

# Responsible Investments

F&C's Governance & Sustainable Investment Solutions



Expect excellence

“Environmental, social and governance considerations have become more compelling, as issues such as corporate risk control and transparency, energy security, climate change, health and geopolitical stability take centre stage in the current economic and political debate.”

Alain Grisay, CEO, F&C Investments



F&C headquarters – world leader within responsible investing




# Introduction

F&C is a world leader within responsible investing in the European asset management arena. F&C's institutional and retail clients collectively represent over £88 billion (€104 billion / US\$145 billion) of assets invested across over 50 national markets<sup>1</sup>. We manage funds on behalf of insurance companies, institutional investors, pension funds and private individuals. In addition, we have been mandated to engage and/or vote on behalf of a number of insurers, pension funds and banks whose money is managed by other parties. An up-to-date list of all published **reo**<sup>®</sup> clients is listed in our quarterly **reo**<sup>®</sup> report.

F&C has developed a range of products over the last 25 years to suit a broad spectrum of clients, from pension funds and insurance clients to private individuals. This originally began with the launch of the UK's first ethical fund in 1984, and since then has rapidly grown, to incorporate a range of ethically-screened funds and thematic funds, as well as market-leading engagement services.

## A history of innovation

1984	1987	1997	2000	2006	2007	2008	2009
Launch of Stewardship Growth – first ethical fund in the UK	Launch of Stewardship Income & Stewardship North America Funds	Stewardship North America Fund becomes Stewardship International Fund	Launch of Responsible Engagement Overlay <sup>®</sup> 	F&C founding signatory to Principles for Responsible Investment (PRI)	Launch of Global Climate Opportunities and Ethical Bond Funds	<b>reo</b> <sup>®</sup> applied to all corporate bonds	Stewardship 25th Anniversary

F&C has played a leading role in building awareness in the market for responsible investment so much so that investment professionals, including trustees and fiduciaries, increasingly recognise that environmental, social and governance (ESG) factors can significantly affect investment performance. Fund managers have seen the damage corporate scandals and missteps can cause to share prices, brand reputation and sales. They also see the limitations on company growth that can result from poor management of ESG factors and the impact that social and environmental laws and regulations can have on company operations.

At the same time, public focus on ESG issues has risen sharply. Retail and institutional investors are increasingly concerned that the companies they invest in are well-managed and grow sustainably, by respecting the communities and environments in which they do business. Investors are looking for their investments to deliver sound returns over the long-term and are increasingly keen to use their influence to improve company practices.

F&C's responsible engagement approach is fundamental to our global investment philosophy across all of our funds.

1. As at 30 June 2009

“F&C recognises that as long-term investors, our clients want us to ensure that the companies in their portfolios aspire to become transparent, accountable and take a responsible and far-sighted approach to managing the key environmental, social and governance risks that face their business.”

Fernando Ribeiro, Head of Advisory and Strategic Relationships, F&C Investments



United Nations Principles for Investing

F&C

We strongly believe that the prudent management of ESG issues is fundamental to creating value for investors. Companies that are successful in minimising ESG risks, and identifying and capitalising on opportunities, will outperform over the longer term.

As a result of our expertise and experience F&C has numerous award-winning products and services in the field of sustainable investment. In both 2007 and 2008, F&C was awarded Top Sustainable Fund Manager: Transparency & Engagement on ESG Issues by Fair Pensions UK, and in 2007 F&C was also crowned Best Investment Manager (ESG) by Investment & Pension Europe (IPE) and TBLI.

Through F&C's Responsible Engagement Overlay (**reo**<sup>®</sup>) programme, we use our influence as a significant asset manager to encourage better management of ESG risks and opportunities.

As a founder signatory and strong supporter of the UN Principles for Responsible Investment (UN PRI), F&C has led industry efforts to assess the impact of ESG standards on company performance and exercise its influence as a major institutional investor to promote sustainable business practices. F&C is committed to assessing the impact of ESG value drivers on company performance and to improving the extent to which these are integrated into investment views.

The principles are endorsed by asset owners and asset managers representing \$15 trillion. In 2008, F&C was awarded top scores for implementing all six of the UN PRI.

## UN Principles for Responsible Investment Implementation

F&C has a long track record of helping clients fully implement the UN PRI. As increasing numbers of asset owners sign up to the UN PRI, global clients

are approaching F&C to assist them in developing strategies to implement the principles.

F&C clients benefit from its dedicated in-house Governance and Sustainable Investment (GSI) team of 15 experienced professionals who spearhead our efforts in responsible investing. Our specialist team means that we can react quickly as sustainability, governance and ethical issues emerge and evolve, drawing on the team's extensive network of contacts to keep abreast of developments.

