



Henderson and the Carbon Disclosure Project

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Climate Change and the Financial Sector
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Why Climate Change?

“It’s climate change - not commodity markets - that keeps me awake at night”

Chief Economist, International Mining Group

Agenda

- SRI and Corporate Governance at HendersonGlobal Investors
- The Carbon Disclosure Project
- Climate Futures

Henderson Global Investors

- The investment management arm of AMP
- Over 155 € billion FUM*
- Over 1.6 € billion of SRI funds*
- Extended corporate governance

** as at 30 June 2002*



Socially Responsible Investment

Managing SRI mandates since 1977

- Empowers investors
- Generates returns
- Uncovers risks and opportunities
- Achieves change
- Resilient in turbulent markets

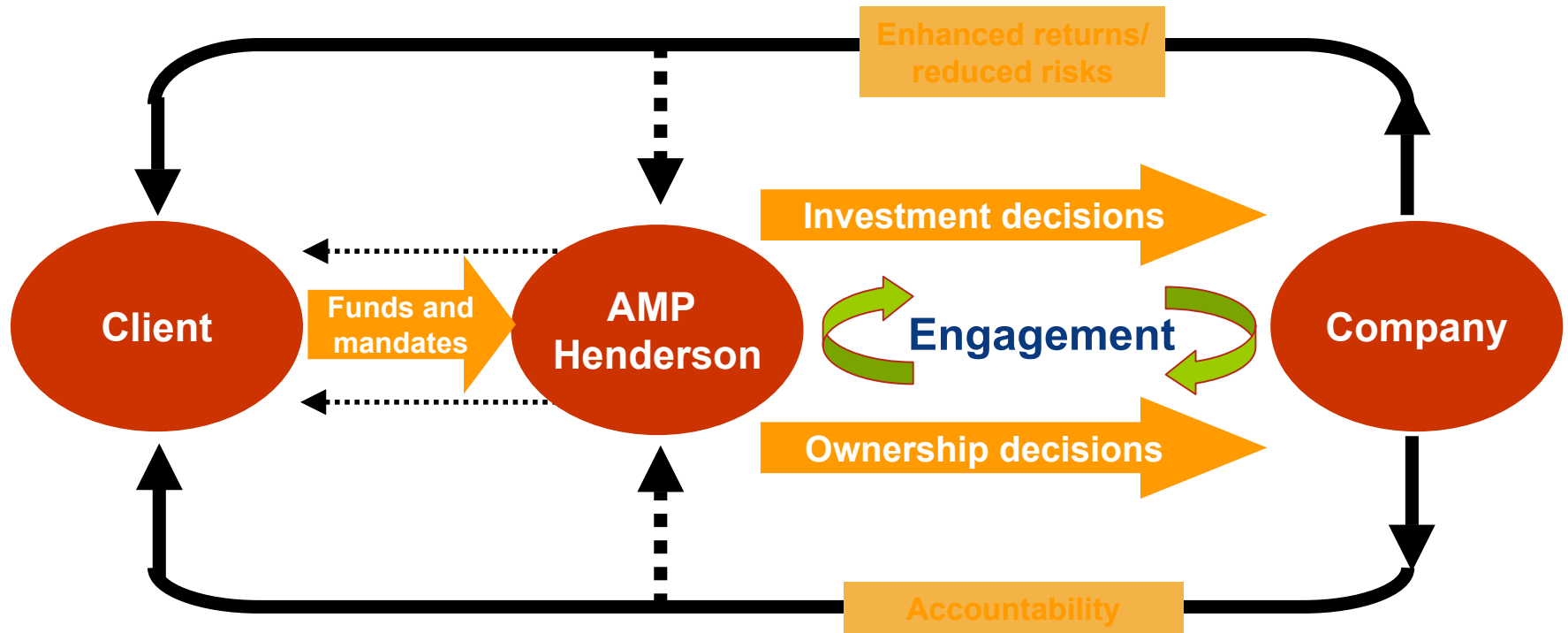
Extended Corporate Governance

- Corporate collapses increase focus on corporate structures and shareholder accountability
- Growing evidence of business relevance of sustainability issues
- Increasing regulatory pressure for active investing
- Environment, workplace, human rights and community now integrated
- Active engagement adds value

STOCK MARKET DECLINE

Corporate
scandals
will cost
US \$35bn

Extended Corporate Governance & Engagement



Extended Corporate Governance in Action

- Identifying risks - Railtrack
- Encouraging company change - Dams
- Collective action - Burma
- Shareholder resolutions - Exxon

Henderson's Approach to Climate Change

- Launched first methodology for measuring carbon emissions in 1997
- Established climate change guidelines for SRI funds: how it affects sector risks and opportunities, and good practice expectations
- Joined the UK Institutional Investor Group on Climate Change
- Supported Climate Disclosure Project as a way to kick-start integration of climate factors into the mainstream

Climate Risks and Opportunities

Investors caught by a twin pressure of understanding how climate mitigation and impacts will affect returns and responsibilities

- Long-term
- Significant downside risks
- Requires structural change
- Pervasive through the value chain
- Imperative of social and technological innovation

... as a result, critical for investment managers to develop climate literacy

Carbon Disclosure Project

- Designed to improve transparency over climate exposure
- Assembled coalition of 35 institutional investors and pension funds with combined assets of \$4.5 trillion
- Identified critical areas of business risk in letter to FT500 companies
- Launched on 31 May, with deadline for replies 30 November, with results published in February 2003

Carbon Disclosure Project - Results to Date

- Over 150 companies have responded or will respond (including BASF, Bayer, Deutsche Bank, Deutsche Telecom, Hypovereinsbank, Infineon...and AMP)
- But 7 have stated that climate not an issue and over 50 have refused to participate

Carbon Disclosure Project - Lessons for Investors

- Collective initiatives should improve efficiency (eg reduce questionnaire fatigue) and improve impact (eg combined financial influence)
- Critical for investors to engage actively - not just sign and forget
- Henderson contributed to design, sent 70 follow-up letters and will analyse results
- CDP only the start of a learning process

Climate Futures

Climate change has achieved a financial critical mass. Going forward, key investor signals will include:

- A new generation of carbon liabilities on the balance sheet
- Asset write-downs as exposure becomes visible to the market
- Climate-induced profit warnings
- Aggressive investor activism towards companies failing to integrate carbon into investment plans
- Climate-driven restructuring, mergers and acquisitions

Further information

[Http://www2.henderson.com/sri/index.asp](http://www2.henderson.com/sri/index.asp)

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