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Dear Readers

“Our employees are our most valuable asset”. Most of us will have heard this catchphrase before. Although it has been used repeatedly in many company mission statements and annual reports, it has lost nothing of its truth. On the contrary, more and more companies are increasingly dependent on intellectual capital. This term extends

More and more companies are increasingly dependent on intellectual capital and need highly qualified people to persist in the market.

to employees’ skills, know-how, knowledge, innovation and motivation which a company needs in order to be successful in the marketplace and gain a competitive edge. But nowadays intellectual capital not only makes the biggest contribution to a company’s success, but also incurs the highest costs. It is therefore hardly surprising that financial markets tend to respond to company announcements of redundancies with rising share prices.

A study carried out by SAM and The Boston Consulting Group examined which HR factors have a direct impact on a company’s success.

But it seems not everyone realises that this way of thinking is short-sighted, and that human capital is in fact vitally important within a company. The current edition of SAM insight therefore examines whether there is a quantifiable connection between the management of staff and

a company’s performance. A study carried out by SAM in collaboration with The Boston Consulting Group (BCG) examined which factors have a direct impact on a company’s success. We found there was a 95% chance of a positive correlation existing between company performance and factors such as performance-based pay plans, the deployment of knowledge management systems or the percentage of staff appointed on the basis of a validated selection procedure. A similar conclusion was reached in a study by Hewitt Associates, which links the criterion of transition quality with a company’s ability to produce superior returns.

SAM’s interview with Peter Hartz, Director of Personnel at Volkswagen and Chairman of the eponymous government commission in Germany, is concerned not so much with performance as with forward-looking human resource models and measures. In the interview, Hartz comes to the conclusion that financial markets have traditionally failed to attach enough importance to social responsibility, but instead tend to respond more to short-term developments.

The last part of our newsletter includes an article from Thilo Goodall, Head of Institutional Mandates at SAM, highlighting the relationship between personnel management, earnings and cost efficiency, and investment volume. The expected positive influence of the various HR factors mentioned in the BCG/SAM study should therefore have an impact sooner or later on a company’s financial data and shareholder value.

I trust this issue of SAM insight provides some interesting news and background information and hope you will enjoy reading it.

Reto Ringger
CEO
SAM Sustainable
Asset Management



The Link between People Management and Company Performance

Analysis by The Boston Consulting Group (BCG) and SAM Sustainable Asset Management (SAM) shows how specific people management practices can enhance performance and drive higher value creation by employees – an overview over the most important factors.



Most high-performing companies are unable to sustain their superior growth and profitability rates over the long term; eventually they fade and their key performance

measures fall to market averages. But a few companies are able to “beat the fade” and deliver superior financial performance year after year.

Key drivers of shareholder value

In order to identify the human resources practices that correlate with employee performance, we chose a measure that is easily related to “eco-



Figure: Clear link between people management and performance.

These people management practices are positively correlated with financial performance. Source: SAM/BCG



		Probability of positiv correlation
Performance driven workplace	– Employees (other than senior management and sales force) with high performance related compensation	>95%
	– Usage of knowledge management systems	>95%
	– % of employees hired based on a validated selection test	>95%
	– % of workforce with job-specific training program	>95%
	– % of workforce being outplaced or reassigned because of weak performance	>95%
Emotional engagement	– (Lower) % of qualified employees leaving the company	>90%
	– Pension plans with sustainability component	>90%
Leadership behaviors	– Use of employee-oriented measures of financial performance in regular management reporting	>90%
	– Systems to handle employee grievances	>95%
	– Employee benefits in excess of legal requirements	>85%
Combined Index	– Set of people management practices in SAM questionnaire	>99%

By **Felix Barber**, Senior Vice President, The Boston Consulting Group, **Michael Heidecker**, Project Leader, The Boston Consulting Group and **Alois Flatz**, SAM Research

conomic profit" (profit in excess of the required return on capital), one of the key drivers of shareholder value. To correct for outsourcing issues, we measure the value-added per employee rather than sales per employee. To correct for differences in capital investment, we subtract a cost of capital. Our resulting measure of value creation per employee is "value-added less required cost of capital" per employee. Our analysis of the results of the SAM Corporate Sustainability Assessment shows a clear, statistically significant correlation between our chosen employee perfor-

managers is linked to shareholder value, and the compensation of the external sales force is linked to customer sales, in internal markets, the managers and members of the individual units perform better when their compensation is linked to the achievement of the unit's goals.

