

7th International Sustainability Leadership Symposium 2006 Workshops 1: "Drivers for (Un)Sustainable Returns."

D: Making Best Use of the Right Information

Participants

Moderator: Angela de Wolff, Head of SRI, Lombard Darier Odier Hentsch

Commentator: Hans C. Steckling, Chairman & CEO, HCS-Consulting

Keynote: Peter Ohnemus, Chairman & CEO, ASSET4
Dominique Habegger, VP of Research, ASSET4



Knowing. Not guessing.

Agenda

- Company overview
- Framework overview
- Making intangibles tangible and quantitative
- Data and long-term relationships
- Long-term oriented valuation models

Peter Ohnemus

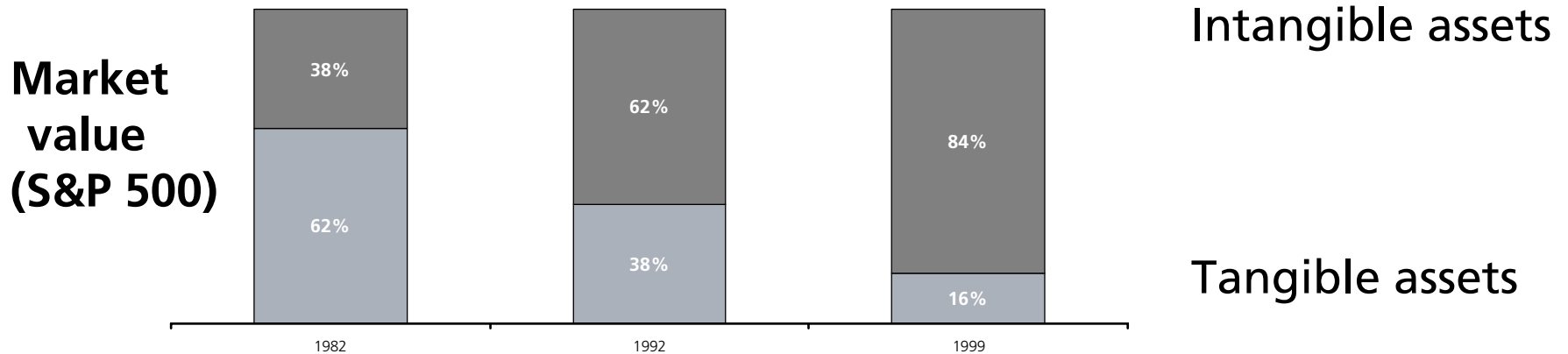
Dominique Habegger

The Integrated Information Provider

Headquarter	ASSET4 AG, Zug Switzerland
Employees	140
Offices	Zug (CH), Denmark (DK), Mauritius (MU), India (IN), New York (US), London (UK as of 1 Sep 2006)
Management (Zug)	Peter Ohnemus, CEO Henrik Steffensen, Marketing Wolfgang Kreft, Sales Dominique Habegger, Research Erik Troelsen, Technology Fabrice Fayd'herbe de Maudave, Data Service Ted Yarnell, VP of the Americas
Founded	August 2003
Shareholders	High Net Worth Individuals and Goldman Sachs
Products	<i>assetmasterProfessional, assetmasterExecutive</i>
Market	Financial Institutions (Buy-Side, Sell-Side Research, Asset Management, Quant, Risk, Marketing & Reporting) Insurance Houses, Pensions Funds, Specialized Funds, Corporations
Partners	International Institute for Management Development (IMD), GOE / Swiss Federal Institute of Technology (ETH); Copenhagen Business School (CBS)
Suppliers	Thomson Financial (financial data), LexisNexis (5000 news sources)
Business statement	ASSET4 is the world's leading provider of comprehensive, integrated and transparent financial and extra-financial, which is essential to understanding and managing the long-term performance and risk profile of today's corporations. The ASSET4 IntegratedRating™ framework supported by 120+ analysts, offers investment professionals the data and tools necessary to track, analyse and benchmark the practices and performances of their portfolios, funds and companies. By monitoring over 250 specific economic, environmental, social and governance factors, the ASSET4 System provides users a broad and integrated perspective of corporate performance.



