

Shifting money to green companies:

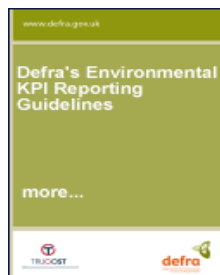
How to make it possible?

Deeti Vyas
November 20th, 2009

About Trucost



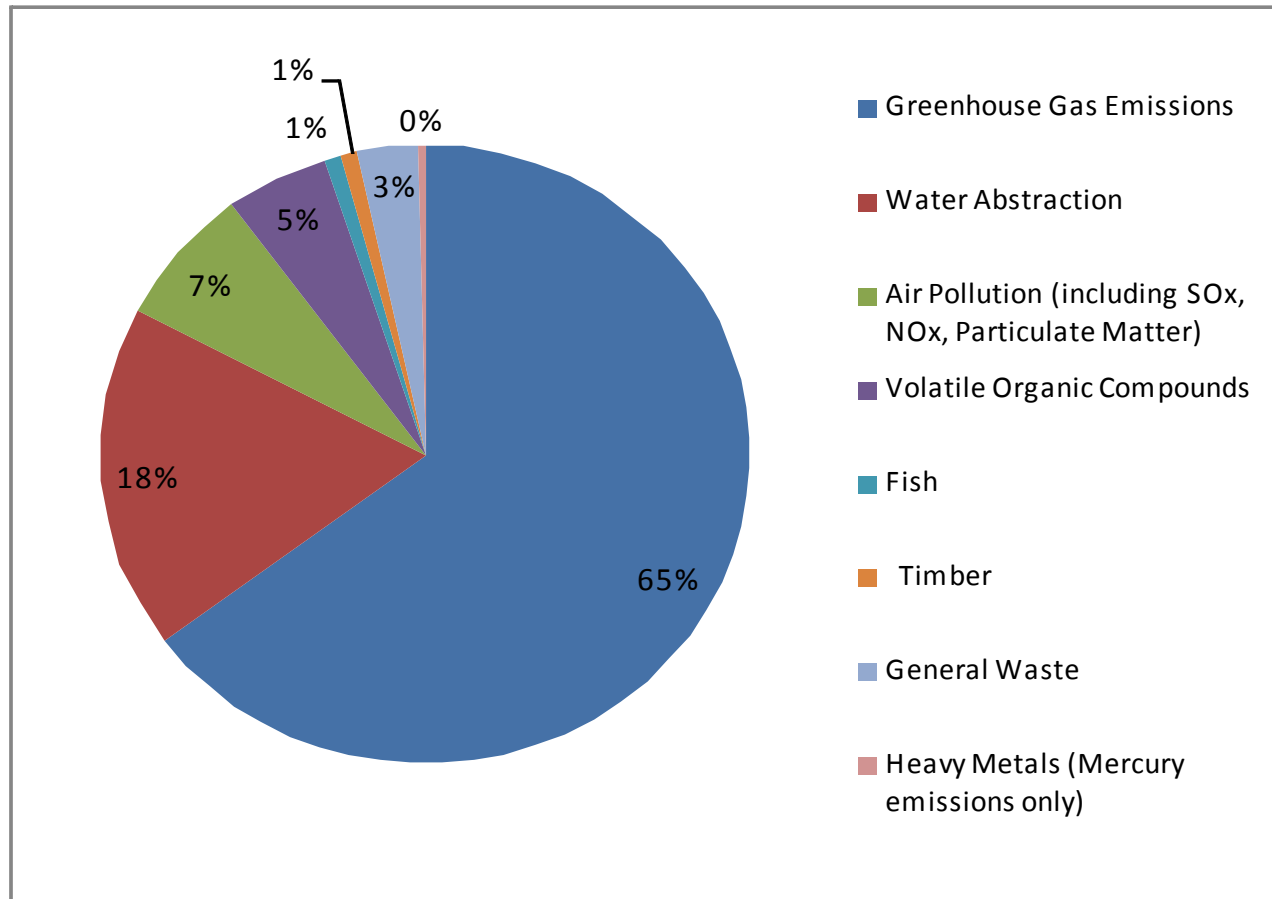
- Global environmental data company with 10 years experience
- Research and maintain the world's most comprehensive data on corporate environmental impacts, covering the major investment indices
- Collect, standardise and validate company disclosed data
- Complete data gaps using advanced profiling techniques
- Research provider



- Environmental externalities – why do they matter?
- Challenges in evaluating company environmental performance
- Trucost approach to overcoming these challenges
- How the research is used by investors
 - Engagement
 - Portfolio Analysis
 - Integration into Investment