2. Informal networks promote knowledge sharing

The analysis shows also that successful companies support and encourage the development of informal networks that cut across hierarchical boundaries, through the use of knowl-

Successful companies support the development of informal networks that cut across hierarchical boundaries, through the use of knowledge management systems.

mance indicator and specific people management practices.

Creating a performance-driven workplace

1. Variable compensation supports internal markets

Our analysis shows that higher performance-related compensation, when appropriately structured and available for key positions beyond the top management team and the sales force, correlates with superior employee performance. Many companies operate with small performance units, each one managed by an empowered, but highly accountable, leader or leadership team. This small-unit structure brings scale benefits and also enables rapid decision-making. Just as the compensation of top

edge management systems and tools to manage organizational learning. Often, the formal hierarchy of a global corporation does not facilitate the sharing of experiences and best practices among units and across geographies. A company may be organized into regions but the operations within those regions may be highly dissimilar and have more to learn from units outside the geographic hierarchy. Employees in Australia, for example, might engage in a richer conversation with their colleagues in Canada than with those in Thailand.

3. Recruiting, career development, and training practices fine-tune employee capabilities

There are wide differences in employee performance in many of to-

day's knowledge and service-oriented businesses. Human resource management is no longer simply about hiring employees and administering their benefits; it's about defining the capabilities required for the projects and the hierarchy, identifying and attracting the best candidates, monitoring and developing their capabilities, and rewarding their performance.

The SAM assessment explores such capabilities-related issues as:

- % of employees hired based on a validated selection test.
- % of workforce with a job-specific training program.
- % of workforce being outplaced or reassigned.

Our analysis of the survey results shows that effective management of these issues is clearly correlated with superior value creation per employee.

Eliciting the emotional engagement of the workforce

4. Engagement comes from doing worthwhile work

Beyond appropriate financial incentives, employees need to feel their objectives are aligned with the company's objectives. Large non-profit and charitable organizations provide an interesting illustration. These organizations often rate well on overall employee satisfaction, even when they are hierarchical and bureaucratic, and even when they score poorly on most individual drivers of employee satisfaction. The perceived alignment of the employee's goals and those of the employer's is a strong motivator.

5. Shared purpose must be balanced with individual opportunity

Emotional engagement must also come from empowerment, the ability to make a difference within the corporate structure, recognition and appreciation, sufficient resources and support for achieving objectives, and a career track that offers potential for personal development. An important indicator of employee engagement, as measured by the SAM survey and correlated with performance, is the percentage of qualified employees leaving the company. In general, high-performing companies have lower rates of employee turnover than do lesser-performing companies.

6. The appeal of the triple bottom line

More and more, commercial companies are recognizing the motivating power of goals that are not directly related to financial profit. Many corporations have, for example, adopted a broader measure of success, often known as the “triple bottom line”. They think of performance in terms of social contribution and environmental sustainability, as well as finan-

cial gain. A focus on the triple bottom line, in addition to a direct contribution to sustainability, helps foster a sense of shared purpose between the company and its employees. Interestingly, companies that offer pension plans with a sustainability component, one indicator of a focus on the

triple bottom line, tend to have better employee performance. brands put employees, as much as customers and investors, at the center of their attention. To do so, it is necessary to plan, budget, report, and control from an employee-oriented perspective. Our analysis found that high-performing companies are more likely to have systems in place to link

There is no organizational challenge more complex than understanding employees and their interactions.

triple bottom line, tend to have better employee performance.

Connecting performance and engagement through leadership

A key task for top management is to lead and communicate in a way that links performance disciplines and personal motivators to achieve both company and employee objectives. The most successful companies are respected by customers, investors and by the public at large because they create a sustainable win-win for all stakeholders.

The top management of corporate

employee-oriented measures to financial returns and to have plans to build employee skills.

