our dedicated team of SRI specialists, who've 18 years' experience in the task. Add Charlie's astute stockpicking, and the results have been outstanding: since his taking over the management of the fund in September 2003, it has returned an impressive +64.7% – compared to a sector average of +39.4%.

Period	2001-02	2002-03	2003-04	2004-05	2005-06
% change	-23.9	-6.4	+1.8	+31.1	+23.4

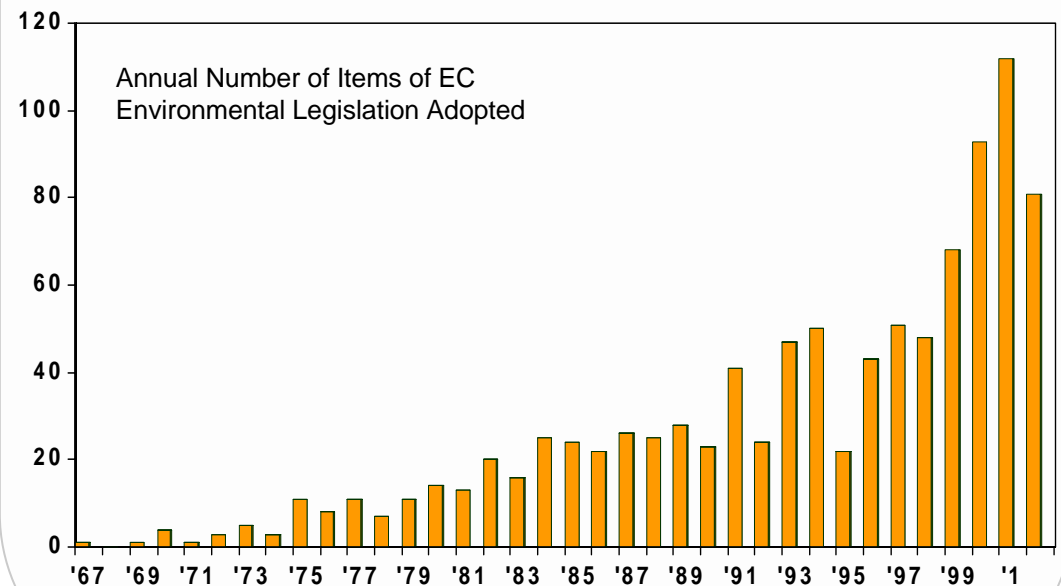
Year on year percentage growth from 31.08.01 to 31.08.06

In short, for green investing, it could be the plan A you're looking for. For more information, call 0500 0500 98, visit jupiteronline.co.uk or speak to your IFA.

Past performance is no guide to future returns and the value of investments can fall as well as rise and may be affected by exchange rate variations.

JUPITER
On the planet to perform

- Three key drivers to growth:
 - legislation and government support
 - corporate commitments
 - longer-term consumer purchasing trends



Source : Manual of Environmental Policy 05/03

Trends in low-carbon investing

- Increase in investment
- Focus on corporate disclosure
- Asset owner initiatives



Trends in low-carbon investing

- **Growth of UK retail ethical funds** - Ethical funds under management reached £5.9bn by end 2007, (£5.0bn, 2006). **Total net retail sales for ethical funds for the whole of 2007 reached a record high of £473 million, increase of 3.5 times.**¹
- **Growth of European SRI mutual funds** - Total SRI fund assets reached €49bn while number of funds grew to 437. Inflows up 43% over year to June 30, 2007.²
- **Growth in Cleantech venture capital** - The European Cleantech sector as a whole attracted €712m in venture capital in 2007, almost doubling the €317m invested in 2006.³
- **Growth in global public/private funding of clean energy companies/assets** - The amount of new money invested in clean energy grew to US\$117.2 billion last year, up 35 percent from US\$86.5 billion in 2006.⁴

1. <http://www.investmentuk.org/statistics/qtrly/2007/q4.asp>

2. Figures compiled by Vigeo Italia, the SRI research company and Morningstar, the funds data provider

3. The Library House Quarterly Briefing Q4 2007

4. New Energy Finance

Trends in low-carbon investing

- **Carbon Disclosure Project** - CDP represents 385 institutional investors with a combined \$57.5 trillion of assets under management. On their behalf it seeks information on the business risks and opportunities presented by climate change and greenhouse gas emissions data from the world's largest companies: 3,000 in 2007.
- **ABI RI Disclosure Guidelines** - updated in Feb 2007, they replace the 2001 SRI guidelines. They still call on Boards to report on their approach to managing environmental, social and governance risks, but they aim to help companies understand how to comply with the Business Review in ways that are useful to investors, without imposing additional requirements.

Trends in responsible investing

- **Principles for Responsible Investment – (PRI)** - Investor initiative in partnership with the UNEP-FI and the UN Global Compact. Framework and a statement of a global standard developed by representatives of 20 institutional investors from 12 countries in April 2006. Six overarching principles recognize the direct link between environmental, social and governance practices to investment performance and risk. The principles include voluntary actions related to investment decision-making, active ownership, transparency and collaboration. By end 2007, over 200 institutional investors signatories representing more than \$11 trillion in assets.

