



RiskMetrics Group
The Center for the Financial Community

RiskMetrics Webcast:

Navigating Chemical Product Liability: Risks and Opportunities for Investors

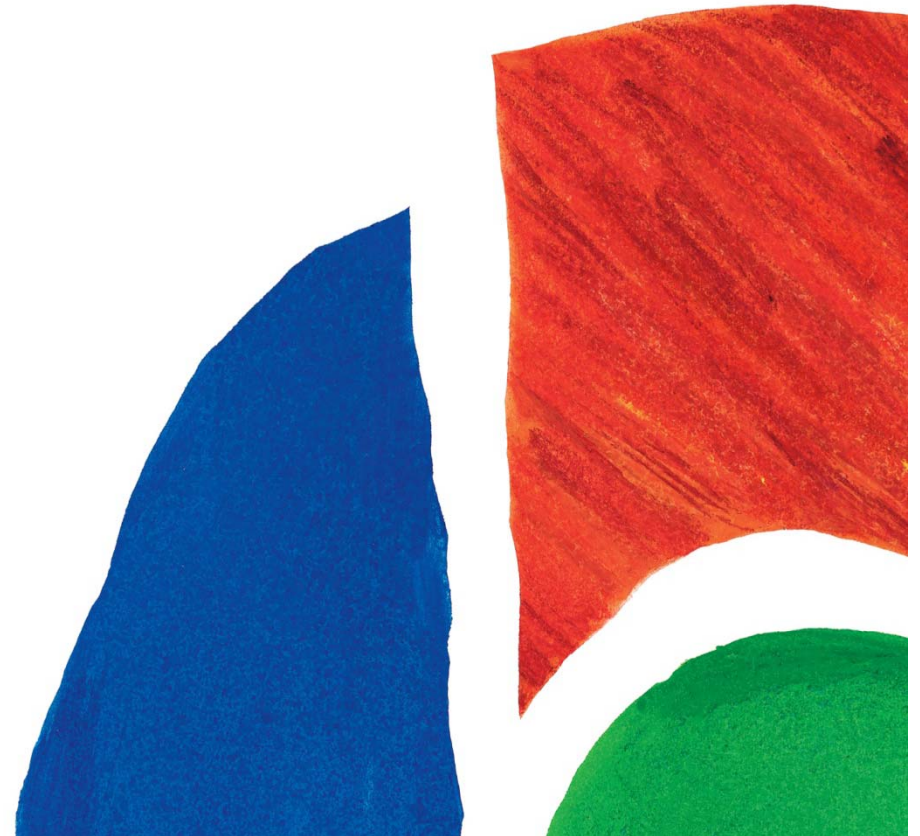
Speakers: Noran Eid (RiskMetrics Group) and Seb Beloe (Henderson)

15 December 10:00AM New York, 3:00PM London, 4:00PM Paris/Frankfurt/Milano

Chemicals and Sustainability

Seb Beloe
Head of SRI Research

December 2009





Henderson's SRI expertise

Overview

Experienced and highly respected managers

- 30-year track record - managing SRI funds since 1977
- Citywire Top 100 UK Fund Manager 2007: Tim Dieppe Standard and Poor's 'A' rating of two products (2008)



£581m* under SRI management

- £151.9m in institutional portfolios: one UK and one international
- £429.1m in four retail products

Track record of quality and innovation

- 2001 - 'Best Practice SRI', MISTRA Report
- 2004 - Launched the pioneering 'Industries of the Future' process
- 2005 - Produced world's first 'carbon audit' of an investment portfolio
- 2008 - First UK Fund Manager to use the European SRI Transparency Guidelines Logo
- 2009 – Highly Commended: Best Climate Change Fund, Holden Partners



Source: * Henderson Global Investors, as at 30 June 2009



Henderson SRI philosophy

Doing well by doing good

- Companies demonstrating superior management of corporate responsibilities and,
- Identify and invest in sectors that benefit from shift to sustainable development

Responsibility

(Corporate social responsibility)



Sustainability

(Industries of the Future)



ESG Research: Chemicals in consumer industries (1)

