



Responsible Investment Corporate Governance and SRI – Q3 2006

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Voting profile for Q3 2006

During the quarter, Newton exercised its clients' voting rights at 238 UK companies and at 78 companies outside of the UK. Votes against one or more resolutions were instructed at 15.5% of UK meetings and at 21.8% of ex-UK meetings.

In May this year, the Pre-emption Group issued a statement of principles for UK companies and their investors. The principles aimed to protect shareholders from inappropriate dilution to their investments. Newton supports these principles, which state that companies should not issue more than 5% of their share capital if they are seeking to dis-apply their existing shareholders' pre-emption rights. The principles go on to state

that shareholders may be willing to support such an issuance in excess of this level should the company provide adequate justification for its need to do so.

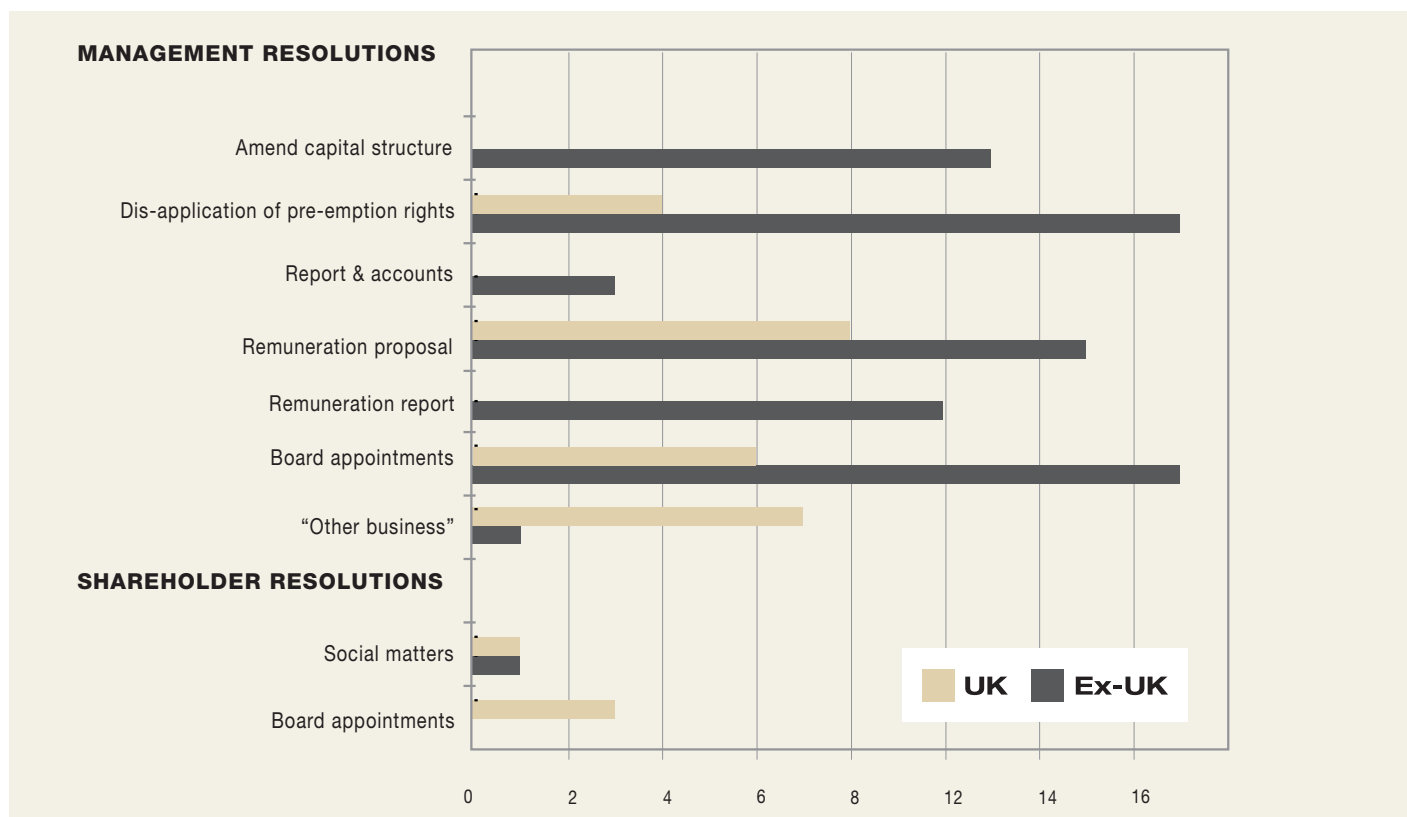
Despite the introduction of the principles, and the involvement in the Pre-emption Group of various industry bodies, votes against the attempted dis-application of pre-emption rights beyond the accepted 5% limit were, along with board appointments, the single largest reason for Newton voting against resolutions in the UK. Fifteen UK companies owned by Newton's clients attempted to dis-apply pre-emption rights beyond the 5% limit, during Q3 2006.

Complete voting summary – Q3 2006	Total	UK	Ex-UK
AGMs			
Voted in favour of all resolutions	180	150	30
Voted against one or more resolutions	47	30	17
Took no action	3	0	3
Abstained	0	0	0
	230	180	50
EGMs			
Voted in favour of all resolutions	67	43	24
Voted against one or more resolutions	7	7	0
Took no action	3	0	3
Abstained	1	0	1
	78	50	28
Court Meetings			
Voted in favour of all resolutions	8	8	0
Voted against one or more resolutions	0	0	0
Took no action	0	0	0
Abstained	0	0	0
	8	8	0
Totals	316	238	78
Voted in favour	255	201	54
Voted against	54	37	17
Took no action	6	0	6
Abstained	1	0	1
Totals	316	238	78

Breakdown of resolutions where votes against or abstentions were instructed during Q3 2006

In a number of instances, shareholder approval was sought for identical and, seemingly, routine resolutions. Many were consistent with the letter of the law but the spirit of good corporate governance was ignored. Examples of some of these

routine resolutions included seeking shareholder approval for “other business”, the dis-application of shareholders’ pre-emption rights over an acceptable level and the granting of retirement bonuses to independent non-executive directors.



UK Companies

Albany Investment Trust PLC – AGM – 11/07/2006

Newton voted against a resolution entitled “other business”. This was a request to allow the board and shareholders to raise other issues at the AGM. Under this resolution, there is a possibility that certain items may be raised and approved that may not be in shareholders’ best interests.

Arthur Shaw & Company PLC – EGM – 18/09/2006

The company’s EGM consisted of three resolutions, for which shareholder approval was sought. These resolutions were connected to the company’s intention to increase its authorised and issued share capital. No justification was offered by the company for the proposed increase in share capital by up to 367%. Neither was justification offered for dis-applying existing shareholders’ pre-emption rights by up to this level of issuance. Newton instructed votes against all three of the proposed resolutions at the company’s EGM.

Berkeley Group PLC – AGM – 01/09/2006

In 2004, the company proposed a scheme of arrangement. Newton considered this to be in the best economic interests of shareholders. However, the company placed a unique requirement on the approval of the resolution, in that, in order for the scheme of arrangement to be passed, a proposed Long-Term Incentive Plan (LTIP) would also need to be approved by shareholders. Newton did not consider the LTIP to be in the best interests of shareholders. Therefore, at the company’s AGM this year, Newton instructed votes against the company’s remuneration report. Newton felt that it was unnecessary for the company’s four executive directors to be awarded 15% of the issued share capital in the company following the scheme of arrangement. In addition, the company made a special award of shares to the chairman of the company’s remuneration committee for additional work carried out during 2004. Newton felt that this award was inappropriate.

Newton voted against two further resolutions that sought shareholder approval for the company to issue shares to the four recipients of the poorly structured LTIP arrangements.

Given historic events at the company, Newton remains sceptical over the company's non-executive directors having sufficient regard for protecting shareholders' interests in the company. Therefore, Newton voted against a proposal to increase non-executive directors' fees. It was noted that the company aimed to target non-executive directors' fees at the upper decile of their comparator group.

Betex Group PLC – AGM – 27/07/2006

Newton voted against the re-election of a non-executive director to the company's board. The nominee was not considered an appropriate member of the company's remuneration and audit committees given that he held 3.8% of the company's issued shares. Newton felt that this level of shareholding undermined the purpose of the committees in providing independent oversight.

The company sought shareholder approval for the board to authorise and issue new shares in the company equivalent to 148% of its share capital, whilst dis-applying the pre-emption rights enjoyed by existing shareholders. The board stated that this authority was vital for the company's development. However, given that the dilution to existing shareholders could be very high, Newton would have expected further assurance from the company in relation to the protection of shareholders' value. Votes were instructed against this proposed resolution. The final resolution sought shareholder approval for the company to amend its Share Option Scheme. Given the lack of detail accompanying the proposed amendment, Newton voted against the resolution.

Carphone Warehouse Group PLC – AGM – 27/07/2006

Over the last two years, the maximum bonus potential for executive directors has been increased from 100% of salary to 200% of salary. Salaries have also been rising rapidly, averaging c.20% per annum over the past three years, for the CEO. Additionally, and in contrast to best practice, the significantly increased bonus amounts may be deferred for two years, at which point a free 1:4 match is provided. The lack of disclosure justifying these increases and the deviation from established remuneration best practice meant that Newton instructed votes against the approval of the remuneration report.

Dana Petroleum PLC – EGM – 26/09/2006

At the company's EGM, Newton instructed votes against one of the four proposed resolutions. This resolution sought shareholder approval to make a substantial award of deferred shares to the company's CEO. The company stated that the award would be in lieu of a change in the CEO's service contract. Whilst Newton was encouraged by the move towards best practice in the reduction of the CEO's notice period to one year, it was felt that the c.£1 million compensation was excessive and in direct conflict with best practice in this area.

Daniel Stewart Securities PLC – AGM – 04/09/2006

The company sought shareholder authority to increase its issued share capital by 95%. This was proposed in the form of two resolutions, both seeking the same level of issuance. One of these resolutions would respect existing shareholders' pre-emption rights, whilst the other resolution would dis-apply the pre-emption rights of existing shareholders. No rationale or comfort was provided by the company in respect of these two requests. Newton instructed votes against both resolutions.

Edinburgh UK Smaller Companies Tracker Trust PLC – AGM – 06/07/2006

Votes were instructed against a resolution that sought shareholder approval for the trust to issue shares, representing up to 10% of issued share capital, from its treasury account. The authority would allow shares to be issued at a discount to their Net Asset Value, whilst dis-applying existing shareholders' pre-emption rights. Newton understands that many trusts' shares trade at discount to their NAV. However, this resolution would, in theory, allow the trust to issue shares at a discount greater than that seen in the traded shares.

Electrocomponents PLC – AGM – 14/07/2006

Votes were instructed against the resolution that sought shareholder approval of the company's remuneration report and against a member of the remuneration committee, who was seeking re-election to the board. Newton's dissatisfaction with the company's remuneration policy centred on the use of a share option plan that allows for performance conditions to be re-tested, guaranteed bonus awards and an ill structured one-off Executive Incentive Plan. The Executive Incentive Plan was first put to shareholders at an EGM 01/02/2006. Newton voted against the plan at that point due to the use of absolute profit targets that would govern the vesting of awards.

