

Corporate Governance

As an investment company listed on SIX Swiss Exchange, SPG is governed by the SIX Corporate Governance Guidelines, which came into effect on July 1, 2002 and were updated on July 01, 2009, and by the recommendations of the “Swiss Code of Best Practice for Corporate Governance” issued by the Swiss Business Federation (economiesuisse), which came into effect on March 25, 2002. SPG is committed to continuously adapting and expanding its corporate governance reporting to satisfy shareholder needs.

However, good corporate governance is not only practiced 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 in-

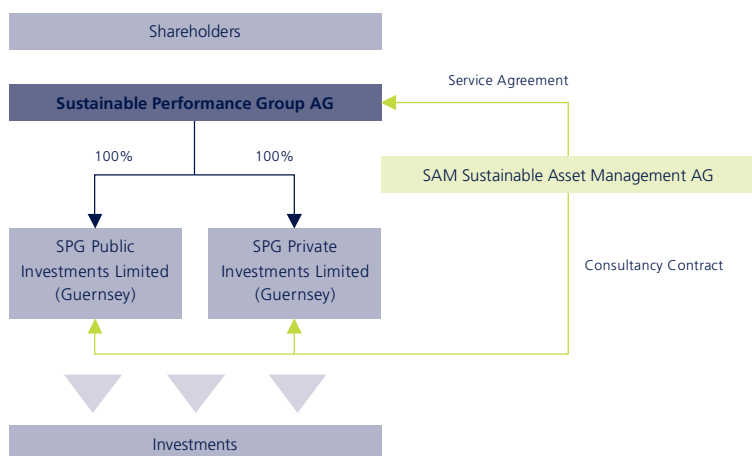
vestor. SPG is one of the first investment companies to show its commitment in the field of corporate governance for its portfolio companies, by entering a collaboration in 2004 with Riskmetrics Group, a leading US provider of voting rights. This collaboration gives SPG permanent access to information 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.

Full details about SPG’s Corporate Governance activities for its portfolio companies can be found on http://www.sustainable.ch/html/about/corporate_governance.cfm, along with the proxy voting guidelines and a record of all the votes cast by SPG.

The Corporate Governance of Sustainable Performance Group AG is based on the Corporate Governance Guidelines of the SIX Swiss Exchange that entered into force on July 1, 2002 and were updated on July 01, 2009.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure



Sustainable Performance Group AG (SPG), a joint stock company under Swiss law with its head office in Zurich, was founded on May 21, 1997. On August 8, 1997, it was listed on the SIX Swiss Exchange. On the reporting date, SPG’s market capitalization amounts to CHF 150 528 000. SPG holds its investments indirectly through two wholly owned subsidiaries, SPG Public Investments Limited (Guernsey) and SPG Private Investments Limited (Guernsey) (hereinafter referred to jointly as “the Group”). Their share capital amounts to CHF 13 894. SAM, an investment boutique focused exclusively on Sustainability Investing serves as investment advisor to the two subsidiaries and avails itself of its research and other experts. SAM and Robeco, a member of the Dutch Rabobank Group (S&P AAA), have entered into a strategic alliance in order to establish for product development, innovation and distribution purposes, the world’s leading platform for sustainability investments. As a part of this collaboration, the managers and staff of SAM and Robeco are shareholders of SAM. Within this strategic alliance, SAM preserves its operational independence. This had no impact on the collaboration between SAM and SPG.

1.2 Significant shareholders

| | |
|----------------------------------------------------------|-------|
| Sustainable Performance Group | 8.86% |
| Pensionskasse des Kantons Glarus | 4.89% |
| Zuger Pensionskasse | 4.04% |
| Pensionskasse Thurgau | 4.03% |
| Caisse de prévoyance du personnel de l'Etat du Valais | 4.00% |
| Sulzer Vorsorgeeinrichtung | 3.87% |

1.3 Cross-shareholdings None

2. CAPITAL STRUCTURE

2.1 Capital

| in CHF | |
|---------------------------|------------|
| Ordinary share capital | 53 760 000 |
| Authorized share capital | 26 880 000 |
| Conditional share capital | 26 880 000 |

2.2 Authorized and conditional share capital in particular

2.2.1 Authorized share capital

The General Meeting on May 7, 2009 resolved to authorize the Advisory Board to increase the share capital by up to CHF 26 880 000 by issuing a maximum of 336 000 bearer shares with a par value of CHF 80 by May 7, 2011, which must be paid up in full. The increase may be conducted in tranches. The Advisory Board decides on the issuing volume, the date of dividend entitlements and the type of contributions. The share capital may be increased by a conversion of disposable share capital pursuant to Art. 652d of the Swiss Obligation Law.