Product and chemical safety in consumer products

**Outsourcing in product manufacturing
has led to quality concerns**

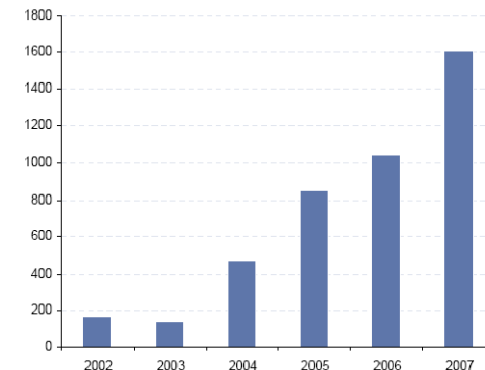
**New regulation in Europe/US driving
phase-out of controversial
chemicals**

But,

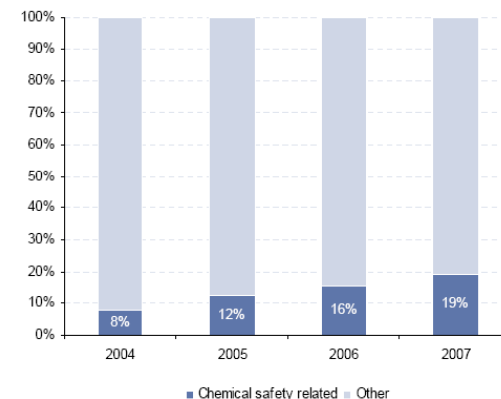
**Scrutiny depends on product
categories: vulnerable populations
and 'degree of contact' critical**

**Companies with high levels of
intangible value more vulnerable**

The number of products prohibited by the EU Commission has risen by over 50% over the last five years...
Number of RAPEX alerts issued in consumer product categories



...an increasing proportion of those bans relate directly to chemical safety concerns
Proportion of RAPEX alerts related to chemical safety



Source: Goldman Sachs Research, Henderson Global Investors, as at 18 July 2008

Note: EU Commission data

ESG Research: Chemicals in consumer industries(2)

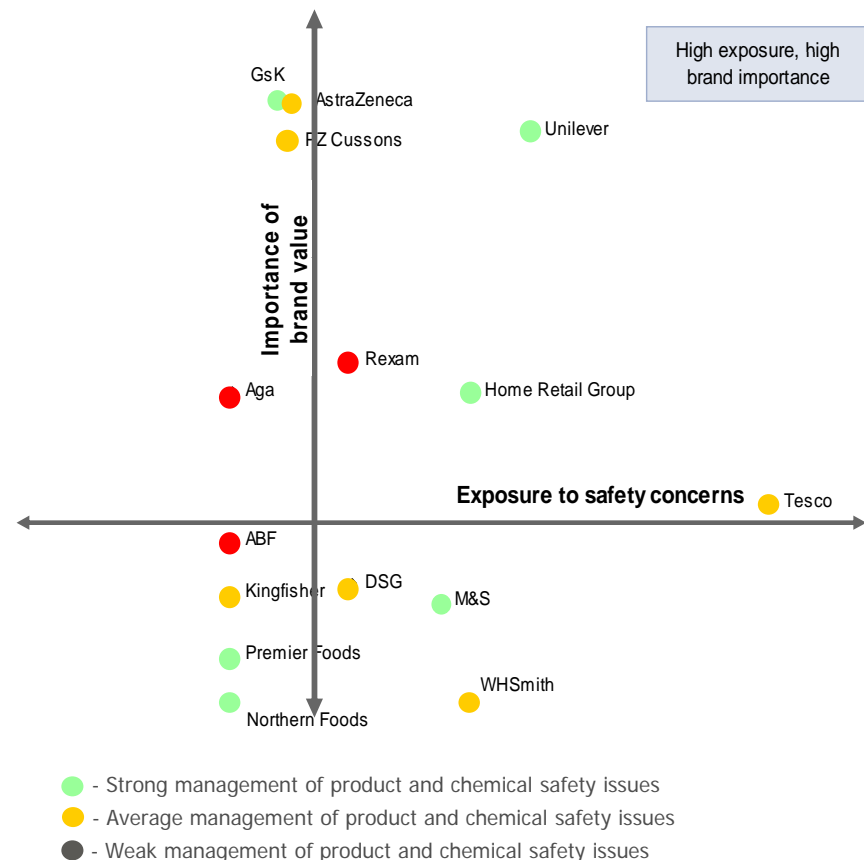
Company positioning

2008 research considered the approach of consumer products companies in the UK

Research assessed company ability to manage risks and exploit opportunities related to chemical and product safety

