



Stewardship in the Spotlight

UK asset managers' public disclosure practices
on voting and engagement

December 2010

FairPensionsTM 
The campaign for responsible investment

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Introduction

There are few today who would deny that responsible investment, as demonstrated by institutional investors' voting and engagement activity, adds value and reduces risk for investors if undertaken in a thoughtful and diligent manner. FairPensions warmly welcomes the publication of The Stewardship Code, which we hope will lead to an investment industry in the UK which serves its clients and ultimate beneficiaries to a higher standard. We particularly support the fact that the Financial Reporting Council (the "FRC") is the body responsible for the new Code.

Transparency, through public disclosure, is imperative for demonstrating and exercising accountability. This is highlighted by the emphasis placed on public disclosure in the UK Stewardship Code. FairPensions' previous research has demonstrated that, in most though not all cases, a robust link can be made between the quality of disclosures made by particular asset managers on their stewardship activity and the actual effort being made and value being added on voting and engagement by those asset managers. We believe that independent assessment of asset managers' public reporting spurs investor performance in a positive direction

with poor disclosure, once exposed, proving a disadvantage in a competitive marketplace.

Public interest in the activities of the investment industry has understandably increased in the wake of the tax payer funded bailouts of leading financial institutions. As Sir David Walker noted in his Review of the Corporate Governance of Banks and Other Financial Institutions, the UK tax-payer paid an unacceptably high price for the weak governance and weak investor oversight of several UK financial institutions.

In this context, a study of the public disclosure practices and formal responses to the Stewardship Code of 29 of the largest asset managers operating in the UK is timely. This report is intended to make an early constructive contribution to ensuring that the Stewardship Code does indeed catalyse a more engaged practice of responsible ownership amongst institutional investors with all the benefits that should flow from that change. As the first independent study of the responses of leading asset managers to the Stewardship Code, we hope this report will be particularly useful to those whose task it is to assess the Code's impact over the coming year.

UK Asset Manager Disclosure Ranking 2010

	Asset Manager	Score (max 20)	Rank
Top 5	F&C Asset Management	19	1
	Baillie Gifford	18	2
	Newton Investment Management	17.5	3
	Hermes Fund Managers	17	4
	Aegon Asset Management	15	5
	Henderson Global Investors	15	5
	Aviva Investors	14	7
	Standard Life Investments	14	7
	Threadneedle Asset Management	14	7
	JP Morgan Asset Management	13	10
	Capital International	12	11
	Scottish Widows Investment Partnership	12	11
	Legal & General Asset Management	11.5	13
	State Street Global Advisors UK Limited	11.5	13
	UBS Global Asset Management	10	15
	Aberdeen Asset Management	10	15
	Blackrock	10	15
	Fidelity International	10	15
	M & G	9	19
	AXA Investment Managers	7	20
	HSBC Global Asset Management	7	20
	Schroder Investment Management	7	20
	Artemis Investment Management	6	23
	Goldman Sachs Asset Management International	6	23
Bottom 5	Insight Investment	5	25
	AllianceBernstein Institutional Investors	4	26
	Morgan Stanley	2	27
	Wellington Management	2	27
	INVESCO Perpetual	0	29

Key findings of our research

Transparency

1. 17% of managers surveyed still do not publicly disclose any policy on Environmental, Social and Governance issues but overall standards are rising

Five of the asset managers surveyed this year do not have a publicly available policy document that explains their approach to incorporating environmental, social and governance (ESG) issues into their investment activities.

Of those asset managers who do have such a policy, nine provide detail with respect to governance issues but only a general overview on how environmental and social issues are incorporated. However, the number of asset managers who make public a comprehensive policy on how they incorporate environmental and social issues, in addition to governance issues, has increased from three in 2008 to ten in 2010 (**Aviva, F&C, Baillie Gifford, Hermes, Henderson, JP Morgan, Legal & General, Standard Life, Newton and Threadneedle**).

2. The quality of voting disclosure differs greatly between fund managers

24 out of 29 asset managers publicly disclose at least some up-to-date information (in addition to that which must be disclosed under US law¹) on their voting records at investee companies' annual general meetings. However, the most notable feature of such disclosures is the variation between the information provided by different managers. The quality of disclosures range from bald and uninformative summary statistics (in the case of four asset managers) to a

Example of detailed rationale provided by a fund manager for a decision to abstain on a proposal to approve the remuneration report at the 2010 AGM of London Mining:

“The Company has a number of remuneration schemes that were put in place prior to listing and do not conform with established best practice. Specifically, neither the annual bonus or Long Term Incentive Plan have stated maximums or disclosed performance conditions. Since the Company is a recent listing on AIM and this is our first opportunity to vote at its AGM we encouraged the company to amend these prior to next year’s AMG and abstained.”

resolution-by-resolution voting record of all votes cast worldwide with explanations provided for votes against management, votes on shareholder proposals and contentious votes (**F&C**). Ten asset managers provide their rationale for votes against management and abstentions. Four asset managers (**Aegon, F&C, JP Morgan and Scottish Widows**) disclose their rationale for votes for management on issues regarded as contentious. Rather than posting complete records on their own website, two asset managers directed us to client websites where detailed voting records are available and clearly attributable to the asset manager. Even among those asset managers who make available more detailed voting reports, only one (**F&C**) makes what we would regard as full disclosure of their voting record.

In explaining their decision to disclose only summary voting records, some asset managers expressed a desire not to compromise the impact and effectiveness of ongoing engagement activities. Given the

1. US Securities and Exchange Commission implements a mandatory requirement that mutual funds disclose their proxy votes to the general public as well as investors.

The quality of voting disclosure varies greatly from summary statistics to full voting records

Below we reproduce two anonymised examples showing this variation in practice

Summary statistics:

“Number of Meetings voted at 130
Number of Meetings voted against management or abstained 17 (13.07 %)

Resolutions

Number of resolutions where voted with management 1194 (98.35%)
Number of Resolutions where voted against management or abstained 20 (1.65%)
Number of resolutions where we voted against policy 0 (0.00%)

- Voted on 1214 resolutions at 130 meetings worldwide
- Of the votes cast against management resolutions:
 - 0 related to routine business
 - 0 related to re-organisation and mergers
 - 20 (100%) related to compensation
 - 0 related to election of directors and board composition”

Full Voting Records (an example)

“**Company**
99 Cents Only Stores United States

Proposal

1B Election of Lawrence Glascott

Vote

Against

Rationale

We withheld from this director who lacks independence due to long tenure in excess of 12 years and yet sits on key board committees. The audit, compensation and nominating committees should consist exclusively of independent non-executive directors, and this director’s membership could hamper committee impartiality and effectiveness.”

number of asset managers that publicly disclose detailed voting reports it would appear that this is not a concern universally shared. We do not share it ourselves. Indeed, several managers with a policy of thorough disclosure on voting are also market leaders on company engagement.

