

# **European SRI Transparency Guidelines<sup>1</sup>**

23 July 2009



## **F&C Management Statement of Commitment**

Transparency: It cuts both ways. We expect transparency of our investee companies, but also of ourselves.

Responsible Investing is an essential part of the strategic positioning and behaviour of F&C Management. This year F&C's Stewardship fund celebrates the 25<sup>th</sup> anniversary since the launch of the first UK ethical fund in 1984. F&C welcomes the European SRI Transparency Guidelines and believes they represent an important step towards helping investors to understand what they are buying when they select an investment in an ethical fund. In particular we welcome this format as a means by which product providers such as ourselves can express the approaches we have adopted and which have evolved over the last 25 years alongside the ever changing needs of our investors – which we recognise may be different from those of other product providers. We are delighted to commit to industry best practice and to following the 2008 Eurosif SRI Transparency Guidelines.

This is our third statement of commitment for the Stewardship Funds, our main SRI funds, and covers the period May 2009 to May 2010. Our full response to the European SRI Transparency Guidelines can be accessed below and is available on our web site [www.fandc.com](http://www.fandc.com)

## **F&C Compliance with the Transparency Guidelines**

F&C is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. F&C believes that we have achieved an exemplary standard of transparency, given the regulatory and competitive constraints we face in the countries in which we operate. Our full 2009 response to the Eurosif Transparency Guidelines for our main SRI funds, the Stewardship range of funds, is provided below.

F&C meets the full recommendations of the European SRI Transparency Guidelines, with the exception of one; 7a. Recommendation 7a requests disclosure of all holdings at a specific date in the last 6 months. We disclose our Top 10 holdings to the general public, but we are unable to disclose all our holdings as this may place the value of our intellectual property at risk. The Top 10 holdings provide a representative sample of the companies in which our retail ethical funds invest. We annually disclose all holdings to OEIC investors with a modest time lag. If requested, we are happy to respond to additional queries regarding where our funds invest. If you would like to know if we invest in a specific company, please contact us either via your financial adviser or directly.

---

<sup>1</sup> The European SRI Transparency logo signifies that F&C commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the Socially Responsible Investment (SRI) policies and practices relating to the fund. Detailed information about the European SRI Transparency Guidelines can be found on [www.eurosif.org](http://www.eurosif.org), and information of the SRI policies and practices of the Stewardship funds can be found at: [www.fandc.com](http://www.fandc.com). The Transparency Guidelines are managed by Eurosif, an independent organisation.

The European SRI Transparency Logo reflects the fund manager's commitment as detailed above and should not be taken as an endorsement of any particular company, organisation or individual.

## Guideline Categories

<b>Section 1. Basic Details</b>	
<b>1</b>	<b>Signatories* should be clear about who they are and provide background information on the fund*, and the fund manager*.</b>
1a	<p><b>Provide the name of the fund(s) and fund manager to which these guidelines apply.</b></p> <p>The “Stewardship” family of funds. F&amp;C offers the following:</p> <ul style="list-style-type: none"> <li>▪ <b>Stewardship Growth OEIC</b> – Fund manager: Catherine Stanley</li> <li>▪ <b>Stewardship Income OEIC</b> - Fund managers: Catherine Stanley and Rebecca Seabrook</li> <li>▪ <b>Stewardship International OEIC</b> – Fund managers: Sophie Horsfall and Terry Coles</li> </ul> <p><b>F&amp;C also manages other funds on behalf of Friends Provident Life and Pensions Ltd.<sup>2</sup></b></p>
1b	<p><b>Provide contact details for further information regarding the funds.</b></p> <p>You can contact us about these funds in a number of ways.</p> <p><b>If you are an investor, please contact your financial advisor or see below for details of how to contact us directly.</b></p> <p><b>Contacting us directly</b>  <b>Are you a Private Investor?</b>  Please contact our Customer Support desk:  Telephone: 0800 136 420  Email: <a href="mailto:investor.enquiries@fandc.com">investor.enquiries@fandc.com</a></p> <p><b>Are you an OEIC Private Investor?</b>  Telephone: 0800 085 2752  Fax: 0131 243 1330  Email: <a href="mailto:invest@fandc.com">invest@fandc.com</a></p> <p><b>Are you a Financial Adviser?</b>  We offer a dedicated Adviser Helpdesk.  Telephone: 0845 799 2299  Email: <a href="mailto:adviser.enquiries@fandc.com">adviser.enquiries@fandc.com</a></p>
1c	<p><b>What is the size of the fund? In currency at a specified date.</b></p> <p>The Stewardship range was £2.1 billion (€2.3 billion) at 31 March 2009.  Details of the size of each fund are available on the Fund Factsheets on our website.</p>
1d	<p><b>Where can financial performance history data about the fund be found?</b></p> <p>Please see Fund Factsheets available on our website, which cover performance of the:</p> <ul style="list-style-type: none"> <li>▪ Stewardship Growth Fund</li> <li>▪ Stewardship Income Fund</li> <li>▪ Stewardship International Fund</li> </ul> <p>Unit prices are quoted in the Financial Times.</p>

