

## Appendix 4

### Comparison of Responsible Investment Activity Quarter ending 30 September 2009 –31 December 2009 Core Fund Managers and Local Authorities Pension Fund Forum (LAPFF)

<p><b>Fidelity</b></p>	<p><b>Capital International</b></p>	<p><b>LAPFF</b></p>
<p><b>The Carbon Market</b></p> <p>Fidelity continued to monitor how EU limitations on CO2 emissions under its Emissions Trading scheme affects companies in the portfolio.</p> <p>Companies that can reduce their direct and indirect CO2 emissions will be at a competitive advantage in markets where there are limits on emissions.</p> <p>Fidelity has identified this scheme as a key impetus for utility companies to move their portfolio of energy producing assets away from coal based power stations towards those that are less polluting such as hydro-power.</p> <p>During the quarter, Fidelity examined efforts by European utilities Eon and Iberdola to diversify in this</p>	<p><b>Climate Change</b></p> <p>Several of Capital's analysts and portfolio managers met with five environment and energy experts in Washington in October to discuss issues facing US policy makers.</p> <p>At the meeting the likelihood of a legislative outcome was discussed, probably via the Kerry Boxer Bill, to reduce greenhouse gas emissions. Capital enquired about technologies that currently exist and those that would be required to help meet greenhouse gas reduction targets. The importance of Carbon trading to achieving emission reductions was also discussed.</p> <p>The purpose of the meeting was to deepen Capital's understanding of the US approach to combating climate change, which in turn will significantly impact on industries and Capital's investment decisions.</p>	<p><b>Climate Change</b></p> <p>LAPFF has expressed its support for the Carbon Disclosure Standards Board(CDSB).The aim of this initiative is to provide a single framework for climate-change related disclosure within a company's mainstream reporting. LAPFF believes such a framework is essential to further initiatives seeking a consensus on the global action required to tackle climate change and to compare company practice across sectors and geographic regions.</p> <p><b>Banks</b></p> <p>LAPFF has made submissions to the Walker Review of the corporate governance of banks and other financial institutions. And to the Financial Reporting</p>

<p><b>Fidelity</b></p>	<p><b>Capital International</b></p>	<p><b>LAPFF</b> Council(FRC).</p>
<p>Fidelity also attended a presentation by Total who are actively seeking ways to improve the energy efficiency of its operations ahead of the introduction of carbon trading.</p>	<p><b>Corporate Incentives</b> Capital met with UK technology company CSR in November in relation to proposed changes to their executive long term incentive scheme. Capital had some concerns around the timing of awards and the targets set for executives. The meeting discussed the difficulty of setting appropriate performance targets for a company which has had very cyclical earnings. Dialogue with the company is continuing ahead of the company's AGM.</p>	<p>LAPFF's policy engagement reflects a desire to ensure that shareholders are meeting the challenges arising from the financial crisis and the determination to achieve real reform in order to reduce the risk of a similar event in future.</p>
<p><b>Renewable Power</b> Fidelity's renewables analyst held talks with wind turbine producers Vestas Wind Systems, to discover the potential longer term advantages of wind power over other alternative energies.</p>	<p><b>DSG International-New Chairman</b> Capital analysts and managers met with the new chief executive of UK retail group DSG (owners of Currys and Dixons) in October to learn about his approach and philosophy on Corporate Governance.</p>	<p>LAPFF have emphasised the need for a focus on non-financial performance indicators and suggested to the FRC that the Combined Code be amended to encourage greater disclosure of directors' pension entitlements.</p>
<p>Solar companies may require highly water-intensive processes in comparison to wind power generation and thus may face regulatory constraints on water use in future.</p>		<p>LAPFF also raised the issue of annual elections for all directors.</p> <p>The final recommendations of the Walker review were released in November. These included:</p> <ul style="list-style-type: none"> <li>○ greater disclosure by company's in relation to pay. In particular the disclosure of the number of employees earning over £1million in a series</li> </ul>
<p>Fidelity held meetings with various solar companies to discover the extent of potential government support for solar energy.</p>		

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<p><b>Brand &amp; Reputational risk</b>  Fidelity contacted Carrefour to learn how the retailer manages reputational risk through the monitoring and auditing of its global supply chain.  The company carries out risk assessments of the countries in which suppliers are based, the types of product supplied, the suppliers and individual sites in order to determine which suppliers should be audited.  The company recently focused on auditing the Chinese textile, shoe and toy suppliers where it identified non compliance with its social charter relating to working hours, salaries and freedom of association.  The company provided training to those suppliers who fell short of acceptable practice.</p>		<p>of bands.</p> <ul style="list-style-type: none"> <li>○ The boards of banks and financial institutions should consider transitioning to annual election for all directors, a position advocated by LAPFF</li> <li>○ greater emphasis on the role of institutional shareholders as the owners of companies.</li> </ul> <p><b>Sustainability</b></p> <p>In November LAPFF participated in the French oil giant Total's corporate and social responsibility(CSR) briefing.  At the briefing Total's chief executive emphasised that CSR issues are central to its business strategy.</p> <p>The company had suffered reputational damage due to its continuing operational presence in Burma and environmental damage caused by its operations. Total are keen to create a more positive image for</p>

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		<p>LAPFF view Total's revised actions as a good example to others in the industry. Total's CSR practices could be held up to other companies as a model of how to improve their own CSR practices.</p>