

Ministry of Finance
Akersgate 40
Postbox 8008
DEP. 0030 Oslo
Norway

Zurich, 15th September 2008

Public Consultation on Ethical Guidelines

Dear Madam, dear Sir,

We read the Ministry of Finance's consultation paper on the ethical guidelines of the Government Pension Fund – Global (GPFG) with great interest, and appreciate the opportunity to submit our views on some of the points raised in this context.

SAM (Sustainable Asset Management) was founded in 1995 as an asset management company focused exclusively on sustainability investments. Today, the company ranks among the leading investment groups worldwide in this field. Together with Dow Jones Indexes, we developed the globally recognized Dow Jones Sustainability Indexes (DJSI) in 1999. Within the scope of this partnership, SAM has compiled one of the world's largest databases on corporate sustainability, and analyzes over a thousand listed companies every year. Based on this, we today provide a range of sustainability-driven products in the fields of asset management and indexing.

Our investment approach reflects SAM's strong conviction that sustainability pays off. Consequently, we were delighted to read that the GPFG will proceed on the assumption that there is a relationship between favourable returns long-term returns and sustainability. In that context, we would like to respond to the consultation paper by focusing on three main themes and statements:

1. **Performance:** Positive criteria, when thoroughly researched and integrated into an investment process, have added performance.
2. **Engagement:** Best-in-class approaches, in particular in the context of a well established sustainability index, provide a systematic and effective engagement tool.
3. **Special Investments:** Pioneering strategies in specific sustainability segments offer an option for the possible special investment mentioned in the paper.

We are providing further thoughts and details on each of these three points in the attached presentation and we'd certainly be delighted to discuss them further with you and to learn more about your views in this context.

Your sincerely



Reto Ringger
Founder & CEO



Clas-Henrik Ivarsson
Nordic Representative



sam 
creating sustainable value

 Carbon Neutral
since 2001

Public
Consultation on
GPFG's Ethical
Guidelines

Performance (1 of 6)

Consultation Paper (p. 33): “Positive selection will tend to result in significant curtailment of the investment universe, with the investments having to be focused in large-cap companies.”

- Being convinced that sustainability criteria play an increasingly important role for long-term success, we don’t see them as a curtailment of the investment universe, but rather as a crucial signal to identify well-managed companies.
- In addition, positive criteria can be applied in different ways – ranging from selecting only a small number of leading firms to investing in all the companies with an overweight in the leaders and an underweight in the laggards.
- Possible tilts towards large cap companies or other factors can be minimized in the portfolio construction process. Optimization can take place with regard to any benchmark that the investor chooses.

Performance (2 of 6)

Consultation Paper (p. 33): “[Positive selection] allows room for a significant element of discretion and arbitrariness.”


- True, provided that this statement is focused exclusively on the definition of criteria, and not their application.
- The selection of sustainability criteria will always be based on subjective views on future trends, challenges and priorities. We would argue that this is equally the case for negative and positive criteria, as for any other research-based investment approach. We would also argue that this discretion is confined to the definition of criteria, rather than the evaluation thereof. The application of a certain criteria set, however, can be done objectively.
- SAM’s assessment questionnaire is a case in point for this. It is specifically designed to ensure objectivity by limiting qualitative answers from companies through predefined multiple-choice questions. Objectivity is also supported through an annual assurance review of our assessment by an independent third-party (Deloitte).

Performance (3 of 6)

Consultation Paper (p. 34): “SRI funds and indices have throughout the period of economic expansion after 2003 registered a risk-adjusted return that is clearly inferior to that of conventional funds”

- Our experience with our longest-running benchmark, the Dow Jones Sustainability World Index, provides indication that the opposite can also be the case. Since launch in 1999, the index has outperformed the mainstream market as measured by the MSCI World. The index comprises the top 10% in terms of sustainability out of the largest 2'500 companies worldwide.
- Similarly, the SAM Sustainable Global Fund has outperformed its benchmark since launch in 2004. It uses a best-in-class approach to select firms that demonstrate sustainability leadership in each market sector. The portfolio is then constructed by running an optimization process, which optimizes the weightings of the individual components against MSCI World in terms of their risk/return characteristics, while also taking their sustainability score into account. This optimization process also limits major risk factors including size, country and sector, leaving 'asset selection' as the main source of active risk.
- Further details are included on the following three slides.

