

For the Board of Directors



Dear Shareholders,

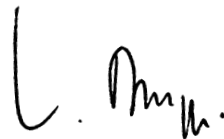
What was true yesterday, is no longer true today. This is a painful fact which investors have had to learn in recent weeks and months. Balance sheet scandals à la WorldCom, Tyco or Xerox have shown us that we cannot rely on figures – no matter how well thought out the balance sheet standard underpinning them and no matter how reputable the auditors that vouch for them. We are all familiar with the consequences of these specific cases being brought to light: confidence in companies is increasingly dwindling away. An old German saying tells us that once lost, confidence does not easily return. It is therefore better to take care not to lose it in the first place. There is only one way to achieve this: through credibility and transparency. In future, companies would be well advised not to focus exclusively on key ratios such as EBIT, ROI, EVA, etc. Instead, they should increasingly place corporate values such as sustainability and good corporate governance at the heart of their business policies.

Since it was founded in 1997, the Sustainable Performance Group has made the assessment of investments according to environmental, social and economic factors its investment theme. Back in 1997, no-one could have foreseen how important sustainability would become within just five years. Concepts such as stakeholder relationships, transparency and corporate governance, all of which are taken into account in our company research, have now become more relevant than ever to companies and society. Against this background, SPG's share price really ought to be doing well, but unfortunately this has not been the case over the past six months. SPG's net asset value has declined by 19.98%, while its share price has corrected by 23.75%. However, over the same period MSCI World index, which serves as SPG's benchmark, slipped back by 19.3%.

It is gratifying to note that SPG's shares are still trading at a small premium of 1.3%. This premium over our NAV shows that our investment philosophy is still meeting with a great deal of interest among investors. We are constantly seeking to adjust our investment concept to the changing operating environment. Thus, the first half of 2002 saw the SPG portfolio given a stronger focus and cut back to 24 investments.

On the occasion of our five-year jubilee, which we propose to celebrate on the morning of October 2 together with you, our esteemed shareholders, we shall be giving you more information on SPG's future focus. We look forward to welcoming you to what promises to be an interesting event with some exciting speakers. One of the highlights will be a contribution from Shell's Chairman Philip Watts, who will be explaining how sustainability criteria are put into practice in a global petroleum group.

We would remind you that you have until the end of August to nominate your favorite candidate for our annual Sustainability Leadership Award, which will be presented to an individual who has rendered outstanding services in terms of sustainability. Nominations should be submitted via the award website at www.sustainability-award.com. This year's award will be presented at the Sustainability Leadership Forum on 31 October.



Prof. Dr. Ernst A. Brugger
Chairman of the Board of Directors of SPG

Dear Shareholders,

The climate is changing.

This is true not only of global climate change, but also of the current trend on the stock markets. Just over a year ago we were mainly highlighting the opportunities and the excellent prospects of many blue chip companies. Today, investor interest is focused almost entirely on the risks these companies entail.

Although balance sheet risk, management risk, corporate governance risk etc. have been factors in previous years, they have now suddenly taken on very real dimensions, wiping billions off the monetary value of assets, not to mention the intangible losses. And the market still harbors risks that are not yet even visible or that have not been sufficiently analyzed. The climate change referred to above, with its tremendous potential for economic damage, is one such risk. Mounting third-party liability risks, risks arising from sudden changes of policy or from changes in consumer patterns and risks to companies' reputations are just a few of the inherent risks that could surprise the markets in the future.

The following is an impressive example of how a company can be affected by climate risk: in February 2002, a Swiss holding company acquired coal mining operations in Australia and South Africa for USD 2.5 billion. The takeover decision carried risks since the Australian mines enjoy a 65% share of the Japanese market for coal-fired energy and Japan has recently ratified the Kyoto Protocol, which envisages restrictions on CO₂ emissions. Although experts expect the tighter legislation to mean that in future coal mines in Japan will have to bear potential depreciations of

USD 115 million per million tonnes of coal, the 400-page issue prospectus makes no mention of these potential risks on a scale of millions.

Just as painful as the financial losses that a company incurs as a result of such a debacle, is the damage to its good reputation or to employee satisfaction. If the stock market identifies such risks, the penalties will be severe and the company will come under increasing pressure.

SPG could not escape the present trend, but we nonetheless feel confident that the sustainability instruments that integrate such risks into our company research leave us equipped for whatever uncertainties and surprises lie ahead. For the investor the following questions are more on the agenda than ever: Which sectors are exposed to such risks? How great are the risks for specific companies? Which companies are well managed and positioned in relation to newly emerging risks?

Questions like these form part of our company research and represent a key element in the stockpicking process. Unfortunately the focus on sustainability has not yet paid off – from a short-term perspective. Thus, the SPG was unable to escape the risks inherent in the current stock market trend and lost 23.75% during the first six months of this year. Despite this disappointing price performance, we are convinced that SPG stocks such as Whole Foods Market, Unilever, Novozymes or Swiss Re have their additional risks under control and represent good investments even in an unstable environment marked by uncertainty.



Reto Ringger, CEO
SAM Sustainable Asset Management