Brock University Pension Committee

Statement Regarding Socially Responsible Investing

The Pension Committee has reviewed the concept of socially responsible investing as it might apply to the Brock University Pension Plan (the "Plan") and the Pension Fund (the "Fund"). During this process, the Pension Committee reviewed:

- The overall investment objectives that apply to each of the key stakeholders of the Fund,
- The practices employed by other Canadian pension funds with respect to socially responsible investing,
- Precedents established on socially responsible investing in other countries, and
- Reports prepared by a number of third parties with respect to the fiduciary issues potentially involved with investing the Fund

The Pension Committee is cognizant of its primary responsibility to represent the best interests of all the stakeholders of the Plan. This fiduciary responsibility requires that there must be an appropriate balance between the need to seek long-term investment returns to help build better pensions for all Plan members and the needs of certain Plan members for those returns to be delivered in as stable a manner as possible (given the behaviour of the investment markets). Thus, any position that is adopted with respect to socially responsible investing must not conflict with this primary responsibility.

The Pension Committee believes that socially responsible investing is best embodied by the United Nations Principles for Responsible Investing (UNPRI). These principles provide a menu of possible actions for incorporating environmental, social and corporate governance issues (ESG) into mainstream investment decision-making and ownership practices. There is also a suggestion that application of ESG principles can lead to better long-term financial returns and a closer alignment between the objectives of institutional investors and those of society at large. UNPRI does not advocate an exclusionary approach, whereby companies that operate in certain industries or geographical areas are automatically screened out of an investment portfolio.

The Pension Committee has, therefore, written to all of the investment managers who are responsible for investing a portion of the Fund requesting that the managers provide information as to whether they are a signatory to UNPRI and on how ESG principles are embodied into their investment process. The Pension Committee will encourage the managers, to the extent possible within their investment process, to consider ESG principles as they relate to long term financial returns when making investment decisions. The Pension Committee intends to send an annual letter to the managers asking how they have progressed in using ESG principles in their investment process and the Pension Committee will, as part of their overall duties to monitor investment performance, track that progress. A summary of each

fund manager's status with respect to UNPRI and their SRI/ESG comments will be posted on Brock University's pension web site for Plan member's reference. The Pension Committee will also continue to review, on a periodic basis, changes in the practices of other Canadian pension funds with respect to socially responsible investing to identify changes in trends and best practices.

The Pension Committee does not believe it is appropriate, recognizing its fiduciary responsibility to represent the needs of all of the various Plan stakeholder groups, to mandate the exclusion of companies that operate in certain industries or geographical areas.

Statement as at August 2012

Brock University Pension Plan Fund Managers Status regarding United Nations Principles for Responsible Investing

Fund Manager	Signatory to UNPRI?	Comments from fund managers on SRI/ESG issues
Aberdeen	Yes	Aberdeen comments on SRI/ESG issues.
AllianceBernstein	No	AllianceBernstein comments on SRI/ESG issues.
Mawer	No	Mawer provides comments on their approach to SRI.
McLean Budden	No	McLean Budden has written their perspective in a white paper titled "ESG Issues Impact on Company Valuation".
Walter Scott	No	Walter Scott comments on SRI/ESG issues.

<u>ABERDEEN</u>

Aberdeen became signatories to the United Nations Principles for Responsible Investment (UNPRI) in December 2007, which commits us to looking at the ESG issues of each company in which we invest for our clients, regardless of whether the stock is held in an unconstrained or (ethically) screened portfolio. We have begun to write ESG reports on our non-SRI holdings (we already write these for all our SRI holdings) and will continue until all our investments that we make for our clients are covered in this way (a longer-term plan.) As with the SRI names, we update our ESG information on companies on (at least) an annual basis.

Aberdeen takes into account and puts into practice the UNPRI in carrying out its investment business. Under <u>Principle 1</u>, we incorporate ESG issues into our investment analysis and decision making process first, by examining corporate governance issues (the G in ESG) in the initial step of our investment process and including it as part of our Quality rating for a company. We also examine environmental and social issues as they pertain to the individual company. For example, if a utility company is facing carbon trading issues or costs we would consider that in relation to its balance sheet. Also, under this principle, we encourage academic research on this theme by participating in multiple academic surveys and questionnaires and support ESG training (seminars, conferences) for investment professionals (including SRI analysts.)

