



# RI TRANSPARENCY REPORT

2013/14

Standard Life Investments



UNEP Finance Initiative  
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
⌛	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

## PRI disclaimer

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# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	-	n/a	✓						
OA 14	Allocation of assets to environmental and social themed areas	-	n/a	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	-	n/a	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	⚠	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	⚠	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	✓	Public		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Public	✓						
FI 06	Types of screening applied	✓	Public	✓						
FI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
FI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
FI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
FI 10	Description of ESG integration	✓	Public	✓						
FI 11	Review of ESG issues while researching companies/sectors	✓	Public	✓						
FI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	🔒	n/a	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	-	n/a	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	✓	Public		✓					
FI 20	Engagement with government issuers	🔒	n/a		✓					

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Public							✓
PR 02	Breakdown of assets by management	✓	Public							✓
PR 03	Largest property types	✓	Public							✓
PR 04	Description of approach to RI	✓	Public	✓					✓	
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 06	Fund placement documents and RI	✓	Public	✓			✓		✓	
PR 07	Formal commitments to RI	✓	Public				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PR 12	ESG issues impact in selection process	✓	Public	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	✓	Public		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Public		✓					
PR 20	Proportion of assets engaged with on community issues	✓	Public		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	

# Standard Life Investments

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

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## Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the services you offer.

☒ Fund management

% of assets under management (AUM) in ranges

☐ <10%

☐ 10-50%

☒ >50%

☐ Fund of funds, manager of managers, sub-advised products

☐ Other, specify

☐ Execution and advisory only services

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

United Kingdom

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

☐ 1

☐ 2-5

☐ 6-10

☒ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

1000

OO 03	Mandatory	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

☐ Yes

☒ No

OO 04	Mandatory	Gateway/Peering	General
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**OO 04.1** | Indicate the year end date for your reporting year.

31/12/2013

**OO 04.2** | Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		179	600	000	000
Currency	GBP				
Assets in USD		279	726	666	941

**OO 04.3** | Indicate the level of detail you would like to provide about your asset class mix.

- ☒ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- ☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06	Mandatory	Descriptive	General
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**OO 06.1** | To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ☐ Publish our asset class mix as percentage breakdown
- ☒ Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	0
Fixed income – corporate	10-50%	0
Fixed income – government	0	0
Fixed income – other	0	0
Private debt	0	0
Private equity	<10%	0
Property	<10%	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0

Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	10-50%	0
Other (1), specify	<10%	0
Other (2), specify	0	0

	'Other (1)' specified
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Other

☐ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 08.1	Indicate the breakdown of your organisation's AUM by market.
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Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09	Voluntary	Descriptive	General
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**OO 09.1**

Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

Our experience in operating across many different investment cycles and markets provides us with the context to manage change. Throughout these cycles, we have the people, philosophy and proficiency of process to plot what we believe is the right course for our clients' assets.

#### Shared investment knowledge

We believe in a collaborative approach to business, where knowledge and expertise are shared openly. When we work together, we work more effectively and powerfully for our clients' benefit.

Our team-based approach encourages us to share ideas across asset classes, business areas and worldwide locations. We do this on a daily basis through intensive cross-team communication and webcasts with our global offices.

#### Consistently forward thinking

We use our insight, intellect and Focus on Change philosophy to spot investment opportunities ahead of the competition. We anticipate triggers for markets or share prices to move. When these come to fruition, prices move to reward our clients.

#### Analytical rigour

We are committed to meticulous research and strong relationships with company management to obtain superior information on those stocks in which we invest. Thorough analysis and incisive action is at the heart of our investment process, which aims to deliver positive outcomes for all our clients.

### Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
<b>OO 10.1</b>	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.		
	<input checked="" type="checkbox"/> We incorporate ESG issues into investment decisions on our internally managed assets <input checked="" type="checkbox"/> We engage with companies on ESG issues via our staff, collaborations or service providers <input checked="" type="checkbox"/> We cast our (proxy) votes directly or via service providers <input type="checkbox"/> None of the above		
OO 11	Mandatory	Gateway	General

**OO 11.1**

Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- ☒ Fixed income – corporate
- ☐ Private equity
- ☒ Property
- ☐ Cash
- ☐ Other (1)
- ☐ None of the above

'Other (1)' [as defined in OO 05]

Other

**OO 12****Mandatory****Gateway****General****OO 12.1**

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

**Core modules**

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

**RI implementation directly or via service providers**

Direct - Listed Equity incorporation

- ☒ Listed Equity incorporation

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

Direct - Fixed Income

- ☒ Fixed Income - Corporate

Direct - Other asset classes with dedicated modules

- ☒ Property

**Closing module**

- ☒ Closing module

**Note:** Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

# Standard Life Investments

## Reported Information

### Public version

### Overarching Approach

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
OA 01.1	Indicate if you have a responsible investment policy.		
	<input checked="" type="radio"/> Yes <input type="radio"/> No		
OA 01.2	Indicate if you have other guidance documents or more specific policies related to responsible investment.		
	<input checked="" type="radio"/> Yes <input type="radio"/> No		
OA 01.3	Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]		

As a leading global investment house, we take our responsibility as an investor seriously.

We believe that companies with robust social and environmental practices will enjoy long term financial benefits and seek to encourage such practices, with a view to protecting and enhancing investments held on behalf of our clients. This approach is applied across our investment process and to mandates which have tailored SRI or ethical criteria.

The responsible investment team has three areas of focus: integration of environmental and social risks and opportunities into our investments, our sustainable and responsible investment (SRI) products and services and our ethical funds.

We consider company policies and practices on environmental and social matters as an integral part of the investment process. Where possible, we use our influence to encourage best practice standards in the management of these issues at the companies we invest in, with a view to protecting and enhancing the value of our clients' investments. Through this process of constructive engagement, we're able to contribute to the development of principles and standards of corporate responsibility.

Above all, we're committed to maintaining an open, productive dialogue when it comes to our RI principles. We want to ensure that we communicate clearly with our customers, and the companies we invest in.

Our Governance and Stewardship team ensure that companies' operational processes and policies are robust and responsible. Good governance ensures that a company has clear direction, plans, structure and resources, all of which are necessary for financial success. The onus is on the companies to adopt an accountable, transparent approach, demonstrating principles of integrity in their business practice.

OA 02	Mandatory	Core Assessed	PRI 6
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**OA 02.1**

Indicate if your responsible investment policy is publicly available.

☒ Yes**OA 02.2**

Provide a URL to your responsible investment policy.

URL

[http://www.standardlifeinvestments.com/CG\\_SRI\\_Principles\\_and\\_Policies/getLatest.pdf](http://www.standardlifeinvestments.com/CG_SRI_Principles_and_Policies/getLatest.pdf)☐ No**OA 02.3**

Indicate if your other policies or guidance documents related to responsible investment are publicly available.

☒ Yes☒ Yes, all☐ Yes, some**OA 02.4**

List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
2013 Responsible Investment Annual Report	<a href="http://www.standardlifeinvestments.com/RI_Annual_Review/getLatest.pdf">http://www.standardlifeinvestments.com/RI_Annual_Review/getLatest.pdf</a>
Governance & Stewardship Principles & Policy Guidelines	<a href="http://www.standardlifeinvestments.com/CG_Corporate_Governance_Booklet/getLatest.pdf">http://www.standardlifeinvestments.com/CG_Corporate_Governance_Booklet/getLatest.pdf</a>
Governance & Stewardship 2013 Annual Review	<a href="http://www.standardlifeinvestments.com/exported/pdf/Governance_Stewardship_Review/Governance_Stewardship_Review_13.pdf">http://www.standardlifeinvestments.com/exported/pdf/Governance_Stewardship_Review/Governance_Stewardship_Review_13.pdf</a>

☐ No

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.
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Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2	Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]
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The responsible investment team has three areas of focus: integration of environmental and social risks and opportunities into our investments, our sustainable and responsible investment (SRI) products and services and our ethical funds.

The integration of environmental and social risks and opportunities into our investing process covers all our asset under management through our engagement policy and our ESG research which is made available to all investing professionals at Standard Life Investments.

Our screening and exclusions policies however apply only to our SRI and ethical funds, which accounted for circa £1.6 bn asset under management at the end of 2013.

Although we look closely at country risk and macro trends, we currently do not have an ESG rating methodology for countries.

OA 04	Mandatory	Core Assessed	General
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OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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☒ Yes

**OA 04.2**

Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

From time to time Standard Life Investments may encounter conflicts of interest in respect of fulfilling its stewardship responsibilities. In all such situations it is our policy to manage such conflicts in a manner that does not compromise or prejudice the primacy of our clients' best interests.

Our approach to conflicts of interest is reinforced by our Governance and Stewardship team having a reporting line which is independent of both our equity fund management and global client servicing teams. This serves to maintain the integrity of decision making in respect of stewardship related matters. In addition, this arrangement enables us to manage price sensitive information in a compliant way that is consistent with our clients' best interests.

One specific conflict relates to investment in the shares of our parent company Standard Life plc. In order to manage this conflict Standard Life Investments does not, as a matter of policy, invest actively managed portfolios in shares in Standard Life plc. We manage a very small number of shares in Standard Life plc in our index tracking funds but, in such cases, it is generally our policy not to vote those shares.

As required by the Financial Conduct Authority, Standard Life Investments has in place a documented process for the management of conflicts of interest. This process is designed to ensure that conflicts between the interests of the Company and its clients or between clients of different types are managed appropriately. Our process for the management of conflicts includes the definition of a Conflicts of Interest Policy and the maintenance of a Conflicts of Interest register. The policy and register are generally reviewed annually by our Board. The Conflicts of Interest policy is made available to our clients, on request.

☐ No

## Objectives and strategies

**OA 05**

**Mandatory**

**Gateway/Core Assessed**

**General**

**OA 05.1**

Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes

**OA 05.2**

Indicate how frequently your organisation sets or revises objectives for responsible investment.

☒ At least once per year

☐ Less than once per year

**OA 05.3**

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☒ Quarterly  
☐ Biannually  
☐ Annually  
☐ Every two years or less  
☐ It is not reviewed  
☐ No

**OA 05.4**

Additional information. [Optional]

The Responsible Investment team previously published a review of its activities bi-annually and has decided from 2014 on, to publish this report quarterly.

Our Q1 2014 report will be available on Standard Life Investments' website in April 2014. You will find it in *Our Documents* section:  
[http://www.standardlifeinvestments.com/sustainable\\_and\\_responsible\\_investing/documents.html](http://www.standardlifeinvestments.com/sustainable_and_responsible_investing/documents.html)

OA 06	Voluntary	Descriptive	General
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**OA 06.1**

List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

- ☐ Add responsible investment objective 1  
☐ Add responsible investment objective 2  
☐ Add responsible investment objective 3

**OA 06.2**

List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.

- ☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Ongoing integration across the investment process
Key performance indicators	Measure usage of shared platforms and knowledge exchange Number of internal collaborative company engagements Assessment of ESG influence on investment decisions

- ☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Improve external disclosure
Key performance indicators	Number of PRI indicators made publicly available External publication of quarterly and annual reviews External publication of commentary and thought pieces

☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Understanding client expectations
Key performance indicators	Number of client engagements Assess and monitor RFP's Produce annual client survey for ethical funds

## Governance and human resources

OA 07	Voluntary	Descriptive	General
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**OA 07.1** Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

Both the Responsible Investment team and Governance and Stewardship team report to SLI's Chief Investment Officer

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08	Mandatory	Gateway/Core Assessed	General
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**OA 08.1** Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

## Roles present in your organisation

- ☒ Board members or trustees
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other Chief-level staff or head of department, specify
- ☒ Portfolio managers
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ External managers or service providers
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other role, specify
- ☐ Other role, specify

**OA 08.2**

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number

12

**OA 08.3**

Additional information. [Optional]

SLI's Responsible Investment Team comprises of four investment professionals who are responsible for research and analysis on environmental and social issues. SLI's Governance & Stewardship Team is composed of eight investment professionals who are responsible for voting and engaging with companies on corporate governance issues.

**OA 09****Voluntary****Additional Assessed****General****OA 09.1**

Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

**Board members/Board of trustees**

- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

**Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee**

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

**Portfolio managers**

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

**Investment analysts**

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

**Dedicated responsible investment staff**

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

**OA 09.3**

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

Our Head of Investment Governance has oversight of our responsible investment (RI) function. The Head of Investment Governance's performance management and reward include: RI goals in objectives, RI in appraisal process and variable pay linked to RI performance.

Our chief investment officer has overall oversight of Responsible Investment and Corporate Governance which is intern linked to overall performance

## Promoting responsible investment

**OA 10**

**Mandatory**

**Core Assessed**

**PRI 4,5**

**OA 10.1**

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

☒ Yes

**OA 10.2**

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

**Select all that apply**

- ☒ Asian Corporate Governance Association

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced



Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Standard Life Investments actively took part in the ACGA delegations to promote Corporate Governance across Asian markets. These have included, Hong Kong, Japan, Korea and India.

- ☐ Association for Sustainable & Responsible Investment in Asia
- ☐ Australian Council of Superannuation Investors
- ☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☐ CDP Forests
- ☒ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☒ CFA Institute Centre for Financial Market Integrity

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☒ Council of Institutional Investors (CII)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☐ Eumedion
- ☒ Extractive Industries Transparency Initiative (EITI)

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

☒ Global Investors Governance Network (GIGN)

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

Standard Life Investments is a regular and active participant in the GIGN calls and has taken part in a number of other initiatives, including some which it has led.

- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☒ International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

Standard Life Investments has been a member of the ICGN since its inception and actively supports many of its initiatives

- ☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☐ Basic  
☐ Moderate  
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

Standard Life Investment is active in various PRI collaborative projects, including Engagement initiatives on Anti-corruption and on Employee Relations.

Standard Life investments has:

Provided formal consultation on the governance of the PRI

Promoted the PRI at public events

Promoted the PRI in the media

Remain a steering group member of the employee relations working group

☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

UKSIF, Eurosif

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☐ Basic  
☐ Moderate  
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

Standard Life Investment has been a regular and active participant in UKSIF and Eurosif events

Standard Life Investments Head of Responsible Investment is a board member of UKSIF and its markets committee.