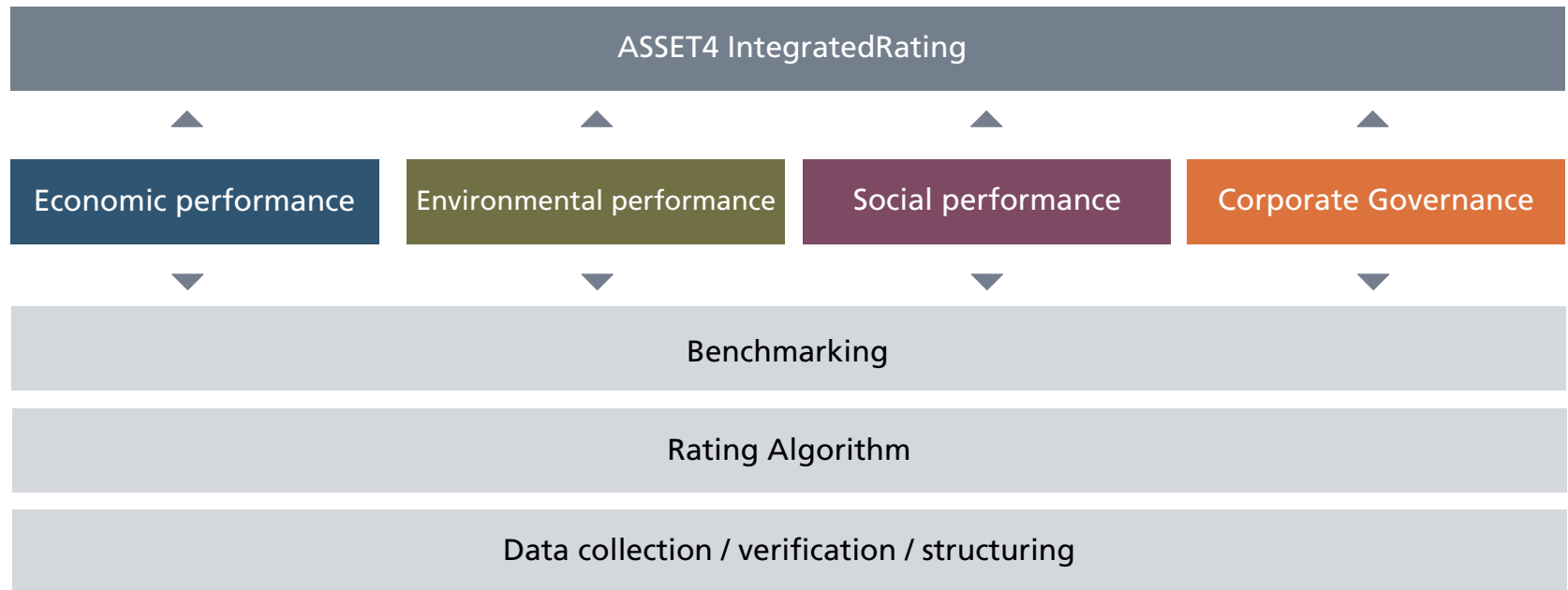
Intangible Assets as Key Drivers of Market Value



