

Delivering on the UN Principles for Responsible Investment (UN PRI)

F&C's *reo*[®] service



Launched in 2006, the UN Principles for Responsible Investment (UN PRI) are a set of voluntary best-practice standards that asset owners and asset managers pledge to uphold in order to incorporate environmental, social and governance (ESG) issues into their investment processes. F&C was a founder signatory to the UN PRI.

Responsible investment is core to F&C's business. It is championed by both our Chairman and Chief Executive, led by our Head of Investments and implemented by our dedicated Governance & Sustainable Investment (GSI) team. We have nearly a quarter century's experience and a track record of strong performance in providing responsible investment strategies for our clients. We strongly believe that the prudent management of environmental, social and governance (ESG) issues is key to creating shareholder value.

How can F&C help you deliver on your PRI commitment?

1. Incorporating ESG into investment analysis and decision-making processes

- With over 200 professionals dedicated to active investment management on behalf of institutional, insurance and retail clients, F&C combines 140 years of fund management experience with unrivalled expertise in assessing ESG risk factors
- F&C's *Responsible Ownership* policy and detailed, country-specific guidelines help our clients articulate clearly to portfolio companies their expectations of sustainable corporate behaviour, enhancing share price performance over the long term
- F&C's 15-strong GSI team is exclusively dedicated to analysing the ESG issues that drive shareholder value and bring unrivalled expertise to the analytical process
- Through close collaboration with F&C's equity and fixed-income teams, the GSI team provides clients with a credible and value-driven approach to responsible investment

2. Being active owners and incorporating ESG issues into ownership policies and practices

- F&C's award-winning engagement services¹ and ESG-themed funds offer clients comprehensive solutions to active ownership
- F&C's flagship Responsible Engagement Overlay (*reo*[®]) service enables clients to leverage their influence as asset owners and enhance shareholder value through constructive dialogue with companies on relevant ESG issues
- Through *reo*[®], clients can access F&C's global, in-house proxy voting service, drawing on F&C's proprietary corporate governance guidelines
- On average, F&C engages over 4,000 companies for its clients on ESG issues ranging from board structure and anti-corruption to climate change and human rights
- F&C's track record of success in achieving positive change in corporate behaviour enables clients to fulfil their active ownership goals

¹ Engagement services can be applied to a portfolio even if it is not managed by F&C.

How can F&C help you deliver on your PRI commitment? (continued)

3. Seeking appropriate disclosure on ESG issues by portfolio companies

- Clients can draw on F&C's proven track record of improving ESG disclosure at global companies, through engagement, voting and the support of relevant shareholder resolutions
- F&C's "13-steps to best practice ESG reporting" are aligned with internationally-recognised standards and effective in communicating asset owner expectations to companies.
- F&C recognises the need to engage public policy makers as well as companies. This involves submissions to regulators, legislators, trade associations and other influential bodies worldwide. Topics include:
 - Accounting policy
 - Shareholder rights
 - Narrative reporting
 - Disclosure
 - Legal enforcement
 - Financial due diligence standards

4. Promoting acceptance and implementation of the Principles within the investment industry

- F&C's public policy engagement allows clients to communicate with governments and regulators about the type of policies that will improve ESG standards, while enhancing long-term shareholder value and competitiveness
- This engagement involves open submissions to regulators, legislators, trade associations and other influential bodies worldwide. Topics include accounting policy, shareholder rights, narrative reporting, disclosure, legal enforcement and financial due diligence standards
- F&C represents clients in leadership roles at global investment industry bodies, including:
 - **Association of British Insurers (ABI) Investment Committee; ABI Remuneration & Share Schemes Panel; Advisory Committee of London Stock Exchange Primary Markets Group; NYSE-Euronext International Advisory Board; Steering Committee of UN Global Compact; US and European (Eurosif) Social Investment Forum Advisory Committees; Board member of UK Social Investment Forum (UKSIF); VBDO (Dutch sustainable investment association); UK Quoted Companies Alliance (QCA) Committee; Board member of the Association of Investment Companies (AIC); Chair of UK Investment Management Association (IMA); National Association of Pension Funds (NAPF); Member of UNEP FI**

F&C ESG Engagement Programmes:

Environmental Management

- Environmental standards
- Supply chain environmental standards
- Pollution control
- Waste and recycling
- Product opportunities

Ecosystem Services

- Biodiversity management
- Water
- Access to land

Climate Change

- Emissions management and reporting
- Climate change strategy
- Biofuels

Human Rights

- Security
- Privacy and free expression
- Community relations
- Weak governance zones