☐ Shareholder Association for Research and Education (Share)  
☒ United Nations Environmental Program Finance Initiative (UNEP FI)

	Your organisation's role in the initiative during the reporting period (see definitions)
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- ☒ Basic  
☐ Moderate  
☐ Advanced

☒ United Nations Global Compact

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☒ Basic  
☐ Moderate  
☐ Advanced

☒ Other collaborative organisation/initiative, specify

Association of British Insurers

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☐ Basic  
☒ Moderate  
☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

SLI is an active member of the ABI Investment Committee and uses its connections at the ABI to actively promote governance and collective engagement activities

- ☐ Other collaborative organisation/initiative, specify  
☐ Other collaborative organisation/initiative, specify  
☐ Other collaborative organisation/initiative, specify

☐ No

OA 11	Mandatory	Core Assessed	PRI 4
-------	-----------	---------------	-------

OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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☒ Yes

**OA 11.2**

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- ☒ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- ☒ Provided financial support for academic or industry research on responsible investment
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- ☒ Spoke publicly at events and conferences to promote responsible investment
- ☒ Wrote and published in-house research papers on responsible investment
- ☒ Encouraged the adoption of the PRI
- ☐ Other, specify

☐ No

**OA 11.3**

Additional information. [Optional]

Standard Life Investments is part of the University of Cambridge Investment Leadership Group. It consists of leading asset managers and owners who have joined forces with the University of Cambridge in a three-year project designed to promote understanding of how investors can realise positive environmental and social outcomes alongside robust, long-term investment returns.

Standard Life Investments also participates in various UNPRI collaborative projects, including the Coordinated Engagement on Anti-Corruption and on Employee Relations.

**OA 12**

Voluntary

Additional Assessed

PRI  
4,5,6

**OA 12.1**

Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.

☒ Yes

- ☒ Yes, individually
- ☒ Yes, in collaboration with others

**OA 12.2**

Select the methods you have used.

- ☒ Endorsed written submissions to governments, regulators or standard-setters developed by others
- ☒ Drafted your own written submissions to governments, regulators or standard-setters
- ☒ Participated in face-to-face meetings with government members or officials to discuss policy
- ☐ Other, specify

<b>OA 12.3</b>	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
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☒ Yes, publicly available

	provide URL
--	-------------

[http://www.standardlifeinvestments.com/CG\\_Letter\\_METI/getLatest.pdf](http://www.standardlifeinvestments.com/CG_Letter_METI/getLatest.pdf)

	provide URL
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[http://www.standardlifeinvestments.com/CG\\_Regierungskommission\\_Letter/getLatest.pdf](http://www.standardlifeinvestments.com/CG_Regierungskommission_Letter/getLatest.pdf)

	provide URL
--	-------------

[http://www.standardlifeinvestments.com/CG\\_IIRC\\_Consultation/getLatest.pdf](http://www.standardlifeinvestments.com/CG_IIRC_Consultation/getLatest.pdf)

☐ No

☐ No

<b>OA 12.4</b>	Additional information.
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All Standard Life Investments' Letters and Statements can be found at:

[http://www.standardlifeinvestments.com/governance\\_and\\_stewardship/documents/index.html](http://www.standardlifeinvestments.com/governance_and_stewardship/documents/index.html)

## Innovation

OA 18	Voluntary	Descriptive	General
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**OA 18.1**

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

**Common financial/extra-financial research platform:** In order to foster the integration of ESG considerations in the investment decision-making process, the Responsible Investment Team's research is made available to all investment professionals at Standard Life Investments through several internal platforms.

**Responsible Investment Leadership:** Standard Life Investments joined a group of leading asset managers and owners in a three-year project designed to promote understanding of how investors can realise positive environmental and social outcomes alongside robust, long-term investment returns. The Investment Leaders Group (ILG) currently comprises 12 members and will work together to help move the investment chain towards sustainable, long-term value creation, and explore the degree to which economic, social and environmental benefits can be produced as outcomes of the investment process. The secretariat is provided by the University of Cambridge Programme for Sustainability Leadership (CPSL).

**Ethical Funds:** It's now almost a decade since Standard Life Investments launched its first ethical OEIC fund. In order to ensure we continuously apply the highest ethical investment standards and meet our clients' expectations, Standard Life Investments has created an Ethical Funds Advisory Group and was the first investment house to conduct an annual survey of ethical investor sentiment.

Three individual investors in our ethical funds plus a number of senior Standard Life employees, including the fund managers, sit on our Ethical Funds Advisory Group. Chaired by Standard Life's Group Operations Director, the Group's role is to oversee our ethical funds. It meets every six months to ensure our policies and procedures are applied correctly, and accurately reflect the views of those invested in these funds.

Standard Life Investments has undertaken an annual survey of ethical investor sentiment for over a decade. Asking for the opinions of our investors in this way allows us to make sure the issues that matter to them remain at the forefront of our ethical investment strategies.

## Assurance of responses

OA 19	Voluntary	Additional Assessed	General
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**OA 19.1**

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

☒ Yes

**OA 19.2**

Indicate who has reviewed, validated and/or assured your reported information.

- ☐ Reviewed by Board, CEO, CIO or Investment Committee
- ☒ Validated by internal audit or compliance function
- ☐ Assured by an external independent provider, specify name

**OA 19.3**

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

All the information provided has been reviewed by Standard Life Investments compliance function

☐ No



# Standard Life Investments

## Reported Information

### Public version

#### Direct - Listed Equity Incorporation

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	PRI 1
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LEI 01.1	Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.
----------	---

### Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active – fundamental and other active strategies

	% of internally managed listed equities
--	---

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

LEI 02	Voluntary	Descriptive	PRI 1
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**LEI 02.1**

Provide a brief overview of how you incorporate ESG issues in listed equity investments.

As an active long term investors, we are looking for companies who generate sustainable growth and as such will outperform throughout the cycle. At Standard Life Investments, we consider how ESG factors' impact the company growth and long-term profitability. We believe that companies must demonstrate satisfactory management of their impact and dependencies on environmental and social stakeholders to maintain competitive advantage and profit margins in the long run.

Our approach to Responsible Investment seeks to add value to our investment process in three ways:

- We analyse ESG issues that have the potential to have an impact upon financial performance
- We believe that the management of sustainability issues is a proxy for general good management which will contribute to company success. In this regard we seek to identify companies at the forefront of their industries (leaders) and those that are behind the market (laggards)
- We have a systematic programme of engagement with companies to encourage greater transparency and accountability and compliance with UK and international codes of best practice on ESG issues

This integrated analysis is incorporated into investment decisions through on-going communication with portfolio managers and shared research platforms.

At Standard Life Investments, we believe that our approach of integrating responsible investment into the investment process is the preferred option of our institutional clients. We also have the ability to manage screened funds, and can add negative screening for clients who choose it. For example, in addition to ESG integration, our ethical funds apply an ethical screen that excludes certain products, sectors and poor ESG performers and that highlights the stocks that should be preferred because of sound employment practices, strong community engagement or their positive contribution to the environment. These screens are set up in collaboration with our clients to meet their specific requirements.

## ESG incorporation in actively managed listed equities

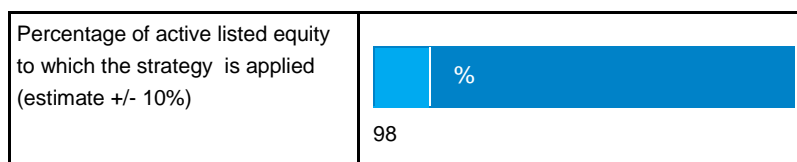
### Implementation processes

**LEI 03****Mandatory****Gateway/Core Assessed****PRI 1****LEI 03.1**

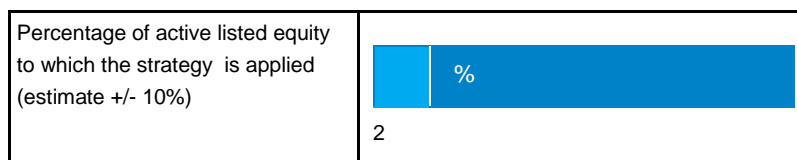
Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

#### ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☒ Integration alone (i.e. not combined with any other strategies)



☒ Screening + Integration strategies



- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed listed equities
--

100%

LEI 03.2	Describe your primary reasons for choosing a particular ESG incorporation strategy.
----------	---

Responsible investment strategies are integrated into all our equity investments.

As an active long term investors, we are looking for companies who generate sustainable growth and as such will outperform throughout the cycle. We believe that companies must demonstrate satisfactory management of their impacts and dependencies on environmental and social stakeholders to maintain competitive advantage and profit margins in the long run.

The management of sustainability issues can be a proxy for general good management which will contribute to company sustainable growth. Where possible, we use our influence to encourage best practice standards in the management of these issues at the companies in which we invest, with a view to protecting and enhancing the value of our clients' investments. In this regard, we seek to identify investment risks and opportunities from the information advantage of considering ESG issues.

**LEI 03.3**

If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]

Most of our SRI products are corporate bonds funds. However our responsible investment offering includes ethical funds which are in part or totally composed of equity. Our ethical funds are subject to a sophisticated screen excluding specific activities (weapons, nuclear, tobacco, etc), specific practices (animal testing, genetic manipulation, etc), and companies having poor environmental and social performance. We use both this screen and our integrated research to engage with companies.

**LEI 04****Voluntary****Additional Assessed****PRI 1****LEI 04.1**

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

#### Type of ESG information

☒ Raw ESG company data

#### Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager

☒ Company-related analysis or ratings

#### Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager

☒ Sector-related analysis or ratings

#### Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager

☒ Country-related analysis or ratings

#### Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Screened stock list

**Indicate who provides this information**

- ☒ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☒ Issue-specific analysis or ratings

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☐ Other, specify

**LEI 04.2**

Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.

In order to conduct internal research, the Responsible Investment team uses a variety of sources of information, both internal (discussion with investment analysts, portfolio managers) and external (brokers, industry groups, NGOs).

Internal research is supplemented by the use of the third party ESG research providers which provide screen-out tools for our SRI and Ethical Funds.

The Responsible Investment team also has access to a number of data sources and internal platforms to get financial and extra-financial data and to share its research internally.

**LEI 04.3**

Indicate if you incentivise brokers to provide ESG research.

☒ Yes

LEI 04.4	Describe how you incentivise brokers.
----------	---------------------------------------

Our mainstream investment professionals are the primary responsible for our relations with brokers. However, as part of our holistic and integrated approach to responsible investment, our feedback are taken into account in the broker review.

☐ No

LEI 05	Voluntary	Additional Assessed	PRI 1
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LEI 05.1	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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☒ Engagement

- ☒ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☐ We do not make this information available.

☒ (Proxy) voting

- ☒ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☐ We do not make this information available.

LEI 05.2	Additional information. [Optional]
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Notes and assessment following ESG or voting-related engagement with companies are made available on internal platforms shared by all investment professionals at Standard Life Investments.

## (A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1
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LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.
----------	--

### Type of screening

☒ Negative/exclusionary screening

### Screened by

- ☒ Product
- ☒ Activity
- ☒ Sector
- ☒ Country/geographic region
- ☒ Environmental and social practices and performance
- ☐ Corporate governance

	Description
--	-------------

Standard Life Investments manages several segregated and pooled funds which apply negative ethical or SRI screens. It may include depending on the client product-based exclusion (breast milk substitute, pesticides, etc), activity and sector exclusions (tobacco, weapons manufacturing, etc), activities in countries subject to UN sanctions, or companies that have not demonstrated adequate ESG risk management.

- ☒ Positive/best-in-class screening

**Screened by**

- ☐ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☐ Corporate governance

	Description
--	-------------

The Ethical Funds favours companies that are involved in activities that benefit the environment or society. Positive screens applied to the ethical funds include companies with sound employment practices, strong community engagement or those that make a positive contribution to the environment.

- ☐ Norms-based screening



**LEI 06.2**

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

Screening criteria are established in consultation with our clients for segregated mandates and they are integrated in the mandate's guidelines. They may be reviewed on clients' request

For pooled mandates, screening criteria are established at the inception of the fund.

Oversight for the Ethical Fund criteria is provided by an Ethical Funds Advisory Group which meets bi-annually. The criteria are reviewed annually through a survey with clients to assess the changing ethical norms.

**LEI 07****Mandatory****Core Assessed****PRI 1****LEI 07.1**

Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- ☒ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

**LEI 07.2****Additional information. [Optional]**

Third party external research providers are sourced to determine the SRI and Ethical screens that are applied to our funds. The screens are updated on a monthly or quarterly basis, depending on the source. The Responsible Investment Team reviews the analysis and will upgrade/downgrade companies if Standard Life Investments' analysis of the company differs from the provider's. In the majority of cases, the Responsible Investment Team will provide an internal audit of the analysis and engage with the excluded company to verify the findings.

Standard Life Investment's Sustainable and Responsible Investment European Corporate Bond Fund, companies who pass the negative screen but perform relatively poorly on environmental and social issues compared to their peers will be put on a 'watchlist'. The performance of these companies are reviewed monthly with the portfolio manager and we regularly engaged with these companies.

At the end of a contract with a research providers or before if needed, the quality of the data and services provided is reviewed, according to our quality criteria and our clients' requirements. As a result, we may change our internal process or decide to collaborate with new research providers. In addition, SLI's investment professionals give the Responsible Investment team frequent feedbacks in more or less formal ways on how its ESG research and engagement with companies add value to their investment process.

Standard Life Investments monitors closely that the highest standards are applied in its ethical investments. Chaired by Standard Life's Group Operations Director, the Ethical Funds Advisory Group ensures that the relevant policies and procedures are applied correctly, and accurately reflect the views of those invested in SLI's ethical funds. Three individual investors in our ethical funds plus a number of senior Standard Life employees, including the fund managers, sit on this committee which meets every six months.

LEI 08	Voluntary	Additional Assessed	PRI 1
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**LEI 08.1**

Indicate which processes your organisation uses to ensure that fund criteria are not breached

☒ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:

☒ Systematic

☐ Occassional

☒ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.

☒ Audits of fund holdings are undertaken regularly by internal audit function

☐ Other, specify

☐ None of the above

**LEI 08.2**

If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

If a company's rating changes to unacceptable in the SRI funds or the Ethical Funds then the portfolio manager and companies invested in are informed. Engagement with the company is required to confirm breach. If the company confirms that it no longer passes the criteria then the holding must be sold within a reasonable timeframe.

In the case of the Ethical Funds, if the company disagrees with the rating then the decision is taken to the Ethical Funds Advisory Group to consider.

**LEI 08.3**

Additional information.

The list of acceptable and unacceptable companies for the Ethical and SRI funds are reviewed on a monthly basis. The issuer ratings are uploaded into Standard Life Investments' internal trading platform. This platform prevents the investment managers from investing in equity associated with unacceptable issuers.