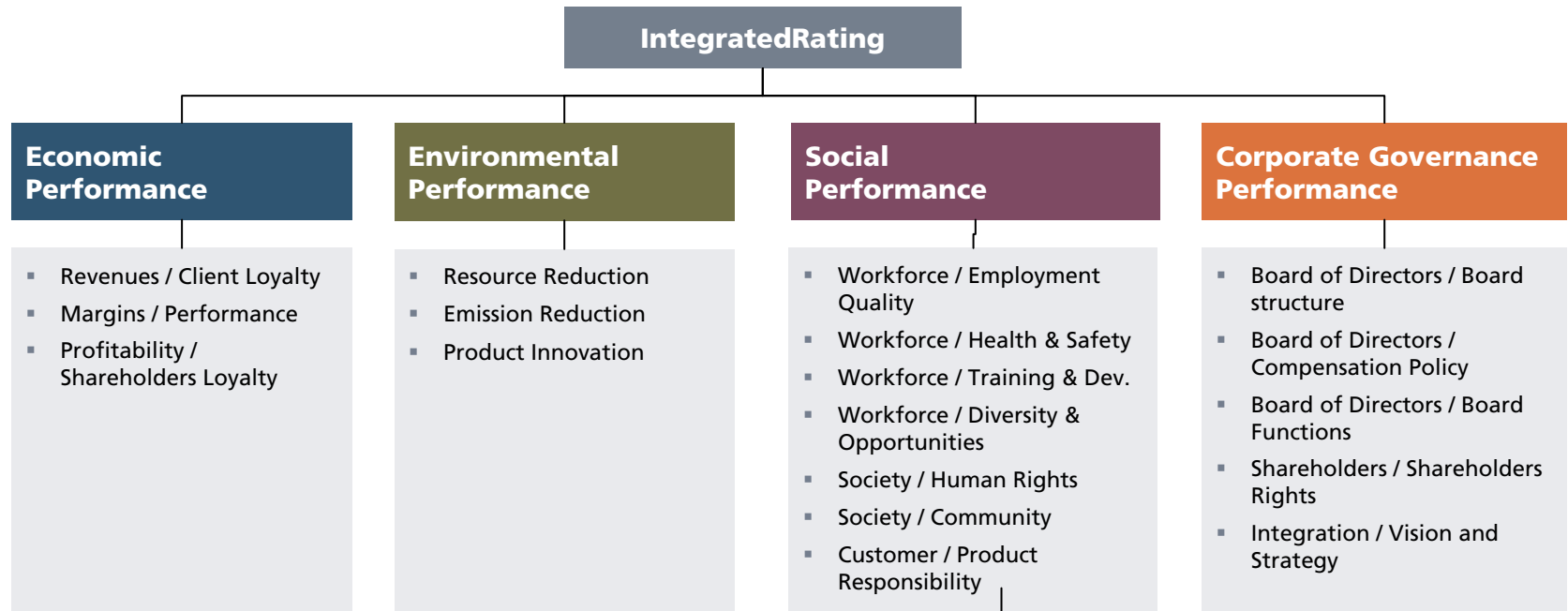
Source: Juergen H Dalum, *Intangible Assets and Value Creation*, John Wiley & Sons, 2002

Structuring the Data. From Extra-Financial Chaos to 4 Pillars

ASSET4 Offering



ASSET4 Framework of 18 Categories



Example

- The customer/product responsibility category measures a company's management commitment and effectiveness towards creating value-added products and services upholding the customer's security. It reflects a company's capacity to maintain its license to operate by producing quality goods and services integrating the customer's health and safety, and preserving its integrity and privacy also through accurate product information and labeling.

