Responsible Investment

Quarterly Report Q1 2015

Standard Life Investments

Contents

Introduction

Standard Life Investments is committed to being a responsible investor. This quarterly report details engagements our responsible investment team has undertaken with various companies specifically related to environmental, social and governance issues.*

While not an exhaustive list, this report is a comprehensive representation of the various steps taken by Standard Life Investments to ensure it remains an active and responsible steward of our clients' assets.

Standard Life Investments is one of the world's leading investment companies, offering global coverage of a broad range of investment instruments and markets. With global assets under management of £245.9 billion (as at 31/12/2014) our capabilities span equities, fixed income, real estate, private equity, multi-asset and absolute return solutions.

Headquartered in Edinburgh, Standard Life Investments employs over 1,400 talented professionals. As a global investment manager, we maintain a presence throughout the world including offices in Boston, Hong Kong, Paris, London, Beijing, Sydney, Dublin and Seoul.

*For a separate governance & stewardship team report on ESG activities, see http://www.standardlifeinvestments.com/governance_and_stewardship/index.htm

Foreword

Amanda Young
Head of Responsible Investment

The year ahead

We believe that 2015 will prove to be a significant year for responsible investment – and numerous macro issues look set to have important implications for a number of sectors and for our investee companies.

In the first quarter, we saw the launch of the Reporting Framework for the UN Guiding Principles on Business and Human Rights. This marks a significant step in the evolution of the UN Guiding Principles and is the result of 18 months of research and consultation with a range of stakeholders. The framework is founded on the three pillars of the UN Guiding Principles – Protect, Respect and Remedy. The framework offers companies a tool to report on human rights, as well as acting as a mechanism to improve practices across a level playing field. A small number of businesses have already started to apply the framework – with many more hopefully set to follow.

The framework is applicable across all sectors and its continued adoption should result in improved human rights around the world. Although in its early stages, we believe the framework will help our investee companies to manage human rights and provide greater transparency for the investment community. Further details of the framework can be found within this report.

Meanwhile, climate negotiations will feature prominently this year. World leaders are set to meet in Paris at the Conference of Parties 21 (COP 21) in December to agree a universal plan to limit carbon emissions post-2020. Last year we witnessed some positive indicators during talks in Lima – convened to define the elements of a framework to be agreed in Paris – including the announcement of a bilateral climate agreement from the top two greenhouse gas emitting countries, China and US.

However, divisions remain regarding the historical responsibility between developing and developed countries, which the principle of 'common but differentiated responsibilities' seeks to address. As we move towards COP 21, countries have agreed to submit post-2020 national emission regulation pledges by the end of March 2015. Over the course of the year, we will closely monitor these pledges, particularly those from the four main emitters – the US, China, the EU, and India.

This year will also herald the launch of the Sustainable Development Goals (SDGs), a series of universal development goals that will replace the Millennium Development Goals. Once implemented, governments and policy makers will be expected to apply the SDGs to the creation of political policies and agendas. There are 17 goals overall, with a total of 169 targets. These address areas such as ensuring access to energy, building resilient infrastructure and promoting sustainable economic growth.

Businesses can play a significant role in the achievement of these goals through sustainable economic growth at both an industry and company level. As such, it is important that governments put mechanisms in place to promote economic growth through pricing incentives, multilateral trade agreements and support for responsible business practices. The SDGs are expected to be agreed at a UN summit in New York this September, becoming applicable in January 2016.

We will be looking at a number of additional themes in 2015, including cyber security, the rise in inequality, growth in automation and the continued rise in regulation. We are sure that 2015 will be another notable year for the responsible investment team.

We hope that this report offers valuable insights into our work. We would very much welcome feedback to ensure that our reporting practices meet the expectations and views of our stakeholders. Comments can be sent to the team mailbox at: **responsible_investment@standardlife.com**

The responsible investment team

Who are we?

The responsible investment team is dedicated to research and analysis of environmental and social issues that have a bearing on Standard Life Investments' client portfolios. We place specific focus on four key areas:

- employment issues
- human rights & community issues
- environmental matters
- anti-corruption.

The team works closely with our separate governance & stewardship team and seeks to ensure that ESG considerations are embedded throughout our investment process. Collectively, the team has over 30 years' experience in responsible finance. Further details on our approach and how we engage with investee companies can be found on our website.

The team

Amanda Young
Head of Responsible Investment

Alix Chosson
Analyst, Responsible Investment

Rebecca Maclean
Analyst, Responsible Investment

Andrew Mason
Analyst, Responsible Investment

Thematic commentary

Standard Life Investments is committed to inform and lead the debate on core issues affecting responsible investment, governance and stewardship.

As part of this commitment, the team regularly publishes research papers, providing insight into particular areas of concern to clients. In addition, we participate in numerous important initiatives within the spheres of responsible investment and corporate governance. In this section, we provide an overview of these issues and engagements.

The launch of the Reporting Framework for the UN Guiding Principles on Business and Human Rights

On 24 February, members of Standard Life Investments attended the launch of the UN Guiding Principles Reporting Framework in London. This framework aims to provide companies with more clarity and guidance around implementing and reporting on the UN Guiding Principles, the international reference for addressing human rights. The initiative, led by firms Shift and Mazars, is the result of 18 months of research and consultation with stakeholders. Standard Life Investments took an active part in this process.

We fully support this new framework and believe it will enhance the dialogue between companies, investors and other stakeholders. The UN Guiding Principles, developed by Professor John Ruggie, constitutes the basis of our approach to human rights and the way we engage with companies. We believe the reporting framework represents the most robust approach to reporting on human rights to date, and will help fully embed the Guiding Principles into the way businesses address their responsibility around human rights issues.

The UN Guiding Principles are founded on three pillars.

1. The state's duty to protect human rights against abuses by third parties, including business, through appropriate policies, legislation, regulations and adjudication.
2. The corporate responsibility to respect human rights, including to act with due diligence to avoid infringing on the rights of others and address adverse impacts with which they are involved.
3. The need for greater access to effective remedy, both judicial and non-judicial for victims of business-related human rights abuse.

The reporting framework is divided into three parts.

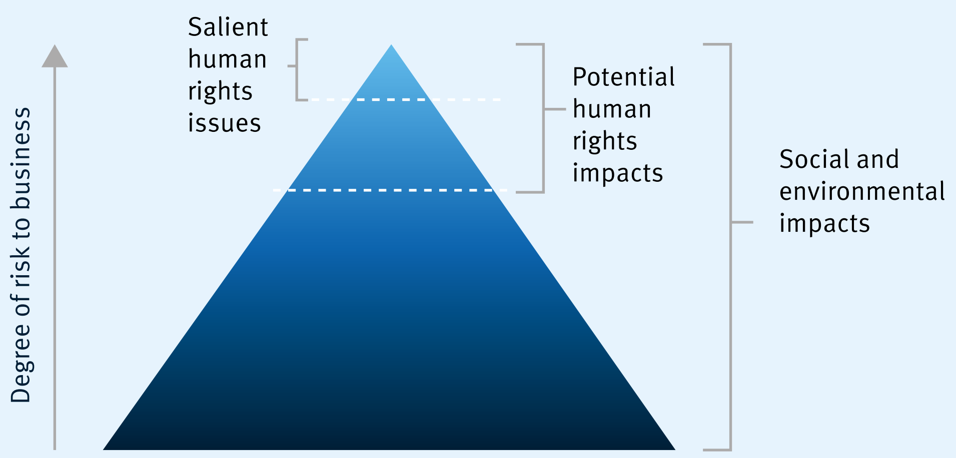
- The governance of respect for human rights, requiring companies to report on how human rights are embedded in the company's governance and systems, from top management to daily operations and including relations with business partners.
- Defining the focus of reporting, which invites companies to identify their salient issues and the scope of their reporting – global versus focal geographies.
- Management of salient human rights issues, which seek for companies to explain how human rights are implemented in their operations, including stakeholder engagement, assessing integrating human rights impacts in operations, grievance mechanisms and continuous monitoring.