Comprehensive public disclosure of voting is fundamental to achieving accountability through the investment chain. Information disclosed by each manager should facilitate comparative analysis of asset managers’ voting records by asset owners, end-beneficiaries and other interested parties. The wide variation in the information publicly disclosed by asset managers is an impediment to such comparative analysis. We believe that the FRC should provide for the market a model disclosure format and recommend its adoption by institutional investors. In much the same way that we expect companies to disclose key financial data in a standardised manner, a common format for voting disclosure by asset managers would significantly improve market efficiency and would assist clients, including pension funds and other institutional asset owners, in their selection of managers.

One asset manager stated that, while they permit public disclosure by their clients, they do not themselves publicly disclose their voting record because they believe that to do so may, in certain cases, constitute a breach of client confidentiality. This leaves open the possibility of a lack of accountability to the ultimate beneficiaries if a pension fund client chooses not to

disclose its voting record. Indeed NAPF, in its recently published guidance for pension funds on the Stewardship Code, has suggested that disclosure of voting is a matter for fund managers rather than pension funds.² This, together with the fact that disclosure of voting records is still not universal among large asset managers, even after the introduction of the Stewardship Code, means there is a strong case for making voting disclosure mandatory (as the government is enabled to do by the Companies Act 2006).³

3. The UK Stewardship Code has helped to encourage voting disclosure

Principle 6 of the Stewardship Code states that “Institutional Investors should have a clear policy on voting and disclosure of voting activity.” The guidance provided for this principle states that “institutional investors should disclose publicly voting records and if they do not explain why.”

Following the publication of the Code in July 2010, FairPensions once again reviewed the published voting records of the asset managers featured in this survey. Goldman Sachs, who prior to the Code did not publicly disclose voting decisions, now makes available voting records for all votes worldwide listed by company, proposal type and proposal description (but without providing their rationale for voting

decisions). JP Morgan Asset Management changed their form of disclosure from the provision of summary statistics to a more detailed voting record including providing their rationale for what they consider to be contentious voting decisions. Insight Investments has posted historical voting records for the period ending June 2009 which had been previously removed from their website. Insight Investment has posted the following statement on its website: “In light of the clarity provided by the Stewardship Code on engagement and transparency we are undertaking a review of our RI policy and processes and will make any amendments necessary to register our full compliance with the code through the FRC.”

‘Despite these encouraging signs of improvement driven by the new Code, overall our findings on voting disclosure suggest that visibility to the ultimate beneficiaries, and accountability for the exercise of shareholder rights employed on their behalf, remains poor. To counter this, we recommend that the FRC should create an Ultimate Owners’ Council or similar, to act as a nexus for the interests of beneficiaries in the process of monitoring and reviewing the Stewardship Code, and to ensure that their interest in effective stewardship is recognised and represented.

2. National Association of Pension Funds, “Pension Funds’ 2010 engagement with companies” 2010

3. The Companies Act 2006 gives the government power to require institutional investors to disclose how they have voted.

4. Engagement disclosure has improved but remains low

While public disclosure on engagement activities has improved since 2008, 41% of the asset managers surveyed still do not publicly disclose any information regarding their engagement activities. Of the 17 asset managers who do disclose engagement activity, nine publish detailed explanations of a sample of engagements. Newton is noteworthy for its quarterly disclosure of a high number of sample engagements undertaken during that quarter across a wide range of environmental, social and governance issues. Likewise Threadneedle is to be commended for disclosing on a quarterly basis the companies with whom they have engaged and the corresponding environmental, social or governance issue addressed. As with voting records, two asset managers directed us to client websites for detailed engagement activity disclosure.

As in 2008, the explanation often provided for non-disclosure on engagement activity is concern about undermining relationships with investee companies. However, given the improvement in disclosure of engagement activity since 2008, we note that for many asset managers this concern has apparently diminished significantly. Indeed the level of public disclosure made by managers such as Newton, Threadneedle and F&C without any apparent damage to

relationships with investee companies would seem to effectively counter concerns about the risks of disclosing engagement activities.

In the case of two asset managers, details of engagement activity were set out in the manager's Corporate Social Responsibility Report rather than in documents dealing specifically with investment activity. We think this is less than ideal.

5. Improvements overall in public disclosure

Since 2008 there has been an overall improvement in asset manager transparency. Ten managers have made improvements to the level of detail provided in their policy documents describing how they incorporate ESG issues into investment activities. A further 3 (**Capital, Schroder and State Street**) now have a policy setting out their approach where none was made available before. With respect to voting disclosures, 24% of managers have moved from providing summary statistics to disclosing more detailed voting reports (**Aviva, Blackrock, Henderson, Hermes, JP Morgan, Standard Life and UBS**). The number of asset managers publicly disclosing detailed explanations of a sample of engagements has increased to nine.

Stewardship Code

Upon publication of the Stewardship Code at the end of July 2010, the FRC requested that institutional investors issue a public statement with respect to the Code by 30th September. As at 30th September 2010, 24 of the 29 asset managers in this study had published a formal statement/response with respect to the new Code. An additional four (**Insight, Invesco, Morgan Stanley and State Street**) had posted short statements on their website referring to the Code.

FairPensions has reviewed each of the 24 compliance statements to assess the quality of disclosures made with respect to the Code. We hope that this early analysis will encourage significant improvement over the next 12 months in the quality of these investor statements.

Investors' statements on the Stewardship Code are an opportunity to "tell their story" as to how they monitor companies and incorporate stewardship activity into their wider investment process. It is a pity that many investors have chosen not to provide such insight, offering only tick-box responses to the guidance points issued under each Principle.

