



**MORLEY**  
Fund Management

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Morley Fund Management  
Socially Responsible Investment**

**13 March 2002**



**Philosophy**

Investment Process

Engagement



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**Maximise Investment Returns**

**Arrest Environmental Destruction**

**Prevent Social Injustice**



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**The economy doesn't add up**



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# The economy doesn't add up

**'Rather than living off the world's natural interest, we are now eating the world's natural capital.'**

***Julian Peck - Sustainable Policy Investment Policy Officer,  
WWF\****

\*October 2000



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# Insightful Investment

## Conventional

Low Tech  
Inefficient  
Polluting

## Energy



## Water

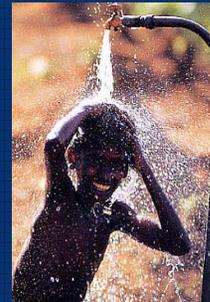
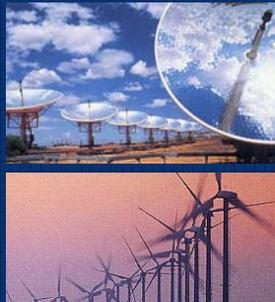


## Waste



## Alternative

Hi Tech  
More efficient  
Cleaner





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# Insightful Investment

## Drivers

- Oil price and security of supply
- Low reliability of grid power
- Power deregulation
- Pollution and global warming policy
- Zero emission vehicles targets

Source: Dresdner Kleinwort Wasserstein

## Alternative Energy Market (2001)

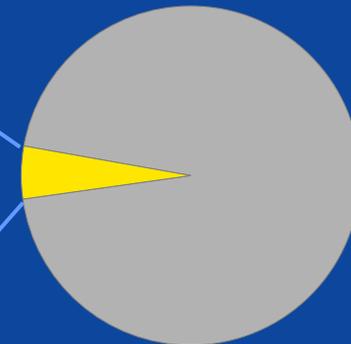
US\$ 6.0 billion



**CAGR = 25-35%**

## Power Generation Market (2001)

>US\$ 75 billion



- ▶ Transportation market potential US\$ 120 bn
- ▶ Energy efficiency market (US) US \$30 bn



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# Insightful Investment

## Drivers

- Rising waste volumes
- Liberalisation
- Landfill and Packaging directives
- Planning Restrictions
- Pollution Laws

Source: Dresdner Kleinwort Wasserstein

## Waste Technology Market (2001)

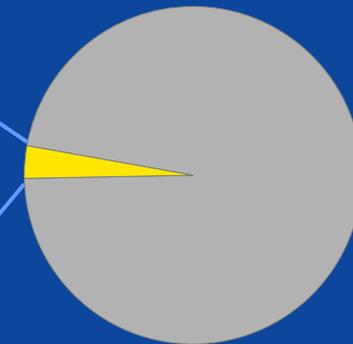
US\$ 0.75 billion



**CAGR = 45-55%**

## Waste Disposal & Recycling Market (2001)

US\$ 50 billion



► Resource management (incl. Environmental consultancy) markets - US\$ 55 billion



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## Blinkered Investment

- **Reputation/brand (25% of world's financial wealth)\***

**“It takes 20 years to build a reputation and five minutes to ruin it”~**

*Warren Buffet*

\*Source: Interbrand September  
2001

~Source: Economist March 2001





# How We Rate Companies - Sustainability Matrix

ESG	A	Vestas	GSK	Tanberg	Elektro	
		AT&T	CGNU	Vivendi	Reuters	
			Sony	Danske Bank		
		Henkel	Shell	BHP Billiton		
	E			BAT	Imperial Tobacco	
		G	H	I	J	K

ESG Rating: A, B, C, D, E, F, G, H, I, J, K

### Business Sustainability grading:

- A:** Core business is sustainability solution
- E:** Business is fundamentally in conflict with sustainable development

### Management Vision & Strategy Grading:

- 1:** Excellent - clear vision of sustainable development and actively working to achieve it
- 5:** Poor - company is hostile to the concept of corporate social responsibility



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# Engagement

- Adding shareholder value
  - Climate change
  - Toxics



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# Engagement

## Morley Corporate Governance

### Disclosure

- Industry-leading voting policy
- Opinion formers:

SRI Forum

ABI Guidelines

EU CSR Green Paper

# Top companies under pressure on environment

By Alex Skorecki

Public companies will come under increased pressure to focus on their impact on the environment following the announcement of a new policy by a leading UK fund manager.

Morley Fund Management, which manages £100bn of assets including the equivalent of 2.5 per cent of the UK stock market, will in future vote against the annual accounts of the top 100 companies unless they include an environmental report.

Morley, owned by C&G, the biggest UK insurer, says it will expect to see a "comp

committee, a successor to the Cadbury, Greenbury and Hampel corporate governance bodies. Turnbull introduced guidelines for risk management that extended to environmental risk.

Secondly, a new law has obliged pension funds to disclose in their annual reports whether they are taking into account environmental, social and ethical considerations when they make investments.

Pension funds in turn have put pressure on their fund managers to focus on environmental factors, not only

Financial Times April 2001



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# Notes

Except where stated as otherwise, the source of all information is Morley Fund Management as at 31st December 2001.

Past performance is not a guide to the future.

The value of a fund and the income from it may go down as well as up, and the investor may not get back the original amount invested.

Where funds are invested in property, you may not be able to switch or cash in your investment when you want because property in the Fund may not always be readily saleable. If this is the case we may defer your request to switch or cash in your units. You should also bear in mind that the valuation of property is generally a matter of valuers' opinion rather than fact.

The future returns and opinions expressed are based on Morley Fund Management internal forecasts and should not be relied upon as indicating any guarantee of return for a Morley Fund Management investment.

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