Under <u>Principle 2</u>, we are active owners and incorporate ESG issues into our ownership policies and practices. We are in the process of publishing our ESG commitment online and also actively vote our proxies. We also engage our investee companies on ESG topics, more so for our SRI funds, but increasingly for those funds without ethical screening. For example, we have just completed a round of face-to-face meetings with investee companies in Asia to discuss their ESG policies and practices in depth. Also, ESG issues are covered by the investment analysts from our regional teams who routinely ask companies specific ESG questions during on-site meetings and include non-financial details in company visit summaries.

Under <u>Principle 3</u>, we seek disclosure on ESG issues on the companies in which we invest. This is reflected in all of our engagement with investee companies and summaries in our ESG / SRI reports. We identify areas where companies lack transparency and constantly encourage groups to increase their level of reporting / transparency on ESG issues.

Under <u>Principle 4</u>, we promote implementation of the Principles by incorporating ESG themes into RFPs and also by publishing our own ESG commitments. Similarly, under <u>Principle 5</u>, we work with other groups to implement the Principles. This is exemplified, in part, by our participation in ACGA (Asian Corporate Governance Association) where we work with other members to encourage corporate governance best practice in corporate governance in regional companies.

Finally, under <u>Principle 6</u>, we are in the process of publishing our activities toward implementing the Principles, including our ESG policy statement, and reports on our ESG engagement with investee companies.

Aberdeen Asset Management is the marketing name in Canada and the US for the following affiliated US registered investment advisors: Aberdeen Asset Management

Inc., Aberdeen Asset Management Investment Services Ltd., Aberdeen Asset Management Ltd. and Aberdeen Asset Management Asia Ltd. (collectively, the "Aberdeen Advisers"). Aberdeen Asset Management Inc. is also registered in the Canadian provinces of Ontario, Nova Scotia and New Brunswick. Each of the Aberdeen Advisers is wholly owned by Aberdeen Asset Management PLC.

AllianceBernstein's Approach to ESG and Socially Responsible Investing

February 1, 2010

Clients are increasingly inquiring about AllianceBernstein's perspective on Socially Responsible Investing (SRI), ESG (Environment, Social, and Governance), and other forms of responsible investing. After careful study and reflection, AllianceBernstein has adopted a firm-wide approach based on a shared philosophy across our Value, Growth, Fixed Income, Blend and Alternatives services.

Our position is founded on the principle that we are a fiduciary. We interpret this to mean that we have an obligation to manage client assets in accordance with the return objectives and risk tolerances specified by the client in the interest of the ultimate beneficiaries of those assets.

ESG and SRI are investment strategies that seek to integrate ethical, moral, sustainability, and other non-financial factors into the investment process. This presents a challenge because, beyond distinctions between legal and illegal activity, perspectives on social good vary widely not only across borders but from client to client. As an asset manager with global commitments and a diverse client base, AllianceBernstein is not in a position to interpret or impose moral principles on its clients' portfolios. For this reason, clients who wish to restrict certain issuers from their portfolios should provide us with a specific list of proscribed issuers. If a client prefers, on a case-by-case basis we will consider using proscribed issuer lists generated by third parties. We reserve the right, however, to decline mandates when we believe that the proposed restrictions could hinder our ability to meet our risk and return targets.

Some ESG/SRI advocates claim that systematically screening for ESG/SRI factors enhances long-term investment returns. This claim is unproven and controversial. AllianceBernstein continues to monitor new research in this area and will consider new methodologies as we deem them effective. While AllianceBernstein is not an ESG/SRI manager per se, we do consider any factors that we believe could affect a company's long-term investment performance in the course of our extensive fundamental, company-specific research. If a company's past, current, or anticipated behavior is judged to be inimical to its future earnings, these concerns are addressed in our forecasts, research reviews, and security selection. This is not new for us. Rather, it has been an integral part of our process for decades.