Within the context of a research project on responsible investment policies and practices, one of the most striking features upon a review of the various asset manager statements on the Code is the absence in many of reference to environmental and social issues. The Code itself only makes passing reference to such issues and we would suggest that any future revised version of the Code should

The UK Stewardship Code'

Institutional investors should:

1. Publicly disclose their policy on discharging their stewardship responsibilities
2. Have a robust, publicly disclosed policy on managing conflicts of interest
3. Monitor their investee companies
4. Establish clear guidelines on when and how they will escalate these activities
5. Be willing to act collectively with other investors where appropriate
6. Have a clear policy on voting and public disclosure of voting activity
7. Report periodically to clients on their stewardship and voting activities.

Source: the UK Stewardship Code

specifically require disclosure on how environmental, social and governance considerations are integrated into the stewardship function of institutional investors. While the Code was introduced following a review of the governance failures which precipitated the financial crisis, the Gulf of Mexico oil spill should have removed all doubt as to the financial relevance of environmental and social issues.

A number of asset managers (including **Aegon, Aviva Investors, AllianceBernstein, Baillie Gifford, F&C and Newton**) have placed their statement on the Stewardship Code within the context of their wider responsible investment policies and we warmly welcome this.

Amongst the more informative and impressive asset manager statements on the Code we note the following features: detail is offered on the role played by analysts in monitoring companies; the types of issues being monitored are outlined; the approaches used for different styles of investment management are explained; and the variety of internal and external sources of information used to monitor companies is presented. Six managers (**AllianceBernstein, Aviva, Capital, F&C, Newton and Henderson**) make explicit reference to meeting external stakeholders to assist with monitoring companies, with AllianceBernstein and Capital specifically mentioning suppliers and customers and Henderson referencing NGOs and trade unions. FairPensions knows from its own experiences that a greater number of asset managers do actively engage with external stakeholders to enhance their understanding of investee companies and yet no detail is included in their official response on the Stewardship Code. By providing this sort of detail in future, investors will build the confidence of clients, regulators and their own wider stakeholders.

Likewise, with respect to the FRC guidance which states that investors should disclose their policy on how to deal with company ‘explanations’ for non-compliance with the UK Corporate Governance Code, many of the asset manager statements on this important issue were platitudinous and offered no insight on the rigour of their approach to explanations. Aviva Investors’ policy serves as a good example of an asset manager setting out the specific issues they will bear in mind when considering a company’s explanation of non-compliance. We would urge that all asset managers provide a similar level of detail.

A disappointing ‘tick-box’ approach is also evident with respect to Stewardship Code Principle 2 which states: “Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly available”. FairPensions has long identified conflicts of interest in and around the investment chain as one of the most important barriers to meeting the best interests of clients and their beneficiaries. We have suggested that the FRC should publish an outline specimen policy on conflicts of interest so as to give some indication of what “robust” might mean. Having reviewed the policies disclosed by 24 large asset management firms, we continue to believe that the FRC needs to take this step. A handful of asset managers restrict disclosure in their compliance statement on their conflicts of interest policy to either a statement that the recommendation of the voting service shall take precedence or a generic statement that they shall act in the best interests of their shareholding client.

Among those who provide more detail, the robustness of individual policies varies greatly from a simple confirmation that appropriate managerial and administrative procedures are in place to detailed statements which cover the specific ways in which conflicts may arise within a particular organisation because of its business model and organisational structure, and the specific internal measures in place to manage those conflicts. Less than ten asset managers provide what we think a reasonable person would consider a “robust” conflicts of interest policy.

Strangely for a code focused on both voting and engagement, many asset managers restrict their discussion of conflicts of interest to voting decisions. The inadequacy of many of the policies disclosed is highlighted by the fact that although Standard Life has chosen to “explain” rather than “comply” with Principle 2, Standard Life’s disclosure on its conflicts policy is the equal of many of those claiming full compliance with this Principle. By issuing an outline specimen conflicts policy, or the key elements needed in one, the FRC would helpfully set out what is required to claim compliance with the Code. As things stand, asset owners need to look beyond statements of compliance and make additional inquiries of asset managers to be reassured that conflicts are indeed being adequately identified and managed (see Conclusions and Recommendations).

In the FRC guidance, investors are asked to disclose their policy on intervention. This relates to Principle 4 of the Code which states: “Institutional Investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value”. The majority of asset managers surveyed by FairPensions do not disclose in their Stewardship Code compliance statement examples of particular circumstances when they will escalate their activities. On the other hand the majority of asset managers do set out examples of the ways in which they would escalate their activities reflecting for the most part the examples given in the Guidance to Principle 4.

‘Based on our analysis of the best conflicts of interest policies, elements of a comprehensive policy include:

- Specifies specific ways in which a conflict may arise in the particular organisation
- Specifies the procedures in place for managing such conflicts to include:
 - rules on gifts and entertainment
 - internal staff training on conflicts of interest
 - maintenance of conflicts register
 - procedure for the voting of shares held in the manager’s parent company
 - rules on personal share dealing by staff
 - Chinese Walls and other procedures to control the exchange of information.

Conclusion

The Stewardship Code has enjoyed early success as evidenced by the fact that 24 of the 29 large asset managers included in this study have already issued detailed formal responses. However, there is clearly more to be done in encouraging asset managers to disclose more meaningful information about their compliance with the various Principles of the Code. Increasingly, asset owners are indicating that compliance with the Code will be a factor in the selection of asset managers. On the basis of our review of early published statements, asset owners still need to carefully scrutinise the quality of stewardship activities even amongst managers who have signed up to the Code. In our view, the early evidence on disclosure should leave the FRC in no doubt that a laissez faire approach to encouraging robust stewardship will fail to drive the change which is so necessary to protect the assets of ultimate owners and beneficiaries.

Recommendations

Improved asset manager disclosure on stewardship activity would benefit their clients and the wider public. The strong performance on disclosure by certain asset managers and the significant improvements made by others since 2008 is clearly good news. However, the very poor disclosure practices of so many leading asset managers and the wide variation in the quality of the information disclosed – even after the publication of an industry code designed to address failings that contributed to the financial crisis – indicate that further improvement is needed.

Adequate public disclosure is essential in ensuring accountability throughout the investment chain. The emphasis placed by the Stewardship Code on public disclosure of matters such as the voting record of institutional investors who are acting on behalf of millions of people is welcome, as is the early success of the Code in attracting industry compliance. However, as this report indicates, the Code as currently drafted and implemented leaves open the possibility of very weak disclosures which nevertheless claim to deliver compliance.