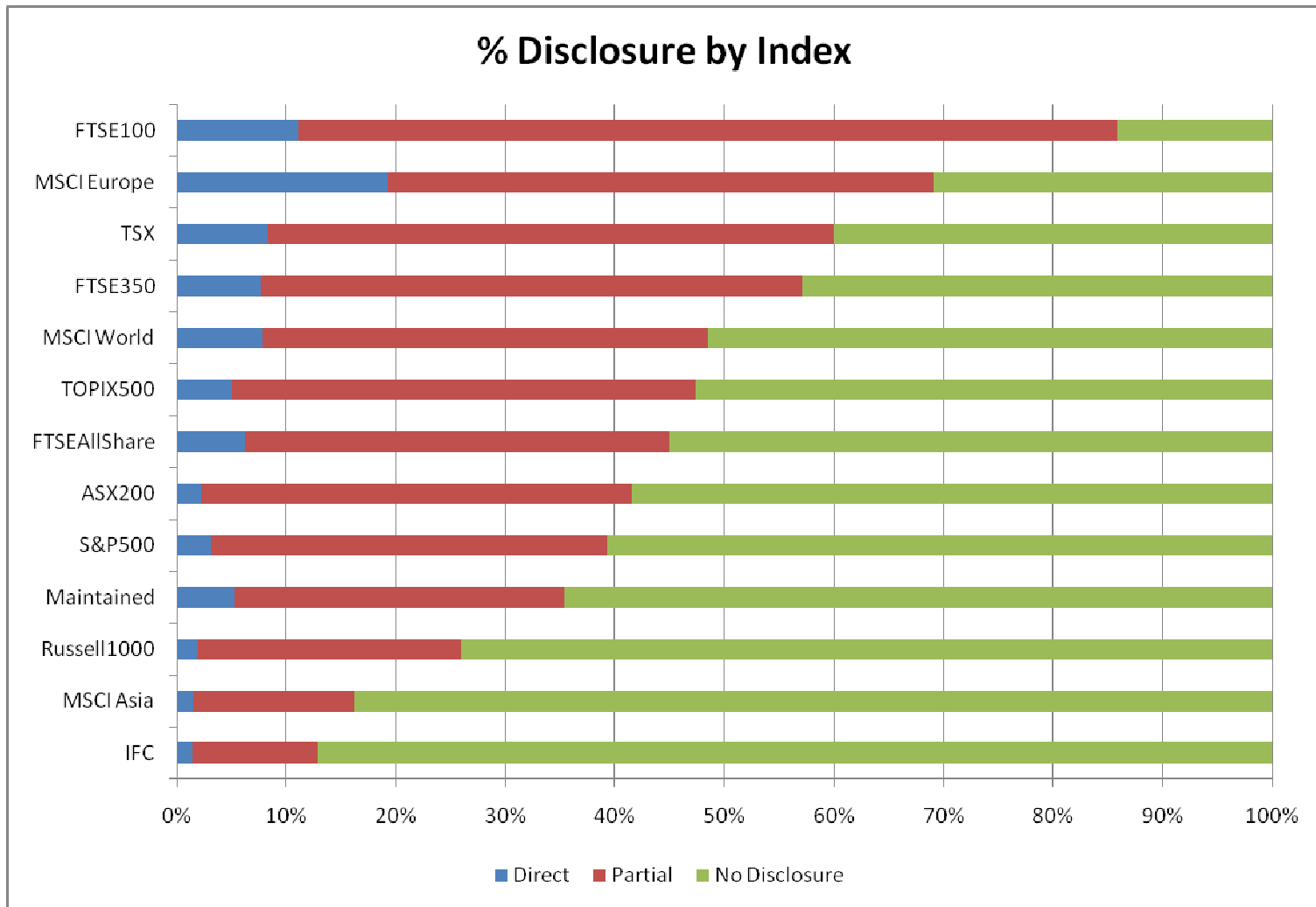
Major Global Environmental Externalities

- 65% of global environmental externalities arise from greenhouse gas emissions
- Water abstraction and air pollution are also major externalities causing 25% of global external cost



Challenges investors face

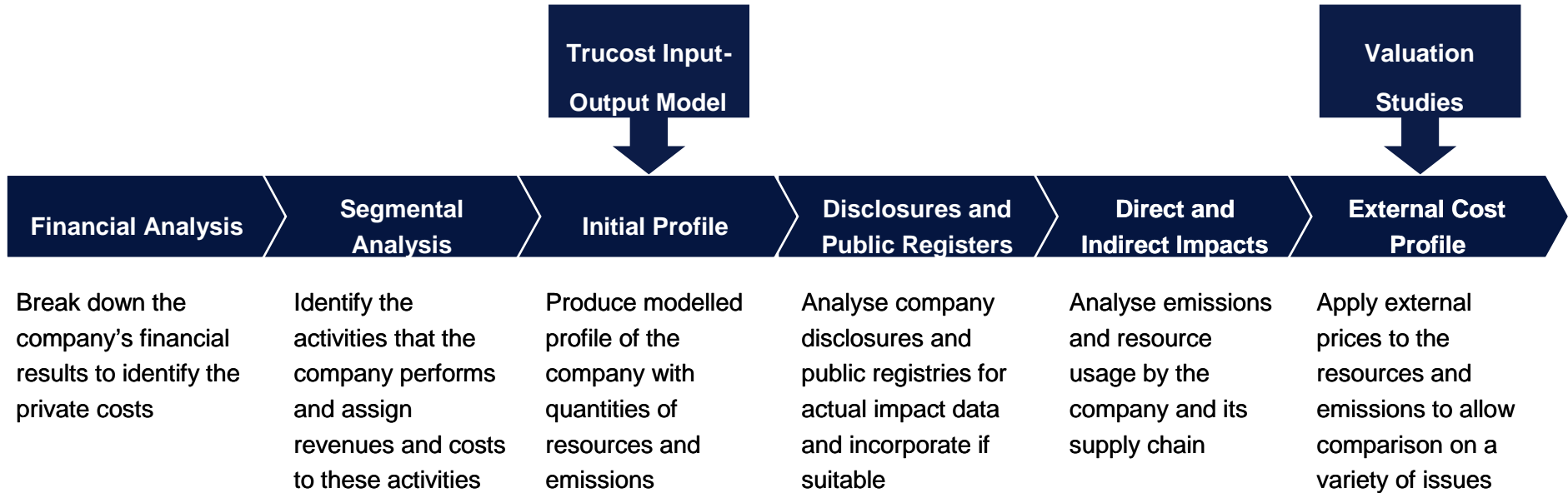
Poor disclosure and lack of reporting standards