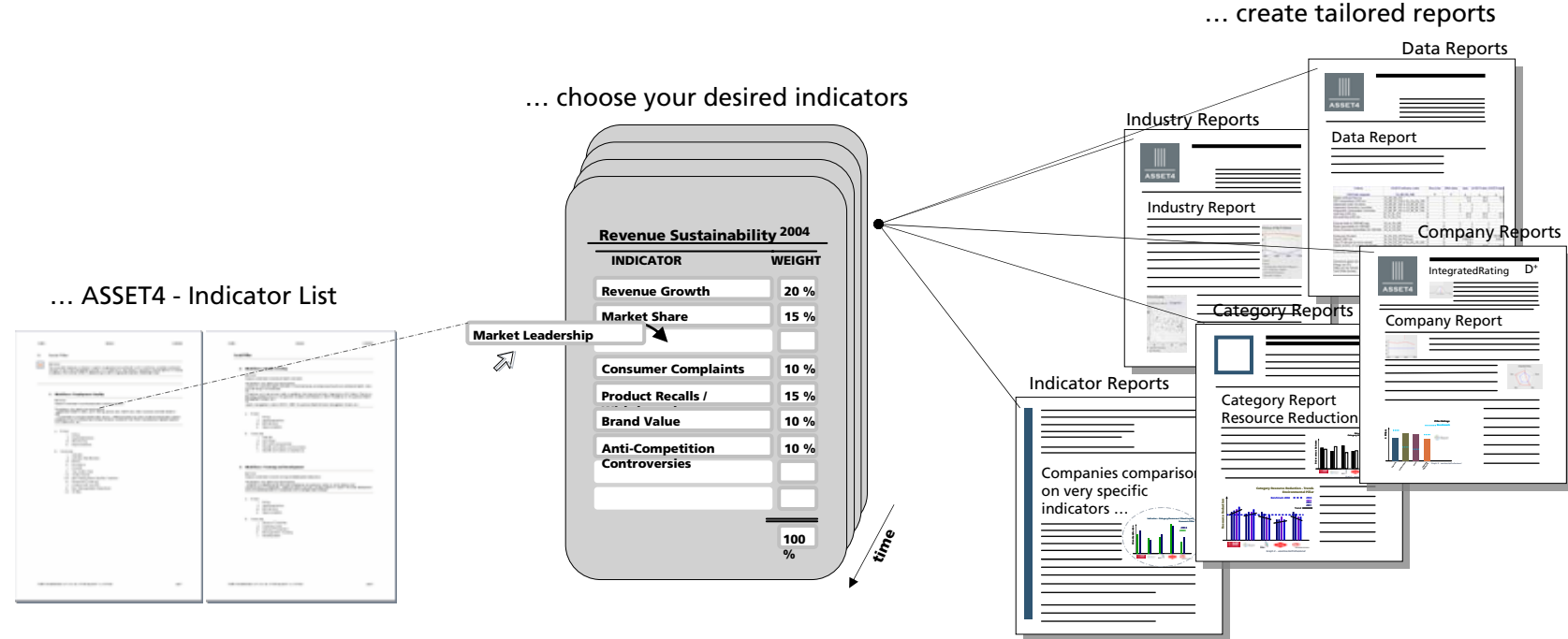
Build Tailor Made Frameworks

My Ratings

- The ASSET4 *assetmasterProfessional* solution allows building multiple personal ratings, such as management ratings, industry specific ratings, risks ratings by selecting and weighting any item from the indicator list

My Reports

- *assetmasterProfessional 2.4* will enable our users to define their own exporting formats (spreadsheets, or pdf reports)
- ASSET4 enables the generation of individually designed reports according to your needs (tables, graphs, data, etc.)
- With *assetmasterProfessional*, tailor made company reports and newsletters can be designed and automated to meet your clients' reporting expectations



ASSET4 Indicators

Indicator features

- Indicators are objective, quantifiable and comparable questions
- Indicator can contain multiple questions
- There are currently 278 indicators with 350 questions
- 25% industry specific and 75% generic indicators
- New indicators will be added when at least 20% of relevant companies report on it