Filtronic PLC – EGM & AGM – 29/09/2006

Newton was in support of the resolution that sought shareholder approval for the company to make significant disposals. Despite the disposals not constituting a scheme of arrangement, the company requested shareholder approval for all outstanding share option awards to automatically vest. Any vesting would not be subject to the achievement of the pre-determined performance conditions or pro-rated to time. Newton felt that this was policy was inappropriate and instructed votes against the relevant resolution at the company's EGM. In addition, at the company's AGM, Newton instructed votes against four members of the remuneration committee, who were seeking re-election to the board.

Findel PLC – AGM – 03/07/2006

On appointment of the new CEO, who was previously a non-executive director of the company, an award of share options was granted equivalent to 4.1 times his annual salary. Contrary to best practice in this area, the share options would automatically vest after three years, irrespective of any performance achieved. Also in contrast to best practice, should the company go through a change of control within this three

year period, the share options would be exercisable in full. A further remuneration practice at the company also convened best practice, in that the bonuses paid to one executive director are pensionable. Given the above issues, Newton instructed votes against the approval of the remuneration report and against two members of the remuneration committee, who were seeking re-election to the board.

FirstGroup PLC – AGM – 13/07/2006

A shareholder proposed resolution sought for the company to adopt and report on a Workplace Human Rights policy. Reimbursement of the proponent's expenses, incurred in the motioning of this resolution, was also proposed. Newton instructed votes against this resolution. Please refer to the SRI activity log for the full details behind this decision.

Great Portland Estates PLC – AGM – 06/07/2006

During the year, the remuneration committee adjusted the terms of the annual bonus arrangements. As a result, no cap exists on the level of annual bonuses that may be awarded to individuals. Two remuneration related resolutions were proposed for shareholder approval. These concerned a new Long-Term Incentive Plan and a Share Matching Plan. In Newton's opinion, the then existing remuneration arrangements were more robust than the proposed structure. The proposals would allow for individuals' awards to be increased whilst reducing the performance conditions that would govern the vesting of these awards. Votes were instructed against the remuneration report and the two remuneration proposals described above. A member of the remuneration committee, who was seeking re-election to the board, was also voted against.

Hornby PLC – AGM – 25/07/2006

Newton was dissatisfied with one key element of the company's remuneration structure. Individuals may defer their annual bonus and receive free matching shares on a 1:1 basis. Newton would expect any additional awards to be subject to the achievement of pre-determined performance conditions. Votes were instructed against the resolution seeking shareholder approval of the remuneration report. A second resolution was also voted against. This sought for shareholders to approve an authority for the company to allot its shares. Rather than seeking the usual one-year authority, the resolution requested for the shareholder approval to extend the authority to five years.

iimia Investment Group PLC – EGM – 27/09/2006

A new Long-Term Incentive Plan (LTIP) was proposed for shareholder approval at the company's EGM. Votes were instructed against this resolution. The company failed to provide any information relating to the performance conditions that would govern the vesting of LTIP awards and the level of dilution to existing shareholders could be as much as 22.5%.

Inveresk PLC – AGM – 05/07/2006

Following an accounting discrepancy in 2004, the company's Annual Report for 2005 was not available prior to the voting deadline for the company's AGM. Given that the information

was not available, Newton exercised prudence in voting against the two resolutions that sought shareholder approval of the remuneration report and for shareholders to accept the company's financial statements & statutory reports.

JP Morgan Fleming Continental European Investment Trust PLC – AGM – 01/08/2006 & EGM – 21/09/2006

The trust recommended, for shareholders' approval, the renewal of its share repurchase authority. Whilst Newton was comfortable with the share repurchase level, it was felt that the company's ability to re-issue shares at a discount to their Net Asset Value was not in the best interests of the existing shareholders. Newton voted against the single resolution, which was tabled at both the AGM and EGM.

JP Morgan Fleming European Fledgling Investment Trust PLC – AGM – 12/07/2006

At the same time as seeking shareholders' authority to re-issue shares at a discount to their Net Asset Value, the trust also sought to dis-apply existing shareholders pre-emption rights when re-issuing these shares. Newton instructed votes against the two resolutions that, combined, would provide the company with the ability to carryout these unacceptable policies. Newton voted against the re-election to the board of a long standing non-executive director

JP Morgan Fleming Japanese Smaller Companies Investment Trust PLC – AGM – 26/07/2006

The trust not only sought shareholder authority to re-issue shares at a discount to their Net Asset Value, but also sought to dis-apply existing shareholders pre-emption rights when re-issuing shares. Newton instructed votes against the two resolutions relating to these concerns, which could unnecessarily dilute shareholders' value.

London Clubs International – AGM – 11/09/2006

In the event of the company being taken over, individuals would be awarded with any unpaid bonuses in the three years to 31/03/2008. Newton considered this to be poor practice and voted against the company's remuneration report. In addition to this, votes were also instructed against the re-election of the senior independent non-executive director. He had been a board member for 14 years, was once the company's chairman and was seeking re-election to the remuneration committee.

Majestic Wine PLC – AGM – 04/08/2006

In light of the expiration of its Share Option Scheme, the company sought shareholder approval of a new scheme. Newton was concerned that there was no disclosure of the performance conditions that would govern the vesting of share option awards. Of additional concern was the proposed 15% dilution to existing shareholders that could occur as a direct result of the company making share option awards. Votes were instructed against the proposed scheme and against a member of the remuneration committee, who was seeking re-election to the board.

Northern Rock PLC – AGM – 25/04/2006

The company operates a deferred share scheme whereby shares can be awarded, to the value of short-term cash bonuses, and released after three years should real average annual growth in earnings exceed 3%. Newton did not consider this performance condition to be sufficiently stretching to warrant the vesting of nil-cost share awards. Newton voted against the remuneration report and two members of the remuneration committee, who were seeking re-election to the board.

Marks & Spencer PLC – AGM – 11/07/2006

Newton instructed votes against the resolution seeking approval of the company's remuneration report. This decision was primarily taken following the increase in maximum potential annual bonuses from 150% to 250% of an individual's salary. The company failed to state that performance targets would be commensurately increased in line with the revised bonus maximums. Newton also noted that salary levels were at the upper quartile level when compared with similar companies.

NMT Group PLC – AGM – 11/09/2006

Three resolutions relating to capital usage were voted against. Two of these resolutions concerned the issuance of new shares, which could equate to 91% of the company's existing share capital. One resolution would respect existing shareholders' pre-emption rights, whilst the other would dis-apply these rights. Irrespective of the method of an additional issue, Newton was wary of providing the company with a blanket authority to raise 91% of its share capital without providing any guidance as to the intended use of any such raised capital. Similarly, votes were instructed against a resolution seeking shareholder authority for the company to buy-back 45% of its issued share capital. These levels were considered to be excessive in the absence of any reassurance pertaining to the protection of shareholders' value.

Northern Petroleum PLC – AGM – 26/07/2006

Newton voted against the resolution seeking shareholders' acceptance of the company's financial statements & statutory reports. Of the three members of the company's audit committee one was the company's managing director, whilst another member held 1.3% of the company's shares and had been a board member for 10 years.

A further resolution was also voted against. This sought shareholder approval for the company to issue up to 477% of its issued share capital to existing shareholders and dis-applying shareholders' pre-emption rights in issuing up to 139% of its issued share capital. Without any detailed rationale for this request or information surrounding the intended use of capital raised, Newton felt that both of these levels were excessive.

Personal Assets Trust PLC – AGM – 19/07/2006

One of the trust's executive directors receives a salary that is calculated as a percentage of the trust's value. This executive director received a substantial increase in salary due to an increase in third parties investing in the trust. However, the trust admitted that it had performed poorly relative to its benchmark. Given that the remuneration policy does not positively correlate the executive's remuneration with that of the trust's performance, Newton voted against the resolution seeking shareholder approval of the remuneration report. Two long standing non-executive directors, who were seeking re-election to the board were also voted against. They were, in part, responsible for the trust's remuneration policy.

Readybuy PLC – EGM – 07/08/2006

By way of two separate resolutions, the company proposed for shareholder approval an Enterprise Management Incentive scheme and a Share Option scheme. Newton instructed votes against both resolutions due to the fact that, for both schemes, the company failed to disclose the performance conditions that would determine the vesting of awards.

Robert Wiseman Dairies PLC – AGM – 06/07/2006

The company proposed, for shareholder approval, to perform a buy-back of its own shares. Newton was in support of this resolution. However, in reducing the company's issued shares, by way of the proposed buy-back, the Wiseman family's shareholding would increase from 48.5% to 58.3%. This increased interest in the company triggers Rule 9 of The Takeover Code, which states that a mandatory offer for the company is then required. This mandatory offer can be forsaken should the remaining shareholders agree for a waiver of the requirements under Rule 9. Newton voted against the resolution proposing the Rule 9 waiver. It was felt that the Wiseman family should either participate in the share buy-back or pay a premium to existing shareholders for, effectively, taking control of the company.

Scottish Power PLC – AGM – 26/07/2006

A new Long-Term Incentive Plan (LTIP) was proposed for shareholder approval. The intended performance condition that would govern the vesting of any such awards was relative Total Shareholder Return (TSR) against a selected comparator group. However, TSR performance will be weighted according to the individual market capitalisations of the constituent companies. This methodology, should companies with a large market capitalisation underperform the comparator group, could enable awards to vest despite underperformance against a majority of the constituent companies. Given the potential of rewarding for failure, Newton instructed votes against the proposed LTIP and against a member of the remuneration committee, who was seeking re-election to the board.

Ten Alps PLC – AGM – 29/08/2006

The company's audit committee consisted of just two members, one of whom co-founded the company and holds 7% of the issued shares. Additionally, neither member of the audit committee could be deemed as financial experts. Given the structure of the audit committee, Newton voted against the resolution seeking shareholder acceptance of the company's financial statements and statutory reports.

Other Business

Dis-application of pre-emption rights at UK companies

In the UK, the Pre-emption Rights Group published a guidance note to companies and investors in the event of new issuances of shares. The guidance supports Newton's view that acceptable justification must be given to shareholders should a company seek to issue more than 5% of its issued share

Additionally, the company sought shareholder approval to issue up to 25% of its share capital on a non pre-emptive basis. No immediate investment opportunities or safeguards were provided by the company. Newton considered the potential dilution to be excessive and, therefore, instructed votes against this resolution.

capital, without first offering the shares to existing shareholders. Without this level of protection, existing shareholders could face unacceptable levels of dilution to their holdings. At the meetings listed below, the only resolution that Newton voted against was one seeking shareholder authority to dis-apply pre-emption rights.

Company	Meeting type	Date	Level of dis-application sought
BNB Recruitment Solutions PLC	AGM	26/07/2006	50%
Capital Gearing Trust PLC	AGM	27/07/2006	10%
Healthcare Enterprise Group PLC	AGM	27/07/2006	10%
Proteome Sciences PLC	AGM	27/07/2006	10%
Schroder UK Growth Fund PLC	AGM	02/08/2006	10%
SVM UK Active Fund PLC	AGM	11/07/2006	10%

Ex-UK Companies

Ceva Inc – AGM – 18/07/2006

At the company's AGM, shareholder approval was sought for the re-election of a non-executive director who was a partner at a law firm that had provided services to the company during 2005. The proposed nominee was also the chairman of the company's remuneration committee. Newton prefers that all members of a company's remuneration committee be independent of the company. Therefore, Newton voted against the re-election of the chairman of the remuneration committee due to his continuing professional relationship with the company.

