

Institutional investors launch project exploring the investment implications of adapting to climate change

A group of four major institutional investors, representing over £200 billion assets under management, have launched an initiative to explore the investment consequences of unavoidable climate change. The investors are: Henderson Global Investors, Insight Asset Management, RAILPEN Investments, and the Universities Superannuation Scheme (USS).

The project will focus on the need for companies to assess the risks and opportunities associated with the need to adapt to climate change ('adaptation'). A report released today by the four investors, *"Managing the Unavoidable: Understanding the investment implications of adapting to climate change"*, sets out the framework and scope of the research initiative.

Explaining the project, Rory Sullivan, Head of Investor Responsibility at Insight Investment, explained: *"While much of the discussions to date have focused on reducing future greenhouse gas emissions - and rightly so - it has not really addressed how we need to respond to the change we are already committed to. This report sets out the reasons why we as long-term investors should be concerned about climate change and outlines how we should respond, in our investment processes and in our engagement with companies and policy makers."*

My-Linh Ngo, Associate Director - SRI Research of Henderson Global Investors explained the importance of climate change as an issue for investors: *"There is now widespread consensus that climate change will have a profound impact on all aspects of society. More specifically it will have a powerful impact on the economic landscape, and we need to understand how this will affect our investment activities."*

In commenting on the reason behind the project, David Russell, Co-Head of Responsible Investment at USS, stated: *"Although the broad impacts of climate change are increasingly well understood, there remains many uncertainties around how it will affect specific sectors and companies. We need more and better information about these specific impacts in order to make informed decisions as to how we allocate our capital."*

The report explains that the project will entail more detailed analysis of the investment implications of climate change within specific sectors. The group hopes this series, produced in association with the specialist consultancy, acclimatise, will stimulate companies, investors and policy makers to view adaptation to a changing climate as a serious concern. Frank Curtiss, Head of Corporate Governance at RAILPEN Investment said: *"The ultimate aim of this work is to contribute to the generation of better long-term and sustainable investment performance. It will also provide a basis for investors to engage actively with companies on how they are managing this issue."*

The report's key points include:

- The world's climate is changing, and some of these impacts are already being observed. For example, with regards to rising average temperatures, global average temperatures have increased by 0.7 degrees Celsius (°C) over the past century and are now rising by 0.2°C a decade. Rising levels of emissions suggest, however, that warming could be much greater, ranging from 1.8°C by

the end of the century, as stated by the Intergovernmental Panel on Climate Change (IPCC).

- The impacts of climate change are particularly likely to affect investors, in sectors dependent on large fixed assets, such as tourism, water, property, construction, energy, and infrastructure, as well as other climate-sensitive sectors, including healthcare, agriculture, forestry and insurance.
- Tools need to be developed to aid companies and investors in understanding the risks and opportunities associated with climate change.
- Climate change risks need to be incorporated into investment analysis and decision-making as they may affect the timeframes over which investment decisions are made, and the criteria against which performance is measured.
- Investors need to engage with companies to ensure they have appropriate climate change adaptation systems in place.

NOTES to Editors

Adaptation has been defined by the European Commission as actions taken to cope with a changing climate, with the objective of reducing risk and damage, and exploiting potential benefits.

The collaborative research project will include the production of four sector studies which will analyse the investment impact of climate change, and explore how investors can address these in their interaction with companies. The sectors are: electric utilities, oil & gas, real estate and water utilities. These will be produced in conjunction with Acclimatise, the specialist consultancy.

Information about the organisations

Established in 1934, **Henderson Global Investors** is a leading independent global asset management firm. Headquartered in London, Henderson is one of Europe's largest investment managers, with £61.6 billion assets under management (as at 30 June 2007) and employs around 900 people world-wide.

Insight Investment Management (Global) Limited is the asset manager of HBOS plc. Insight Investment manages funds for institutional and retail clients across a range of asset types including equities, bonds, derivatives and alternatives, with the aim of providing precise investment solutions for investment needs. Insight's assets under management totalled £106.7 billion (including £10.7 billion in swap overlay assets where we may not explicitly manage the assets backing the swaps) as at 30 September 2007.

RAILPEN Investments (RAILPEN) is a subsidiary of rpmi providing certain investment services to the Railways Pension Trustee Company, which acts as a corporate trustee of the various railway industry pension funds. Assets under management by RAILPEN and rpmi total £18 billion

Universities Superannuation Scheme (USS) is the principal pension scheme for UK universities. It acts for 378 universities and academic institutions with more than 230,000 members. Assets under management total £30 billion (as at December 2007).

Acclimatise is a specialist risk management company providing world-class expertise in dealing with climate risks. It works to bridge to the gap between the latest scientific developments and real world decision-making, helping clients to interpret this knowledge within the context of their own strategies, processes, capacities and stakeholders.

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