2.2.2 Conditional share capital

The Company's share capital is increased by up to CHF 26 880 000 by issuing a maximum of 336 000 bearer shares with a par value of CHF 80, which must be paid up in full, as part of the exercise of option or conversion rights which have been granted to subsidiaries of the Company individually or in conjunction with bonds or other debt capital instruments of the Company or one of its subsidiaries. Shareholders' subscription rights are excluded.

2.3 Changes in capital

| In CHF | 2007 | 2008 | 2009 |
|---------------------|--------------|---------------|--------------|
| Share capital | 82 656 000 | 82 656 000 | 53 760 000 |
| Capital reserves | 240 574 076 | 239 086 570 | 63 436 009 |
| Own shares | - 8 683 370 | - 7 591 012 | - 11 819 713 |
| Accumulated deficit | - 34 170 155 | - 203 246 291 | 26 744 017 |

SPG's share capital amounts to 672 000 bearer shares with a par value of CHF 80. The General Meeting on May 7, 2009 resolved to reduce the par value of the 672 000 bearer shares from previously CHF 123 to CHF 80 and authorized the transfer of CHF 43 per share to unappropriated reserves.

2.4 Shares and participation certificates

Number of shares: 672 000

Share category: Bearer Shares

Par value: CHF 80, fully paid-in

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

On May 9, 2008, SPG issued a convertible bond listed on the SIX Swiss Exchange. The issue was made in the name of SPG Public Investment Limited, Guernsey, and is guaranteed by SPG AG. The gross proceeds to the company amounted to CHF 50 million before commissions and transaction costs. The bond can be converted into a maximum of 118 203 SPG bearer shares drawn from conditional capital or treasury shares. The conditions of the convertible bond are:

Conversion prem.: 10% of the reference share price

Conversion price: CHF 423

Nominal value: CHF 5 000 per bond

Coupon: 2%

Interest date: May 20

Maturity date: May 20, 2013

3. BOARD OF DIRECTORS

3.1 Members of the board of directors

The Board of Directors of SPG is made up of non-executive members who 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 | Education | Professional background/Current activities |
|-------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Prof. Ernst A. Brugger | CH Studies: Economic geography Titular Professor, University of Zurich | <ul style="list-style-type: none"> – Chairman, BHP-Brugger und Partner AG, Zurich – Chairman, SV-Group, Zurich – Chairman, BlueOrchard Finance S.A., Geneva – Chairman, Precious Woods, Zurich – Chairman of the Board of Trustees, sanu, Biel – Member of the Board, Mercuri Urval, Zurich – Member of the Board, Trüb AG, Aarau – Member of the Board, Marcuard Family Office, Zurich – Member of the Board, BG Bonnard & Gardel Holding SA, Luusanne |
| Dr. Doris M. Schönemann | DE Studies: Economics Ph.D.: University of Freiburg i. Br | <ul style="list-style-type: none"> – Founder of Investor's Dialogue GmbH, Zurich – Vice-Chairman of the Board of Directors of the Equalisation Fund of AHV, Switzerland's state pension system – Research and publication focus "Financial Literacy" – Pioneering role as director of a bank |
| Dr. Klaus Woltron | AT Studies: Metallurgy and process engineering Ph.D.: University of Leoben | <ul style="list-style-type: none"> – Owner, Minas Beteiligungs- und Management GmbH, Vienna – Partner, Hill Woltron Management Partner GmbH, Vienna – Partner, AES Advanced Energy Systems AG (i.G.), Vienna |
| Prof. Alexander Zehnder | CH Studies: Natural science | <ul style="list-style-type: none"> – Member of the Board of Trustees of the Nanyang Technological University, Singapore – Member of the STS Council (Science and Technology in Society), Kyoto – Scientific Director, Alberta Water Research Institute, Edmonton – Member of the Royal Dutch Academy of Science, Amsterdam and the Russian Academy of Sciences, Moscow |

3.2 OTHER ACTIVITIES AND VESTED INTERESTS

The Board of Directors and the major shareholders of SPG are completely independent of SPG's investment advisor and research provider SAM and do not hold any shares in SAM, with the exception of the consulting company BHP Brugger und Partner AG owned by Prof. Dr. Ernst A. Brugger. A sum of CHF 20 760 was paid for services provided in relation to the project "Sustainability Leadership Award." There are no consulting mandates or financial interests between the Board of Directors, the shareholders and the investment advisors.

