

Corporate Governance

As an investment company listed on SWX Swiss Exchange, SPG is governed by the SWX Corporate Governance Guidelines, which came into effect on 1 July 2002 and were updated on 30 November 2003, and by the recommendations of the “Swiss Code of Best Practice for Corporate Governance” issued by the Swiss Business Federation (economiesuisse), which became effective on 25 March 2002. SPG is committed to continuously adapting and expanding its corporate governance reporting to satisfy shareholder needs. However, good corporate governance is not only practised within the company, but is also applied as an important criterion in the investment process and portfolio strategy by SPG in its capacity as active investor. SPG is one of the first investment companies to show its commitment in the field of corporate governance

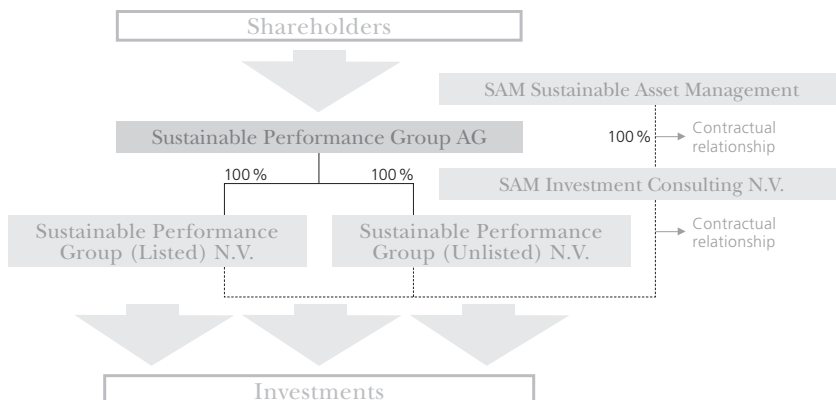
for its portfolio companies, by entering a collaboration in 2004 with Institutional Shareholder Services (ISS), a leading US provider of voting rights. This collaboration gives SPG permanent access to information on the shareholder meetings of the companies in its portfolio, making sure it is able to exercise all its voting rights fully, punctually and in accordance with sustainable principles. For example, SPG exercised its voting rights for the first time at the EGM of Ericsson in August 2004, by voting in favour of the creation of a single class of shares.

Full details about SPG’s Corporate Governance activities for its portfolio companies can be found on www.sustainable.ch/corporategovernance as well as the proxy voting guidelines and a record of all the votes cast by SPG.

The Corporate Governance of the Sustainable Performance Group AG is based on the Corporate Governance Guidelines of the SWX Swiss Exchange that entered into force on July 1, 2002 and were updated on 30 November 2003.

1. Group Structure and Shareholders

1.1 Group Structure



Sustainable Performance Group AG (SPG), a joint stock company under Swiss law (head office in Zurich),

was founded on May 21, 1997. On August 8, 1997, it was listed on the SWX Swiss Exchange. On the reporting date, SPG’s stock market capitalisation came to CHF 186’345’000. SPG holds its investments indirectly through two wholly owned subsidiaries, Sustainable Performance Group (Listed) N.V., Curaçao, and Sustainable Performance Group (Unlisted) N.V., Curaçao. Each subsidiary has share capital of CHF 10’000. The Group did not employ any of its own staff as of December 31, 2004. SAM Investment Consulting N.V., a wholly owned subsidiary of SAM Sustainable Asset Management AG, with head office in Curaçao, serves as investment advisor to the two subsidiaries. SAM Investment Consulting N.V. in turn avails itself of the research of SAM Sustainable Asset Management AG.

1.2 Major Shareholders

Pension Fund of the Swiss Confederation PUBLICA: 10.9%

1.3 Cross-shareholdings

None

2. Capital Structure

2.1 Capital

| | in CHF |
|---------------------------|-------------|
| Ordinary share capital | 100 245 000 |
| Authorised share capital | 50 122 500 |
| Conditional share capital | 17 930 000 |

2.2 Authorised and Conditional Share Capital

2.2.1 Authorised Share Capital

The Board of Directors is authorised to increase the share capital by up to CHF 50'122'500 by May 7, 2005, through the issue of up to 307'500 fully paid-up bearer shares with a par value of CHF 163 each. An increase in partial amounts is possible. In principle, the shareholders are entitled to subscription rights, but these may be revoked for significant reasons. The Board of Directors determines the conditions for the issue of shares.

2.2.2 Conditional Share Capital

The company's share capital may be increased by up to CHF 17'930'000 by issuing up to 110'000 fully paid-up bearer shares with a par value of CHF 163 in conjunction with the exercising of option or conversion rights granted on their own or in connection with bonds or other forms of debt financing for the com-

pany or one of its subsidiaries. Shareholders have no subscription right.