Focus on combination of policies, performance and transparency

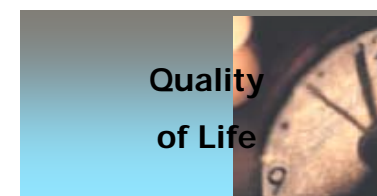
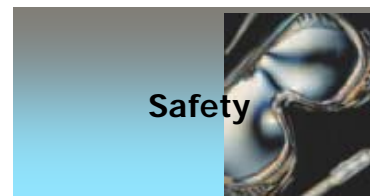
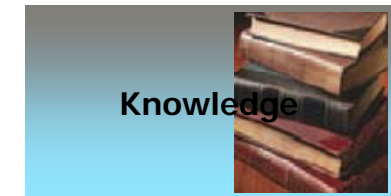
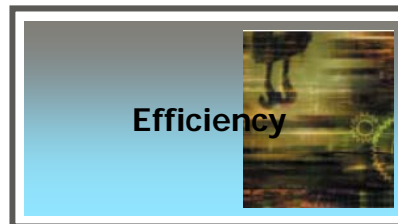
Clear differentiation in sophistication of risk management



Source: Goldman Sachs Research, Henderson Global Investors, as at 18 July 2008

Note: Goldman Sachs estimates are used.

Ten sustainability themes



Diversified growth opportunities



Investing in bioresources

Efficiency

Novozymes

Denmark



€3bn

Industrial enzymes



Source: Market cap data, as at 13 May 2008

Note: Factset

Cleaner energy

EnviTec Biogas

- Germany



- €190mn

- Design & construction of biogas plants

EnviTec Biogas



Environmental services

Plantic Technologies

- UK



- €8mn

- Manufacturer of compostable plastic



Further thoughts

Chemical-related risk is driven by regulatory developments and its emergence as a differentiating factor for downstream users, but:

- Impact of chemical risk is likely muted in the short term (though can be catastrophic)
- The extent of exposure is in part defined by the class of product
- Limited sell-side research/understanding of exposure

The use of biological feedstock in becoming an investable alternative to traditional chemicals but:

- Size of businesses
- Negative criteria on GM
- Environmental integrity of products (biofuels, bioplastics)



Important information

This document is issued by Henderson Global Investors Limited and is solely for the use of professionals, defined as Eligible Counterparties or Professionals in the Glossary of the Financial Services Authority's Handbook of Rules and Guidance for Authorised Firms made under the Financial Services and Markets Act 2000, and is not for general public distribution. Any other persons who receive this document should not rely on or act upon its contents.

This document may not be reproduced in any form without the express permission of Henderson Global Investors and to the extent that it is passed on care must be taken to ensure that this reproduction is in a form which accurately reflects the information presented here. No responsibility or liability is accepted by Henderson Global Investors or by any of its directors for any action taken on the basis of the content of this document.

This document has been produced based on Henderson Global Investors' research and analysis and represents our house view. The information is made available to clients only incidentally. Unless otherwise indicated, the source for all data is Henderson Global Investors. Any reference to individual companies is purely for the purpose of illustration and should not be construed as a recommendation to buy or sell or advice in relation to investment, legal or tax matters.

This document does not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase any investment, nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any contract for the same.

Please remember that past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Tax assumptions may change if the law changes and the value of tax relief will depend upon individual circumstances.

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management plc (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), Henderson Alternative Investment Advisor Limited (reg. no. 962757) and Henderson Equity Partners Limited (reg. no. 2606646) (each incorporated and registered in England and Wales with registered office at 4 Broadgate, London EC2M 2DA and authorised and regulated by the Financial Services Authority) provide investment products and services. Telephone calls may be recorded and monitored.