Thematic commentary

Without entering into too much detail on each of these parts, we want to highlight several advancements that clearly stand out.

- The reporting framework gives enough leeway for companies to articulate the strategic importance of human rights by asking open and so-called 'smart' questions. This helps them avoid a standardised box-ticking approach that is especially ill-suited to human rights issues. All companies interested in human rights – irrespective of their activities, their size or their communication budget – shall be able to report according to this framework. It is also one of the first frameworks that explicitly encourages companies to report on the challenges they face, the lessons they have learnt, and areas for improvement they have identified. This information is therefore key in assessing the robustness and credibility of a company's approach to these issues.
- The framework is based on the concept of 'salient' human rights risks. As explained, 'a company's salient human rights issues are those human rights that are at risk of the most severe negative impact through its activities or business relationship.' The main difference with the notion of materiality is the focus on the concept of 'right holders' which considers risks to people as opposed to risks to business. The idea is that some risks to people, even if not currently material to the company, could become material in the long term if nothing is done to mitigate them. These salient human rights risks are also key to maintain reputation and a license to operate over the long term.

Convergence betwen salient human rights issues and risk to business



From UN Guiding Principles Framework Implementation Guide, www.ungprf.org, developed through a collaboration of Shift (www.shiftproject.org) and Mazars (www.mazars.com), and made available under a Creative Commons Attribution-No Derivatives Works Version 4.0 United States License,https://creativecommons.org/ licenses/by-nd/4.0/. (c) 2015 Shift Project Ltd.

Thematic commentary

- The reporting framework is especially focused on governance and implementation of the Guiding Principles.
  - **Governance:** companies have to explain who is responsible for overseeing their approach to human rights and its implementation, including how this governance is structured from the ground up to board level.
  - **Implementation:** a core requirement is to demonstrate the effective integration of HRIA (human rights impact assessment) findings into decision making and processes. While crucial to assess the robustness of their approach, most companies fail to demonstrate how the studies conducted before starting operations, as well as continuous stakeholder engagement, actually affect the business-as-usual practices. Companies are also encouraged to demonstrate that they have put in place mechanisms to assess the effectiveness of their approach and track their performance – another weak aspect of the current corporate reporting practices on human rights.

The last area involves the third pillar of Ruggie Principle – Access to Remedy. Here, company responsibilities regarding grievance mechanisms and remediation are re-specified, specifically in countries lacking rule of law and effective judicial processes. This is a crucial part of the UN Guiding Principles; however, remediation is sometimes neglected as it tends to intercede with the state's duty to protect its citizens, creating tensions with host governments.

We would like to conclude by highlighting one point on which Standard Life Investments' approach might take a different view from the reporting framework. By clearly focusing on the respect for human rights and thus aligning with the 'do no harm' stance taken by John Ruggie, the reporting framework only partially addresses positive impacts and community investments. The explanatory notes of the framework nevertheless state that companies may report on community investments if they form a part of a 'deliberate strategy to address a risk to human rights related to the company's salient human rights issues.' We share Shift's prudence regarding philanthropic activities, especially when presented as core part of a company's human rights approach.

However, we believe some community investments – especially when related to capacity building, education and healthcare – should be part of a comprehensive human rights approach. This is especially the case for companies in extractive sectors; they develop and exploit national resources, and many argue they have greater socioeconomic responsibilities. It is also a key component of businesses' license to operate, as companies that demonstrate their role in fostering social progress and economic development are more likely to enjoy good relations with local communities and governments.

'The responsibility to respect human rights is a global standard of expected conduct for all business enterprises wherever they operate. It exists independently of states' abilities and/or willingness to fulfil their own human rights obligations, and does not diminish those obligations. And it exists over and above compliance with national laws and regulations protecting human rights.'

(UN Guiding Principles on Business and Human Rights)

Thematic commentary

Next steps
Already half a dozen companies have announced they will report according to the UN Guiding Principles Reporting Framework. This should hopefully pave the way for other corporations to follow. We will monitor these developments with great interest.

Currently, Shift and Mazars are drafting the Assurance Framework for the UN Guiding Principles. These new principles will be developed over the course of 2015 through consultation with stakeholders. Standard Life Investments intends to take part in a number of these consultations.

We will continue to take an active part in the UN PRI Steering Committee on Human Rights in Extractive Industries. In January, we hosted a roundtable with investors and companies to share the challenges and best practices inherent through the implementation of the UN Guiding Principles in the extractive sectors. Collaborative engagement with those extractive companies at risk will start later this year.

Access to medicine in developing markets

We believe that patient access to medicine in developing countries has a significant business impact upon international pharmaceutical companies. According to estimates by the UN Development Programme, spending on drugs in North America, Europe and Japan will grow by no more than 1-4 % annually until 2017. This contrast with emerging markets, where spending is expected to increase by 10-13% over the same period. In order to gain exposure to these growing markets, it is important that pharmaceutical companies consider their management of issues surrounding access to medicine. They should also consider other key ESG issues, such as the implementation of the appropriate codes of conduct. Such steps will bolster a company's license to operate, improve political relationships, enhance corporate brands and ultimately lead to higher market share within these economies. The 2014 Access to Medicine Index (AMI) identifies four key factors required to ensure this access.

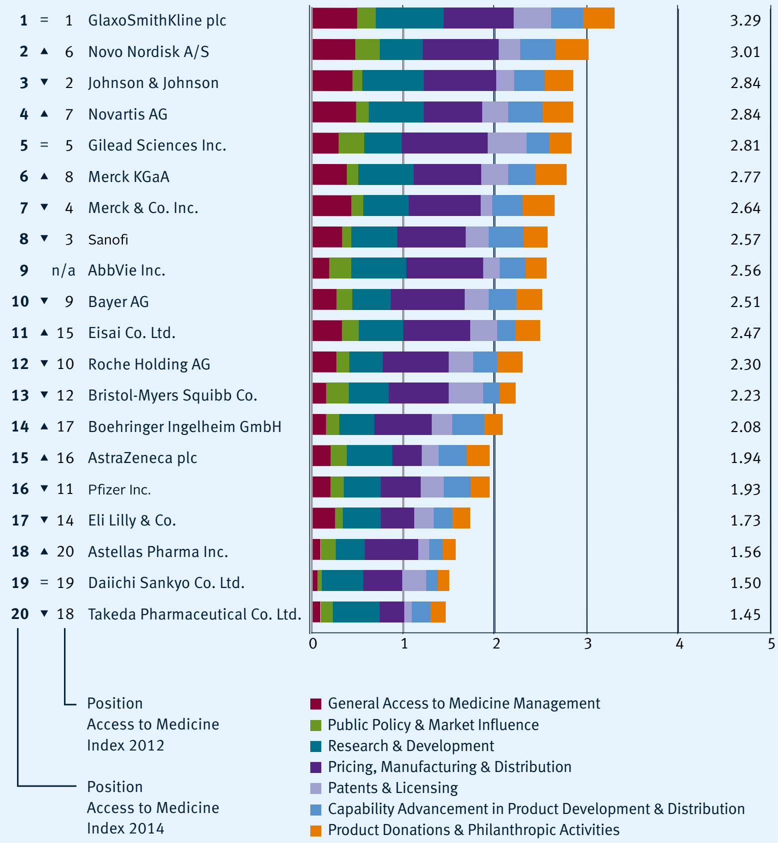
- **Availability:** ensuring that new products are developed or existing products are adapted for local use.
- **Accessibility:** ensuring that people can receive the product and understand how it should be used.
- **Affordability:** ensuring that care providers and governments can afford the product.
- **Quality/acceptability:** ensuring that the product works as intended, is efficacious and safe.