This report is intended as a tool to facilitate the comparison of disclosure practices among asset managers. We hope the report will benefit asset management firms themselves, their clients and regulators. The evidence presented here should enable all parties to identify areas for improvement and reform. We have set out recommendations below addressed to each of the key audiences.

Recommendations

Asset managers

One of the purposes of this report is to provide asset managers with the opportunity to benchmark their own disclosure policies against those of their peers. This report has identified examples of best practice with respect to public disclosure of policies, voting records and engagement activity and highlighted the need for such disclosures to be made available in an accessible way. The report also sets out specific recommendations for each of the asset managers whose public disclosures were assessed. For those asset managers not covered by this report, we would encourage them to follow the best practice examples highlighted. Integration of environmental and social issues should not be seen as an activity separate and distinct from compliance with the Stewardship Code. This report highlights that, despite improvements, further work is required to ensure that the potential financial impacts of environmental and social issues as well as governance issues are recognised and incorporated within investment activities.

Policymakers and regulators

This report has identified a number of barriers to disclosure of comprehensive and comparable data. We believe that the FRC and the government can play an important role in removing those barriers so as to ensure an adequate flow of information to the market.

- The government should clearly state its willingness to make use of its reserve powers to introduce mandatory voting disclosure, if the Stewardship Code does not prompt a stated minimum level of disclosure by a specified review date.
- The FRC should set out a standard form of voting disclosure detailing the minimum information to be provided.
- The FRC should publish at least an outline specimen policy on conflicts of interest to counter the provision of generic boilerplate statements.
- The FRC should create an Ultimate Owners' Council or similar, to act as a nexus for the interests of beneficiaries in the process of monitoring and reviewing the Stewardship Code, and to ensure that their interest in effective investor stewardship is recognised and represented.
- Future revisions of the Stewardship Code should place emphasis on environmental and social issues as well as on governance.

Asset owners

A primary purpose of this report is to allow asset owners to assess and compare the performance of fund management companies which currently or potentially manage assets on their behalf. Asset owners have an important role to play in encouraging improved public disclosure.

To this end, it is encouraging that a number of asset owners have themselves issued statements of compliance with respect to the Stewardship Code while others have indicated that compliance with the Code

shall be a criterion in the selection of asset managers. However, as this report has identified, the mere issuing of a statement of compliance with respect to the Code will not provide sufficient comfort for concerned asset owners that their managers have adequately integrated ESG issues and active stewardship into their investment process. Asset owners will need to closely scrutinise the policies and practices of their managers to ensure that this is the case. We have set out below a number of recommendations for asset owners which will assist in this scrutiny.

- Request that any of your asset managers featured in this report implement the specific recommendations we make for each firm.
- Issue a formal statement with respect to the Stewardship Code, as recommended by NAPF.
- Include compliance with the Stewardship Code as a criterion in the selection of asset managers.
- Request information regarding an asset manager's management of conflicts of interest including:
 - the specific circumstances in which a conflict of interest may arise within the asset manager's organisation given its business model and structure; and
 - the specific administrative and managerial measures in place to manage these conflicts.
- Request examples of specific circumstances in which an asset manager has escalated its engagement activities in respect of each of environmental, social and governance issues.

Asset Manager Scorecards

Transparency		Score
<p>1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy which provides a general overview as to how environmental and social issues are incorporated into its investment activities. A detailed corporate governance policy is also disclosed.</p>	2	
<p>2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: All votes for their worldwide investments Votes are listed by company, proposal description and whether a management or shareholder proposal.</p> <p>Does not disclose: The rationale for each voting decision</p>	4	
<p>3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Not found on website</p>	0	
<p>4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Corporate governance and Corporate Social Responsibility are each on the main menu in ‘About Us’ Section. Corporate Governance is also included as CSR page menu item (2 points)</p> <p>Policy documents and voting records are accessible from the CSR page menu tabs (2 points) Engagement Activities not disclosed</p>	4	
TOTAL		10/20

*Aberdeen Asset Management did not actively participate in the survey

Recommendations to Aberdeen Asset Management:

Transparency

- Disclose a detailed policy on environmental and social issues in addition to governance issues
- Disclose rationale for voting decisions
- Disclose engagement activities

Website:

- Rather than including responsible investment (RI) within corporate social responsibility, create a dedicated section/page for responsible investment on the website, with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Transparency		Score
<p>1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy which provides a detailed explanation on the incorporation of governance issues and a general overview on environmental and social issues</p>		2
<p>2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: Certain votes for their worldwide investments Votes listed by company and proposal description Rationale for votes against, abstentions, contentious issues and votes on shareholder proposals</p>		6
<p>3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Discloses: The number of engagements undertaken quarterly A breakdown of engagements by ESG issue</p> <p>Does not disclose: Detailed explanations of sample engagements A full list of companies with whom it has engaged</p>		2
<p>4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>RI page is found under CSR menu within “Who we are” (2 points) RI policy, voting and engagement disclosures are items on the RI page (3 points)</p>		5
TOTAL		15/20

Recommendations to Aegon Asset Management UK:

Transparency

- Disclose a detailed policy on environmental and social issues
- Disclose all voting instructions
- Provide detailed explanations of sample engagements
- Provide a more detailed breakdown of engagement by ESG issue

Website:

- Rather than including responsible investment within corporate social responsibility, create a dedicated section/page for Responsible Investment on the website, with a direct link from the home page

AllianceBernstein Institutional Investments

Transparency	Score
1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points) Publicly discloses a detailed policy on governance issues only.	1
2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points) Disclosure is made only to the extent that it is required by law-notably in relation to US mutual funds	0
3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points) Not found on website	0
4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points) Corporate Governance is a menu items under “Our Firm” main menu item (2 points) Corporate Governance policy is located under this menu item (1 point)	3
TOTAL	4/20

Recommendations to AllianceBernstein Institutional Investments:

Transparency

- Disclose a detailed policy on environmental and social issues
- Full disclosure of voting records
- Disclose engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Artemis Investment Management

Transparency		Score
1	Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)	
	Publicly discloses a general overview on governance issues only	1
2	Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)	
	Publicly discloses on a quarterly basis summary statistics for their worldwide investments	1
3	Does the fund manager publicly disclose engagement activities, at least annually? (4 points)	
	Not found on the website	0
4	Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)	
	Governance is a menu item (2 points)	
	Policy document and voting records are menu items on the Governance page (2 points)	4
TOTAL		6/20