The implications of successful employee performance management

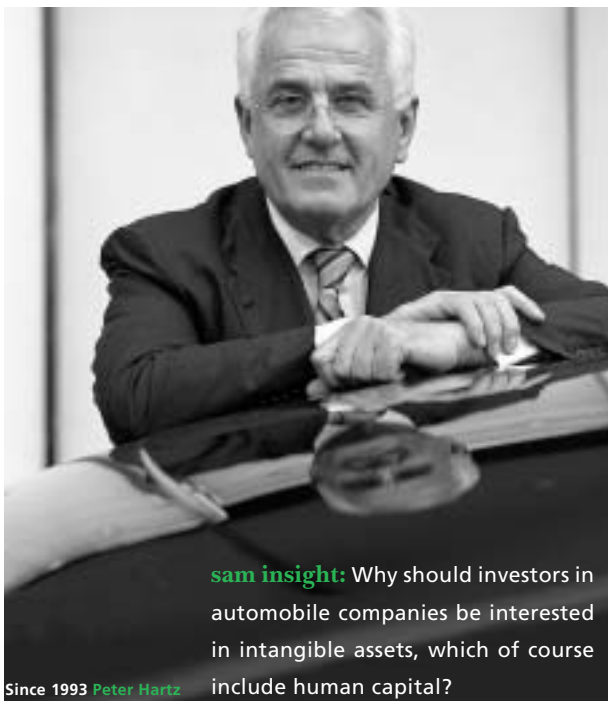
There is no organizational challenge more complex than understanding employees and their interactions, but the evidence clearly suggests that people management practices can be a major contributor to sustainable success and help companies “beat the fade.” An improvement from one quintile to the next in people management practices can be expected, on average, to improve value creation per employee by over 20 percent. In combination, the SAM survey questions to companies concerning people management practices explain about 14% of the differences in employee performance between companies. With full coverage of all employee engagement issues and of the people-orientation of top management, people management practices can be expected to explain a substantially higher percentage of company performance differences.

The BCG/SAM Research on Human Capital Management

SAM Research assessment of corporate sustainability includes, as one component, the results of an annual questionnaire to the largest listed companies globally. This contains questions along economic, environmental and social dimensions. The social dimension covers selected questions, chosen by SAM with input from BCG, on people management practices. The answers to the people management questions in the 2002 questionnaire were combined with employee and financial data from annual reports and analyzed for 219 listed companies. These companies came from a broad cross-selection of industries and were predominantly multinationals with over 25,000 employees.

“Financial Markets do not attach enough Importance to social responsibility”

In his function as Executive Vice President (Personnel) of Volkswagen AG, Peter Hartz pioneered since 1993 a number of innovative human capital concepts, including Workholder Value. Recently, he acted as an external adviser to the German Federal Government on questions related to the labour market. This interview was held by **Niki Rosinski**, Senior Sustainability Analyst, SAM Research



Since 1993 Peter Hartz is member of the board of Volkswagen AG

sam insight: Why should investors in automobile companies be interested in intangible assets, which of course include human capital?

PETER HARTZ: Studies show that companies whose intangible assets have a positive valuation tend to produce a superior financial performance. Investors certainly reward this.

The term “Human Capital” is commonly linked directly to the accumulation of costs, while the benefits on the earnings side are frequently overlooked. In fact the employees, with their expertise and commitment, are important assets and value drivers. A

been considered by financial markets yet?

P. H.: In the past, however, stock markets have generally reacted to redundancy announcements with rising share prices, since they only tend to respond positively to news of cost sav-

In the past, stock markets have generally reacted to redundancy announcements with rising share prices, since they only tend to respond positively to news of cost savings.

company’s future success ultimately depends to a large extent on its power of innovation and its ability to adapt to new developments. The complex processes involved in steering a company forward mean that the expertise of its entire staff has to be constantly refreshed.

sam insight: That sounds very plausible. But why have these benefits not

ings for the most part. We take a different view: We think it makes economic sense to respond to swings in demand with shorter working hours and salary adjustments rather than implementing expensive redundancy packages. This approach also means we retain qualified staff in the company, so that when demand picks up there is no need to spend a lot of money on recruiting and training new people.

sam insight: To what extent does your sustainability strategy contribute to the competitiveness of the VW Group in globalised car markets?