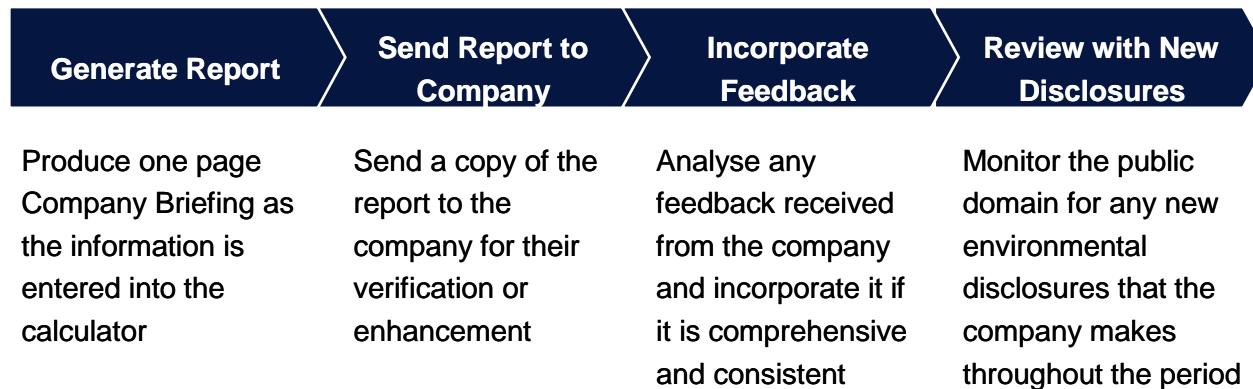
- **Comprehensive database of corporate environmental emissions**
 - Covers over 70% of the Global Markets by Market Cap
 - Measures 700 emission and resource use data points, including carbon, water, waste, metals, chemicals
 - Model calculates emissions data in the absence of adequate company disclosure – models 464 key business activities

- **Standardised quantitative environmental information in financial terms**
 - Enables cross-comparison between companies & funds, business sectors and geographies
 - Enables improved dialogue between companies, investors & other stakeholders

