



# RI TRANSPARENCY REPORT

2013/14

Threadneedle Asset Management Ltd



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	✓	Private							✓
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	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
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	✓	Public	✓						
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	✓	Public	✓						
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	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Private		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
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	🔒	n/a	✓						
FI 07	Processes to ensure screening is based on robust analysis	🔒	n/a	✓						
FI 08	Processes to ensure fund criteria are not breached	🔒	n/a	✓						
FI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
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	✓	Public	✓						
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	-	n/a	✓					✓	
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	-	n/a		✓					
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	-	n/a		✓					
PR 20	Proportion of assets engaged with on community issues	🔒	n/a		✓					
PR 21	ESG issues affected financial/ESG performance	-	n/a	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	

# Threadneedle Asset Management Ltd

## 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
-------	-----------	---------	---------

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

700

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		120	000	000	000
Currency	USD				
Assets in USD		120	000	000	000

**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	>50%	0
Fixed income – corporate	10-50%	0
Fixed income – government	10-50%	0
Fixed income – other	<10%	0
Private debt	0	0
Private equity	0	0
Property	<10%	0
Infrastructure	0	0
Commodities	<10%	0
Hedge funds	0	0

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

	'Other (1)' specified
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#### Asset Allocation Funds and Multi-Manager Funds

☐ 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 checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

### Gateway asset class implementation indicators

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

OO 11	Mandatory	Gateway	General
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**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
- ☐ Fixed income – government
- ☐ Fixed Income – other
- ☒ Property
- ☐ Commodities
- ☐ Cash
- ☐ Other (1)
- ☐ None of the above

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

Asset Allocation Funds and Multi-Manager Funds

**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.

# Threadneedle Asset Management Ltd

## Reported Information

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## Overarching Approach

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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**OA 01.1** Indicate if you have a responsible investment policy.

☒ Yes

☐ No

**OA 01.2** Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ 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]

Our policies set out Threadneedle's responsible investment approach and detail how we integrate environmental, social and corporate governance issues in our investment process and wider policy engagement to uphold our stewardship responsibilities on behalf of our clients.

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.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/>

☐ No

**OA 02.3** Indicate if your other policies or guidance documents related to responsible investment are publicly available.

☒ Yes

☒ Yes, all

☐ Yes, some

<b>OA 02.4</b>	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.
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Policy or document name	URL
ESG Indicators and Key Issues	<a href="http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/">http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/</a>
UK Stewardship Code Statement	<a href="http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/">http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/</a>
Governance and Proxy Voting Principles	<a href="http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/">http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/</a>

☐ No

<b>OA 03</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1,2</b>
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<b>OA 03.1</b>	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 checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

<b>OA 04</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>General</b>
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<b>OA 04.1</b>	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]

In a stewardship, engagement and proxy voting context, where potential conflicts of interest may arise, for instance where we are investors in a company that is associated with a client (e.g. the company's pension scheme trustees), we adhere to the following procedure:

- Engagement and proxy voting decisions are agreed between the Governance & Responsible Investment team and relevant fund managers, in line with our policies and procedures.
- Where decisions involve a pragmatic application of or deviation from our headline policy and guidelines that is documented and the explanation and rationale recorded.
- In the event of a controversial issue, that is escalated, initially to the relevant desk heads. The final arbiter in such cases would be Threadneedle's Head of Equities, Chief Investment Officer or Investment COO.
- Where issues require escalation, our legal and compliance teams are consulted as appropriate.
- Arrangements and procedures are maintained to monitor potential conflicts of interest and regular reports are submitted to senior management and the compliance team on the operation of these arrangements.
- The overriding test at each stage of this process is that the approach and actions taken must be in the interests of those clients on whose behalf they are being taken and consistent with our TCF ('treating customers fairly') obligations.

☐ 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]

Objectives are set in line to support the overall investment department and sales teams' strategies with a focus on delivery for clients. Objectives and progress are reviewed annually in line with annual appraisals.

**OA 06**

Voluntary

Descriptive

General

**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

Objective 1	Develop Threadneedle's ESG offering and services
Key performance indicators	
Describe the progress achieved	<ul style="list-style-type: none"> <li>- UK Social Bond Fund Launched</li> <li>- Introduced Accounting Ratings into screens and stock reviews</li> <li>- Extended ESG Rating to Fixed Income</li> </ul>

☒ Add responsible investment objective 2

Objective 2	Develop and deliver investment relevant ESG Research
Key performance indicators	
Describe the progress achieved	The team produces weekly ESG updates, conducts daily proxy voting research, produces thematic reports and in 2013 completed approximately 100 stock reviews.

☒ Add responsible investment objective 3

Objective 3	Prioritise and deliver effective ESG engagement
Key performance indicators	
Describe the progress achieved	Engaged with more than 130 companies on ESG issues.

<b>OA 06.2</b>	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.
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- ☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Develop Threadneedle's ESG offering and services
Key performance indicators	Monitoring of RFPs and responsible investment product's AUM

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

Objective 2 for the next reporting year	Develop and deliver investment relevant ESG Research		
Key performance indicators	<table border="1"> <tr> <td></td><td>key performance indicator 2</td></tr> </table> Number of stock reviews and thematic reports		key performance indicator 2
	key performance indicator 2		

- ☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Prioritise and deliver effective ESG engagement
Key performance indicators	Number of companies engaged with

## Governance and human resources

<b>OA 07</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>General</b>
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**OA 07.1**

Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

The responsibility for our governance and responsible investment activities lies with the Head of Governance and Responsible Investment. The heads of regional equity departments, as well as the heads of our fixed income teams are also actively involved in supporting these activities and their appropriate integration into the investment process.

The GRI team is composed of three full time analysts with responsibility for ESG research, integration, proxy voting and ESG reporting. The dedicated staff include the Head of Governance and Responsible Investment, s Sustainable and Responsible Investment Officer and a Governance and Responsible Investment Analyst

The GRI team is embedded within the investment department and the head of the GRI team reports to the Head of Equities. The Chief Investment Officer (CIO) has executive responsibility for GRI policies and their implementation, as appropriate, across asset classes.

☐ 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****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  
**Chief Investment Officer**

- ☒ Oversight/accountability for responsible investment
- ☐ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ 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
- ☒ Other role, specify
  - RFP Writer**
    - ☐ Oversight/accountability for responsible investment
    - ☒ Implementation of responsible investment
    - ☐ No oversight/accountability or implementation responsibility for responsible investment
  - ☐ Other role, specify

<b>OA 08.2</b>	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
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	Number
--	--------

3

<b>OA 09</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>General</b>
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<b>OA 09.1</b>	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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**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

**Other C-level staff or head of department**

Chief Investment Officer

- ☐ 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

#### Other role

RFP Writer

- ☐ 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

### 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

☐ 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

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

☒ Basic

☐ Moderate

☐ Advanced

☒ 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

☐ Council of Institutional Investors (CII)

☐ 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]
--	--

Active participant in GIGN contributing to investor calls and presenting on specific topics.