Daily checks are made by Investment Restriction Controls to verify that no unacceptable companies are held in any of the portfolios. Issues encountered are discussed immediately with the Responsible Investment team. Monthly audits of the portfolios by Responsible Investment analysts for reporting purposes confirms the rating of the companies.

## (C) Implementation: Integration of ESG issues

LEI 10

Voluntary

Descriptive

PRI 1

As an active long term investors, we are looking for companies who generate sustainable growth and as such will outperform throughout the cycle. At Standard Life Investments, we consider how ESG factors' impact the company growth and business perspectives.

We believe that companies must demonstrate satisfactory management of their impact and dependencies on environmental and social stakeholders to maintain competitive advantage and profit margins in the long run. The management of sustainability issues can be a proxy for general good management which will contribute to company sustainable growth. In this regard, we seek to identify investment risks and opportunities from the information advantage of considering ESG issues.

Standard Life Investments' Focus on Change philosophy is built around anticipating market movements. Every investment decision must be justified by answering five questions.

- What are the key drivers?
- What's changing?
- What expectations are priced in?
- Why will the market change its mind about these expectations?
- What is the trigger?

The Responsible Investment team considers the changing dynamic between businesses and their stakeholders. At a company level, the analyst reviews the extent to which the financial value of a company is impacted by ESG issues. This helps to focus engagement and analysis on the material risks and opportunities facing the company.

The team uses a variety of sources of information, both internal (discussion with portfolio managers) and external (brokers, industry groups, government, NGOs). The responsible Investment team have access to financial and ESG data and news through Bloomberg.

The Governance and Stewardship team is in charge of analysing corporate governance practices and voting on company's resolutions at AGMs. The Governance and Stewardship team thus seeks to increase shareholder value through constructive consultation with companies about their strategy, performance, management and other issues. If the Governance and Stewardship Team has significant concerns about a company, it initiates a health warning on that stock.

This integrated analysis is incorporated into investment decisions through on-going communication with portfolio managers. In practice, integration is implemented through;

1. Distributing ESG ratings and health warnings of the global equities and issuers in which we invest to all fund managers through an internal platform
2. Presenting relevant developments in regulation and company news on environmental and social factors at investment meetings
3. Communicating key ESG risks and opportunities with the Standard Life Investments' sector analysts before and after engagement. Conducting company engagement with mainstream analysts
4. Circulating thematic research conducted by the Responsible Investment team to all internal fund managers

LEI 11	Mandatory	Core Assessed	PRI 1
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LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

Our Responsible Investment Team is in charge of reviewing and rating companies on their approach to environmental and sustainability issues. Our approach is materiality focused, identifying the key issues affecting performance.

More information on SLI's Responsible Investment approach can be found at:  
[http://www.standardlifeinvestments.com/sustainable\\_and\\_responsible\\_investing/index.html](http://www.standardlifeinvestments.com/sustainable_and_responsible_investing/index.html)

All companies are given a rating to reflect both their level of risk and the company's mitigation of these risks. Our ratings benchmark companies against others in their sector using a proprietary, in-house assessment tool. This approach is applied across our investment process and to mandates which have tailored SRI or ethical criteria.

The Responsible Investment team's research is available to all investment professionals at SLI through our internal platforms. In addition, responsible investment analysts frequently contributes to internal meetings held by the various investment teams, such as morning meetings, equity and credit team meetings, to highlight ESG macro-trends or company-specific analysis. When material ESG risks affect a company, fund managers may ask a Responsible Investment analyst to participate to meetings with the company.

The Governance and Stewardship team seeks to increase shareholder value through constructive consultation with companies about their strategy, performance, management and other issues.

We apply our corporate governance policies in a professional and flexible manner, taking account of a company's particular circumstances. In general, we believe that:

- A company's board should have three or more non-executive directors who are independent of executive management and other conflicts
- A company's board should have a remuneration committee that's chaired by an independent non-executive director and that comprises a majority of such directors
- Exceptional levels of remuneration should be available for the achievement of exceptional performance
- Directors' service contracts should have notice periods that don't exceed 12 months
- Companies should be open in their disclosures to shareholders.

If the Governance and Stewardship Team has significant concerns about a company, it initiates a health warning on that stock. This information is shared on our internal investment platforms.

More information can be found at:

[http://www.standardlifeinvestments.com/governance\\_and\\_stewardship/what\\_is\\_corporate\\_governance/principles\\_and\\_policies.html](http://www.standardlifeinvestments.com/governance_and_stewardship/what_is_corporate_governance/principles_and_policies.html)

**LEI 12.1**

Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

**LEI 12.2**

Describe how ESG information is held and used by your portfolio managers.

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

**LEI 12.3**

Additional information.

We analyse ESG issues that have the potential to have impact upon financial performance. In order to conduct internal research, the Responsible Investment team uses a variety of sources of information, both internal (discussion with investment analysts, portfolio managers) and external (research providers, brokers, industry groups, government, NGOs). Responsible Investment Analyst have also access to financial and ESG data and news through Bloomberg. All investment professionals internally can access the Responsible Investment team's research on SLI's internal research platform, including companies' ESG rating, ESG meeting notes, corporate governance health warning as well as thematic notes.

Responsible Investment analysts use alerts and company news provided by research providers and brokers to upgrade or downgrade companies' ratings and to help determine companies targeted for engagement.

At the end of a contract with a research providers or before if needed, the quality of the data and services provided is reviewed, according to our quality criteria and our clients' requirements. As a result, we may change our internal process or decide to collaborate with new research providers. In addition, SLI's investment professionals give the Responsible Investment team frequent feedback on how its ESG research and engagement with companies add value to their investment process.

## Outputs and outcomes

**LEI 15****Voluntary****Descriptive****PRI 1**

**LEI 15.1**

Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

☒ Screening

Describe any reduction in your starting investment universe or other effects.

The remaining universe after applying the ethical screen represents 51% of the FTSE All Shares index.

Specify the percentage reduction

%

49

☒ Integration of ESG issues

Select which of these effects followed your ESG integration:

- ☒ Reduce or prioritise the investment universe
- ☐ Overweight/underweight at sector level
- ☒ Overweight/underweight at stock level
- ☐ Buy/sell decisions
- ☐ Other, specify

**LEI 15.2**

Additional information.

ESG screens are applied to some SRI and Ethical Funds. In this case, the investment universe is restricted to those that pass the screen. The Ethical Funds favours companies that are involved in activities that benefit the environment or society. Positive screens applied to the ethical funds include companies with sound employment practices, strong community engagement or those that make a positive contribution to the environment.

The Responsible Investment team conducts engagement with companies demonstrating limited ESG performance and/or exposed to specific ESG risks. Responsible Investment and Governance and Stewardship analysts may also engage with companies at the fund manager's request in order to reinforce or alter the investment case. If it appears that a company does not demonstrate an adequate management of ESG risks, the company may see its SRI rating downgraded and fund managers can decide to reduce their holding in the company.

The Responsible Investment and Governance Stewardship teams frequently contributes to internal meetings held by the various investment teams, to highlight ESG macro-trends or company-specific analysis.

**LEI 17**

**Voluntary**

**Descriptive**

**PRI 1**



<b>LEI 17.1</b>	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.
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☒ ESG issue 1

ESG issue and explanation
We hold several meetings with a company that faced allegations regarding failings in anti-bribery and corruption measures.
ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Combination of ESG incorporation strategies
Impact on investment decision or performance
The company offered a useful macro oversight of the issues it and its peers faced in dealing with anti-bribery and corruption. As a result we became more comfortable with the company's approach in addition to certain additional companies within the sector.

☐ ESG issue 2

☐ ESG issue 3

☐ ESG issue 4

☐ ESG issue 5

## Communication

<b>LEI 18</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2,6</b>
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<b>LEI 18.1</b>	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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☒ We disclose it publicly

Provide URL
-------------

[http://www.standardlifeinvestments.com/sustainable\\_and\\_responsible\\_investing/index.html](http://www.standardlifeinvestments.com/sustainable_and_responsible_investing/index.html)

<b>LEI 18.2</b>	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
-----------------	---

☐ Yes

☒ No

**LEI  
18.3**

Indicate the information your organisation proactively discloses to clients/ beneficiaries and/or the public regarding your approach to ESG incorporation.

Reporting to public	Reporting to clients/beneficiaries
<input type="radio"/> Broad approach to ESG incorporation <input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used	<input type="radio"/> Broad approach to ESG incorporation <input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used

**LEI  
18.4**

Indicate how frequently you typically report this information.

Reporting to public	Reporting to clients/beneficiaries
<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Between quarterly and annually <input type="radio"/> Less frequently than annually <input type="radio"/> Other, specify	<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Between quarterly and annually <input type="radio"/> Less frequently than annually <input type="radio"/> Other, specify

☐ We disclose it to clients and/or beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries

**LEI 18.5**

Additional information. [Optional]

Details on Standard Life Investments' Responsible Investment approach are available on our website. We do not differentiate between fixed income and equity when it comes to explaining our ESG research and screening process.

From Q1 2014, we will report quarterly on the work of the Responsible Investment team, including major pieces of research and the company's engagement conducted.

We report to our clients quarterly or monthly depending on the mandate's requirements. Information disclosed include details on the screening process and its outcomes, engagement meetings conducted (including topics discussed and outcome) as well as industry initiatives in which Responsible Investment analysts participated and major pieces of research conducted when applicable.

# Standard Life Investments

## Reported Information

### Public version

#### Direct - Listed Equity Active Ownership

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Engagement

### Overview

LEA 01	Voluntary	Descriptive	PRI 2
LEA 01.1	Provide a brief overview of your organisation's approach to engagement.		

#### Engagement Approach

We engage actively and regularly with companies in which we are or may become a shareholder. In our research and analysis of ESG issues we identify any concerns we may wish to discuss with companies. We prioritise engagement with companies where there are serious concerns, where the company rates poorly on our sustainability rating tool and where we have, overall, a significant holding.

In 2013 Standard Life Investments engaged with over of 500 companies on ESG issues.

We also regularly ask companies about their support and adherence to international standards and initiatives. Most recently we reviewed and submitted our recommendations to the Equator Principles (EP) Association's formal EP III stakeholder consultation. The Equator Principles comprise a voluntary standard used by over seventy banks to review social and environmental risks in project finance transactions. EP III represents a series of new proposed requirements within the standard.

#### Objectives of the engagement policy

We set engagement objectives according to the circumstances at each company. Our objectives can include the following: learning more about company strategy and performance; appraising company management; emphasising the importance of best practice on ESG issues; exchanging views; and encouraging our views on particular matters be taken into account. The meeting note we prepare on every engagement identifies the objectives for the engagement as well as the initial outcomes. Thus we evaluate the success of many engagements at the time of the engagement. However, some engagements may request that a company take action over time to address a particular issue and, in such cases, the outcome will not be immediate and it may be appropriate to set an engagement mile stone which allows us to assess what steps the company has taken after our engagement.

We work in collaboration with our Governance and Stewardship team as part of our engagement process and believe that sound corporate governance is necessary to achieve robust social and environmental practices.

Further information on our approach can be found in section 3.2.

LEA 02	Mandatory	Gateway	PRI 1,2,3
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<b>LEA 02.1</b>	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.
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Type of engagement	Reason for interaction
<b>Individual/Internal staff engagements</b>	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input checked="" type="checkbox"/> Other, specify To improve ESG practices to support long term financial health of investee company <input type="checkbox"/> We do not engage via internal staff
<b>Collaborative engagements</b>	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input checked="" type="checkbox"/> Other, specify To improve ESG practices to support long term financial health of investee company <input type="checkbox"/> We do not engage via collaborative engagements
<b>Service provider engagements</b>	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers

<b>LEA 02.2</b>	Additional information. [Optional]
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We believe that engaging with companies on ESG issues not only helps to inform our investment approach but also offers the opportunity to promote best practice among investee companies. Furthermore this process allows us to take an active stewardship role of our clients investments.

## Process

### Process for engagements run internally

<b>LEA 03</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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**LEA  
03.1**

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

☒ Yes

**LEA  
03.2**

Describe how you identify and prioritise engagements.

Our engagement is driven by financial materiality, is aligned with our overall investment approach and is reviewed and updated on a quarterly basis.

Underpinning our engagement is the application of a matrix approach to measure the ESG attributes of investee companies. Using external data providers and our internal measurement systems we rate companies from 1-6 on their ESG approach, with one being the lowest score and six the highest. Further to this measurement we grade sectors in relation to potential social and environmental risks from high to medium to low. We consider a company's rating in addition to the impact of its sector to enable the identification of both leaders and laggards within different sectors. This process is subject to on-going assessment and revision as new sources of ESG data becomes available.

Targeted companies are identified using two broad areas :

Structured Targets :

Financial Exposure : Top holdings by value, in both equity and debt

Weight of Influence: Significant percentage of holdings

Client Drive: Commitment to individual client mandates and concerns, including those of our fund managers and analysts.

Performance Based Targets:

Thematic Engagement: Focus on change philosophy, identifying trends and engaging with companies exposed to those trends

Poor Performers: UN convention breaches, breaches of the Principles of the UN Global Compact, poor governance practices

Event Driven Engagement: engagement based upon significant market and ESG events impacting upon investee companies

The companies identified using these indicators form a key part of our assessment criteria when considering collaborative engagements that we take part in.

☐ No

LEA  
03.3

Additional information. [Optional]

Our distinctive investment philosophy is called Focus on Change. It helps us to analyse the key factors driving the market price of an investment and to identify the drivers that the wider market may have missed. Essentially, we aim to capture anomalies and inefficiencies between consensus and non-consensus analysis of companies. We have found that the best opportunities come from the investments where we not only have the deepest insights but also the greatest conviction that market expectations are going to change.

LEA 04

Mandatory

Core Assessed

PRI 2

LEA  
04.1

Indicate if you define specific objectives for your engagement activities.

- ☒ Yes
- ☒ Yes, for all engagement activities
  - ☐ Yes, for the majority of engagement activities
  - ☐ Yes, for a minority of engagement activities
- ☐ No

LEA  
04.2

Indicate if you monitor the actions that companies take following your engagements.

- ☒ Yes
- ☒ Yes, in all cases
  - ☐ Yes, in the majority of cases
  - ☐ Yes, in the minority of cases

LEA  
04.3

Describe how you monitor and evaluate the progress of your engagement activities.

