

## FairPensions' Climate Change Questionnaire 2009

Name of Firm: **Morgan Stanley Investment Management Ltd.**  
 Assets Under Management: approximately \$300 billion globally

### 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  - but no more so than other factors affecting long-term share value
- 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	
b) low current carbon price / difficulties in determining material financial impact	X
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	

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

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

- a) Yes  - more disclosure is better
- b) No

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

- a) Yes
- b) No

We do not see as our role to advocate one way or the other on regulatory actions governing substantive practices. Obviously, requirements will have various impacts on companies in which we may invest.

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:

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?

The appropriate forum for such rule-making varies by market, but as climate change risks are material for many companies, we appreciate rules that provide greater comparability, as long as the rules are well-designed and do not impose unnecessary costs.

## **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:

Depends on investment team, methodology, and risks inherent in the particular sectors. We have a wide variety of approaches and investment disciplines. Thus, for example, climate change risk will be more relevant for property insurance companies, and is of interest to fundamental, bottom-up investors in that sector (although we would hope to be able to rely on broad public disclosures rather than private information from the portfolio companies). Funds managers using purely quantitative approaches, however, generally are not using such data as part of their methodologies.

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:

See above.

**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:

See above.

**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:

To my knowledge, there has been no direct effect on investment allocations, although allocations vary among our various portfolio management teams, and I would expect indirect effects to the extent climate change affects long-term values.

## **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:

As a firm, we do not do so. Individual investment teams discuss these issues with management to the extent (1) their methodologies involve such practice, and (2) there are questions material to the company, particularly if public disclosure is not sufficient.

**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 a firm-wide engagement practice on environmental matters. Individual teams interact with senior management to understand liabilities as needed. Where environmental exposure is significant, we would expect to see a senior executive assigned to the responsibility. Where climate change risks and opportunities are significant, we expect effective disclosure and appreciate comparability that can be provided by broad measures. Firm-wide, we support shareholder proposals that call for appropriate disclosure where we believe such disclosure is not adequate.

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

## **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:

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

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