

10th March 2009

Henderson publishes research into product and chemical safety

Henderson Global Investors' Sustainable and Responsible Investment (SRI) team has published research assessing the ability of UK-listed consumer product companies to manage increasing risks associated with product and chemical safety.

Consumer product companies have been significant beneficiaries of opportunities afforded by liberalised markets to outsource operations to third parties operating in low cost centres around the world. This has increased risks to companies through a loss of oversight and control of the production process leading, for example, to growing numbers of product recalls in the UK, which have increased by 10% pa since 2003. Across the EU more widely, the number of non-food consumer products that have been prohibited by the EU Commission has increased by nearly 800% since 2002 – with the proportion of bans relating to chemical safety concerns increasing from 8% in 2004 to 19% in 2007.

These risks have been further compounded by both growing media and consumer interest in product and chemical safety risks as well as increased scrutiny from the scientific community and by regulators. The new 'REACH' legislation in Europe will maintain a focus on the safety of chemicals in consumer products with legislation also being developed in the US and in China.

Henderson carried out the research in conjunction with Goldman Sachs. The research established levels of exposure to product and chemical safety issues based on:

1. Company exposure to product categories that are especially affected by chemical safety concerns (e.g. children's goods, healthcare and personal care and food)
2. The importance of intangible assets, including brand, to the company's enterprise value (EV*).

A questionnaire was sent to 25 UK-listed consumer product companies during 2008 and looked at each company's ability to manage product and chemical safety-related risks and opportunities.

The research found that:

- **Home Retail Group** and **Unilever** are both relatively highly exposed to product and chemical safety risks, but also have highly sophisticated processes for managing these risks.
- **Marks and Spencer** and **Premier Foods** also stood out as performing strongly across all dimensions measured.
- Even though the issue of health and safety management has the real potential to significantly affect share prices, companies with similar risks are responding in very different ways.
- While the overall response rate to the questionnaire was good (64%) several companies chose not to respond, including companies with high levels of exposure.

Seb Beloe, head of SRI research at Henderson Global Investors said: *"Whilst we recognise that the market performance of companies reflects a much wider variety of factors than the effectiveness with which they manage product and chemical safety, the issue does have the potential to significantly affect share prices."*

Identifying companies that are adapting their strategies and operations to reflect this changing landscape is therefore an increasingly valuable input into the investment process.”

Andy Howard, executive director of global investment research at Goldman Sachs, who conducted the research for Henderson, said: *“Effectively addressing safety concerns and developing products that meet emergent needs in product categories for which these concerns are important is becoming an increasingly important source of competitive advantage and financial performance in consumer industries.”*

* EV is an economic measure reflecting the market value of the whole business and is one of the fundamental metrics used in business valuation, financial modelling and accounting.

*****A full copy of the report is attached*****

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Press enquiries

Henderson Press Office

Richard Acworth / Laura Cook / Susan Lakeman

020 7818 4222

pressoffice@henderson.com

Notes to editors

About Henderson Global Investors

Established in 1934, Henderson Global Investors is a leading independent global asset management firm. The company provides its institutional, retail and high net-worth clients with access to skilled investment professionals representing a broad range of asset classes, including equities, fixed income, property and private capital. Headquartered in London, Henderson is one of Europe's largest investment managers, with £49.5 billion (€51.2bn / \$71.2bn) assets under management (as at 31 December 2008) and employs around 900 people world-wide.

About Henderson SRI Team

Henderson is one of the world's leading providers of SRI funds with over 30 years' experience. The team manages £569m million (as of 31st December 2008) in SRI assets, across a range of pooled and segregated funds for clients including pension funds, local authorities, charities and individuals. The team's investment approach uses thematic analysis to identify companies that are 'Industries of the Future'. Typically these companies provide solutions to sustainability challenges and therefore can create positive long-term investment opportunities. These 'Industries of the Future' fit within 10 themes and range from Cleaner Energy to Water Management to Social Finance and Health.

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