P. H.: Volkswagen's sustainability strategy is designed to provide a timely and appropriate response to changes in economic, environmental and social conditions. As a global provider, we develop high-quality vehicles that are low on resource consumption and which not only appeal to a whole range of different customers, but are also affordable. Our engine and fuel strategy is helping to build a bridge into the post fossil fuel era. We employ a highly competent team of development specialists to achieve this.

sam insight: What role does human capital play in increasing potential intangible benefits? Does it help to enhance a company's powers of innovation and subsequently its competitiveness, for example?

P. H.: Human Capital is vitally important for a company like Volkswagen, which can only remain competitive through constant innovation and a commitment to quality.

We do all we can to nurture the potential of our young blood. On-the-job training and systematic ongoing professional development therefore plays a key role in our company. The training market is becoming increasingly global and competition for the best-qualified specialist staff is intensifying all the time.

Because Volkswagen is able to offer a high degree of job security, we permanently foster the motivation and commitment of our employees, en-

abling them to perform to the best of their ability.

sam insight: How does Volkswagen grasp these benefits?

In 2002 alone Volkswagen AG saved almost 126 million Euro thanks to numerous suggestions for improvements.



P. H.: Many of the measures we have developed have since become benchmarks in the industry. Our globally active ideas management, for example, has been very successful. In 2002 alone Volkswagen AG saved almost 126 million Euro thanks to numerous suggestions for improvements. This clearly shows the close link between human capital and intangible benefits such as motivation and financial success.

Performance-related remuneration schemes are also effective in allowing staff to share in the company's success, thereby promoting employee participation. Our share options plan is a good example. Since 1999 Volkswagen employees have been able to buy shares in the company. This means they profit directly from any increase in the value of the business.

sam insight: What measures or projects does Volkswagen have in place for developing and strengthening human capital?

P. H.: To encourage the consistent development of junior staff, Volkswagen supports the concept of dual professional training that has proven to be so successful in Germany. This system provides a continuous flow of quali-

fied personnel and in the long term ensures that the workforce is highly qualified. But apart from specialist skills, Volkswagen also attaches a lot of importance to the acquisition of so-

cial and practical business skills during training. This is also incorporated in our new corporate guidelines.

sam insight: What are the options for professional training at Volkswagen?

P. H.: Volkswagen provides systematic professional training for its staff at all the Group's production sites. In 2002 alone, VW Coaching GmbH organised about 4,100 training events attended by 36,000 people.

The professional development of employees showing potential talent is also systematically controlled and supported through personal development plans. Numerous promotional programmes, such as the international trainee programme, the specialist trainee programme, the junior management development programme and mentoring concepts ensure a steady flow of highly qualified specialists and managers, who receive ongoing training.

Here it's also worth mentioning VW's contribution to the promotion of women's interests. Mentoring programmes, promotional seminars and programmes for encouraging women back to work after maternity leave are

just some examples. VW realised a long time ago that a company cannot afford to miss out on about 50% of the potential workforce capacity.

In future it will be vital for employees to be conversant with modern communication and information technologies. The "Level Five Campaign" running across the entire Volkswagen Group is designed to ensure that our employees are competent in using the Internet and electronic services. They can prove this competence by acquiring the "Level Five Internet Pass". So far more than 65,000 employees have made use of this.

Next to the qualification aspects Volkswagen's focal point lies especially on the security and the workplace health promotion. On the one hand we consider this as social obligation, but also as economic necessity. So the measures anchored in the health management aim in particular at the increase of the motivation and the capability.

sam insight: The Volkswagen "Auto Uni" will go live shortly. What are the reasons for a car manufacturer to establish an in-house academic institution?

P. H.: In 2002 VW also founded the "AutoUni", another building block in personnel training. Here academic qualifications are closely linked to a strong practical connection with the business. The motto is "Knowledge is the key". AutoUni will help to provide an all-round development of personal skills and competence at Volkswagen.

