

Henderson Sustainable & Responsible Investment (SRI) Advisory Committee

Commentary for 2009



Advisory Committee Members [from left to right]

Paul Hohnen(Chair)
Gwen Ruta
Ram Gidoomal CBE

The pathway to sustainable and responsible patterns of investment presents a host of challenges and requires sometimes fine judgements. Henderson's Sustainable and Responsible Investment (SRI) Advisory Committee (AdCom) acts as an independent sounding-board to provide feedback on Henderson's SRI policies and practices, as well as providing guidance to the SRI Team on specific issues and dilemmas. In so doing it attempts to reflect wider societal interests and perspectives, and thereby contribute to the sustainability and responsibility of Henderson's SRI funds. The Committee's annual public commentary provides an opportunity to communicate externally about our activities.

In 2009, the Advisory Committee went through a number of changes including welcoming Gwen Ruta on-board and seeing Europe-based Paul Hohnen take on the role of Chair from Ram Gidoomal. Gwen is the vice president, Corporate Partnerships, at the highly respected US non-profit Environmental Defense Fund (EDF). At EDF she directs the Corporate Partnerships programme, working with multinational companies to develop innovative, business-based

solutions to environmental challenges. Gwen brings to the AdCom valuable insights into the US and North American policy and business environment.

2009 was a year that challenged and reshaped the asset management industry around the world and Henderson was not immune from these impacts. However, as a whole the SRI community has coped well with the financial crisis, underpinned in part by the unprecedented policy support given to 'green' industries through national economic stimulus packages during the course of the year. The SRI funds had a reasonable year as a whole with the Industries of the Future fund outperforming its benchmark, the MSCI World Index, and the Income Fund also improving its position relative to peers. Within Henderson too, the Committee was pleased to note that the SRI Team continued to enjoy strong support from senior management including the on-going backing for National Ethical Investment Week (NEIW) in the UK and the launch of the Industries of the Future fund in Europe.

As in previous years, the Committee considered a wide range of work that the SRI Team undertook during the year both at the two formal meetings (March and September) as well as in providing ad hoc input on particular companies and issues. Overall, as a result of its work with the Henderson SRI team, the Committee believes that the research process continues both to reflect best-practice in its interpretation and understanding of the sustainability agenda, and in applying the stated policies and management of the funds.

More specifically, the Committee considered a range of policy 'dilemmas' that the Team brought forward for review. In all cases we broadly endorsed the approach of the research team. Among the perspectives shared were that:

- As people around the world undertake increasing volumes of confidential transactions online, it is important to extend the '**safety theme**' to embrace data security and integrity that includes software companies providing online data protection services.
- The funds should also look to be more proactive in investing in **information and communications technology** (ICT) companies that provide important social and/or environmental services. Notably this should include mobile telecommunications companies providing 'Base of the Pyramid' services to impoverished communities.
- '**Sustainable food security**' is an increasingly critical issue, both from the perspective of healthier foods/lifestyles as well as for the provision of sufficient basic nutrition and that the fund should both seek to invest in companies providing solutions to these issues and work with policy-makers to develop appropriate regulatory frameworks.

In addition to the specific support that the Committee provided to the Team around these issues, we also sought to advise on the approach to wider issues such as external communications and corporate engagement. Consistent with our advocacy of improved transparency in financial markets, we were particularly pleased to see the Team take up our advice in developing an on-line SRI 'blog' and populating this with timely commentary on developments and emerging trends. We strongly encourage investors to review and respond to the postings. We believe that the blog provides helpful insights into the thinking of the Team and the issues they are handling in their work – and would encourage more communication here.

Another area where we continue to push for greater progress in is Henderson's public reporting of its corporate responsibility efforts, achievements and goals, and on the accessibility of this information on the corporate website. Although some improvements have been achieved, we hope to see more progress in the coming year in line with general trends in the financial sector.

We also continue to review the work that the Team does in engaging with companies in order to agitate for a clearer and more impactful response to critical social and environmental issues at the same time as reducing risk and improving financial performance. In this regard it has been particularly pleasing to see the success that the team – and Henderson as a whole – has had in encouraging a more systematic response by companies to the issue of climate change. This has come both through the work that Henderson has done under the auspices of the Carbon Disclosure Project, but also through the support that the company has given to policy work in advance of the Copenhagen Summit. We believe that the investment community as a whole should continue to promote strong policies on climate change and think the role that Henderson has played to date – for example in the Investor Statement on climate change¹ – has made an important contribution to this.

While ultimately the results of the United Nations Climate Conference in Copenhagen at the end of 2009 proved deeply disappointing, it is clear that climate change and other social and environmental issues will remain centre stage for the policy and business communities in 2010 and beyond. In this context, we look forward to continuing our work with the Henderson SRI Team to ensure that the funds remain well-placed to take advantage of opportunities as they unfold in 2010.

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¹ See for example 'US\$13 trillion in support of a strong agreement on climate change' at <http://www.henderson.com/sites/henderson/sri/PostDetail.aspx?postid=114>