## F&C's Service

F&C has developed a highly successful range of products to meet the growing demand for responsible investment products and services. To help institutions meet their fiduciary duties, including UN PRI commitments, F&C can provide investments and services in the following:

- Engagement service: **reo**<sup>®</sup>
- Thematic investments
- Global Climate Opportunities
- Ethically-screened funds:
  - Stewardship International
  - Global Ethical Bond
  - UK Stewardship Growth
  - UK Stewardship Income
  - Customised funds

## Future developments

Responsible investment has enjoyed significant growth during the last 25 years with demand increasing, and related solutions becoming ever more sophisticated. F&C has been at the forefront of this development and is fully committed to remaining so both through its existing fund range and the ongoing evolution of its proposition.

“In the decade that we have been actively engaging companies on questions of good governance and sustainable business practice, we have seen a real evolution in attitudes. Companies are increasingly getting to grips with the rising expectations of their end investors when it comes to good governance and business practice.”

Karina Litvack, Director, Head of Governance & Sustainable Investment, F&C Investments



Value through active engagement



# Engagement Services

## Stakeholder Engagement

### Enhanced value through active engagement

In 2000, F&C introduced its unique approach to responsible investment by launching its Responsible Engagement Overlay service, known as **reo**<sup>®</sup>.

This differs from traditional ethical screening or a best-in-class portfolio construction methodology: it is an overlay that can be applied to any equity or corporate bond mandate, irrespective of whether the money is managed by F&C. It does not interfere with the fund manager's portfolio construction or selection – in other words, it allows fund managers the widest latitude in defining their investable universe, while addressing sustainability concerns through active dialogue and changing behaviour.

F&C's ultimate aim is the creation and protection of

long-term capital value for investors. The objective of **reo**<sup>®</sup> is to use the influence that F&C wields through the combined equity and bond assets of all its clients to encourage investee companies to adopt better ESG practices and changes in corporate behaviour, thereby enhancing their business performance. We believe that we can best serve our clients and enhance the value of their investments through sustained and constructive dialogue with companies, as well as the judicious and transparent use of voting rights. In an average year, F&C will engage with around 6,000 global companies on a wide range of business issues.

As part of the F&C engagement service, there are a number of key areas, issues and sectors covered:

## F&C's Comprehensive Coverage of ESG Risks & Opportunities

### Environmental

Climate change

- Emissions management & reporting
- Climate change strategy
- Alternative fuels
- Product opportunities

Ecosystem services

- Biodiversity management
- Water
- Access to land & resources

Environmental management

- Product opportunities
- Environmental standards
- Supply chain performance
- Pollution control
- Waste & recycling

### Social

Public health

- Nutrition
- Access to medicines
- Product Safety
- HIV/AIDS

Labour standards

- Health & safety
- International standards & conventions
- Diversity
- Supply chain labour Standards

Human rights

- Security
- Privacy and free expression
- Community relations & consultation
- Weak governance zone

### Governance

Corporate governance

- Remuneration
- Board structure
- Shareholder rights
- Audit and control

Business ethics

- Bribery & corruption
- Political influence
- Whistleblowing systems
- Responsible marketing

Sustainability management and reporting

- Disclosure & reporting
- Governance & sustainability
- UN global compact implementation

# Engagement Services



Fairtrade part of Environmental, Social & Governance issues



**Volume of Engagement in an average year:**



<b>Environment:</b>	<b>%</b>
■ Climate Change	16
■ Ecosystems Services	6
■ Environmental Management	9
<b>Social:</b>	
■ Public Health	3
■ Human Rights	6
■ Labour Standards	10
<b>Governance:</b>	
■ Corporate Governance	19
■ Business Ethics	15
■ Sustainability Mgt & Reporting	16

F&C's *reo*® is applied to all of F&C's managed equity and corporate credit assets, as well as to client portfolios that are managed by third parties.

**Who should consider *reo*®?**

F&C's *reo*® service is particularly suitable for institutional investors who want their investments to benefit society and the environment but do not wish to invest in screened funds. It enables investors who are considering how to implement the UN PRI to do so by ensuring that their portfolios take ESG issues into account. While *reo*® is overlaid to all F&C-managed equity and corporate credit portfolios, it is also available as a stand-alone overlay service. Charity directors and trustees who wish to be active investors, but want to align their investments with the objectives of their organisation should consider *reo*®, as its focus on promoting responsible corporate behaviour on matters of business ethics, environmental management and social issues frequently complements the aims of many charities and foundations. *reo*® also enables banking networks, financial intermediaries and distributors whose clients want to take into account ESG issues, to do so without interfering with their funds' portfolio construction or selection strategy.