Recommendations to Artemis Investment Management:

Transparency

- Disclose a detailed policy on environmental and social issues
- Disclose full voting records
- Disclose engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website, with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities

Transparency	Score
<p>1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy on how ESG issues are incorporated</p>	3
<p>2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: All votes for worldwide investment Votes are listed by company and proposal description</p> <p>Does not disclose: The rationale for voting decisions</p>	4
<p>3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Discloses: The number of engagements undertaken quarterly A breakdown of engagements by ESG issue</p> <p>Does not disclose: Detailed explanations of sample engagements A full list of companies with whom Aviva Investors has engaged</p>	2
<p>4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Corporate Governance is a quick link item on the institutional investor home page (2 points) Policy document, voting and engagement records are all available within Corporate Governance page (3 points)</p>	5
TOTAL	14/20

*Aviva Investors did not actively participate in the survey

Recommendations to Aviva Investors:

Transparency

- Policy document should be extended to address in more detail Aviva’s approach to engagement as the current policy is heavily focused on voting
- Provide rationale for voting decisions
- Provide detailed explanations of sample engagements

Website:

- Create a dedicated page/section for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Transparency		Score
1	Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)	2
	Publicly discloses a policy which provides a detailed explanation on the incorporation of governance issues and a general overview on environmental and social issues	
2	Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)	1
	Publicly discloses summary statistics of worldwide votes on an annual basis	
3	Does the fund manager publicly disclose engagement activities, at least annually? (4 points)	0
	Not found on the website	
4	Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)	4
	RI is an item under ‘about AXA’ menu on home page (2 points)	
	Policy and voting disclosure disclosed under this menu (2 points) Engagement activities not disclosed	
TOTAL		7/20

Recommendations to AXA Investment Managers:

Transparency

- Disclose a detailed policy on environmental and social issues
- Disclose full voting records
- Disclose engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Transparency		Score
1	<p>Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy on how ESG issues are incorporated</p>	3
2	<p>Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: All votes worldwide Votes are listed by company, proposal type and proposal description Rationale for votes against proposals including shareholder proposals and abstentions.</p> <p>Does not disclose Rationale in the case of “for” votes even where issue has been identified by Baillie Gifford & Co. as contentious.</p>	6
3	<p>Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Disclosure on a quarterly basis: A full list of companies with whom Baillie Gifford & Co. has engaged Detailed explanations of sample engagements</p> <p>On an annual basis Baillie Gifford & Co. provide a statistical breakdown of engagements by ESG category and the total number of engagements undertaken over the year</p>	4
4	<p>Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Corporate governance and ESG are on institutional investor home page (3 points) RI policy, voting disclosure and engagement disclosure are disclosed under this menu item Certain information is disclosed via client websites (2 points)</p>	5
TOTAL		18/20

Recommendations to Baillie Gifford & Co.:

- Disclose rationale for voting in favour of shareholder proposals and management proposals considered to be contentious
- Provide a statistical breakdown of engagement by specific ESG issue rather than category
- Make available detailed engagement disclosures on Baillie Gifford & Co. website or provide a link to their availability on external sites

Transparency		Score
1	<p>Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy which provides a detailed explanation on the incorporation of governance issues and a general overview on environmental and social issues</p>	2
2	<p>Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: All votes for UK investments Votes are listed by company, proposal type and proposal description</p> <p>Does not disclose: Rationale for voting decisions</p>	3
3	<p>Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Discloses: Engagement activity is disclosed on a semi-annual basis Number of engagements undertaken is disclosed</p> <p>Does not disclose: Breakdown of engagement by ESG category or issue Detailed explanation of sample engagements Full list of companies with whom they have engaged</p>	1
4	<p>Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Corporate governance is a main menu item on the UK website (2 points) Policy documents and voting disclosures are available under the same menu item. Engagement summary report is only available through their global website (2 points)</p>	4
TOTAL		10/20

Recommendations to BlackRock:

Transparency

- Disclose a detailed policy on environmental and social issues
- Disclose rationale for voting decisions
- Disclose greater detail on engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as page menu items

Transparency		Score
1	<p>Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a responsible investment policy which provides a general overview of its approach</p>	1
2	<p>Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Publicly permits disclosure of its voting record on a monthly basis Only certain votes are disclosed Votes are listed by company and proposal description Rationale provided for votes against and abstentions</p>	4
3	<p>Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Permits disclosure of: A full list of companies with whom they have engaged Detailed explanations of sample engagements Breakdown of engagement by ESG category</p>	3
4	<p>Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Responsible Investment is a main menu item (3 points) Policy Document is available under this menu item (1 point) Voting and engagement disclosures are made via client websites</p>	4
TOTAL		12/20

Recommendations to Capital International Ltd.:

Transparency

- Disclose a more detailed policy on environmental, social and governance issues
- Disclose full voting records and engagement activities on its own website under the Responsible Investment menu item or link to external website where such records are available

Transparency	Score
1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points) Publicly discloses a policy on how ESG issues are incorporated	3
2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points) Full voting records publicly available	7
3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points) Discloses: The total number of engagements undertaken annually Breakdown of engagement by specific ESG issue Detailed explanations of sample engagements and key milestones achieved Does not disclose A full list of companies with whom F & C has engaged with over the year	3
4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points) There are links to RI from home page (3 points) RI policy, voting records and engagement disclosure are on RI page (3 points)	6
TOTAL	19/20

Overall comment:
 F& C is to be commended for its very high levels of transparency.