☒ Global Real Estate Sustainability Benchmark (GRESB)

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

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

☐ 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]

**Guest speaker at ICGN training conference**

- ☐ 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]

**Lead investor on two collaborative engagements - fracking and employee relations**

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

**UKSIF and Eurosif**

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

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

- ☐ Shareholder Association for Research and Education (Share)
- ☐ United Nations Environmental Program Finance Initiative (UNEP FI)
- ☐ United Nations Global Compact
- ☒ Other collaborative organisation/initiative, specify

**Corporate Governance Forum**

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]

Active member and regular contributor to calls

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

☐ No

OA 11	Mandatory	Core Assessed	PRI 4
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**OA 11.1** Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

☒ 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 12	Voluntary	Additional Assessed	PRI 4,5,6
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**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

<b>OA 12.2</b>	Select the methods you have used.
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- ☒ 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
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<http://www.iccr.org/investor-statement-bangladesh>

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

<http://www.unpri.org>

☐ No

☐ No

<b>OA 12.4</b>	Additional information.
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Where appropriate we will make our engagements public. Above are links to the Investor Statement on Bangladesh which we support and engage on as well as the PRI Clearinghouse which details the two collaborative initiatives of which we are a part.

## ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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<b>OA 13.1</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
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☐ Yes

☒ No

OA 14	Voluntary	Descriptive	PRI 1
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<b>OA 14.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
<input type="radio"/> Yes <input checked="" type="radio"/> No	

## Innovation

<b>OA 18</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>General</b>
<b>OA 18.1</b>	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.		

In terms of innovation, this year we would like to highlight a particularly innovative new product Threadneedle has launched in November 2013. The Threadneedle UK Social Bond Fund was created in partnership with Big Issue Invest, the social investment arm of The Big Issue. Work on this innovative new strategy was conducted over the previous six months, with formal approval from the Financial Conduct Authority received in September 2013.

The UK Social Bond Fund aims to bring social investment to the mainstream and to achieve both a financial return and a positive social outcome by investing in fixed income securities of organisations that support socially beneficial activities and economic development.

As an established asset manager with a strong reputation across both bonds and social investment, Threadneedle is well-placed to manage the UK Social Bond Fund. This has been launched in partnership with Big Issue Invest, a leader and innovator in backing social businesses in the UK, who brings a unique understanding and experience in terms of social investing.

Big Issue Invest, working with Threadneedle's GRI team, has developed a unique Social Assessment Methodology that positively screens all investable bonds with a focus on the degree to which they deliver positive social outcomes across eight fields of investment. This provides the framework under which the social attributes and intensity of an investment is assessed for consideration alongside its yield and liquidity characteristics, in building a balanced, diversified portfolio. This is a key differentiator from other products in the market that focus on one specific sector (e.g. social housing) or a set of beliefs and values upon which certain bonds are excluded (e.g. ethical bond funds).

The social outcome generated by the resulting portfolio will be monitored and verified by a Social Advisory Committee, made up of senior representatives from Threadneedle and Big Issue as well as an independent committee member John Hale, former Manager of Investment Affairs at the Association of British Insurers.

## Assurance of responses

<b>OA 19</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>General</b>
<b>OA 19.1</b>	Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.		
<input type="radio"/> Yes <input checked="" type="radio"/> No			

# Threadneedle Asset Management Ltd

## 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.

Threadneedle incorporates ESG into equity investments through ESG integration and engagement. Our equity teams aim to invest in well run companies with sustainable business models. Integral to this approach is the belief that well managed and governed companies are better positioned to handle the risks and challenges inherent in business and to capture opportunities that help deliver sustainable value and returns for our clients. We take the time to understand businesses and their business' plans as we assess a business. In developing that understanding we therefore take into account its approach to managing environmental, social and governance (ESG) issues, as well as any controversies that have arisen.

We believe that effective stewardship benefits companies, our clients and the economy as a whole. Seeking to improve corporate practice, mitigate risks and understand related opportunities is central to our stewardship and responsible investment approach. Our fund managers, analysts and GRI team work collaboratively to monitor and engage with the companies we invest in. We also believe that active voting is an important aspect of this and in influencing corporate behaviour.

Our Governance and Responsible Investment team is an integral part of our investment capability and works with the fund managers and analysts to help integrate material ESG analysis into our investment approach. Our assessment of companies includes their approach to and management of ESG issues. As part of this, we reference and draw on the guidelines of both the UN Global Compact and the OECD guidelines for multinational enterprises in our research. This approach combines best-in-class considerations, reviews of controversies and company specific and our assessment of the strengths, weaknesses, opportunities and threats of companies ESG practices, taking account of the context, industry and overall performance of the business.

## ESG incorporation in actively managed listed equities

### Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
<b>LEI 03.1</b>	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)

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div>
	91

- ☒ Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div>
	9

- ☐ 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.

Threadneedle's focus is ESG integration as we believe that incorporating ESG criteria will enable fund managers to make better informed investment decisions. Individuals and teams make their own investment decision but ESG forms part of the the assessment. The strategy, however, ensures substantial dialogue between the GRI team, fund managers and analysts and contributes to understanding of risks and opportunities on a stock, sector or theme.

We manage about 9% of AUM on segregated mandates which in addition to our ESG integration have specific screens to exclude investment on the basis of the client's needs.

The only non-investment policy that we apply across all AUM is our non-investment in Controversial Weapons policy

**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
- ☒ 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.

Sources of Information to the Governance and Responsible Investment team:

- Company data and dialogue including traditional and sustainability reporting
- Brokers focused on ESG research
- External ESG rating provider: MSCI ESG research
- Corporate governance database: BoardEx
- Accountancy research: GMI
- Proxy voting related governance research: MSCI ISS
- CDP Data
- Investor Forums
- Bloomberg
- NGOs
- Academia
- News
- National and International government bodies

**LEI 04.3**

Indicate if you incentivise brokers to provide ESG research.

- ☒ Yes

LEI 04.4	Describe how you incentivise brokers.
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Threadneedle provides commission to brokers that provide critical research for us. We have an externally verified allocation system which is based on the best research. In addition we have follow up conversations with the brokers and other research providers regularly.

☐ 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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Threadneedle's investment philosophy and process is built upon research sharing and engagement across the investment department. Company meeting notes, research and analysis are shared with relevant analysts and maintained in a central database that all analysts can access. Joined meetings are held regularly and the GRI team present at investment desk's meetings where there are issues of note to highlight.

ESG information is built into long term stock reviews and this will include relevant engagements and proxy voting activity for consideration.

Proxy voting decisions are made in line with our policy but with input from analysts. This is a valuable way to share experiences and analysis to make the most informed voting decision.

In addition the GRI team produces a weekly internal newsletter that highlights engagement activities and gives details and a discussion of proxy voting for that week. This is shared with the investment department as well as sales teams.

The GRI team also produce a quarterly report on ESG that includes a discussion around proxy voting and engagement examples - this is distributed both internally and externally.

## (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**

Threadneedle has operated a firm wide non-investment policy in controversial weapons since 2011. This is applied across all equities and fixed income portfolios.

In addition we manage segregated mandates that have restrictions based on products, sector, country and ESG issues. However we do not apply these restrictions to non-segregated mandates

- ☐ Positive/best-in-class screening  
☐ 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.