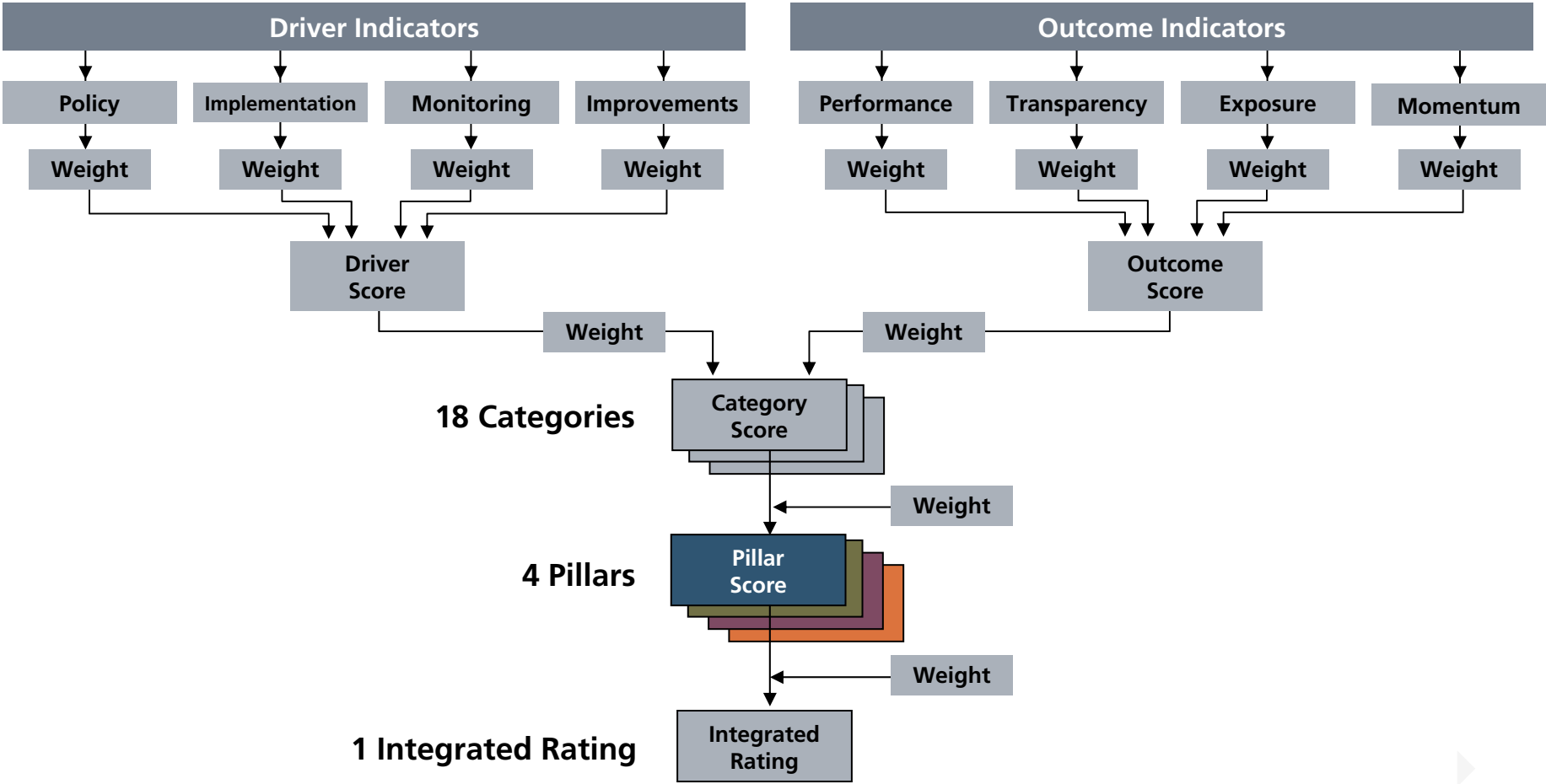
Driver indicators

- Driver indicators provide information on management quality, by looking at the different policies, means of implementation and control mechanisms a corporation has in place. They are lead indicators forecasting future outcome
- Driver indicators assess the existence and quality of specific management systems with multiple yes/no questions (Yes/1; No/0)
- There are $4 \times 18 = 72$ driver indicators

Outcome indicators

- Outcome indicators give a picture of actual performance, performance improvements, transparency and areas with higher than average risk exposure.
- Outcome indicators are assessed via information from the companies themselves, the media, various stakeholders and official publications
- The 206 outcome indicators are dependent on the availability of the information but at least 40% are always answered in any industry

