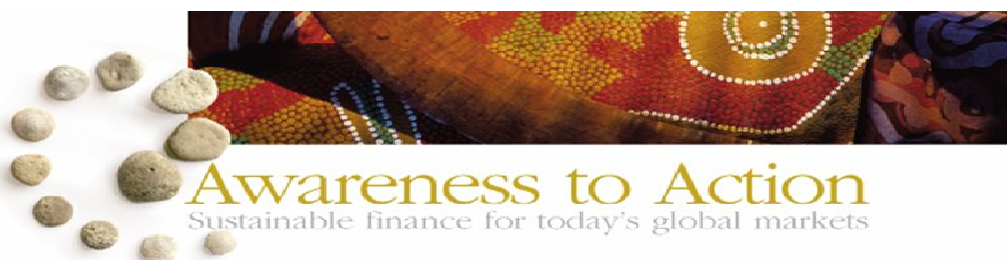


Session Summary

DAY 1 Wednesday 24 October	
Session Details	Workshop 1.3.2 “Performance, Performance, Performance; The Power of Responsible Investment ” 11:15am – 12:45pm
Speakers	<ul style="list-style-type: none"> • Xavier Desmadryl, Global Head of SRI Research, HSBC Investments • Jean Philippe Desmartin, Head of SRI Research, Oddo Securities • Jane Ambachtsheer, Principal, Global Head of Responsible Investment, Mercer • Dr. Hendrik Garz, Executive Director, West LB AG • Masahiro Kato, Senior Manager, Mitsubishi UFJ Trust and Banking Corporation • Dr. Darren Lee, Lecturer in Finance, University of Queensland, Business School • Gianluca Manca, Head of Global SRI Equities, Fund Manager, Eurizon Capital • Moderator: Mary Jane Mc Quillen, Director, Social Awareness Investments-Clear Bridge Advisors.
Notable Highlights	<ul style="list-style-type: none"> • Release of the HSBC sponsored Performance report
“Performance, Performance, Performance; The Power of Responsible Investment ”	
<p>The session ‘Performance, Performance, Performance; the Power of Responsible Investment’ featured eight speakers from around Europe, Asia, Australia, the United States and Canada.</p> <p>The Session also saw the launch of the HSBC sponsored performance report ‘Demystifying Responsible Investment Performance’, a review of key academic and broker research on Environmental, Social and Governance – ESG – factors.</p> <p>The report - the product of a the UNEP FI’s Asset Management Working Group and Mercer – examined twenty academic studies and ten broker studies, covering a range of varied research methods, regions and approaches in order to shed light on the myth that responsible investment automatically leads to underperformance.</p>	

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“The report took eight months, only slightly shorter than a human gestation, but still a very difficult task,” said Jane Ambachtsheer, Principal of the Global Head of Responsible Investment, Mercer.

The report found that the idea that responsible investment leads to underperformance is a misconception, and that various factors such as managerial skills, investment style and time period are all integral to investment performance.

Evidence suggests that there appears to be no detrimental effect on performance from taking ESG factors into account in the investment management process. Ambachtsheer also noted that the academic studies presented ten positive, seven neutral, and three negative overall findings.

Speaking on the second component of the report, Xavier Desmadryl (Global Head of SRI Research, HSBC Investments) noted that broker studies tend to comprise primarily of thematic research, looking at emerging trends and themes, such as alternative energies and climate change.

“The object of such studies is to give advice on investments. These studies prove that there is no ‘evil curse’, that ESG considerations do not destroy investments,” said Desmadryl. “Overall, conclusions are fairly positive – ESG is not detrimental to performance, and in fact could be beneficial to performance,” he said. Desmadryl also noted that more rigorous quantitative research in the field of ESG is necessary.

Eurizon Capital Fund Manager Gianluca Manca, Head of Global SRI Equities, spoke of the difficulties companies have in putting in perspective the ‘efforts of today for the benefits of tomorrow.’ “While it is generally accepted that ESG issues have a material impact on companies’ valuations, there does not yet seem to be a unique way to determine the value of such impact,” said Manca.

“The pursuit of profit continues to override the ESG consideration,” he said. Manca also showed some examples of new methodology that can be used to calculate brand values, taking into account ESG factors.

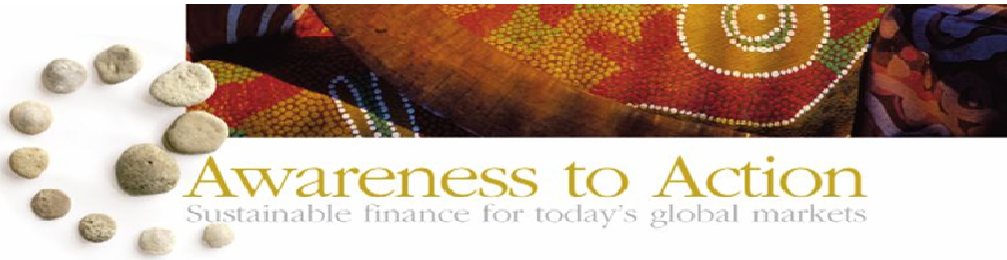
Jean Philippe Desmartin, Head of SRI Research, Oddo Securities, discussed how he would integrate ESG research into his evaluation models. “Many investors have a ‘one day/one loss’ view – it is a real revolution to talk about even one year, and 25 years,” he said.

Desmartin spoke of the three evaluation methods he uses when learning from new research – ESG Key Performance Indicators, ESG events, and monetary value (both top and bottom line). “Links to academic research are very important, and we need more and more relevant and consolidated data from companies,” said Desmartin.

Professor Darren Lee, Lecturer in Finance at the University of Queensland Business School, also highlighted the ‘massive difference’ between Ethical Investing and ESG Investing, saying that if ESG is to be adopted and embraced in the community, this distinction needs to be highlighted. “Rest assured – if you have a well diversified portfolio, you will get good returns,” said Lee.

Speaking on behalf of Mitsubishi UFJ Trust and Banking Corporation, Senior Manager Masahiro Kato gave the Session a view from Japan on ‘what is responsible investment?’, stating that in his view,

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ESG consideration does not hurt performance.

Dr Hendrik Garz, Executive Director of West LB AG, described the materiality – a ‘very abstract concept’ – of ESG factors, saying that while it is incredibly hard to deliver concrete proof of ESG performance, he believes that it is not absolutely necessary to do so.

“The most efficient approach to changing behaviour is education. ESG education is underrepresented at universities, but the next generation needs the philosophy and the tools of ESG being taught to them,” said Garz.

The focus of the remainder of the session turned rapidly to education, with the majority of questions focusing on the need, demand and logistics of ESG education around the world. “In many places, elite schools are the only ones so far to really look at ESG, but it’s necessary to have it on a broader base, so that every teacher, every professor, can integrate it into their general teachings,” said Garz.