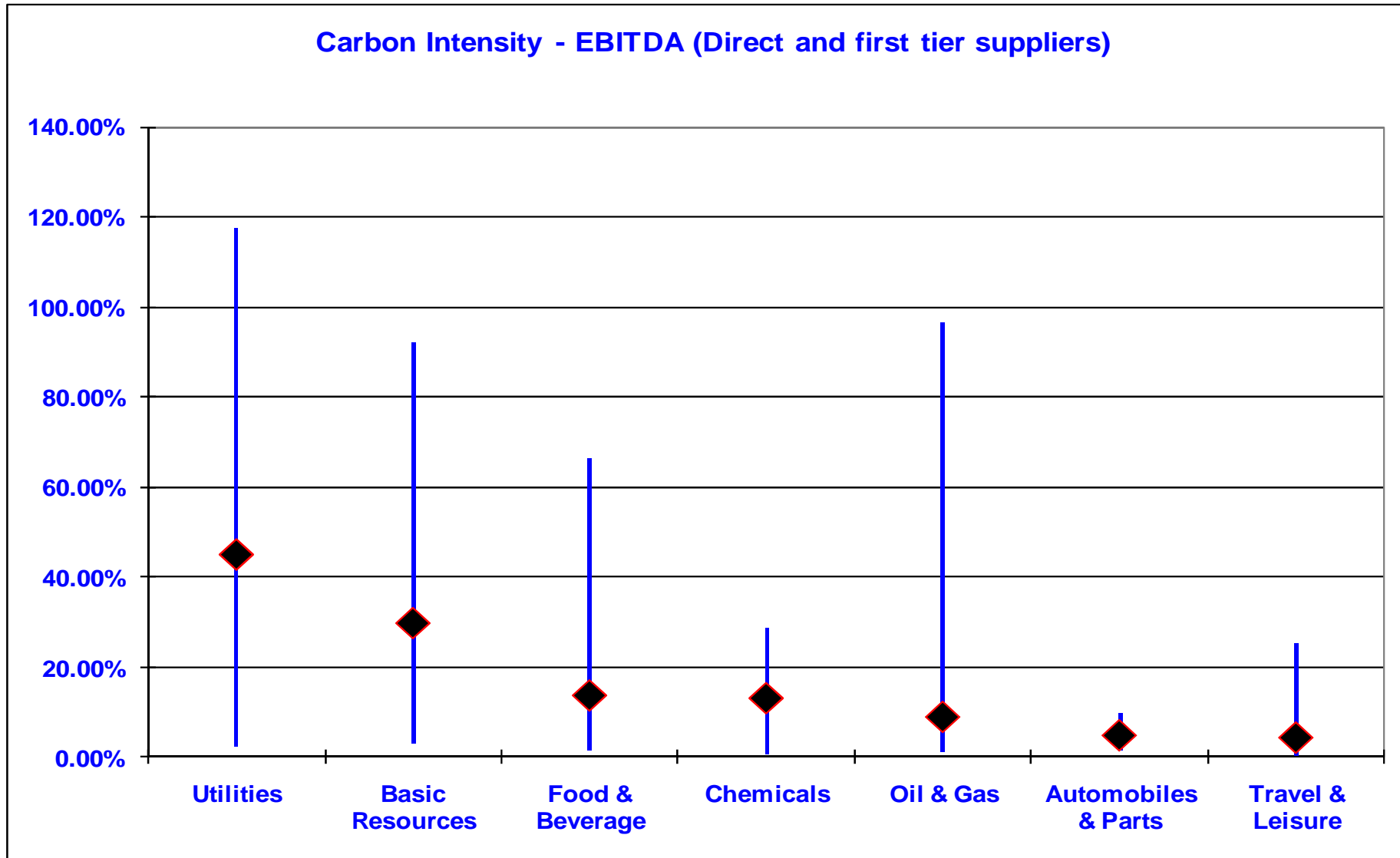
Filling in environmental reporting gaps



Company Verification Process



Variability within sectors



How clients use this analysis

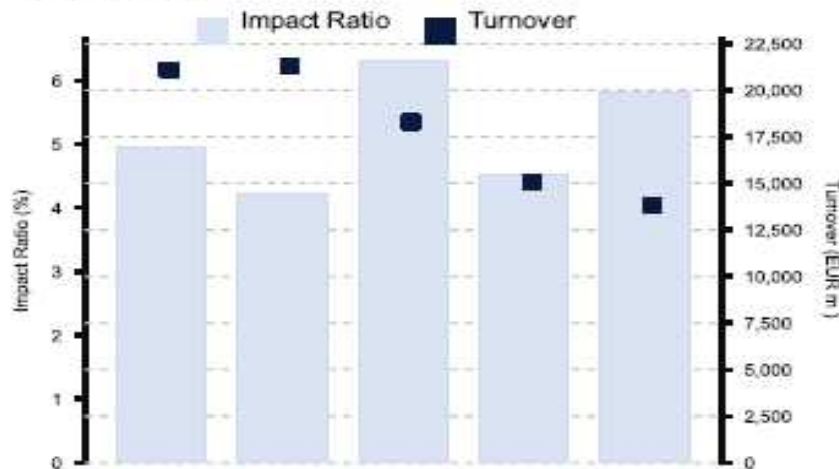
- Measuring and monitoring performance of investments
- Reporting and communicating to retail and institutional investors
- Understanding environmental risk in financial terms
- Incorporating environmental data into the investment process
- Creating environmentally efficient investment products



Peer Analysis & Disclosure Assessment

Peer Analysis

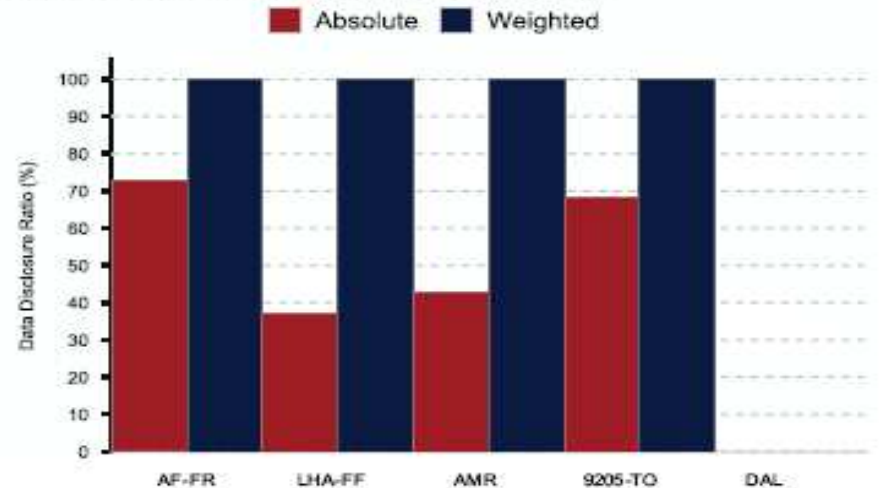
The chart below shows the Impact Ratio and turnover of Air France (AF-FR) against its peers; DEUTSCHE LUFTHANSA AG (LHA-FF), Amr Corporation (AMR), Japan Airlines System Corporation (9205-TO), Delta Air Lines Inc (DAL). A higher Impact Ratio indicates higher external environmental costs and weaker environmental performance.



	AF-FR	LHA-FF	AMR	9205-TO	DAL
Impact Ratio (%)	4.96	4.21	6.33	4.53	5.83
Turnover (EUR m)	21,448	21,638	18,644	15,403	14,189

Data Disclosure

The chart below shows the environmental disclosures made by Air France compared to the disclosures made by its peers.



	AF-FR	LHA-FF	AMR	9205-TO	DAL
Absolute	73%	37%	43%	68%	0%
Weighted	100%	100%	100%	100%	0%

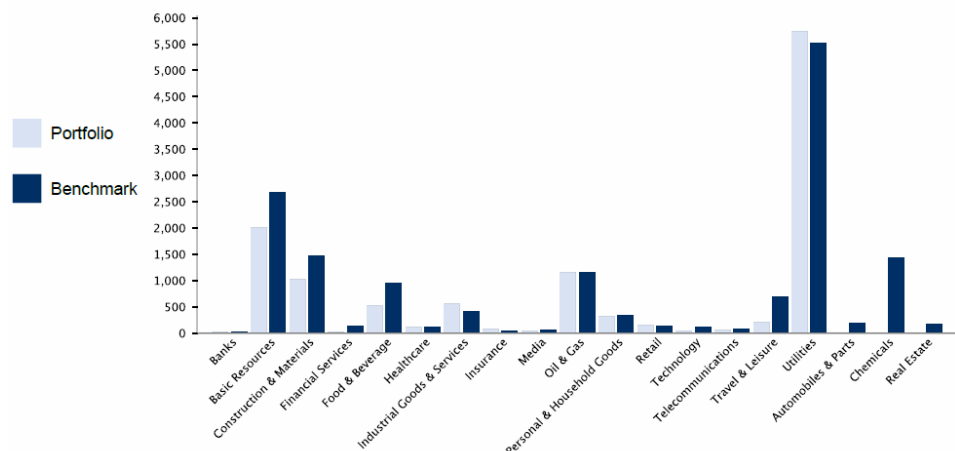
% Absolute: The number of impacts disclosed by the company, divided by the number of impacts identified by Trucost as being significant to the industries in which the company operates.

