



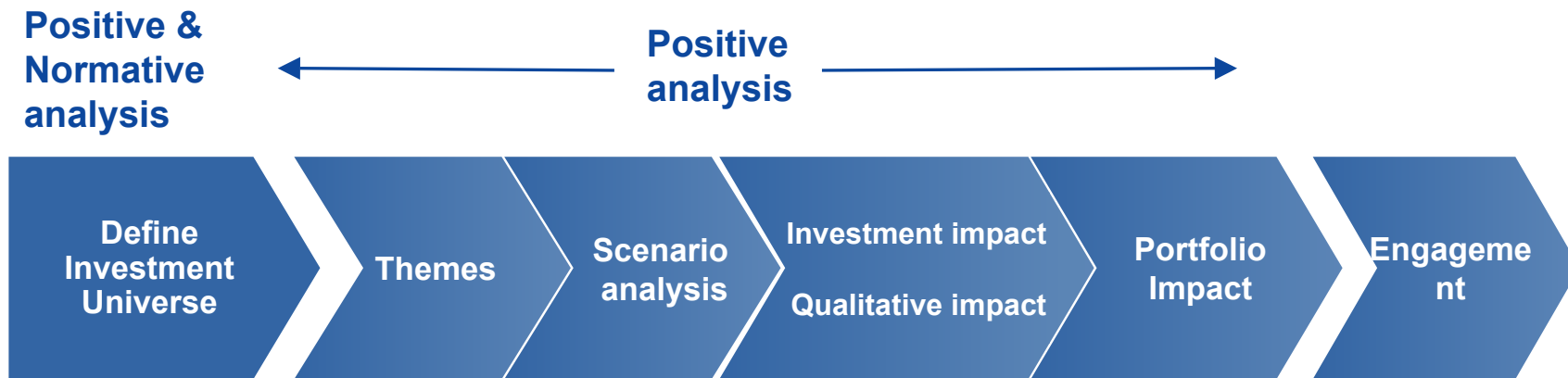
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SRI Engagement

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Our Research Process



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Non-consensus ideas

→ Valuation advantage

Investment impact

→ Engagement advantage

Positive analysis

→ Client advantage



Engagement Process

Research

Identify areas for engagement (risks/opportunities)



Investment rating

May invest/divest where SEE issue has a significant investment impact



Engagement

Dialogue with company management raises concerns



Voting

Vote against if company is inadequately managing risks

Engagement and research are interdependent

This document is intended for institutional or professional investors and experienced advisers only. Private investors and scheme members should seek professional advice before making an investment decision.

Engagement themes

Transparency

- Improving governance and disclosure
- Tackling corruption

Climate Change

- Legislative responses (emissions trading)
- Scenario planning

Human Rights

- Highlighting political risk (Burma)
- Managing employee issues

Health and Safety

- Product safety (e.g. asbestos, toxic chemicals)
- Occupational health and safety



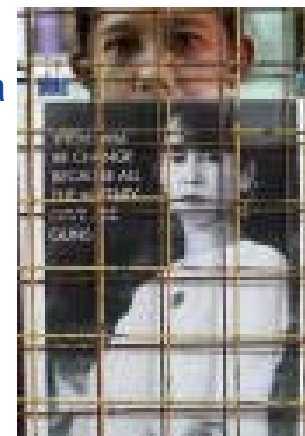
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Engagement theme: Human Rights

Case study - Burma

Investor statement raising concerns over business risks of operating in Burma

- Collective project - Group representing over £400Bn
- Highlighting potential risks - loss of shareholder confidence, negative press and publicity campaigns, safety risks and corruption issues
- Wrote to over 70 companies with operations in Burma.
- Ongoing meetings with a number of companies
- Various companies 'pull out' - BAT, Premier, Standard Chartered
- TotalFinaElf publishes detailed social impact assessment of pipeline area



Engagement Theme: Transparency

Good information is key to assessing a company's management quality and business strategy.