Electronic Arts Inc – AGM – 27/07/2006

The company proposed, for shareholder approval, a resolution that would allow for the re-pricing of share options that may be "underwater". It was argued that the re-pricing was necessary due to the volatility in the company's share price. Newton felt

that this was not appropriate rationale, given that the company's shareholders have had to endure the same volatility in the company's share price. In addition to voting against this resolution, a further resolution was voted against. This requested shareholders to approve an increase in the number of restricted shares that could be awarded under the company's Equity Incentive Plan. The company has had a history of awarding high levels of shares under this plan, c.3% per annum being awarded over the last three years. Along with non-executive directors receiving automatic grants of significant share awards, the potential dilution to existing shareholders could be as much as 16.2%. Newton did not feel that the remuneration arrangements were sufficiently well structured to warrant shareholder approval. Votes were also instructed against two members of the remuneration committee, who were seeking re-election to the company's board.

Emdeon Corporation – AGM – 12/09/2006

In Newton's view, the company's remuneration practices have not been designed to protect shareholder's value. Non-executive directors routinely receive share-based incentives awards, dilution to shareholder's value is over 20% and, on average over the last three years, share-based awards have been unsustainably awarded at a rate of 4.3% of the company's shares. Given these practices, Newton instructed votes against the resolution that requested shareholders to approve an increase in the number of shares that may be awarded under the Long-Term Incentive Plan.

H.J.Heinz Co – AGM – 16/08/2006

Newton was in agreement with a dissident shareholder, in that a degree of change was required on the company's board in order to take the company forward. In addition to proposing the re-election of seven existing board members, the dissidents also sought to nominate five new candidates to the company's board. Newton considered that three of the five candidates would be positive for the company. Of the other two, Newton believed that they were too closely connected to the dissident and would give the dissident too much control over the board. Given that in such a proxy contest it is not possible for shareholders to vote against nominees, abstentions were registered against these two nominees.

Indus Holding AG – AGM – 11/07/2006

A resolution was proposed that requested the company not to disclose the remuneration arrangements in place for members of its management board. This proposal was in direct conflict with best practice in this area and also against the recommendations of the recent German Corporate Governance Code. Without sufficient justification being offered by the company for this resolution, Newton instructed votes against its approval.

Linmark Group Ltd – AGM – 23/08/2006

The company proposed to increase the number of shares in issue by 20%, while dis-applying existing shareholders' pre-emption rights. Given that the company failed to provide any explanation as to why shareholders should accept such a level of dilution, Newton instructed votes against the proposal.

Macquarie Bank Ltd – AGM – 20/07/2006

An individual nominated himself for election as a director and board member of the company. The individual stated that it was his intention to implement a policy whereby all staff at the bank would be banned from taking up shares in any flotation or in any capital raisings that the bank was managing. It was further stated that, if elected, he would resign once this policy was comprehensively implemented. Newton instructed votes against this individual's nomination due to the comfort offered by the bank in its stated policies and procedures relating to staff participations in share flotations and capital raisings.

Nike Inc – AGM – 18/09/2006

A shareholder proposed resolution requested that the company provide a semi-annual report to shareholders disclosing the company's contributions to public or private charitable organisations. Newton voted against this resolution. Nike already discloses a significant amount of the information that was requested by the proponent. This information is available in the company's corporate website, in its corporate citizenship report and through other public sources. Additionally, some aspects of the proponent's request could only be reported in a subjective context.

Redstar Gold Corp – AGM – 28/09/2006

A resolution sought shareholder authorisation for the company to reduce the exercise price of outstanding share option awards. The company failed to provide rationale for this change. In re-pricing share options, Newton believes that the fundamental objective of incentivising individuals is lost. Newton instructed votes against this resolution. Votes were also instructed against a resolution seeking to increase the number of shares that may be awarded under the company's share option plan. Areas of concern included the ability of the company to re-price share option awards and the intention for 20% of the company's share capital to be made available for awarding by way of share options.

In addition, Newton voted against a resolution that sought approval of "other business". The unknown content of this resolution meant that Newton had to exercise a level of prudence by voting against its approval.

Singapore Airlines – AGM – 31/07/2006

A resolution proposing the granting of share-based incentives was voted against. Newton did not consider the arrangements to be sufficiently well structured to warrant dilution to existing shareholders of up to 13% and for awards to vest in full after just one year.

A further resolution was also voted against. The company did not justify its request to dis-apply existing shareholders' pre-emption rights in the event of a new issue of shares, which could be up to 10% of the company's issued share capital. 10% dilution of existing shareholders' value was felt to be excessive where no commitments or comfort was provided to shareholders relating to the company's intended use of any capital raised.

In addition, Newton instructed votes against the resolution seeking shareholder approval of "other business". No explanation of the motivation behind the proposal was disclosed.

Singapore Exchanges Ltd – AGM – 29/09/2006

The company provided no rationale in relation to its resolution seeking to issue 10% of its share capital, whilst dis-applying the pre-emption rights enjoyed by existing shareholders. Newton felt that the potential level of dilution was excessive and instructed votes against the resolution.

Singapore Telecommunications – AGM – 28/07/2006

A resolution was voted against at the company's AGM. No justification was provided by the company for its request to dis-apply existing shareholders' pre-emption rights in the event of a new issue of shares, which could be up to 15% of the company's issued share capital. 15% dilution of existing shareholders' value was felt to be excessive where no comfort or commitments were provided to shareholders relating to the company's intended use of any capital raised.

Symantec Corporation – AGM – 13/09/2006

The company sought shareholder approval to make certain changes to its Equity Incentive Plan. It was proposed that non-executive directors should no longer receive share options. Instead, restricted share awards would be awarded. Given the company's relatively strong cash position, Newton felt that non-executives' independence should not be brought into question by way of receiving any significant form of share-based remuneration. Newton was also concerned with the level of shares that have been awarded over the last three years. On average, this equated to 4.5% of issued shares per annum. Newton instructed votes against the proposed remuneration changes and against three members of the remuneration committee who were seeking re-election to the board.

Other Business

The meetings below all included a resolution entitled "other business". For each meeting below, this was the only resolution

that Newton considered to be sufficiently against shareholders' best interests to warrant voting against.

Company	Meeting type	Date
Advanced Info Services PCL	AGM	08/08/2006
HSBC Global Investment Funds; Asia ex-Japan Equity	AGM	28/07/2006
HSBC Global Investment Funds; Chinese Equity	AGM	28/072006
HSBC Global Investment Funds; Europe ex-UK Equity	AGM	28/07/2006
The Cox & King Overseas Fund; India 21st Century Fund	AGM	20/07/2006

Open-ended resolutions, such as "other business", with no additional supporting information or shareholder protection measures, are generally considered to be unhelpful by

institutional investors and other shareholders who vote by way of proxy. Therefore, Newton instructed votes against the resolution seeking shareholder approval of "other business".

Examples of engagement – Q3 2006

UK Food Producer – July 2006

Contact: Chairman

In a meeting with the chairman, key corporate governance concerns at the company were discussed. Given that the founding family remain the majority shareholder, Newton sought further information in respect to their relationship and involvement with the company and their influence at board level. Whilst the chairman was able to satisfy many of Newton's concerns on this matter, it was suggested that the board's balance could be improved with the addition of an independent senior non-executive director. Newton raised the subject of remuneration and the company's plans to replace its long-term incentive arrangements, which were soon to expire. Little information was forthcoming that related to the company's new remuneration structure. However, a small level of comfort was provided. The chairman stated that it was not the company's intention to significantly alter the existing remuneration arrangements. Of significant concern was the likelihood of one of the very well-regarded executives retiring from the company. The individual has and continues to make significant contributions to the company's performance. Concerns were further heightened by the very strong team culture that this individual has created around himself. The chairman recognised this issue and provided some detail to Newton on the role of the company's nominations committee. An additional suggestion by Newton was that the company should increase its commitment to its investor relations function.

UK Fixed Line Telecommunication company – July 2006

Contacts: Chairman

**Chair of the Remuneration Committee
Director of Performance & Reward
Remuneration Consultant**

Newton met with the company to discuss a proposed remuneration structure. The proposal would be a one-off arrangement, specifically designed to incentivise management to return the company to growth. Over a series of meetings and discussions, Newton questioned many aspects of the proposal and received either comfort or reached a compromise on the key issues raised. Whilst it was appreciated that the remuneration structure had the potential to reward participants significantly, it was also understood that, in doing so, shareholders would also be rewarded by way of a vastly improved share price. Newton was confident that the structure of the arrangements, together with the discretion afforded to the remuneration committee, would ensure that participants in the scheme would not be unduly rewarded should shareholders not experience substantial benefits.

UK General Retailer – July 2006

Contacts: Company Secretary

**Group Director of Human Resources
Finance Director**

In preparation for the demerger of the company, Newton was consulted on the proposed remuneration arrangements for the expected two entities. At the time of the initial meeting, Newton was concerned over the lack of detail surrounding the performance conditions that would govern the vesting of parts of the proposed long-term incentive awards. As promised, the company provided greater detail surrounding the performance targets and the expected value assumptions for the proposed arrangements. Newton noted that awards made would be based on the achievement of Profit Before Tax and subject to the company achieving certain capital usage requirements. This, Newton felt, would help to align vesting with sustainable growth in the companies' profits. The company gave assurances relating to the dilution from the new remuneration structures. Against the company's initial intention, Newton requested that the one-off arrangements on demerger should also be accounted for in any dilution calculations. It was stated that all the points raised by Newton would be presented to the remuneration committees of the demerged entities. Newton also requested that, following the expected demerger, the respective new remuneration committee chairmen make themselves available for meetings with shareholders. This, it was felt, would provide the necessary continuity from the existing company to the demerged entities.

UK Mobile Telecommunications company – July 2006

Contact: Investor Relations

Newton sought further explanation in relation to the company's adjustment of the Earnings Per Share (EPS) targets that govern the vesting of share option awards. The targets were decreased from 8-16% to 5-10%. It was explained that this reduction reflected a change in the company's life cycle together with market expectations of the EPS growth for the company. Newton explained to the company that the new EPS range could have been more stretching at the top end.

Australian Mining company – July 2006**Contact: Senior Independent Non-Executive Director**

Newton met with the Senior Independent Non-Executive Director of the company to discuss a bid offer that the company had received. Newton felt that the board's acceptance and recommendation of the bid was somewhat rushed and was deeply concerned that no premium was being offered by the bidding party for the company's strategic assets. This was surprising, especially given that the company's directors hold 47% of the company's shares. A revised bid was later tabled by the acquiring company, which was c.12% in excess of the original offer.