All engagements have a specific ESG focus which are identified during our assessment of the investee company. We encourage the company to address these areas and monitor and track its progress against our proposals. It is quite often the case that we have a number of on-going engagements with a company on a specific issue.

- ☐ No

LEA 04.4	Additional information. [Optional]
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We often engage with companies that are leading on ESG issues within their sector. This offers a useful benchmark as we assess other companies and it is often the case that the level of on-going engagement with these companies is limited in comparison to companies that we have identified as facing ESG risks.

## Process for engagements conducted via collaborations

LEA 05	Mandatory	Core Assessed	PRI 2
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LEA 05.1	Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.
----------	---

☒ Yes

LEA 05.2	Describe how you identify and prioritise collaborative engagements.
----------	---

We identify and prioritise collaboration engagements using a range of data sources. These include our process for identifying investee companies to engage with, information provided from external sources including brokers, research providers, civil society groups and academia.

☐ No

LEA 05.3	Additional information.[Optional]
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Our collaborative engagements typically concern macro or industry level events which impact a number of companies. However, for certain issues we will collaborate with others as part of our engagement with an individual company.

LEA 06	Mandatory	Core Assessed	PRI 2
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**LEA  
06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

- ☒ Yes
- ☒ Yes, for all collaborative engagement activities
  - ☐ Yes, for the majority of collaborative engagement activities
  - ☐ Yes, for a minority of collaborative engagement activities
- ☐ No

**LEA  
06.2**

Indicate if you monitor the actions companies take following your collaborative engagements.

- ☒ Yes
- ☐ Yes, in all cases
  - ☒ Yes, in the majority of cases
  - ☐ Yes, in the minority of cases

**LEA  
06.3**

Describe how you monitor and evaluate the progress of your collaborative engagement activities.

Collaborative engagements are included within our own engagement process and as such are monitored as part of that process.

- ☐ No

### General processes for all three groups of engagers

**LEA 09**

**Voluntary**

**Additional Assessed**

**PRI 1,2**

**LEA  
09.1**

Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

<b>LEA 09.2</b>	Additional information.
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A formal engagement process is in place, including internally shared communication platforms, which supports the dissemination of information derived from engagement.

<b>LEA 10</b>	<b>Mandatory</b>	<b>Gateway/Core Assessed</b>	<b>PRI 2</b>
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<b>LEA 10.1</b>	Indicate if you track the number of companies you engage with.
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Type of engagement	Tracking engagements
<b>Individual / Internal staff engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
<b>Collaborative engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

<b>LEA 10.2</b>	Additional information. [Optional]
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Engagement carried out by our dedicated ESG team are tracked and assessed on an ongoing basis.

Service providers are not used to conduct engagement on our behalf.

## Outputs and outcomes

<b>LEA 11</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>LEA 11.1</b>	Indicate the number of companies with which your organisation engaged during the reporting year.
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	<b>Number of companies engaged</b> (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	511
Collaborative engagements	25

**LEA  
11.2**

Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> > 50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> None

**LEA  
11.3**

Indicate what percentage of your collaborative engagements you were a leading organisation during the reporting year. [Optional]

Type of engagement	% Leading role
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> None

<b>LEA 11.5</b>	Additional information. [Optional]
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The figure above is only representative of engagements which focus on ESG.

Collaborative engagements with companies on ESG issues are captured within the 511 engagements reported. It may be the case that we do not feel that a collaborative engagement has not achieved the results which Standard Life Investments desires. Such engagements are not captured within the figure. It is also often the case that after a collaborative engagement we will seek to engage directly with the company for a more focused meeting.

Company contact is a primary source of insights for Standard Life Investments and on average over 3,000 company meetings are held annually by our investment teams.

<b>LEA 12</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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<b>LEA 12.1</b>	Indicate if your engagements in the reporting year covered E, S and/or G issues.
-----------------	--

Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Collaborative engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

<b>LEA 12.2</b>	Provide an estimated breakdown by E, S and/or G issues.
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	Individual / Internal staff engagements
--	---

	% Overlapping ESG issues
--	--------------------------

100

100%

	Collaborative engagements
--	---------------------------

	% Overlapping ESG issues
--	--------------------------

100

**100%**

<b>LEA 12.3</b>	Additional information.
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Our approach is to carry out extensive research prior to engagement and as a result the majority of our engagements overlap between environmental, social and governance issues. This is particularly the case for social and environmental issues. Governance issues are often addressed singularly .

An overview of the type and number of engagements carried out are available on our Governance and Responsible Investment website, however they are not classified in relation to the indicators above.

<b>LEA 13</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 13.1</b>	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
-----------------	--

☐ Yes

☒ No

<b>LEA 13.3</b>	Additional information.
-----------------	-------------------------

Although we do track the outcomes of our various engagements and the progression of our investee companies progress we do not accredit company change on our individual engagement. We believe that change within investee companies is influenced by a number of internal and external actors including Standard Life Investment's engagement activity.

<b>LEA 14</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 14.1</b>	Provide examples of the engagements that your organisation carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Unethical business practices leading to significant fines from regulators and reputational damage.
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Drive cultural change and bolster compliance and risk systems.
Scope and Process	<p>We had on-going engagement with the company including meetings at both a CEO and practitioner level.</p> <p>We focused on the company as some of the risks it was presenting were systemic to a sector which represents a significant portion of our holdings.</p>
Outcomes	The company produced an extensive programme to produce cultural change including new compliance and risk policies.

☒ Add Example 2

Topic or ESG issue	Allegations of human rights abuses and unethical business practices
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Investigate allegations and improve human rights practices
Scope and Process	We had a number of meetings with the company and recommended various steps to address the issues raised
Outcomes	<p>Unfortunately after on-going engagement we did not see the improvements that we desired and downgraded the company's responsible investment rating.</p> <p>As a result the company has been excluded from some of our funds. We continue to monitor the companies practices and may seek further engagement at a later date.</p>

☒ Add Example 3

Topic or ESG issue	Anti-bribery and corruption measures
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Investigate allegations regarding failings in anti-bribery and corruption measures
Scope and Process	We had a number of meetings with the company and altered our investment approach as a result
Outcomes	The company offered a useful macro oversight of the issues it and its peers faced in dealing with anti-bribery and corruption. As a result we became more comfortable with the company's approach in addition to certain additional companies within the sector.

- ☐ Add Example 4
- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

<b>LEA 14.2</b>	Additional information.
-----------------	-------------------------

Further information on our engagement with investee companies can be found in our 2013 Responsible Investments Annual Review. Available on the Responsible Investment and Governance and Stewardship website.

## Communication

<b>LEA 15</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2,6</b>
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<b>LEA 15.1</b>	Indicate whether your organisation proactively discloses information on its engagements.
-----------------	--

- ☒ We disclose it publicly

	please provide URL
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<http://www.standardlifeinvestments.com/>

<b>LEA 15.2</b>	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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☐ Yes

☒ No

<b>LEA 15.3</b>	Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.
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<table border="1"> <tr> <td style="width: 15%;"><b>Reporting to the public</b></td> <td></td> </tr> <tr> <td><b>Engagement information disclosed</b></td> <td> <input checked="" type="checkbox"/> Details of the selections, priorities and specific goals of engagement  <input checked="" type="checkbox"/> Number of engagements  <input checked="" type="checkbox"/> Breakdown of engagements by type/topic  <input type="checkbox"/> Breakdown of engagements by region  <input type="checkbox"/> An assessment of the current status of the engagement  <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement  <input type="checkbox"/> Other information         </td> </tr> </table>	<b>Reporting to the public</b>		<b>Engagement information disclosed</b>	<input checked="" type="checkbox"/> Details of the selections, priorities and specific goals of engagement <input checked="" type="checkbox"/> Number of engagements <input checked="" type="checkbox"/> Breakdown of engagements by type/topic <input type="checkbox"/> Breakdown of engagements by region <input type="checkbox"/> An assessment of the current status of the engagement <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement <input type="checkbox"/> Other information	<table border="1"> <tr> <td style="width: 15%;"><b>Reporting to clients/beneficiaries</b></td> <td></td> </tr> <tr> <td><b>Engagement information disclosed</b></td> <td> <input checked="" type="checkbox"/> Details of the selections, priorities and specific goals of engagement  <input checked="" type="checkbox"/> Number of engagements  <input checked="" type="checkbox"/> Breakdown of engagements by type/topic  <input type="checkbox"/> Breakdown of engagements by region  <input checked="" type="checkbox"/> An assessment of the current status of the engagement  <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement  <input checked="" type="checkbox"/> Other information  <p>As a number of reports produced for clients are on a confidential basis it offers us the opportunity to share a greater amount of information</p> </td> </tr> </table>	<b>Reporting to clients/beneficiaries</b>		<b>Engagement information disclosed</b>	<input checked="" type="checkbox"/> Details of the selections, priorities and specific goals of engagement <input checked="" type="checkbox"/> Number of engagements <input checked="" type="checkbox"/> Breakdown of engagements by type/topic <input type="checkbox"/> Breakdown of engagements by region <input checked="" type="checkbox"/> An assessment of the current status of the engagement <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement <input checked="" type="checkbox"/> Other information <p>As a number of reports produced for clients are on a confidential basis it offers us the opportunity to share a greater amount of information</p>
<b>Reporting to the public</b>									
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<b>LEA 15.4</b>	Indicate how frequently you typically report engagements information.
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<table border="1"> <tr> <td style="width: 15%;"><b>Reporting to the public</b></td> <td></td> </tr> <tr> <td></td> <td> <input type="radio"/> Disclosed continuously (prior and post engagements)  <input type="radio"/> Disclosed quarterly  <input checked="" type="radio"/> Disclosed annually  <input type="radio"/> Disclosed every two years or less  <input type="radio"/> Other, specify         </td> </tr> </table>	<b>Reporting to the public</b>			<input type="radio"/> Disclosed continuously (prior and post engagements) <input type="radio"/> Disclosed quarterly <input checked="" type="radio"/> Disclosed annually <input type="radio"/> Disclosed every two years or less <input type="radio"/> Other, specify	<table border="1"> <tr> <td style="width: 15%;"><b>Reporting to clients/beneficiaries</b></td> <td></td> </tr> <tr> <td></td> <td> <input type="radio"/> Disclosed continuously (prior and post engagements)  <input type="radio"/> Disclosed quarterly  <input type="radio"/> Disclosed annually  <input type="radio"/> Disclosed every two years or less  <input checked="" type="radio"/> Other, specify  <p>Systemic quarterly reports are in place in addition to adhoc disclosure</p> </td> </tr> </table>	<b>Reporting to clients/beneficiaries</b>			<input type="radio"/> Disclosed continuously (prior and post engagements) <input type="radio"/> Disclosed quarterly <input type="radio"/> Disclosed annually <input type="radio"/> Disclosed every two years or less <input checked="" type="radio"/> Other, specify <p>Systemic quarterly reports are in place in addition to adhoc disclosure</p>
<b>Reporting to the public</b>									
	<input type="radio"/> Disclosed continuously (prior and post engagements) <input type="radio"/> Disclosed quarterly <input checked="" type="radio"/> Disclosed annually <input type="radio"/> Disclosed every two years or less <input type="radio"/> Other, specify								
<b>Reporting to clients/beneficiaries</b>									
	<input type="radio"/> Disclosed continuously (prior and post engagements) <input type="radio"/> Disclosed quarterly <input type="radio"/> Disclosed annually <input type="radio"/> Disclosed every two years or less <input checked="" type="radio"/> Other, specify <p>Systemic quarterly reports are in place in addition to adhoc disclosure</p>								



<b>LEA 15.5</b>	Describe any other differences in the information being disclosed. [Optional]
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Additional quantitative data linked to how specific funds are performing is produced for clients on a confidential basis.

- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

<b>LEA 15.6</b>	Additional information. [Optional]
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In 2013 Standard Life Investments began to produce public reports which focused solely on our ESG activities. Prior to this our engagement practices were reported in a section of our Standard Life Group's sustainability report.

## (Proxy) voting and shareholder resolutions

### Overview

<b>LEA 16</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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Voting is the primary method by which we exercise our clients' rights as shareholders and is the means by which boards of companies can formally be held to account.

The Governance & Stewardship Team has oversight of all our voting globally. Standard Life investments votes all shares for which we have voting authority except when otherwise instructed by the beneficial owner of these shares or, where, for practical reasons (such as share-blocking), this is not appropriate. We use our Global Voting Platform to achieve this.

#### Global

Our Global Voting Platform makes use of the services of Institutional Shareholder Services (ISS) who are reputable providers of proxy voting research and voting recommendations. Although this provider has their own voting guidelines, we provide our own house guidelines which they are required to follow when making voting recommendations for the portfolios which we manage. We also undertake an assessment of voting opportunities using a three tiered significance approach driven by the market of listing and the size of our holding. For the most significant holdings we will separately undertake a full detailed assessment of any voting opportunity, for a mid-range of significance we will review the voting research and recommendations by ISS before instructing our vote, and for minor holdings we will rely entirely on the voting decisions made by our advisers. In addition to the tiered approach, we will also review any vote against management proposed by our advisers. We review our votes on a regular basis to ensure these have been instructed as intended. When voting against or abstaining we will use reasonable endeavours to inform the invested company for our largest holdings.

#### UK

We implement considered voting policies based on the Governance & Stewardship Principles & Policy Guidelines approved by our board when voting the shares we manage. We apply our guidelines with appropriate professional care and flexibility, holding boards to account, engaging where necessary, and at all times representing the best interest of our clients. We generally support a board's voting recommendation but we do vote our clients' shares against resolutions which are not consistent with their best interests as shareholders and/or conflict with the spirit of Association of British Insurers (ABI) in the UK or other institutional guidance. When making voting decisions, we will also make use of the ABI's Institutional Voting Information Service (IVIS). We analyse special shareholder resolutions on a case by case basis and consider whether the resolution calls for action that would lead to an increase in shareholder value.

In the event that we vote our clients' shares against a resolution at a UK shareholder meeting, this decision is discussed and agreed with the investment team. We will always use best endeavours to discuss this with the company beforehand and explain the reasons. We use reasonable endeavours to do so in respect of abstentions. The purpose of such engagements is to seek to influence changes in company policy and practice. In exceptional circumstances, we shall attend and speak at shareholder meetings to reinforce our views to the company's board.

We are able to accommodate voting policies aligned with third party agencies. However, the cost for doing this must be borne by the client.

