

FairPensions' Climate Change Questionnaire 2009

Name of Firm: **F&C Asset Management plc**
 Assets Under Management: £92.7bn (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

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	6
b) low current carbon price / difficulties in determining material financial impact	3
c) lack of regulatory requirements for investee companies	1
d) poor quality data on GHG emissions disclosed by firms	4
e) lack of regulatory requirements for investors	5
f) other - please specify - Uncertainty about existing government policies	2

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

In our opinion, the most important barriers to company action on climate change are around weak or inconsistent government policy. In many countries, governments have yet to accept the scale of the emissions reductions needed. Even where policies are in place, changes in direction can create uncertainty and undermine confidence. Examples include the difficulties in developing Europe's biofuels policy, and the abrupt curtailment of Spanish solar subsidies. F&C engages policymakers through groups such as the Corporate Leaders Group on Climate Change, urging governments to create strong, stable policy frameworks that will underpin investment.

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:

We are members of the Corporate Leaders Group on Climate Change, Institutional Investors Group on Climate Change, Investor Network on Climate Risk and ClimateWise. We also engage with government ourselves - all our submissions are published at www.fandc.com/publicpolicy

- b) No

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

F&C is strongly of the opinion that ambitious, early action on climate change is required in order to underpin long-term economic growth. We believe that companies and investors stand ready to invest in lower-carbon technologies if they get the right signals from government, and that the earlier this is done, the lower the cost of achieving emissions reductions will be.

Specifically, we support the creation of cap-and-trade policies as part of an overall package which also includes measures such as fiscal measures, technology support and regulatory approaches (eg building and appliance standards).

We see this year's UN negotiations in Copenhagen as critical in setting a pathway to a low-carbon future, and in bringing the key players - particularly the US and China - into an inclusive global deal.

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?

Listing standards can be a very effective way to improve disclosure on a rapid timescale, without the need for legislation. Over the past year we co-signed a submission to the US Securities and Exchange Commission calling for mandatory disclosure of material climate risks as part of reporting requirements, and another asking for disclosure of the carbon content of oil reserves. We are aware that exchanges may be wary of introducing new requirements because of the fear of losing listing business to rivals. However, the credit crunch has been a timely reminder that poor disclosure can lead to bad risk management, which ultimately can undermine markets.

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:

We believe that as regulation tightens and the physical impacts of climate change become more apparent, all sectors of the economy will be affected. For this reason, we encourage all investee companies to respond to the Carbon Disclosure Project and to have climate change strategies in place.

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:

As described in Question B1, we believe that the effects of climate change will range across all sectors of the economy, and therefore it is relevant to all companies. The most immediate and significant impacts will be felt by companies involved in energy production and in energy-intensive sectors, as well as those selling energy-intensive products (such as car manufacturers and lighting producers). Other sectors we have engaged include construction, retail, telecommunications and financial services.

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:

The way we use climate change information varies according to the sector. For heavy industry in the EU, where the Emissions Trading Scheme applies, current and future emissions are factored directly into valuations. In other sectors or parts of the world, we may make a more qualitative assessment of the quality of the company's climate change strategies, including, for instance, considering whether the company has considered opportunities arising from climate change as well as risks.

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:

F&C has considerable expertise in sustainability and investing in companies providing climate change solutions, thanks to its 15-strong Governance and Sustainable Investment (GSI) Team and its ethical fund range, which includes a specialist climate change fund. Our experience has helped fund managers in our mainstream funds to identify risks and opportunities related to climate change, and adjust their investment strategies accordingly. Often, companies identified for investment in our specialist funds have also been bought by managers of our mainstream funds - not for ethical reasons, but just because they are good investment opportunities. Our in-house expertise on climate change also allows us to probe companies in detail about the risks they face, and to make an assessment about whether these are material to the company's future performance, so that our fund managers can factor this into their assessment. And GSI team experts regularly brief fund managers about climate change policy developments, and how this may impact profitability.

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 engage across our portfolio because we believe that climate change will create risks and opportunities across all business sectors and in all parts of the world.

Our engagement approach is set out in detail in our annual Responsible Investment Report:

http://www.fandc.com/FN_FileLibrary/file/GSI_RIR_Full%20report.pdf

We engage companies at a number of levels - through requests for change in letters or emails; through meetings with senior management or with sustainability experts in companies; and through joint initiatives, such as the Clearinghouse of the UN Principles for Responsible Investment.

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

Company engages in the public policy debate, using its influence to call for strong, predictable policies by governments to tackle climate change.

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

Our engagement on climate change aims to promote long-term performance by companies, through prudent management of risks and identification of opportunities. Climate change strategies must go beyond just disclosure - we ask to see evidence that the issue has received attention at Board level, and that companies have systematically considered the impact of climate change across all areas of their business. We also urge companies to use their influence to call on policymakers, nationally and internationally, for predictable, ambitious policies on climate change to underpin investment in low-carbon solutions.

We record engagement outcomes as “milestones”, and in 2008 recorded 170 milestones related to improvements in company practice on climate change.

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 | <input type="checkbox"/> |
| b) to clients who request it | <input type="checkbox"/> |
| c) to all clients | <input checked="" type="checkbox"/> |
| d) publicly on a website | <input checked="" type="checkbox"/> |

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

We report on our climate change activities in a number of ways:

- Our quarterly *reo*® report, available on our website www.fandc.com, includes analysis of a range of ESG issues, and regularly covers climate change
- Our annual Responsible Investment Report summarises our voting, engagement and public policy activities over the year, including statistics on the number of companies engaged on climate change and the number of milestones achieved.
- We publish research on topics related to climate change, including in recent years a report on how the insurance sector is affected by climate change, and an analysis of the management of environmental and social issues related to biofuels
- Additional information on our engagement is provided in confidence to our clients, including individual milestones achieved and the content of our communications with companies on climate change
- We respond to the Carbon Disclosure Project, and report against the ClimateWise Principles
- F&C publishes a Corporate Responsibility report, which sets out how we manage our own emissions
- We publish all public policy positions and submissions on our website

Please return the completed questionnaire by Friday 12th June 2009 to:

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