2.3 Changes in Capital

| in CHF | 2002 | 2003 | 2004 |
|------------------|--------------------|--------------------|--------------------|
| Share capital | 123 000 000 | 123 000 000 | 100 245 000 |
| Capital reserves | 207 082 340 | 207 060 820 | 206 982 912 |
| Own shares | -28 263 025 | -23 611 454 | -7 801 012 |
| Net gain/loss | -140 296 328 | -115 312 599 | -125 550 443 |
| | 161 522 987 | 191 136 767 | 174 884 565 |

2.4 Shares and Participation Certificates

Number of shares: 615'000

Share category: Bearer shares

Par value: CHF 163, fully paid up

Each share entitles the holder to one vote at the General Meeting. All shares embody the same voting and dividend rights and equal entitlements to any liquidation proceeds.

2.5 Profit-sharing Certificates None

2.6 Limitations on Transferability and Nominee Registrations None

2.7 Convertible Bonds and Warrants/Options None

3. Board of Directors

3.1 Members of the Board

The Board of Directors of SPG is made up of non-executive members that do not exercise any manage-

ment functions in or maintain any material business relationships with SPG or its subsidiaries. Detailed CVs of all the members of the Board of Directors are available on the SPG website www.sustainable.ch.

| Name | Nationality | Education | Professional background/Current activities |
|--------------------------------|-------------|--|--|
| Prof. Ernst A. Brugger | CH | Studies: Economic geography Titular Professor, University of Zurich | – Partner and Chairman, BHP-Brugger & Partners AG, Zurich – Member of the Executive Committee, International Committee of the Red Cross, Geneva – CEO, The Sustainability Forum Zurich, Zurich |
| Prof. Richard Sandor | USA | Studies: Economics Ph.D.: University of Minnesota | – Chairman, Chicago Climate Exchange, Chicago, USA – CEO, Environmental Financial Products LLC, Chicago, USA – Member of the Board of Directors, Nasdaq Liffe Markets, New York, USA – Research Professor, Kellogg Graduate School of Management, Northwestern University |
| Dr. Doris M. Schönemann | D | Studies: Economics, Ph.D.: University of Zurich/Freiburg i. Br | – Founder of Investor's Dialogue GmbH – Deputy Chairman of the Board of Directors of the Equalisation Fund of AHV, Switzerland's state pension system – Pioneering role as director of a bank |
| Dr. Klaus Woltron | AT | Studies: Metallurgy and process engineering Ph.D.: University of Leoben | – Managing Director & Partner, Minas Beteiligungs- und Management GmbH, Vienna – Partner, TÜV Trust Zertifizierungs-GmbH, Vienna – Partner, Invictus Productions- und Handels-GmbH, Vienna |
| Prof. Alexander Zehnder | CH | Studies: Natural science Ph.D.: Swiss Federal Institute of University of Zurich Professor, ETH, Zurich | – President of the Board of the Swiss Federal Institute of Technology (ETH), Zurich – Member of the Royal Dutch Academy of Science (Amsterdam) and the Swiss Academy of Technical Sciences (Zurich) |
| | | | |

3.2 Other Activities and Vested Interests

The Board of Directors and the major shareholders of SPG (>5% of all votes) are completely independent of the SPG's investment advisor, SAM Investment Consulting N.V., and its research provider, SAM Sustainable Asset Management (SAM), and do not hold any shares in SAM, with the exception of Prof. Ernst A. Brugger and Prof. Richard Sandor. There are no consulting mandates or financial links between the Board of Directors, the shareholders and the investment advisors or research providers, once again with the exception of Prof. Ernst A. Brugger and Prof. Richard Sandor (see 3.3).

3.3 Cross-involvement

Prof. Ernst A. Brugger, chairman and Prof. Richard Sandor, member of the Board of Directors, are shareholders of SAM with an interest of 0.5% and 1.8% respectively.

3.4 Elections and Terms of Office

The members of the Board of Directors are elected for a maximum of three years and may stand for re-election. The current five members are elected until the 2005 AGM.

| Name | Date of first election | Term of office ends |
|-------------------------|------------------------|---------------------|
| Prof. Ernst A. Brugger | 1997 | Spring 2005 |
| Prof. Richard Sandor | 1997 | Spring 2005 |
| Dr. Doris M. Schönemann | 2003 | Spring 2005 |
| Dr. Klaus Woltron | 1997 | Spring 2005 |
| Prof. Alexander Zehnder | 1997 | Spring 2005 |
| | | |

3.5. Internal Organisational Structure

3.5.1 Allocations of tasks within the Board of Directors

Chairman: Professor Ernst A. Brugger

3.5.2 Committees of the Board of Directors

Steering Committee: Prof. Dr. Ernst A. Brugger
Prof. Dr. Alexander Zehnder

The main responsibility of SPG's Steering Committee is to support the Board of Directors in exercising its supervisory functions. To this end, between the ordinary Board meetings the Steering Committee checks on strategy implementation, controls financial information and monitors the work of the independent auditors. In addition, the Steering Committee prepares the meetings of the Board of Directors. The Steering Committee is appointed each year by the Board of Directors and has

at least two members. As the members of the Steering Committee are members of the SPG Board of Directors, they do not receive any additional compensation.