3.3 Elections and terms of office

3.3.1 Principles of the election

The members of the Board of Directors are elected for a maximum of three years and may stand for reelection. The current four Directors are elected to serve until the 2011 AGM. In line with the principles of good corporate governance, the General Meeting 2009 reelected the Advisory Board members individually for a new term of two years.

| Name | Date of first election | Term of office ends |
|-------------------------|------------------------|---------------------|
| Prof. Ernst A. Brugger | 1997 | Spring 2011 |
| Dr. Doris M. Schönemann | 2003 | Spring 2011 |
| Dr. Klaus Woltron | 1997 | Spring 2011 |
| Prof. Alexander Zehnder | 1997 | Spring 2011 |

3.4 Internal organizational structure

3.4.1 Allocations of tasks within the board of directors

Chairman: Prof. Ernst A. Brugger

3.4.2 Committees of the board of directors

Steering Committee:

- Prof. Ernst A. Brugger
- Dr. Doris M. Schönemann
- Prof. 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 on a yearly basis 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.

3.4.3 Work methods of the board of directors and its committees

Full Board of Directors:

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

Steering Committee:

- meet at least four times a year

3.5 Definition of areas of responsibility

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

3.6 Information and control instruments vis-à-vis the senior management

SPG's Board of Directors monitors the competencies transferred to the investment advisor, SAM Sustainable Asset Management AG 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
- monthly performance review
- immediate reports by the investment advisor to the Board on any unusual or important business matters

4. SENIOR MANAGEMENT

4.1 Members of the senior management None

4.2 Other activities and vested interests None

4.3 Management contracts

See page 69, 10. Management Fees

4.4 Administration service contracts

See page 70, 10. Management Fees

5. COMPENSATIONS, SHAREHOLDINGS AND LOANS

5.1 Content and method of determining the compensation and the share-ownership programs

SPG's Board of Directors is compensated on the basis of the fee model on page 69 of this report. The investment advisor was paid a total of CHF 1 714 543 in management fees. The total remuneration of the Board of Directors amounts to 10% of all fixed fees paid to SAM Sustainable Asset Management AG., i.e. CHF 171 454 in the 2009 reporting period. The fees due to the Board of Directors

are paid half in cash and half in SPG shares. The shares are purchased in January of the following year at the daily price (27.01.2010: CHF 200.65 each) and transferred to a blocked account for a lock-up period of one year. They can be sold after that date (see 5.2.1 for more details). The full Board of Directors is responsible for determining the compensation model with the investment advisor.

5.2 Remuneration for members of the Board

5.2.1 Total for all compensations

| | |
|-----------------------------------|---------------|
| Total gross Board compensation: | CHF 171 454.– |
| National Insurance and deductions | |
| at source: | CHF 23 880.– |
| Total net Board compensation: | CHF 147 574.– |
| Compensation in cash: | CHF 73 787.– |
| Compensation in SPG shares: | CHF 73 787.– |

| Non-executive Board members | Compensation in CHF | Number of shares (net) |
|-----------------------------|---------------------|------------------------|
| Prof. Dr. Ernst A. Brugger | 30 378.– | 148 |
| Dr. Doris M. Schönemann | 15 189.– | 74 |
| Dr. Klaus Woltron | 13 031.– | 64 |
| Prof. Dr. Alexander Zehnder | 15 189.– | 74 |

5.2.2 Additional redundancy payments None

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 Swiss Code of Obligations.

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 Swiss Code of Obligations.

6.4 Agenda

Any shareholder who holds shares with a par value of at least CHF 1 million can demand that an item be placed on the agenda of a general 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 Inscriptions into 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 | waterhouseCoopers (PwC), Zurich submitted an |
| | | account of CHF 161 526. The audit fees for the |
| 8. AUDITORS | | two subsidiaries in Guernsey amount to CHF |
| 8.1 Duration of the mandate and term of office of the lead auditor | | 67 170. This audit was performed by PricewaterhouseCoopers Guernsey. |
| 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. | | |
| | | 8.3 Additional fees |
| 8.1.1 Date the current auditing mandate was assumed | | none |
| August 7, 1997 | | |
| | | 8.4 Information tools pertaining to the external audit |
| 8.1.2 Date the lead auditor assumed office | | The Steering Committee described under 3.4.2 is |
| April 21, 2004 | | responsible for the supervision and control of the |
| | | external audit. The auditors report to the Steering |
| 8.2 Auditing fees | | Committee at least once a year. In 2008 SPG's |
| For the audit of individual accounts and the consolidated financial statements of SPG in 2009 Price- | | Steering Committee met twice with the auditors via conference calls. |
| | | |
| | | 9. INFORMATION POLICY |
| | | See page 90. |