RiskMetrics Group
The Center for the Financial Community

Toxicity and Sales

How REACH is Reconfiguring the Chemical Industry

Noran Eid – Industrials ESG Research

noran.eid@riskmetrics.com

REACH is Reconfiguring the Chemicals Industry



The Market Implications of REACH are Uncertain

Which Companies Will be Impacted Remains Unclear

REACH Represents Both an Upside and Downside

European Chemicals Legislation - REACH

Registration, Evaluation, Authorization, and Restriction of Chemicals

- Entered into force June 1st 2007
- The first international regulatory system that places the burden of proving safety on the manufacturers and importers of industrial chemicals.

What are the risks?

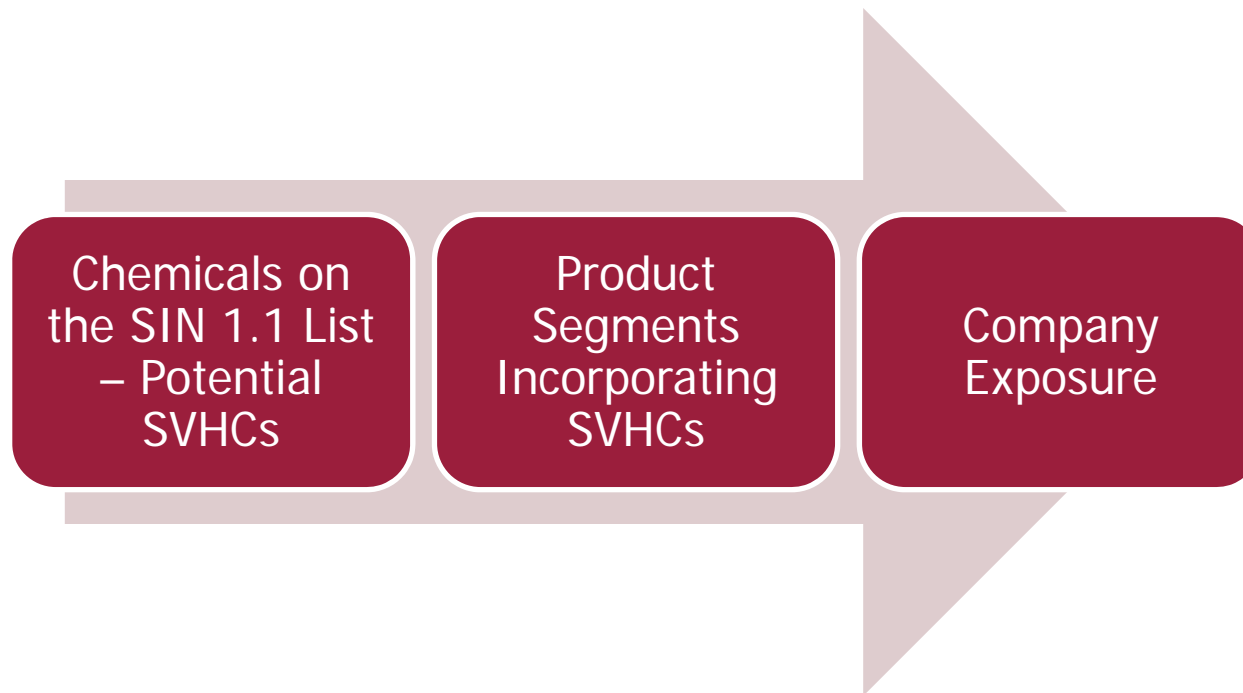
- De-facto blacklist of chemicals
- Substances of Very High Concern (SVHCs) can only be authorized if companies demonstrate “adequate control” of risks

Who is impacted?