We seek to outperform market indices by knowing more than other investors and profiting from the resulting insights. In many cases, the future price performance of a security of a company facing an ESG/SRI issue may be far more influenced by other factors. Our research and evaluation of ESG/SRI issues for a company could lead us to view the company more positively or more negatively as an investment than the market

consensus. If our research gives us confidence that ESG/SRI concerns are exaggerated, the security may be an excellent investment. If concerns are underestimated, the company may similarly be an undesirable investment. For the avoidance of doubt, in the absence of a specific prohibition in the form of a restricted issuer list, we believe we are obligated as fiduciaries to consider such opportunities among our investment choices.

In summary, AllianceBernstein is not an "ESG/SRI manager," although we consider ESG/SRI factors in our analysis and security selection when we think they will affect long-term performance. For those clients who desire specific issuer restrictions, we ask that they provide us with a specific list of proscribed issuers. On a case-by-case basis, AllianceBernstein will consider using lists of proscribed issuers generated by third parties. We reserve the right to decline a mandate when we believe the ESG/SRI restrictions could hinder our ability to perform to specific return and risk parameters. Mandate language should acknowledge that ESG/SRI restrictions may negatively affect returns and tracking error. For clients who desire more general ESG/SRI guidance in their mandate, we prefer the following wording: "The Manager is encouraged to take account of ESG/socially responsible investment factors when the Manager believes these factors will materially affect long-term investment performance. For the avoidance of doubt, the Manager's objective shall always be to provide the best long-term investment return for the allowed level of risk."

Any exceptions to this approach must be approved by the Chief Investment Officer of the respective service.

Questions about this approach may be addressed to Mark Manley (Legal/Compliance) or to Kevin Boreen (212-823-2755).

Mawer

While we do not have a formal SRI policy, the comments below are how we approach it at Mawer Investment Management.

Mawer believes the Firm has a responsibility to fully consider the sustainability of shareholder value and the specific sensitivities of each mandate. Ethical considerations are, therefore, part of our corporate analysis and client parameters.

Unless ethical benchmarks are established by our clients, our basic ethical investment considerations are based on the following minimum tests:

- The company must adhere to the laws of the jurisdictions in which it operates.
- The company must have excellent management with a proven track-record for integrity.
- The business acts of the company must pass public scrutiny.

Ethical companies understand why ethics are important, they take a definitive stand on values, and they have simple tests for avoiding ethical minefields. In our view, the simplest test is that outlined by Warren Buffet who said, "Contemplating any business act, one must ask themselves if they would be willing to see their decision immediately described by an informed and critical reporter on the front page, there to be read by spouse, children, and friends."



Environmental, Social, Governance Issues Impact on Company Valuation

McLean Budden Perspective Special Edition October 2009

When, exactly, did Enron cross the line? ... The Enron scandal grew out of a steady accumulation of habits and values and actions that began years before and finally spiraled out of control.

As investment managers, McLean Budden's research process spends a lot of time assessing risk in order to maximize risk-adjusted returns. We employ fundamental analysis to assist us in making these assessments, specifically, we look at both qualitative and quantitative factors. Those familiar with our process will know that we employ qualitative analysis in order to "get the story right first" which significantly improves the quantitative inputs used to construct our valuation models:

There is a subset of qualitative analysis that has taken centre stage recently, collectively referred to as Environmental, Social, Governance (ESG) and sustainability issues. Although these buzzwords are now part of the mainstream vernacular, we have

always believed the greatest companies have, whether intuitively or by design, adopted these best practices and made them part of their firm's culture. Notwithstanding what the companies are doing, we strive to follow an ethical compass that defines our firm's culture. But before we go any further, we need to define the buzzwords.

What are ESG kenies?

Environmental, social and governance issues include legislative, regulatory, legal, reputational and operational risks and opportunities that must be considered in order to fully understand the companies in which we invest. ² Sustainable development, a goal to meet the needs of the present without compromising the ability of future generations to meet their own needs, ³ often goes hand-in-hand with ESG, and is also assessed as part of our long-term investment view.