% Weighted: Disclosure of impacts based on their direct external costs divided by the total direct external costs. This indicates the effectiveness of disclosure – higher percentages indicate that the company reports on the most important impacts.

Environmental & Carbon Footprint Analysis



Carbon Footprint of the Portfolio and Benchmark (tCO2e/£mn revenue)



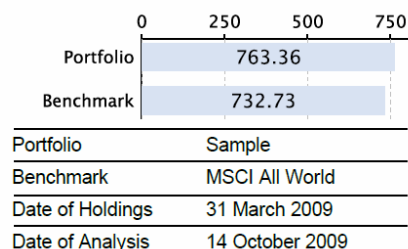
- Measure emissions of each company
- Assign to portfolio in proportion to size of holding
- Measure carbon or environmental footprint per (£) million invested
- Analyse sector breakdown and compare to benchmark
- Attribution Analysis: isolate effects of sector selection and stock selection.

Largest Carbon Contributors to the Portfolio's Carbon Footprint

Note that a company may appear because you own a large stake in that particular company, rather than because it is the most carbon intensive stock held. The rank in benchmark sector column is very useful in assessing the carbon intensity of your top ten contributors relative to their peers.

Company Name	Holding (£ mn)	Carbon Apportioned Tonnes	Carbon Intensity (tCO2e/£mn)	Footprint Negative Contribution %*	Footprint Rank in Benchmark Sector	Data Source
E ON AG	3,784	10,362	6,094	-27.57 %	42/90	ENV
TOTAL SA	4,618	4,893	1,076	-4.63 %	77/114	ENV*
VALLOUREC	1,082	1,785	1,832	-3.11 %	222/233	ENV
CHEVRON CORP.	2,823	2,762	1,066	-2.43 %	76/114	ENV*
ENI	1,078	1,355	1,535	-2.03 %	98/114	ENV*
OIL COMPANY LUKOIL (JSC)	1,033	1,643	1,254	-1.94 %	N/A/114	TC
GAZPROM INCO.	1,729	1,217	1,321	-1.54 %	N/A/114	TC
CONOCOPHILLIPS	0,770	1,377	1,207	-1.52 %	85/114	OTH*
BHP BILLITON PLC.	1,471	732	2,245	-1.42 %	51/76	ENV*
EXELON CORP.	1,251	513	2,587	-1.06 %	29/90	ENV
Total	19,640	26,639	20,216	-47.27 %		

* The Carbon Footprint Negative Contribution is the percentage decrease in performance between what the Carbon Footprint of the portfolio would be without the holding and what the Carbon Footprint is currently. This is a measurement of how much a specific holding reduces the carbon performance of the portfolio.

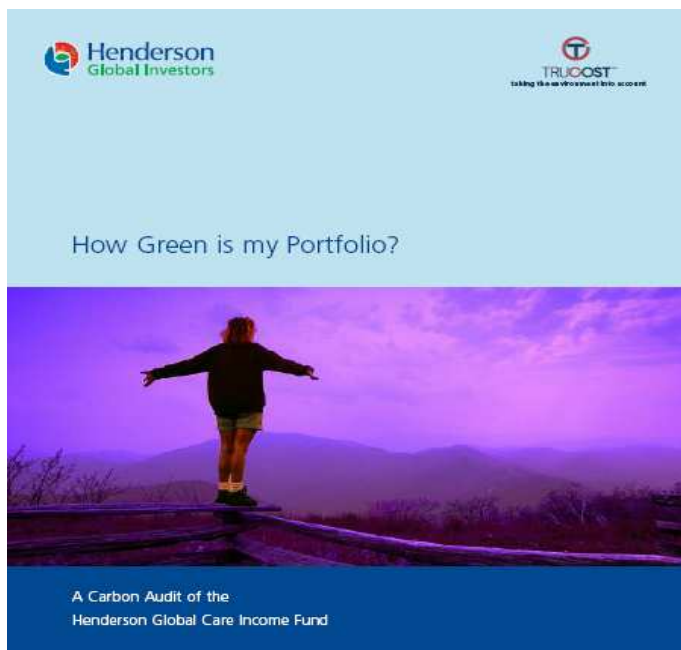


The portfolio has **greater Carbon Exposure** than the benchmark. The portfolio has 763.36 tonnes of carbon per £mn owned, relative to the benchmark which has 732.73 tonnes of carbon per £mn.

Portfolio	Sample
Benchmark	MSCI All World
Date of Holdings	31 March 2009
Date of Analysis	14 October 2009

Why do Investors use Carbon Footprints?

Measure and monitor



Carbon Audit: Henderson Global Care Income

Henderson Global Care Income vs. FTSE All Share

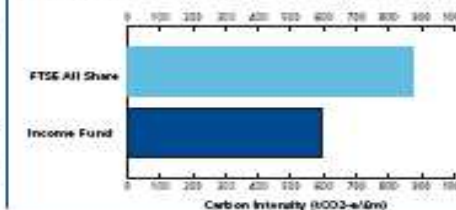


Background

This report evaluates the carbon emissions associated with Henderson's Global Care Income fund. The greenhouse gas emissions for each holding in the portfolio have been calculated and converted into tonnes of carbon dioxide equivalent (CO₂-e). The direct emissions from each holding are included as well as the indirect emissions from first tier of suppliers (e.g. from purchased electricity). Each holding's contribution to the emissions profile of the portfolio is then calculated on an equity ownership basis and aggregated to form a total for the fund. This total is then normalised by market capitalisation to calculate the fund's 'carbon intensity' for each pound of investment. This is then compared with the portfolio's benchmark, the FTSE All Share, to produce a comparative carbon performance. The audit found that the Global Care Income fund is associated with 506 tonnes of carbon for each million pounds invested, which is 32% less than the benchmark. This means that on a weighted basis, the holdings of the portfolio are less carbon intensive than companies in the benchmark.

