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Responsible investment glossary of terms

Socially responsible investment and corporate governance are associated with many acronyms and organisations. Newton has prepared this glossary of terms to assist investors in their understanding and interpretation of responsible investment jargon. While every effort has been made to ensure the completeness and accuracy of the glossary, we take no liability in this regard. It is intended to supplement rather than replace professional investment advice.

Acronyms:

CR:	Corporate responsibility
CSR:	Corporate social responsibility
ESG:	Environmental, social and governance
SEE:	Social, ethical and environmental
SRI:	Socially responsible investment

Definitions:

The Asian Corporate Governance Association (ACGA)

The ACGA is an independent organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.

Best-in-class

An investment approach that includes investing in companies deemed to be leaders in an industry with regard to the management of ESG matters.

Carbon Disclosure Project (CDP)

The Carbon Disclosure Project is an organisation which acts as an intermediary between shareholders and

corporations on climate-change-related issues. The CDP brings together institutional investors to focus attention on carbon emissions, energy usage and reduction of companies around the world.

Corporate governance

The (management) system by which organisations are directed and controlled.

Corporate social responsibility (CSR)

A company's approach to managing its operations while taking into account relevant ESG matters that may impact that company. ESG matters will include environmental impacts, employment issues, community impacts, human rights, board balance and internal governance structures.

Corporate sustainability

The capability of a company to develop its operations and activities for the long-term success of the company. Included within this definition is the management of ESG matters that may impact a company.

Engagement

Constructive dialogue between investors and companies to improve or understand better a company's operations, products and services. Dialogue may also extend to include other stakeholders such as government bodies, non-government organisations (NGOs), charities and experts.

Environmental, social and governance (ESG)

The collective term used by institutional investors to describe the three overarching aspects of Responsible Investment.

Ethical investing

An investment approach which is guided by moral values, ethical codes or religious beliefs. Types of ethical investing include Positive screening, Negative screening and investment in companies deemed to be Best-in-class.

The Extractive Industries Transparency Initiative (EITI)

The EITI is a coalition of governments, companies, civil society groups, investors and international organisations. The EITI supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

Global Reporting Initiative (GRI)

The GRI is a large multi-stakeholder global network that has developed the world's most widely used sustainability reporting framework. This framework sets

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out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance.

Institute of Chartered Secretaries and Administrators (ICSA)

ICSA is the leading professional body for company secretaries and a leading global voice on corporate governance and regulatory issues.

Integrated analysis

An investment approach that incorporates the analysis of ESG matters in an investment process, enabling such matters to be considered fundamental when making investment decisions.

International Corporate Governance Network (ICGN)

The ICGN is an association of institutional investors, companies, financial intermediaries, academics and other parties committed to the development of global corporate governance practices. Its objective is to facilitate international dialogue on the issues concerned.

Negative screening

This approach to investing excludes investments in companies involved in activities perceived to be “unethical”, such as the manufacture of armaments or tobacco, or the publication of pornography.

Non Government Organisation (NGO)

An NGO is a legally constituted, non-profit, voluntary group that is organised on a local, national or international level and is focused on a common interest.

Positive screening

An investment approach that specifically includes investments in companies with a commitment to responsible business practices.

Responsible investment

An umbrella term that encompasses how an investment company incorporates ESG matters in investment decisions.

Shareholder activism

A formal approach taken by investors to bring about change within a company. This may be achieved, for example, by requisitioning resolutions at general meetings.

Socially responsible investment (SRI)

The consideration of SEE matters within the investment decision-making process. Different approaches to SRI include ethical investing and integrated analysis.

Sustainable development

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

UK Sustainable Investment and Finance (UKSIF)

UKSIF brings together different strands of sustainable and responsible financial services within the UK to act as a focus and a voice for the industry. UKSIF also collaborates with other forums around the world in promoting sustainable investment, such as Eurosif and ASrIA.

United Nations Global Compact

The UN Global Compact is a policy initiative for businesses that are committed to aligning their operations and strategies with the Compact’s ten stated principles. These principles cover areas of human rights, labour, environment and anti-corruption.

United Nations Principles of Responsible Investment (UN PRI)

Launched in April 2006 by a group of asset owners, together with the United Nations Environment Programme Finance Initiative (UNEPFI), the UN PRI aims to promote global best practice on responsible investment. Signatories aspire to a set of six voluntary principles for incorporating ESG matters in mainstream investment decision-making practices.

This document is for professional investors only. Investors should be aware that past performance is not a guide to future performance and that the value of investments and the income derived from them can go down as well as up. Investors may not get back the full amount invested. The opinions expressed are those of Newton Investment Management and should not be construed as investment advice.

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