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How do Companies Respond to ESG issues?

These issues seem intuitive and yet can be difficult to quantify. Difficult or not, we need to understand how they impact company valuations. The logical place to begin is with what companies do and why? Wal-Mart is an interesting example. The 14th largest company in the S&P 500 at time of writing, the company has had its share of bad press regarding social issues from "sweat shop" accusations to class action sexual discrimination lawsuits, reaching their apex in mid-2004. That year was a turning point for the company. Since then, Wal-Mart has worked at changing its image, presenting a more socially responsible message, from selling fair trade coffee, and improving employee health insurance to decreasing its overall environmental footprint.

Wal-Mart published its 2009 Sustainability Report, all 111 pages, that "covers our efforts to provide quality health care options for associates, increase diversity among associates, source products from responsible factories and reduce our footprint on the environment." Their website devotes a section to its sustainability progress to date, its impact on the company as well as suppliers, some documented in case studies, as follows:

"With more than 7,000 stores and one of the largest trucking fleets in the world, the magnitude of our direct footprint means that our environmental efforts must begin with our own operations. By making changes within, we not only have an opportunity to minimize our environmental footprint and save money for our business, but to lead by example. In addition, we realize that we can influence our indirect footprint and therefore have a positive impact on our supply chain. This impact is important because the vast majority of our footprint comes from these indirect sources."

"Reducing packaging at Wal-Mart overall by 5 percent could be equal to removing 213,000 trucks from the road and preventing 66.7 million gallons of diesel fuel from being burned, per year. Not only will this benefit the environment, but it could save our supply chain more than \$3.4 billion."

Whether the company's motivation is sheer altruism or to improve its perception, thereby leading to better in-store traffic, lower costs and improved profitability, the outcome looks to benefit both society and shareholders. Since adopting its new theology, the company's stock performance has outstripped the S&P 500 by approximately 30% in the period from the end of 2005. Is this a coincident factor or a contributing factor? We will never know with 100% certainty, but whatever the company is doing appears to be working.

Another example is Potash Corporation of Saskatchewan, a leading fertilizer company that operates some of the world's biggest mines.

We learn a lot about a company and its culture when we meet with its people. Here are the goals of the company in its own words:

Our Goals

- > Be the preferred supplier to the markets we serve
- > Maximize long-term shareholder value
- > Build strong relationships with and improve the socioeconomic well-being of our communities
- > Attract and retain talented, motivated and productive employees who are committed to our long-term goals
- > Prevent harm to people and damage to the environment 6

It's a pretty simple message, but a powerful one. However, we all know there is a difference between writing down goals and living them. How is your New Year's resolution progressing? Site visits at the offices and the mines, along with management interviews, discussions with customers and competitors have illustrated to us that there is a consistency of employee actions with the company's stated goals. In addition, it also devotes time to...

...Environmental...

"It was PotashCorp's commitment to sustainability that moved Illinois architect George Cary to suggest the company's new feed phosphates administrative center in Marseilles, IL should be a green building. Now PotashCorp has the first commercial building in LaSalle County, IL designed to meet the US Green Building Council's standards for Leadership in Energy and Environmental Design (LEED)."

...Social...

"PotashCorp staff and operations in Saskatchewan and Ohio have received awards from their respective United Way organizations for their superior efforts to help improve the lives of people in their communities," $^{\circ}$

...and Governance...

"PotashCorp takes great pride in recognizing the achievement of our Chair of Board of Directors Dallas J. Howe, on being named by the Institute of Corporate Directors (ICD) as one of four recipients of a 2009 Fellowship Award Honouring Excellence in Corporate Governance."

...issues.