“Historically, Wall Street wanted to disdain environmental, social and governance issues. In the 1970s, Milton Friedman said ‘the business of business is business...’ That myopic view doesn’t translate into today’s complex global market. The principles, like our CalSTRS policies, recognize long-term issues that affect the sustainability of corporate earnings,” Christopher J. Ailman, CalSTRS Chief Investment Officer. (Nov 1st 2007)

- **Enhanced Analytics Initiative** - The EAI is an international collaboration between asset owners and asset managers Encourages investment research that takes account of the impact of extra-financial issues on long-term investment. The Initiative represents total assets under management of €1.85 trillion.

Importance of sustainability criteria in investment decisions

- Focus on corporate disclosure
- Asset owner initiatives
- Growth of sell-side research



Importance of sustainability criteria in investment decisions

- **Carbon Disclosure Project** – “We have used our voting policy to promote improved disclosure of greenhouse gas emissions. Morley is a founding member of the Carbon Disclosure Project (CDP). We engaged with 29 persistently non-responding companies to request CDP adherence. We targeted companies based on the potential impact of climate change on their business, as well as the potential for their business to impact on climate change. We said that if the company did not respond to the CDP, then Morley may withhold support for the report and accounts at future AGMs. Over half of the companies that we engaged with provided a full answer to the CDP for the first time: of the 29 companies that we engaged with, 15 provided a full answer, and 3 provided some information.” Morley Fund Management.
- **ABI RI Disclosure Guidelines integrated within Corporate Governance Voting and Engagement Policies** - The ABI urges companies to focus on providing forward-looking information, establishing a clear policy for risk management, publishing Key Performance Indicators and a breakdown by business segment where appropriate, and describing how they actually handle environmental, social and governance risks of particular significance to the business.

New to 2007 version - The guidelines now include a recommendation that companies should state in their remuneration reports: “***whether the remuneration committee is able to consider corporate performance on environmental, social and corporate governance (ESG) issues when setting remuneration of executive directors. If the report states that the committee has no such discretion, then a reason should be provided for its absence***”.

Importance of sustainability criteria in investment decisions

- **UNEP FI / UKSIF report** - *Responsible Investment in Focus: How leading public pension funds are meeting the challenge* provides examples of some of how responsible investment has advanced in recent years. Fifteen in-depth case studies cover public pension funds across five continents, with assets ranging from \$33m to \$460bn. (Apr 2007)
- **PRI Progress Report** - 88% of investment manager signatories to the PRI are conducting at least some shareholder engagement on ESG issues, while 82% of asset owners are doing so. (July 2007)
- **FairPensions** - The Fund Manager Responsibility Survey by FairPensions reveals that 75% of the top 20 fund managers do not disclose responsible investor policies that address environmental and social issues, such as climate change and human rights, as well as corporate governance matters. (Oct 2007)
- **FairPensions** - A report by FairPensions has found that although leading pension funds now recognise the financial benefits of managing potential environmental, social and governance (ESG) risks in their portfolios, pension funds of many well-known companies still appear to be neglecting issues such as climate change and human rights. The report assessed the UK's 20 largest pension funds, which together have 4 million members and are worth £292bn. (Dec 2007)

Importance of sustainability criteria in investment decisions

- **Enhanced Analytics Initiative** - assessed reports from a total of 25 Research Providers (research undertaken Nov 2006-Apr 2007). The following institutions evaluated as providing the best analysis of extra-financial issues and will be eligible for EAI commissions in the latter half of 2007:

**CA Cheuvreux · Citigroup · JPMorgan · Merrill Lynch
· Morgan Stanley · Oddo Securities · Société Générale**

- **Latest Evaluation** - characterised by a number of emerging trends and themes:
 - increasingly sophisticated analysis of related risks and opportunities
 - integration – no longer the exclusive domain of specialist SRI analysts
 - sectors covered include those where new regulations are expected to impact – eg. automobiles, utilities
 - issues, such as workplace health and safety, community relations, human rights issues, rarely covered in the research

The importance of P8



The importance of P8

- **P8 Initiative** - Led by University of Cambridge Programme for Industry (CPI) and the Prince of Wales's Business & the Environment Programme (BEP)
- **Meeting of leaders from the world's largest public pension funds** - representing over \$2 trillion assets
- **Unique role of public pension funds** - long-term focus, exposed to the economic and human health consequences of climate change
- **Future focus**
 - International public policy development
 - Climate risk and opportunities
 - Capital flows into climate solutions
 - active engagement with investee companies and assets on climate risks and opportunities.

Concluding remarks

Call to action

- Climate change needs an urgent response
- Concerted action now makes economic sense
- Shift to a low-carbon economy will create significant investment opportunities
- Investors need a clear signal of where policy is going
- Governments should set credible long term goals consistent with business cycles

Websites

- New Energy Finance - www.newenergyfinance.com
- Carbon Disclosure Project - www.cdproject.net
- Association of British Insurers Disclosure Guidelines - www.abi.org.uk
- Principles for Responsible Investment - www.unpri.org
- Enhanced Analytics Initiative - www.enhancedanalytics.com
- United Nations Environment Programme Finance Initiative - www.unepfi.org
- UK Social Investment Forum - www.uksif.org
- FairPensions - www.fairpensions.org.uk

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