International, interdisciplinary aspects play a central role in AutoUni's study programme. Networked and

global thinking is a core skill that must be present in a training strategy which is geared towards sustainability.

sam insight: Why is it so difficult to put

Volkswagen realised a long time ago that a company cannot afford to miss out on about 50% of the potential workforce capacity.

The Volkswagen "AutoUni", will launch a "Master of Sustainable Mobility" class soon.



unconventional suggestions and ideas into practice?

Initially change can cause anxiety. That's quite a natural reaction. There always tends to be several parties involved with different interests – and reconciling these different interests frequently means having to reach a compromise.

For some time now, however, we have been practising at all our global loca-

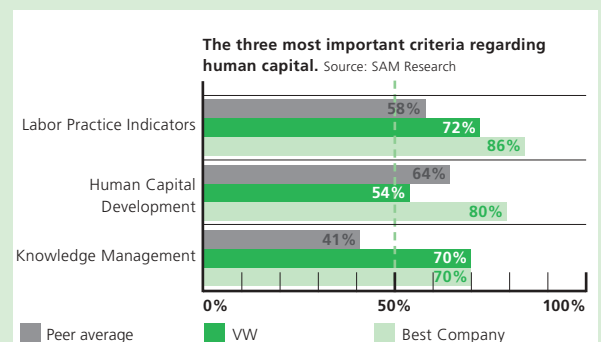
tions the principle of codetermination, with conflicts resolved on a cooperative basis and participation in the shaping of the future shared between company management and

staff representative committees. Staff representatives are always involved in planning at an early stage, so that all interests are catered for from the outset and there really is shared responsibility for the company's future. This principle is also embodied in the preamble to our declaration on social rights and industrial relations. The success of this principle, which also specifically allows innovative ideas and unconventional suggestions to be

Good Social Performance

Volkswagen is among the leading global car manufacturers listed in the Dow Jones Sustainability Index (DJSI). We consider the unique combination of global social standards and innovative labor concepts as an important longterm competitive asset in an industry challenged by short product cycles and fierce cost pressure.

Over the recent years, Volkswagen has put in place a strong framework to develop its human capital. The strong position is clearly reflected in the criteria shown in the graph. We are convinced that this framework will strengthen employee motivation and thus innovative capacity going forward. (SAM)



put into practice, is evident from examples such as Auto 5000 GmbH and AutoVision.

sam insight: Do the measures undertaken by Volkswagen in the area of human capital acts as a signal, thereby making an impact on financial markets?

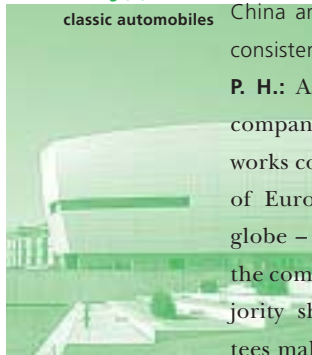
P. H.: In the past financial markets have not paid sufficient attention to corporate social responsibility, but instead often show a knee-jerk reaction to short-term developments.

The increasing popularity of sustainability indices and special sustainability funds in recent times does however provide some hope that this attitude may change in future. Financial institutions should do all they can to encourage their acceptance and availability. We certainly attach great importance to transparent communication with all stakeholders who are interested in sustainable strategies, and participate in company initiatives that foster this interest.

sam insight: The social dimension of sustainability is becoming increasingly important. What do you consider to be the major social challenges for a company like VW in a globalised economy?

P. H.: One challenge is obviously to secure attractive jobs in newly industrialised and emerging countries. Globally active corporations also need to make a systematic and sustainable investment in maintaining and increasing the employability of local workers. Establishing links between dynamic VW locations and supplier and research associations strengthens local identification and supports the formation of self-sufficient clusters.

The "ZeitHaus",
at the Autostadt
Wolfsburg (D), features
classic automobiles



There are of course challenges in the area of healthcare as well, especially in the prevention of Aids and help for those already affected. We also support street kids projects in an effort to combat social disintegration.

sam insight: Emerging markets are becoming increasingly important for the automobile industry. For VW, China is the second biggest market after Germany. How does VW ensure that social standards in China and other emerging markets are consistent with those in Wolfsburg?