Labour Standards

- Health and safety
- ILO core conventions

- Diversity
- Supply chain labour standards

Public Health

- Nutrition
- Tobacco
- Access to medicines
- Product safety
- HIV/Aids

Corporate Governance

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

Sustainability Management and Reporting

- Disclosure and reporting
- Governance of sustainability issues
- UNGC compliance
- Stakeholder engagement

Business Ethics

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

5. Working together to enhance our effectiveness in implementing the Principles

- F&C represents clients in collaboration with not only like-minded investors, but also companies and other stakeholders to promote good governance and responsible investment
- Global joint investor networks and initiatives include: **International Corporate Governance Network (ICGN); UK Corporate Governance Forum; Global Investor Governance Network (GIGN); Asian Corporate Governance Association (ACGA); Deutsche Schutzvereinigung für Wertpapiere (DSW); Eumedion Investment Committee; Steering Committee of Institutional Investors' Group on Climate Change (IIGCC); Pharmaceutical Shareowners' Forum (PSF); Steering Committee of Social Investment Research Analysis Network (SIRAN); Council of Institutional Investors; International Roundtable on Executive Compensation; Interfaith Center on Corporate Responsibility (ICCR); Coalition for Environmentally-Responsible Economies (CERES); Institutional Investor Network on Climate Risk; Global Warming Shareholders Campaign and WWF Forest Trade Network**
- Global multi-stakeholder initiatives and networks include: **Corporate Leaders Group on Climate Change (CLGCC) – at UK and EU levels; Extractives Industries Transparency Initiative (EITI) – Member of Board; Advisory Board of SEDEX (Supplier Ethical Data Exchange); Working Group for Principles on Freedom of Expression & Privacy; Pharma Futures; Change to Win Coalition; Global Reporting Initiative (GRI) – Working Group; Insurance Working Group**
- F&C leads and participates in a variety of collaborative initiatives through the UN PRI Engagement Clearinghouse

6. Reporting on activities and progress towards implementing the Principles

- F&C provides its clients with comprehensive and detailed reporting on the responsible investment activities conducted on their behalf. These reports are designed to enable clients to meet their disclosure obligations, and are available for posting on websites and circulation to other interested parties. The reports include:
 - *Annual Responsible Investment Report* on global ESG engagement, voting and public policy activities
 - Quarterly engagement reports on ESG engagement tailored to client portfolios
 - Monthly tailored proxy voting reports with analysis of all votes
 - Regular e-mail bulletins on high-profile ESG issues
 - In-depth, original research reports, guidance documents and analysis on key ESG issues, including: Climate Change; Ecosystem Services; Environmental Management; Labour Standards; Human Rights; Public Health; Corporate Governance; Business Ethics; and Sustainability Management & Reporting

Background information

What are the UN Principles for Responsible Investment (UN PRI)?

The UN PRI are a set of voluntary principles

- Guiding the institutional investment community on how to incorporate environmental, social and governance (ESG) issues into investment decision-making and ownership processes
- Developed by the United Nations Secretary-General and coordinated by the UN Environment Programme Finance Initiative and the UN Global Compact

- Launched in April 2006 and signed by international asset owners and investment managers representing more than \$14 trillion², including F&C

What do signatories commit to?

“As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social and governance issues (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society.”
(www.unpri.org)

² As at 30.06.08

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 both 2006 and 2007, 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.



About F&C Investments

F&C was the first company to launch the concept of collective investments in 1868, and since then, our sole activity has been asset management. The experience we have and the expertise we offer means we are an investment company you can trust. With over £96.5 billion of assets and more than three million customers, we're focused on leading the investment industry forward.

We are in an exceptional position to help grow your investments. As a multi-specialist boutique, our talented professionals work in accountable, tightly-knit teams which are supported by first class research, infrastructure and distribution capabilities. Our entrepreneurial culture combined with our rigorous and disciplined approach means we are an ideal choice to manage your investment portfolio.

Our expertise also encompasses a wealth of assets, strategies and regions. From traditional equity, fixed interest and property asset classes to alternative investments such as single strategy hedge funds and fund of hedge funds, we offer tailored, expertly managed investment exposure.

Highlights include:

- European High Alpha Equities
- Asian High Alpha Equities
- Global Equities
- UK High Alpha Equities
- Emerging Market Equities
- Governance and Sustainable Investment (GSI)
- Liability Driven Investments (LDI)
- Private Equity Funds
- Emerging Market Debt
- Corporate Bonds
- Hedge Funds
- Global Tactical Asset Allocation (GTAA)

If you would like further information on our highly competitive range of investment strategies, simply contact the relevant F&C office below.

Contact us

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