<sup>2</sup> Funds F&C also manages are: a) **Life**: Stewardship, Stewardship Managed, Stewardship International, Stewardship Safeguard Optimiser, Stewardship Corporate Bond, Stewardship Income, and b) **Pension**: Stewardship, Stewardship Managed, Stewardship Income.

1e	<p><b>Provide details of the content, frequency and means of communicating information to investors.</b></p> <p>We communicate to investors through annual reports, 6 monthly newsletters and our website. In addition, some of our clients receive F&amp;C's Governance and Sustainable Investment (GSI) monthly bulletin.</p> <p>Communication with our investors is two-way and we respond to individual investor queries. The Stewardship Committee of Reference (see 2c) welcomes and is committed to responding to any investor who writes to them about the ethical criteria or held companies. In addition life and pension investors receive standard annual statements. Since 2004 we have received and responded to 84 letters from investors.</p>
Additional	<p><b>Briefly describe the corporate responsibility policies of the organisation that manages or promotes the fund(s), or give direction to where this information can be located.</b></p> <p>As a major asset management company and provider of ethically-screened funds, F&amp;C is committed to social responsibility in its own operations. F&amp;C has defined four key categories supporting our approach to corporate responsibility, which are:</p> <ol style="list-style-type: none"> <li>1. <b>Marketplace</b> - F&amp;C uses the influence of its customers' assets to engage with companies on all relevant corporate responsibility matters, where this will improve business performance: a) Shareholder engagement; and b) Voting - F&amp;C votes on its global holdings in line with its Corporate Governance Operational Guidelines as well as voting on behalf of external clients.</li> <li>2. <b>Environment</b> - F&amp;C is committed to achieving carbon neutrality in its operations.</li> <li>3. <b>Workplace</b> - F&amp;C's approach is to ensure that good management practices are engaged in all aspects of our workplace issues.</li> <li>4. <b>Community</b> - F&amp;C will, over the next three years, introduce financial support and wherever practicable offer time off work to support employees involved in Charitable Activities.</li> </ol> <p>Our website outlines the F&amp;C approach towards corporate social responsibility, including our CSR Report:  <a href="http://www.fandc.com/new/aboutus/Default.aspx?id=78799">http://www.fandc.com/new/aboutus/Default.aspx?id=78799</a></p>