Recommendations to F&C Asset Management:

- Disclose a full list of companies with whom F & C has engaged with during the year

Transparency		Score
1	<p>Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy which provides a detailed explanation on the incorporation of governance issues and a general overview on environmental and social issues</p>	2
2	<p>Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: All votes Votes listed by company, proposal type and proposal description</p> <p>Does not disclose: Rationale for voting decisions</p>	4
3	<p>Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>No information found on website</p>	0
4	<p>Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Corporate governance is a menu item under About Fidelity main menu item (2 points) Policy and voting records are disclosed under corporate governance (2 points)</p>	4
TOTAL		10/20

* Fidelity International did not actively participate in the survey

Recommendations to Fidelity International:

Transparency

- Disclose a detailed policy on environmental and social issues
- Disclose rationale for voting decisions
- Disclose engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website with direct link from the home page
- Such a page should include RI policy, voting disclosure and engagement activities as menu items

Transparency	Score
<p>1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>No information found on website</p>	0
<p>2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: All votes for UK investments Votes are listed by company, proposal type and proposal description.</p> <p>Does not disclose: Rationale for voting decisions</p>	3
<p>3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>No information found on website</p>	0
<p>4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Voting disclosures are located within Corporate Governance which is a main menu item (2 points) Voting disclosures are items on the Corporate Governance page (1 point)</p>	3
TOTAL 6/20	

Recommendations to Goldman Sachs Asset Management International:

Transparency

- Disclose a detailed policy on environmental, social and governance issues
- Disclose all votes worldwide together with rationale for voting decisions
- Disclose engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Transparency		Score
1	<p>Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy on how ESG issues are incorporated</p>	3
2	<p>Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: Certain votes on a quarterly basis Votes are listed by company and proposal description Rationale provided for votes against management proposals, abstentions and votes on shareholder proposals</p> <p>Does not disclose: Rationale for contentious votes in favour of management proposals</p>	5
3	<p>Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Discloses: Total number of engagements undertaken semi-annually Detailed explanations of sample engagements.</p> <p>Does not disclose: A breakdown of engagement by ESG category or issue Full list of companies with whom Henderson has engaged</p>	2
4	<p>Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>RI is a main menu item (3 points) RI policy and voting records are on RI page (2 points) Engagement activities disclosed under the menu tab “Document Library”</p>	5
TOTAL		15/20

Recommendations to Henderson Global Investors:

Transparency

- Disclose all votes worldwide
- Disclose rationale for contentious votes
- Disclose a statistical breakdown of engagements by issue
- Disclose a full list of companies with whom they have engaged

Website:

- Disclose engagement activities on the RI page

Transparency	Score
<p>1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses policies on how ESG issues are incorporated</p>	3
<p>2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: All votes for their worldwide investments Votes listed by company and proposal number Rationale provided for votes against, abstentions and votes on shareholder proposals Hermes identifies votes regarded as contentious by describing them as “by exception”</p> <p>Does not disclose: Rationale for “by exception” votes</p>	6
<p>3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Discloses on a quarterly basis: Total number of engagements undertaken Breakdown of engagements by ESG issue Detailed explanations of sample engagements</p> <p>Does not disclose: A full list of companies with whom Hermes Fund Managers Ltd has engaged</p>	3
<p>4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Responsible Investment is a menu item under the home page menu item “Equity Ownership Services” (2 points) Policy, voting records and engagement disclosure are on RI page (3 points)</p>	5
TOTAL	17/20

Recommendations to Hermes Fund Managers Ltd.:

Transparency

- Disclose rationale for voting decisions described as “by exception” (with an appropriate time lag if necessary)
- Incorporate all policies addressing RI and ESG within one document

Transparency		Score
1	Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)	
	Publicly discloses a general overview on ESG issues	1
2	Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)	
	Summary voting statistics for UK & European investment discloses annually	1
3	Does the fund manager publicly disclose engagement activities, at least annually? (4 points)	
	Publicly discloses the number of engagements undertaken annually	1
4	Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)	
	Corporate governance is a menu item on the UK institutional website (2 points) Voting and engagement disclosures are corporate governance page items (2 points)	4
TOTAL		7/20

Recommendations to HSBC Global Asset Management:

Transparency

- Disclose a more detailed policy on environmental and social issues
- Disclose full voting records
- Disclose engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Transparency	Score
<p>1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>No information found on website.</p>	0
<p>2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Voting records on website are for the period ending June 2009. As voting records for the most recent 12 month period are unavailable, we have been unable to award points for such disclosure</p>	0
<p>3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Engagement activities disclosed on the website are for period ending June 2009. As disclosures for the most recent 12 month period are unavailable, we have been unable to award points for such disclosure</p>	0
<p>4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>RI is a quick link item on home page (2 points) Historical voting records and engagement activities are RI page items (3 points)</p>	5
TOTAL	5/20

*Insight Investment did not actively participate in the survey

Recommendations to Insight Investment:

Insight scored 100% for transparency in our survey in 2008. Their 2010 score represents a significant regression in the company’s approach to public disclosure. It is difficult not to draw a correlation between the lack of updated disclosure and the departure of the dedicated Responsible Investment team in 2009.

We note the historical voting records and engagement disclosures were reposted to the website following the publication of the Stewardship Code and that the following statement is set out on the website:

“In light of the clarity provided by the Stewardship Code on engagement and transparency we are undertaking a review of our RI policy and processes and will make any amendments necessary to register our full compliance with the code through the FRC.”

We hope that Insight will once again adopt a leadership role within the investment industry with respect to public disclosure.

We note that since the closing date of our research, Insight has posted a more detailed compliance statement on the Stewardship Code.

Transparency	Score
1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points) No information found on website	0
2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points) No information found on website	0
3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points) No information found on website	0
4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points) No information found on website	0
TOTAL	0/20

*INVESCO Perpetual did not actively participate in the survey

We note that since the closing date of our research, Invesco has posted a policy on Corporate Governance and Stewardship.

Recommendations to INVESCO Perpetual:

Transparency

- Disclose a detailed policy on environmental, social and governance issues
- Disclose voting records
- Disclose engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Transparency		Score
1	<p>Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy on how ESG issues are incorporated</p>	3
2	<p>Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: All votes for their worldwide investments Votes listed by company and proposal description Rationale for votes regarded by JP Morgan Asset Management as contentious</p> <p>Does not disclose: Rationale for votes against management proposals, abstentions or votes on shareholder proposals</p>	5
3	<p>Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Discloses on a quarterly basis the total number of engagements undertaken during the quarter</p>	1
4	<p>Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Corporate governance is a menu item under commentary and analysis’ section of institutional investor website (1 point) RI policy, summary voting and engagement disclosures are under corporate governance Detailed voting record is disclosed under the menu item “FRC Stewardship Code”</p>	4
TOTAL		13/20

Recommendations to JP Morgan Asset Management:

Transparency

- Disclose rationale for votes against, abstentions and votes on shareholder proposals
- Disclose more information on engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Legal & General Investment Management