German Real Estate company – July 2006**Contact: Investor Relations**

Comfort was sought from the company in relation to its request for shareholder approval to allow it to issue up to 50% of its share capital, whilst dis-applying the pre-emption rights of existing shareholders. Whilst it was understood that the request supported the company's strategy of growing by acquisition, Newton requested and received assurances that shareholders would not be unnecessarily diluted.

UK Non-Life Insurance company – August 2006**Contacts: Chairman****Remuneration Consultant**

The company sought shareholders' views on proposed changes to the performance conditions that govern the vesting of Long-Term Incentive Plan (LTIP) awards. It was proposed that the company retain the use of Earnings Per Share (EPS) as the sole performance condition. However, the levels at which vesting occurs would be reduced. Newton raised a general concern over the managements' lack of guidance pertaining to the company's earnings potential, which, in turn, hindered Newton's ability to assess the appropriateness of the new EPS performance targets. In light of changes to the company's operating environment, it was appreciated that the performance targets should be amended. However, based on Newton's view of the company and its sector, it was suggested that EPS performance conditions should be more stretching for this year and further enhanced in the following year when it is expected that the company's operating environment will improve. It was also suggested that a relative Total Shareholder Return performance condition should govern, in part, any vesting of LTIP awards.

SRI Focus:

The Pharmaceutical Sector – Access to Medicines

Introduction

There is a growing demand for healthcare. People are living longer, populations are increasing and lifestyles are changing. These trends are driving an increase in demand for healthcare and health services.

- **Aging population**

The health of older persons typically deteriorates with increasing age. In 1950, there were fewer than 2 persons aged 85 or older for every 100 persons aged 50-64, globally. By 2000, the ratio had increased to 4 persons per 100. It is projected to reach 11 persons per 100 by 2050¹. The increasing average age of the population places a great strain on funding for public healthcare due to the elderly being more susceptible to disease and disability. In 2001, an Organisation for Economic Cooperation and Development (OECD) study revealed that the over-65 age group accounted for 40-50% of healthcare spending and that their per capita healthcare costs were three to five times higher than those under 65.

The phenomenon of an ageing population is not restricted to the developed world. The number of persons aged 65 or older in developing countries is expected to increase from 249 million to 690 million between 2000 and 2030¹. This will place extra demands on the healthcare systems of developing countries, most of which are ill-prepared for such demands.

- **Emerging economies are developing, accelerated by urbanisation**

According to the UNFPA², the proportion of people in developing countries who live in cities has almost doubled in the period between 1960 and 2001, from less than 22% to more than 40%. In more developed regions, the urban share has grown from 61% to 76% over the same period.

Urbanisation is associated with lifestyle changes especially improvements in standards of living and education, better nutrition, sanitation, health practices and medical care.

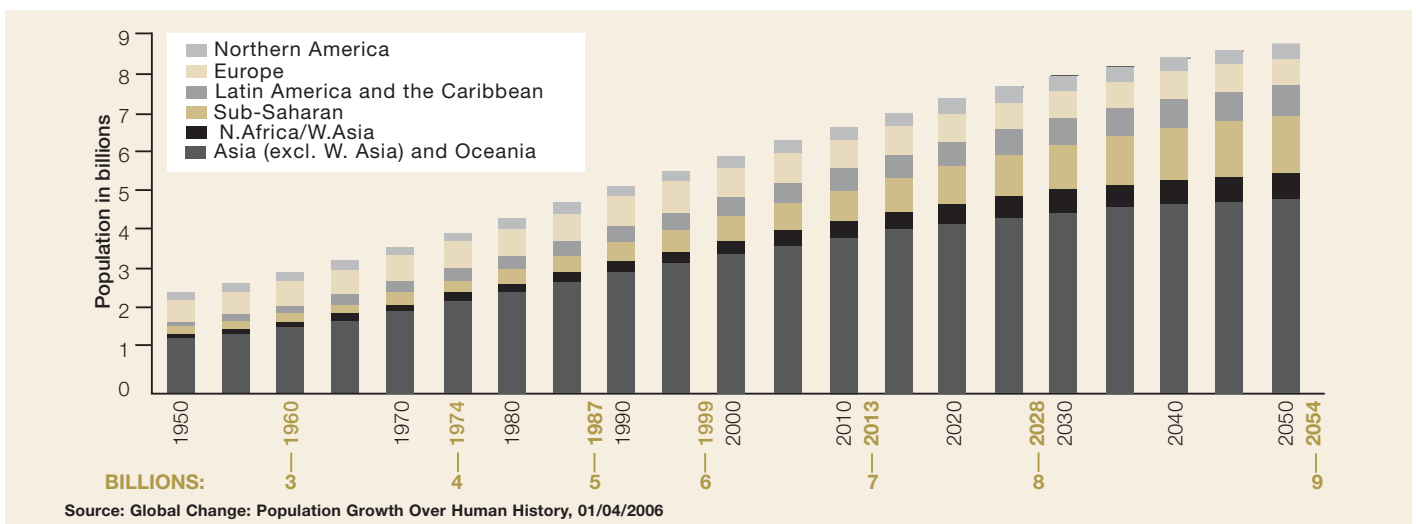
The healthcare industry must adapt to these changing trends in demand. For example, as urbanisation increases and overall health status improves, healthcare services must change to adapt to the rise in lifestyle-related diseases that occur, such as diabetes, cardiovascular diseases and diseases of the central nervous system. Though infectious diseases are still the major cause of ill health in developing countries, the challenge, as these economies develop, is to adjust health sectors toward managing chronic diseases and the special needs of the elderly.

- **Population growth**

The human population experienced immense growth over the last century. It required only 40 years, after 1950, for the population to double from 2.5 billion to 5 billion. The world's population passed 6 billion just before the turn of the century. Present estimates are for the population to reach 8-12 billion before the end of the 21st century.

In 1960, 70% of the global population lived in less-developed regions. By late 1999, the less-developed regions had grown to comprise 80%. Projections of world population growth estimates that 98% of the population will live in less-developed

Figure 1: Regional Makeup of the World's Population, Actual and Projected, 1950-2050



1 UN Report titled World Population Ageing 1950-2050, Population Division, DESA, United Nations, 2002.

2 The United Nations Population Fund (UNFPA) is a subsidiary of the UN General Assembly. The fund provides reproductive health support in response to country requests, helping to integrate population and reproductive health concerns into development initiatives.

regions by 2025 (see Figure 1: Regional Makeup of the World's Population, Actual and Projected, 1950-2050). The combined forces of these global trends will have a tremendous impact on the healthcare industry, both in terms of demand and service provision. Governments will be under pressure to fund healthcare for the elderly population. The elderly will form an important core of voters and, therefore, their views will influence official policy. The pharmaceutical industry will be under increasing pressure to reduce prices of medicines to make them more affordable.

Access to healthcare is already a challenge

Even without the added pressure of meeting these expected increases in demand for healthcare, the World Health Organisation estimates that one-third of the world's population is, currently, denied access to medicines they need.

Lack of access to medicines can have a significant effect on society. It is often argued that many developing economies are facing a health crisis. Millions of people in developing economies do not have access to adequate food and clean water. Often their governments do not have the resources to build health clinics and to train the staff needed to deliver even basic healthcare. The HIV/AIDS pandemic has made these problems worse. A generation of orphans has been created, while communities have lost their greatest asset – fit, healthy and productive people.

Tackling this crisis is a complex challenge. Significant political will and extra funding are needed from national and international sources to aid development and build healthcare infrastructure. Governments have the primary responsibility for developing and expanding healthcare systems to ensure access to essential medicines. However, it can be argued that the pharmaceutical industry has a moral responsibility to facilitate access to its products. This may be done through

working in partnerships with governments and others to close health disparities. The benefits to the industry of such actions can help to minimise risk to company reputation and improve relations with regulators and governments.

Reputational risk to pharmaceutical companies

In 2001, 39 pharmaceutical companies³ took the South African government to court over the terms of its 1997 Medicines Act. The Act was intended to provide a legal framework, within which medicines could be made more affordable in South Africa, to protect the health of the public (the Patents Act notwithstanding). The pharmaceutical companies based their argument around a clause that would have allowed for parallel importing of drugs⁴.

The court case provoked extensive international public pressure on the pharmaceutical companies. The companies were accused of placing profit before human lives by not reducing the cost of pharmaceuticals used in the treatment of HIV-infected individuals. Ministers of various European Union governments denounced the companies' legal strategy and called on them to end the proceedings. The European Union parliament, with the full support of all political groupings, passed a resolution calling for the companies to withdraw and for the European Commission to help developing countries use the safeguards contained within the World Trade Organisation (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)*.

On 19 April 2001, the 39 companies unconditionally withdrew their court case. Agreement was reached after the South African government assured the pharmaceutical companies that it would not undermine patent rights and that it would consult with industry in drawing up the regulations that would implement the 1997 Medicine Act. However, the industry's reputation had been seriously tarnished by the allegations of blocking access to HIV/AIDS drugs in poor countries.

***The World Trade Organisation (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)**

In the run up to the 5th ministerial meeting in Cancun, Mexico, in 2003, member governments of the WTO agreed on legal changes to make it easier for poorer nations to import generic pharmaceutical products following the issue of a compulsory licence⁵. A licence would be issued to both the importing and exporting country, if the importing country is unable to manufacture the medicines themselves. The option to use compulsory licensing provides countries with a useful bargaining tool for negotiating prices with suppliers of patented medicines. Each WTO member has the right to utilise TRIPS-compliant measures in the face of a public health need. The Agreement helps to increase supply and availability of drugs through market competition and it helps to reduce the price of patented medicines in poor countries.

³ The 39 companies included Bayer, Bristol-Myers Squibb, Glaxo Wellcome, Hoechst Marion Roussel Limited, Merck, Roche and SmithKline Beecham

⁴ Parallel importing consists of purchasing proprietary drugs from a third party in another country, rather than directly from the manufacturer. This enables countries to take advantage of the fact that pharmaceutical companies sometimes charge significantly lower prices in one country than in another.

⁵ A compulsory license is where an appropriate government body (the Patent Office in the UK) licenses the manufacture, sale and distribution of an intervention to an authorised third party without the consent of the patent holder.

The dilemma faced by pharmaceutical companies

The court case in South Africa highlights a very real dilemma for pharmaceutical companies. The key role for the pharmaceutical industry is to discover, develop, produce and market innovative products to prevent and treat diseases, to ease suffering and to enhance quality of life. Intellectual property rights ensure that drug prices remain at a level necessary to reward producers and encourage future research and development of drugs. However, high prices can mean that developing world patients cannot access many of these medicines. Paradoxically, concern over pricing and access issues is inflamed by the commercial success required both to fuel the search for new cures and deliver value to shareholders for their investment.

Before looking further into the access to medicines issue, it is helpful to understand some of the business pressures faced by the pharmaceutical industry. Currently, there are major cost and revenue pressures facing the industry and these are likely to impact revenue and profit growth going forward. These pressures are arising at a time when drug pipelines look relatively thin and research and development productivity appears to be slowing. Alongside the pressure to make medicines more accessible, the long-term business needs of the industry must also be addressed.