Overall Performance

	Income Fund	FTSE All Share
Total Value (£m)	1,02.82	1,539,012.17
Total Carbon Emissions (tCO ₂ -e)	51,329	1,350,334,454
Carbon Intensity (tCO ₂ -e/£m)	596	877
Relative Performance of Portfolio	32% Lower than benchmark	



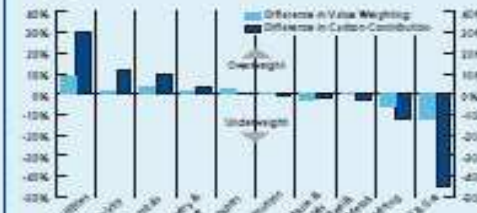
Portfolio Sector Contributions

The charts below show the sectors that contribute the most to the portfolio's carbon content. 55% of the portfolio's carbon emissions come from holdings in the Electricity and Other Utilities sectors despite these companies only constituting 14% of the fund by value.

Sector	% Fund Value	Total Carbon (tCO ₂ -e)	% Fund Carbon
Other Utilities	11.4	20,835	34.0
Electricity	2.7	12,915	21.1
Chemicals	3.9	6,957	11.4
Transport	3.5	4,076	6.6
Forestry & Paper	1.6	2,329	3.8
Oil & Gas	3.4	2,310	3.8
Pharma & Biotech	6.5	1,917	3.1
Food Processors	1.0	1,569	2.6
Support Services	4.3	1,305	2.1
Other	59.3	7,029	11.6
Total	100	61,329	100

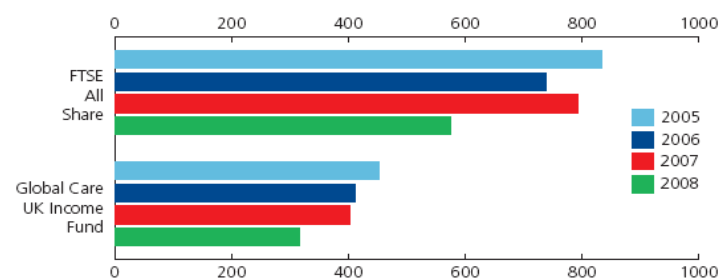
Relative Sector Performance

The chart below shows the five most over-weight and five most under-weight positions relative to the benchmark in terms of contribution to the portfolio's carbon content, and compares this to the value weighting relative to the benchmark.



The portfolio's underweight positions in the Mining and Oil & Gas sectors are making the largest positive contribution to the portfolio's carbon performance, whereas the overweight position in Other Utilities makes the biggest negative contribution.

Carbon footprint (tonnes CO₂-e/£m)