Corporate Governance

- Experienced and long standing Corporate Governance team
- Corporate Governance voting policy aligned with Combined Code
- Vote at all UK company AGMs
- Corporate Governance is incorporated into the sustainability rating
- Research linking corporate governance and equity prices

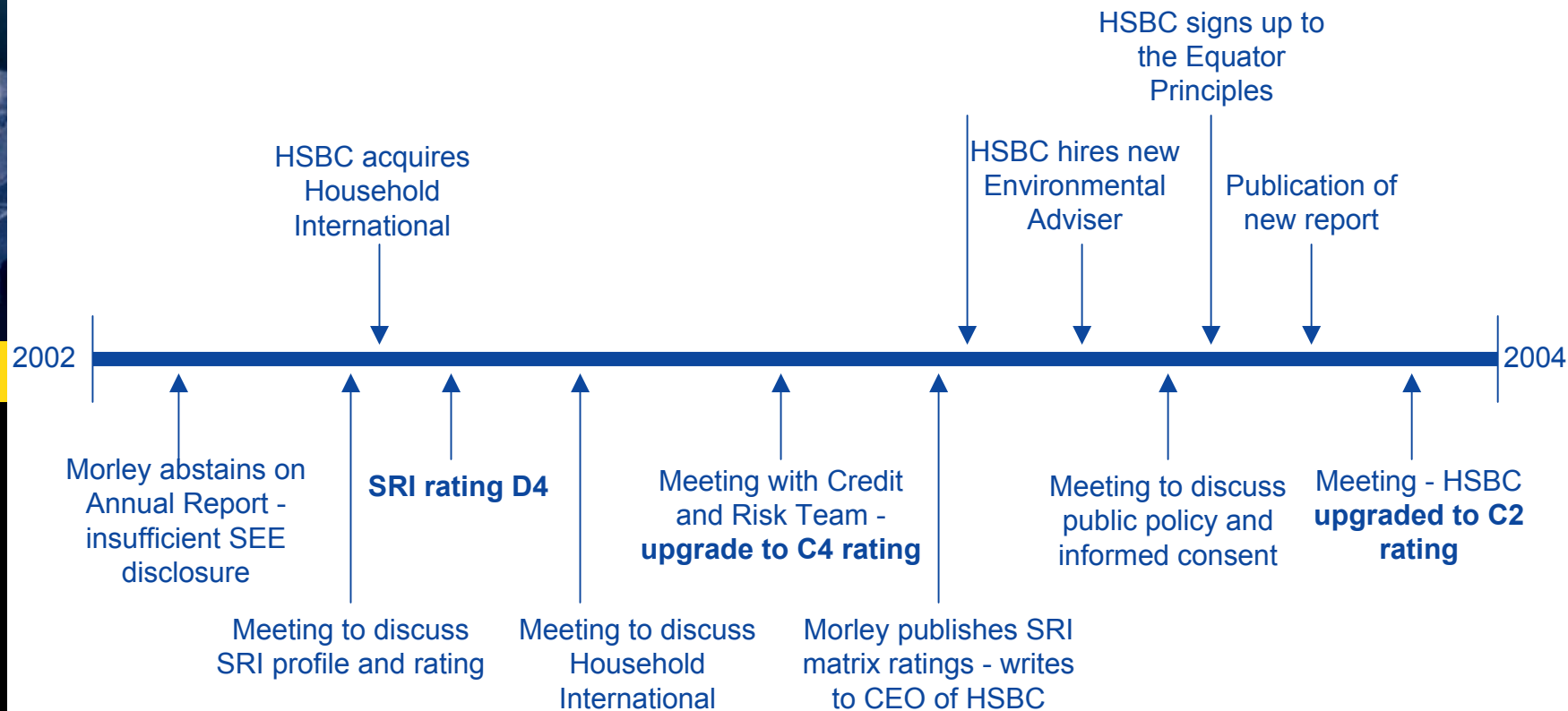


Social, Environmental and Ethical disclosure

- Policy on environmental reporting since 2000
- Extending to Corporate Responsibility reporting in 2005

Evolution of engagement

Case study: HSBC



Engagement is a two way relationship

SRI Engagement - Summary

- **Integrated into the research process**
- **Prioritised by financial impact**
- **Based on a two-way relationship with companies**

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Thank you

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