	<p><b>Section 2. SRI Investment Criteria</b></p>
2	<p><b>Signatories should be clear about their purpose* and investment criteria*.</b></p>
2a	<p><b>How does the fund define SRI?</b></p> <p>Our Stewardship range of funds offers a stringently screened investment choice. Stewardship defines ethical investment as investment in companies that make a positive contribution to society, while avoiding those whose activities can harm society or the natural environment. In addition the funds are covered by our responsible engagement overlay service called <b>reo</b>®.</p>
2b	<p><b>What are the SRI investment criteria of the fund?</b></p> <p>Stewardship actively seeks out companies involved in the following:</p> <ul style="list-style-type: none"> <li>▪ Supplying the basic necessities of life such as food, housing, and clothing</li> <li>▪ Offering product choices for ethical and sustainable lifestyles e.g. fair trade</li> <li>▪ Improving quality of life through the responsible use of new technologies</li> <li>▪ Good environmental management</li> <li>▪ Actively addressing climate change e.g. renewable energy, energy efficiency</li> <li>▪ Promotion and protection of human rights</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Good employment practices</li> <li>▪ Positive impact on local communities</li> <li>▪ Good relations with customers and suppliers</li> <li>▪ Effective anti-corruption controls</li> <li>▪ Transparent communication</li> </ul> <p>Stewardship aims to avoid companies involved in the following:</p> <ul style="list-style-type: none"> <li>▪ Tobacco production</li> <li>▪ Alcohol production</li> <li>▪ Gambling</li> <li>▪ Pornography or violent material</li> <li>▪ Manufacture and sale of weapons</li> <li>▪ Unnecessary exploitation of animals</li> <li>▪ Nuclear power generation</li> <li>▪ Poor environmental practices</li> <li>▪ Human rights abuses</li> <li>▪ Poor relations with employees, customers or suppliers</li> </ul> <p>We recognise that Stewardship's core aim of investing only in those companies which, in what they do and the way they do it, on balance make a positive contribution to society cannot be fully captured in the policies described here. Accordingly, we may on rare occasions exclude companies which we judge conflict with that aim even when they do not fall foul of any of the negative criteria set out in this document.</p> <p>Detailed policy information is available on the F&amp;C website. See <a href="http://www.fandc.com/new/aboutus/Default.aspx?ID=80513">http://www.fandc.com/new/aboutus/Default.aspx?ID=80513</a></p>
2c	<p><b>How are the SRI criteria defined, and how frequently and by whom are the criteria reviewed?</b></p> <p>The Stewardship screening criteria are formulated, periodically reviewed and approved by an external panel of experts the Stewardship 'Committee of Reference', who are supported by F&amp;C's Governance and Sustainable Investment (GSI) team. (See website for further information on the committee members: <a href="http://www.fandc.com/FN_FileLibrary/file/CoR%20Bios%20February%20%2009.pdf">http://www.fandc.com/FN_FileLibrary/file/CoR%20Bios%20February%20%2009.pdf</a> ).</p> <p>Before any significant changes are made to the ethical screening criteria, we undertake extensive research of the particular policy area and consider our investors requirements.</p> <p>This process is on-going and includes dialogue with advisers as well as formal investor research projects. An example of such research includes a questionnaire on investor attitudes to energy including nuclear which informed our revised policy.</p>
2d	<p><b>How are criteria changes communicated to investors?</b></p> <p>Significant criteria changes are communicated to investors through our six monthly newsletters.</p>

**Section 3. Research Process**

<b>3</b>	<b>Signatories should provide information on their research process.</b>
3a	<p><b>Describe your SRI research methodology and process.</b></p> <p>Stewardship works as follows:</p> <p><b>Ethical Policies</b> - Policy decisions are made by an external panel of experts, the Committee of Reference (the COR). The COR are supported by research provided by the F&amp;C Governance and Sustainable Investment (GSI) team.</p>