- All manufacturers and importers (>1 ton/year/company) must identify and manage risks of their substances

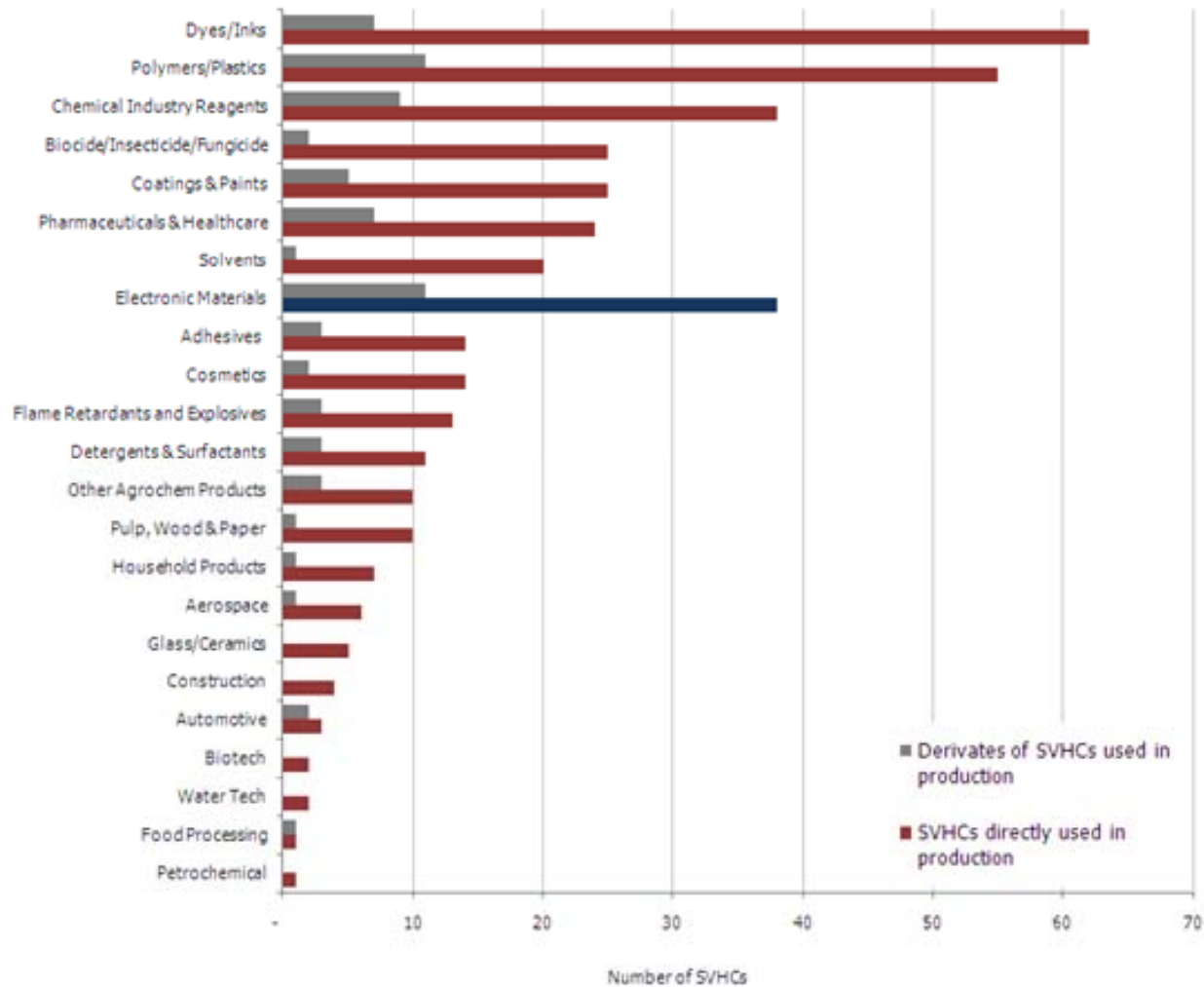


The REACH Value Chain



