

**Bank Sarasin updates its sustainability study on the sporting goods market
The European sustainability championship '08 has been decided**

Basel, May 2008

Euro 08 is a lucrative business for sporting goods manufacturers. Fans who want to support their favourite team will buy the football strip, or a ball to practise their footwork like the professionals in their own back garden. But if you happen to learn that your new football was sewn by children, then your initial pleasure will soon give way to a bitter aftertaste. Back in 2006 Bank Sarasin & Co. Ltd published a report examining the sustainability of sporting goods manufacturers. The updated sustainability ratings show Adidas, Puma, Nike and Timberland still out in front. However, there is still much room for improvement in the industry.

Since 2006, sporting goods manufacturers have been making efforts to increase the transparency of their complex supply chains. The lion's share of production is undertaken by suppliers in developing countries, while the corporations themselves are only directly involved in product design, marketing and sales. Meanwhile, Puma, Adidas and Nike have published a list of their most important suppliers, including the results of supplier audits and assessments. Even cases of non-compliance with environmental and social standards are made public. These measures alone, however, will not hit their target as long as the suppliers in question show a lack of motivation in the field of sustainability. That's because environmental and social standards upheld by the branded goods companies are perceived by the suppliers as an additional burden on their general procurement conditions, such as costs and delivery deadlines. When factory inspections take place, the true working conditions are often concealed.

Sustainability targets should therefore be integrated into companies' overall business strategy and business model, because the improvement of environmental and social standards is an ongoing task. This should be tackled through education programmes, information and practical advice together with longer term business relationships. To this end, the branded goods companies are cooperating more closely with NGOs and with each other. That's because the same suppliers often work for several sporting goods manufacturers, allowing a common approach to tackling deficiencies.

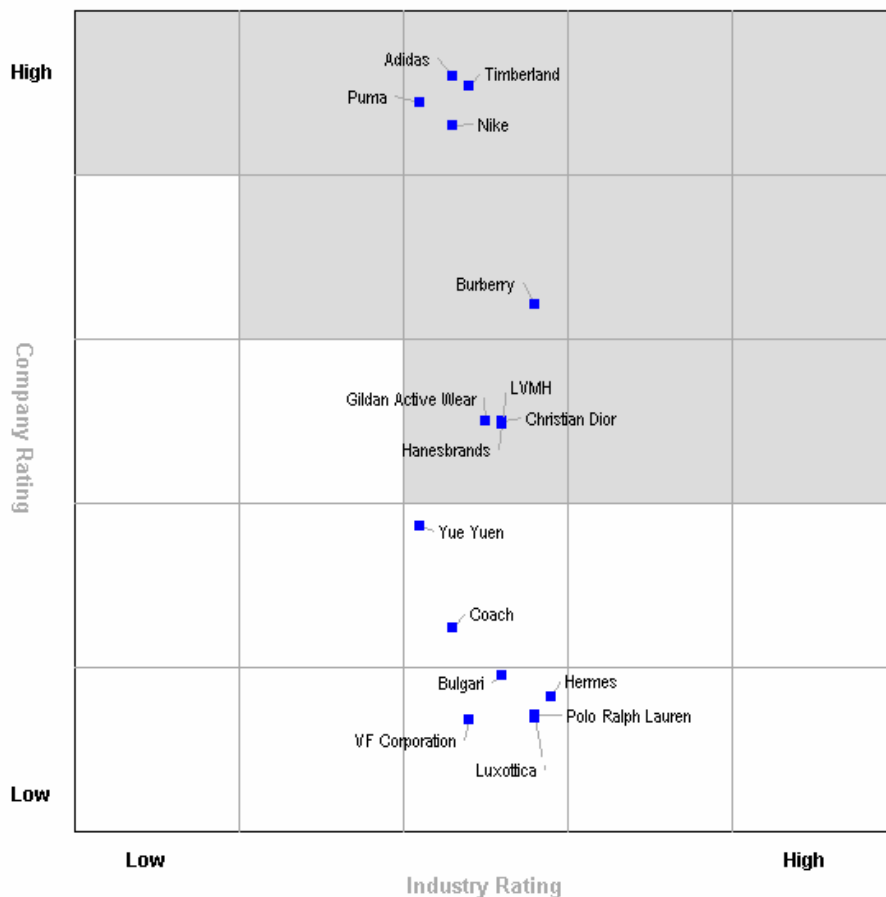
Environmental protection increasing in importance

The environmental aspect has become far more prominent. Sporting goods companies are increasingly relying on raw materials which fulfil specific minimum environmental standards or avoid using harmful materials. For example, Nike continues to be the world's largest consumer of organic cotton, Timberland uses its own environmental rating system for its products, and Puma does not use PVC. NGOs (in particular Greenpeace) have launched campaigns against the use of certain materials with potentially damaging health effects in consumer products, including cosmetics and clothing.

Company ratings: a lot still to be done

The sustainability ratings of companies, summarised in the Sarasin Sustainability Matrix, have not changed much since 2006. The matrix shows the potential investment universe in the shaded area, along with the companies which meet above-average sustainability standards in the sporting goods, apparel and luxury goods sectors. Adidas, Puma, Nike and Timberland remain in the lead. But even these companies show considerable room for improvement. The deficiencies identified in these companies' supply chains are a long way from being overcome, and the environmental and social standards specified by the industry itself are still not being adhered to across the board. The leading companies have recognised, however, that a longer-term process based on cooperation between the stakeholders is necessary in this regard. The group of non-investable companies includes, as it did in 2006, names such as Hermès, Coach, Luxottica, VF Corporation and Yue Yuen. The only change relates to Burberry. This company's rating has been upgraded from average to above-average. It is significant that luxury labels perform below average in the rating system, as they have barely addressed the topic of sustainability to date. These companies are, admittedly, less exposed with regard to social concerns, but have recently come under the NGOs' spotlight in connection with animal welfare and gold and diamond mining under the control of dubious regimes, amongst other concerns. This leads to financial risks, because their business is highly dependent on the reputation of their product brands.

Industry Rating: Apparel, Textiles & Luxury Goods





For more information please contact:

Benedikt Gratzl, Head of Corporate Communications, Media Relations
Telephone +41 (0)61 277 70 88 e-mail: benedikt.gratzl@sarasin.ch

Eckhard Plinke, Head of Sustainability Research
Telephone +41 (0)61 277 75 74 e-mail: eckhard.plinke@sarasin.ch

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