Some of the business pressures faced by the pharmaceutical industry include:

Threat of patent expiries / increasing competition

Companies face significant competitive pressure when a patent expires on a best-selling product. Companies must manage the negative profit impact that patent expiries can cause. Alongside this, there are currently few companies able to boast a late-stage pipeline that holds anything of significance. This is causing leading drug companies to come under considerable financial pressure. Many best-selling drugs are expected to face generic competition over the next few years. Therefore, the pressure to remove costs as companies seek to retain competitive strength, alongside slowing revenue growth, is likely to intensify. A clear example of the impact on a company's share price and revenue, caused by the threat of a patent expiry, occurred during this quarter.

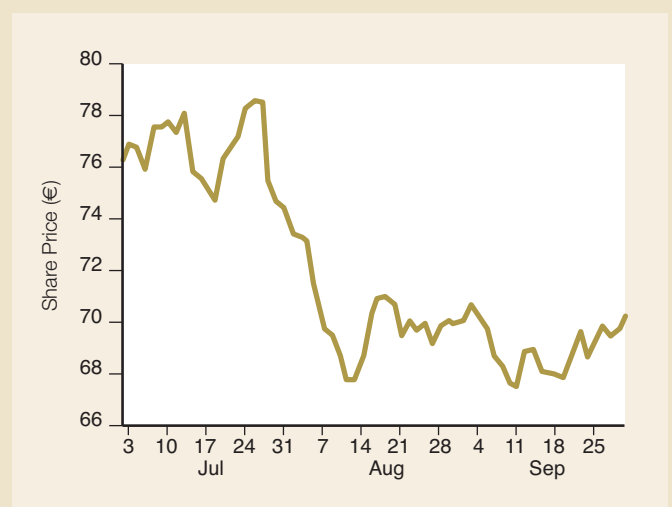
The patent protection for Sanofi-Aventis' blood thinning drug, Plavix, is currently being challenged by Apotex, a generic manufacturer. Apotex launched Clopidogrel, a generic version of Plavix, in early August. Though Sanofi-Aventis reduced the price of Plavix by 32% to try to offset the competition risk, total prescriptions for Plavix dropped 60% in just 8 days (see Figure 2: Plavix Absolute Total Prescriptions). Figure 3 shows the impact on the share price of Sanofi-Aventis due to the news of the generic competition.

Figure 2: Plavix Absolute Total Prescriptions



Source: IMS Health and CitiGroup

Figure 3: Sanofi-Aventis Share Price: Q3 06



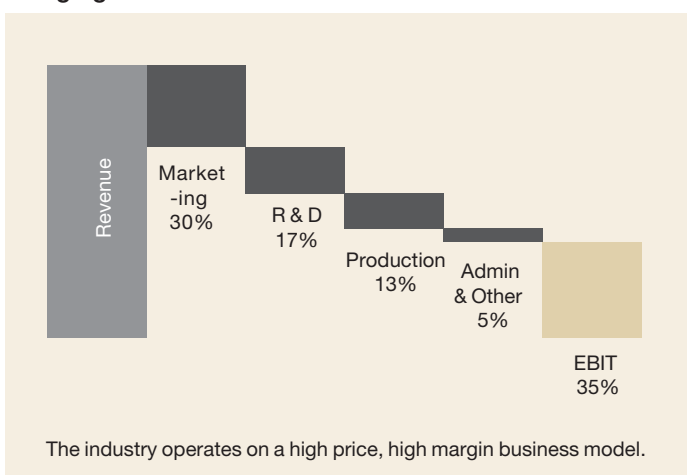
Source: Datastream

In light of the ageing populations of many major countries, and the associated rise in healthcare expenditures, generics will continue to play an increasingly important role as a cost effective therapeutic option.

Research costs

Along with the ongoing search for new drugs to treat currently incurable diseases, continued development and innovation is key for the industry. It can take up to 12 years, or even longer, to take a medicine from discovery to product launch. Industry consultants estimate that the average successful drug now costs \$800 million, pre-tax, to bring to market, including an estimated cost of \$150-200m for drugs that fail to navigate the research process successfully⁶. Even after such significant research and development, only 3/10 new licensed medicines will go on to become a commercial success⁶.

Figure 4: Indicative Breakdown of Revenue – Bringing a Pharmaceutical Product to Launch



Source: Just Pensions

Regulatory oversight to ensure both the safety and effectiveness of medicines is also increasing. On average, almost 70 clinical trials are now needed for each new drug application, compared to nearer 30 at the start of the 1980s. In addition, each new drug application requires over 4,200 patients to be tested compared to just over 1,300 twenty years ago⁶. This has led to a dramatic increase in the average costs incurred to develop a new drug.

Pressure on pharmaceutical prices

With the exception of the US, pharmaceutical prices are predominantly determined by government-controlled authorities. The significance of healthcare costs as a percentage of GDP in most mature economies means that governments want to control medical costs tightly. Drug prices are under regular review, with price cuts often enforced. This pressure is expected to carry on as the increasing demand for healthcare continues. Even in the US, the high relative cost of drugs and the increasing costs of medical insurance, are exerting strong pressure on the industry to contain pricing.

⁶ Pharmaceuticals for Beginners, Deutsche Bank March 2003.

Addressing the problem

Barriers preventing access to medicines

The issue of access to medicines cannot be discussed in isolation from development policies, health policies and systems, and the implementation processes. Access to medicines is a complex issue that clearly includes the price of drugs but also goes further. In theory, the combination of appropriate development policy, effective health policy, best practices applied in the health system, a rational use of drugs and adequately funded health services should alleviate most of the health problems in any country. In reality, many developing countries do not have such infrastructure and capacity in place.

Other factors that impact accessibility of medicines include quality of diagnosis, accurate prescription, drug selection, distribution and dispensing of medicines, drug quality and capacities of health budgets.

What can be done?

Much progress has already been made in tackling the access to medicines issue. The Association of the British Pharmaceutical Industry states:

- Since 2000, the pharmaceutical industry has created 126 health partnerships that have provided enough health interventions to treat 539 million people.
- Donations to developing countries worth over £2.45 billion have been made by the pharmaceutical industry since 2000.

Further progress requires action across a range of sectors, involving many players and against the backdrop of an international environment that is both complex and challenging. Success depends upon governments and the international aid community playing their part through sustainable financing, investment in infrastructure (including education) and the exercise of political will to direct the pace of change. Many stakeholders, including the pharmaceutical companies, the World Health Organisation and other partnerships and initiatives have important contributions to make.

• Pharmaceutical companies

By finding innovative ways to help populations gain access to medicines, companies can address ethical, reputational and commercial imperatives. For these reasons, access to medicines becomes a strategic business driver.

Pharmaceutical companies are currently engaging in the drive to improve access to medicines in a number of different ways. Traditionally this has been through the delivery of new medicines and health technologies. However, increasingly the pharmaceutical industry also engages through addressing the affordability of medicines in poor countries, including differential pricing offers and increasing research and development into diseases prevalent in developing countries.

Methods used by pharmaceutical companies to improve access to medicines include:

Improving affordability: There are two options to improve affordability that are commonly presented by pharmaceutical companies:

a) Offering significantly discounted products to poorer countries.

In order to help align drug prices in developing markets with the ability of governments in these areas to pay for medicines, some companies offer drugs at not-for-profit prices to the world's poorest countries. Other discounted prices are also offered to wealthier developing countries. Some companies are also piloting schemes that offer drugs for infectious diseases on a not-for-profit basis to least developed countries. These schemes appear to be offering some benefits for patients but are not widespread and, as yet, do not appear to represent a long-term solution. For the pharmaceutical industry, the fear is that these prices may be used as a benchmark for price negotiations globally and/or that the concept of pricing accordingly to ability to pay will flow back to western markets. To prevent this, various safeguards need to be in place to maintain the structure of these differentiated prices. This will help prevent re-exportation of medicines to higher priced markets.

Example: Abbott

Launched in 2001, the Abbott Access to HIV Care programme provides the company's HIV products to Africa and least developed countries. Through the initiative, the company offers two protease inhibitors, at a loss to Abbott. A rapid test for HIV antibodies is also provided at no profit as part of the programme. It is hoped that this initiative, along with those of other companies, will encourage governments and other sources of international funding to help develop the infrastructure necessary to ensure broader availability of antiretroviral treatment and care for people living with HIV/AIDS in developing countries.

b) Restrict intellectual property rights to allow generic manufacture of patented drugs.

Due to the costly and lengthy research process involved in developing new medicines, pharmaceutical companies register patents on new drugs to protect their intellectual property. This prevents other manufacturers producing generic copies while the patent is in force. Patents provide a drug manufacturer with market exclusivity over the formulation of the drug. By being the sole manufacturer of a medicine for a limited period, pharmaceutical companies are able to generate revenue from sales and recoup some of the substantial costs of development.

Intellectual property protection for pharmaceuticals is necessary to provide funding for future research and development efforts. However, the pharmaceutical industry is under increasing pressure to structure these protections in ways that do not impede access to lifesaving drugs in countries that can least afford them.

Where a patent for a drug has been granted, there are options for buying or making generics available through either voluntary or compulsory licensing. Under the TRIPS accord, countries can issue a compulsory license, which allows the breaking of a patent under certain conditions, for example, during a national emergency. The only stipulation is that the country tries to negotiate acceptable commercial terms with the patent holder. If that fails then the country must adequately compensate the patent holder for use of the invention.

A decision to grant a voluntary licence depends on a number of factors, including the severity of an epidemic in that country, local healthcare provision and the economic and manufacturing environment. Selecting the most appropriate licensee is key. The manufacturer must be able to provide a long-term supply of good quality medicines and implement the safeguards to prevent the diversion of medicines to wealthier markets.

Example: Bristol Myers Squibb

Bristol Myers Squibb granted two generic drug manufacturers royalty-free licenses to make and sell its latest AIDS medicine in sub-Saharan Africa and India in early 2006. Under the agreement, Bristol Myers Squibb also provides technical training to the companies so they learn how to manufacture, test, package, store and handle the medicine's active ingredient. Giving local companies the rights and knowledge to make medicines locally is expected to expand supply and access to these medicines.

Differential pricing is currently the preferred way to improve affordability of medicines. Such a scheme enables companies to ensure delivery of a safe, quality product at an affordable price, as long as it is needed. However, the granting of voluntary licences can also help to increase the supply of medicines as this would enable local manufacturers to produce and sell generic versions of products.

Both the offer of discounts or the easing of intellectual property rights do, however, have the potential to reduce profitability and undermine the incentives to invest in future research and development. It can also be argued that patent protection does not impact access to medicines. In some therapy areas, such as malaria and tuberculosis, where the most commonly used drugs are no longer under patent, many millions of people, in the poorest regions, still do not have access to these medicines.

Research & Development: The research and development of new drugs and vaccines is an essential element in improving health in the developing world. There are still no effective treatments for some widespread and life-threatening diseases. Many existing treatments for diseases, such as malaria, are also becoming less effective due to drug resistance. Greater investment in the research and development of medicines to treat diseases disproportionately affecting the developing world is needed.

Example: GlaxoSmithKline (GSK)

GSK is working with the Medicines for Malaria Venture (MMV), the World Health Organisation (WHO) and academic partners to develop an affordable, fixed dose, combination treatment for drug resistant malaria in Africa. The treatment is based on Lapdap. In November 2005, GSK announced that clinical results indicated it is likely to be effective against a drug resistant form of malaria found in Africa. The drug is now progressing into Phase III trials.