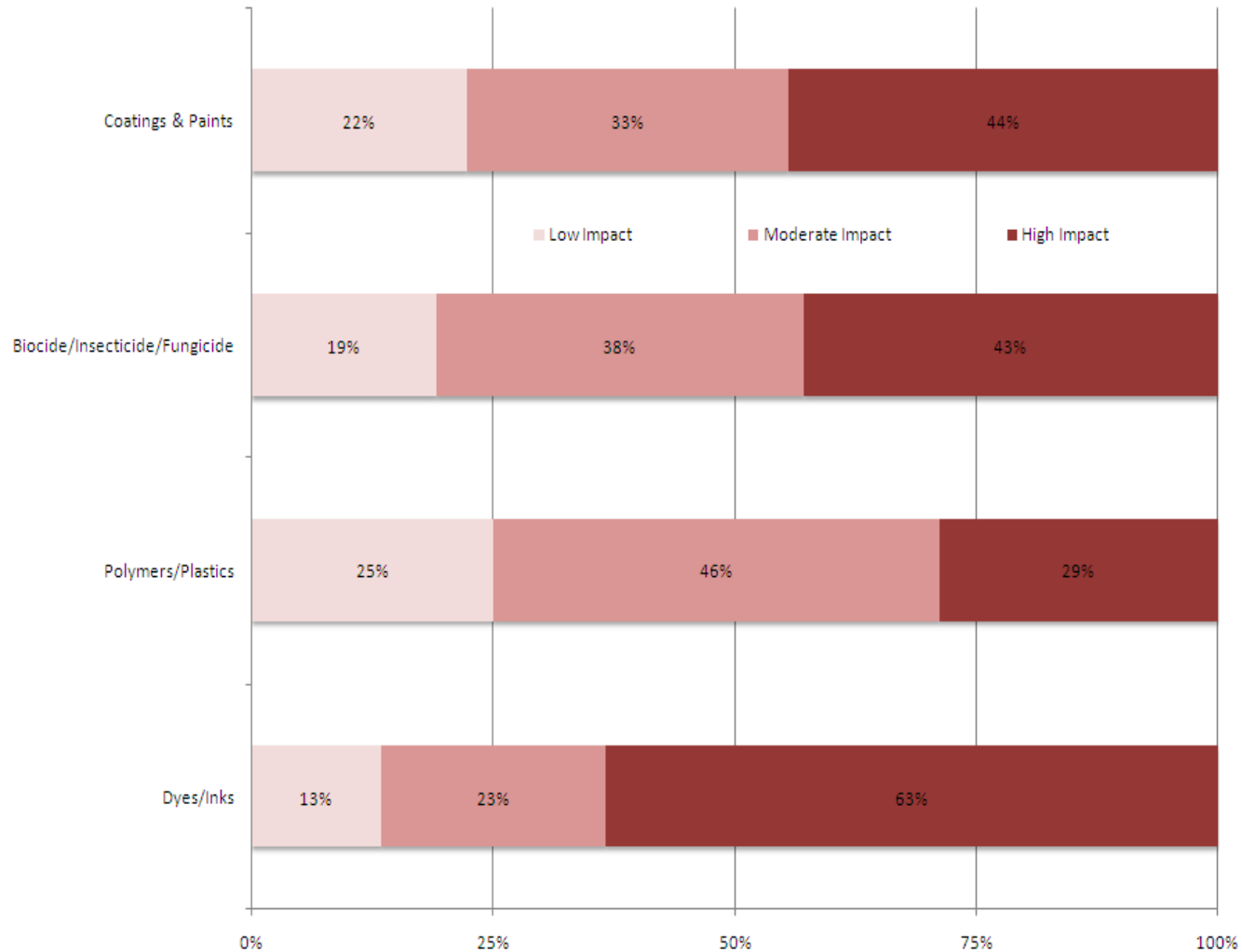
High Risk Product Segments under REACH

Industries Heavily Reliant on Substances of Very High Concern (SVHCs)