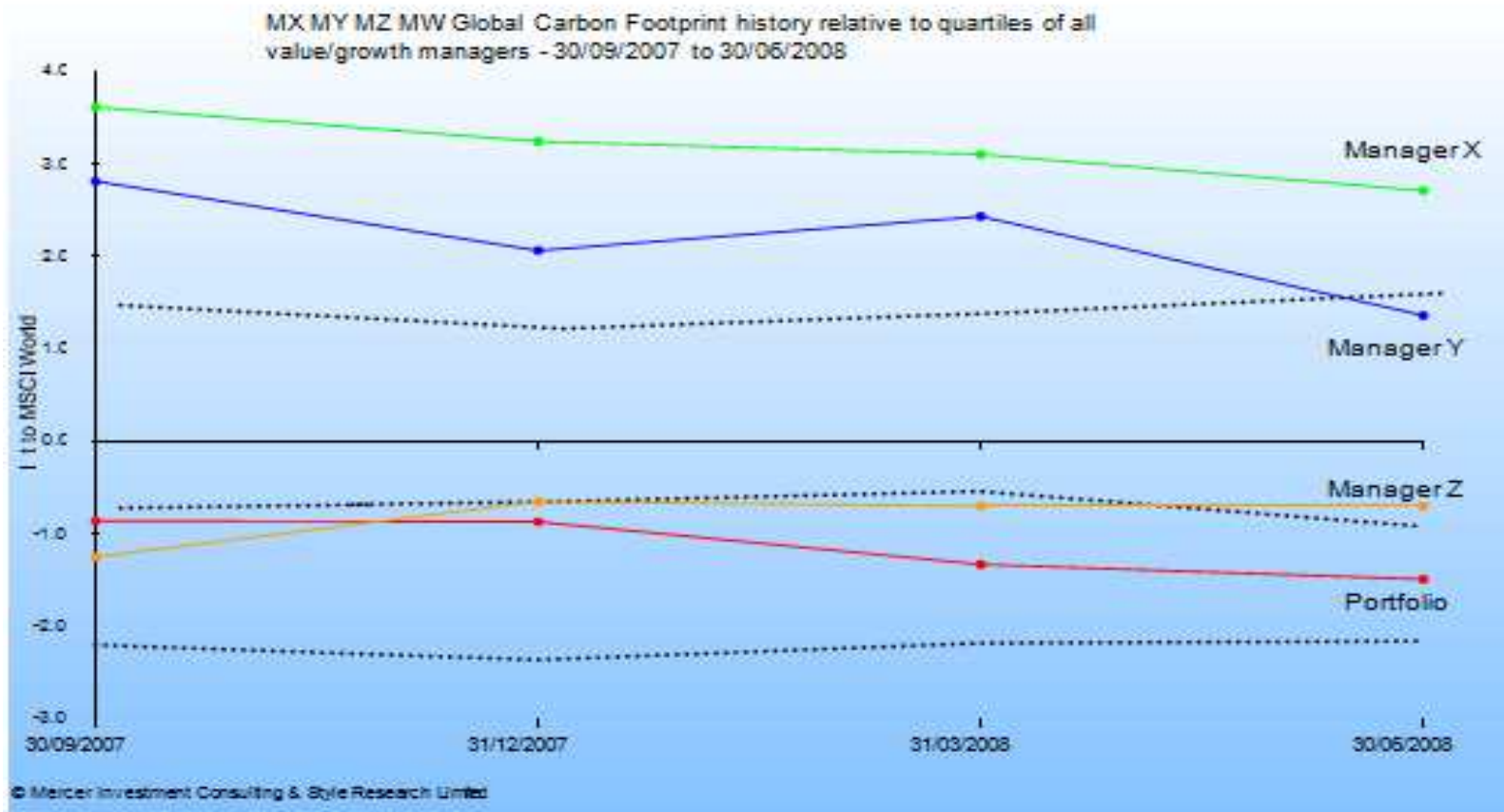


Source: Trucost, June 2008

Why Investors use Footprints?

Manager Selection

Chart 6 Global Carbon Footprint History Relative to all Managers



Carbon & Environmentally Optimized Investments

UBS ECO STOXX 600 – Carbon Optimized

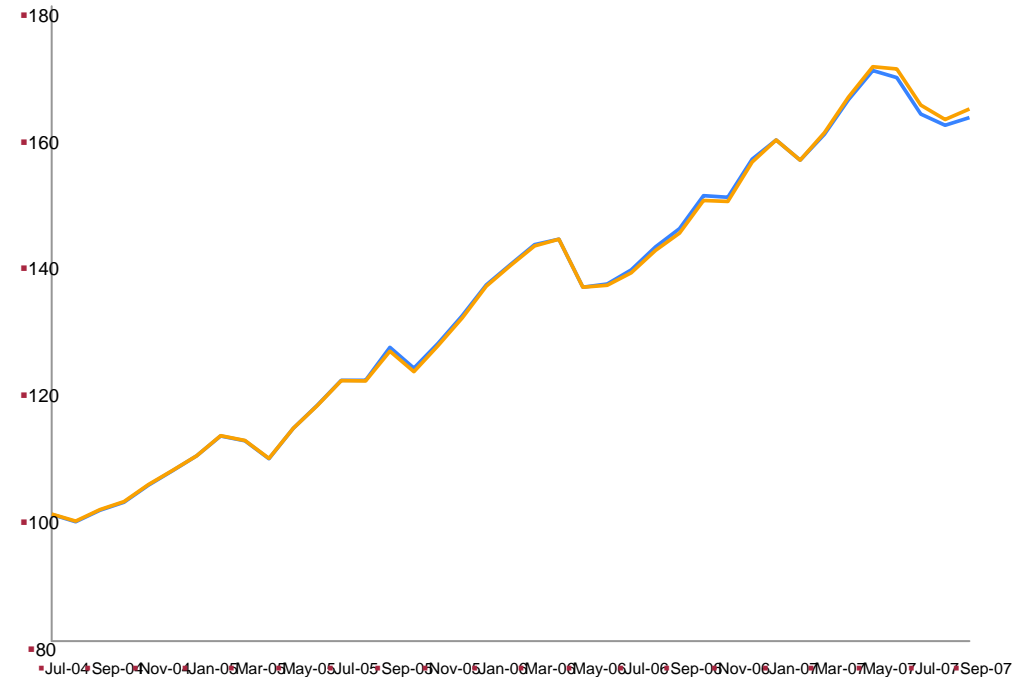


Strategy:

- Carbon Optimised STOXX 600 index
- Sector neutral and buys every company in the index to minimize tracking error
- Re-weights company within the sector by relative carbon efficiency

Benefits:

- Reduced carbon risk – ECO index achieved 30% carbon savings vs underlying benchmark
- Financial returns mirror Stoxx 600 - 0.65% tracking error



— Stoxx600 Benchmark ■ Stoxx600 CO2 Weighted

	DJStoxx 600 Benchmark	DJStoxx 600 CO2 Weighted
Annualised Performance	16.7%	17.1%
Annualised Realised Volatility	8.0%	8.1%

S&P US Carbon Efficient Index

Strategy:

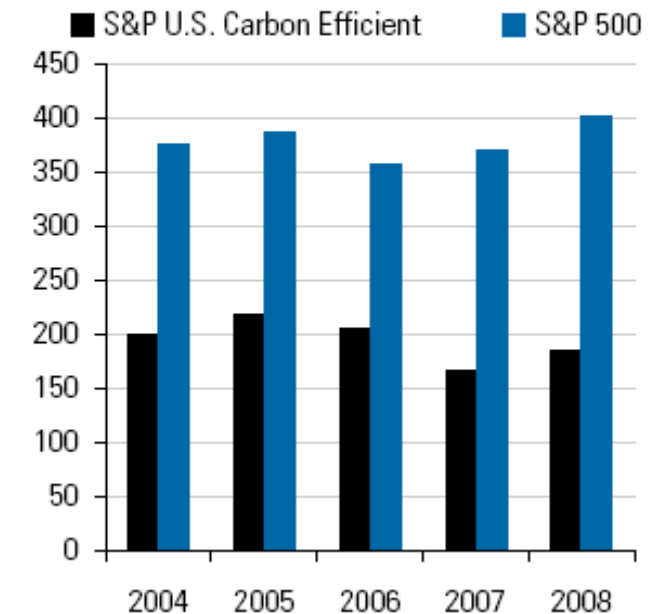
Exclusion of equities with highest carbon footprints, so long as doing so does not reduce sector weight by more than 50%