Product donations: Donations are not a long-term sustainable solution. However, they can be valuable in specific circumstances, for example, when disease dynamics require only one-off treatments and vaccinations.

Example: Roche

Roche manufactures Tamiflu, a treatment that is likely to play a key role in the management of any pandemic influenza, such as Avian Bird Flu. Tamiflu can be used to reduce morbidity and mortality in the event of an outbreak of avian influenza in humans and to prevent the further spread of such an outbreak. In August 2005, Roche announced that it would hold a reserve of 3 million courses of Tamiflu treatment as a rapid response stockpile. The stockpile would be donated for use exclusively at the site of outbreak of a pandemic in an attempt to contain or slow its spread. Roche has also announced the donation of a further 2 million courses of Tamiflu to the World Health Organisation. This will be stored at regional locations to establish regional stockpiles to assist developing countries in managing an outbreak.

Patent immunity: Some companies, for example Novartis and Roche, have indicated they will not act against infringement of patents in certain countries for certain drugs. Roche did a financial impact analysis that concluded that not upholding patents in least developed countries and Sub-Saharan Africa would have minimal impact on revenues.

Financing: Substantially expanding infrastructure to improve access to essential medicines will require additional domestic and international financing. Apart from the purchasing of drugs, a significant investment in building effective health and supply systems is required. The financing of health services can be supported directly through corporate payments to public authorities, including through taxes, tariffs and any other fiscal flows.

Strengthening health systems: Companies can contribute to the development of health services by working with governments to share expertise and skills. For example, company expertise can contribute to the strengthening of medicine procurement, storage, distribution and supply systems by providing logistics, stock control, forecasting and supply experience. Companies can work with business associations to share good practice within the business community, including through the development of business models for healthcare provision.

Provision of healthcare to employees: Companies are increasingly providing healthcare to employees, their partners and dependents and, in some cases, to wider communities. This is most developed in relation to HIV/AIDS, where prevention and care programmes have been operating for some years. More recently, some companies have been providing antiretroviral⁷ treatment for HIV/AIDS to employees and others. Increasingly, companies are also involved in programmes to address other diseases and are making available broader health insurance.

Tackling bribery and corruption: Support for actions to tackle bribery and corruption can contribute to greater financial transparency. This can provide greater stability to government finances, including those relating to health expenditure.

• **The World Health Organisation (WHO)**

The WHO is the international agency within the United Nations' system responsible for health. It was established on 7 April 1948. The main objective of the WHO is the attainment, by all peoples, of the highest possible level of health. The WHO is responsible for setting global standards in health and helps countries to address public health issues. WHO also promotes health research.

The WHO has four main priorities:

1. To help ensure global health security, by detecting emerging threats to health and managing them quickly. The WHO has built a global network that helps to find a disease outbreak wherever it strikes. Top experts are then rallied to stop the outbreak as quickly as possible.
2. To reduce tobacco use and promote healthy diets and

⁷ Antiretrovirals (ARVs) refer to medications that have specific activity against HIV. They act by reducing the ability of HIV to damage the immune system.

physical activity to speed up progress in the battle against chronic diseases such as cancer, stroke, heart disease and diabetes.

3. To build up efforts to achieve the Millennium Development Goals through programmes to support countries in the fight against HIV/AIDS, tuberculosis and malaria; to improve the health and nutrition of children and women; and to increase people's access to essential medicines.
4. To strive for improvements in healthcare and fairer access in a world where life expectancy ranges from 85 years in Japan to just 36 years in Sierra Leone.

The WHO has launched several major initiatives intended to increase access to medicines and other healthcare products.

Example: **Stop Tuberculosis (TB) Partnership**

Established in 1998 and hosted by the WHO, the Stop TB partnership aims to provide global leadership, strategy, and coordinating mechanisms to control and eliminate TB. The mission is to ensure that every TB patient has access to TB treatment and cure, to protect vulnerable populations from TB and to reduce the social and economic toll that TB exerts on families, communities and nations.

Example: **WHO Framework Convention on Tobacco Control**

According to the WHO, tobacco use kills about five million people every year. On 21 May 2003 the World Health Assembly adopted WHO's first global public health treaty. The treaty is designed to reduce tobacco-related deaths and disease around the world. The treaty sets international standards on tobacco control measures such as tobacco prices and tax increases, advertising and sponsorship, product warning labels, smuggling and second-hand smoke.

• **Other partnerships and initiatives**

Examples of global health partnerships and initiatives include:

Millennium Development Goals (MDGs): At the United Nations Millennium Summit in 2000, 191 countries set themselves the ambitious tasks of tackling poverty and ill-health. Derived from the Millennium Declaration, these tasks are what became known as the MDGs. Health is at the heart of this agenda. Three of the eight goals – cutting child deaths,

improving maternal health and combating HIV/AIDS, malaria and other diseases – are directly related to health matters. Greater access to health services is essential if the health-related MDG targets are to be met. However, eradicating extreme poverty and hunger, and, achieving environmental sustainability are key to achieving better health.

WHO and UNAIDS⁸ '3 by 5' target for HIV/AIDS

treatment: The '3 by 5' initiative was launched by UNAIDS and WHO in 2003. It was a global target to provide, by the end of 2005, three million people living with HIV/AIDS in low and middle-income countries, with life-prolonging antiretroviral treatment. It was a step towards the goal of making access to HIV/AIDS prevention and treatment accessible for all who need them, as a human right.

The target was based on what could be achieved if countries, donors, and international agencies were fully successful in expanding political will, mobilising funding resources and building health infrastructure and systems. Though the target was not achieved, the '3 by 5' initiative was a major catalyst for activating international support and action around the global effort to expand HIV treatment access.

The Abuja targets for malaria in Africa: The Abuja declaration commits African governments to an intensive effort to halve the malaria mortality for Africa's people by 2010. The declaration recognises the disease and economic burden that malaria places on hundreds of millions of Africans and the barrier it constitutes to development and alleviation of poverty.

Accelerating Access Initiative (AAI): The AAI was established May 2000. It is a partnership among UNAIDS, WHO, UNICEF⁹, UN Population Fund, World Bank and 7 pharmaceutical companies (Abbott Labs, Boehringer Ingelherm, Bristol Myers Squibb, Gilead, Merck, Roche). The AAI is committed to broadening access to drugs while ensuring rational, affordable, safe and effective use of drugs for HIV/AIDS related illnesses. Companies have offered to substantially improve access to, and the availability of, a range of medicines by providing more affordable prices in developing countries.

Global Alliance on Vaccines and Immunisation (GAVI):

The GAVI Alliance was launched in 2000 to improve access to immunisation for children in impoverished countries. Key to achieving the goals of the GAVI Alliance is a dramatic increase in new funding for immunisation. The GAVI Alliance has created a fund to help fill critical gaps in the global effort to improve immunisation and to maintain a significant source of new and additional financial support from public and private donors.

⁸ UNAIDS is the Joint United Nations Programme on HIV/AIDS. It brings together the efforts and resources of ten UN System Organisations to the global AIDS response.

⁹ UNICEF is the United Nations Children Fund. UNICEF works with others to overcome poverty, violence, disease and discrimination placed in a child's path.

Evian Health Action Plan: The G8 meeting in Evian, June 2003, reaffirmed specific commitments to improving healthcare and services through the Evian Health Action Plan. The action plan on health underscores the importance of strengthening healthcare systems and increasing access to medicines as long-term means of improving public health. The plan covers the areas of fighting HIV/AIDS, tuberculosis and malaria, strengthening health systems, access to medicines, fighting diseases mostly affecting developing countries, eradicating polio and confronting the threat of SARS.

European and Developing Countries Clinical Trials Partnership (EDCTP): The European Commission is undertaking work to strengthen the European Union framework for research on poverty-related diseases. This includes the establishment of the EDCTP as well as analytical work to assess whether additional incentives might be offered by the EU to encourage greater private sector investment in research and development.

**Comment from Newton's Pharmaceutical analyst:
Stephen Rowntree**

A growing global population and the aging of the 'baby boomer' generation will underpin demand for effective healthcare provision well into the future. As governments around the world ponder how they will meet this increasing demand for better healthcare, the supply of effective and safe pharmaceutical medicines will provide one of the principle solutions to this challenging conundrum.

The future development, testing and eventual commercialisation of medicines is not without its challenges for drug manufacturers. In addition to the costs and risks of developing new medicines, two new global trends are becoming apparent. First, the regulatory oversight to ensure both the safety and effectiveness of medicines is increasing. Second, the need to demonstrate the cost effectiveness of a treatment is becoming ever more important. Although pharmaceuticals remain a relatively minor cost component of total healthcare budgets – in the UK they represent approximately 16% of the total UK healthcare spend – they are increasingly becoming the focus of governments who are seeking to control the burgeoning rise in the costs of their healthcare budgets. In the UK for example, the government has established the National Institute for Health and Clinical Excellence (NICE) with a remit of evaluating the cost effectiveness of new medicines for the NHS. This focus on cost-benefit will increasingly become a major theme in all markets, particularly when high price medicines are required for difficult-to-treat conditions.

Despite these new challenges, the global pharmaceutical industry continues to have a leading role to play in the provision of cost effective medicines for developing countries, which often have a large disease burden and limited resources. The industry plays an equally vital role in ensuring the quality of pharmaceutical medicines supplied to these markets is of the highest standard. This is particularly important where the risk of counterfeiting and supply of substandard medicines can undermine efforts to treat local endemic diseases.

Underpinning the global pharmaceuticals industries contribution to the healthcare needs of both developed and developing markets is the recognition of patent protection. Patents protect medicines from competition for an agreed number of years and enables the industry to reinvest profits from sales of current medicines into research and discovery of improved future medicines. It is those companies that are investing in innovative medicines that, in the broadest sense, will benefit future patients and healthcare provision in both the developed and developing markets. This should reinforce their attractiveness as investments for our clients, while tying in with the broader themes we consider as part of our long-term investment view.

Company involvement

As an investor, and on behalf of its clients, Newton felt it necessary to ensure that companies, in which it takes an interest, are responding proactively to the issue of access to medicines. There are important reputational risks involved, which, if mishandled, could rebound on companies and their

investors by reducing their licence to operate. Newton engaged with GlaxoSmithKline (GSK), Novartis and Roche to discuss how they are handling issues surrounding access to medicines. Comments are collated in the table below.