For segregated mandates, we can discuss issues prior to voting. However, if the client wishes to be consulted prior to all or a large number of voting opportunities, there may be additional charges.

We do not currently offer a stock lending service to our customers. Certain of our customers do separately arrange the lending of stock held in their name. Should a customer have a stock out on loan, it is their responsibility to make arrangements for it to be recalled should they wish voting to occur.

We disclose our voting records for UK and European shareholder meetings on our website.

During 2012 our voting focus was on areas such as board composition, M&A, pre-emption rights, auditors and remuneration. We voted at 1597 meetings globally. At 430 of these we voted against management on one or more resolutions and we abstained on one or more resolutions at 241 meetings.

Process			
LEA 17	Mandatory	Descriptive	PRI 2
LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.		
	<div>Approach</div> <p> <input type="radio"/> We use our own research or voting team and make our own voting decisions without the use of service providers.             <input type="radio"/> We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.             <input checked="" type="radio"/> We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.         </p>		
	<div>Based primarily on</div> <p> <input type="radio"/> the service provider voting policy signed off by us             <input checked="" type="radio"/> our own voting policy             <input type="radio"/> our clients requests or policy             <input type="radio"/> other, explain             <input type="radio"/> We hire service provider(s) which make voting decisions on our behalf.         </p>		
LEA 17.2	Additional information.[Optional]		
<p>Our Global Voting Platform makes use of the services of Institutional Shareholder Services (ISS) who are reputable providers of proxy voting research and voting recommendations. Although this provider has their own voting guidelines, we provide our own house guidelines which they are required to follow when making voting recommendations for the portfolios which we manage.</p>			
LEA 18	Mandatory	Descriptive	PRI 2

**LEA 18.1**

Of the voting recommendations that your service provider made in the reporting year, indicate what percentage your organisation reviewed, and the reasons for the review.

**Percentage of voting recommendations your organisation reviewed**

- ☒ >20%
- ☐ 5-20%
- ☐ 1-5%
- ☐ <1%

**Reasons for review**

- ☒ Specific ESG issues
- ☒ Votes where a significant level of ownership is held
- ☒ Votes against management or abstentions
- ☒ Conflicts of interest
- ☒ Corporate actions such as M&A, disposal, etc.
- ☐ Other, explain

LEA 19	Voluntary	Descriptive	PRI 2
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**LEA 19.1**

To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.

- ☐ Obtain confirmation that votes have been lodged:
- ☒ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☐ None of the above

**LEA 19.2**

Provide additional information on your organisation's vote confirmation efforts.

Proxy vote confirmation is not easily obtained in most markets

LEA 20	Voluntary	Additional Assessed	PRI 2
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**LEA 20.1**

Indicate if your organisation has a securities lending programme.

- ☐ Yes
- ☒ No

LEA 21	Mandatory	Core Assessed	PRI 2
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<b>LEA 21.1</b>	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
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- ☐ Yes, in most cases  
☒ Sometimes, in the following cases:  
     ☒ votes in selected markets  
     ☐ votes on certain issues (all markets)  
     ☒ votes for significant shareholdings (all markets)  
     ☐ other, explain  
☐ No  
☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

<b>LEA 21.2</b>	Additional information. [Optional]
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We generally support a board's voting recommendation but we do vote our clients' shares against resolutions which are not consistent with their best interests as shareholders and/or conflict with the spirit of Association of British Insurers (ABI) in the UK or other institutional guidance. When making voting decisions, we will also make use of the ABI's Institutional Voting Information Service (IVIS). We analyse special shareholder resolutions on a case by case basis and consider whether the resolution calls for action that would lead to an increase in shareholder value.

In the event that we vote our clients' shares against a resolution at a UK shareholder meeting, this decision is discussed and agreed with the investment team. We will always use best endeavours to discuss this with the company beforehand and explain the reasons. We use reasonable endeavours to do so in respect of abstentions. The purpose of such engagements is to seek to influence changes in company policy and practice. In exceptional circumstances, we shall attend and speak at shareholder meetings to reinforce our views to the company's board.

## Outputs and outcomes

<b>LEA 22</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>LEA 22.1</b>	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
-----------------	---

- ☒ We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

100

Specify the basis on which this percentage is calculated

- ☒ of the total number of ballot items on which you could have issued instructions
- ☐ of the total number of company meetings at which you could have voted
- ☐ of the total value of your listed equity holdings on which you could have voted
- ☐ We do not track or collect this information

LEA 23	Voluntary	Descriptive	PRI 2
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**LEA 23.1** Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.

- ☒ Yes, we track this information

**LEA 23.2** Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management proposals	<div> <div></div> <div>%</div> </div> 92.6
Against (opposing) management proposals	<div> <div></div> <div>%</div> </div> 6.50
Abstentions	<div> <div></div> <div>%</div> </div> 00.9

100%

- ☐ No, we do not track this information

LEA 24	Voluntary	Descriptive	PRI 2
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**LEA 24.1** Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

- ☐ Yes
- ☒ No

LEA 25	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

<b>LEA 25.1</b>	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.
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- ☐ Add Example 1
- ☐ Add Example 2
- ☐ Add Example 3
- ☐ Add Example 4
- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

<b>LEA 25.2</b>	Additional information.
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Please see the latest annual review with the engagement highlights

[http://www.standardlifeinvestments.com/exported/pdf/Governance\\_Stewardship\\_Review/Governance\\_Stewardship\\_Review\\_13.pdf](http://www.standardlifeinvestments.com/exported/pdf/Governance_Stewardship_Review/Governance_Stewardship_Review_13.pdf)

## Communication

<b>LEA 26</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2,6</b>
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<b>LEA 26.1</b>	Indicate if your organisation proactively discloses information on your voting activities.
-----------------	--

- ☒ We disclose it publicly

	provide URL
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[http://www.standardlifeinvestments.com/governance\\_and\\_stewardship/what\\_is\\_corporate\\_governance/voting\\_disclosure.html](http://www.standardlifeinvestments.com/governance_and_stewardship/what_is_corporate_governance/voting_disclosure.html)

<b>LEA 26.2</b>	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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- ☐ Yes
- ☒ No

<b>LEA 26.3</b>	Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.
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Reporting to the public	Reporting to clients/beneficiaries
<div>Indicate how much of your voting record you disclose</div> <ul style="list-style-type: none"> <li><input type="radio"/> All voting decisions</li> <li><input checked="" type="radio"/> Some voting decisions</li> <li><input type="radio"/> Only abstentions and opposing vote decisions</li> <li><input type="radio"/> Summary of votes only</li> </ul>	<div>Indicate how much of your voting record you disclose</div> <ul style="list-style-type: none"> <li><input type="radio"/> All voting decisions</li> <li><input checked="" type="radio"/> Some voting decisions</li> <li><input type="radio"/> Only abstentions and opposing vote decisions</li> <li><input type="radio"/> Summary of votes only</li> </ul>
<div>Indicate what level of explanation you provide</div> <ul style="list-style-type: none"> <li><input type="radio"/> Explain all voting decisions</li> <li><input type="radio"/> Explain some voting decisions</li> <li><input checked="" type="radio"/> Only explain abstentions and votes against management</li> <li><input type="radio"/> No explanations provided</li> </ul>	<div>Indicate what level of explanation you provide</div> <ul style="list-style-type: none"> <li><input type="radio"/> Explain all voting decisions</li> <li><input type="radio"/> Explain some voting decisions</li> <li><input checked="" type="radio"/> Only explain abstentions and votes against management</li> <li><input type="radio"/> No explanations provided</li> </ul>

<b>LEA 26.4</b>	Indicate how frequently you typically report voting information.
-----------------	--

Reporting to the public	Reporting to clients/beneficiaries
<ul style="list-style-type: none"> <li><input type="radio"/> Continuously (primarily before meetings)</li> <li><input type="radio"/> Continuously (soon after votes are cast)</li> <li><input checked="" type="radio"/> Quarterly or more frequently</li> <li><input type="radio"/> Between quarterly and annually</li> <li><input type="radio"/> Less frequently than annually</li> <li><input type="radio"/> Other, specify</li> </ul>	<ul style="list-style-type: none"> <li><input type="radio"/> Continuously (primarily before meetings)</li> <li><input type="radio"/> Continuously (soon after votes are cast)</li> <li><input checked="" type="radio"/> Quarterly or more frequently</li> <li><input type="radio"/> Between quarterly and annually</li> <li><input type="radio"/> Less frequently than annually</li> <li><input type="radio"/> Other, specify</li> </ul>

- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries



# Standard Life Investments

## Reported Information

### Public version

#### Direct - Fixed Income

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

FI 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

PRI 1

FI 01.1

Provide a breakdown of your internally managed fixed income investments by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your fixed income investments, indicate if you would still like to report your activities.

Fixed income – corporate

### Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - corporate

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

FI 02

Mandatory to Report Voluntary to Disclose

Peering

General

FI 02.1

Provide a breakdown of your internally managed fixed income investments by credit quality.

Credit quality	Fixed Income - Corporate	
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	
High yield	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	
Distressed	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	

FI 02.2

Provide a breakdown of your fixed income investments between primary and secondary market.

Market	Fixed Income - Corporate	
Primary market (new issues)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%	
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	

### ESG incorporation in actively managed fixed income

FI 03	Voluntary	Descriptive	PRI 1
FI 03.1	Provide a brief overview of how you incorporate ESG issues in fixed income investments.		

As an active long term investors, we are looking for companies who generate sustainable growth and as such will outperform throughout the cycle. At Standard Life Investments, we consider how ESG factors' impact the company growth and creditworthiness. The liquidity and positioning of corporate debt in company capital structure means that ESG drivers in credit markets are more likely to be priced in for downside risk and companies with lower creditworthiness.

We believe that companies must demonstrate satisfactory management of their impact and dependencies on environmental and social stakeholders to maintain competitive advantage and profit margins in the long run.

- Our approach to Responsible Investment seeks to add value to our investment process in three ways:

- We analyse ESG issues that have the potential to have an impact upon financial performance  
We believe that the management of sustainability issues is a proxy for general good management which will contribute to company success. In this regard we seek to identify companies at the forefront of their industries (leaders) and those that are behind the market (laggards)
- We have a systematic programme of engagement with companies to encourage greater transparency and accountability and compliance with UK and international codes of best practice on ESG issues

This integrated analysis is incorporated into investment decisions through on-going communication with portfolio managers.

At Standard Life Investments, we believe that our approach of integrating responsible investment into the investment process is the preferred option of our institutional clients. We also have the ability to manage screened funds, and can add negative screening for clients who choose it. A subset of our credit funds apply an ESG screen in addition to our integrated offering. These screens are set up in collaboration with our clients to meet their specific requirements.

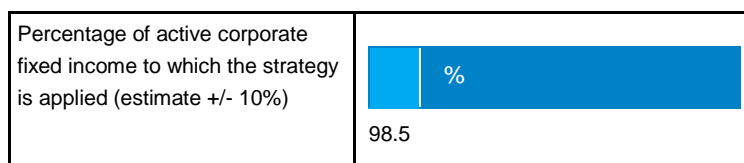
## Fixed Income - Corporate

### Implementation processes

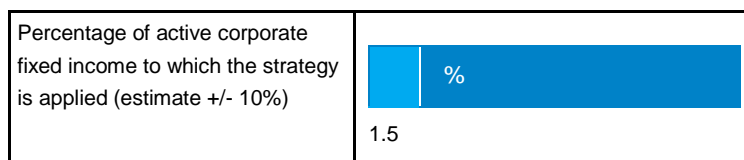
FI 04	Mandatory	Gateway/Core Assessed	PRI 1
FI 04.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.		

**ESG incorporation strategy** (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☒ Integration alone (i.e. not combined with any other strategies)



- ☒ Screening + Integration strategies



- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed fixed income - corporate
---

100%

<b>FI 04.2</b>	Describe your primary reasons for choosing a particular incorporation strategy.
----------------	---

We aim to integrate Responsible Investments strategies across all our corporate fixed income investments.

As an active long term investors, we are looking for companies who generate sustainable growth and as such will outperform throughout the cycle. We believe that companies must demonstrate satisfactory management of their impacts and dependencies on environmental and social stakeholders to maintain competitive advantage and profit margins in the long run.

The management of sustainability issues can be a proxy for general good management which will contribute to company sustainable growth. Where possible, we use our influence to encourage best practice standards in the management of these issues at the companies in which we invest, with a view to protecting and enhancing the value of our clients' investments. In this regard, we seek to identify investment risks and opportunities from the information advantage of considering ESG issues. Given the nature of credit analysis is to focus on downside risk, ESG research is complimentary to this.

<b>FI 04.3</b>	If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]
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A subset of our credit funds apply an ESG screen in addition to our integrated offering. These screens are set up in collaboration with our clients to meet their specific requirements, regarding the exclusion of certain types of activity or of ESG poor performers. These screens are used in combination with our integrated research to design our engagement policy and engage with companies.

Standard Life Investment's Sustainable and Responsible Investment European Corporate Bond Fund is an example of a fund that incorporates both integration and negative screening to achieve a more restricted application of ESG issues. The criteria for this fund exclude companies that do not comply with the UN Global Compact, are involved in controversial weapons or have poor ESG scores in sectors where ESG risks have been internally assessed as high or medium.

<b>FI 05</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>FI 05.1</b>	Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.
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#### Type of ESG information

☒ Raw ESG company data

	Describe who provides this information.
--	---

ESG reserach provider

Sell side

In-house ESG analyst or team

In-house analyst or portfolio manager

☒ Issuer-related analysis or ratings

Describe who provides this information.

ESG research provider

Sell side

In-house ESG analyst or team

In-house analyst or portfolio manager

☒ Sector-related analysis or ratings

Describe who provides this information.

ESG research provider

Sell-side

In-house ESG analyst or team

In-house - analyst or portfolio manager

☒ Country-related analysis or ratings

Describe who provides this information.

ESG research provider

In-house analyst or portfolio manager

☒ Screened bond list

Describe who provides this information.

ESG research provider

In-house analyst or portfolio manager

☒ Issue-specific analysis or ratings

Describe who provides this information.

ESG research provider

Sell-side

In-house ESG analyst or team

In-house analyst or portfolio manager

☐ Other, specify

**FI 05.2**

Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.

We analyse ESG issues that have the potential to have an impact upon financial performance. In order to conduct our internal research, the Responsible Investment team uses a variety of sources of information, both internal (discussion with investment analysts, portfolio managers) and external (research providers, brokers, industry groups, government, NGOs). The responsible Investment team has also access to financial and ESG data and news through Bloomberg.