P. H.: As the first globally active car company, Volkswagen set up a special works council – initially for the whole of Europe but later for the entire globe – with representatives from all the companies in which we have a majority shareholding. These committees make sure the company respects

its joint venture partners and suppliers?

P. H.: VW's management culture is based on cooperation and good example. With our harmonised human resource policy, good personnel management and adherence to corporate guidelines, our personnel structure is extremely competitive and attractive whilst accommodating very different overriding cultural and legal conditions. In an increasingly close dialogue with suppliers, VW draws attention to the benefits of sustainable business management and the validity of internationally accepted principles such as the Global Compact ¹⁾.

sam insight: In which of the three main areas of sustainability – economic, environmental and social – do you think the VW Group still has the biggest room for improvement?

Globally active corporations also need to make a systematic and sustainable investment in maintaining and increasing the employability of local workers.

the agreements it has made in the areas of social rights and industrial relations. Our corporate guidelines also include ethical values such as respect, responsibility and sustainability and serve as benchmarks for management at all group locations. These guidelines are not imposed from the outside, but are rather the result of an intensive consultation process within the entire management body.

sam insight: Like many other producers, VW has some 50:50 joint ventures with Chinese partners. To what extent can VW implement its social standards at

P. H.: Volkswagen sets itself high standards for all three areas you mention, and continues to develop these standards further. Our goal is to achieve the right balance between the three, and to try and bring about win/win situations.

But one of VW's core principles is just as valid here:

“There is always room for improvement”.

Since 1993 **Peter Hartz** is member of the board of Volkswagen AG and Executive Vice President (Personnel). In addition he is responsible for the areas South America and South Africa and to the field "Government relationship".

¹⁾ The Global Compact has been launched by **UN Secretary General Kofi Annan** in 1999.

The **Global Compact** comprises nine principles that are based on Human Rights, Labour Rights, and Environmental Protection. The initiative aims at promoting "**Corporate Citizenship**".

Human Capital Foresight

Hewitt Associates LLC reports breakthrough research linking people data, human capital metrics, and business results as depicted in the exhibit below. The key measure is Transition Quality.

Transition Quality is a measure indicating quality employee turnover. It refers to the flow of employees into and out of companies – particularly those employees considered as good performers, defined as having faster pay progression. Individual compa-

of the business. These include cash flow return on investment (CFROI^[1]), as well as customary financial metrics. One integral feature of the CFROI valuation approach is that it incorporates a fade to average – in both growth and return. For example,

Albeit differentiation in terms of pay for performance may be conceptually appealing, most companies do it in a manner that is suboptimal.

nies are scored in terms of both their inflows and outflows versus Hewitt's vast database – essentially a microcosm of the U.S. labor market. Transition Quality thus benchmarks companies' employee turnover against the U.S. average.

Hewitt utilizes Transition Quality, in some cases in combination with employee engagement surveys, to make the linkages to economic value drivers

high- and low-return companies are assumed to have competitive pressures that compel investors to assume such returns are hard to sustain for protracted periods. Transition Quality can offset this trend and result in a CFROI that defies economic pressures and stays above average.

If Transition Quality serves in achieving or maintain an above average CFROI, businesses should be inter-

ested in how to achieve Transition Quality. Not observable directly, Transition Quality is measured by utilizing an array of human capital metrics developed by Hewitt. Several of these human capital metrics utilize a measure of distribution inequality, the so-called Gini Coefficient. It measures equality or inequality of distribution across populations, more typically applied in economics for statistical analyses of economies and their populations.