**Controversial Weapons**

The list of companies which are excluded from investment is maintained by the GRI team and is reviewed on a semi-annual basis. The review includes the following steps:

- Reviewing the list from MSCI ESG screener on the basis of the involvement as a cluster munitions manufacture, a landmine manufacturer, or if there is any revenue at all from biochemical and nuclear weapons.
- Reviewing the companies online documentation
- Reviewing other public benchmarks such as the Pax Kristi worldwide investment in cluster munitions update

The list of companies are hard coded in our internal risk system sentinel to prevent investment

**Segregated Mandates**

For segregated mandates the client may provide a list of restricted issuers or alternatively the criteria to be excluded. The compliance department will restrict investments on the basis of this, the GRI team also create exclusion lists in line with an agreed process and criteria for certain clients. Restrictions are coded in sentinel our risk system to prevent investment.

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

<b>LEI 08.1</b>	Indicate which processes your organisation uses to ensure that fund criteria are not breached
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☒ 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

<b>LEI 08.2</b>	If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.
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The mandate monitoring department monitor portfolios for breaches. Where a breach has occurred the fund manager and client relationship team will liaise with the client to explain the circumstances of the breach. Follow up action is client specific and will be in line with the client's requirement e.g. divesting as soon as is practically possible, or divestment within a specific timeframe.

### (C) Implementation: Integration of ESG issues

<b>LEI 10</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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**LEI 10.1**

Describe how you integrate ESG factors into investment decision making processes.

Threadneedle has had dedicated Governance and Responsible Investment resource since 1998 and currently there are 3 full time analysts focused on ESG integration. The GRI team are part of the investment department and cover both equities and fixed income.

The Threadneedle investment process follows a model of idea generation, research and debate towards implementation. ESG research is integrated into key stages of the investment process, as part of the analysis of long-term, quality investments and is generally a key element of research and debate. The monitoring of regional focus lists and regular involvement in team discussions helps to identify the most appropriate areas of focus and research.

We believe that incorporating ESG criteria will enable fund managers to make better informed investment decisions. Individuals and teams make their own investment decisions but ESG forms part of the assessment. The strategy however, ensures substantial dialogue between the GRI team and our fund managers and analysts and contributes to understanding of risk and opportunities on a stock, sector and theme. Furthermore this process of dialogue furthers the wider understanding of ESG issues. Main areas of input include:

- Morning meetings
- Stock reviews
- Themes and sector reviews
- Company meetings
- Weekly and ad-hoc updates
- Where appropriate, relevant fund managers participate in ESG related meetings, enhancing their understanding and appreciation of risks and opportunities, and the GRI team participates in mainstream meetings.

**LEI 11****Mandatory****Core Assessed****PRI 1****LEI 11.1**

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

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

**LEI 11.2** Additional information. [Optional]

Our ESG research aims to assess how companies manage ESG issues both as part of forming a holistic view on the quality of a company's leadership, the potential risks and opportunities of an investment, as well as to inform company dialogue and engagement. This approach combines both best-in-class considerations and company specific analysis, taking account of the context, industry and overall performance of the business. Furthermore the ESG research involves themes of interest. The research primarily takes the form of company specific stock reviews or thematic longer research notes.

LEI 12	Voluntary	Descriptive	PRI 1
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**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

<b>LEI 12.2</b>	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
- ☐ None of the above

<b>LEI 13</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>LEI 13.1</b>	Indicate into which aspects of investment analysis you integrate ESG information.
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- ☐ (Macro) economic analysis
- ☒ Industry analysis
  - ☐ Systematically
  - ☒ Occasionally
- ☒ Analysis of company strategy and quality of management
  - ☒ Systematically
  - ☐ Occasionally
- ☒ Idea generation
  - ☐ Systematically
  - ☒ Occasionally
- ☐ Portfolio construction
- ☒ Fair value/fundamental analysis
  - ☐ Systematically
  - ☒ Occasionally

<b>LEI 13.2</b>	Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis.
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- ☐ Adjustments to income forecasts (sales, earnings, cash flows)
- ☐ Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- ☒ Other adjustments to fair value projections, specify
 

ESG is taken into account as a quality of management factor and can be used to adjust valuations. Fund managers may also make divestment decisions.
- ☐ Other, specify

## Outputs and outcomes

<b>LEI 15</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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**LEI 15.1**

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

- ☐ Screening
- ☒ 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 considerations can have an impact on the conviction with which we will invest in a stock. This may be reflected in the over-weighting or under-weighting of a position.

In addition we may choose to exit a position on the basis of ESG research, for example based on our quarterly accounting screen analysts reviewed the accounts of one stock and made a decision to exit the position. The company subsequently profit warned the following quarter with a sharp decline in share price.

For segregated mandates the consideration of ESG may also result in the narrowing of a universe as we will deem certain stocks out of scope for that product.

**LEI 16**

Voluntary

Descriptive

PRI 1

**LEI 16.1**

Indicate if you believe that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

a) Impacted funds' financial performance

Screening	Integration of ESG issues
<input type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input type="radio"/> No	<input type="radio"/> No

b) Reduced funds' risk or volatility

Screening	Integration of ESG issues
<input type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input type="radio"/> No	<input type="radio"/> No

c) Improved funds' ESG performance

<b>Screening</b>		<b>Integration of ESG issues</b>	
<input type="radio"/> Yes <input type="radio"/> No		<input checked="" type="radio"/> Yes <input type="radio"/> No	

<b>LEI 16.2</b>	Describe how you are able to determine these outcomes and your actual performance.
-----------------	--

Our funds consistently outperform their benchmarks and we believe part of the reason is the focus on good quality companies and a strong focus on understanding and meeting management. Reduced volatility is something that has been academically proven and we have seen improvement in the ESG performance of some of the companies we have considered

<b>LEI 17</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<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
<p>G4S, as a global security company, has particular challenges in terms of corporate responsibility. The overall approach to corporate responsibility at G4S has lagged behind peers, and the company has the lowest ESG rating from our external research providers. This rating, alongside an internal request by the analyst, triggered the GRI team to undertake further research of the company reflecting substantial failings in corporate behaviour. G4S had 29 fatalities half way through 2013, 59 in 2012 and 74 in 2011. Furthermore the company is under investigation in the UK after the failed Olympics in 2012, which cost the company £100 million, and the emergence of potentially wrongful interpretation of contracts for the UK's Ministry of Defence in July 2013. The UK and Ireland Secure Solutions business represents 20% of turnover, and the share price saw a substantial downturn in July on the back of a negative earnings surprise of 4.8% in March 2013 and the announcement of UK government investigations in July.</p>	
	ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>	
	Impact on investment decision or performance
<p>Reflecting the significance of the issue that exist, we held integrated company meetings alongside our fund managers with the company's new chief executive officer, followed by individual updates from investor relations and the head of corporate responsibility, as well as a group investor meeting with the whole sustainability team. We also followed up as part of our monitoring of developments with the new chairman in October. G4S is in a period of change and has made very positive changes, including new management with focus on cash generation, expansion of country risk reviews, a board-level risk committee and a new internal risk team, as well as a renewed focus on health and safety. The purpose of our ongoing dialogue with G4S is to keep the company accountable to these initiatives, understand developments and how they affect shareholder value, and ensure that this is a true turnaround story. The reason we bought into the stock and currently own more than 1% is largely because of these positive changes.</p>	