Performance (4 of 6)

 Performance Summary		
Ending July 2008		
	Dow Jones Sustainability World Index	MSCI World Index
1 Year		
<i>Return (%)</i>	-10.59	-10.88
<i>Standard Deviation (%)</i>	15.36	14.79
<i>Sharpe Ratio</i>		-0.92
3 Year		
<i>Return (%)</i>	8.72	6.76
<i>Standard Deviation (%)</i>	11.29	10.82
<i>Sharpe Ratio</i>		0.27
5 Year		
<i>Return (%)</i>	11.96	10.99
<i>Standard Deviation (%)</i>	10.68	10.12
<i>Sharpe Ratio</i>		0.77
Since Inception		
	Aug 1999	Aug 1999
<i>Return - Annualized (%)</i>	3.16	2.79
<i>Standard Deviation -- Annualized (%)</i>	15.16	13.81
<i>Sharpe Ratio</i>		0.02

Performance (5 of 6)

Dow Jones Sustainability World Index	Tracking Error to MSCI World
One Year	2.80%
Three Years	2.03%
Five Years	2.09%
Since Inception	3.04%

Dow Jones Sustainability World Index	Excess Return to MSCI World
One Year	0.42%
Three Years	1.88%
Five Years	0.93%
Since Inception	0.56%

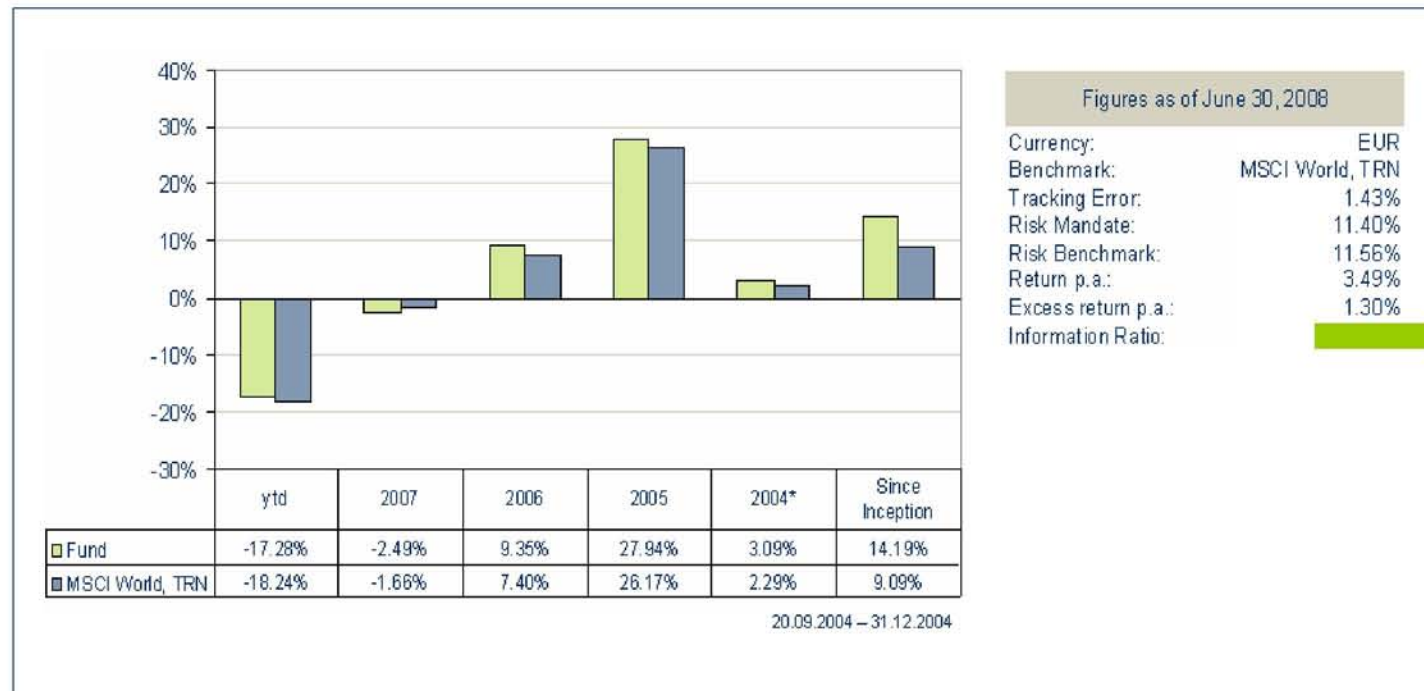
Dow Jones Sustainability World Index	
One Year	
Three Years	
Five Years	
Since Inception	

Data as of July 31, 2008.
Source: SAM Indexes

Performance (6 of 6)

SAM Sustainable Global Fund

Periodical Performance Comparison (B-Shares, in EUR, as of July 31, 2008, since inception)



All data is calculated according to international performance presentation standards. Past performance is no indication of future results. The values and returns indicated here do not consider the fees and costs which may be charged when subscribing, redeeming and/or switching units.