**F&C Service**

The key strengths of our *reo*® service are:

**Improved company practices**

*reo*® promotes better risk management by companies, with a focus on long-term value for investors. As a major institutional investor, F&C is in a position to have significant influence over corporate practice, and takes an integrated view of all ESG issues that can materially impact business performance.

**Global coverage**

F&C engages with companies globally across all sectors. F&C leads the market in terms of its engagement with companies within emerging markets. In 2008, around 10% of the company-level improvements we recorded came from emerging market companies in Africa, Asia and South & Central America, and we expect to see further growth in engagement in these regions going forward.

**Robust client reporting**

At F&C, we understand that we have an important commitment to our clients. As a result, we have developed comprehensive reporting so our clients can follow the work we do on their behalf and can communicate easily with their trustees, clients, shareholders or constituents.

“The exercise of voting rights is a fundamental component of the engagement process as it allows shareholders to provide companies with specific feedback. F&C votes with great care on all of its clients’ global shareholdings, with a view to encouraging companies to adopt good governance practices. On average we vote on over 6000 companies in 59 countries globally.”

George S. Dallas, Director, F&C Investments



Exercising voting rights

F&C

### **First-class expertise and a wealth of experience**

As one of the world's leading providers of responsible investment strategies, F&C has a 15-strong, award-winning, GSI team that draws on a wealth of experience. It demonstrates a high degree of credibility with companies, borne from over a decade of constructive dialogue.

### **Easy application**

**reo**<sup>®</sup> is applied as an 'overlay' to conventionally-managed equity and corporate bond portfolios, which does not restrict investment decisions.

### **Voting**

We believe exercising our voting rights is central to encouraging good governance, and we therefore vote on all companies held in funds managed by F&C. As with shareholder dialogue, we also have the technical capability to exercise voting rights on behalf of clients whose portfolios are managed by external fund managers. We seek to understand the circumstances of each company, encouraging companies to provide explanations if their policies deviate from good practice. We also engage with companies both before the vote, to explain the standards we expect, and afterwards, to explain the reasons for any votes against management.

Investors will increasingly demand transparency and protection from long-term ESG risks for their investments. As such F&C has seen steady growth for its **reo**<sup>®</sup> product. Despite the current economic climate, we expect to see continued demand for our expertise. It is our view that this trend of increasing demand for active engagement by investors, in particular to confront systemic problems, can only continue. We are currently seeing increased interest in our services from new markets, including Scandinavia, Germany and Australia, as well as ongoing growth from countries where our existing clients are based.

“Climate change has the potential both to cause devastating damage to the economy if we do nothing about it, and to generate very profitable investment opportunities if we confront it by taking sensible early action. F&C strongly supports calls for the US government to introduce a mandatory national policy to cut CO<sub>2</sub> emissions: investors and industry need certainty over what the regulatory regime will be over the next two or three decades, in order to release the billions of investment capital that will finance the shift we need to make to a low-carbon energy system.”

Alain Grisay, CEO, F&C Investments.



The effect of climate change, polar ice caps melting

F&C

# Thematic Investments: Global Climate Opportunities

Leveraging our experience of investing in sustainable development, and the expertise of our in-house Governance and Sustainable Investment team, F&C's Global Climate Opportunities strategy encapsulates our deep understanding of this critical global issue. The principal investment objective is to achieve long-term capital appreciation by investing in companies best-positioned to provide solutions to climate change.

## **Why climate investing?**

With the scientific consensus on the threat posed by climate change now firmly established, governments around the world are committed to tackling growth in greenhouse gas emissions. In 2005, the EU Emissions Trading Scheme (ETS) was launched. For the first time, the EU ETS placed a price on carbon emissions and created incentives for investment into cleaner energy. Renewable energy has moved from niche to mainstream, with wind and solar energy now multi-billion dollar global markets. Transport systems are changing too, with rising taxes on gas-guzzling cars driving a move towards new technologies such as hybrids, as well as greater investment in cleaner options such as rail.

The credit crunch is also creating opportunities for companies involved in climate solutions. Fiscal stimulus packages in the US, China, Europe and elsewhere have a distinctly green tinge,

including a massive expansion of public support for research into advanced energy technologies such as smart grids, advanced batteries in the US, and a nationwide drive for greater energy efficiency in China.