The fourth Access to Medicine report was published at the end of last year. It represents two years of research, and entailed assessing the operations of 20 companies against 95 indicators in relation to 106 countries and 47 diseases. The authors believe that good performance in facilitating access to medicine for poor people in developing countries is a proxy for good performance in reaching new consumers in emerging markets.

The AMI has been rated as the third most credible sustainable index worldwide by the 'polling the experts' survey. It is therefore a useful tool to allow investors to consider the strategies of investee companies. The graph on the following page represents how the companies assessed were ranked. We note that GlaxoSmithKline continues to achieve the highest rating. We also welcome the levels of transparency and ongoing work across the industry to support access to medicine programmes.

Thematic commentary

The Access to Medicine Index 2014 – Overall Ranking



A score of zero means lowest and five signifies highest indicator score among the company set.

These findings show that:

- companies have been conservative in their disclosure of when patents are active and when they will expire
- five companies are developing more than half of the pipeline products
- more than 50% of the corporations are developing medicines for children
- pricing strategies continue to evolve.

We are fully supportive of the AMI. We welcome the levels of disclosure provided by the featured companies, as well as the continued development of strategies to address access to medicine. We also recognise that the products made by certain firms are not wholly appropriate for such strategies and that this may affect a company's standing within the AMI.

During the quarter, we engaged with a number of pharmaceutical groups to consider their 'access to medicine' strategies in light of the report's findings. We are also pleased to have given our backing to an investor statement in support of the AMI. Overall, we believe the AMI will act as a tool to highlight good practice and address the challenges faced by the sector. As we move ahead, we will continue to provide input to the evolution of the AMI and its relevance to both the pharmaceutical sector and the wider investment community. Further details of the access to medicine report can be found at **www.atmindex.org**

Thematic commentary

Davos: the rise in societal and environmental risk

All eyes were on Davos at the start of the year, as 2,500 of the world's political and business elite gathered for the annual World Economic Forum (WEF). While the global economy, conflict and political instability were key areas of discussion, a number of social and environmental challenges were also high on the agenda. Prominent individuals, such as Al Gore, highlighted that environmental issues, such as water scarcity, would continue to pose a sizeable challenge to the world and business community alike.

Indeed, in his opening presentation, the former US vice president urged leaders to act fast to avert a climate change disaster. Although threat levels are increasing, uncertainty remains around the ability to achieve international collaboration to address the major issues. Economic and social problems also featured prominently, with many discussions referring to the growing problem of wealth inequality.

During the event, the WEF released its Global Risks Report. This year's paper highlighted the fragility of societies fuelled by economic, environmental and social developments. It drew on the perspectives of almost 900 members of the WEF's multi-stakeholder community, dividing risks into two groups in terms of likelihood and impact (Charts 1 and 2). The 2015 report provided an overview of 28 global risks, which fell into five categories: economic, environmental, societal, geopolitical and technological.

In its 10th edition, this year's report provided an interesting insight into how the views of stakeholders have changed over the past decade. Perhaps the most striking takeaway was the increased awareness around the threats posed by environmental change. Five years ago, environmental risks were yet to appear in the top five 'likely to happen' risks. Then, in the 2011 report, four of the top five risks were environmental – storms and cyclones, flooding, biodiversity loss and climate change. That report was published nine months after BP's Gulf of Mexico oil spill, which may have played a role in the changing perceptions. However, every report published since 2011 has included environmental issues in the top five risks, both in terms of likelihood and impact.

Another noticeable feature of the latest report was that water crises were identified as the most serious global threat in terms of business and society. This ranked it higher than the proliferation of weapons of mass destruction, energy price shocks and infectious disease. Of course, the underlying facts regarding the risks posed by environmental and social challenges – both to businesses and society – are not new. However, given recent global events, these risks have clearly grown in prominence in the minds of responsible investors.

This is certainly true for socioeconomic inequality, which has generated considerable interest this year across the world. Inequality can be seen in a wide range of circumstances, including income, employment, access to

Chart1: Top3 in terms of likelihood

2013	2014	2015
Severe income disparity	Income disparity	Interstate conflict with regional consequences
Chronic fiscal imbalances	Extreme weather events	Extreme weather events
Rising greenhouse gas emissions	Unemployment and underemployment	Failure of national governance

Economic Environmental Geopolitical Societal

Source: Global Risks report 2015, World Economic Forum (as of 2015)

Chart2: Top3 in terms of impact

2013	2014	2015
Major systemic financial failure	Fiscal crises	Water crises
Water supply crises	Climate change	Rapid and massive spread of infectious diseases
Chronic fiscal imbalances	Water crises	Weapons of mass destruction

Economic Environmental Geopolitical Societal

Source: Global Risks report 2015, World Economic Forum (as of 2015)

Thematic commentary

basic services, healthcare and education. Although extreme poverty (those earning less than $1.25 per day) has fallen over the past 20 years, income inequality is widening. This phenomenon is not only evident to most developed countries, but also in many large emerging economies, notably China.

Returning to the Global Risks Report, it was also interesting to note the considerable difference in opinion between those respondents aged below 30 and those above. While there appeared to be strong consensus across the board towards the type and likelihood of risks, most younger respondents viewed these risks as having a greater impact on society than did their older peers. In particular, the difference appears greatest when assessing environmental risks, such as biodiversity and ecosystem collapse, failure of climate change adaptation and extreme weather events.

The risks highlighted at Davos can threaten society and economic stability, and in turn create challenges for global corporations. Companies need to respond to rising global risks. And, indeed, many large multinationals have altered how they view the world's societal challenges. There is a growing recognition as to the bearing these risks will have on the corporate world's ability to operate, as well as how companies return value to shareholders and other stakeholders.

Interestingly, one slightly reluctant guest at Davos was the director of Greenpeace, a non-government organisation (NGO). Greenpeace spends much of its time taking companies to task over the way they operate. Even these NGOs, however, have witnessed a sea-change, particularly in the way corporations treat the environment and interact with the communities affected by their operations.

This has provided an opportunity for NGOs, like Greenpeace, to speak and work with companies on issues such as deforestation, hunger and human rights. Clearly, there is some way to go. Not all companies demonstrate the same willingness to address environmental and social issues. Nonetheless, it will be increasingly important for companies to do so – and for responsible investors to support them during this change. In addition, large multinational businesses operating across the world need to recognise they cannot operate in isolation. The way their employees view them has a direct link to staff motivation and productivity.

We also live in a world of finite resources. As such, gaining and maintaining access to these resources will be essential. Irresponsible companies, focused on short-term gains and with no consideration for the environment and communities in which they operate, are likely to find significant challenges in accessing natural resources. Such behaviours could also tarnish their reputations and inhibit their ability to deliver returns to shareholders.

As the 'millennial generation' (those born between early 1980s and early 2000s) takes greater responsibility for investments, increased pressure will be put on multinationals to address a wider range of business risks. Companies will therefore need to place greater emphasis on how they manage these risks, including those in relation to climate change and inequality.

Collaborative engagement and events

Launch of our Governance & Stewardship Annual Review and 2014 Sustainability Report

The governance & stewardship team has released its Annual Review for 2014. This report provides an account of our engagement and voting activities during the year, as well as insights into our views on some of the key developments in governance & stewardship around the world.

- The focus of the team's engagement activity continues to evolve. For example, in our discussions with companies we are now spending more time on audit and board succession matters. In addition, embedding high standards of behaviour throughout organisations has never been more important. As active investors, we will therefore increasingly centre on values and business practices during our numerous engagements.
- Globally, we also continue to develop our governance & stewardship practices and policies. Aside from voting at all the shareholder events where we are eligible, we are also increasingly active at meetings outside the European Union.
- It is extremely important for companies and long-term investors to have a relationship based on accountability, engagement and trust. We believe that this serves to protect and enhance the long-term value of our clients' investments.