Benefits:

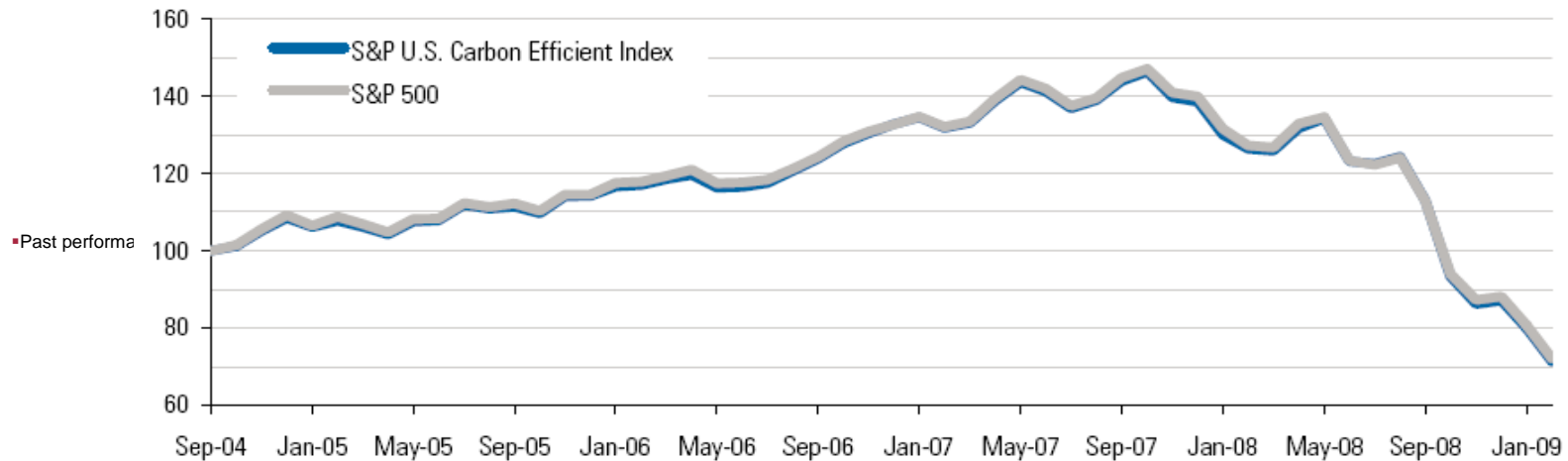
Carbon Efficient index closely tracks the underlying S&P 500 index while significantly reducing carbon risk.

Carbon footprint of S&P Carbon Efficient Index **48% lower** than S&P 500

Annual Carbon Footprint Comparison (GHG Emission Figure / Annual Revenues)



Historical Performance

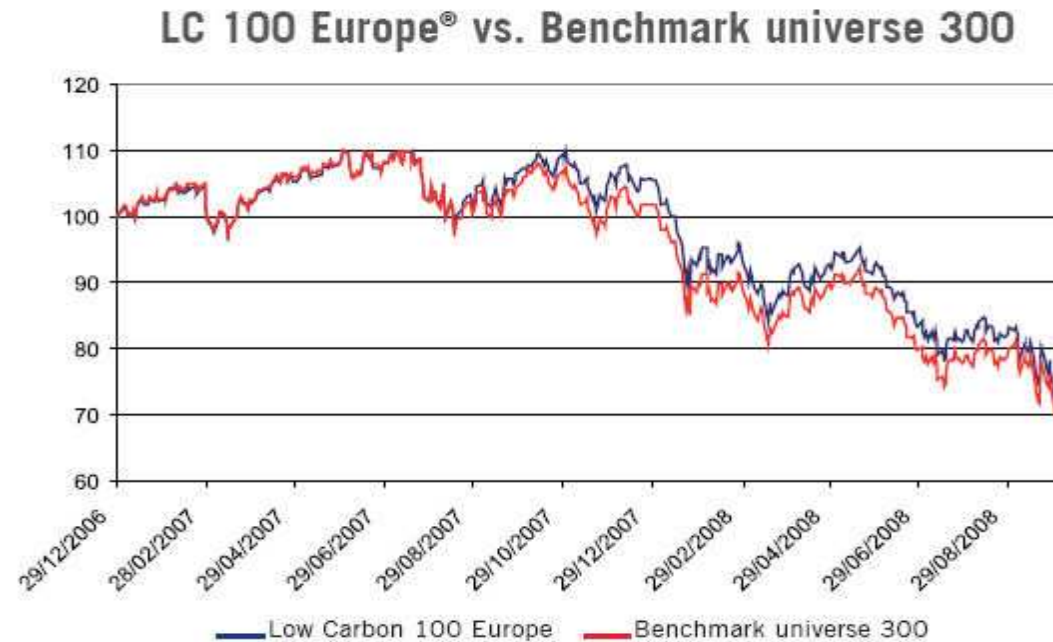


Euronext Low Carbon 100 Europe

Measures performance of largest blue-chip European companies with lowest CO2 emissions in respective sectors

First index of its kind created in partnership with NGO's: WWF, GoodPlanet and AgriSud

EasyETF Low Carbon 100 replicates the index



- 42% lower carbon emissions than benchmark



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