☒ ESG issue 2

ESG issue and explanation
<p>China is reaching a turning point in addressing pollution and sustainable resource management, following negative global coverage of air pollution during the year. There was public anger with air-quality levels that exceeded the WHO's safety limit by up to 40 times. The government's commitment to transition from coal to gas as a cleaner fuel is in large part driven by the levels of air pollution visible in the major cities. In September this year they tightened air-pollution standards in Beijing including a target of 25% reduction in PM2.5 (particles under 2.5 micrograms) from 2012 levels by 2017. In addition, the authorities have set up a special fund of Rmb5 billion for the clean-up and have shut down coal-powered plants within the city, with those within the fifth and sixth ring roads to be closed by 2015, moving instead to gas power plants.</p>
ESG incorporation strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
Impact on investment decision or performance
<p>To investigate the impacts on the ground the GRI team undertook two field trips during 2013 to China which resulted in a report back to our analysts and fund managers.</p> <p>The theme is relatively well understood, and is the driver behind several of our holdings on our Asian and EM funds. In particular, it is telling that the CLSA broker "environmental" stocks basket was up 95% in 2013 while companies such as Jiangxi Copper, otherwise known as one of the key causes of "cancer cities" saw their share price dip by 50% during 2013 at least in part due to the increased focus on pollution control.</p>

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

## Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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LEI 18.1	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.threadneedle.co.uk/en/Intermediary/Funds/Investment-Capabilities/Governance-and-Responsible-Investment/>

**LEI 18.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

**LEI 18.3**

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

☐ Broad approach to ESG incorporation

☒ Detailed explanation of ESG incorporation strategy used

**LEI 18.4**

Indicate how frequently you typically report this information.

☒ Quarterly or more frequently

☐ Between quarterly and annually

☐ Less frequently than annually

☐ Other, specify

☐ No

☐ 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]

Certain clients will receive additional reporting as per their requirements.

# Threadneedle Asset Management Ltd

## 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.		

We believe in the importance of being active and responsible owners. The moral hazard of boards and managements without effective shareholder oversight has resulted in various examples of destruction of shareholder value. As a result, targeted engagement on ESG issues forms part of our stewardship activities, both as part of and extending our on-going dialogue with companies. We believe that actively making voting decisions in general meetings is an important right which we exercise actively, and in collaboration with fund managers. Our engagement is thus an extension of our investment process and service to clients.

Building on our ESG integration and the collaboration between investment teams, the engagement framework covers a broad range of environmental, social and governance (ESG) issues. Prioritisation, planning and the scope for collaboration are important factors in shaping our engagement objectives and activities. The decision to intervene is prioritised based on our assessment of the significance of issues to the company, the risks to our clients, relative holdings, scope to effect change, opportunities to collaborate. Given the fragmented nature of shareholder ownership we seek to work with our colleagues through industry networks and associations such as the UN sponsored PRI and the Association of British Insurers.

We prefer to engage in private but may use the public voice. We prefer to carry out our engagement activities in confidence, to enable honest, open and frank discussions to take place with the companies we invest in. Nevertheless, where appropriate, we will discuss stewardship issues with other shareholders of a company. There are also occasions, on matters that are public, where we will make our views and concerns known publicly. This may be through attendance at a company's general meeting, or in the context of a requisitioned resolution or general meeting. In exceptional circumstances, where we decide that it is necessary and appropriate, we may comment publicly about a controversial situation at a company. This will generally be in a situation where engagement has proven ineffective in addressing concerns or high profile, event driven controversies.

LEA 02	Mandatory	Gateway	PRI 1,2,3
LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.		

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 On strategy where appropriate Thematic engagement <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 Thematic engagement <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

## Process

### Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.		
<input checked="" type="radio"/> Yes			



LEA  
03.2

Describe how you identify and prioritise engagements.

Prioritisation, planning and the scope for collaboration are important factors in shaping our engagement objectives and activities. Engagement areas are identified in a number of ways; such as through our quarterly screening and monitoring of preferred holdings, via the proxy voting process, stock reviews and company events.

The decision to intervene is prioritised based on our assessment of the significance of issues to the company, the risks to our clients, relative holdings, scope to effect change, opportunities to collaborate.

☐ No

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.

Threadneedle maintains records of our engagements which serve as a means of monitoring progress. Through our research sharing platform we maintain records of company meetings which are distributed to the investment department.

We conduct quarterly screening of our preferred holdings where we will actively review companies the performance of companies with which we have engaged with.

We also maintain watch lists within Bloomberg and ISS Proxy Exchange. The latter allows us to review performance where there have been ESG concerns and to reflect this in our proxy voting research and subsequent action.

Regular meetings with companies also serve to update us on progress. We recognise that some of the issues that we engage on are longer term themes and change can therefore take a number of years.

☐ No

## Process for engagements conducted via collaborations

**LEA 05**

**Mandatory**

**Core Assessed**

**PRI 2**

**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.

Threadneedle are active in the PRI Clearinghouse and we therefore monitor engagements underway. Likewise in our other member organisations we will be informed of collaborative initiatives.

When deciding to undertake a collaborative engagement the GRI team will first review the proposed engagement in the context of our GRI policy and approach, as well as our exposure to the issue or company. A decision will then be taken within the team and where relevant with the appropriate equity desk or analysts to join the initiative.

We will only join initiatives where the interests of our clients are aligned with the wider group and there is a common purpose.

☐ No

LEA 05.3	Additional information.[Optional]
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This year Threadneedle has been a lead investor in PRI's Employee Relations and Fracking engagements. We are also members of the Bangladesh Initiative and collaborative engagements on tax, audit and accounting.

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.
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- ☒ 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.
----------	---

As part of the engagements we maintain records of the companies we have engaged with and any outcomes arising. By virtue of the collaborative engagement there are regular opportunities to review and present outcomes to the wider group.

- ☐ No

### General processes for all three groups of engagers

LEA 09	Voluntary	Additional Assessed	PRI 1,2
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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.
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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

LEA 09.2	Additional information.
----------	-------------------------

Engagement research forms part of company research. Meeting notes are circulated to relevant analysts and fund managers and are maintained on the investment department's central database. Engagements are also reviewed as part of ESG stock reviews and when making voting decisions.

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1	Indicate if you track the number of companies you engage with.
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Type of engagement	Tracking engagements
Individual / Internal staff engagements	<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
Collaborative engagements	<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

## Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 2
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LEA 11.1	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)
<b>Individual / Internal staff engagements</b>	116
<b>Collaborative engagements</b>	18

**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 type="radio"/> > 50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input 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 checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

<b>LEA 14</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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**LEA  
14.1**

Provide examples of the engagements that your organisation carried out during the reporting year.