The report can be accessed via the following link: http://www.standardlifeinvestments.com/exported/pdf/Governance_Stewardship_Review/Governance_Stewardship_Review_14.pdf

The Standard Life Investments 2014 Sustainability Report is now available online. This outlines our philosophy and approach towards being a sustainable and responsible business. Further, the report summarises what we have achieved across our five sustainability themes: our customers and clients, our community, our people, operating responsibly and our environment. It also sets out our future ambitions. These include building on our reputation as a responsible, long-term asset owner and investor, and continuing to be a leading manager of talent and diversity.

http://www.standardlife.com/sustainability

Benchmark sustainable and responsible investment award

In January, Standard Life Investments was recognised in the Benchmark Fund of the Year Awards, winning the Capability Award in the Socially Responsible Investment category for the second year running. We are delighted to have received this recognition in what was a very competitive category.

Sector and asset class reports

As a global investment manager with capabilities spanning the full breadth of asset classes, our active approach to responsible investment facilitates the provision of client insight across many sectors and areas of investment.

The end of integrated utilities?

This quarter, we initiated a sector engagement with European integrated utilities. We conducted this engagement in collaboration with our colleagues in the European equities team. The aim is to understand companies' resilience and adaptation to the evolution of power markets and the utility value chain. As Germany is on one of the steepest energy transition paths in Europe, we started by consulting with two of its largest utility groups, E.ON and RWE. These engagements will continue over the year ahead.

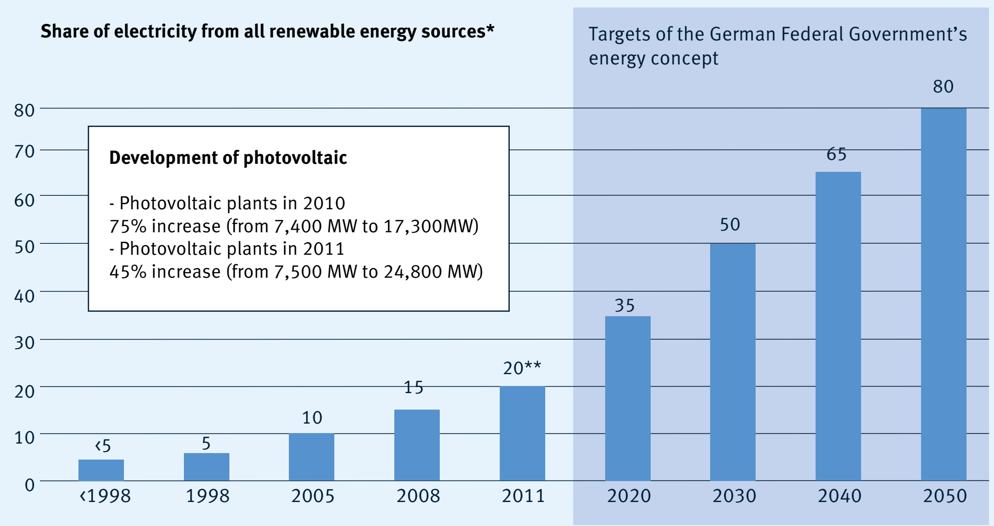
The challenge of transitioning to renewable energies

The EU energy policy is underpinned by the objective of ensuring secure, affordable and climate-friendly energy for EU citizens and businesses. As such, most strategic decisions on energy at a European and national level are driven by the necessity to find a balance between the three pillars that form the bedrock of the EU energy policy: security, sustainability, and competitiveness.

The difficulty of this task is heightened by geopolitical factors, including the fallout from the Russia/Ukraine conflict, as well as the ongoing economic crisis. Environmental imperatives – the necessity to transition to low carbon economies – have been another major driver of the evolution in power markets in Europe, particularly through the boom of renewable energies and the focus on energy efficiency.

These trends, added to other economic factors such as commodity prices, have major structural implications for power generation in Europe. In most European countries, conventional power generation is no longer profitable. Of course, the situation varies from country to country, and depends on factors such as the nation's energy mix or prevailing political landscape. Examples of the latter include the German government's commitments to exit nuclear power. Nations will also take differing positions on tax, tariffs and subsidies.

Transformation of energy supply



*Related to gross national electricity consumption in Germany
** Provisional figure

Sector and asset class reports

Looking more closely at Germany, the evolution of its power generation has been dramatic. The country has a very ambitious energy transition policy – one which goes further and faster than the European roadmap. It is hoped this energy policy – known as the Energiewende – will enable the country to transition from traditional nuclear and fossil fuels as main energy sources to a low carbon economy powered by renewable energies and supplied through smart grids.

By 2030, Germany has committed to a 50% reduction in CO2 emissions and agreed that 50% of its electricity needs will come from renewables. These targets climb to 80% by 2050, which is in line with European objectives. In order to achieve these objectives, Germany has subsidised renewable energies, including solar PV and offshore wind, through very advantageous feed-in tariff schemes.

As a result, 2014 was the first year that renewables were the primary source of power generation in Germany (25.8%), followed by lignite (25.6%), coal (18.0%), nuclear (15.9%) and gas (9.7%).

Although necessary from an environmental point of view, the transition to renewable energies comes with economic and social costs. Integrating renewable energies into the grid creates significant challenges to managing electricity supply and demand. After all, the sun does not always shine and the wind does not always blow. As a result, renewable contributions to the overall electricity supply can vary from almost zero to 40% in a matter of hours. The intermittency of renewable energies therefore poses issues when it comes to security of supply. It also necessitates maintaining back-up capacities through fossil fuels.

On the social side, electricity in Germany is more expensive than in most other European countries. This is because households help subsidise renewables through EEG contributions to their electricity bills. And, while many households have themselves benefited from generous subsidies to install solar PV panels on their rooftops, these elevated costs are a source of discontent for an increasing part of the population.

This situation gives very little leeway to the German government to maintain – let alone increase – the pace of its energy transition programme. The country had to cut renewable subsidies last year. As a result, Germany is looking for solutions to ensure security of supply, especially post-2022 when nuclear will no longer contribute to the baseload electricity supply.

An updated energy strategy, which should provide more clarity around the future of power generation in Germany, will be published a few months before the December COP21 in Paris. Pending decisions that could have a significant impact include the introduction of specific carbon reduction targets for the utility sector and a long-awaited decision on the creation of a capacity mechanism.

Impacts on the utility value chain

In reality, it will take Germany decades to fully abandon coal and ignite in favour of 100% renewable energy. The closure of nuclear power plants will need to be compensated by new generation capacities that can maintain system stability, both technically and economically. Flexible state-of-the-art coal-fired plants are still considered one of the best options in this regard. The intermittency of renewable energies will also remain a major issue for grid management for as long as comprehensive smart grids – including energy storage solutions – are underutilised. However, innovation in this space is increasing at an exponential rate. The decreasing costs of batteries will be a major driver for the deployment of smart grids in the coming years.