	<p><b>Company Selection</b> - the Stewardship fund managers select companies for investment from the 'Approved list'. When fund managers find new stocks they wish to invest in, these are put to the GSI team for initial assessment, and if likely to be appropriate are researched in detail and put forward to the Investment Sub Committee for approval prior to any investment being made.</p> <p><b>Company Research</b> F&amp;C's in-house GSI team assess the company using independent research commissioned from specialist research agencies, supplemented by detailed proprietary research. This includes a review of publicly available documents and press, direct contact with the company and other research tools. Analysts compile a detailed profile of each company and a recommendation as to whether it meets the ethical criteria. A Director from the GSI team oversees the recommendation.</p> <p><b>Company Approval</b> - a Sub Committee of the Committee of Reference (the ISC), who meet quarterly, consider the GSI team's profile and recommendation, then decide which companies are acceptable for the Stewardship funds. The ISC compares what a company does and 'how they do it' with the ethical policies of the fund in order to decide which companies should be acceptable for the Stewardship funds. Companies deemed by the ISC to be appropriate for Stewardship are added to the 'Approved Companies' list.</p> <p><b>Company Monitoring</b> The ISC regularly monitors companies that are held in the ethically-screened funds to ensure they continue to meet the ethical criteria. This is through support by the GSI team, including monitoring through research providers, news services and company press releases. In addition, as an extra safeguard, all companies held in Stewardship undergo a full periodic review – typically every three to four years. If there is a significant change, the ISC may decide that a previously acceptable company should become unacceptable. Companies which become 'unacceptable' must be sold by the fund managers within six months.</p>
3b	<p><b>Does the fund manager use an in-house research team and/or an external research team? Please explain.</b></p> <p>We use both. Fund managers use in-house equity and bond research to select companies based on their financial performance. The F&amp;C in-house GSI team assesses whether companies meet the Stewardship ethical criteria. The GSI team uses independent research commissioned from specialist research agencies, supplemented by detailed proprietary research. Company approval decisions however sit with the Investment Sub Committee of the Committee of Reference.</p>
3c	<p><b>Is there an external control or external verification process in place for the research process? Where an Advisory Committee is used, please state its responsibilities.</b></p> <p>Yes, there is both external control and external verification process from our Committee of Reference. The Committee of Reference is an independent body of people that meets on a quarterly basis to set, review and keep up to date the ethical policies of Stewardship.</p> <p>A sub-committee of this group, the Investment Sub-Committee (ISC), also meet quarterly to consider how companies compare against these policies. The ISC reviews companies brought to their attention by the F&amp;C fund managers and the Governance &amp; Sustainable Investment (GSI) team which may be appropriate for future inclusion, or may need to be removed from the fund. The final decisions are made by the ISC and form the approved list of companies from which the fund managers select Stewardship stocks.</p> <p>The Committee reviews the holdings in Stewardship and the source data used by the GSI team to confirm this is accurate and correct. For example, this may include reviewing press articles, EIRiS research and company websites.</p>

3d	<p><b>Does the research process include stakeholder consultation? If yes, please provide details.</b></p> <p>Yes, in developing the research process we take into account the views of stakeholders. For example, in the past year the Committee of Reference has revisited the Stewardship policy on nuclear involvement, weighing up its contribution to combating climate change against public concerns over the environmental and safety impacts of nuclear power stations. The Committee has also reviewed the policy on financials, introducing an additional emphasis of research for companies affected by the credit crunch. In addition, our key research provider, EIRiS, uses stakeholder consultation. See their website for more information: <a href="http://www.eiris.org/">www.eiris.org/</a>.</p>
3e	<p><b>Do companies have the opportunity to see their profile or analysis? If yes, how often?</b></p> <p>Not normally, although prior to making an overall assessment of a company on the ethical criteria, the GSI team checks that its research is accurate with companies. This research (which is in addition to information received from research providers) focuses on contentious areas mainly relating to negative screens.</p> <p>We do not systematically send our research reports of companies to them for review before making our decision, although some of our research providers do undertake this. The main reason for this is that this information is commercially valuable. The sheer volume of stocks that are assessed for Stewardship (roughly 60 each quarter) means that the time needed for consulting with companies on their profiles would create a time lag before the fund manager could purchase a stock, with potential performance implications.</p> <p>If a company asks us to outline and explain our rating of them for Stewardship, we aim to provide this. In exceptional circumstances, if a company requests a copy of our company profile report for a particular reason, we may share it on a confidential basis.</p>
3f	<p><b>How frequently is the research process reviewed?</b></p> <p>We seek continuous improvement in our research process and so update this on an ongoing basis. The research process is formally considered on a quarterly basis, with the independent Committee having the opportunity to advise on improvements needed.</p>
3g	<p><b>What research findings are disclosed to the public? How?</b></p> <p>Top 10 holdings are disclosed to the public on the website and Fund Factsheets. We do not disclose our company profile reports to the public as this is commercially sensitive information.</p> <p>Examples 'reasons to invest' are spotlighted in our six monthly newsletter, and we respond to investor queries individually. OEIC investors receive a list of holdings with their annual report, however this practice is not the norm in life and pensions as no annual report is produced. We will however respond in detail to any investor query with regard to whether or not a particular holding is held in Stewardship and the Committee of Reference welcomes the views of investors and will always take the time to respond to any enquiry put to them.</p>

