

NEUBERGER BERMAN



# Sustainability - The Investor's Perspective

# Backdrop to Investing Today

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## Majority of Investors

- Concern over safety of financial markets
- Lack of confidence in corporate management
- Want their financial advisors to investigate the ethical as well as the financial performance of companies

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# What Is Social Responsive Investing?

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- Socially responsible investing (SRI) is an investment process that considers the social and environmental consequences of investments, both positive and negative, within the context of rigorous financial analysis<sup>(1)</sup>

Our goal is to deliver consistent and superior risk adjusted portfolio returns, while reflecting social and environmental criteria

We believe doing good and doing well are mutually compatible

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2. *Source: 2005 Report on Socially Responsible Investing Trends in the United States, Social Investment Forum.*

# How was SRI Founded?

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## Driving Forces

**Anti-War Movement**

**Nuclear**

**South Africa Apartheid**

**Environmental Concerns**

**Healthcare – Tobacco**

**Workplace and  
Corporate Governance**

**Clean / Green Tech Revolution**

# Active Participants

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## Individuals

- Women
- Religious Citizens
- Educators
- Health Professionals
- Environmentalists
- Concerned Citizens

## Institutions

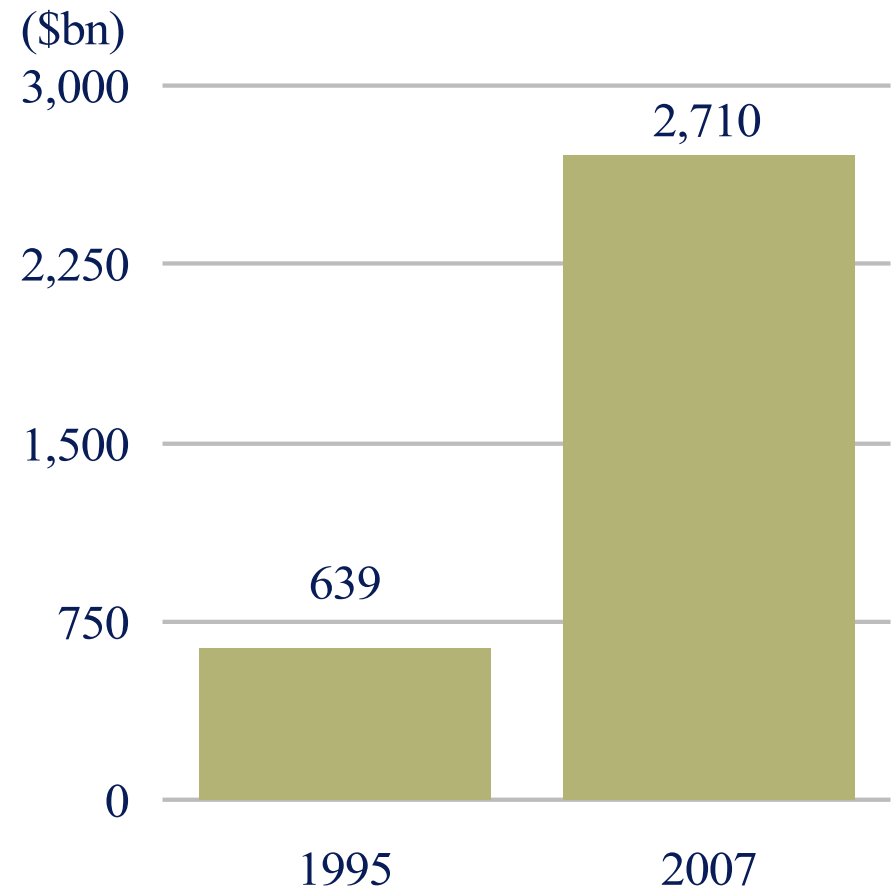
- Churches
- Hospitals
- Foundations
- University Endowments
- Non-Profit Organizations
- Pensions Plans

# State of SRI Industry

## Rapid Growth

- From 1995 to 2007, SRI grew 324% – faster than all professional managed investment assets
- SRI assets increased 18% between 2005 and 2007 – despite 38 fewer funds using tobacco screening

## Assets



*Source: 2005 Report on Socially Responsible Investing Trends in the United States, Social Investment Forum.*

# SRI Investment Approaches

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## Investment Policy

- Index-like
- Directed
- Active

## Social Policy

- Activists
- Facilitators
- Conscientious

# SRI Equity Investment Philosophy

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## Value-Driven Bottom-Up Investment Approach with Disciplined Risk Controls

- Research driven, valuation sensitive investing
  - Deploy best ideas in diversified portfolio of approximately 30–40 names
  - Buy as value / sell as growth
  - Target 15–25% returns per annum per holding upon purchase
- Use long-term perspective to investment advantage
- Portfolio P/E less than Market controls valuation risk
- Strive to deliver superior long-term portfolio returns through stock selection

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Please see important disclosures on page 16.

# Investment Process Overview

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## Combines Quantitative Screening with Qualitative Analysis

1. Quantitative Screening
  - Find statistical values consistent with basic social avoidance criteria
2. Qualitative Business Analysis with Integrated Social Research
  - Conduct in-depth research and analysis of company / business model
  - Identify companies demonstrating leadership in environment, workplace, community
3. Develop the Investment Premise
  - Integrate valuation analysis and fundamental research to form risk / return profile
4. Buy / Sell Discipline
  - Determine catalysts that lead to investment action
  - Ensure that portfolio companies adhere to social criteria
5. Portfolio Construction and Return Characteristics
  - Valuation based portfolio risk controls
  - Seek superior long-term returns through stock selection

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# SRI Equity Screening

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## Good Corporate Citizenship Is Good Business

- Workplace
- Community
- Environment
- Corporate Governance

# Workplace Issues and the Bottom Line

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## Social Screening Results

Employee  
Benefits

Family  
Benefits

Diversity

Labor  
Relations

Employee  
Safety

## May Result in

- Lower Turnover and Absenteeism
- Higher Productivity
- Attracting and Retaining Talent

Please see important disclosures on page 16.

# Community and the Bottom Line

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## Social Screening Results

Charitable  
Giving

Employee  
Volunteer Programs

Community  
Outreach

## May Result in

- Improved Corporate Image
- Heightened Product Visibility
- “Right to Operate”
- Customer Loyalty

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# Environment and the Bottom Line

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## Social Screening Results

Environmental  
Management

Resource  
Conservation

Waste  
Reduction

Green  
Products

## May Result in

- Lower Resource and Disposal Costs
- Lower Penalties, Liabilities and Contingencies
- Access to New Markets

# Corporate Governance Issues

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## Social Screening Results

Board  
Independence

Board  
Diversity

Executive  
Compensation

## May Result in

- Management aligned with shareholder interest
- Improved Oversight, Transparency
- Increased Accountability

# Leveraging Ownership

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## The Active Shareholder

- Dialogue with Management
- Proxy Voting
- Shareholder Resolution

# Looking Ahead

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## SRI Trends

- Increased Disclosure
- Beyond Regulations
- Growing Pension Fund Involvement
- Green Clean Technology
- Underserved Communities

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# Disclosures

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