At the same time, events such as the devastating wildfires in Australia, California and Southern Europe are a stark reminder of how extreme weather will increasingly impact our way of life, and of the need to find solutions to help society adapt. These global developments are all creating growing opportunities for companies who can help society find solutions to climate change.

# Thematic Funds



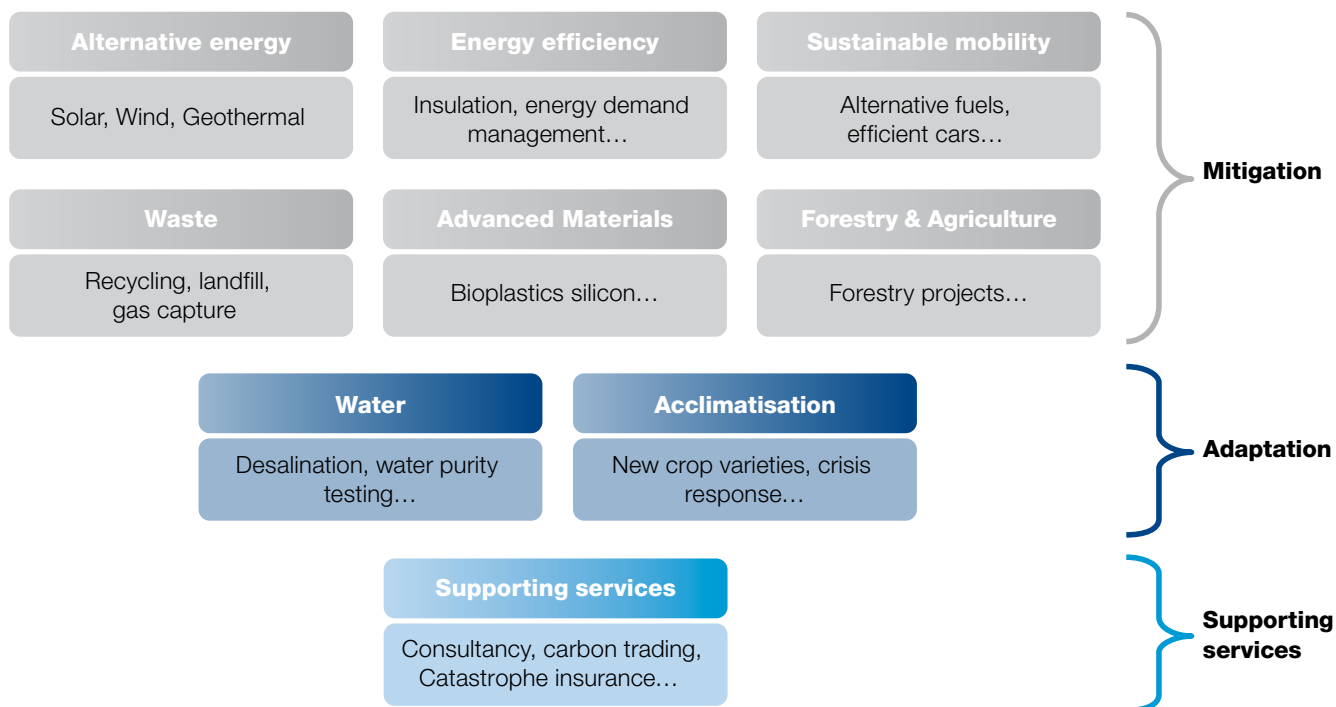
Advances in the development of alternative energy

R&C

## How does it work?

F&C's Global Climate Opportunities strategy is a thematic approach that invests in companies who are leading advances in the nine key areas that we believe lie at the heart of the issue of climate change. Based on these themes, we select stocks without any regional benchmark restrictions. This

investment approach gives us the freedom to invest in potential market leaders, irrespective of sector, size or geographic location. Our investment scope is therefore far broader than a traditional alternative energy fund and offers investors significant growth potential, combined with the benefit of investing in companies providing climate change solutions.



## The Global Climate Opportunities strategy

### F&C's key strengths:

- Comprehensive climate change thematics:** We approach climate change as a complex global issue. The nine key investment themes that we have identified are the result of our detailed analysis of where the key solutions to climate change mitigation and adaptation will emerge, and are aimed at identifying significant growth and investment opportunities over the longer term.
- Global coverage:** Although its impact will vary with geography, climate change is a global phenomenon. Successful solutions will be developed across global markets and we believe it is important to capture their diversity without being restricted by regional benchmarks. Our investment approach therefore offers genuinely global exposure, to reflect the global nature of the issue.