Lots of Words, but No Numbers

In our research we have seen only one paper that tries to empirically prove that corporate governance has an impact on future investment returns. In January 2009, Spellman and Watson co-authored a paper entitled GMI Ratings and Corporate Performance: 2003 to 2008. The objective was to evaluate whether the governance ratings done by Governance Metrics International (GMI) had any significant impact on share price performance. The conclusion was that "GMI ratings have historically had a significant influence upon future returns and that investors could have used them

Environmental, Social, Governance Issues Impact on Company Valuation

to earn economically significant excess returns from implementing simple investment strategies involving the holding of a portfolio that is, say, long on GMI highly rated firms and short on low rated firms." This is only one datapoint, but it could be the beginning of a compelling trend.

It's a Way of Thinking

The issues are greater than jumping on the 'green' bandwagon. Many companies now make environmental rankings on businesses a prerequisite to bid on jobs. Good practices benefit hiring and getting business - who wants to work for a polluter and be interviewed about it on 60 Minutes? Think about it - if one wanted to start a new widget-making company, what are the key success factors? The widgets need to be well-made, good quality, reasonable cost, and have an advantage over the competition. There needs to be an understanding of end market demand and, whether implicitly or explicitly, an appreciation of the ESG impacts.

To be clear, we are not saying that because we like the mission statement we will buy the company. We are saying that understanding how a company views all of its issues, including ESG, helps us to better understand the risks of our investment and should lead to better decision-making.

Ultimately, we are unlikely to find a good investment where there is not good business practice and ESG issues make up part of that practice.

What we try to establish is how choices made by management impact the sustainability of the business model of the company. Understanding these impacts should allow us to better assess the risk/return potential of our investments. If this all sounds suspiciously like qualitative analysis, that's because it is. There is nothing new in our process, but given the rising emphasis placed on ESG issues, we are now explicitly breaking it out as a separate section of our qualitative analysis, using guidance from the CFA Institute's paper and incorporating its checklist into our research framework.

Qualitative Analysis Assesses ESG Issues

The CFA Institute published a manual on the subject in 2008 stating, "A company that incorporates ESG exposures into its long-term strategic planning and adequately communicates these factors and strategies to investors will provide a more complete picture of the company's prospective value. Strategically incorporating ESG analysis may also position companies to better anticipate future operating environments, including potential costs or burdens to their existing business model... However, it is as important as ever that the analyst maintain a balanced and professional approach - factor in

environmental or social issues while being careful not to distort investment decisions with political or emotional agendas that do not serve the clients' interests."

We wholeheartedly concur.

Balancing Head and Heart: The Rational vs. the Emotional

The last point in the Institute's paper is an important one. We have a fiduciary responsibility to our investors. As individuals, we all have belief systems that inform our opinions of issues. Our role as analysts is to be dispassionate about our investments and to rationally incorporate issues, either positive or negative, into our valuation models. Our research process has been designed to assist in overriding the more primitive, emotional portion of our brain with the more logical portion. For example, the die-hard environmentalist cannot negate an investment on the basis that 'all coal-fired generation is bad' but rather is guided by structure to assess the potential costs of emissions of the coal-fired generator and the potential costs of compliance to adhere to new environmental regulations. Similarly, the belief that all solar and wind companies are good is not good enough. The companies still need to be profitable to be good investments. All good corporate citizens may not necessarily be good investments. It is our fiduciary role to weigh, to the best of our ability, the factors that make a good investment.

At the core of all this is our belief that responsible decisions can also be the most profitable decisions. Paying a fair wage may lead to a higher operating expense, but not paying a fair wage may lead to substantial legal costs and product boycotts in the future that eradicate any gains from a lower operating expense. Damage to a brand is hard to quantify, but we need to attempt to do that as well. Good managers take all the potential ramifications of their actions into account when making decisions.

Change takes time, but we are seeing proactive company managements publishing sustainability reports to accompany annual reports. There seems to be some recognition that there is value in maximizing environmental and social values in conjunction with economic values. Changes need not be dramatic: think of shareholders as stakeholders; assess production costs in the context of all costs; accept that maximizing net present value may be at the expense of near-term earnings. What all these subtle changes have in common is an alignment with long-term investment goals.