**Section 4. Evaluation and Implementation**

4	<p><b>Signatories should provide information on how the research is used to build and maintain their portfolio*.</b></p>
4a	<p><b>How are the results of research integrated into the investment process, including selection and approval of companies for investment?</b></p>

	<p>The request to ethically screen a stock is initiated by a Stewardship fund manager. When a Stewardship fund manager requests a company it is put forward for research by the GSI team and then put to the ISC for approval. Fund managers can only invest in companies that have been approved by the ISC and are given a list that informs them of approved stocks.</p> <p>The GSI team meets regularly with the Fund Managers to highlight and discuss the reasons why particular companies are acceptable or unacceptable. In addition the Stewardship fund managers are also part of specific investment desks and receive standard financial company information via the normal channels. The GSI team is integrated into the F&amp;C investment process and communication mechanisms are in place to alert Fund Managers, as well as in-house equity and bond research analysts, to significant social, environmental and ethical risks of companies being considered for investment or already held.</p>
4b	<p><b>What internal or external measures are in place to ensure portfolio holdings* comply with SRI investment criteria?</b></p> <p><u>Internal Measures:</u> Internal measures include our “Dealing Ban” system, which means that Fund Managers are physically unable to purchase or trade stocks that are Unacceptable for Stewardship. Internal processes also include reviewing companies on an ongoing and three-year basis to check held companies continue to comply with the SRI investment criteria. The GSI team regularly monitors companies that are held in our ethically screened funds to ensure they continue to meet the ethical criteria, through our research providers, news services and company press releases. Held companies are typically fully reviewed every three years. We also commission an independent research provider to check holdings comply with the SRI investment criteria on a quarterly basis.</p> <p><u>External measures</u> include the independent Committee of Reference, operating through the Investment Sub-Committee, viewing the acceptable universe of stocks and reviewing portfolio exceptions noted by the independent research provider. The Committee takes into account external sources, including NGOs, campaign groups and press articles.</p>
4c	<p><b>What is the policy and procedure for divestments* on SRI grounds?</b></p> <p>Our policy is that if there is a significant change, a previously acceptable company may become unacceptable and we dispose of the stock. This may arise from new information coming to light, including a change in the company’s strategy, operations, disclosure or performance. In such cases, the GSI team first conducts research to ascertain whether the company no longer meets the ethical criteria. The GSI team’s research findings are reported to the independent Investment Sub-Committee, which decides whether the company breaches the ethical criteria. If the rating of the company is changed from Acceptable to Unacceptable for Stewardship, the Fund Manager is informed. The Fund Manager is required to dispose of the holding within six months. The GSI team checks that the Unacceptable company has been disposed of.</p>
4d	<p><b>Are investors informed about divestments on SRI grounds? If yes, how frequently and by what means?</b></p> <p>Existing investors are informed about significant divestments due to the ethical criteria in quarterly newsletters. The Committee of Reference advises us as to whether a divestment is “significant” or not.</p>
4e	<p><b>Does the fund manager inform companies of portfolio exclusions* or divestments due to non-compliance with its SRI policy and criteria?</b></p> <p>If a company asks whether it is Acceptable for Stewardship or requests further information regarding divestments, then we provide this. We do not systematically inform all companies of divestment due to non-compliance with the ethical criteria or “name and</p>

