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At the ExxonMobil AGM on May 26th, a revealing exchange took place between Lee Raymond, ExxonMobil chairman and CEO, and Dale McCormick, the Treasurer of Maine. When Mr. McCormick asked a question about how the company's accounts for liabilities related to climate change related to climate change regulations on its balance sheet, Mr. Raymond to all intents and purposes laughed the question off. When pressed, he replied: "The potential liabilities of climate change are neither likely nor can they be estimated."

Those of us in asset management around this table who are members of the UNEP FI believe that Raymond is wrong to be dismissive and McCormick is right to ask the question—climate change risks, other environmental risks, social risks, workplace risks, relations with society do count and are increasingly becoming reflected in equity pricing. The decisions of institutional investment managers like us make that so.

The question is not if environmental, social and corporate governance considerations (ESCG) are material but rather when, under what conditions, by how much, the timing, and what the appropriate corporate response is.

In the UNEP FI Asset Management Working Group we are 12 asset management companies with diverse ways of incorporating ESCG into portfolio composition, into engagement with companies and into fundamental company analysis. We'd like to share some of our perspectives with you, listen to you, and have a dialogue about this from the point of view of professionals in companies that manage over 1500 billion dollars.

There are a number of serious issues having to do with ESCG:

- Excessive claims as to effectiveness of the approach from SRI activists,
- Risks are exaggerated,
- Opportunities are too.

Insofar as socially responsible investment (SRI) claims are exaggerated and a reductionistic argument for the efficacy of SRI is made, the argument falls flat on its face-- if ESCG company ranking were sufficiently predictive of equity performance we would not need fundamental company analysis. **In fact, ESCG is a way of enriching, adding insight and perspective to traditional equity analysis, and of increasing the confidence or forcing questions about its conclusions...it is no substitute.**

One thing we have all felt lacking is sufficiently robust analytic insight into ESCG matters from our broker analysts. So a year ago we decided to do something about this and established a project to invite our brokers to do specific research to be shared with the public by way of special reports.

- We suggested what we found relevant but left it up to the brokers to decide on the particular criteria of relevance in their sector of analysis

- We took upon ourselves to review, summarize and interpret the findings
- We committed ourselves and our brokers to distribute and disseminate the findings
- You, some of Europe's major pension funds, are our first audience, representing as you do our most important client base.
- We are organized collegially, and work through monthly conference calls, yearly gathering, e mails, phone calls
- We have the support of a capable professional secretariat.

My name is Carlos Joly, I am an institutional investment manager and have been the initiator of Storebrand Investments' practice to integrate ESCG into portfolio management; I am co-chair of the AMWG, co-founder of the UNEP Insurance Industry Initiative, and am on the UNEP FI Steering Committee. My friend Vincent Zeller, CIO of Groupama Asset Management and co-chair of the AMWG will now proceed to make the introductions and with the agenda.

Thank you for joining us today and we look forward to a day of challenging discussions with you.