Process Leads to Responsible and Profitable Investments

In a look back to 2007, it is interesting to note that as a fall-out of our investment process, McLean Budden Limited held 4 out of the 5 Canadian companies that made the Global 100 List: Most Sustainable

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Corporations in the World. They were Alcan, Enbridge, Royal Bank, TransCanada Corporation. In 2009, we hold all 5: Encana, Royal Bank, Telus, TD Bank, TransCanada Corporation." Furthermore, at any given time, we generally hold approximately 20% of those on the list in our global portfolios, while a larger percentage is represented in our "focus list", which are those companies currently under consideration as possible investments.

Do the Right Thing

As previously stated, qualitative benefits can be difficult to quantify, but it's blatantly apparent when the lack of ESG causes things to go wrong. It took years to take down Enron, which had a culture aimed at duping Wall Street about earnings using regulatory loopholes but then morphed toward criminal at the end'2 rather than operating a sustainable and profitable business model. Enron took Arthur Andersen down with them as that 89-year old firm got caught up in the profitability of one account and became an enabler. That's another business that would have done well to pass on near-term profitability. Ultimately, it cost 85,000 people their jobs. We don't know when the cumulative effect of bad decisions will come home to roost, but the costs can be enormous. Saying no and 'missing' a stock that goes up for the wrong reasons is also a valid investment decision. That is part of the McLean Budden culture and the direction in which our ethical compass points.

The bottom line is that we believe being responsible pays in the long run.

McLean, Bethany & Elkind, Peter. (2004). The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron. Toronto: Pengyan Group (Canada) Ltd.p. 132 McLean Budden manages portfolios for its clients on a discretionary basis and does not make recommendations regarding the purchase and sale of individual securities. This report is prepared for informational purposes only. It does not constitute investment, legal, account or tax advice or a representation regarding the suitability of any particular investment or investment strategy.

¹CFA institute, 2008. Environmental, Social, and Governance Factors at Listed Companies: A Manual for Investors

^{&#}x27;Sustainable development as defined as United Nations 1983 Brandsland Commission.

Fittp://walmartstores.com/sites/sustainabilityreport/2003/environmentSupply.html

http://walmartscores.com/sites/suctainabilityreport/2007/environmentFootprint.html

[&]quot;http://www.potashcorp.com/about_potashcorp/

http://www.petashcorp.com/sustainability/environment/news/

¹http://www.polashcorp.com/sustamability/social/news/employee/

Phttp://www.potoshcorp.com/sustainability/governance_and_management/news/ - Spedman, G. Kevinand Watson, Rebert, GMI Ratings and Cerporate Performance; 2003 to 2008

⁼ Speriman, G. Kevin and Watson, Rebert; GMI Ratings and Cerperate Performance: 2003 to 200 (January 1, 2009). Avadable at SSPN• http://ssrn.com/abstract=1302313

[&]quot;The 5th company is Sun Life Financial (McLean Budden's majority shareholder)

[&]quot;After getting the word that EES needed to close another deal by the end of the quarter to make its numbers, one sentor executive recalls persuading a customer to sign a simple commodity agreement while putting the more lucrative outsourcing agreement on hold. "It knew I had to get creative," he says.... The quarter was riding on it. This same executive recalls an instance where he closed a deal that had a total contract value of \$500 million, only to see Entronissue a press release claiming the contract was went in \$1,3 billion. p. p.163

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WALTER SCOTT

The important matter of Socially Responsible Investing (SRI) is one that our clients are increasingly enquiring about. Whilst Walter Scott does not currently have a stated SRI policy, we wholeheartedly embrace the concept within our investment research. As long term investors it is essential that we invest in businesses with robust attitudes towards, and the highest standards of, corporate governance. This includes SRI issues.

At present we address matters related to corporate governance within the following three components of our investment process: (a) research, where we attempt to screen out companies with poor standards of governance (b) in our face to face meetings and other communications with company management, and (c) in the way we exercise proxy votes.

Walter Scott has undertaken to review its entire governance framework, not necessarily with the objective of changing what we do, but more in terms of how we communicate what we do with our clients. Further details will be provided in due course.