3.5.3 Work Methods of the Board of Directors and its Committees

Full Board of Directors:

- one full day at least four times a year
- one to two workshops a year on specific topics

Steering Committee:

- at least six times a year

3.6 Definition of Areas of Responsibility

The Board of Directors fulfils the supervisory role at SPG. It has not delegated any executive responsibilities to management.

3.7 Information and Control Instruments

SPG's Board of Directors monitors the competencies transferred to the investment advisor, SAM Investment Consulting N.V., on the basis of the following detailed reports provided by the latter:

- quarterly (or semi-annual or annual) results within a month of the end of the calendar quarter
- immediate reports by the investment advisor to the Board on any unusual or important business matters

4. Senior Management

4.1 Members of Senior Management None

4.2 Other Activities and Vested Interests None

4.3 Management Contracts

See page 44, 9. Management Fees

4.4 Administration Service Contracts

See page 44, 9. Management Fees

5. Compensations, Shareholdings and Loans

5.1 Content and method of determining the compensation and the shareholding programs

SPG's Board of Directors is compensated on the basis of the fee model on Page 44 of this report. In 2004, the investment advisor was paid a total of CHF 2'053'352 in set basic fees. No performance fees were paid. The total remuneration of the Board of Directors amounts to 10% of all compensation paid to SAM Investment Consulting N.V., i.e. CHF 205'335 in the year under review. The full Board of Directors is responsible for determining the compensation model in consultation with the investment advisor.

5.2. Compensations for Acting Members of Governing Bodies

5.2.1 Total for all compensations

| | |
|-----------------------------|-------------|
| Total Board compensation: | CHF 205'335 |
| Cash: | CHF 102'668 |
| Compensation in SPG shares: | CHF 102'667 |

| Non-executive Board members | Compensation in CHF |
|-----------------------------|---------------------|
| Prof. Ernst A. Brugger | 44 000 |
| Prof. Richard Sandor | 14 667 |
| Dr. Doris M. Schönemann | 14 667 |
| Dr. Klaus Woltron | 14 667 |
| Prof. Alexander Zehnder | 14 667 |
| | |

5.2.2 Additional Redundancy Payments None

5.3 Remuneration for Former Officers None

5.4 Share Allotment in the Year under Review

Compensation in SPG shares: CHF 102'667

| Non-executive Board members | Number of shares |
|-----------------------------|------------------|
| Prof. Ernst A. Brugger | 142 |
| Prof. Richard Sandor | 38 |
| Dr. Doris M. Schönemann | 47 |
| Dr. Klaus Woltron | 38 |
| Prof. Alexander Zehnder | 50 |
| | |

Shares allocated to Board members are subject to a one-year blocking period.

5.5 Share Ownership as of December 31, 2004

Total number of shares held by all members of the Board of Directors: 722

5.6 Options None

5.7 Additional Fees and Remunerations None

5.8 Loans Granted by Governing Bodies None

5.9 Highest Total Compensation

Total Board compensation: CHF 205'335

Highest individual remuneration: CHF 88'000

6. Shareholders' Participation

6.1 Voting Rights and Representation Restrictions None

6.2 Statutory Quorums

The quorum required by the Articles of Association follows the statutory provisions.

6.3 Convocation of the General Meeting of Shareholders

The regulations for convening the general meeting laid down in the Articles of Association follow the statutory requirements.

6.4 Agenda

Any shareholder who holds shares with a nominal value of at least CHF 1 million can demand that an item be placed on the agenda of a meeting. The request to place an item on the agenda, including information about the subject and the shareholder's motions, must be received in writing at least 60 days before the meeting.

6.5 Inscription in the Share Register

As SPG issues only bearer shares, a share register is not kept.

7. Changes of Control and Defence Measures

7.1 Duty to Make an Offer

A purchaser of shares in the company is not obliged to make a public offer for shares according to Articles 32 and 52 of the Swiss Federal Act on Stock Markets and Securities Trading.

7.2 Clauses on Changes of Control None

8. Auditors

8.1 Duration of the Mandate and Term of Office of the Lead Auditor

The General Meeting elects the statutory auditors and the Group auditors, with all the rights and duties under the law, each year for a period of twelve months.

8.1.1 Date the current auditing mandate was assumed August 7, 1997

8.1.2 Date the lead auditor assumed office April 21, 2004

8.2 Auditing Fees

For the audit of individual accounts and the consolidated financial statements of SPG in 2004, PricewaterhouseCoopers submitted an account for a total of CHF 76'719. The audit fees for the two subsidiaries in Curaçao amount to CHF 59'710.

8.3 Additional Fees None

8.4 Supervisory and Control Instruments Pertaining to the Audit

The Steering Committee described under 3.5.2 is responsible for the supervision and control of the external audit.

9. Information Policy

See p. 54