Third party ESG ratings are used to screen large portfolios for high impact and poor performing companies. These sources provide an initial flagging system and can help identify companies for engagement. Additionally, our SRI and Ethical Funds incorporate screens based on ESG performance or business activity provided by third party ESG research houses.

## (A) Implementation: Screening

**FI 06**

**Mandatory**

**Descriptive**

**PRI 1**

**FI 06.1**

Indicate and describe the type of screening you apply to your internally managed active corporate fixed income investments.

### Type of screening

☒ Negative/exclusionary screening

### Screened by



- ☒ Product
- ☒ Activity
- ☒ Sector
- ☒ Country/geographic region
- ☒ Environmental and social practices and performance
- ☐ Corporate governance

Description
-------------

Standard Life Investments manages several segregated and pooled funds which apply negative ethical or SRI screens.

The Ethical Funds screens are based on business activities including tobacco, alcohol and nuclear production.

Standard Life Investment's SRI European Corporate Bond Fund screens out worst in class companies. The screen identifies companies in high impact sectors and business activities with poor environmental and social performance.

- ☒ Positive/best-in-class screening

**Screened by**

- ☐ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☐ Corporate governance

Description
-------------

The Ethical Funds favours companies that are involved in activities that benefit the environment or society. Positive screens applied to the ethical funds include companies with sound employment practices, strong community engagement or those that make a positive contribution to the environment.

- ☒ Norms-based screening

**Screened by**

- ☒ UN Global Compact Principles
- ☐ Universal Declaration of Human Rights
- ☐ International Labour Organization Conventions
- ☐ United Nations Convention Against Corruption
- ☐ OECD Guidelines for Multinational Enterprises
- ☒ Other, specify

Controversial weapons

Description
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Standard Life Investment's Sustainable and Responsible Investment European Corporate Bond Fund screens out companies who fail the UN Global Compact and those involved in the production of controversial weapons. The fund also screens out companies which fall below our in-house SRI score.

<b>FI 06.2</b>	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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Screening criteria are established in consultation with our clients for segregated mandates and they are integrated in the mandate's guidelines. They may be reviewed on clients' request.

For pooled mandates, screening criteria are established at the inception of the fund.

Oversight for the Ethical Fund criteria is provided by an Ethical Funds Advisory Group which meets bi-annually. The criteria are reviewed annually through a survey with clients to assess the changing ethical norms.

<b>FI 07</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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**FI 07.1**

Indicate which processes your organisation uses to ensure that screening in corporate fixed income is based on robust analysis.

- ☒ Comprehensive research is undertaken or sourced to determine issuers' ESG performance
- ☒ Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ External research and data used to identify issuers to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Information on ESG issues and/or ratings is updated regularly to ensure that portfolio holdings comply with fund policies
- ☒ A committee or body with representatives independent of the individuals who conduct ESG research reviews some or all screening decisions
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

**FI 07.2**

Additional information. [Optional]

Third party external research providers are sourced to determine the SRI and Ethical screens that are applied to our funds. The screens are updated on a monthly or quarterly basis, depending on the source. The Responsible Investment Team reviews the analysis and will upgrade/downgrade companies if Standard Life Investments' analysis of the company differs from the provider's. In the majority of cases, the Responsible Investment Team will provide an internal audit of the analysis and engage with the excluded company to verify the findings.

Standard Life Investment's Sustainable and Responsible Investment European Corporate Bond Fund, companies who pass the negative screen but perform relatively poorly on environmental and social issues compared to their peers will be put on a 'watchlist'. The performance of these companies are reviewed monthly with the portfolio manager and we regularly engage with these companies.

At the end of a contract with a research provider, or before if needed, the quality of the data and services provided is reviewed, according to our quality criteria and our clients' requirements. As a result, we may change our internal process or decide to collaborate with new research providers. In addition, SLI's investment professionals give the Responsible Investment team frequent feedback on how its ESG research and engagement with companies enhances the investment process.

Standard Life Investments monitors closely that the highest standards are applied in its ethical investments. Chaired by Standard Life's Group Operations Director, the Ethical Funds Advisory Group ensures that the relevant policies and procedures are applied correctly, and accurately reflect the views of those invested in SLI's ethical funds. Three individual investors in our ethical funds plus a number of senior Standard Life employees, including the fund managers, sit on this committee which meets every six months.

**FI 08****Voluntary****Additional Assessed****PRI 1**

**FI 08.1**

Indicate which processes your organisation uses to ensure that fund criteria are not breached in corporate fixed income investments.

☒ Checks are performed to ensure that issuers meet the funds' screening criteria. These checks are:

☒ Systematic

☐ Occasional

☒ Automated IT systems prevent investment managers from investing in excluded bonds or those that do not meet positive screening criteria

☒ Audits of fund holdings are undertaken regularly by internal audit function

☐ Other, specify

☐ None of the above

**FI 08.2**

If breaches of fund screening criteria are identified, describe the process followed to correct those breaches.

If a company's rating changes to unacceptable in the SRI funds or the Ethical Funds then the portfolio manager and companies invested in are informed. Engagement with the company is required to confirm breach. If the company confirms that it no longer passes the criteria then the holding must be sold within a reasonable timeframe.

In the case of the Ethical Funds, if the company disagrees with the rating then the decision is taken to the Ethical Funds Advisory Group to consider.

**FI 08.3**

Additional information.

The list of acceptable and unacceptable companies for the Ethical and SRI funds are reviewed on a monthly basis. The issuer ratings are uploaded into Standard Life Investments' internal trading platform. This platform prevents the investment managers from investing in bonds associated with unacceptable issuers.

Daily checks are made by Investment Restriction Controls to verify that no unacceptable companies are held in any of the portfolios. Issues encountered are discussed immediately with the Responsible Investment team. Monthly audits of the portfolios by Responsible Investment analyst for reporting purposes confirms the rating of the companies.

## (C) Implementation: Integration of ESG factors

**FI 10****Voluntary****Descriptive****PRI 1**

As an active long term investors, we are looking for companies who generate sustainable growth and as such will outperform throughout the cycle. At Standard Life Investments, we consider how ESG factors' impact the company growth and creditworthiness. The liquidity and positioning of corporate debt in company capital structure means that ESG drivers in credit markets are more likely to be priced in for downside risk and companies with lower creditworthiness.

We believe that companies must demonstrate satisfactory management of their impact and dependencies on environmental and social stakeholders to maintain competitive advantage and profit margins in the long run. The management of sustainability issues can be a proxy for general good management which will contribute to company sustainable growth. In this regard, we seek to identify investment risks and opportunities from the information advantage of considering ESG issues.

Standard Life Investments' Focus on Change philosophy is built around anticipating market movements. Every investment decision must be justified by answering five questions.

What are the key drivers?

What's changing?

What expectations are priced in?

Why will the market change its mind about these expectations?

What is the trigger?

The Responsible Investment team considers the changing dynamic between businesses and their stakeholders. At a company level, the analyst reviews the extent to which the financial value of a company is impacted by ESG issues. This helps to focus engagement and analysis on the material risks and opportunities facing the company.

The team uses a variety of sources of information, both internal (discussion with portfolio managers) and external (brokers, industry groups, government, NGOs). The responsible Investment team have access to financial and ESG data and news through Bloomberg.

The Governance and Stewardship team is in charge of analysing corporate governance practices and voting on company's resolutions at AGMs. The Governance and Stewardship team thus seeks to increase shareholder value through constructive consultation with companies about their strategy, performance, management and other issues. If the Governance and Stewardship Team has significant concerns about a company, it initiates a health warning on that stock.

This integrated analysis is incorporated into investment decisions through on-going communication with portfolio managers. In practice, integration is implemented through;

Distributing ESG ratings, pieces of research and health warnings of the global equities and issuers in which we invest to all fund managers through an internal platform

Presenting relevant developments in regulation and company news on environmental and social factors at investment meetings

Communicating key ESG risks and opportunities with the Standard Life Investments' sector analysts before and after engagement. Conducting company engagement with mainstream analysts

Circulating thematic research conducted by the Responsible Investment team to all internal fund managers

FI 11	Mandatory	Core Assessed	PRI 1
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FI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

Our Responsible Investment Team is in charge of reviewing and rating companies on their approach to environmental and sustainability issues. Our approach is materiality focused, identifying the key issues affecting performance.

More information on SLI's Responsible Investment approach can be found at:  
[http://www.standardlifeinvestments.com/sustainable\\_and\\_responsible\\_investing/index.html](http://www.standardlifeinvestments.com/sustainable_and_responsible_investing/index.html)

All companies are given a rating to reflect both their level of risk and the company's mitigation of these risks. Our ratings benchmark companies against others in their sector using a proprietary, in-house assessment tool. This approach is applied across our investment process and to mandates which have tailored SRI or ethical criteria.

RI Research is available to all investment professionals at SLI through our internal platform. In addition, The Responsible Investment team frequently contributes to internal meetings held by the various investment teams, such as morning meetings, equity and credit team meetings, to highlight ESG macro-trends or company-specific analysis. When material ESG risks affect a company, fund managers may ask a Responsible Investment analyst to participate to meetings with the company.

The Governance and Stewardship team seeks to increase shareholder value through constructive consultation with companies about their strategy, performance, management and other issues.

We apply our corporate governance policies in a professional and flexible manner, taking account of a company's particular circumstances. In general, we believe that -

A company's board should have three or more non-executive directors who are independent of executive management and other conflicts

A company's board should have a remuneration committee that's chaired by an independent non-executive director and that comprises a majority of such directors

Exceptional levels of remuneration should be available for the achievement of exceptional performance

Directors' service contracts should have notice periods that don't exceed 12 months

Companies should be open in their disclosures to shareholders.

If the Governance and Stewardship Team has significant concerns about a company, it initiates a health warning on that stock.

We work in collaboration with our Governance and Stewardship team as part of our engagement process and believe that sound corporate governance is necessary to achieve robust social and environmental practices.

[http://www.standardlifeinvestments.com/governance\\_and\\_stewardship/](http://www.standardlifeinvestments.com/governance_and_stewardship/)

FI 12	Voluntary	Descriptive	PRI 1
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FI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

FI 12.2	Describe how ESG information is held and used by your portfolio managers.
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- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify

FI 12.3	Additional information.
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We analyse ESG issues that have the potential to have an impact upon financial performance. In order to conduct internal research, the Responsible Investment team uses a variety of sources of information, both internal (discussion with investment analysts, portfolio managers) and external (research providers, brokers, industry groups, government, NGOs). Responsible Investment Analyst also have access to financial and ESG data and news through a range of internal information platforms.

We use alerts and company news provided by research providers and brokers to upgrade or downgrade companies' ratings if assessed material enough as well as to help determine the companies we will engage with.

At the end of a contract with a research providers or before if needed, the quality of the data and services provided is reviewed, according to our quality criteria and our clients' requirements. As a result, we may change our internal process or decide to collaborate with new research providers. In addition, SLI's investment professionals give the Responsible Investment team frequent feedbacks in a more or less formal way on how its ESG research and engagement with companies add value to their investment process.

## Outputs and outcomes



FI 15	Voluntary	Descriptive	PRI 1
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<b>FI 15.1</b>	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.
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#### Fixed Income - Corporate

- ☒ Narrow down or prioritise the investment universe
- ☒ Buy / sell / weight decisions
- ☒ Other, specify  
Engagement

<b>FI 15.2</b>	Additional information.
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ESG screens are applied to some SRI and Ethical Funds. In this case, the investment universe is restricted to those that pass the screen. The Ethical Funds favours companies that are involved in activities that benefit the environment or society. Positive screens applied to the ethical funds include companies with sound employment practices, strong community engagement or those that make a positive contribution to the environment.

We conduct engagement with companies demonstrating limited ESG performance and/or exposed to specific ESG risks. We also engage with companies at the fund manager's request in order to reinforce or alter the investment case. If it appears that a company does not demonstrate an adequate management of ESG risks, the company may see its SRI rating downgraded and fund managers can decide to reduce their holding in the company.

FI 17	Voluntary	Descriptive	PRI 1
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<b>FI 17.1</b>	Provide examples of ESG issues that affected your fixed income investment view and/or performance during the reporting year.
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- ☒ ESG issue 1

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate	
	ESG issue and explanation
<p>Corporate issuer in security services sector.</p> <p>The company was subject to allegations of human rights abuses and unethical business practices. This raised concern over the company's overall risk management system. We engaged with the company to investigate the allegations and assess their human rights practices.</p>	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
<p>After on-going engagement we did not see the improvements that we expected and we downgraded the company's SRI rating.</p> <p>As a result the company has been excluded from some of our funds. We continue to monitor the company's practices and may seek further engagement at a later date.</p>	

☒ ESG issue 2

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/>	Corporate
	ESG issue and explanation
	<p>Corporate issuer in airlines sector.</p> <p>The company was identified as a poor ESG performer by our research provider. We thus decided to have a meeting with the company to get further information on how they managed the main ESG risks we had identified for the airline sector.</p>
	ESG incorporation strategy applied
<input type="checkbox"/>	Screening
<input type="checkbox"/>	Integration
<input checked="" type="checkbox"/>	Combination of ESG incorporation strategies
	Impact on investment view or performance
	<p>We had a very fruitful discussion with the company. We were satisfied by the company's management of labour issues and environmental challenges. We also believed that the company's response to recent controversies was satisfactory. We upgraded the company's SRI rating and the stock is now an acceptable holding in our SRI funds.</p>

- ☐ ESG issue 3
- ☐ ESG issue 4
- ☐ ESG issue 5

## Communication

FI 18	Mandatory	Core Assessed	PRI 2,6
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FI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.
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- ☒ We disclose it publicly

	Provide URL
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[http://www.standardlifeinvestments.com/sustainable\\_and\\_responsible\\_investing/index.html](http://www.standardlifeinvestments.com/sustainable_and_responsible_investing/index.html)

FI 18.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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- ☐ Yes
- ☒ No

**FI 18.3**

Indicate the information your organisation proactively discloses to clients/ beneficiaries and/or the public regarding your approach to ESG incorporation.

Reporting to public	Reporting to clients/beneficiaries
<input type="radio"/> Broad approach to ESG incorporation <input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used	<input type="radio"/> Broad approach to ESG incorporation <input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used

**FI 18.4**

Indicate how frequently you typically report this information.

