



## Eurosif/Trucost

Press Release: Monday February 23, 2009

### **Eurosif/Trucost shipping report: An industry exposed to potential financial liabilities and opportunities under regulatory regimes**

Investors in shipping companies are exposed to profit risks from air pollution costs, according to a report published by Eurosif (European Sustainable Investment Forum) today.

Eurosif partnered with environmental data company Trucost to examine six critical environmental, social and governance (ESG) challenges facing the shipping industry. The report highlights the risks and opportunities these ESG issues present to long term returns.

Highlights include:

- Companies that delay or cancel investments in cleaner, more efficient vessels during the economic downturn could be more exposed to strengthening environmental regulations.
- Six of the 11 companies in the MSCI All World Developed Index analysed by Trucost could face a loss if they had to pay for the health and environmental damages associated with air pollution from their shipping operations.
- Under cap-and-trade schemes that price the carbon dioxide emissions to address climate change, carbon-efficient shipping companies stand to gain from shifts in freight away from carbon-intensive air transport. However, lack of environmental disclosure by shipping companies in Europe makes it difficult for investors to assess which companies present the greatest carbon risks or opportunities.

Other ESG issues examined are:

- Marine Pollution;
- Ship Recycling;
- Waste Management;
- Working Conditions.

The sector note was presided by a steering committee of global asset managers to debate the issues and develop ways to present the stakeholder and financial points of view. The steering committee included representatives from *Domini Social Investments, Henderson Global Investors and KLP Kapitalforvaltning ASA*.

Matt Christensen, Executive Director of Eurosif, says

“The European Commission aims to internalise environmental and health-related costs into transport pricing to help ensure a more sustainable shipping sector. Investors who understand variations in carbon performance within this sector are able to identify which companies pose the greatest risks to portfolio returns. Eurosif’s report will assist them in doing so.”

Dr. Richard Mattison, Managing Director of Trucost states:

“Trucost calculates that the combined external damage costs for air pollutants emitted from the shipping sector of the MSCI All World Developed Index amount to over €7,714 million. If internalised, these damage costs would reduce the companies’ combined EBITDA by 69%. Given the announcement of plans to set new emissions caps by the International Maritime (IMO) and the European Commission, these environmental impacts present a significant risk to valuation for many shipping companies.”

These Eurosif mini-studies, whether focusing on a theme or sector, aim at helping policy makers, mainstream and specialist SRI investors, pension fund trustees, and companies understand risks that are not consistently integrated into traditional financial analysis, but which have the potential to influence companies’ shareholder value and fund managers’ investment decisions. They describe the companies’ impacts on the environment and society, discuss the opportunities and related risks, and outline ways in which companies can address them.

This report will be followed by four groundbreaking studies over 2009 from Eurosif and covering both themes (biodiversity, remuneration and long-term compensation) and sectors (banks, infrastructure).

To view the reports please go to [http://www.eurosif.org/publications/sector\\_theme\\_reports](http://www.eurosif.org/publications/sector_theme_reports).

## **Notes to Editors**

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**EUROSIF**, the European Sustainable Investment Forum, is the pan-European network whose mission is to **address sustainability through the financial markets**. Eurosif works as a partnership of the national Social Investment Forums (SIFs) within the EU and with the support and involvement of Member Affiliates. Recognised as the premier European forum for sustainable investment, Eurosif's Member Affiliates are drawn from leading pension funds, asset managers, NGO's, trade unions, academic institutes and research providers, together representing assets totalling over €1 trillion. The key benefits that Eurosif affiliate members receive include ground-breaking research, EU interfacing, and European-wide initiatives that integrate ESG issues into the financial services sector.

### **Trucost**

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### **About Trucost**

Trucost is a world-leading environmental data company which helps investors, fund managers and analysts understand how environmental performance could affect companies' future earnings. Trucost tracks data on the environmental impacts of over 4,500 companies. Since being founded as an independent organization in 2000, Trucost has monitored over 700 environmental indicators covering the use of resources such as water, as well as waste production and pollutants such as mercury.

Coverage includes the FTSE All-Share, S&P 500, Russell 1000, Nikkei 225, DJ STOXX 600, MSCI World Developed, MSCI Europe, MSCI Asia ex-Japan and ASX 200 indices. Institutional investors use the information to assess the carbon or environmental footprints of their portfolios, to identify differences in performance, to address environmental risks and create structured products with lower carbon or environmental impacts.

For further information please visit <http://www.trucost.com>.