- In-house climate change expertise:** Vicki Bakhshi, the strategy's climate change advisor, joined F&C in 2006 to lead our initiatives on climate change. Prior to joining F&C, Vicki was the Prime Minister's policy adviser on climate change, before moving to HM Treasury to lead the team in drafting the Stern Review on the Economics of Climate Change. At F&C, Vicki draws on the expertise of our 15-strong in-house GSI team, the largest specialist team in the UK.
- Experienced global equities team:** The investment managers, Sophie Horsfall and Terry Coles, together have 20 years of investment experience. They have a strong track record of investment in sustainability themes through the Stewardship International Fund.
- Proven valuation-based investment process:** We believe that bottom-up stock selection combined with independent fundamental research is crucial to identifying investment opportunities. Valuation is of paramount importance to us. We seek stocks that we believe have both valuation support and attractive upside potential.

“For investors who want stringent ethical screening coupled with a professional and skilled fund management team, stewardship provides the ideal solution.”

Richard Wilson, Head of Equities, F&C Investments



Ethically screened investing

F&C

# Screened Investments

F&C has a 25 year track record in running ethically-screened funds, with the launch of the first UK retail ethical fund in 1984 – Stewardship Growth. Since 1984, we have expanded our range of investments to include Stewardship Income, Stewardship International and Ethical Bond. All of these are subject to the same robust screening process and expert fund management. Today we manage over £2.2 billion (€2.7 billion / US\$3.7 billion) in these strategies<sup>2</sup>.

F&C’s ethically-screened funds invest in companies that make a positive contribution to society through “positive screens” that tap into key growth opportunities, whilst seeking to avoid companies whose activities can harm society or the natural environment. Given the challenges facing society today, the strategy is to seek out investments in alternative and renewable energy, new technologies, sustainable mobility and water infrastructure, which

will all play a crucial role in tackling, and adapting to climate change, water shortage and pollution. Other strong positive themes include education, healthcare and public transport, which will see increasing investment due to changing global demographics. We also have stringent negative criteria that restrict investment in activities that cause harm.

## The criteria for all of F&C’s ethically-screened funds:

We actively seek out companies involved in the following:	We aim to avoid companies involved in the following:
<ul style="list-style-type: none"> <li>■ Supplying the basic necessities of life e.g. healthy food, housing, clothing, water, energy, communication, healthcare, public transport, safety, personal finance, education</li> <li>■ Offering product choices for ethical and sustainable lifestyles, e.g. fair trade, organic</li> <li>■ Improving quality of life through the responsible use of new technologies</li> <li>■ Good environmental management</li> <li>■ Actively addressing climate change, e.g. renewable energy, energy efficiency</li> <li>■ Promotion and protection of human rights</li> <li>■ Good employment practices</li> <li>■ Positive impact on local communities</li> <li>■ Good relations with customers and suppliers</li> <li>■ Effective anti-corruption controls</li> <li>■ Transparent communication</li> </ul>	<ul style="list-style-type: none"> <li>■ Tobacco production</li> <li>■ Alcohol production</li> <li>■ Gambling</li> <li>■ Pornography or violent material</li> <li>■ Manufacture and sale of weapons</li> <li>■ Disregard for animal welfare</li> <li>■ Nuclear power generation</li> <li>■ Poor environmental practices</li> <li>■ Human rights abuses</li> <li>■ Poor relations with employees, customers and suppliers</li> </ul>

2. As at 30 June 2009

# Screened Investments



Investment ideas are subject to rigorous screening



## How does it work?

Portfolio construction begins with our portfolio management teams. The equity teams use a proven bottom-up stock selection process to identify the best stocks globally, while the corporate bond team blends top-down sector allocation with bottom-up credit selection. The investment ideas are then subject to rigorous screening by the GSI team against the strategy's ethical criteria.

## The Committee of Reference

All investment recommendations for F&C's ethically-screened range of funds are individually vetted by an independent Committee of Reference comprised of eight experts drawn from a diverse range of fields.<sup>3</sup> The Committee meets quarterly to review and update the criteria for all the investments, drawing on research from F&C's GSI Team and independent external advice.

All of F&C's ethically-screened investments also benefit from **reo**<sup>®</sup>, as we use our influence as an equity or bond investor to encourage best practice management of social and environmental issues through engagement and voting.

## F&C's product offerings

### Stewardship Growth

This is a UK Equity Fund with a focus on long-term capital growth. Launched in 1984, it was Europe's first ethically screened fund. The Fund is managed by Catherine Stanley, who is also a key member of F&C's UK equities team. During her 18 years of industry experience Catherine has built-up an extensive and detailed insight into UK companies across the board. This provides an ideal base for the construction and management of a portfolio of stocks to meet the needs and expectations of investors.