Reporting to public	Reporting to clients/beneficiaries
<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Between quarterly and annually <input type="radio"/> Less frequently than annually <input type="radio"/> Other, specify	<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Between quarterly and annually <input type="radio"/> Less frequently than annually <input type="radio"/> Other, specify

☐ We disclose it to clients/beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries

**FI 18.5**

Additional information. [Optional]

Details on Standard Life Investments' Responsible Investment approach are available on our website. We do not differentiate between fixed income and equity when it comes to explaining our ESG research and screening process.

From Q1 2014, we will report quarterly on the work of the Responsible Investment team, including major pieces of research and the company's engagement conducted.

We report to our clients quarterly or monthly depending on the mandate's requirements. Information disclosed include details on the screening process and its outcomes, engagement meetings conducted (including topics discussed and outcomes), industry initiatives in which Responsible Investment analysts participated and major pieces of research conducted when applicable.

Full reviews of our engagement across a range of ESG issues can be found on our website.

## Engagement in fixed income investments

### Fixed Income - Corporate

FI 19	Voluntary	Descriptive	PRI 2
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**FI 19.1**

Indicate if you engage with corporate issuers.

☒ Yes**FI 19.2**

Describe your organisation's approach to engagement in corporate fixed income.

In line with Standard Life Investments 'Focus on Change' investment approach, we use our influence where possible to encourage best practice standards in the management of these issues by engaging with the companies in which we invest. We prioritise engagement with companies where there are serious ESG concerns, company that rate poorly on our sustainability rating tool and where we have, overall, a significant equity or debt holding.

We have the same engagement approach on environmental and social issues for fixed income and equity. Differences may arise on our approach to governance-related issues, but as we are often both equity and debt holders, it is marginal.

☐ No**FI 19.3**

Additional information.

In 2013 Standard Life Investments engaged with over of 500 companies on ESG issues.

For further information on our engagement activity please visit our at :

<http://www.standardlifeinvestments.com/index.html>

# Standard Life Investments

## Reported Information

### Public version

#### Direct - Property

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

PR 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 01.1

Provide a breakdown of your organisation's internally managed property investments by equity and debt.

### Property investments instruments

☒ Equity investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Equity investments	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10%

PR 01.2

Indicate the level of ownership you typically hold in your property investments.

- ☒ a majority stake (>50%)
- ☐ a 50% stake
- ☐ a significant minority stake (between 10-50%)
- ☐ a limited minority stake (<10%)
- ☐ a mix of ownership stakes

☒ Debt investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Debt investments	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10%

**Total 100%**

☐ N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity or debt in property on their behalf

PR 02

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 02.1

Provide a breakdown of your organisation's property assets based on who manages the assets.

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed via third-party property managers appointed by you	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
<b>Total</b>	<b>100%</b>

**PR 02.2** Additional information. [Optional]

Our third party property managers are industry leading managing agents that we rigorously performance score on a quarterly basis in all disciplines including sustainability.

PR 03	Voluntary	Descriptive	General
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**PR 03.1** Indicate up to three of your largest property types by AUM.



Types	Main property types (by AUM)
Largest property type	<input type="radio"/> Industrial <input checked="" type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Third largest property type	<input checked="" type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify

<b>PR 03.2</b>	Additional information.
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The majority of our directly held assets are multi-let at 56% with only 44% being single let assets. Our largest sector is retail at 42% followed by office at 25 % and industrial at 14%. The largest proportion of our assets are in the UK at 68% followed by North America at 12% and Continental Europe at 9%.

<b>PR 04</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1-6</b>
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**PR 04.1**

Provide a brief overview of your organisation's approach to responsible investment in property where you have equity stakes.

SRI and ESG considerations are of paramount importance in terms of real estate investing and we are committed to environmental management in all phases of an asset's cycle - from acquisition through demolition, redevelopment, asset management to disposal, our focus is on energy conservation, mitigating Green House Gas emissions, maximising waste recycling and water conservation. To achieve these goals we employ best in class consultants and contractors all of whom have our SRI principles imbedded in their contract conditions and included in their performance reviews.

In addition, we actively participate in the Global Real Estate Sustainability Benchmark (GRESB) survey, which allows us to benchmark our portfolios on environmental and social performance against our global peers. We also in the UK participate in the IPD Sustainability Index 'EcoPAS' to ensure our real estate asset valuers are aware of the sustainability characteristics existing within each asset.

**PR 04.2**

Provide a brief overview of your organisation's approach to responsible investment in property where you hold debt.

N/A

**PR 05****Mandatory****Core Assessed****PRI 1-6****PR 05.1**

Indicate if your organisation has a Responsible Property Investment (RPI) policy.

☒ Yes

**PR 05.2**

Provide a URL if your RPI policy is publicly available. [Optional]

[http://www.standardlifeinvestments.com/CO\\_Sustainable\\_RE\\_Investment\\_Report/getLatest.pdf](http://www.standardlifeinvestments.com/CO_Sustainable_RE_Investment_Report/getLatest.pdf)

☐ No

**PR 05.3**

Additional information. [Optional]

In addition to our real estate SREI policy we have 2 Environmental Management Systems (EMS) to support it, namely:

1. Our "Sustainable Construct Programme" - EMS for new developments and refurbishments.
2. Our "Sustainable Operations Programme" - EMS for the ongoing management of our assets.

## Fundraising of property funds

PR 06	Mandatory	Core Assessed	PRI 1,4,6
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**PR 06.1**

Indicate if your fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.

☒ Yes

**PR 06.2**

Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:

- ☒ Policy and commitment to responsible investment
  - ☒ Always
  - ☐ In a majority of cases
  - ☐ In a minority of cases
- ☒ Approach to ESG issues in pre-investment processes
  - ☒ Always
  - ☐ In a majority of cases
  - ☐ In a minority of cases
- ☒ Approach to ESG issues in post-investment processes
  - ☒ Always
  - ☐ In a majority of cases
  - ☐ In a minority of cases

### **Policies**

We have attached a copy of the Standard Life Investments Real Estate SRI Policy ("Socially Responsible Investment Policy - Property") along with a diagram of how this policy sits within the context of our Standard Life Group Environment Policy and how it is underpinned by our Environmental Management Systems and their supporting documents including a summary of the annual reporting undertaken.

### **Resources**

In addition to the Standard life Investments dedicated SRI and corporate governance teams the Real Estate specific resources can be outlined as follows:

#### ***Sustainable Engineering Manager***

Our Sustainable Engineering Manager, Graham Baxter, is responsible for ensuring that the policy is implemented throughout our property portfolios both in the delivery of new assets and in particular our managed assets.

#### ***Health & Safety Manager***

Our Health & Safety Manager, Nigel Humphrey, is responsible for ensuring that our health & safety policy is implemented throughout our property portfolios and in particular in our managed assets.

In conjunction with our Fund Managers and Portfolio Managers these roles include working with a number of external consultants:

#### ***Managing Agents***

The managing agents are responsible for ensuring that an environmental management files exist for every managed property. This includes formal management of energy consumption management, waste recycling and any COSHH related substances on site.

#### ***Energy Brokers***

They are responsible for the procurement, validation and logging of the energy and water consumptions onto our web based Property Management Data System ERIMS hosted by WSP environmental.

#### ***Mechanical & Electrical (M&E) Facilities Management (FM) Consultants***

The M&E FM Consultants, review the energy consumption data logged on ERIMS to check for any anomalies/abnormalities to include in their quarterly reports to the Managing Agents. The M&E FM Consultants also review the Half Hourly data profiles in their Energy Audit Studies. They are also responsible for procuring and auditing of the planned & reactive maintenance of the properties along with major fabric and plant replacement programming.

#### ***Waste Management Consultants***

Our specialist waste management consultants in conjunction with the managing agents are responsible for carrying out waste management reviews. An Asset Annual Waste Statement is produced to engage with tenants to maximise opportunities to reduce waste to landfill and increase the recycling of the waste generated. To enable all of the

necessary monitoring and analysis of the relevant waste data from each asset we have established a web portal hosted by S2 Partnership Ltd. Their on-line risk management system called Riskwise has a customised environmental module to allow us to log and report our waste data in accordance with our various reporting requirements.

### **Portfolio Construction**

Portfolio construction is reviewed on an ongoing basis with the objective of managing cash flows to continuously align the portfolio structure with our house view.

At each key stage in portfolio construction the initial sustainability thresholds of the relevant asset needs to be understood. We therefore have due diligence surveys carried out before purchase so that the physical, legal and financial risks that particular assets sustainability characteristics pose can be fully assessed. Of the many risks to be considered, we as a minimum undertake due diligence on the following issues: contamination, obsolescence, flooding, Landlord/Tenant obligations, regulatory change, running costs/service charges and tax implications including particularly the CRC Energy Efficiency Scheme.

Although these risks can be managed or indeed may form part of an asset repositioning strategy (e.g. through redevelopment or refurbishment) we execute stock selection decisions with minimum criteria in view so that, for example, from a contamination point of view we would assess the risk utilising our external experts, in order that no new properties will be acquired which have a level of environmental risk beyond that which would be acceptable to Institutional real estate investors.

### **Portfolio Management**

Environmental and social issues feature highly in the investment process as they affect occupational demand, liquidity, depreciation and ultimately the long term total return performance of an investment. In order to ensure a consistent approach whether it is in the development or operational stages of an investment we have a policy supported by 2 environmental management systems that are imbedded in the contracts of our delivery teams.

See a copy of our SREI Policy and our EMS's 'Sustainable Construct Programme' and 'Sustainable Operations Programme' in the URL in 5.2 above which outline how the environmental and social issues are incorporated in the investment process.

In conjunction with these environmental principles Standard Life Investments are committed to providing safe and secure buildings that promote a healthy working/customer experience that supports a healthy lifestyle. We manage and control health and safety risks systematically as any other critical business activity using technologically advanced systems and environmentally protective materials and equipment. We aim to achieve a health and safety performance we can be proud of and allowing us to earn the confidence and trust of tenants, customers, employees, shareholders and society at large.

The legacy of our construction and management decisions is felt by the communities that live near or work in our assets. By engaging with communities throughout the life of the investments, we believe that we can strengthen local areas and build engagement with our properties. All of our assets impact on the community in some shape or form; however our belief is that the asset should provide more than just a good environment to work in. Although employment is a foundational attribute in the social fabric of the local community our assets, in particular our Retail Park and Shopping Centre assets provide us with the opportunity to contribute to the success of a sustainable community.

☐ No

PR 07	Voluntary	Additional Assessed	PRI 4
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PR 07.1	Indicate whether your organisation makes formal commitments in fund formation contracts, Limited Partnership Agreements (LPAs) or in side letters relating to responsible investment in property when requested by clients.
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- ☐ We always make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☒ In a majority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ In a minority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ We do not make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ Our clients do not request us to make formal commitments to responsible investment in property

PR 07.2	Additional information.
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In addition to the Fund and asset benchmarking submissions we make to GRESB and IPD EcoPAS we generally commit to reporting directly to the investors in our funds with an annual ESG statement with an interim update on progress on initiatives undertaken and environmental performance targets set.

## Pre-investment (selection)

PR 08	Mandatory	Gateway	PRI 1
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PR 08.1	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
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☒ Yes

**PR 08.2**

Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. [Optional]

Portfolio construction is reviewed on an ongoing basis with the objective of managing cash flows to continuously align the portfolio structure with our house view.

At each key stage in portfolio construction the initial sustainability thresholds of the relevant asset needs to be understood. We therefore have due diligence surveys carried out before purchase so that the physical, legal and financial risks that particular assets sustainability characteristics pose can be fully assessed. Of the many risks to be considered, we as a minimum undertake due diligence on the following issues: contamination, obsolescence, flooding, Landlord/Tenant obligations, regulatory change, running costs/service charges and tax implications including particularly the CRC Energy Efficiency Scheme.

Although these risks can be managed or indeed may form part of an asset repositioning strategy (e.g. through redevelopment or refurbishment) we execute stock selection decisions with minimum criteria in view so that, for example, from a contamination point of view we would assess the risk utilising our external experts, Environ, in order that no new properties will be acquired which have a level of environmental risk beyond that which would be acceptable to Institutional real estate investors.

☐ No

PR 09	Voluntary	Descriptive	PRI 1,4
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**PR 09.1**

Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the property investment selection process.

☒ Internal staff

☒ Specify role

Sustainable Engineering Manager

☐ Specify role

☐ Specify role

☒ External resources

☒ Environmental advisors

☐ Social advisors

☐ Corporate governance advisors

☒ Regulatory and/or legal advisors

☐ Other, specify type of advisors/roles

☐ No use of internal or external advice on ESG issues

PR 09.2	Additional information.
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At the Property Identification stage we would seek the advice of our internal Sustainable Engineering Manager.

At the Property Assessment stage we would in addition seek the advice of our appointed law firms, Consulting Engineers and Building Surveyors.

PR 10	Mandatory	Core Assessed	PRI 1,3
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PR 10.1	Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process and list up to three examples per issue.
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#### ESG issues

☒ Environmental

List up to three typical examples of environmental issues
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Contamination and Remediation issues including ground works and/or the existence of asbestos.

Flood Risk issues including understanding on-site and off-site flood defences and flood resilience measures.

Energy Performance of the asset.

☒ Social

List up to three typical examples of social issues
--

Transport links to and from the asset.

Accessibility onto and within the asset.

Adaptability of the asset for flexibility in changes in current use and also potential for other uses.

☒ Governance

List up to three typical examples of governance issues
--

Energy Performance Certification

CRC Energy Efficiency Scheme participation

Flood Defence Obligations whether preventative or temporary holding obligations.

PR 10.2	Additional information. [Optional]
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In addition to the above considerations we would also consider any quality benchmarking labelling i.e LEED, BREEAM or Energy Star ratings etc...

PR 11	Voluntary	Additional Assessed	PRI 1,3
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<b>PR 11.1</b>	Indicate what type of ESG information your organisation typically considers during your property investment selection process.
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- ☒ Raw data from the target property asset/company
- ☒ Appraisals/audits
- ☒ Benchmarks/ratings against similar property asset
- ☒ Country level data/benchmarks
- ☒ Data aligned with established property reporting standards, industry codes and certifications
- ☒ International initiatives, declarations or standards
- ☒ Data from engagements with stakeholders (e.g. tenants and local community surveys)
- ☒ Information from external advisers
- ☐ Other, specify
- ☐ We do not track this information

<b>PR 12</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>PR 12.1</b>	Indicate if ESG issues impacted your property investment selection process during the reporting year.
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- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☐ ESG issues led to the abandonment of potential investments
- ☐ ESG issues impacted the investment in terms of price offered and/or paid
- ☐ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☒ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

<b>PR 12.2</b>	Additional information.
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In light of the upcoming minimum energy performance standards in the UK we are focusing on the EPC rating of the assets, however to date this has not lead us to abandon any potential investments.