	<p>shame” companies, as we do not believe that this benefits either the company or F&amp;C as an asset manager. If a company does not comply with the ethical criteria, we consider prioritising it for engagement through our <b>reo®</b> programme, to encourage better practices. At times though, a company’s core business activity may mean that it remains Unacceptable for Stewardship, even if its practices are good, as may be the case for some tobacco manufacturers.</p>
Additional	<p><b>To what extent do any results of engagement* activities feed into company selection?</b></p> <p>The findings and results of engagement activities are taken into account during company selection, but this is considered one of many sources of information. If a company clearly breaches an explicit negative screen it is rated as Unacceptable for Stewardship, regardless of prior or planned engagement activity. The F&amp;C <b>reo®</b> engagement programme is applied to all F&amp;C equity assets under management and corporate bonds.</p>

### **Section 5. Engagement Approach\*\***

<b>5</b>	<b>Signatories should explain their approach to engagement if the fund has such a policy.</b>
5a	<p><b>What are the aims of the engagement policy?</b></p> <p>Our engagement policy <b>reo®</b> (responsible engagement overlay) covers all our in-house equity assets and corporate bonds. <b>reo®</b> is carried out on our behalf by our fund managers F&amp;C.</p> <p>F&amp;C’s ultimate aim is the creation and protection of long-term capital value for investors. The objective of <b>reo®</b> is to use the influence we have as a large global asset manager and the investments of our clients, to promote the adoption of better environmental, social and governance practices, where it benefits long-term performance.  <a href="http://www.fandc.com/new/aboutus/Default.aspx?ID=80961">http://www.fandc.com/new/aboutus/Default.aspx?ID=80961</a></p>
5b	<p><b>How does the fund prioritise which companies it will engage with?</b></p> <p>F&amp;C considers a number of factors when prioritising companies including size of the holding (both F&amp;C and client holdings), the sector, the issue and client concerns.</p>
5c	<p><b>Who undertakes engagement on behalf of the fund?</b></p> <p>F&amp;C’s 15-person GSI team conducts any engagement that is undertaken with regard to F&amp;C equity assets and corporate bonds – which include the Stewardship funds and our non-screened (standard) funds.</p>
5d	<p><b>What methods of engagement are employed?</b></p> <p>Engagement is carried out largely through one-to-one contacts with companies. In 2008 we raised ESG issues at 900 companies in 49 countries. The GSI team also operates a policy of considered voting across the whole of F&amp;C and its clients’ global holdings. The team engages companies both before and after the vote, to explain the standards we expect, and afterwards, to explain the reasons for any votes against management. In 2008, we voted at 2,553 annual general meetings in 59 countries.</p> <p>In addition to direct dialogue with companies, F&amp;C publishes and circulates proprietary research on a range of ESG themes with a view to prompting industry-wide debate on emerging standards of best practice. We also draw on the research and knowledge of leading research organisations, government agencies, trade associations and leading companies.</p> <p>Please see the F&amp;C website and quarterly <b>reo®</b> reports section on engagement for further</p>