Transparency	Score
<p>1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy on how ESG issues are incorporated</p>	3
<p>2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: All votes for their UK investments Votes listed by company and proposal number</p> <p>Does not disclose: Rationale for voting decisions</p>	2.5
<p>3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>The total number of engagements undertaken annually together with a breakdown of such engagements by ESG category is disclosed in the CSR report</p>	2
<p>4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Corporate governance is a menu item in the ‘about us’ section of the LGIM website (2 points) Policy Document and voting records are corporate governance page items (2 point) Engagement disclosures are made in the CSR report (0 points)</p>	4
TOTAL 11.5/20	

Recommendations to Legal & General Investment Management:

Transparency

- Disclose all votes worldwide
- Disclose rationale for voting decisions
- Disclose engagement activities regularly and include more details

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Transparency		Score
1	Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)	
	Publicly discloses a policy which provides a detailed explanation on the incorporation of governance issues and a general overview on environmental and social issues	2
2	Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)	
	Discloses: All votes for their UK investments Votes are listed by company, proposal type and proposal description Does not disclose: Rationale for voting decisions	3
3	Does the fund manager publicly disclose engagement activities, at least annually? (4 points)	
	Not found on the website	0
4	Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)	
	Corporate governance is a page within corporate responsibility under “About M&G” (2 points) Voting records and policy documents are corporate governance page items (2 points)	4
TOTAL		9/20

*M&G Investments did not actively participate in the survey

Recommendations to M&G Investments:

Transparency

- Disclose a detailed policy on environmental and social issues
- Disclose rationale for voting decisions
- Disclose engagement activities regularly

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Transparency	Score
1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points) No information found on UK website	0
2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points) No information found with respect to votes other than those whose disclosure is legally required	0
3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points) No information found on UK website	0
4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points) Corporate Governance is a quick link item on their home page which links to a statement on the Stewardship Code (2 points)	2
TOTAL	2/20

* Morgan Stanley Investment Management did not actively participate in the survey

Recommendations to Morgan Stanley Investment Management:

Transparency

- Disclose a detailed policy on environmental social and governance issues
- Disclose voting records for all holdings
- Disclose engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Transparency		Score
1	<p>Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy on how ESG issues are incorporated</p>	3
2	<p>Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: Certain votes for their worldwide investments Votes listed by company and proposal description Rationale for votes against, abstentions and votes on shareholder proposals</p> <p>Does not disclose: Rationale for votes in favour of management proposals regarded as contentious</p>	5
3	<p>Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Discloses: Total number of engagements undertaken Detailed explanations of a large number of sample engagements covering a broad range of ESG issues List of companies with whom Newton Investment Management has engaged</p> <p>Does not disclose: A statistical breakdown of engagement by ESG category or issue</p>	3.5
4	<p>Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>RI a quick link item on the home page (3 points) RI policy, voting disclosure and engagement disclosures are on RI page (3 points)</p>	6
TOTAL		17.5/20

Recommendations to Newton Investment Management:

Transparency

- Disclose voting records for all holdings
- Disclose rationale for contentious “For” votes
- Disclose a statistical breakdown of engagement by ESG issue

Transparency	Score
<p>1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy which provides a detailed explanation on the incorporation of governance issues and a general overview on environmental and social issues</p>	2
<p>2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Summary statistics available for Social, Environmental and Ethical voting for Pan European Investments</p>	1
<p>3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>A graph showing the number of engagements during the year with a breakdown as to whether the engagement was investor led, company led or in the form of voting.</p>	1
<p>4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>RI page is found under “Corporate Responsibility” within the “About Schroders” menu items (2 point). RI policy is an RI page item (1 point) Voting and engagement disclosure is located in the Corporate Responsibility Report which is located under “Marketplace”</p>	3
TOTAL	7/20

Recommendations to Schroder Investment Management:

Transparency

- Disclose a detailed policy on environmental and social issues
- Disclose full voting records
- Disclose more detail on engagement activities

Website:

- Rather than including responsible investment within corporate social responsibility, create a dedicated section/ page for responsible investment on the website, with a direct link from the home page
- Offer voting disclosure and engagement activities disclosure as RI page items.

Scottish Widows Investment Partnership

Transparency		Score
1	Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)	
	Publicly discloses a policy which provides a detailed explanation on the incorporation of governance issues and a general overview on environmental and social issues	2
2	Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)	
	Discloses: Votes in relation to their FTSE350 holdings Votes listed by company, proposal type and proposal description Rationale for votes against, abstentions, votes on shareholder proposals and votes on contentious issues	6
3	Does the fund manager publicly disclose engagement activities, at least annually? (4 points)	
	No information found on website	0
4	Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)	
	Corporate Governance is an item under “About Us” main menu item (2 points) Policy and voting records are disclosed under this item (2 points)	4
TOTAL		12/20

Recommendations to Scottish Widows Investment Partnership:

Transparency

- Disclose a detailed policy on environmental and social issues
- Disclose records for all votes
- Disclose engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website with an identifiable link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Standard Life Investments

Transparency		Score
1	<p>Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>Publicly discloses a policy on how ESG issues are incorporated</p>	3
2	<p>Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: Certain votes for their UK and Irish investments Votes listed by company and proposal description Rationale provided for votes against, abstentions and votes on shareholder proposals</p> <p>Does not disclose: Rationale for contentious votes</p>	5
3	<p>Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>Total number of company engagements are disclosed in the Corporate Responsibility Report</p>	1
4	<p>Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>Corporate Governance and SRI are main menu items (3 points) RI policy and voting disclosures are Corporate Governance and SRI page items (2 points) Disclosure of company engagement activities contained in Corporate Responsibility Report</p>	5
TOTAL		14/20

Recommendations to Standard Life Investments:

Transparency

- Disclose records for all votes and provide rationale for contentious votes
- Disclose company engagement activities and make such disclosures available under the Corporate Governance and SRI page

Transparency		Score
1	Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points) Publicly discloses a general overview on governance issues only	1
2	Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points) Discloses: Certain votes for their worldwide investments Votes listed by company, proposal type and proposal description Does not disclose: Rationale for voting decisions	4
3	Does the fund manager publicly disclose engagement activities, at least annually? (4 points) Discloses: Detailed explanations of sample engagements on governance issues Breakdown of engagements by corporate governance issue	1.5
4	Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points) Corporate Governance is a main menu item (2 points) Policy document, voting disclosure and engagement activity disclosure are all disclosed under this menu item (3 Points)	5
TOTAL		11.5/20