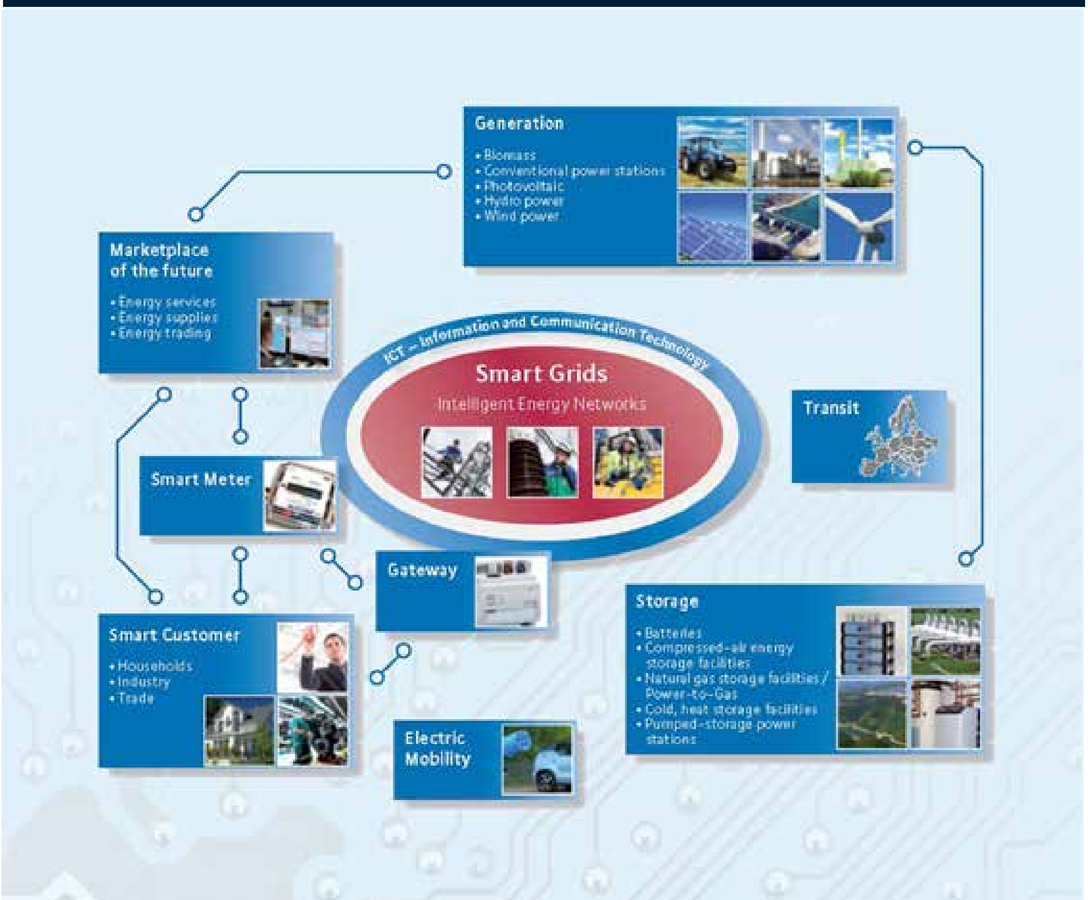
Having already been encouraged by liberalisation, the push for renewable energy and the deployment of smarter grids should act as a further catalyst for the segmentation of the utility value chain. The emergence of a multitude of semi-autonomous micro-grids – industrials running their own power generation capacities, residential customers installing solar PV or local communities commissioning wind farms – has resulted in the disintermediation of the big integrated utilities. This decentralisation of power generation is creating technical (grid connection and management) and economic (diverting revenues) issues for traditional power generators. This puts into question the value of vertical integration, on which European utilities have thrived for decades.

This new landscape is pushing integrated utilities to adapt their activities and business models. We see a number of strategic challenges to be overcome on the way, and these have been the focus of our engagement with utility companies.

- Will integrated utilities have the strategic vision and flexibility to restructure along this new value chain? What will be the main drivers of growth in the medium term?
- Do utility companies have the skills and technologies to adapt and, if not, what is the cost of acquiring these competencies? What is the human cost associated with this restructuring?
- Will customer distrust be an impediment for utilities to position themselves on new solutions and smart technologies? Or will it be a potential driver to rebuild relationship with customers?

We will continue our discussion with other European utilities as 2015 progresses.

Smart Grids



Source: BDEW, Smart Grids in Germany, June 2014, https://www.bdew.de/internet.nsf/id/96CFAB914FE5D18CC1257BBB002A79CB/$file/Smart%20Grids%20in%20Germany.pdf

Sector and asset class reports

Graham Baxter
Sustainable Engineering Manager

Climate change mitigation through commercial real estate

In an ever-changing regulatory environment, fuelled by a growing realisation by governments around the world of the opportunity for climate change mitigation through commercial real estate, Standard Life Investments is well placed having already embraced this in every jurisdiction that we operate. Although our GRESB rankings are further testament to how deep and wide we have established strong foundations for the long term of real estate investing, we are mindful of the ongoing challenge of achieving consistent positive environmental and financial performance.

Policies and standards

In light of this challenge, we have taken the time to formally articulate our Corporate Real Estate Sustainable Management (CRESM) system 'Sustainable Investment Programme', which complements and supports our Environmental Management Systems (EMS). Although our EMS's 'Sustainable Construct Programme' and 'Sustainable Operations Programme' detail clearly how we integrate good sustainable practices in the development and operation of our assets, CRESM outlines how we develop and maintain our real estate team in sustainable fund management.

As part of the continuing professional development of our real estate team, we have commenced a series of workshops and training for all fund and portfolio managers continually reinforcing why investing responsibly matters and further embedding sustainability into our investment process.

Key performance indicators — targets & achievements

Energy Efficiency Statement
The application of target setting at an asset level has continued to underpin our global energy reduction on a 'like for like' basis. Although some assets, when they initially come under our management, can achieve significant reductions in the first year they do not start to impact our annual 'like for like' figures until they come under our five-year 10% reduction targeting regime.

This gives us a notional annual energy reduction target for each asset of 2%. We are pleased therefore that, from our 2011/12 baseline for our global 'like for like' portfolio, we have achieved a 6.1% reduction.

Last year, our weather adjuster improvement achieved an additional 1.9% reduction on the previous year, which at almost 1,800 MWh would offset the annual consumption of approximately 22,500 laptops.

Green House Gas Emissions Statement
Our green house gas emissions benefited from a milder winter although our footprint increased due to the number of new acquisitions.

Our weather adjusted reduction of 2.4% for last year means an additional 884 tonnes saved, which is over 1,750 return single passenger plane journeys from Edinburgh to London.

Water Conservation Statement
Our annual water conservation target is 1% based on a five-year long-term target for each asset of 5%.

On a 'like for like' basis, our metered water consumption dropped by a further 0.9%, taking us to 8.7%, which is well ahead of our five-year target and is the equivalent of 18 Olympic swimming pools.

Sector and asset class reports

Sector	Recycling Targets (on or off site)		Recovery Targets (for other use)		2013/14 Recycling
	2013/14	2014/15	2013/14	2014/15	Achievement
Industrial	35%	35%	65%	65%	0%
Unit Shops	35%	60%	65%	40%	54.5%
Retail Warehouses	35%	70%	65%	30%	68.2%
Shopping Centres	70%	70%	30%	30%	41.6%
Offices	50%	55%	50%	45%	47.0%
Overall Average	50%	55%	50%	45%	48.4%

Waste Diversion Statement
In the last year we have continued to pursue our zero waste to landfill aspirations by focusing on maximising the recycled element of the waste diverted from landfill.

With an overall diversion rate of 95.2%, we saved over £580k in landfill taxes.

Community Engagement Statement
Over the last year, we have hosted over 300 fundraising and charity events, engaged with local schools to hold educational events and supported local businesses to provide work experience and temporary work placement opportunities.

We have supported over 70 charities and raised over £310k in support of many good causes.

Health & Safety Performance Statement
We continue to provide safe and secure buildings that promote a healthy working environment. We have managed and controlled our health & safety risks systematically using best in class technology and specialist assessors that are leading the field.

At the point of first audit at the beginning of 2014 we measured 47,332 risks and achieved a global 'risks controlled' level of 96.69%.