From **Marc C. Ubelhart**, Value-Based Management (VBM) Practice Leader, Hewitt Associates LLC*

^[1]Registered trademark of CSFB HOLT

Hewitt's preliminary findings show that, although circumstances vary by company, and certainly by function and business unit within a company, in most cases extreme degrees of differentiation as measured by Gini Coefficients of pay, pay progression, pay at risk, and hierarchy index result in poorer showings in terms of Transition Quality. Such general implications can be mitigated by actual/target bonus distributions that are

* **Hewitt Associates** is a global outsourcing and consulting firm delivering a complete range of human capital management services to companies, including HR, Payroll, and Benefits Out-sourcing; Health Care; Retirement and Financial Management; and Talent and Organizational Change. Today, the client roster of Hewitt Associates includes more than half of **FORTUNE 500**[®] companies and more than a third of **FORTUNE Global 500** companies. As the largest multiservice HR delivery provider in the world, the company handles more than 54 million HR-related customer interactions a year from more than 17 million participants.

more uniform – that is, more team based – as opposed to individually determined. This supports the perception that, while differentiation in terms of pay for performance may be conceptually appealing, most companies do it in a manner that is so sub-optimal that it leads to loss of good employees and reduction in CFROI.

Figure: Transition Quality, the link to economic value drivers. Source: Hewitt



Competitive Advantage of a Sustainable Human Capital Management

By Dr. Thilo Goodall *



* **Thilo Goodall**, Head Institutional Mandates, SAM Sustainable Asset Management

The empirical conducted by BCG and SAM indicates that a link exists between a company’s management capabilities in the human resources area and its financial performance. These empirical results are so strong and visible for such an array of indicators that they are hardly suspect of having fallen prey to spurious correlation. Empirical analysis in the form of correlation analysis does not elucidate the underlying transmission mechanisms, of course. The transmission mechanisms need to be analysed, still. They are important especially for the field of sustainability investing, because they indicate how corporate sustainability performance enters corporate financial performance and corporate shareholder value.

The transmission mechanisms are formulated by linking corporate sustainability performance to the determi-

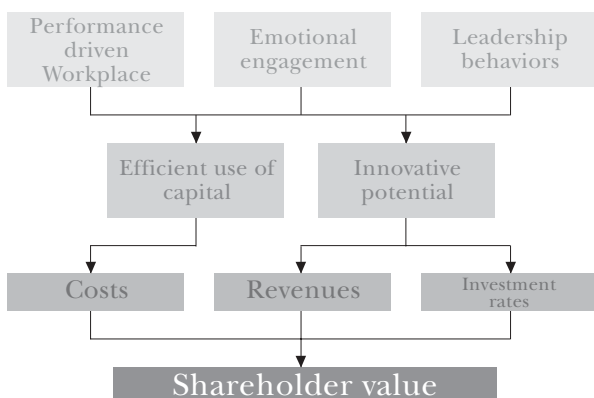
nants of shareholder value, free cash flow to the firm and weighted average cost of capital, and their components. Free cash flow to the firm is a function of revenue, costs, taxes and investment rates. Weighted average costs of capital are a function of short term interest rates and the company’s risk premia on equity, bonds, and cash. Corporate sustainability performance needs to impact shareholder value via at least one of these components. Best practices in human capital management, as defined in the joined study by BCG and SAM, may be linked to revenues, cost efficiency and investment rates. The “performance driven workplace”-indi-

thus sooner or later affect a company’s financials, which are identical to the components of shareholder value. If shareholder value is affected positively, so are the returns investors will reap from an investment in a sustainable company. It is this last link, the link from a company’s shareholder value to the performance of its securities, which lies at the heart of sustainability investing. It is here where sustainability investing has its competitive advantage.

Analysing a company’s sustainability performance thus leads to indications of a company’s future success and of the future success of investing in such

Corporate sustainability performance needs to impact shareholder value via at least one component.

Figure: The transmission mechanism.
Source: SAM



nants capture incentives for efficient use of capital and innovative potential. Innovative potential directly impacts revenues and investment rates. The “emotional engagement”-indicators capture measures to reduce turnover and loss of company knowledge thus supporting the innovative potential and efficient use of human resources. The “leadership behaviours”-indicators work towards the same goals.

The assumed positive influence should

a company. Sophisticated empirical analysis enables to quantify these indications such that they can be used in company valuation tools. The theoretical fair value, including impacts of sustainability performance, can then be compared to current prices. Any price discrepancy, be it due to the sustainability performance not yet being visible in the financial performance or to other factors, can then be exploited to perform a valuation based investment approach.