In-house proprietary research undertaken across the UK equity team underpins our investment approach. Our scale normally ensures one-to-one meeting access whenever we need to meet with a company and we typically have around 1,500 company meetings each year.

A strategic and thematic backdrop is used as a basis for stock picking which is, in turn, based on the business model, quality of the management and financial strength.

### Stewardship Income

This is a UK Equity Income Fund with a focus on achieving an above-average income with the

potential for capital growth. The Fund, managed by Catherine Stanley was launched in 1987 and has an income yield target of 110% of that of the FSTE All-Share Index.

Stock selection drives the composition of the portfolio as we look to select those 'approved' companies that we believe will best place the Fund in a position to deliver its income target, and the potential for capital growth. In addition to our favoured small and mid caps, we are likely to maintain sizable representation among approved large companies in areas such as the utilities, as they offer attractive and relatively secure dividends. We can also gain exposure to corporate bonds – the portfolio's exposure up to the 20% allowable reflecting our assessment of the relative merits of fixed income assets versus equities.

### Stewardship International

This is an International Equity Fund with a focus on long-term capital growth. The Fund was launched in 1987 and is managed by Sophie Horsfall and Terry Coles.

In constructing the Fund's portfolio the team will leverage upon the expertise of F&C's regional investment desks, the in-house strategy team as well as using select external research. Stock selection makes use of a proprietary 'Economic Value Added' model combined with a relative valuation approach which assesses a stock's current valuation premium or discount to its peers relative to its historical average.

A global approach enables some themes to be developed, such as wind or solar power, which are more difficult to access at the single country level.

### Ethical Bond Fund

2007 saw the successful expansion of our ethically screened range into fixed income. Applying the same stringent Stewardship screening criteria and leveraging off our scale and proven capabilities in bond fund management our Ethical Bond offering, managed by Rebecca Seabrook, targets performance comparable with that of a traditionally managed corporate bond portfolios.

At F&C we adopt a flexible and pragmatic approach to managing our bond portfolios with a 24-strong team of fund managers and credit analysts ensuring investors enjoy access to the potential benefits of corporate bond investment.

3. See the appendix for the biographies of the members of the Committee of Reference

“F&C’s team of 15 GSI experts is one of the largest in the world. The team is deliberately drawn from a wide mix of professional and national backgrounds. This rich mix of experience, perspectives and language skills enables us both to see businesses through a fresh lens and work effectively with global companies.”

Karina Litvack, Head of Governance & Sustainable Investment team, F&C Investments



F&C's strong team approach in tackling Environmental, Social and Governance issues



# Team & Resources

F&C has built its reputation for leadership in responsible investment through the prominent personal engagement of its Board and Executive management, backed up by one of the largest and most experienced specialist teams in the industry.

## **Chief Executive Officer and F&C Board**

**member Alain Grisay** leads F&C's engagement on climate change. Alain has led public lobbying efforts to bring about stronger climate-friendly regulation, and met with UK Prime Ministers Tony Blair and Gordon Brown and EU Commission President José Manuel Barroso, as well as having testified before the US Congress. Chief Financial Officer and F&C Board member David Logan chairs F&C's Corporate Responsibility Committee.

## **F&C's Independent Committee of Reference**

Eight expert advisors meet quarterly to review and update the criteria for the ethically-screened funds (including Stewardship), drawing on research from the GSI team and independent external advice. In addition, the Investment Sub-Committee meets quarterly to review and sign off on all individual stock recommendations for the funds.

## **The Governance & Sustainable Investment Team**

F&C's 15-strong Governance & Sustainable Investment (GSI) team, led by Karina Litvack, is exclusively dedicated to analysing the ESG issues that drive corporate performance, and brings unrivalled expertise to the analytical process. The team has on average, 10-years experience in this area.

The GSI team is located in Europe and the US, and has global coverage. Our analysts focus on sectors, regions and issues according to their expertise, and draw on local market knowledge from our client and sales teams across our various regional offices.

The insert included with this brochure gives a detailed biography for each member of the team, their experience and expertise.<sup>4</sup> The list below highlights previous team experience within the financial and responsible investment arena.