Sustainability engagement

During the fourth quarter of 2014, we engaged with a wide variety of companies regarding environmental and social issues. Below we give a snapshot of key engagements, in addition to details of some of these interactions. We also supply a summary of all company meetings. A full list of engagements can be found at the end of this section.

Engagement snapshot

Company	Topics discussed
Africa Oil	Human rights and operational challenges in Kenya and Ethiopia
AstraZeneca	Current code of conduct mechanisms, product safety and approach to access to medicine
BASF	Product safety management and positioning on green solutions
Bayer	Current code of conduct mechanisms, product safety and approach to access to medicine
Crest Nicholson	Skills gap in homebuilding and environmental impacts
E.ON	Resilience to the evolution of power generation and strategic implications of E.ON's recent split into two companies
Ericsson	Human rights and operational challenges in high risk countries (Myanmar in particular)
Gemalto	Hacking scandal on SIM cards involving NSA and GCHQ
GlaxoSmithKline	Current code of conduct mechanisms, product safety and approach to access to medicine
Great Portland Estates	Development of green buildings
HeidelbergCement	Current health & safety record and environmental impacts
Kingspan	Energy efficiency within buildings
Lafarge	Health & safety and environmental impacts linked to cement manufacture
Lloyds	Lloyds' sustainability initiative 'Helping Britain Prosper'
Repsol	Resilience to oil price and climate change challenges
RWE	Restructuring and resilience to the evolution of power generation
Santander	Reporting standards
Soco International	Operations in Virunga National Park DRC
Vedanta	Appointment of new Head of Sustainability and ongoing sustainability targets

Sustainability engagement

We use a matrix approach to identify the companies with which we engage. This approach considers a number of criteria, including internal mandates, specific client mandates and company performance.

The key below offers details of the drivers for engagement with individual companies. Further information on our approach to engagement can be found at:

http://www.standardlifeinvestments.com/sustainable_and_responsible_investing/engagement.html

Key

- Internal mandate
- Client mandate
- Performance based engagement

Africa Oil Corporation Client mandate Performance based engagement	Africa Oil is an oil & gas exploration and production company, with exploration licenses in Kenya, Ethiopia and Somalia. We discussed the political situation in Puntland and the company's decision to stop operations in the area. We also discussed the political and economic situation in Kenya where Africa Oil (along with Tullow Oil) is involved in Lokichar and Turkana. We were encouraged to learn about Africa Oil's approach and practices around ESG issues, even if reporting appears limited. We encouraged Africa Oil to provide greater disclosure on how its human rights, community investments and business ethics policies were implemented on the ground. Following several controversies and high reputational risks, we relayed our concerns regarding the use of security forces without having in place relevant policies and processes to prevent human rights abuses. We encouraged the company to sign and implement the Voluntary Principles for Security and Human Rights.

Sustainability engagement

Key

- Internal mandate
- Client mandate
- Performance based engagement

AstraZeneca	Through its various subsidiaries, AstraZeneca researches, manufactures, and sells pharmaceutical and medical products. The company focuses its operations on eight therapeutic areas: gastrointestinal, oncology, cardiovascular, respiratory, central nervous system, pain control, anaesthesia, and infection. The group employs around 50,000 people worldwide. We engaged with AstraZeneca during 2014, and focused on the company's approach to employee incentive schemes and anti-bribery and corruption mechanisms. Subsequent to our previous meeting, the company paid $7.9 million to settle allegations that it violated the False Claims Act (FCA) after providing incentives to a drug management company to promote its products. The original allegations originated in 2010. The company highlighted its continuing work to address these issues, which include ongoing training on the group's Global Policy on Ethical Interactions, in addition to its Code of Conduct for all employees. AstraZeneca has also set clear standards for marketing to healthcare professionals, these include: respecting the independence of medical associations, providing evidence-based information to prevent off-label sales, and a zero tolerance approach to bribery or other forms of improper influence. We welcomed these steps and encouraged further measures to link the appropriate employee remuneration with qualitative as well as quantitative outputs. AstraZeneca is ranked 15th of 20 in the Access to Medicine Index, an improvement of one place since the previous report. The company's access to healthcare programmes recognise that there are different demands dependent upon different geographies and that its approach must be commercially sustainable to ensure long-term success. To achieve this, the company seeks to strengthen its healthcare capabilities and broaden affordability to create and support mainstream business in different geographies. The company has a number of programmes in developing nations, including its Healthy Heart Africa programme, which is focused on addressing hypertension in different parts of the continent. We were heartened by the steps taken by AstraZeneca to support access to medicine; however, we encouraged greater clarity on how access to medicine activities are linked to the company's overall business strategy. We also encouraged the group to consider its pricing methodologies and review equitable, as well as tiered, pricing systems. We were encouraged by the steps AstraZeneca has taken and plan to have further engagement with the company to measure its progress.

Sustainability engagement

Key

- Internal mandate
- Client mandate
- Performance based engagement

BASF	BASF is a global chemical company that offers products for the chemical, automotive, construction, agriculture, oil, plastics, electrical/electronics, furniture and paper industries. It also provides a range of system solutions and services. We met with BASF on 30 January 2015 as part of its annual SRI roadshow. The meeting reinforced our view on the robustness of the company's product safety management, one of the key risks for the chemical sector. BASF has historically been one of the most transparent companies on REACH implementation. We discussed BASF's approach to nanomaterials. Although we believe the company has strong stakeholder engagement on the topic, we think this will be an issue of growing concern and potential regulatory intervention in the future. The company highlighted examples of products that provide solutions to today's and tomorrow's environmental challenges (climate change, toxic chemicals, water scarcity, etc). It reinforced our view that BASF is well-positioned to take advantage of environmental opportunities and further safety regulation.
Bayer	Bayer produces and markets healthcare and agricultural products, and polymers. It manufactures products that include aspirin, antibiotics, anti-infectives, as well as cardiovascular, oncology and central nervous system drugs, over-the-counter medications, diagnostics, animal health products, crop protection products, plastics, and polyurethanes. The focus of our engagement was Bayer's healthcare services. The group is currently subject to a number of litigation proceedings, of which it was unable to offer specific details. Bayer advised that sustainable practices form part of its corporate strategy and that a group management board has been established to oversee its sustainable strategy. A separate compliance board has been established to oversee conduct; it is headed by the chief compliance officer and an active approach to compliance is taken. We welcomed these steps and encouraged Bayer to consider how remuneration targets are applied across the business. The company has fallen one position to 10th in the Access to Medicine Index. The group offers a number of patient assistance programmes, which support people who are unable to access healthcare. These include supporting access to liver and kidney and cancer drugs, in the US, South East Asia and Brazil. The company has also established a programme to support haemophilia patents in China. We intend to have a further meeting with Bayer to gain detail of its work in developing economies and how this links with its overall strategy.

Sustainability engagement

Key

- Internal mandate
- Client mandate
- Performance based engagement

Crest Nicholson	Crest Nicholson is a UK housebuilding firm. The company outlined that a skills gap is constraining homebuilding supply in the UK, with a range of jobs affected, including planning, technical, brick laying and sales. We are reassured that the company is investing in employee training and development, while we commend its apprentice programme. The sector faces uncertainty over whether the government will implement the zero carbon policy in 2016. We questioned the company's R&D into green technologies and the estimated cost implications of the proposed policy. Crest Nicholson has strong green credentials and is well-placed to implement the required standards. We will continue to monitor policy developments directly and through the Zero Carbon Hub. The homebuilding sector is prone to workplace injuries and high occurrences can lead to legal action, increased insurance rates and lower employee productivity. Crest Nicholson failed to meet its 2013 health & safety target and we await the results of its performance in 2014.
E.ON	E.ON operates in power generation and gas production businesses. The company's operations include electric generation at conventional, nuclear and renewable-source facilities; electric transmission via high-voltage wire networks; regional distribution of electricity, gas and heat; power trading and electricity, gas and heat sales. E.ON recently announced the split of its activities into two companies: the new E.ON, focusing on renewables, distribution and customer solutions; and a new company that will focus on power generation, upstream and global commodities. We asked about its strategies and capex plans for both companies. At this stage, E.ON could only give guidance for this year, as the rest is subject to legal constraints. We discussed with E.ON the Energiewende – Germany's energy transition approach – including the conclusions of the German government's green paper and what to expect from the reform of the German energy market to be issued later this year. We also discussed the company's positioning on energy management services and smart technologies. We were reassured that these solutions should constitute a growing part of E.ON's future activities.

