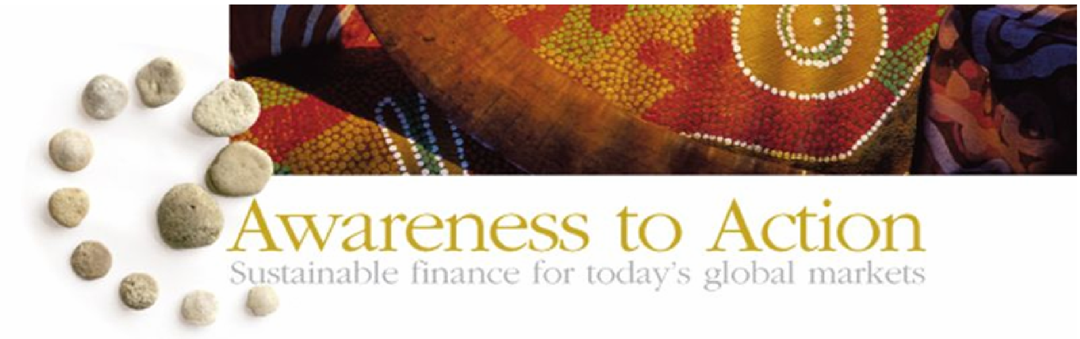
UNEP FI Global Roundtable
24-25 October 2007, Melbourne Park Function Centre



<table>
<tr><td colspan="2">DAY 1
Wednesday 24 October</td></tr>
<tr><td>Session Details</td><td>Open Debate Series 1.4.2

“Wall Street Gets on Board: Climate Change and Investment “

14.15- 15.30</td></tr>
<tr><td>Speakers</td><td>• Elaine Prior, Director / Senior Analyst, Citigroup Investment Research
• Andrew Gray, Executive Director, ESG Research, Goldman Sachs JBWere
• Anne-Maree O'Connor, Head of Responsible Investment, New Zealand Superannuation Fund
• Mary Jane McQuillen, Director, Social Awareness Investment, ClearBridge Advisors

• Moderator: Leo Johnson, Co-Founder and Partner, Sustainable Finance</td></tr>
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The session began with a discussion about the current understanding of climate change in the market and the view that there seems to be a degree of skepticism out there that climate change effects are material to company performance. Clients seem to listen to the discussion about the effects of climate change on investment performance, but still continue to worry about short-term performance rather than the long-term sustainability of companies. There is some challenge in getting both the asset owners and asset managers to take climate change into account in their decision-making.

It was noted that there also appears to be an apparent disconnect between the longer-term issue of climate change compared with the short-term judgments that a lot of asset managers make. Very few fund managers currently understand the implications of climate change on their investments and what the acronym ESG actually means (Environmental, Social and Governance). Substantial challenges remain and for ESG issues to be truly mainstream, they need to relate directly to investment returns.

In the USA, mainstream investment firms are increasingly including ESG options in the menu of options for their clients. Asset owners are asking more and more about these issues and the types of investments available, saying: “I think I’d like to consider them, but I’m just not sure how”.

Globally, the increase in interest has been both dramatic and evolutionary. In New York, for example, the New York Society of Security Analysts (one of the largest analyst membership groups in the world) strives to educate security analysts on climate change issues. One of the Society’s most active committees is that which looks at ESG issues, because the fund managers want to learn about them

and not be “outside the ballpark”.

In effect, there is a feedback loop in place. More and more research is proving that ESG factors can be material, and more and more asset owners are starting to consider extra-financial criteria in their investments. The New Zealand Superannuation Fund, for example, is looking at how it can integrate climate change into its everyday business and how to link climate change issues to its fiduciary responsibilities and mandate. It was pointed out that it is difficult for a Trustee or Board to act if it doesn’t believe climate change is central to its mandate. It is important for an investment company to look at how the issue of climate change is integrated into an investment managers’ due diligence process and its mandates.

From an investor’s point of view, one of the first things a fund manager needs to be asked is: “Do you have an investment policy statement?” as there is not always transparency in how ESG issues are implemented by fund managers. Some managers may just say, “yes” to secure the mandate, even if they don’t know what this means. Clients should read these policy statements to understand how ESG issues are addressed. Then the fund manager’s track record should be examined. i.e. is its ESG research done in-house or is it outsourced? Does the investment manager collaborate with other organizations? In New York, for example, SIRAN (the Social Investment Research Analysts Network) works to keep managers operating to best practice.

Fund managers should also be asked how ESG issues are linked to financial returns. For example, how do you measure a company’s exposure to these factors? How do you communicate with companies on these issues? Also ask how integrated is your ESG analysis with your broad investment processes. The idea behind ESG is not creating a new investment discipline – it’s about improving the quality of an investment decision that already exists.

Asset managers should be engaging with companies and broking analysts on climate change specifics – for example, asking analysts how the physical impacts of climate change may affect a specific company (such as exposure to more storm activity, or changes in consumer demand). Well-informed asset managers should have an understanding of the detailed exposure of individual companies. What is most relevant to each company varies with the nature of their business.

The panel was asked who was at fault for the slow take-up of ESG in the investment value chain. Was it the fault of - Research? Sales? Asset Owners? Philosophy? Investment Consulting? Government? The loose consensus was “all of the above”.

Investment institutions need to understand that climate change issues are within their fiduciary duty to consider before they will have a conversation with their asset managers about it. The challenge is to

communicate the urgency of the issue to the asset manager – every sector could be affected by climate change or carbon risk – and so research and feedback from the sales side is so important.

Fund managers need to be open minded and need to be prepared to adjust their processes when the evidence points them to do so. If they are presented with evidence that ESG improves the outcome of the fund, they should incorporate it in the investment process and not put it in the "too hard" basket.

Much data already exists on this and fund managers should use this data to look at things like various carbon trading markets around the world and use it to determine a company's risk exposure.

The panel agreed that all parts of the supply chain should encourage companies to provide more data. The Carbon Disclosure Project is an excellent start, although there are still a lot of data gaps in the Australian market on company carbon emissions.

At present, carbon trading is relatively "invisible" in the economic system and therefore invisible to the investment decision. And in a practical sense, the level of emission is irrelevant – it is the price that is relevant.

The panel agreed that there needs to be a sense of urgency to the debate. "It would simplify things enormously to have a significant carbon price set, which would avoid all the time presently spent philosophizing about the issue." The Australian investment community is well placed to make ESG incorporated investment recommendations, but at the moment it does not know how to quantify them in terms of an annual earnings profile, because of the lack of a carbon trading scheme in Australia.

The panel revealed that in the USA, a recent poll found that 90% of Democrats and 75% of Republicans do believe that global warning exists. At the same time, 63% of Americans believe that environmental issues and climate change should be taken just as seriously as terrorism.

It is already possible to say that investing in good governance has generated 30% excess return in the Australian market over the last five years. There are products that integrate ESG analysis into a client's portfolio, alongside traditional portfolio analysis. The panel agreed on the need to integrate the investment principle that ESG issues can impact long-term shareholder value.

The panel said that the financial investment community needs to build a stronger case for ESG - "we need to look longer-term at how climate change will impact investment portfolios and our strategic asset allocation. There is a lot of work that the investment community and asset mangers can do together. Work that must be done".