1. Patent and Pricing Policies	
GSK	<ul style="list-style-type: none"> • Preferential pricing arrangements are offered on antiretrovirals (ARVs) and anti-malarial treatments. These pricing arrangements are available to Least Developed Countries¹¹ and those in sub-Saharan Africa as well as for projects that are funded by the Global Fund to Fight AIDS, TB & Malaria. Though a profit is not made, the costs of manufacture are covered. This allows GSK to sustain supply of high-quality products. Not-for-profit prices are applicable to orders of any size and are not dependent on large order quantities. They include insurance and freight costs. • GSK vaccines are also available at preferential prices for the developing world. In 2005, of the 1.2 billion vaccines transacted globally, around 90% went to the developing world. • Preferential pricing arrangements for middle-income countries are negotiated on a case-by-case basis. • For several more developed countries, GSK provides Patient Assistance Programmes and discount cards to help patients without insurance.
Novartis	<ul style="list-style-type: none"> • Novartis has signed two Memorandums of Understanding with the WHO. One is to provide free treatment for all leprosy patients in the world until the disease has been eliminated from every country. The other is to provide Coartem, its oral fixed-combination anti-malarial product, at cost. On September 29th, Novartis announced further reductions to the average price of Coartem. The announcement was made in anticipation of cost benefits that should accrue when production is scaled up. • Novartis offers Patient Assistance Programmes, on a global basis, for patients experiencing financial hardship and without insurance coverage for their medicines. For example, Novartis has a major commitment to ensure access to Gleevec, the group's leukaemia fighting drug. Through its Patient Assistance Programme, Novartis provides Gleevec to those patients that cannot not afford it and do not have health insurance to cover the costs. • In the US, Novartis offers a 'Prescription Savings Programme' for elderly, low-income Medicare recipients who do not have insurance arrangements in place.
Roche	<ul style="list-style-type: none"> • No patents for any of Roche's medicines, across all disease areas, will be filed in Least Developed Countries (as defined by the United Nations). Roche will not enforce existing patents or patents that have been licensed in these countries. • Roche holds no patents for its malaria treatments: Fansidar or Lariam, in the Least Developed Countries and sub-Saharan Africa. • Roche offers "no profit" prices for ARVs in Least Developed Countries and sub-Saharan Africa, together with reduced prices for middle-income countries. • "No profit" prices reflect only the raw material costs of producing the drugs. Therefore, Roche requires a minimum order quantity to ensure that resources are used effectively and the lowest possible prices can be offered and sustained. Prices also exclude costs for freight, import duty, distribution and inventory. • Roche has taken significant measures to ensure that intellectual property rights do not present a barrier to global availability of Tamiflu. Tamiflu is likely to be used in the management of any pandemic influenza, such as Avian Bird Flu. For example, Tamiflu is not patent protected in any African or Least Developed Countries. Where there is no patent protection, governments are free to purchase or manufacture Tamiflu at their discretion. • In the US, the company runs the 'Roche Patient Assistance Programme'. The programme helps provide prescription drugs free of charge to qualifying patients who need them but lack prescription coverage and the means to pay for them.
2. HIV/AIDS	
GSK	<ul style="list-style-type: none"> • GSK has granted 8 voluntary licences for the manufacture and supply of generic versions of its main ARV medicines used for treating HIV/AIDS in sub-Saharan Africa. • GSK is helping with an array of initiatives relating to HIV/AIDS. These include improving the convenience of delivering ARV therapy and developing molecules that address drug-resistant HIV. In addition, the company is carrying out research into a vaccine against HIV infection. • On September 15th 2006, GSK announced an agreement with the Russian Government to supply ARV medicines at discounted prices. The agreement is the first direct federal purchase of ARV medicines in Russia. Under the terms of the agreement, GSK will supply over 90,000 HIV treatment packs to the Russian Government by the end of 2006. This will help the Russian Government meet its target of reaching 15,000 patients by the end of 2006. This target has been doubled to 30,000 in 2007.

¹⁰ Treatment to address drug resistant HIV is known as 'second-line HIV treatment'.

¹¹ Least Developed Countries are defined by the United Nations as exhibiting the lowest indicators of socioeconomic development in the world.

	<ul style="list-style-type: none"> GSK is running a programme called “Positive Action”. The programme was set up in 1992 and is specifically designed to work in partnership with HIV communities globally. The programme aims to provide support for marginalised communities through organisations that conduct prevention and education campaigns, fund-raising and awareness-raising programmes, home-based care and treatment initiatives and counselling services and outreach schemes. Currently the programme is active in c. 30 countries across the world.
Novartis	<ul style="list-style-type: none"> Novartis does not manufacture any products for HIV. However, in Southern and East Africa, the Novartis Foundation for Sustainable Development* helps support different initiatives to improve the livelihood and future prospects of children orphaned by AIDS. Services offered include counselling, access to credit and training for income generating activities. Capacity building for teachers, social workers and other caregivers is also provided.
Roche	<ul style="list-style-type: none"> Roche will not file or enforce patents on new HIV drugs in Least Developed Countries and sub-Saharan Africa. Roche will not take action against generic versions of its ARV therapies where it holds or has licensed the patent in Least Developed Countries and sub-Saharan Africa. Roche has developed a pricing policy for its HIV protease inhibitors, Viracept and Invirase, to help increase access to medicines. The WHO defines both drugs as essential medicines. Both drugs are made available at no profit to the Least Developed Countries and sub-Saharan Africa. Roche’s no profit and patent policies apply to more than 26 million people living with HIV/AIDS. This equates to 69% of all people living with HIV/AIDS worldwide. Reduced prices for Roche HIV protease inhibitor medicines apply to 93% of all the people in the world living with HIV/AIDS. In 2003, the standard prices from Roche for its HIV protease inhibitor medicines applied to an estimated 15% of people living with HIV/AIDS globally. In 2005, standard prices for these medicines apply to just 7% of people globally. As part of its ongoing commitment to increase access to HIV medicine and to address the growing need for second-line treatment¹⁰ in sub-Saharan Africa, Roche has committed to an ‘AIDS Technology Transfer Initiative’. The aim of the initiative is to share the knowledge Roche has gained on how to manufacture second-line HIV medicine. The company has committed to providing guidance to local manufacturers from countries within sub-Saharan Africa and Least Developed Countries.

3. Research & Development

GSK	<ul style="list-style-type: none"> GSK has the industry’s most extensive portfolio of research and development projects for diseases of the developing world. The company’s portfolio contains 13 clinical programmes, 7 of which are for diseases that disproportionately affect developing countries. For HIV/AIDS, GSK is supporting 28 collaborative studies in developing countries. GSK set up a team dedicated to research on diseases that affect the developing world. For this group, drug development projects are prioritised primarily on their socio-economic and public health benefits rather than their commercial returns.
Novartis	<ul style="list-style-type: none"> Novartis has established a research centre in Singapore with a focus on developing new preventative and effective treatments for TB and dengue fever (The Novartis Institute for Tropical Diseases).
Roche	<ul style="list-style-type: none"> Roche’s research and development initiatives are predominantly focused around diseases found in the developed world. The company sees this as an area of growth going forward. As economies develop, diseases of the developed world begin to have a presence in the developing world.

4. Drug Donations Policy

GSK	<ul style="list-style-type: none"> GSK donates essential products, for example, antibiotics, to help relief efforts in disaster areas and support basic healthcare provision in impoverished communities. Donations are made at the request of governments and major charitable organisations. This enables charities to hold a range of medicines in stock so they can respond promptly in an emergency. Charity partners are required to track donations to make sure they reach their intended destination and are dispensed appropriately. GSK follows the WHO Guidelines for Drug Donations. These state that donations should be made in response to an expressed need, sent with prior consent and must be labelled correctly and have a minimum shelf life of one year. GSK is also a member of the Partnership for Quality Medical Donations (PQMD), an alliance of pharmaceutical companies and charities that encourages best practice in the donation and delivery of medicines. The company does not donate medicines for diseases which require a continuous, assured supply.
Novartis	<ul style="list-style-type: none"> Novartis is donating 100,000 treatments for TB every year, for a 5-year period, as its contribution to the Global Fund.
Roche	<ul style="list-style-type: none"> Drug donations do not form a central component of Roche’s policies to increase sustainable access to medicines, globally. All requests received are evaluated on an individual basis. Accepting a request for a donation is dependant on meeting key criteria as outlined in the WHO Guidelines for Drug Donations. Roche only evaluates requests for drug donations from recognised professional organisations and institutions that possess both the expertise and a proven ability to effectively reach people in need.

5. Other Comments	
GSK	<ul style="list-style-type: none"> GSK's flagship community investment project is in partnership with the WHO's Global Alliance to Eliminate Lymphatic Filariasis (LF). Currently, LF affects 120 million people and over 1 billion people are at risk of contracting the disease. In 2005, GSK donated 136 million treatments of albendazole to 36 countries in order to prevent the transmission of LF. GSK has provided 440 million albendazole treatments, free of charge, since 1998. GSK estimates the value of the project to be US\$1 billion over its anticipated 20-year life span. Through its Global Community Partnerships program, GSK funds community-led initiatives in over 100 countries around the world. During 2005 GSK donated lifesaving medicines valued at £27 million to support relief efforts in over 100 countries.
Novartis	<ul style="list-style-type: none"> *Novartis, through its Foundation for Sustainable Development, is engaged in a number of grassroots projects to improve poor people's access to essential healthcare services. In 2005, Novartis contributed US\$ 696 million and reached 6.5 million patients through its global access-to-medicine projects.
Roche	<ul style="list-style-type: none"> Roche has been the leading external sponsor of South Africa's mobile health clinic on rail, the Phelophepa Health Care Train, for 10 years. The mobile health clinic provides rural areas with primary care services. The train is fully equipped to provide general medical services and dental, eye and psychiatric care. The train has 16 coaches and 14 staff plus 40 student interns. The Health Care Train has recently launched two new services, cancer screening and diabetes prevention. To date, the train has reached 7 million people and provided free health care, dental care, eye care and mental care, training and education since 1994. The company has also provided the necessary training and education for those administering drugs.
6. Examples of Involvement in Initiatives and Partnerships	
GSK	<ul style="list-style-type: none"> MMV: Medicines for Malaria Venture GATB: Global Alliance for TB Drug Development Aeras Global TB Vaccine Foundation MVI: Malaria Vaccine Initiative IAVI: International AIDS Vaccine Initiative Africa Malaria Partnership GAVI: The Global Alliance for Vaccines and Immunisations
Novartis	<ul style="list-style-type: none"> IAVI: International AIDS Vaccine Initiative ACCESS: Understanding and Improving Access to Effective Malaria Treatment MMV: Medicines for Malaria Venture GATB: Global Alliance for TB Drug Development NITD: Novartis Institute for Tropical Diseases Stop TB Partnership Singapore Denge Consortium GAVI: The Global Alliance for Vaccines and Immunisations Global Polio Eradication Initiative
Roche	<ul style="list-style-type: none"> AAI: Accelerating Access Initiative CTAP: The Cambodian Treatment Access Programme CARE: The Cohort to evaluate Access to antiRetroviral treatment and Education MMV: Medicines for Malaria Venture

Conclusion

Tackling the access to medicines issue is a complex challenge. Significant political will and extra funding are needed from national and international sources to aid development and build healthcare infrastructure. Governments have the primary responsibility for developing and expanding healthcare systems to ensure access to essential medicines. The pharmaceutical industry also has a responsibility to facilitate access to its products, and to work in partnership with governments and others, to close health disparities. The benefits of doing so can help to minimise risk to company reputation and improve relations with regulators and governments. Other stakeholders, including The World Health Organisation, and civil society, also have important contributions to make.