- MD at Standard & Poor's
- Director in Fixed Income
- Journalist at *Financial Times*
- Investment Banker
- Foreign Exchange Analyst
- HM Treasury – Stern Review
- Economist at the Bank of England
- Buyer for B&Q
- Urban Renewal Specialist
- Financial Consultant
- Analyst, Association of British Insurers
- SRI Analyst
- Philanthropy Adviser
- Adviser for European Parliament
- IFA Sales

4. See appendix for the biographies of the GSI team

# Team & Resources



Core activities

R&C

The team's core activities are:

### Voting

F&C operates a policy of considered voting across clients' global holdings. We believe that votes should be well-informed, taking into account market and company-specific knowledge, as well as internationally-accepted standards of good corporate governance practice. We take a pragmatic approach, giving due consideration to any explanation put forward by a company for a deviation from international good practice, and avoiding a 'box-ticking' mentality.

### Engagement

F&C uses its influence as a significant investor to promote the adoption of good environmental, social and governance practices where this can enhance returns to investors over the long-term. We aim to be persuasive and pragmatic in our engagement, so that we may achieve change that enhances the bottom line, rather than imposing prescriptive demands on companies. Our in-depth research on companies, issues and sectors forms an excellent starting point for engagement.

Voting and engagement are closely linked: engagement has more leverage if there is the option to exercise our vote to make our point, and conversely, voting has more impact if it is associated with detailed communication to explain our concerns.

### Research

We publish in-depth analysis on topical issues, sectors and companies, as well as an *Annual Responsible Investment Report*, general operational governance guidelines and regular e-bulletin updates. We also give presentations to clients, enabling them to meet with the GSI team to discuss the activities undertaken on their behalf.

2008/09 research notes include:

- Sustainable Mining: Oxymoron or New Reality
- Sustainability in the BRIC countries
- Factory Labour Standards in Emerging Markets
- Corporate Governance in Emerging Markets
- Banks & the Credit Crunch
- China after the Olympics
- Human Rights Issues for companies operating in Burma & Sudan
- Insurance and Climate Change: The ClimateWise Principles
- Pharma: A Sector in Search of a Strategy

### Reporting

In addition to our published research, we also provide clients with tailored reporting. These Confidential **reo**® reports are prepared quarterly, with detailed engagement information tailored to each client's holdings. Public **reo**® reports are also produced each quarter, giving an engagement overview. And finally, our voting clients receive detailed monthly **reo**® Voting Reports explaining all our votes against management, abstentions and any other significant actions. Both our **reo**® Voting and the quarterly Public **reo**® reports are available for clients to post on their websites, or can be used by clients for their own publications.

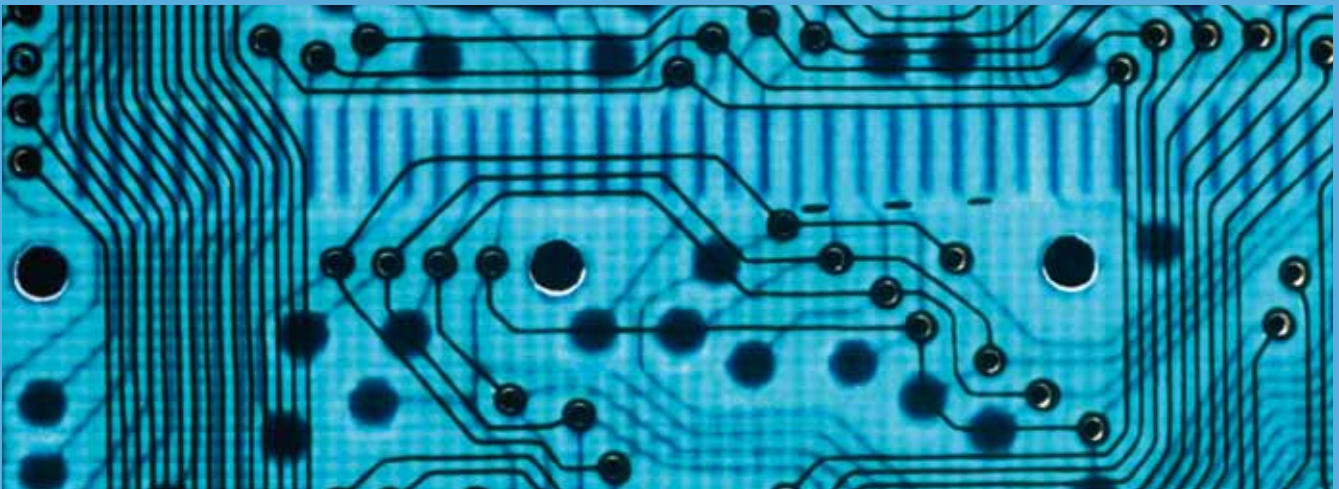


### Collaboration and public policy

Much of our work involves one-to-one engagement with companies, but sometimes it is more effective for many investors to join together, pooling their resources and co-ordinating their approach. For this reason, we actively participate in many collaborative investor networks across the world. We also collaborate with investee companies where we can to drive improvements in policy and practice, through working groups and joint initiatives on a wide range of ESG issues.

