

## FairPensions' Climate Change Questionnaire 2009

Name of Firm: **Doughty Hanson & Co.**

Assets Under Management: €5,255m

### 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

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	2
b) low current carbon price / difficulties in determining material financial impact	
c) lack of regulatory requirements for investee companies	3
d) poor quality data on GHG emissions disclosed by firms	1
e) lack of regulatory requirements for investors	4
f) other - please specify	

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

Climate change issues are always given due consideration during investment analysis and decision making both from a risk perspective and opportunity perspective. The depth and breadth of this assessment varies according to the nature of the target investee company (nature of business, scale of business, maturity of business as regards ESG matters etc). The assessment may comprise desk-based work through to full environmental due-diligence with subsequent follow up by in-house personnel (Head of Sustainability).

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:

Some engagement with UK Government (DECC) in the past in respect of for example the UK Carbon Reduction Commitment (CRC).

In addition two members of the Doughty Hanson team sit on the Sustainability Advisory Board of the British Venture Capital Association, an industry body which engages in regular dialogue with the UK government. One of the aims of the Advisory Board is to enhance climate change initiatives within the private equity industry including ways to measure, report and reduce GHG emissions.

- b) No

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

Doughty Hanson has taken a leadership position within the private equity industry in respect of responsible investment initiatives including those relating to climate change. Doughty Hanson is regulated by the Financial Services Authority and while we support the introduction of the Carbon Reduction Commitment and other initiatives designed to improve the reduction in GHG emissions, we believe that the most effective way to engage productively in these areas is through self-regulation.

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?

Useful in the sense that this provides a more level playing field in respect of data comparison and benchmarking.

## **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:

Certainly for investee companies in the more energy intensive sectors but increasingly for less energy intensive sectors as well. Ultimately, our intention is to request climate change related information

(including data on emissions) from all investee companies. Our expectations in this area are dependant upon the maturity of each business that we acquire and their existing level of maturity in respect of GHG management etc. As active owners of our portfolio we engage with our investee companies on a wide range of issues (including sustainability) and we would work with those companies that require additional GHG support. This will influence the level of climate change related information (including data on emissions) that we expect/require from them.

**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:

Since my appointment and moving forward, in respect of analysis and investment decisions, we assess climate change related risks and opportunities.

**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:

There are no current relevant examples but we have in the past and we will in future. Moreover, climate change data (including data on emissions) is part of our required scope of work in respect of performing environmental due diligence and is an issue we address in-house through post-deal value enhancement.

**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:

Climate change is understood to be both a risk and an opportunity for our portfolio companies and is addressed at investment decision making and through post-deal value enhancement. We recognise that cost saving efficiencies go hand-in-hand with management of climate change issues e.g. carbon reduction and we also recognise that there is a market opportunity in respect of climate change e.g. more energy efficient products and solutions.

## 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:

Since my appointment in June 2008 we have engaged with the majority of investee companies on these issues and the intention is to do so for all investee companies moving forward (both written and face to face).

We regard ESG factors (including climate change) as a driver for enhanced business and financial performance.

Our in-house Head of Sustainability visits investee companies to undertake sustainability assessments and works in partnership with portfolio company management to address a wide range of ESG initiatives - many related to climate change.

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

The majority of our portfolio have a senior management representative designated for ESG matters (including climate change)

ii) Company measures its GHG emissions and discloses to shareholders

- a) Yes
- b) No

There is some measurement and disclosure and this is something we are working to enhance across the portfolio.

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

- a) Yes
- b) No

Many of our portfolio companies have action plans to address ESG performance improvement (including climate change).

iv) Other - Please specify

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

The overarching purpose is to improve business performance and ensure value creation through active engagement in sustainability. This means financial value (e.g. through greater efficiencies) and value derived from enhanced risk management and enhanced reputation.

Compliance is a minimum expectation for our portfolio and therefore applicable portfolio companies have or are in the process of addressing legal obligations in respect of climate change, such as through integrated pollution prevention control (IPPC) or climate change agreements (CCA) in the UK, and Doughty Hanson's own preparation for the UK Carbon Reduction Commitment (CRC).

## **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 have a Responsible Investment policy which refers to ESG engagement (including climate change) and we publish an Annual Report each year which includes information on ESG engagement (including climate change).

We recognise that this process could be enhanced and are working on improving our reporting processes.

More detailed information on how we are specifically addressing climate change risk and opportunity at portfolio level (e.g. technical initiatives) is available upon request when clients ask for it.

**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**