SAM as the leader in
sustainability research

A new report released recently by SustainAbility supported by Mistra the Swedish Foundation for Strategic Environmental Research involves a detailed review of 15 SRI Research organizations from around the world and identified SAM Research as the leading organization involved in SRI/Sustainability research.

The report applied an assessment framework based on six different categories focusing on different aspects critical for a research organisation. In four out of six categories SAM was identified as best practice. In the remaining two categories, the authors did not identify any best-practice examples. The report applied an assessment framework based on six criteria: research methodology, quality of information sources, quality of research process, quality of research team, client services and transparency.

SAM increased Assets under Management by 88%

In the financial year 2003 and including Q1 2004, SAM Group saw dynamic growth in the volume of assets under its management of about 88% or more than 700 million to a total of CHF 1.5 billion.

This impressive increase in assets under management is the result of a surge in demand for sustainable investments especially in Switzerland, Germany, Sweden and Italy. The strong growth was achieved in particular with the addition of mandates from large pension funds and from new investment funds.

SPG pays
out dividend

At the AGM of 21 April 2004, shareholders of Sustainable Performance Group (SPG), an investment company specialising in sustainability investments, approved a proposal to reduce the equity capital by cutting the par value of the share.

The nominal value of the Sustainable Performance Group share is to be reduced from CHF 200 to CHF 163. This will release a sum of CHF 37 per share, which will be paid out to shareholders in the form of extra SPG shares. This measure is designed to maintain the solid market liquidity of SPG shares on the one hand, and on the other to assure that the shares continue to trade at a premium to the company's net asset value.

New manager for
SAM fund products

On 1 April 2004 Daniel Häfele took over responsibility for the distribution and development of all SAM fund products.

In his new post Mr Häfele is mainly responsible for continuing to develop existing funds and raising their profile in the investment community, as well as developing new funds and bringing them to market. Daniel Häfele is already well known in the industry as the founder and managing director of FONDVEST, as asset management company specialising in open-ended fund structures that was taken over by UBS in 2000.

SAM-News and Events

Events

2 June 2004

Sustainable Investments & Sustainable Returns

Investors' Event organized by SAM Sustainable Asset Management and TIM Turicum Investment Management
Venue: Hotel Marriott
Neumühlequai 42, 8001 Zürich

6 - 8 June 2004

Swiss Re Global Energy Conference

With Papers from SAM Sustainable Asset Management
Venue: Swiss Re Center for Global Dialogue
Gheistrasse 37, 8803 Rüschlikon

27 - 28 September 2004

European Venture Fair

With international exhibitors
Venue: Swiss Re Center for Global Dialogue
Gheistrasse 37, 8803 Rüschlikon

30 September - 1 October 2004

SAM Private Equity Investoren Forum

Venue: Romantik Hotel Guarda Val
7078 Lenzerheide

Publications

May/June 2004

SAM's Leading Edge Yearbook 2004

The new publication to showcase the outcome of SAM's leading sustainability research for the Dow Indexes (DJSI)

2 September 2004

Announcement of the members of the Dow Jones Sustainability Indexes (DJSI)

Contact

SAM

Sustainable Asset Management

Seefeldstrasse 215

CH-8008 Zurich

Switzerland

Tel. +41 1 397 10 10

Fax +41 1 397 10 80

insight@sam-group.com

www.sam-group.com

SAM Sustainable Asset Management (SAM) was founded in 1995 as an independent asset management company specializing in sustainability investments. As one of the world's leading asset managers in its field, SAM works with banks, insurance companies, pension funds, trusts, foundations, and private investors.

The systematic analysis and integration of sustainability criteria in the investment process serves as a basis for high-quality products and services. SAM's acumen is based on its own research as well as the resources of its worldwide sustainability network. Together with Dow Jones and STOXX, SAM launched a family of sustainability indexes, tracking the performance of companies that lead their industry in terms of sustainability.

SAM Sustainable Asset Management is headquartered in Zurich, Switzerland, with offices in Barcelona (Spain), Milan (Italy), Melbourne (Australia), Somona (California, USA) and Stockholm (Sweden).