☒ Add Example 1

Topic or ESG issue	Bangladesh supply chain risk following the Rana Plaza building collapse in April 2013 which resulted in over 1000 deaths.
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative
Objectives	Achieve greater understanding of the investment risk associated with fire and building safety in Bangladesh and the potential implications for greater costs in the supply chain for global retailers.
Scope and Process	Joined the collaborative investor statement and letter on Bangladesh facilitated by the ICCR in the US. Sent individual letters to our major retail holdings about how they address the issue. The scope included 15 companies globally.
Outcomes	<p>We benefit from the general increased investor pressure on companies that we own and believe are not managing the risk adequately.</p> <p>Adidas signed up to the Bangladesh Accord which was a major success of the initiative.</p>

☒ Add Example 2

Topic or ESG issue	ESG disclosure of Brenntag, a chemicals company of which we own more than 7%.
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Through a stock review of Brenntag we identified poor disclosure of ESG management of health and safety and non-planned releases which is a potential risk for a company that manages and transports chemicals globally.
Scope and Process	Spoke to the analyst internally who discussed it with management and also followed up directly with investor relations. This resulted in two conference calls, one with IR only and one with the director of health and safety.
Outcomes	Brenntag produced their first sustainability report in 2013 but there is a continued need for progress.

☒ Add Example 3

Topic or ESG issue	Novartis - Remuneration
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Align remuneration with shareholders and to incentivise long term performance
Scope and Process	<p>In February the company garnered a large amount of public and shareholder criticism related to termination payments to outgoing Chairman Dr Vasella which would total 72 million Swiss francs paid over six years to cover a consulting and non-compete agreement. This came just the week before Swiss nationals voted to approve the proposal known as the Minder Initiative that allows shareholders of listed companies in Switzerland a binding say on the overall pay packages for executives and directors.</p> <p>Threadneedle has consistently engaged with Novartis regarding issues around disclosure and transparency of remuneration schemes and has opposed the remuneration report, financial report and accounts as well as director elections over the past three years as a result of the company's practices. During this period improvements to the remuneration report structure had been made to a certain extent.</p> <p>Threadneedle had two meetings as well as a number of written correspondences with Novartis prior to the 2013 AGM in February. In addition we participated in an investor group to discuss the issues around the company.</p>
Outcomes	The decision was taken to oppose the remuneration report due to the failure of the board to appropriately disclose the terms of Dr Vasella's contract to shareholders and this was communicated to the company. In response to shareholder pressure the company withdrew the planned award. Follow up meetings have been held with the company's remuneration committee Chairman.

☒ Add Example 4

Topic or ESG issue	Audit Re-tendering
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	To encourage re-tendering of audit primarily where the extent and nature of non audit work may create a conflict of interest, or where other issues of concern have been identified.
Scope and Process	Engaged with audit committee and board Chairmen regarding retendering. Collaborative policy work undertaken with other investors.
Outcomes	Where we directly engaged 4 companies have recently changed auditors, put the contract out to tender or are planning/considering it. We note a further 14 companies that have taken similar action as a result of collaborative policy lobbying.

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

## Communication

LEA 15

Mandatory

Core Assessed

PRI 2,6

LEA  
15.1

Indicate whether your organisation proactively discloses information on its engagements.

- ☒ We disclose it publicly

please provide URL

<http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/>



**LEA  
15.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☐ Yes

☒ No

**LEA  
15.3**

Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.

Reporting to the public	Reporting to clients/beneficiaries
<b>Engagement information disclosed</b> <input type="checkbox"/> Details of the selections, priorities and specific goals of engagement <input checked="" type="checkbox"/> Number of engagements <input 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	<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 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

**LEA  
15.4**

Indicate how frequently you typically report engagements information.

Reporting to the public	Reporting to clients/beneficiaries
<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	<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

☐ We disclose it to clients and/or beneficiaries only

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

## (Proxy) voting and shareholder resolutions

## Process

LEA 17	Mandatory	Descriptive	PRI 2
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LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
----------	---

Approach
----------

- ☐ We use our own research or voting team and make our own voting decisions without the use of service providers.
- ☒ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on
--------------------

- ☐ the service provider voting policy signed off by us
- ☒ our own voting policy
- ☐ our clients requests or policy
- ☐ other, explain
- ☐ 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.
- ☐ We hire service provider(s) which make voting decisions on our behalf.

LEA 17.2	Additional information.[Optional]
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The GRI team uses custom proxy voting policies to benchmark voting against our own default policy position. In addition we have access to proxy voting research produced by ISS and, for UK company meetings, by the ABI's IVIS service. This research serves as an additional input and check on our voting analysis and decision making, not least in helping to ensure we haven't missed any potential issues.

We actively review all meetings of companies held within the strategy, form our own recommendations and make vote decisions in conjunction with the fund managers.

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.
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- ☐ 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.
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We actively monitor vote rejection notices where available, however due to obstacles in the proxy voting confirmation process we are unable to receive confirmation that all votes have been received.

LEA 20	Voluntary	Additional Assessed	PRI 2
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LEA 20.1	Indicate if your organisation has a securities lending programme.
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☒ Yes

LEA 20.2	Indicate how voting is addressed in securities lending programme.
----------	---

**Please select one of the following**

- ☐ We recall most securities for voting on all ballot items
- ☐ We recall some securities for voting on some ballot items on a systematic basis in line with specified criteria
- ☒ We occasionally recall some securities for voting on some ballot items on an ad-hoc basis
- ☐ We empower our securities lending agent to decide when to recall securities for voting purposes
- ☐ We do not recall our shares for voting purposes
- ☐ Other (please specify)

☐ No

LEA 20.3	Additional information. [Optional]
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Subject to the provisions of individual mandates, stock lending is undertaken. Where stock is on loan ahead of a general meeting or corporate action, a stock recall may be requested by fund managers or by the Governance & Responsible Investment team, where that is in the best interests of our clients (e.g. on significant controversial issues or to protect their interests).

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.
-----------------	---

☐ 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  
 Significant shareholdings and when we are initiating engagement or have been engaging with the company

☐ No  
☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

## Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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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.
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☒ We do track or collect this information

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

	%
--	---

99

	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

<b>LEA 22.2</b>	If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]
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Meetings not voted were where a POA had expired or the meeting notification was received late

☐ We do not track or collect this information

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

☒ Yes, we track this information

<b>LEA 23.2</b>	Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:
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Voting instructions	Breakdown as percentage of votes cast
For (supporting) management proposals	<div> <div></div> <div>%</div> </div> <div>92</div>
Against (opposing) management proposals	<div> <div></div> <div>%</div> </div> <div>7</div>
Abstentions	<div> <div></div> <div>%</div> </div> <div>1</div>

100%

<b>LEA 23.3</b>	For the reporting year, describe your approach towards voting on shareholder resolutions.
-----------------	---

Shareholder resolutions encompass a wide range of issues and are not always in the best interest of all shareholders. We assess shareholder resolutions in light of good practice, their materiality and relevance to our approach and investment concerns.

We will consider supporting non-binding shareholder resolutions where the broad thrust of the proposal is aligned with our policy views, addresses an area where improvement would be welcome. For binding resolutions the proposal must be proportionate, in shareholder interests, focused on improving the reputation and quality of a company's operations and practices, as well as being aligned with our policy objectives and best practice.

