

## FairPensions' Climate Change Questionnaire 2009

Name of Firm: **AllianceBernstein LP**

Assets Under Management: £ 410,714 billion (as at 31 March 2009)

### Section A: Assessment of climate change as an investment issue

1. In your business, how important is climate change as a factor in investment research, decision making and engagement activities with companies?

- a) Very unimportant
- b) Unimportant
- c) Important
- d) Very important

As a part of our active portfolio management process, our analysts consider the impact of social, environmental and ethical considerations where these may be material to determining long term earnings and cashflow for a company. Methods include desk-based research and meetings with company management, competitors, suppliers, consultants and others. Our analysts are expected to be experts on the companies and industries that they cover.

AllianceBernstein's stock selection is based on careful, in-depth, company-specific research. We attempt to weigh all of the factors that we believe could affect long term shareholder returns. These factors may well include non-financial risks and liabilities such as environmental practices, labour relations, legal liabilities and reputational risk.

The impact of different ESG and SRI factors will have markedly different effects on different companies. A one-size-fits-all approach is not the best approach. We investigate all material risks to our long term forecasts, make necessary adjustments, and then discuss these issues during our research review process. These factors are considered both in forecasts (for example, analysing liabilities which pose downside risks to long term earnings) and in the discussions and debates leading to the decision to purchase a stock.

2. With regard to question 1, and compared to 2007, has climate change become:

- a) Less important
- b) Unchanged from 2007
- c) More important

**3. As a fund manager, which of these factors do you see as a barrier to incorporation of climate change risks/opportunities into investment analysis and decision making?**

*(please mark any that apply in priority order with 1 as the most significant barrier)*

a) lack of demand from clients	
b) low current carbon price / difficulties in determining material financial impact	
c) lack of regulatory requirements for investee companies	
d) poor quality data on GHG emissions disclosed by firms	
e) lack of regulatory requirements for investors	
f) other - please specify	X

Please comment on barriers to integrating climate change into investment analysis and decision making:

In our view, no such barriers exist.

**4. As a business, would you welcome regulatory requirements on investee companies to report GHG emissions?**

- a) Yes   
 b) No

**5. As a business, would you welcome regulatory requirements on investee companies to reduce GHG emissions?**

- a) Yes   
 b) No

**6. Do you (directly or through any collaborative initiatives) engage with government regarding regulation for companies and investors concerning GHG emission measurement, reporting and reduction responsibilities?**

- a) Yes

Please specify if via membership of any collaborative initiatives:

- b) No

Please comment on your firm's stance on the regulatory framework for companies:

We thoroughly assess evolving frameworks and incorporate them into our forecasts.

**7. As a business, would you welcome stock exchange listing rules which require companies to disclose on a comparable basis climate change related risks?**

- a) Yes   
 b) No

Please comment on the relevance of listing requirements to achieving useful disclosure?

Our analysts are able to obtain needed environmental cost and liability data based on interviews with company management and through industry research. Overly broad listing requirements might impose unnecessary costs on many companies with little associated environmental benefit.

## **Section B: Use of climate change data**

**1. Does your firm request climate change related information (including data on emissions) from investee companies?**

- a) In no sectors
- b) In a minority of sectors you invest in
- c) In a majority of sectors you invest in
- d) In all sectors

Please comment on which sectors and why:

Carbon emissions are material and relevant for some sectors (e.g. energy, materials, transportation, and utilities) but not for others (e.g. financials or pharmaceuticals). The key issue is materiality.

**2. As a business, do you factor climate change related risks and opportunities into analysis and investment decisions?**

- a) In no sectors
- b) In a minority of sectors you invest in
- c) In a majority of sectors you invest in
- d) In all sectors

Please comment on which sectors and why:

Such risks and opportunities are material and relevant for some sectors (e.g. energy, materials, transportation, and utilities) but not for others (e.g. financials or pharmaceuticals). The key issue is materiality.

**3. Are you currently making use of climate change related data provided by companies (including data on emissions) in investment decision making?**

- a) In no companies
- b) In a minority of companies where data is available
- c) In a majority of companies where data is available
- d) In all companies where data is available

Please comment on your use of climate change information from investee companies:

We believe that climate change can affect businesses through regulation, the imposition of permitting and trading systems that impose costs on carbon emitters, and through subsidies granted to greenhouse gas reducing technologies and investments. Each of these elements create both winners and losers. For instance, the cost of obtaining carbon permits should flow through into final product prices; therefore, companies which have lower carbon footprints from their existing production facilities, or the opportunities to lower carbon output inexpensively, will benefit. In making investments we first seek to identify a reasonable and likely set of policies that will meet the political and economic goals associated with climate change. Given that we are longer term investors, we assess the value of a company's portfolio of assets and potential investments under these regulatory and cost positions, making sure to evaluate risks and uncertainties within the forecast.

4. In the last 2 years, have climate change related factors affected investment allocations at your firm (n.b. excluding specialist SRI / Environmentally focused funds)?

- a) In no sectors
- b) In a minority of sectors you invest in
- c) In a majority of sectors you invest in
- d) In all sectors

Please comment on why climate change does or does not affect investment allocations:

Please refer to our comment in response to Question 3.

## Section C: Engagement on climate change issues

1. As a business, do you engage (via written or face-to-face communication) with investee companies to ensure that they address climate change related risks and opportunities effectively?

- a) with no companies
- b) with a minority of companies you invest in
- c) with a majority of companies you invest in
- d) with all companies you invest in

Please comment on why you engage or do not engage with companies to address climate change related risks/opportunities, and if relevant how you undertake engagement:

We conduct thousands of management/company visits per year and seek to understand the strategies, performance, and risks of each company we investigate. We typically do not attempt to influence management unless it is in the clear best financial interests of our clients.

2. Where engagement occurs, which of the following do you seek to have in place at investee companies?

i) Named board member / senior executive responsible for addressing climate change risks/opportunities

- a) Yes
- b) No

ii) Company measures its GHG emissions and discloses to shareholders

- a) Yes
- b) No

iii) Company has an action plan with targets to reduce GHG emissions over a specified timetable

- a) Yes
- b) No

iv) Other - Please specify

We do not have such a set of engagement policies.

Please comment on the purpose of climate change related engagement with companies:

We are not activists. We seek to deliver investment performance to our clients through research and stock selection. We generally do not attempt to tell management teams how to run their businesses.

However, we also believe that it is our fiduciary duty to promote good corporate governance practices overall. We have also selectively pointed out environmental controversies to management teams in situations in which we thought it was appropriate.

## **Section D: Reporting**

**1. As a business, do you report on action taken (including engagement with companies) to reduce portfolio risks and enhance opportunities arising from climate change?**

- a) no reporting
- b) to clients who request it
- c) to all clients
- d) publicly on a website

Please comment on your policy for reporting action to reduce climate change risk and enhance opportunity:

We do not currently provide reports detailing the role of ESG issues in our investment decision making process, although we do address such matters in meetings with interested clients.

**Please return the completed questionnaire by Friday 12<sup>th</sup> June 2009 to:**

**The Research Team  
FairPensions  
Trowbray House  
108 Weston Street  
London SE1 3QB**