Engagement (1 of 2)

Consultation Paper (p. 33): “The Committee deemed active ownership to be a better tool than positive selection for achieving positive changes within various areas... [Positive] selection reduces the scope for the active exercise of ownership rights.”

- Best-in-class strategies provide a robust and systematic basis to initiate change across a broad spectrum of companies. While direct engagement is focused on improvements within a select group of firms, indirect engagement through a best-in-class approach leverages investments for a broader momentum in corporate sustainability.
- Positive screening, as undertaken by SAM Group, also provides companies with strong incentives and a clear framework to strive for constant improvements of their sustainability performance. Incentives include reputational benefits as well as qualifying for sustainability-related investment products. Our assessment questionnaire also provides companies with a clear blueprint outlining sustainability best-practices.
- We believe that the two approaches – direct and indirect engagement – need not be mutually exclusive. Provided the investor’s asset allocation allows for the management of best-in-class mandates alongside total market portfolios, the asset owner can initiate improvements among individual laggards and at the same time raise the bar for the leaders and thus for the industry as a whole.

Engagement (2 of 2)

Performance Scoreboard of Westpac's CEO

Performance condition	Summary description	Reason chosen	Method of assessment	Outcome
Economic profit ¹	Net profit less cost of capital (assumed to be 12% of shareholder funds)	Considered to be the best financial measure of shareholder value	Comparison of actual achievement against target set	Exceeded by 5.5%
Strategy	Achievement of organic growth strategy objectives, delivery of major program benefits and performance in merger and acquisition activity	Considered to be a critical component of the CEO role	Judgement of the Board	Exceeded
Customer satisfaction	Customer satisfaction survey conducted in the following key segments: <ul style="list-style-type: none"> • Consumer • Small and medium enterprises • Middle market and priority • Institutional • New Zealand 	Considered to be the best available measure of improvements in customer service levels	Comparison of achieved scores against targets set	Met Average 5% improvement over aggregated survey scores over previous year's result
Employee commitment	Employee perspective survey conducted annually	Considered to be the best available measure of improvement in the employee's intention to remain with Westpac and their willingness to promote Westpac as a "best employer" to other participants in the employment market	Comparison of achieved score against targets set at the start of the year	Met 5% improvement, on previous year's result
Corporate and sustainability responsibility	Dow Jones Group Sustainability Index for banks	Considered to be the most appropriate measure of Westpac's reputation across social, environmental and financial dimensions thereby ensuring longer term sustainability	Comparison of achieved score against targets set at the start of the year	Exceeded Ranked number one globally (for the third year running)

¹ Performance against other measures such as cash earnings, cash earnings per share growth, cash return on equity (ROE) and Westpac's operating income ratio is also taken into account.

Special Investments (1 of 4)

Consultation Paper (p. 42): “The Ministry would also welcome feedback from these bodies as to what types of investments, if any, might be examined in more details for such purposes.’

- We believe that there is a lot of potential in complementing core sustainability strategies together with so-called pioneering strategies. While the former invests in companies that demonstrate leadership in adopting sustainability principles and corporate practices, the latter invests in companies that have developed innovative products or services in the field of environmental technologies, such as renewable energies, water technologies, and innovative materials, to name a few.
- Both approaches qualify as sustainability investing, while enabling asset owners to invest in both large firms as well as small- & mid-caps, which mitigates the potential exposure of SRI strategies to ‘business cycles’