	information.
5e	<p><b>How is the effectiveness of engagement activity monitored/addressed?</b></p> <p>The effectiveness of our engagement activities are measured by recording each event – called a Milestone – in which a company has improved its policies, performance or practices after intervention by F&amp;C. F&amp;C’s engagement programmes are actively designed to achieve improvements in ESG risk management, linked to company performance. F&amp;C tracks and records each occasion on which a company has changed its policy, performance or practices after engagement by F&amp;C. Each Milestone is rated on a scale, in a process requiring sign-off from one of F&amp;C’s senior investment professionals. The rating reflects both the influence of F&amp;C and the potential impact on value. F&amp;C has recorded over 1,000 milestones in the course of the past four years, demonstrating a commitment to ensuring that successful outcomes and investment performance are achieved from engagement and voting.</p>
5f	<p><b>What further steps, if any, are taken if engagement is considered unsuccessful?</b></p> <p>F&amp;C will not divest if a company fails to respond to engagement. However, we do not invest in companies unless they meet strict Stewardship criteria.</p>
5g	<p><b>How, and how frequently, are engagement activities communicated to investors and other stakeholders?</b></p> <ul style="list-style-type: none"> <li>- Every quarter F&amp;C publishes a report on its engagement activities – the public <i>reo@</i> report</li> <li>- Each quarter F&amp;C publishes a report on how it voted at global company’s annual general meetings</li> <li>- Every year F&amp;C also publishes an annual report to summarise our engagement and voting over the year – the annual responsible investment report</li> <li>- Case studies and examples of our engagement work are also published in F&amp;C six-monthly Stewardship newsletter.</li> </ul> <p>All of the above are available on our website. In addition, F&amp;C provides tailored reporting to clients through its confidential <i>reo@</i> reports.</p>

### **Section 6. Voting Policy\*\***

<b>6</b>	<b>Signatories should make clear their policies on voting*.</b>
6a	<p><b>Does the fund have a voting policy? If so, what is it?</b></p> <p>Yes, F&amp;C has a Responsible Ownership policy which reflects best practice. It can be found at:  <a href="http://www.fandc.com/FN_FileLibrary/file/GSI_RIR_Responsible%20Owenship%20Guidelines.pdf">http://www.fandc.com/FN_FileLibrary/file/GSI_RIR_Responsible%20Owenship%20Guidelines.pdf</a></p> <p>This is supplemented by our Corporate Governance General Guidelines, available at:  <a href="http://www.fandc.com/FN_FileLibrary/file/GSI_RIR_CGOG_General.pdf">http://www.fandc.com/FN_FileLibrary/file/GSI_RIR_CGOG_General.pdf</a></p> <p>In addition, we have 13 additional, region-specific corporate governance voting policies, which are sent to all companies in our portfolios ahead of voting season. These guidelines are proprietary to F&amp;C.</p>
6b	<p><b>Does the fund disclose its voting practices and reasoning for decisions? If so, where can this information be found?</b></p> <p>Yes. We have pioneered disclosure in this area. See our website, which details our voting practices and the reasons for our decisions. This includes quarterly and annual reporting.</p>
6c	<b>Does the fund sponsor/co-sponsor shareholder resolutions?</b>

	<p>F&amp;C generally prefers to build consensus with companies through discreet, long-term dialogue. However, when this does not achieve the desired results, the next step is to file shareholder proposals. In 2008, F&amp;C co-filed a shareholder proposal with the New York Common Employees Retirement System, asking ExxonMobil to expand its non-discrimination policy to protect gay and lesbian employees. F&amp;C also lead-filed a proposal at Walmart Stores, asking the company to address the implementation of its domestic labour policies across its global operations, but withdrew the proposal after the company agreed to open a serious dialogue with investors on this issue. Please see our website, which details our approach towards shareholder resolutions.</p>
--	---

**Section 7. Periodical Activities**

**7 Signatories should periodically disclose information about their activities. This should be done at least on an annual basis.**

**7a List the fund holdings at a specified date within the last 6 months.**

We currently disclose only top 10 holdings to the public, although complete holdings are available to OEIC investors through the annual report.

**Stewardship Growth OEIC – Top 10 holdings\*:**

- Vodafone
- HSBC
- BG Group
- Scottish & Southern Energy
- Cairn Energy
- Centrica
- National Grid
- Tesco
- Capita Group
- Aviva

**Stewardship Income OEIC – Top ten holdings\*:**

- Vodafone
- HSBC
- Scottish & Southern Energy
- BG Group
- National Grid
- Cairn Energy
- Centrica
- United Utilities
- Aviva
- Pearson

**Stewardship International OEIC – Top ten holdings\*:**

- International Heritage Fund
- Sonic Healthcare
- Benesse Corporation
- FTI Consulting
- East Japan Railway
- Apple Computer
- Union Pacific
- BG Group
- Energen Corp
- Accenture Class A

