Keith Jones Managing Director
Morley Fund Management
Socially Responsible Investment

13 March 2002
Maximise Investment Returns
Arrest Environmental Destruction
Prevent Social Injustice
The economy doesn’t add up
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
Insightful Investment

**Conventional**
- Low Tech
- Inefficient
- Polluting

**Energy**

**Water**

**Waste**

**Alternative**
- Hi Tech
- More efficient
- Cleaner
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

US$ 6.0 billion

CAGR = 25-35%

Power Generation Market (2001)
>US$ 75 billion

Source: Dresdner Kleinwort Wasserstein

- Transportation market potential US$ 120 bn
- Energy efficiency market (US) US $30 bn
Insightful Investment

Drivers

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

Waste Technology Market (2001)
US$ 0.75 billion

US$ 50 billion

CAGR = 45-55%

Source: Dresdner Kleinwort Wasserstein

Resource management (incl. Environmental consultancy) markets - US$ 55 billion
Blinkered Investment

● Reputation/brand (25% of world’s financial wealth)*

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

*Source: Interbrand September 2001
~Source: Economist March 2001
Blinkered Investment
Risk of ignoring sustainable development

Source: DATASTREAM  24/02/02
### How We Rate Companies - Sustainability Matrix

<table>
<thead>
<tr>
<th>Business Sustainability grading:</th>
<th>Management Vision &amp; Strategy Grading:</th>
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</thead>
<tbody>
<tr>
<td><strong>A:</strong> Core business is sustainability solution</td>
<td><strong>1:</strong> Excellent - clear vision of sustainable development and actively working to achieve it</td>
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<tr>
<td><strong>E:</strong> Business is fundamentally in conflict with sustainable development</td>
<td><strong>5:</strong> Poor - company is hostile to the concept of corporate social responsibility</td>
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#### 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

**Note**: The information contained within this document should not be construed as a recommendation to purchase or sell stocks.
Engagement

- Adding shareholder value
  - Climate change
  - Toxics
Engagement
Morley Corporate Governance

Disclosure
- Industry-leading voting policy
- Opinion formers:
  - SRI Forum
  - ABI Guidelines
  - EU CSR Green Paper

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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 £10bn 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 CNOA, the biggest UK insurer, says it will expect to see a "corporate committee, a successor to the Cadbury, Greenbury and Hampel corporate governance bodies. Turnbull introduced guidelines for risk management that extended to environmental risk.

Secondly, the 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 those factors. Only then...
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.

Philosophy
Investment Process
Engagement