* State Street Global Advisors UK Ltd did not actively participate in the survey

Recommendations to State Street Global Advisors UK Ltd.:

Transparency

- Disclose a detailed policy on environmental, social and governance issues
- Disclose voting records for all holdings and provide rationale for voting decisions
- Disclose engagement activities on environmental and social issues

Website:

- Create a dedicated section/page for responsible investment on the website with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Threadneedle Asset Management

Transparency	Score
1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points) Publicly discloses a policy on how ESG issues are incorporated	3
2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points) Summary statistics provided together with rationale for votes on shareholder proposals	2
3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points) Discloses: Total number of engagements undertaken quarterly Breakdown of engagements by ESG issue Full list of companies with whom they have engaged Detailed explanations of sample engagements	4
4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points) RI page is found under “Investment Capabilities” main menu item (2 points) RI policy, voting and engagement disclosures are RI page items (3 points)	5
TOTAL	14/20

Recommendations to Threadneedle Asset Management:

Transparency

- Disclose detailed voting records

Transparency	Score
<p>1 Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)</p> <p>General overview of environmental and social issues and a detailed explanation with respect to governance issues</p>	2
<p>2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)</p> <p>Discloses: Some votes for UK, US & Canadian investments Votes are listed by company, proposal type and proposal description Does not disclose a rationale for voting decisions</p>	3
<p>3 Does the fund manager publicly disclose engagement activities, at least annually? (4 points)</p> <p>In their Stewardship Code compliance statement, UBS has provided 3 detailed explanations of sample engagements they have undertaken but the examples provided do not fall within the most recent 12 month period</p>	0
<p>4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)</p> <p>RI is a main menu item (3 points) RI policy and voting disclosure are RI-page items (2 points) Engagement activity is not an RI-page item</p>	5
TOTAL 10/20	

* UBS Global Asset Management did not actively participate in the survey

Recommendations to UBS Global Asset Management:

Transparency

- Disclose a detailed policy on environmental and social issues
- Disclose records for all votes and provide rationale for voting decisions
- Continue the recent decision to make disclosures regarding engagement activities

Transparency		Score
1	Does the fund manager publicly disclose a clear policy on how ESG issues are incorporated into all of its equity investment activities (i.e. not just for “SRI” funds)? (3 points)	
	No information found on website	0
2	Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? (7 points)	
	No information found on website	0
3	Does the fund manager publicly disclose engagement activities, at least annually? (4 points)	
	No information found on website	0
4	Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available? (6 points)	
	Corporate governance is available through the home page (2 points) RI policy, voting and engagement activities are not disclosed	2
TOTAL		2/20

* Wellington Management did not actively participate in the survey

Recommendations to Wellington Management:

Transparency

- Disclose a detailed policy on environmental, social and governance issues
- Disclose voting records
- Disclose engagement activities

Website:

- Create a dedicated section/page for responsible investment on the website, with a direct link from the home page
- Such a page should offer RI policy, voting disclosure and engagement activities as RI-page menu items

Appendix 1 - Methodology

This report covers 28 of the 30 asset managers who were featured in our 2008 survey: “Investor Responsibility? UK Fund Managers’ Performance and Accountability on “Extra-Financial” Risks. Asset managers were selected in 2008 from the largest 150 asset managers featuring in the P&I/Watson Wyatt World 500 ranking (2007) but also specifically aimed to include the largest UK-owned asset managers and exclude those international managers with a relatively low UK focus. This year Aegon Asset Management UK was included in place of Barclays Global Investors following its acquisition by Blackrock.

The survey in 2010 was conducted in three stages. In the preliminary stage, FairPensions completed a review of the information publicly available on the websites of the 29 asset managers. On the passing of the September deadline for publication by investors of responses on the UK Stewardship Code, FairPensions again reviewed the websites of all 29 asset managers to ascertain whether any

additional disclosures had been made and to review the responses of the asset managers to the Stewardship Code. At the close of this stage of our research, interim scorecards were prepared. These were then communicated to asset managers by post and by email (where an email address was available). FairPensions encouraged managers to comment on the interim findings and provide any further relevant information with a deadline of two weeks. This stage saw considerable interaction between asset managers and the FairPensions’ research team through calls, emails and face to face meetings. Reminder emails were sent within one week of the deadline.

In this last phase of our research where managers made us aware of new disclosures, results were updated accordingly. It is possible that additional disclosures have been made without notification to FairPensions since the completion of our review of the asset managers’ websites and/or since the passing of the deadline for submissions by asset managers.

Appendix 2 - The Ranking Criteria

Transparency	Points	Notes
1 Does the fund manager publicly disclose a clear policy* on how Environmental, Social and Governance (ESG) issues are incorporated in all of its equity investment activities (i.e. not just for “SRI” funds)?	Maximum points awarded 3	
Detailed policy on all ESG issues	3	
Detailed policy on governance issues, with an additional point awarded if an overview on E&S issues has also been disclosed	2	
General policy document on their responsible investment approach	1	
No information	0	
2 Does the fund manager publicly disclose its voting record for its investment holdings, at least annually? **	Maximum points awarded 7	
No voting record disclosed on website	0	
OR Voting records only includes summary statistics	1	
OR Detailed voting record which discloses the following:		
lists all voting instructions (worldwide, for, against, abstained)	2	1 point for some votes
lists votes by company and proposal description	2	1 point for each item
provides rationale for votes against and abstentions	1	
provides rationale for shareholder proposals	1	
provides rationale for contentious issues	1	
3 Does the fund manager publicly disclose its engagement activities, at least annually?	Maximum points awarded 4	
Disclose total number of engagements undertaken over the year	1	
Disclose engagement by ESG issues	1	
Detailed explanations are provided for a sample of engagements	1	
Full listing of companies engaged with/met over the year	1	
4 Is the fund manager’s website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available?	Maximum points awarded 6	
RI/SRI/ESG is a main menu item on the UK institutional investor homepage or there is a quick link on such page.	3	partial credit awarded where RI is listed under a different menu item
Policy, Voting disclosure and engagement all under same menu item	3	1 point for each item
TOTAL SCORE	20	

* A clear policy states specific issues of ESG concern that the manager aims to deal with (e.g. climate change), and also states exactly how the fund manager plans to address them.

** In the case of holdings where the fund manager does not have voting authority, it is sufficient to disclose the fund manager’s voting recommendations to its clients.

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