☐ No, we do not track this information

<b>LEA 23.4</b>	Additional information.
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At 39% of meetings we voted against or abstained on a resolution(s) or supported a shareholder resolution(s).

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

☐ Yes

☒ No

<b>LEA 24.6</b>	Additional information.
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We have not been involved in needing to file a shareholder resolution, although we specifically provide for that possibility within our Stewardship Code statement (Principle 4).

<b>LEA 25</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<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.
-----------------	---

☐ Add Example 1

☒ Add Example 2

Topic or ESG issue	Audit Fees
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To address high non audit fees that may create a conflict of interest
Scope and Process	During 2013 we tightened our voting on excessive non-audit fees.
Outcomes	3.6% of resolutions opposed related to audit fees

☒ Add Example 3

Topic or ESG issue	Remuneration
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To align remuneration practices with shareholder returns and long term value creation
Scope and Process	Actively review remuneration practices and oppose structures that do not meet the standards detailed in corporate governance and proxy voting principles.
Outcomes	Approximately 20% of resolutions opposed related to remuneration practices. We opposed more than 280 companies remuneration packages.

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

## Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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LEA 26.1	Indicate if your organisation proactively discloses information on your voting activities.
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- ☒ We disclose it publicly

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

<http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/>

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

**LEA  
26.3**

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Reporting to the public	Reporting to clients/beneficiaries
<p>Indicate how much of your voting record you disclose</p> <p> <input checked="" type="radio"/> All voting decisions  <input type="radio"/> Some voting decisions  <input type="radio"/> Only abstentions and opposing vote decisions  <input type="radio"/> Summary of votes only         </p>	<p>Indicate how much of your voting record you disclose</p> <p> <input checked="" type="radio"/> All voting decisions  <input type="radio"/> Some voting decisions  <input type="radio"/> Only abstentions and opposing vote decisions  <input type="radio"/> Summary of votes only         </p>
<p>Indicate what level of explanation you provide</p> <p> <input type="radio"/> Explain all voting decisions  <input type="radio"/> Explain some voting decisions  <input type="radio"/> Only explain abstentions and votes against management  <input checked="" type="radio"/> No explanations provided         </p>	<p>Indicate what level of explanation you provide</p> <p> <input type="radio"/> Explain all voting decisions  <input checked="" type="radio"/> Explain some voting decisions  <input type="radio"/> Only explain abstentions and votes against management  <input type="radio"/> No explanations provided         </p>

**LEA  
26.4**

Indicate how frequently you typically report voting information.

Reporting to the public	Reporting to clients/beneficiaries
<p> <input type="radio"/> Continuously (primarily before meetings)  <input type="radio"/> Continuously (soon after votes are cast)  <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         </p>	<p> <input type="radio"/> Continuously (primarily before meetings)  <input type="radio"/> Continuously (soon after votes are cast)  <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         </p>

☐ We disclose it to clients/beneficiaries only

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

**LEA  
26.6**

Additional information. [Optional]

We provide customised voting reports for clients and include examples of voting decision rationales in some reports as required.



# Threadneedle Asset Management Ltd

## 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

Percentage of internally managed fixed income - corporate

☒ <10%

**Report on your strategies that represents <10% of corporate fixed income**

☐ Yes

☒ No

☐ 10-50%

☐ >50%

☒ Active – quantitative (quant)

Percentage of internally managed fixed income - corporate

☒ <10%

**Report on your strategies that represents <10% of corporate fixed income**

☐ Yes

☒ No

☐ 10-50%

☐ >50%

☒ 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 type="radio"/> <10% <input checked="" 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 checked="" type="radio"/> 10-50% <input 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.

Our expertise and related research capabilities provide us with the platform and resource to enable ESG factors and risks to be examined within the fixed income asset class, with particular emphasis on corporate debt.

The relationship between creditors and issuers is notably different from that between shareholders and issuers, and the use of ESG criteria in the fixed income market is a newer, developing area. The ability to engage with companies is limited with no voting rights and less frequent access to management. However ESG issues and analysis are relevant in the context of considering the creditworthiness of an issuer. Furthermore there is scope, where appropriate, for dialogue and questions to management in analyst meetings. To the extent that it is available ESG research is included in credit notes in a similar way to equities through MSCI ESG sourced ratings, issuer reviews and sector research.

## 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)

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div> <div>1</div>
---	--

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

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div> <div>99</div>
---	---

- ☐ 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.
----------------	---

**Thematic:** Threadneedle manages the UK Social Bond Fund in partnership with Big Issue Invest. The fund aims to deliver both financial and social performance and as such we have a thematic focus on social issues.

**ESG integration** - we believe the consideration of ESG is relevant in the consideration of creditworthiness of an issuer.

<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
- ☒ Issuer-related analysis or ratings

	Describe who provides this information.
--	---

Internal research and externally sourced ESG ratings and research

- ☐ Sector-related analysis or ratings
- ☒ Country-related analysis or ratings

	Describe who provides this information.
--	---

Internal research

- ☐ Screened bond list
- ☒ Issue-specific analysis or ratings

	Describe who provides this information.
--	---

Internal research

- ☐ Other, specify

<b>FI 05.2</b>	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
----------------	---

We source external ESG ratings for fixed income,

<b>FI 05.3</b>	Additional information. [Optional]
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Although the relationship between creditors and issuers is notably different from that between shareholders and issuers, and the use of ESG criteria in the fixed income market is a newer, developing area, our expertise and related research capabilities provide us with the platform and resource to enable ESG factors and risks to be examined. ESG issues and analysis are relevant in the context of considering for example, how well a business is managed, event risk, creditor rights, liabilities, reputational risk or, indeed, the sustainability of the business model. Unlike equities, there is not the same potential for upside in terms of credit, but we recognise that such issues can have material impacts that merit consideration as part of the holistic understanding of potential downside risks.

The fixed income investment teams have access to the GRI team's ESG capabilities and receive weekly updates from the Governance and Responsible Investment team, collaborate in meetings with controversial companies and through discussion of macro-trends. In addition, we source external ESG ratings which are incorporated into the analysis of issuers.

## (B) Implementation: Sustainability themed investing

<b>FI 09</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>FI 09.1</b>	Indicate the type of sustainability themed funds or mandates your organisation manages.
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- ☐ Environmentally themed funds
- ☒ Socially themed funds
- ☐ Combination of themes

**FI 09.2**

Describe your organisation's processes for sustainability themed funds.

Threadneedle manages the Threadneedle UK Social Bond Fund in partnership with Big Issue Invest, the social investment arm of The Big Issue.

The Fund aims to achieve both an investment return and a positive social outcome by investing in fixed income securities of organisations which support socially beneficial activities and economic development. The fund invests in companies, associations, charities and trusts in social intensity areas including affordable housing and property, community services, employment and training, financial inclusion, health and social care, transport and communications, and utilities and the environment.

In making investment decisions, the Fund Manager is guided by a Social Assessment Methodology designed by Big Issue Invest and Threadneedle's GRI team to determine suitable investments. The GRI team review all bonds pre-investment and the social outcome generated by the resulting portfolio will be monitored and verified by a Social Advisory Committee.