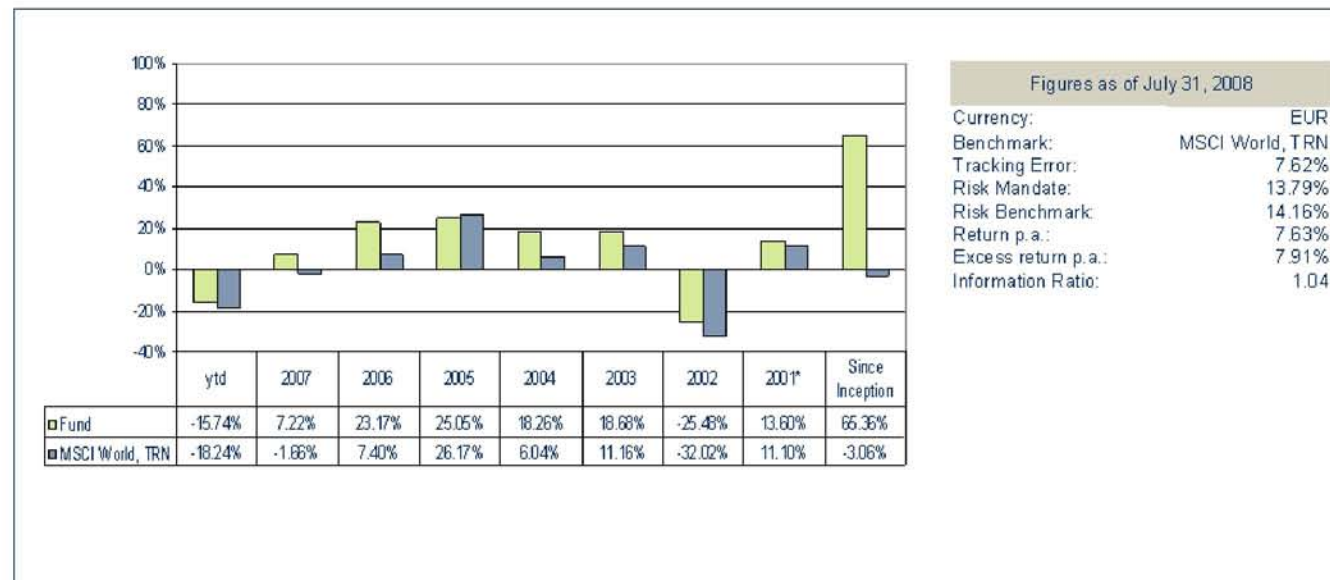


Special Investments (2 of 4)

SAM Sustainable Water Fund

- The fund invests globally in companies providing technology, products and services relating to the water value chain, such as water distribution, management, treatment and analysis as well as irrigation.
- The aim of the fund is to achieve the highest possible returns over the long term. It is suitable for long-term-oriented equity investors who are convinced of the sustainable potential of the water market, and for inclusion in a globally diversified portfolio.

Periodical Performance Comparison (B-Shares, in EUR, as of July 31, 2008, since inception)



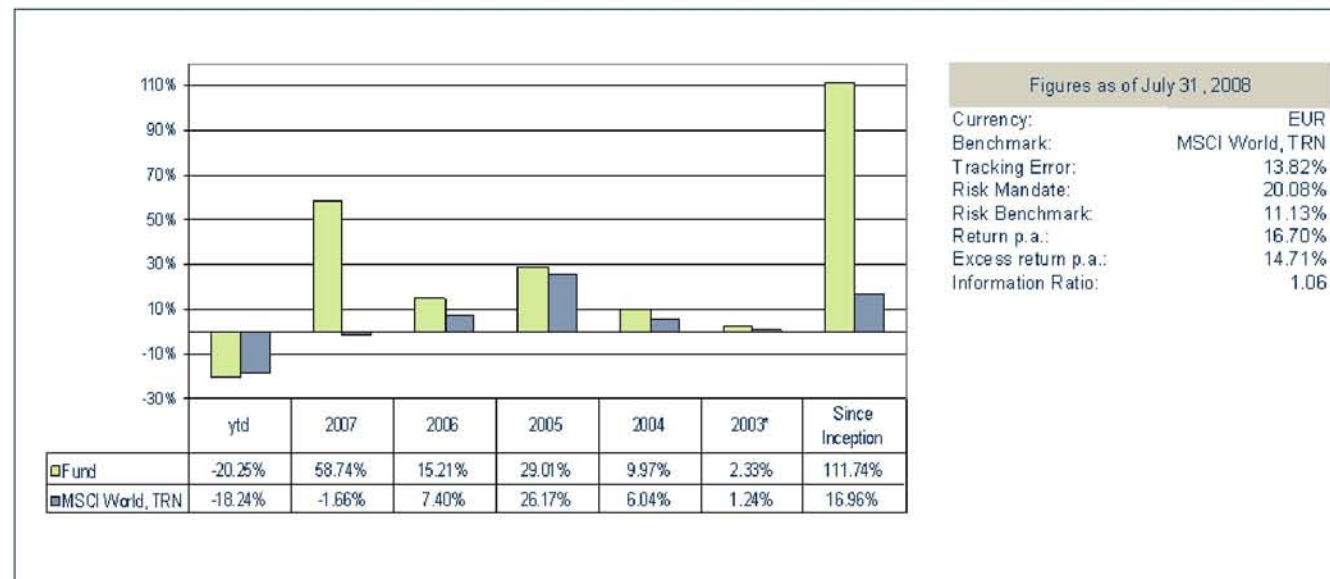
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Special Investments (3 of 4)