Putting It All Together



Weighted ASSET4 Algorithm Focus: Corporate Governance

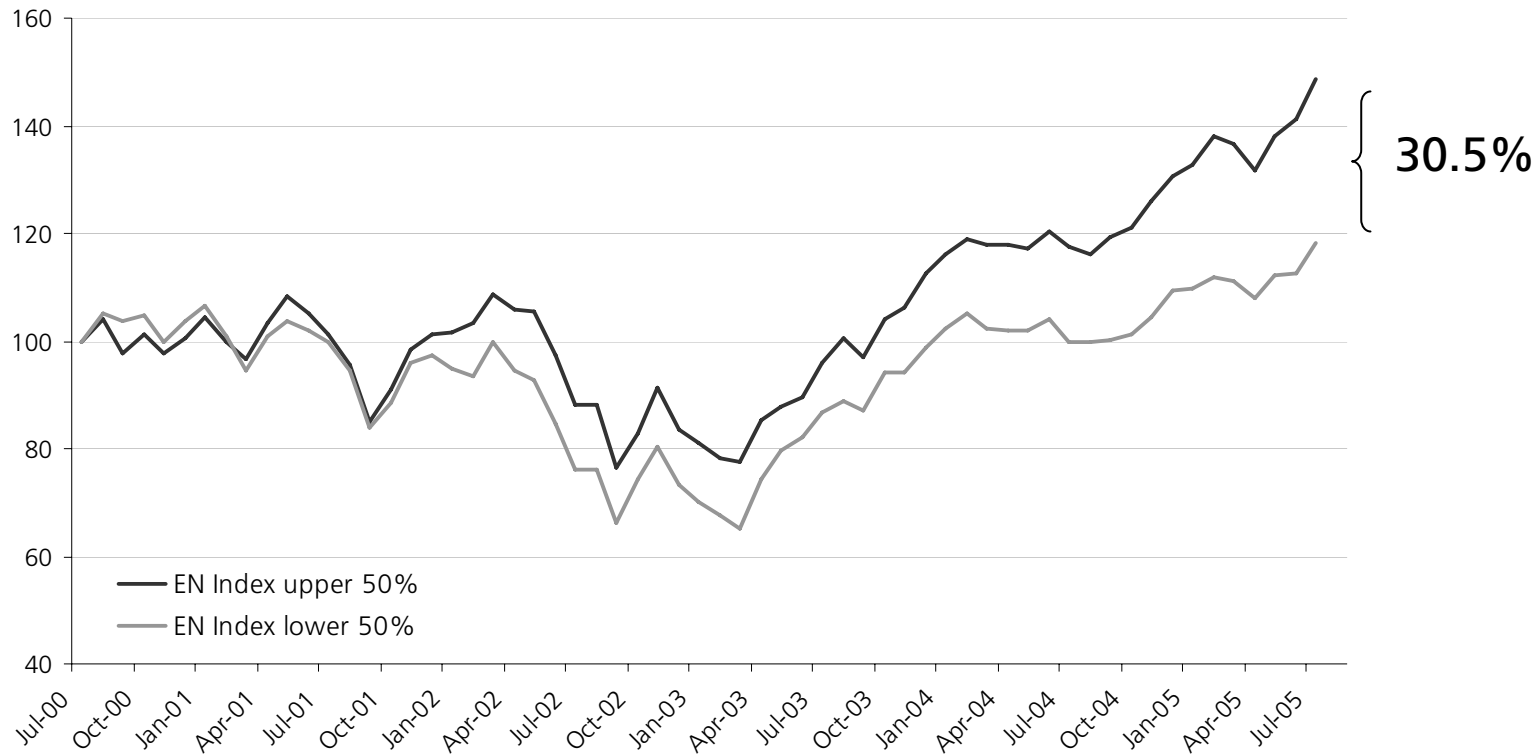
Price Returns EUR (in %)



Most important aspects: shareholders rights, board structures and functions

Weighted ASSET4 Pillar Indices Environmental Pillar

Price Returns EUR (in %)

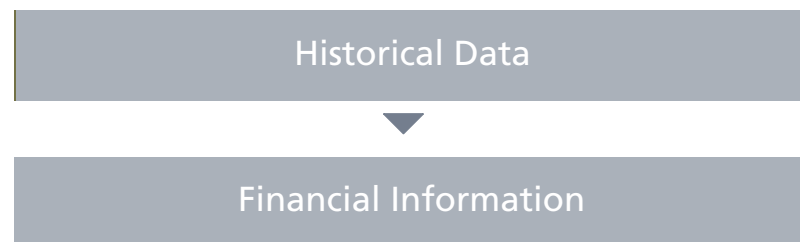


Most important aspects: product innovation, emission reduction

Research Analysis Time Horizon As Key Factor

Traditional approach

Based on historical financial data



Emerging approach

Focus and analysis of current / future risks / opportunities



Summary: How to Complement Traditional Valuation Models

- ESG (Environmental, Social, Governance) data help investors get a more complete overview of corporate performance and potential for long-term value creation and risk.
- The decisive data for long-term value creation clearly varies by country and sector, and is changing over time – therefore a broad range of data points should be monitored.
- ESG driven investment can be optimised by applying country, sector and theme specific approaches: i.e. focus on human resources in pharmaceutical and financial sectors, climate change in manufacturing, energy and transportation or sector independent issues like litigation risk and good corporate governance.

Summary: How to Complement Traditional Valuation Models

- Like financial information, the value and impact of ESG data can be better understood by comparing peer data in an objective and systematic way.
- ESG driven investment models are not replacing but complementing existing valuation models.
- Market pressure for new innovative investment products: Quant products are high margin products with strong growth - investment managers are seeing falling margins in classic investment products caused by pressure from ETF products.