**(C) Implementation: Integration of ESG factors**

FI 10	Voluntary	Descriptive	PRI 1
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**FI 10.1**

Describe how you integrate ESG issues into investment decision-making processes.

A key aspect of our approach to Governance and Responsible Investment (GRI) focuses on integrating environmental, social and governance (ESG) responsibilities into our investment process and builds on our culture of teamwork, debate and collaboration. Our ESG strategies are applied as appropriate across asset classes, regions and markets. While there is a strong focus on equities in this work, we also draw on it in our fixed income strategies.

Our expertise and related research capabilities provide us with the platform and resource to enable ESG factors and risks to be examined within the fixed income asset class, with particular emphasis on corporate debt. The relationship between creditors and issuers is notably different from that between shareholders and issuers and the use of ESG criteria in the fixed income market is a newer, developing area.

The ability of creditors to engage with issuers is significantly more limited, with no routine voting rights and less frequent access to management. However ESG issues and analysis are relevant in the context of considering the creditworthiness of an issuer. Integrating an analysis of ESG risks into the investment process enables a richer understanding of the dynamics, opportunities and risks inherent in an issuer's businesses and enhances our ability to protect the interests of our clients and the capital they have invested.

Integration of ESG analysis complements the risk-mitigation focus that is key to fixed income investment. Creditworthiness is a function of a company's profitability, productivity, competitive position, as well as estimated future value and cost of capital. All of these elements can be linked to ESG factors. However, unlike equities, where growth can be a key driver, for bond investors, protection of capital is key given losses are difficult to recoup.

ESG research is included in our credit research in a similar way to equities, through MSCI ESG sourced ratings, issuer reviews and sector research. Our ESG coverage in the fixed income space encompasses over 9,000 issuers mapped across 260,000 fixed income securities.

**FI 11****Mandatory****Core Assessed****PRI 1****FI 11.1**

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.



ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" 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 type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" 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 type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" 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

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.
---------	---

- ☒ 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.
---------	-------------------------

ESG research is stored on a central database accessible by all analysts and fund managers. Fixed income staff have access to the external ESG research platform and include ESG ratings where available in their research.

## Outputs and outcomes

FI 15	Voluntary	Descriptive	PRI 1
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**FI 15.1**

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

### Fixed Income - Corporate

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

Risk consideration primarily focused on corporate governance and a consideration of how it may affect credit quality

FI 16	Voluntary	Descriptive	PRI 1
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**FI 16.1**

Indicate if you believe (by applicable strategy) that incorporating ESG factors has:  
 (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

### Fixed Income - Corporate

a) Impacted funds' financial performance

	Thematic	Integration of ESG issues	
	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	

b) Reduced funds' risk or volatility

	Thematic	Integration of ESG issues	
	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> No	

c) Improved funds' ESG performance

	Thematic	Integration of ESG issues	
	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	

<b>FI 16.2</b>	Describe how you are able to determine these outcomes and your actual performance.
----------------	--

We determine these outcomes on a case study basis through discussion with the fund manages about the investment decisions that have been made and to what extent ESG considerations have been a factor.

<b>FI 16.3</b>	Additional information.
----------------	-------------------------

There is a small positive contribution to financial performance but usually from refraining from investing in very high risk companies that are subsequently underperforming.

<b>FI 17</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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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
	Corporate governance and related party transactions is a general core factor that is considered but was of particular interest in the case of an Eastern European coal producer.
	ESG incorporation strategy applied
<input type="checkbox"/> Thematic	
<input checked="" type="checkbox"/> Integration	
	Impact on investment view or performance
	The result of a legacy controversial related party transaction resulted in not investing in this particular issue. The bond subsequently underperformed the market.

☒ ESG issue 2

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate	
	ESG issue and explanation
Retail supply chains can be a factor in risk considerations from value retailers and food suppliers.	
	ESG incorporation strategy applied
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration	
	Impact on investment view or performance
Resulted in a better understanding of the way these issues are managed and a satisfaction that there is some evidence of retailer awareness and management of supply chain risk which allowed us to be more comfortable in investing in these companies.	

☒ ESG issue 3

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate	
	ESG issue and explanation
<p>Theme: Social Investment</p> <p>Threadneedle manages the Threadneedle UK Social Bond Fund in partnership with Big Issue Invest, the social investment arm of The Big Issue. The Fund aims to achieve both an investment return and a positive social outcome by investing in fixed income securities of organisations which support socially beneficial activities and economic development.</p>	
	ESG incorporation strategy applied
<input checked="" type="checkbox"/> Thematic <input type="checkbox"/> Integration	
	Impact on investment view or performance
<p>Housing Associations are an important means of providing affordable housing solutions for low income families. The support activities and programmes which the housing associations provide contribute to socio-economic development of the areas in which they are present and can be important facilities for tenants in areas such as financial planning, community services, training etc.</p> <p>Since the launch of the the fund, fixed income and GRI analysts have been raising ESG issues with housing association issuers. Anecdotally issuers have been encouraged by this added dialogue as there is traditionally limited investor engagement on social issues. The learnings from this engagement and dialogue also have implications across the mainstream corporate debt funds which are also invested in the sector. We are currently heavily overweight the housing associations sector within the UK Social Bond fund.</p>	

☐ ESG issue 4

☐ ESG issue 5

FI 17.2	Additional information.
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There is a general discussion and ad-hoc awareness of ESG which sub-consciously does affect the way companies are being assessed and considered.

Communication			
FI 18	Mandatory	Core Assessed	PRI 2,6

<b>FI 18.1</b>	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.
----------------	--

- ☒ We disclose it publicly

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

<http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/>

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

- ☒ Yes

<b>FI 18.3</b>	Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.
----------------	---

- ☒ Broad approach to ESG incorporation  
☐ Detailed explanation of ESG incorporation strategy used

<b>FI 18.4</b>	Indicate how frequently you typically report this information.
----------------	--

- ☒ Quarterly or more frequently  
☐ Between quarterly and annually  
☐ Less frequently than annually  
☐ Other, specify
- ☐ No
- ☐ We disclose it to clients/beneficiaries only  
☐ We do not proactively disclose it to the public and/or clients/beneficiaries

## Engagement in fixed income investments

### Fixed Income - Corporate

FI 19	Voluntary	Descriptive	PRI 2
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<b>FI 19.1</b>	Indicate if you engage with corporate issuers.
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- ☐ Yes  
☒ No

The nature of fixed income is different to equities and we therefore do not engage with issuers in the same way. However for our UK Social Bond Fund we do regularly meet with companies about ESG and will engage with them to get more information.

# Threadneedle Asset Management Ltd

## Reported Information

### Public version

#### Direct - Property

## PRI disclaimer

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## 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 type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" 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 type="radio"/> <10% <input checked="" type="radio"/> 0%
<b>Total</b>	<b>100%</b>

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

Our asset management model is based upon internal decisions in relation to for example, refurbishment and tenant lease negotiation. All day-to-day management is outsourced ranging from property maintenance to rental collection.

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 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

PR 05	Mandatory	Core Assessed	PRI 1-6
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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.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/>

☐ No

**PR 05.3**

Additional information. [Optional]

Threadneedle's Responsible Investment policy covers all asset classes, including property, however we do not have a separate written RPI policy.