We see participation in the public policy process as a central part of being a responsible investor. Whilst a few forward-looking companies will voluntarily take a leadership position on issues such as climate change, corruption or labour standards, it is often only when the playing field is levelled through regulation that a step change can occur. As investors, we can communicate to governments and regulators what type of policies will improve ESG standards in a way that also enhances competitiveness and long-term value for investors.

## Team & Resources



F&C has an extensive network of contacts

# F&C

## F&C's memberships and networks

F&C is active in organisations and networks promoting sustainable investment and strong ESG standards. A united investor voice can help overcome resistance and achieve results with policy makers and companies.

### Investment industry bodies

- Association of British Insurers (ABI) Investment Committee
- Advisory Committee of London Stock Exchange Primary Markets Group
- UK Steering Committee of UN Global Compact
- European Social Investment Forum (EuroSIF)
- UK Social Investment Forum (UKSIF)
- National Association of Pension Funds (NAPF) (UK)
- Quoted Companies Alliance (QCA) (UK)
- Association of Investment Companies (AIC) (UK)
- FTSE4Good
- Member of UNEP Finance Initiative (UNEP FI)

### Multi-stakeholder initiatives & networks promoting sustainable business

- UN Principles for Responsible Investment (UN PRI)
- Corporate Leaders' Group on Climate Change (CLGCC)
- Extractives Industry Transparency Initiative (EITI)
- SEDEX (Supplier Ethical Data Exchange)
- Working Group for Principles on Freedom of Expression & Privacy

### Networks and associations promoting good corporate governance

- International Corporate Governance Network (ICGN)
- Corporate Governance Forum (UK)

- Global Investor Governance Network (GIGN)
- Asian Corporate Governance Association (ACGA)
- Deutsche Schutzvereinigung für Wertpapiere (DSW) (Germany)
- Council of Institutional Investors (US)
- International Roundtable on Executive Compensation (Global)
- Advisory Vote on Executive Pay Disclosure (US)
- Vereniging van Beleggers voor duurzame Ontwikkeling (VBDO) (Netherlands)

### Environmental and social networks promoting sustainable business

- Institutional Investor Group on Climate Change (IIGCC) (Europe)
- Investor Network on Climate Risk (INCR) (US)
- Carbon Disclosure Project (CDP) (Global)
- Interfaith Center on Corporate Responsibility (ICCR) (US)
- Coalition for Environmentally-Responsible Economies (CERES) (US)
- Social Investment Research Analysts Network (SIRAN) (US)
- Global Reporting Initiative (GRI)
- Pharma Futures (Global)
- Pharmaceutical Shareowners' Forum (Europe)
- WWF Forest Trade Network (Global)
- Human Rights Watch (Global)
- Revenue Watch Institute (Global)
- Ethical Trading Initiative (UK)
- Roundtable on Sustainable Biofuels (Global)
- ClimateWise (Global)
- Electronics Industry Citizenship Coalition (Global)
- Transparency International (Global).

# Responsible Investments



F&C's Governance & Sustainable Investment Solutions





## Winning gold with F&C

Delivering highly effective investment strategies is just one part of the service we provide. As principled asset managers, we are determined to lead our industry in all aspects of our business.

In 2006 – 2008, F&C were voted winners of the 'Gold Standard' in the Fund Management category. Only a few companies have been privileged enough to win a Gold Standard award, and as such, this is an exceptional achievement.

The Gold Standard Awards aim to identify financial services companies that excel not just in service but in five key areas important to consumers of financial products and services:

### Financial strength

Ability to meet and exceed customer expectations

### Capability

Outstanding expertise and aptitude as a fund manager

### Service

Ability to maintain and grow an effective post-sales relationship

### Fair value

Assessing whether customers receive great value for money

### Trust

Ability to instil confidence in consumers

As a result, the Gold Standards are one of the hardest, most sought after awards in the financial market place.



WINNER



## Products

F&C offers a wide range of investment opportunities for pension funds, charities, financial institutions, corporations and other organisations. We offer segregated and pooled portfolio management through a range of onshore and offshore vehicles. These cover developed and emerging markets in equity, bond, cash, property and alternative investment funds.

Please contact us for further details or visit our website at or visit our website at [www.fandc.com](http://www.fandc.com)

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### Important information. All data is as at 30 June 2009 unless otherwise stated.

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