Sustainability engagement

Key

- Internal mandate
- Client mandate
- Performance based engagement

Ericsson	Ericsson develops and manufactures network equipment and software, as well as services for network and business operations. The company's portfolio also includes products for the enterprise, cable, mobile platform and power module markets. We attended Ericsson's stakeholder meeting, at which the company presented its corporate responsibility strategy, with a special focus on human rights issues. We shared our concerns over deteriorating health & safety performance. We also encouraged the company to provide more granularity and narrative on the causes for this deterioration, in particular the high number of fatalities. We will monitor these issues closely. We were encouraged by the robustness of Ericsson's business ethics approach, especially when it comes to anti-bribery and corruption. We believe the company's commitment to report its approach to human rights according to the UN Guiding Principles Reporting Framework (recently developed by Shift and Mazars – see thematic piece) is a very good step that should pave the way for the rest of the industry.
Gemalto	Gemalto designs and manufactures security software for e-identity documents, chip payment cards, network authentication devices and wireless modules. The company also provides and operates systems to manage confidential data and secure transactions. Gemalto serves the telecommunications, financial services, e-government, and information technology security markets. We engaged with Gemalto following the hack scandal involving the theft of SIM encryption keys by NSA and GCHQ. Although reassured by the findings of the investigation and the technological explanations provided by Gemalto, we highlighted our concerns that the investigation of this 'sophisticated intrusion' (as described by the company) was conducted in only six days. We were reassured by Gemalto's assurance that this event had no financial impact on its operations. The company believes that it could even create new business opportunities, as governments in countries targeted by the attacks might turn towards the more sophisticated and secure (hence more expensive) encryption keys provided by Gemalto.

Sustainability engagement

Key

- Internal mandate
- Client mandate
- Performance based engagement

GlaxoSmithKline	GlaxoSmithKline (GSK) is a research-based pharmaceutical firm. The company develops, manufactures and markets vaccines; prescription and over-the-counter medicines, as well as health-related consumer products. GSK also provides products for infections, depression, skin conditions, asthma, heart & circulatory disease and cancer. We have had ongoing engagement with GSK, focusing on its application of anti-bribery & corruption policies and the various issues that it has faced in China. Subsequent to this engagement, the company carried out an extensive investigation into the allegations it faced in China and dismissed a number of employees. The company also received a fine of circa £297 million. We highlighted that GSK also faces a number of additional corruption allegations in Poland and Syria. The company detailed the extensive steps it has taken to ensure that its operations are in line with its Code of Conduct. These include oversight of compliance by the group's board on a quarterly basis, a restructuring of how employees are incentivised and an extensive employee training programme. We were encouraged by the steps taken by GSK and highlighted the systemic risks that occur in different geographies, the need for country risk assessments and a focus on countries that are classified as having significant risks. GSK continues to hold its position at the top of the Access to Medicine Index. We are supportive of this rating and believe the company to be one of the most progressive in the sector. A number of pricing strategies are applied in developing markets to ensure affordability and availability. These include inter-country (between) and intra-country (within) pricing strategies. The company has also committed to reinvest 20% of its profits from the least developed countries back into their healthcare infrastructure. We welcome the steps that GSK has taken and recognise the challenges that it faces in implementing its Code of Conduct. We intend to have further engagement with the company.
Great Portland Estates	Great Portland Estates (GPE) invests and develops freehold and leasehold properties. The company's focus is the office market in central London. GPE requested our input on its current approach to sustainability. This was our first meeting on sustainability issues with the company and we believe that it is well-positioned to take advantage of growth opportunities in London's property market through the application of sound environmental and social practices. GPE aims to buy buildings in need of development and refurbish them before sale. The firm advised that a number of the buildings that it has purchased do not meet current best practice in green certification and that there is varying demand for certified green buildings. Approximately 9% of the portfolio is certified to green building standards and the company applies BREEAM standards during refurbishment. It also benchmarks its energy and water consumption to BREEAM standards. The company has taken a proactive approach to engaging with local councils and communities to ensure its developments have the support of affected stakeholders and cause minimum disruption. Overall, this was a positive meeting and we are encouraged to see GPE seeking advice on its sustainability strategy.

Sustainability engagement

Key

- Internal mandate
- Client mandate
- Performance based engagement

HeidelbergCement	HeidelbergCement produces and markets aggregates. The company also manufactures building materials, including cement and concrete in Europe, North America, Asia, Australia and Africa. We engaged with the company last year after allegations arose of negative human rights impacts resulting from its subsidiary Hanson Israel's cement quarry. During the meeting, the company highlighted a number of steps that it was taking to ensure that human rights were respected. During this quarter, Heidelberg sought our advice on its current approach to sustainability. We highlighted that we were comfortable with its approach, particularly the number of steps it has taken to reduce its environmental impacts. We noted that the company's health & safety record could be improved and that its lost time injury frequency is higher than the industry average. We encouraged the company to consider this area, particularly the health & safety of its critical contractors. We highlighted that Heidelberg should consider the potential risk of loss of licence to operate or litigation costs as a result of anti-competitive behaviours (cartel practices) or the payment of bribes. Both areas represent a risk across the sector and Heidelberg's presence in 40 countries will produce more significant risks in certain geographies. We are comfortable with Heidelberg's overall approach to sustainability and welcome the steps it is taking to receive stakeholder feedback. We believe that a number of the areas which the company is addressing are financially material to its business and that its sustainability strategy should focus on these areas.
Kingspan	We attended a meeting with the CFO of Kingspan, an insulation and building fabric company. Kingspan is well-positioned on the energy efficiency theme, and regulation is supportive of its demand growth in all jurisdictions. The EU target that requires all new buildings to be nearly zero-energy by the end of 2020 is a particular example. We commend Kingspan's action to apply the target to its own operations in order to evidence implementation. The UK government's Green Deal has faced challenges stimulating private investment in energy efficiency. As we approach a general election in the UK, we questioned the company on whether there are any policy differences between the major parties that could affect its UK business. We are reassured that there is little regulatory risk facing the company and concluded that the trend of increasing environmental regulation is positive for it.