We do follow certain specific guidelines around both the purchase of property and its ongoing management. For example, the EPC rating of a property is taken into account in the purchase due diligence process with a view to understanding the likely costs associated with possible improvement of the rating. As part of an ongoing process linked both to the CRC legislation and EPC's, we have engaged with tenants to assist in reduction of energy usage in those properties that use the most energy. This includes the provision of bespoke energy reports on individual properties to pinpoint areas for improvement.

## Fundraising of property funds

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

**PR 06.3**

Describe how your organisation refers to responsible investment for property funds in fund placement documents (PPMs or similar). [Optional]

We refer to our membership of the UN backed PRI and the fact that we follow investment guidelines that include reference to investing responsibly. When asked, we provide more detail on our Corporate stance and the excellent record that Threadneedle has in managing its impact upon the Environment.

☐ No

**PR 07****Voluntary****Additional Assessed****PRI 4****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.

- ☐ 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

**Pre-investment (selection)****PR 08****Mandatory****Gateway****PRI 1****PR 08.1**

Indicate if your organisation typically incorporates ESG issues when selecting property investments.

☒ Yes

**PR 08.2**

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

The environmental profile of every property is taken into account in the pre-purchase due diligence process. Property with a high risk of causing environmental or socially unacceptable damage is considered generally as not to be purchased unless there is a clear method by which such risks can be managed or mitigated appropriately. The approach can vary from fund to fund dependent upon the investment and risk strategy for individual funds (see for example below)

☐ No

PR 08.3	Additional information. [Optional]
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Our Low Carbon Workplace Fund is specifically designed to purchase older office accommodation with potentially low EPC ratings and refurbish to a particular standard which improves both the EPC rating and provides tenants with a building which emits a bespoke level of carbon per occupant.

Our selection process for property purchase is risk based and takes into account relative socio-economic factors such as the tenant's business type, the demography of the area in which the property is situated and the long term asset management strategy.

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.
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- ☐ Internal staff
- ☒ 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 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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EPC Rating

Flood Potential

Environmental Impact of Property Use and future investment strategy

- ☒ Social

List up to three typical examples of social issues
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Physical Risk – E.g. Potential for fire

Impact upon the local community of tenancy

Health & Safety Risks (especially relating to possible refurbishment)

- ☒ Governance

List up to three typical examples of governance issues

Requirements of the Land Tenancy act  
Health and Safety Regulations  
Planning Legislation

PR 11	Voluntary	Additional Assessed	PRI 1,3
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**PR 11.1** Indicate what type of ESG information your organisation typically considers during your property investment selection process.

- ☒ 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

PR 12	Voluntary	Additional Assessed	PRI 1
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**PR 12.1** Indicate if ESG issues impacted your property investment selection process during the reporting year.

- ☒ 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

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

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

- ☒ 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
- ☒ 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

☐ No

## Post-investment (monitoring and active ownership)

### Overview

PR 14

Mandatory

Gateway

PRI 2

**PR 14.1**

Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.

☒ Yes

**PR 14.2**

Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.

- ☒ 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

☐ No

## Property monitoring and management

PR 15

Mandatory

Core Assessed

PRI 2,3



**PR 15.1**

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.

- ☐ >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)

**PR 15.2**

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

**ESG issues**

☒ Environmental

List up to three example targets per issue

Targeted reduction in energy usage, working with tenants

Target to improve EPC ratings on selected properties

☒ Social

List up to three example targets per issue

Low Carbon Workplace Fund monitors its contractors to ensure that major office refurbishments are done to an agreed standard

☒ Governance

List up to three example targets per issue

Targeted compliance with CRC legislation

Health and Safety compliance KPI's are applied to all non-FRI leased properties

☐ We do not set and/or monitor against targets

## Property developments and refurbishments

PR 17

Mandatory

Core Assessed

PRI 2

**PR 17.1**

Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.

- ☐ >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)

**PR 17.2**

Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.

- ☐ Minimum environmental site selection requirements
- ☐ Minimum environmental site development requirements
- ☒ Sustainable construction materials
- ☒ Minimum water efficiency requirements
- ☒ Minimum energy efficiency requirements
- ☐ Energy generation from on-site renewable sources
- ☒ Waste management plans at sites
- ☒ Health and safety management systems at sites
- ☐ Construction contractors comply with sustainability guidelines
- ☐ Other, specify

## Occupier engagement

**PR 18****Mandatory****Core Assessed****PRI 2****PR 18.1**

Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.

- ☐ >90% of occupiers
- ☐ 51-90% of occupiers
- ☒ 10-50% of occupiers
- ☐ <10% of occupiers

(in terms of number of occupiers)

**PR 18.2**

Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.

- ☒ Distribute a sustainability guide to occupiers
- ☐ Organise occupier events focused on increasing sustainability awareness
- ☒ Deliver training on energy and water efficiency
- ☐ Deliver training on waste minimisation
- ☒ Provide feedback on energy and water consumption and/or waste generation
- ☐ Provide feedback on waste generation
- ☐ Carry out occupier satisfaction surveys
- ☒ Other, specify

Provide energy usage reports on specific properties

<b>PR 18.3</b>	Additional information. [Optional]
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The degree to which the above are implemented varies dependent upon the fund and the type of property or lease. Low Carbon Workplace implements a standard approach across all properties which covers all of the above. Other funds will engage to varying degrees with focus mainly on those properties which generate the greatest levels of energy usage.

## Outputs and outcomes

PR 22	Voluntary	Descriptive	PRI 1,3
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<b>PR 22.1</b>	Provide examples of ESG issues that affected your property investments during the reporting year.
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☒ Add Example 1

ESG issue	Flood
Types of properties affected	High St. retail, industrial warehouses
Impact (or potential impact) on investment	Inability of tenant to occupy.
Activities undertaken to influence the investment and the outcomes	Insurance claims. Consideration of flood protection as part of repair operation.

☒ Add Example 2

ESG issue	EPC Legislation
Types of properties affected	All
Impact (or potential impact) on investment	Inability to market low rated properties in 2018.
Activities undertaken to influence the investment and the outcomes	Project to assess how EPC ratings can be improved by energy saving. Assessment of whether certain assets could be sold in advance of 2018 to take advantage of increases in capital values.

☒ Add Example 3

ESG issue	Use of Local Labour
Types of properties affected	Single Property in North London
Impact (or potential impact) on investment	Rebuild project following major fire included requirement on the part of our fund as property owner for the contractor to use as much local labour as possible to help regenerate the area
Activities undertaken to influence the investment and the outcomes	

☒ Add Example 4

ESG issue	Carbon Reduction Commitment
Types of properties affected	All non FRI
Impact (or potential impact) on investment	High energy use generates high CRC costs which may not be 100% recoverable from tenants.
Activities undertaken to influence the investment and the outcomes	Targeted top 20 or so properties in each fund for specific analysis of energy usage and engagement with tenants to help implement reduction methods.

☐ Add Example 5

## Communication

PR 23

Mandatory

Core Assessed

PRI 6

PR 23.1

Indicate if your organisation proactively discloses ESG information on your property investments.

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