## Selection, appointment and monitoring third-party property managers

<b>PR 13</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 4</b>
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<b>PR 13.1</b>	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.
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☒ Yes

**PR 13.2**

Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.

- ☒ Selection process of property managers incorporated ESG issues
  - ☒ For all third party property managers
  - ☐ For a majority of property managers
  - ☐ For a minority of property managers
- ☒ Contractual requirements when appointing property managers includes ESG issues
  - ☒ For all third party property managers
  - ☐ For a majority of property managers
  - ☐ For a minority of property managers
- ☒ Monitoring of property managers covers ESG responsibilities and implementation
  - ☒ For all third party property managers
  - ☐ For a majority of property managers
  - ☐ For a minority of property managers

**PR 13.3**

Provide a brief description of your organisation's selection, appointment and monitoring of third party property managers. [Optional]

When seeking out new property managers our prequalification, tender enquiry and interview selection criteria elicits the sustainability policies and practices of potential candidates. Once selected each company will have our SREI Policy and our associated EMS's imbedded within their appointment document and each will be continually performance assessed in all disciplines including sustainability.

**PR 13.4**

Describe how your third party property managers contribute to the management of ESG issues for your property investments. [Optional]

Our managing agents in conjunction with our M&E FM Consultants, Utility Bureau Consultants and Waste Management Consultants are responsible for data gathering, logging, monitoring and sharing of the energy and waste key performance indicators. They will be engaged in the implementation of any sustainability initiatives including energy saving, water conservation and waste recycling initiatives.

☐ No

## Post-investment (monitoring and active ownership)

### Overview

**PR 14**

**Mandatory**

**Gateway**

**PRI 2**

<b>PR 14.1</b>	Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.
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☒ Yes

<b>PR 14.2</b>	Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.
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- ☒ We consider ESG issues in property monitoring and management
- ☒ We consider ESG issues in property developments and refurbishments
- ☒ We consider ESG issues in property occupier engagements
- ☒ We consider ESG issues in community engagements related to our properties
- ☐ We consider ESG issues in other post-investment activities, specify

<b>PR 14.3</b>	Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]
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Please see in link supplied above our EMS "Sustainable Operations Programme".

☐ No

## Property monitoring and management

<b>PR 15</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2,3</b>
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<b>PR 15.1</b>	Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.
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- ☒ >90% of property assets
- ☐ 51-90% of property assets
- ☐ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

<b>PR 15.2</b>	Indicate ESG issues for which your organisation, and/or property managers, typically sets and monitors targets (KPIs or similar) and provide examples per issue.
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### ESG issues

- ☒ Environmental

	List up to three example targets per issue
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Energy Consumption (kWh, electricity and gas etc...) long term target of 10% reduction over 5 years resulting in a notional annual target of 2%.

Water consumption (m3) long term target of 5% reduction over 5 years resulting in a notional annual target of 1 %.

Waste Recycling and recovery targets set by sector type with a zero to landfill policy.

☒ Social

List up to three example targets per issue
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Health & Safety Risks - Percentage managed at first point of audit each year.

☒ Governance

List up to three example targets per issue
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IPD EcoPAs submissions

GRESB submissions

BREEAM/LEED Assessments

☐ We do not set and/or monitor against targets

<b>PR 15.3</b>	Additional information. [Optional]
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For greater detail please refer to our EMS "Sustainable Operations Programme" included in the above URL link in 5.2

<b>PR 16</b>	Voluntary	Additional Assessed	<b>PRI 2</b>
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<b>PR 16.1</b>	List the certification schemes, ratings and/or benchmarks your property assets are assessed against and what proportion of your property assets they apply to.
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☒ Add certification scheme, rating and benchmark 1

Specify	Energy Performance Certificates
Proportion of property assets these apply to	<input checked="" type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets  (in terms of number of property assets)

☒ Add certification scheme, rating and benchmark 2

Specify	IPD EcoPAS Sustainability Index
Proportion of property assets these apply to	<input type="radio"/> >90% of property assets <input checked="" type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets  (in terms of number of property assets)

☒ Add certification scheme, rating and benchmark 3

Specify	GRESB
Proportion of property assets these apply to	<input type="radio"/> >90% of property assets <input checked="" type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets  (in terms of number of property assets)

<b>PR 16.2</b>	Additional information.
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IPD EcoPAS is only our UK assets

GRESB is our Global Pooled 3rd Party Fund assets.

All our Assets in Australia are submitted to NABERS.

## Property developments and refurbishments

<b>PR 17</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>PR 17.1</b>	Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.
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- ☒ >90% of active developments and refurbishments
- ☐ 51-90% of active developments and refurbishments
- ☐ 10-50% of active developments and refurbishments
- ☐ <10% of active developments and refurbishments
- ☐ N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

<b>PR 17.2</b>	Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.
<input checked="" type="checkbox"/> Minimum environmental site selection requirements <input checked="" type="checkbox"/> Minimum environmental site development requirements <input checked="" type="checkbox"/> Sustainable construction materials <input checked="" type="checkbox"/> Minimum water efficiency requirements <input checked="" type="checkbox"/> Minimum energy efficiency requirements <input checked="" type="checkbox"/> Energy generation from on-site renewable sources <input checked="" type="checkbox"/> Waste management plans at sites <input checked="" type="checkbox"/> Health and safety management systems at sites <input checked="" type="checkbox"/> Construction contractors comply with sustainability guidelines <input type="checkbox"/> Other, specify	
<b>PR 17.3</b>	Additional information. [Optional]

See our EMS "Sustainable Construct Programme" included in the URL link in 5.2 above.

## Occupier engagement

PR 18	Mandatory	Core Assessed	PRI 2
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<b>PR 18.1</b>	Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.
<input type="radio"/> >90% of occupiers <input checked="" type="radio"/> 51-90% of occupiers <input type="radio"/> 10-50% of occupiers <input type="radio"/> <10% of occupiers  (in terms of number of occupiers)	

<b>PR 18.2</b>	Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.
<input type="checkbox"/> Distribute a sustainability guide to occupiers <input checked="" type="checkbox"/> Organise occupier events focused on increasing sustainability awareness <input checked="" type="checkbox"/> Deliver training on energy and water efficiency <input checked="" type="checkbox"/> Deliver training on waste minimisation <input checked="" type="checkbox"/> Provide feedback on energy and water consumption and/or waste generation <input checked="" type="checkbox"/> Provide feedback on waste generation <input checked="" type="checkbox"/> Carry out occupier satisfaction surveys <input type="checkbox"/> Other, specify	

<b>PR 18.3</b>	Additional information. [Optional]
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Tenant engagement is key to optimising the environmental performance of an asset as their occupational use and hours of occupation are the biggest contributors to energy use. Although our managing agents meet with the tenants on a regular basis, to facilitate meaningful dialogue in relation to the energy consumption of the building our M&E FM consultants produce an annual Landlords Energy Statement. This enables the tenants to carry out a Tenants Energy Review utilising the Carbon Trusts LES-TER form. Where tenants don't have the expertise to do this our M&E FM consultants are engaged by the tenants to assist them in this review.

PR 19	Voluntary	Additional Assessed	PRI 2
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<b>PR 19.1</b>	Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.
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- ☐ >90% of leases or MoUs
- ☐ 51-90% of leases or MoUs
- ☐ 10-50% of leases or MoUs
- ☐ <10% of leases or MoUs
- ☐ 0% of leases or MoUs
- ☒ N/A, no leases or MoUs were signed during the reporting year

(in terms of number of leases or MoUs)

## Community engagement

PR 20	Voluntary	Additional Assessed	PRI 2
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<b>PR 20.1</b>	Indicate in respect of what proportion of property assets your organisation, and/or your property managers, engaged with the community on ESG issues during the reporting year.
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- ☐ >90% of property assets
- ☐ 51-90% of property assets
- ☒ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

<b>PR 20.2</b>	Indicate if the following areas and activities are typically part of your, and/or your property managers', community engagement.
<input checked="" type="checkbox"/> ESG education programmes for the community <input checked="" type="checkbox"/> ESG enhancement programmes for public spaces <input checked="" type="checkbox"/> Research and networking activities focusing on ESG issues <input checked="" type="checkbox"/> Employment creation in communities <input checked="" type="checkbox"/> Supporting charities and community groups <input type="checkbox"/> Other, specify	
<b>PR 20.3</b>	Additional information.

This is mainly in our retail and mixed use schemes.

## Outputs and outcomes

PR 21	Voluntary	Additional Assessed	PRI 1,2
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<b>PR 21.1</b>	Indicate whether your organisation measures how your approach to ESG issues in property investments has affected financial and/or ESG performance.
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	Financial performance
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- ☐ We measure how ESG issues affect financial performance  
☒ We do not measure how ESG issues affect financial performance

	ESG performance
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- ☒ We measure changes in ESG performance

<b>PR 21.3</b>	Describe the measures your organisation uses to assess the impact of your activities on your property investments' ESG performance.
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IPD EcoPAS and GRESB submissions

- ☐ We do not measure changes in ESG performance



We believe that there is growing evidence of a strong link between the environmental performance of real estate assets and financial risk and return and this will increase in significance going forward. Improved environmental design/performance enables occupiers to save on total occupational costs, which in turn leads to increased capital value performance from the asset as a result of the ability to achieve higher rental levels. The appeal of the property to occupiers is also improved resulting in enhanced occupancy levels and reduced vacancy costs to the investor. Conversely assets with poor environmental credentials are increasingly at risk of further regulation, potentially impacting liquidity (e.g. EPC regulations). In addition, these properties will generally require significant capital expenditure to upgrade them to current standards which inevitably leads to underperformance of the asset, particularly in the current market.

We believe that over time the performance of properties that deliver greater energy efficiency to occupiers will be stronger as building users focus both on the energy costs of the buildings they occupy and the environmental impact of their own business operation. As a consequence we believe it is reasonable to expect over the longer term that such buildings will deliver stronger rental growth and total returns as government policy and regulation develops and these factors become more prominent in tenants' occupational decision making.

The key aspect that we believe will drive the rental and capital growth is not just that the property has been designed and constructed to have a 'green' asset label, but that the operational energy performance of the building has been monitored and where possible labelled. The rolling out of 'Display Energy Certificates' (DEC's) in the UK to the commercial sector would help to galvanise this uplift in value as occupiers would know before acquiring space in a building what the operational efficiency of the building is.

We expect these factors to be of more significance in the office and shopping centre sectors; however their impact on the retail park and industrial/distribution sectors continues to gather momentum.

☒ Add Example 1

ESG issue	Flooding
Types of properties affected	Office Building
Impact (or potential impact) on investment	The building has an undercroft car park which is designed to be a catchment area for the river Thames, however this has previously only been a short term impact but this year the water didn't abate for over 2months. Fortunately we were in the middle of refurbishing the whole building so that there were no tenants in occupation, however it did delay the works and almost stalled negotiations with a tenant who has now taken a lease for the whole building.
Activities undertaken to influence the investment and the outcomes	Redesign of the extent of the catchment area to prevent flooding of the undercroft to minimise the re-instatement time for use of the car park gave the tenant enough comfort to sign the lease.

- ☐ Add Example 2  
☐ Add Example 3  
☐ Add Example 4  
☐ Add Example 5

## Communication

PR 23	Mandatory	Core Assessed	PRI 6
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<b>PR 23.1</b>	Indicate if your organisation proactively discloses ESG information on your property investments.
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- ☒ Disclose publicly

	provide URL
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[http://www.standardlifeinvestments.com/CO\\_Sustainable\\_RE\\_Investment\\_Report/getLatest.pdf](http://www.standardlifeinvestments.com/CO_Sustainable_RE_Investment_Report/getLatest.pdf)

<b>PR 23.2</b>	Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.
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- ☒ Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS)  
☐ Other property reporting standards, specify  
☐ No property specific reporting standards are used

<b>PR 23.3</b>	Indicate if the level of ESG information you provide to the public is the same as the level you provide to your clients/beneficiaries.
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- ☐ Yes  
☒ No

**PR  
23.4**

Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients/beneficiaries.

Public	Clients/beneficiaries
<input type="checkbox"/> ESG information on how you select property investments	<input checked="" type="checkbox"/> ESG information on how you select property investments
<input checked="" type="checkbox"/> ESG information on how you monitor and manage property investments	<input checked="" type="checkbox"/> ESG information on how you monitor and manage property investments
<input checked="" type="checkbox"/> Information on your property investments' ESG performance	<input checked="" type="checkbox"/> Information on your property investments' ESG performance
<input type="checkbox"/> Other, specify	<input type="checkbox"/> Other, specify

**PR  
23.5**

Indicate your organisation's typical frequency of disclosing ESG information to the public and/or your clients/beneficiaries.

Public	Clients/beneficiaries
<input type="radio"/> Quarterly or more frequently	<input type="radio"/> Quarterly or more frequently
<input type="radio"/> Semi annually	<input type="radio"/> Semi annually
<input checked="" type="radio"/> Annually	<input checked="" type="radio"/> Annually
<input type="radio"/> Every two years or less frequently	<input type="radio"/> Every two years or less frequently
<input type="radio"/> Ad-hoc, specify	<input type="radio"/> Ad-hoc, specify

**PR  
23.6**

Describe the ESG information and how your organisation proactively discloses it to the public and/or clients/beneficiaries.  
[Optional]

We disclose our ESG performance in our annual Sustainable Real Estate Investment (SREI) report which is available publicly on our website. This report is presented in a geographical and sector by sector basis and includes the following:

5. Energy Efficiency Statement
6. GHG Emissions Statement
7. Water Conservation Statement
8. Waste Recycling Statement
9. SREI Policy
10. EMS "Sustainable Construct Programme"
11. EMS "Sustainable Operations Programme"
12. Case Studies
13. KPI Performance data

In addition to this our clients receive a Fund specific annual ESG Statement which has sector and asset level ESG performance. We also share the GRESB scorecards with those investors in the particular fund submitted.

- ☐ Disclose to clients/beneficiaries only
- ☐ No proactive disclosure to the public or to clients/beneficiaries