

**REPORT TO: SUPERANNUATION INVESTMENT SUB-COMMITTEE  
OF THE FINANCE COMMITTEE - 4 JUNE 2003**

**REPORT ON: SOCIALLY RESPONSIBLE INVESTMENT - SIX MONTHLY REPORT**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 370-2003**

**1 PURPOSE OF REPORT**

This report reviews the progress by the Fund Managers regarding the positive engagement strategy approved by the Sub-Committee on 23 February 2000.

**2 RECOMMENDATIONS**

The Sub-Committee is asked to note the information contained within this report with regard to the activities of the Fund Managers during the six month period ended 31 March 2003.

**3 FINANCIAL IMPLICATIONS**

There are no financial implications.

**4 LOCAL AGENDA 21 IMPLICATIONS**

As part of the Fund's policy on Socially Responsible Investment, its investment managers are required to engage with companies on matters of social responsibility including Sustainability and the Environment.

**5 EQUAL OPPORTUNITIES IMPLICATIONS**

The Fund's Socially Responsible Investment policy requires investment managers to engage with companies regarding their performance in relation to Employee Care and Human Rights.

**6 INTRODUCTION**

On 23 February 2000 the Sub-Committee approved a report prepared by Hymans Robertson, the Fund's consultants that the Fund should adopt a strategy of positive engagement with the companies in which it invests. The four action areas were identified as Employee Care, Human Rights, Sustainability and the Environment. This report reviews how the individual Fund Managers have implemented this.

**7 SCHRODER INVESTMENT MANAGEMENT LIMITED**

Schroder have implemented a policy of specific investigation into particular issues of concern. An example is the consideration of the mining industry shown at page 17 of their Investment Report.

A summary of Schroders recent engagement activity is also shown at pages 18 to 20 of their Investment Report. This covers a wide range of issues and now includes engagement with overseas companies.

**8 BAILLIE GIFFORD**

Baillie Gifford are one of the signatories of the Carbon Disclosure Project, a major survey of the world's largest companies on greenhouse gas emissions.

A summary of recent engagement activity is shown on pages 44-45 of their quarterly report.

**9 FIDELITY**

Fidelity use research from the Ethical Investment Research Service (EIRIS) to identify areas or companies where engagement is most required. One of its most recent engagements was with Geest and looked at health and safety, suppliers and the environment. Particular attention was focussed on how the company operated in South Africa.

**10 OVERALL CONCLUSION**

The submissions by the Fund Managers continue to show that they are devoting significant resources to this area and by allowing each to use its own means of targeting companies the Fund has been able to address a wide range of issues.

Evidence of direct contribution to positive outcomes continues to be scarce but it is clear that increasing pressure from a variety of sources is being applied to an increasing number of companies.

**DAVID K DORWARD**  
**DIRECTOR OF FINANCE**

**BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.