In addition to top ten holdings, we are always willing to respond to queries about where the funds do and do not invest and will seek to clarify both policy and stock specific

	<p>queries. If you have a query as to whether we hold a specific company, please contact us at <a href="mailto:investor.enquiries@fandc.com">investor.enquiries@fandc.com</a></p> <p>*As of July 2009</p>
7b	<p><b>What engagement activity has been carried out on behalf of the fund during the past year?</b></p> <p>Please see our website for our quarterly public <b>reo®</b> reports published since 2003. Please see our website for our Responsible Investment Report 2008.</p> <p>Hard copies of these are also available on request - please contact us at <a href="mailto:enquiries@fandc.com">enquiries@fandc.com</a></p>
7c	<p><b>What voting actions occurred that were related to the SRI fund criteria?</b></p> <p>These are detailed in our quarterly public <b>reo®</b> reports and also in our Responsible Investment Report 2008. Please see our website for these. Hard copies of these are also available on request - please contact us at <a href="mailto:enquiries@fandc.com">enquiries@fandc.com</a></p>
Additional	<p>What divestments occurred in the past year related to the SRI fund criteria?</p> <p>Our ongoing monitoring identified four companies in 2008 that breached our criteria. We divested from 6 companies in 2008. Porvair, Central Glass, Victrex, Southern Water, National Oilwell Varco and Barclays.</p>
Additional	<p><b>What were the amount of donations and the percentage of management fees that the fund gave to charities this past year?</b></p> <p>This is not the way we operate, and approaches of this kind are considered contentious by some UK advisers as the decision to support a charity should rest with the investor. We do not normally make donations relating to policy charges although occasionally promotions are agreed that aim to support specific charities. Instead our approach to play an active role in the community and to make charitable donations in support of a small number of named charities. F&amp;C makes charitable donations, which are listed in our annual CSR Report. In 2007, F&amp;C introduced the F&amp;C Charity of the Year and donated £51,000 in 2008.</p>

\*\* if applicable

### **Definitions of key terms used in the guidelines**

Definitions of key terms have been included to assist those reporting in line with the Guidelines as well as consumers who will use the information reported. Words appearing in the guidelines that have definitions are cited by a \* next to them.

<b>Term</b>	<b>Definition</b>
SRI Investment Criteria	The principle or standard of judgement used to determine what the fund can and cannot invest in from an environmental, social or ethical perspective.
Divestments	Companies that are sold from the fund portfolio.
Engagement	A long term process of dialogue with companies which seeks to influence company behaviour in relation to their social, ethical and environmental practices.

<b>Term</b>	<b>Definition</b>
Exclusion	The exclusion of sectors or companies from a fund if involved in certain activities based on specific SRI fund criteria (i.e. no tobacco or no animal testing).
Fund manager	The entity responsible for overall management of the fund.
Fund(s)	A legal entity, the purpose of which is solely the acquisition of portfolio investments. This also includes compartments and sub-funds.
Holdings	Equities and/or bonds of companies that collectively comprise the fund portfolio.
Portfolio	A collection of investments managed by the fund manager.
Fund Purpose	The spirit and overall focus of the fund, but not the investment criteria employed.
Signatories	Fund(s) and/or fund manager that commits to disclose SRI information in line with the Guidelines.
Voting Policy	Policy of a fund to exercise its voting rights as investors to influence company behaviour.

National social investment fora to date include:

- Belsif, Belgium
- Forum Nachhaltige Geldanlagen, Germany
- Forum per la Finanza Sostenibile, Italy
- Forum pour l'Investissement Responsable, France
- Swesif, Sweden
- UK Sustainable Investment and Finance, UK
- VBDO (Vereniging van Beleggers voor Duurzame Ontwikkeling), The Netherlands

For further information contact Eurosif at +331 40 20 43 38 or at [contact@eurosif.org](mailto:contact@eurosif.org).