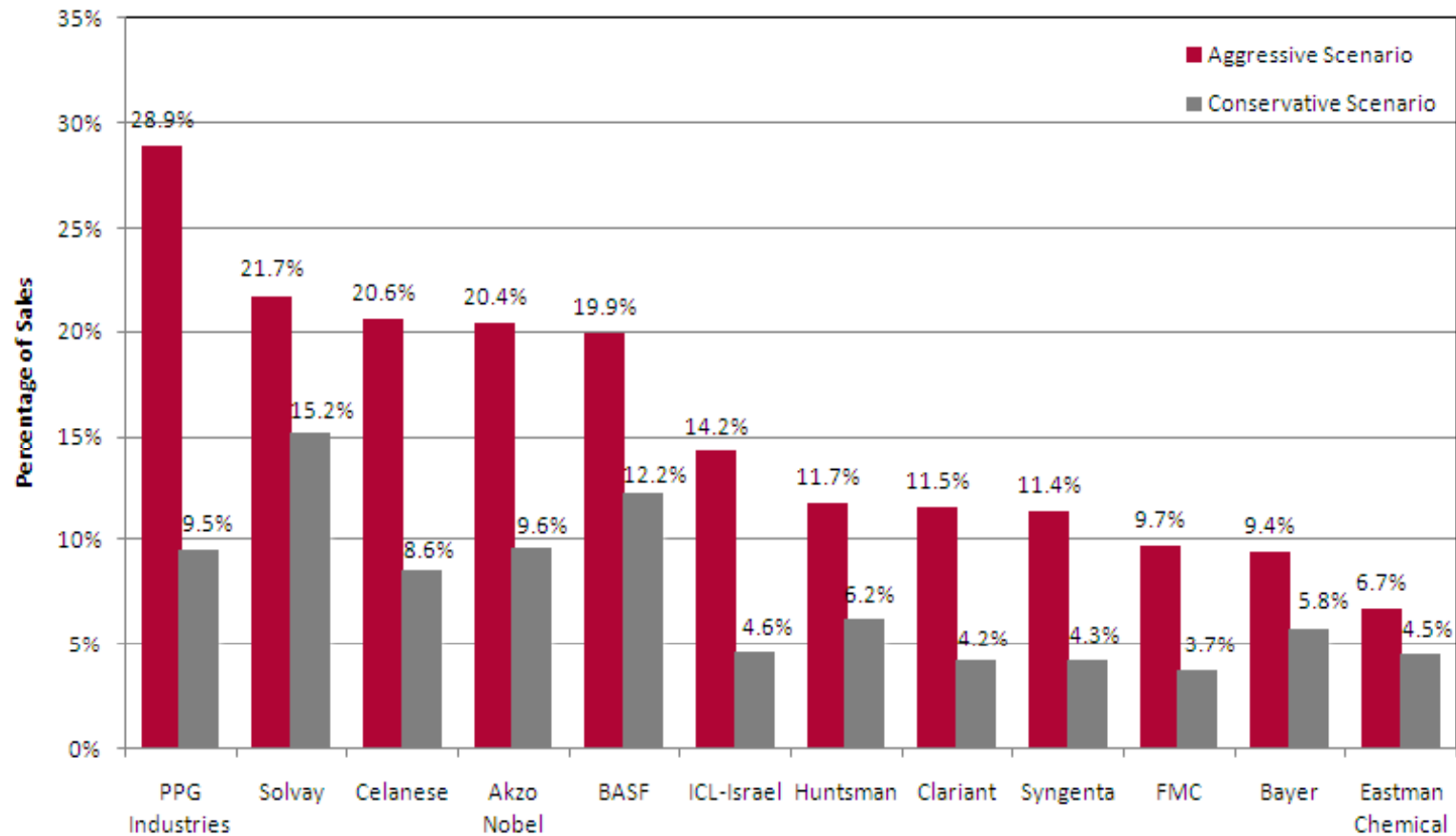
Can Substances of High Concern Disrupt Production?