Opportunities are presented to pharmaceutical companies in the form of growing populations, ageing populations and by

increasing health expectations that grow alongside the developing of economies. There is a need for pharmaceutical companies to maintain high returns to afford the research and development investment required to continue to see advances in medicine. Reputational risk becomes an issue when companies are perceived to be preventing access to essential medicines. The industry has made significant efforts, since 2000, to build partnerships and undertake initiatives to address this issue.

Next quarter

Next quarter's report will also look at social, ethical and environmental matters surrounding the pharmaceutical sector. Ethical considerations of clinical trials will be the main focus.

SRI Activity

Please note that this activity log shows examples of SRI activity and engagement undertaken over the quarter. It is not an exhaustive list of all engagement. A complete list of how Newton voted on securities during the period is available upon request

FirstGroup

Subject: Employee Relations

July 2006

A shareholder-requisitioned resolution was proposed at the company's AGM, which was held on 13 July 2006. Broadly, the resolution requested the company to:

- 1) adopt a company-wide policy that complies with the United Nation's International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work.
- 2) prepare and produce a publicly available annual report concerning the implementation of this policy.

In advance of the AGM, Newton met with the company's management to discuss this shareholder proposed resolution. The company stated that its Code of Business Ethics and Equal Opportunities Policy addressed the proponents' underlying concerns. The company also stated that, following the AGM, it would review the content of its Code of Ethics and Equal Opportunities Policy, with a view to continuing to implement best practice in these areas. The company stated further that it would establish a more formal training programme for its US employees. This would ensure policies and procedures are being properly implemented and enforced.

The company currently produces a Corporate Social Responsibility report that discusses the social, ethical and environmental matters that impact the company. In response to the resolution, management committed to reviewing the scope of work for the 2007 report and to include discussion on the issues raised in this shareholder resolution. FirstGroup also committed to commenting, in its Annual Report, on assurance processes to ensure that policies relating to employee relations are being implemented properly.

Newton took comfort in the company's willingness to engage with shareholders and the positive response it gave to investors' concerns on the matters raised by the shareholder-requisitioned resolution. Therefore, votes were instructed against the resolution. Newton will continue to monitor the company's progress on this matter.

Dyson Group

Subject: Disclosure of social, ethical and environmental considerations

August 2006

Newton contacted Dyson regarding the limited level of reporting on Social, Ethical and Environmental (SEE) matters that impact the company. Newton raised the same concern with the company one year ago. Despite this, Newton felt that reporting had not significantly improved. The company stated that, due to its diversified nature, reporting on a set of SEE matters in a succinct and informative manner is challenging. However, over the past year, the company has become less complex following a successful disposal programme. Therefore, the company stated, reporting on a set of SEE matters that impact widely across the business, should become easier going forward. Newton highlighted some areas where it felt the company would benefit from improved disclosure. Specifically, Newton suggested areas relating to reputational risk protection, environmental regulation adherence, water & energy efficiency measures and management of SEE matters within the company's supply chain. Considering the changes the company has experienced over the past year, Newton did not vote against accepting the company's report and accounts. However, Newton will continue to monitor the companies SEE disclosure going forward, with a view to voting against the acceptance of the companies report and accounts should little improvement be made.

Cable & Wireless

Subject: Disclosure of social, ethical and environmental considerations

August 2006

In previous years, Cable & Wireless has made significant efforts to report on the Social, Ethical and Environmental (SEE) matters that impact the company. This year, the disclosure level had significantly decreased. Newton contacted the company to discuss this unexpected decline in reporting. The company stated that it had focused its resources on a much needed strategy designed to transform the business. Unfortunately, this meant its Corporate Social Responsibility reporting efforts were put on hold. The company is currently undertaking an internal audit with a view to re-starting data collection to measure SEE performance, which will be reported in next year's Annual Report.

Cadbury Schweppes

Subject: Corporate and social responsibility update

September 2006

Newton attended the Cadbury Schweppes Corporate and Social Responsibility Update. The company's approach to corporate and social responsibility was discussed along with its response to changing trends in consumer demand. The company is responding to obesity concerns by offering products that contain less salt, less sugar and less fat. Over the past three years, Cadbury Schweppes has increased the low calorie and low fat choices in its portfolio by 50%. The company also said that for each of its leading brands, it is aiming to have a healthy eating option available by 2010. Improved labelling efforts are providing information to help consumers make informed decisions on what they are eating. The company is planning to have Guideline Daily Allowances (GDAs) on all its products and is rolling this out on a global basis.

Ethical sourcing is another area of focus for the company. Cadbury Schweppes is committed to ensuring, by 2010, that its direct suppliers meet its ethical sourcing standards. The company is further committed to sustainably sourcing at least half of the key agricultural raw materials, such as cocoa, sugar, palm oil and gum arabic. For its core brands, this is expected to be achieved by the end of the decade. Through the acquisition of Green & Blacks, the group has gained exposure to the fast growing organics market. Sourcing the increasing demand for organic products is likely to be a constraint going forward. The company is planning to work with farmers and suppliers to increase availability of ingredients.

Following the update, Newton participated in a roundtable discussion with executives of Cadbury Schweppes to discuss their approach to corporate responsibility. In Newton's opinion, the company has a good base and infrastructure from which to build. However, there is a long way to go and the manufacturers are currently lagging behind the food retailers in terms of proactive management of the SEE matters that impact the industry.

Carbon Disclosure Project (CDP)

Subject: CDP4 launch

June 2006

Newton attended an investor update on the results of the fourth CDP. The CDP is a coordinating secretariat for institutional investor collaboration, relating to climate change. Its aim is twofold: to inform investors of the significant risks and opportunities presented by climate change and to inform companies of shareholders' concerns relating to the impacts of these issues on company value.

The project involves sending a request for information to the FT Global 500 companies and analysing the responses. In 2006, the project was extended and the questionnaire was sent to more than 2,100 companies. 940 responses were received. Including Newton, the CDP4 now has the support of 225 signatories, representing over \$31.5 trillion in assets under management. 72% of FT500 companies completed the CDP4 questionnaire.

The project resulted in 73% of respondents disclosing their emissions data. Those companies that responded with their emissions data account for approximately 10% of global greenhouse gas emissions. CDP4 found that global investment in strategies to reduce emissions has significantly increased. Corporate communities have made great strides in their understanding of climate change and its competitive and financial implications. However, further commitment continues to be required.

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Company Meeting Log: Q3 2006

During the quarter, Newton analysts and fund managers had individual meetings with the management of 261 companies to initiate or maintain dialogue around financial performance and/or responsible investment matters. The insights gained through this engagement are used when making investment decisions. Meetings were held with the following companies:

ABC Learning Centres	CSR	Kingfisher	Raffles Medical
Acciona	Datang International Power	KPN	Reed Elsevier
Accor	Davis Service Group	Las Vegas Sands	Rentokil Initial
Actelion	DBS	Legal & General	Rexam
Admiral	Dealogic	LG Chemical	Royal Bank of Scotland
Advanced Medical Optics	Dechra Pharmaceuticals	Lloyds TSB	S3 Investment
Advanced Medical Solutions	Dentsu	LogicaCMG	SABMiller
AEM	Digital River	Lundbeck	Safeway
Aeon	Doosan Heavy Inds & Const	Macquarie MEAG Prime REIT	Saint George Bank
Aion Diagnostics	Drax	Macrovision	Salesforce.Com
Air Liquide	DSG International	Mayne Pharma	Scott Wilson
Ajinomoto	Enova Systems	McGraw-Hill	Scottish & Newcastle
Alcatel	Experian	Mears	Serco
Alfred McAlpine	First Gen	Meggitt	Siam Cement
Alitalia	FKP Property	Melexis	Silex Systems
Altana	Folam	Melrose	Singapore Exchange
Alterian	Fortum	Millicom	Singapore Petroleum
Amdocs	France Telecom	Mindray Medical International	Singapore Post
Amlin	Fresenius	Minerva	Singapore Tech Engineering
Antrim Energy	Fresenius Medical Care	MLP	SMC
Ascribe	Frontiers Media	MobileOne	Smith & Nephew
Associated British Foods	FUJI TV	MTN	Smiths
AstraZeneca	GlaxoSmithKline	National City	SNS Reaal
Autonomy Corp	Globe Telecom	Nationwide Accident Repair	Sony
BAE Systems	Go-Ahead	Services	Standard Chartered
Banco Santander Chile	Goals Soccer Centres	Nektar Therapeutics	Statoil
Banpu	Gondola	Nestle	Straumann
Barclays	Gulf Keystone Petroleum	Nestor Healthcare	Supporta
Bavarian Nordic	GUS	Newfield Exploration	Taiwan Mobile
BBA	Gyrus	Nippon Express	Target
Belgravium Technologies	Hanson	Novartis	Tektronix
BHP Billiton	Hargreaves Services	Novo Nordisk	Telecom Plus
Biffa	Hasbro	Numico	Telekom Austria
Bodycote International	HCL Technologies	Occidental Petroleum	Telkom
BP	Heineken	Olam International	Telstra
Bradford & Bingley	Hera	Old Mutual	Teva Pharmaceuticals
British American Tobacco	Hewlett-Packard	OMV	Thomson Intermedia
British Sky Broadcasting	HMV	Ondine Biopharma	Toll Holdings
Brooks Automation	Hochtief	One Advice	Tomkins
Bunzl	Hogg Robinson	OVB	Total
Cadbury Schweppes	Holidaybreak	Ovum	Travis Perkins
Capcom	Home Retail Group	Papa Johns International	Trinity Mirror
Cape	Housing Development Finance	Paragon	Ubiquity Software
Cape Diamonds	HSBC	Parkway Holdings	UCB
Capita	Iberdrola	PartyGaming	Ultra Electronics
Carl Zeiss Meditec	ICM Computer	Patrizia Immobilien	UTV
Carlsberg	IMI	Persimmon	Venture Production
Catlin	Inchcape	Petra Foods	Veolia Environnement
Celesio	Independent News & Media	PetroChina	Verisign
Centrica	Inditex	Pilgrim's Pride	Vienna Airports International
Ceres Power	Inmarsat	Pitney Bowes	Vivendi
CESP	Inovio Biomedical	PLDT	Wellington Underwriting
Cez	Intelligent Wave	Ports Design	Whatman
China Medical Technologies	International Power	Praktiker	Wilson Bowden
China Shenhua	Interpublic	Premier Foods	Wolters Kluwer
Clapham House	Intertek	Premier Research	Wood (John) Group
CLP	Intesa	Primary Health Properties	WPP
CMR Fuel Cells	Invitrogen	ProSieben	Xaar
Cobham	Invu	Provident Financial	Xiniao Gas
CommVault	Irish Life & Permanent	Prudential	Xstrata
Computer Software	iSOFT	PSS World Medical	Xyratex
Conor Medsystems	Isotron	PTT	Yamaha
Cookson	James Fisher & Sons	Publicis	Zebra Technologies
Cooper Companies	Jardine Lloyd Thompson	Puricore	Zurich Financial Services
CRH	Kelsey Group	QBE Insurance	
CSL	Kenmare Resources	RAB Capital	

In addition, the analysts and fund managers attended a large variety of external meetings arranged by the companies or by brokers and other research providers.

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