SAM Smart Energy Fund

- The fund invests worldwide in companies providing technology, products and services in the area of future-oriented energy, such as renewable energies, decentralized energy supply and demand-side energy efficiency.
- The aim of the fund is to achieve the highest possible returns over the long term. It is suitable for long-term-oriented equity investors who are convinced of the sustainable potential of the energy sector, and for inclusion in a globally diversified portfolio.

Periodical Performance Comparison (B-Shares, in EUR, as of July 31, 2008, since inception)



Figures as of July 31, 2008

Currency: EUR
 Benchmark: MSCI World, TRN
 Tracking Error: 13.82%
 Risk Mandate: 20.08%
 Risk Benchmark: 11.13%
 Return p.a.: 16.70%
 Excess return p.a.: 14.71%
 Information Ratio: 1.06

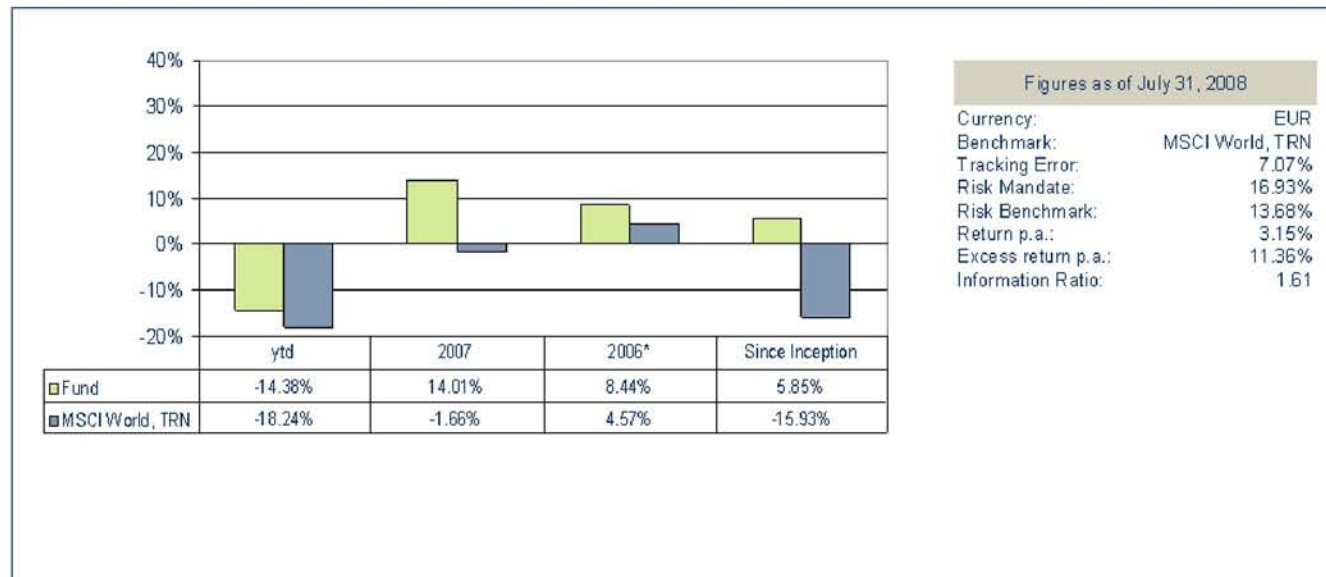
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Special Investments (4 of 4)

SAM Smart Materials Fund

- The fund invests worldwide in companies which provide technology, products or services relating to the extraction and efficient handling of raw materials, recycling of used resources and innovative alternative materials.
- The aim of the fund is to achieve the highest possible returns over the long term. It is suitable for long-term-oriented equity investors who are convinced of the sustainable potential of material flows, and for inclusion in a globally diversified portfolio.

Periodical Performance Comparison (B-Shares, in EUR, as of July 31, 2008, since inception)



Past performance is no indication of future results. The values and returns indicated here do not consider the fees and costs which may be charged when subscribing, redeeming and/or switching units.