Percentage of Substitutable SVHCs



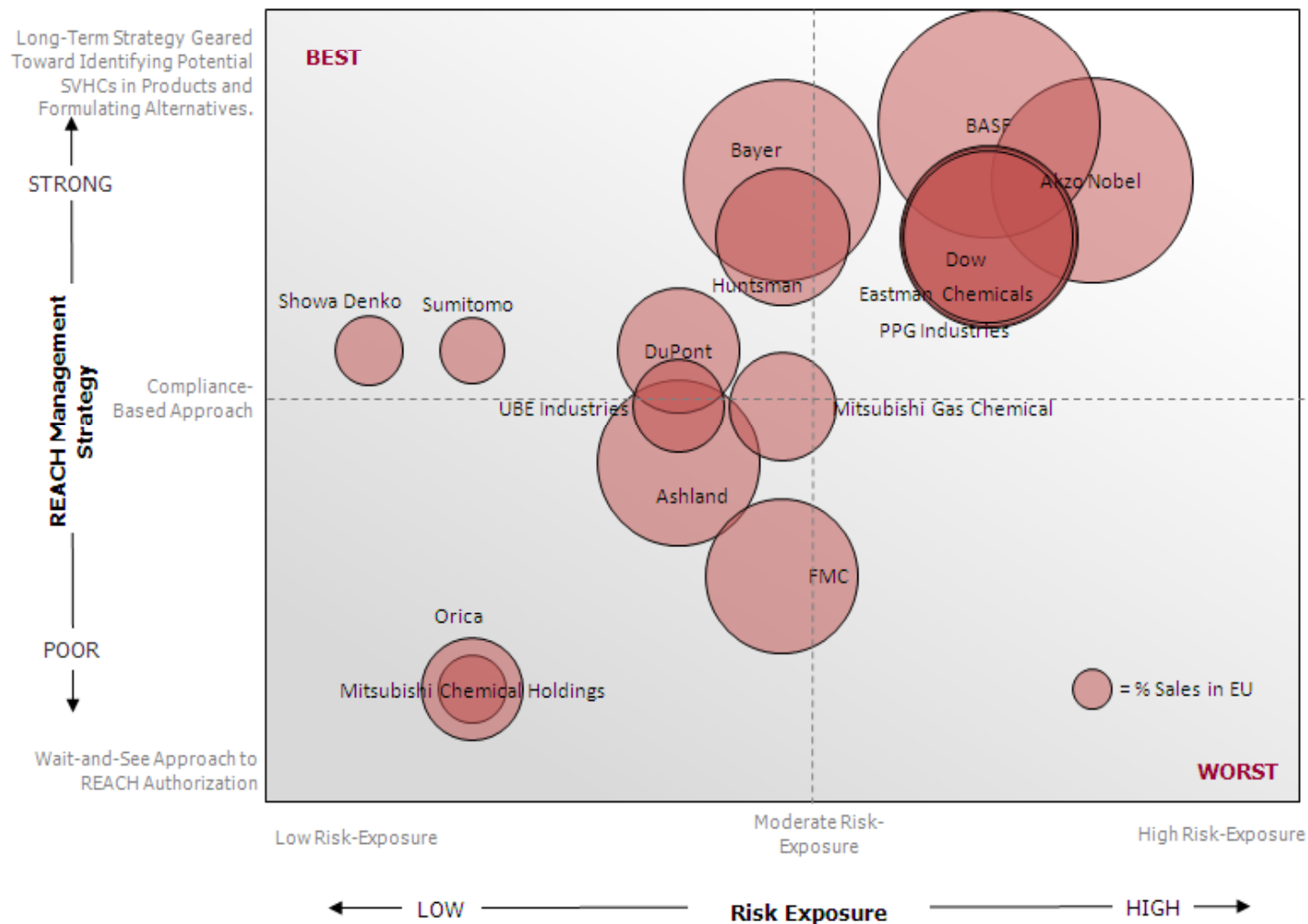
Can Substances of High Concern Disrupt Top-Line Growth?

Estimated Impact of REACH Authorization on Annual Sales



Management Capacity vs. Risk

Relative Risk Exposure and REACH Management Strategies for the Diversified Chemicals Sector





Next Steps...

Electronic Products

- 89 new additions to the SIN List – majority are nickel compounds
- Nickel-Cadmium rechargeable batteries

Pace of Authorization Set to Accelerate

- 30 chemicals have been submitted for the candidate list, 7 for Authorization
 - ◆ High Risk:
 - ◆ **ICL-Israel (ICL-TV)**: brominated flame retardants
 - ◆ Potential Upside:
 - ◆ **BASF (BAS-FF)**: non-phthalate plasticizer (Hexamoll DINCH – quadrupled capacity in 3 years)
 - ◆ **Lanxess (LXS-FF)**: non-brominated flame retardants
- Germany and other member states pushing for faster candidate selection

Will Regulators and Industry Wait for Authorization?

- Regulators side-stepped REACH to ban Dichloromethane in January 2009
- Industry players may opt out of long, costly Authorization process

Q&A

- If you have any further questions, please contact us at Marketing@riskmetrics.com.