Sustainability engagement

Key

- Internal mandate
- Client mandate
- Performance based engagement

Lafarge	Lafarge is a large cement company operating in 62 countries. We questioned the group about its sustainability strategy in relation to a proposed merger with Holcim. The company confirmed that health & safety is a key priority for both Lafarge and Holcim. We questioned the company on how it will ensure that best practice health & safety standards are implemented across the proposed new company in light of current differences. We are encouraged that this topic is a major focus for senior management; however, we will monitor the integration of health & safety culture in the event of a merger. Lafarge is a leader in product innovation and has researched environmental solutions, including the use of recycled aggregate and cement with lower water content. We questioned how R&D and innovation will be shared across the proposed new group. We will monitor developments in the merger and assess any synergies unveiled in the process.
Lloyds Banking Group	Lloyds Banking Group is one of the UK's largest retail banks. It is working to build trust with customers and promote a customer-focused culture among employees. We questioned the company on actions taken to achieve this and how it is monitoring its external reputation. We are encouraged with the proactive approach being undertaken to review the fairness of customer offerings and amending remuneration performance metrics. Several indicators relating to its 'Helping Britain Prosper' plan are included in the LTIP in 2014 and 2015, including net promoter score and colleague engagement score. We will continue to monitor Lloyds Banking Group's performance against its 'Helping Britain Prosper' plan.
Repsol	Repsol is an integrated oil company operating in Spain, Venezuela, Brazil, the Middle East and the US. The group recently acquired Talisman, a US independent oil & gas producer operating in the US (shale gas and tight oil), the North Sea and Indonesia. We engaged with Respol's newly appointed CEO to discuss the company's strategy and related ESG issues. In particular, we discussed how the company was building its resilience to macroeconomic and political risks. The company feels confident in its ability to adapt to future carbon regulation thanks to its diverse profile (upstream/downstream, oil/gas, geographies) and some investments in renewables. We discussed the situation in Venezuela and Libya and the potential impact on Repsol's operations and finances. We believe the Talisman acquisition should enable the new group to reduce its exposure to country risks. All in all, we believe the company has taken significant steps in formalising and implementing a sound corporate responsibility approach. We encouraged Repsol to provide greater disclosure over the due diligence conducted on Talisman, especially around ESG issues. We will continue to closely monitor the integration process.

Sustainability engagement

Key

- Internal mandate
- Client mandate
- Performance based engagement

RWE Internal mandate, Performance based engagement	RWE is an integrated German utility firm that generates, distributes and trades electricity to municipal, industrial, commercial and residential customers. The company operates mainly in Europe and generates most of its electricity from lignite and hard coal. We had a call with RWE to discuss its strategy in light of the numerous challenges facing conventional power generation in Europe (climate change, commodity prices, decentralisation of generation capacities). We discussed RWE's ongoing restructuring and how its strategic ambitions fitted into the Energiewende (German energy transition policy). We questioned the company on the expected mothballing of conventional power capacities in the next few years, particularly in Germany and the UK. We also encouraged the company to give clearer strategic guidance on renewables and energy management services.
Santander Performance based engagement	Santander is a bank that attracts deposits and offers retail, commercial and private banking, and asset management services. It also offers consumer credit, mortgage loans, commercial credit and investment banking services. Santander has 10 key markets and over 180,000 employees. We offered our feedback to KPMG's review of Santander's sustainability reporting. We highlighted that: ► details of compliance risk mechanisms within the ARA are useful ► further information could be provided on KPIs, particularly the outcomes and measurement ► a standalone communication on ESG similar to those produced by its peers would be welcome ► there is a lack of detail on potential litigation costs and provisions made ► a structure chart on how various risk committees interact, oversee processes and report to the board would be useful. Further to this meeting with KPMG, we will engage with Santander to discuss these issues directly.
Soco International Internal mandate, Client mandate, Performance based engagement	We have had ongoing engagement with Soco regarding its operations in Virunga National Park in the Democratic Republic of the Congo (DRC). We have continued to encourage the company to apply best practice across all of its operations. Soco has stated in its preliminary results that after providing the DRC government with the interpretation of the seismic results in the park, it will have no further involvement in the bloc. It is also the company's intention to leave behind all humanitarian aid, including medical, water purification and communication facilities for the benefit of the people. The company has engaged Clifford Chance LLP to carry out an independent review to assess whether there is evidence supporting allegations that Soco employees have been complicit in any intimidation and/or human rights abuses. Furthermore, the company has published details of a number of its policies including its Health, Safety, Environmental and Social (HSES) Management System and its Code of Business Conduct and Ethics. We welcome the steps that Soco claims to have taken and we will continue to engage with the company subsequent to the findings of Clifford Chance LLP.

Sustainability engagement

Key

- Internal mandate
- Client mandate
- Performance based engagement

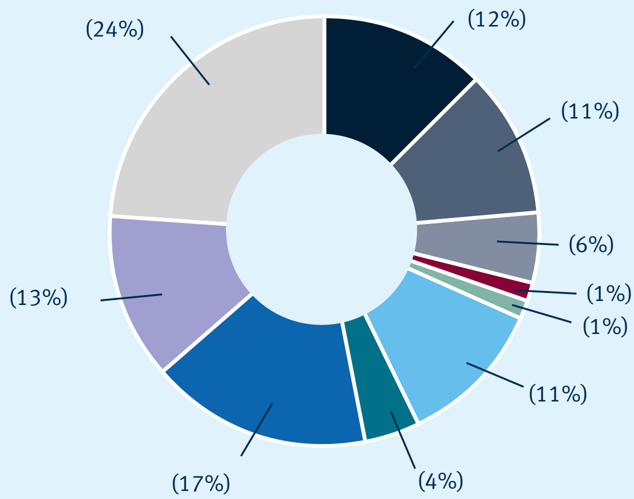
Vedanta	Vedanta is a diversified mining and minerals company, operating in several areas including oil & gas, zinc, aluminium, power, copper and iron ore. We met the group's president of communications, sustainable development and CSR, who has been in place since April 2014. We questioned the company on the governance of sustainability and any changes to the group strategy for CSR and health & safety. We are encouraged that health & safety has been highlighted as a focus for the CEO and that there have been several new hires tasked with improving health & safety performance. We welcome the improving performance trend; however, we note that challenges remain, particularly in relation to behaviour-related incidents. We intend to follow-up with the senior representatives at Vedanta to discuss implementation of health & safety strategy. The company's code of conduct explains its whistleblowing policy. It also runs community-based grievance mechanisms across all operations. We encouraged Vedanta to report how these policies are implemented in practice and demonstrate transparency around the use of these lines.

Sustainability engagement summary

	Human Rights		Labour				Environment			Corruption
Company	Principle 1: Support and protection	Principle 2: Non-complicity in violations	Principle 3: Right to collective barganing	Principle 4: Forced & compulsory labor	Principle 5: Abolishing child labor	Principle 6: Discriminatory practices	Principle 7: Precautionary principle	Principle 8: Environmental responsibility	Principle 9: Diffusionof green technology	Principle 10: Addressing corruption issues
Africa Oil	•	•						•		•
Amerisur Resources *										•
AstraZeneca	•					•				•
Azonto Petroleum *										•
BASF							•	•	•	
Bayer	•					•				•
BIC	•									
Crest Nicholson								•	•	
E.ON			•							
Ericsson	•	•		•	•					•
Gemalto		•								
GlaxoSmithKline	•					•			•	•
Great Portland Estates		•				•		•	•	
HeidelbergCement		•				•		•	•	•
Hurricane Energy *										•
Kingspan								•	•	
Lafarge	•								•	
Lloyds Banking Group	•			•						•
L'Oreal								•		
Ophir Energy *										•
President Energy *										•
Repsol	•	•					•	•	•	•
RWE										
Santander		•				•				•
Soco International		•				•		•		•
Thyssenkrupp				•			•			
Tower Resources *										•
Vedanta	•		•				•	•		•
Wessex Exploration*										•
Total	9	8	4	1	1	8	3	12	9	17

Sustainability engagement summary

Engagement summary Q1 2015



- **Principle 1:** Support and protection
- **Principle 2:** Non-complicity in violations
- **Principle 3:** Right to collective barganing
- **Principle 4:** Forced & compulsory labor
- **Principle 5:** Abolishing child labor
- **Principle 6:** Discriminatory practices
- **Principle 7:** Precautionary principle
- **Principle 8:** Environmental responsibility
- **Principle 9:** Diffusion of green technology
- **Principle 10:** Addressing corruption issues

Contact the responsible investment team at

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standardlifeinvestments.com

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