



Henderson Global Investors

Sustainable & Responsible Investment



European SRI Transparency Guidelines

Statement of Commitment

Period covered: October 2006 – December 2007

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Statement of Commitment

Henderson Global Investors has been involved in SRI since 1977, and we welcome the European SRI Transparency Guidelines, formerly referred to as the EUROSIF Transparency Guidelines. Henderson has supported the development and introduction of the European SRI Transparency guidelines, which were launched in June 2005. Our first statement of commitment was published in October 2005. This is our third statement of commitment (which is available on our website (www.henderson.com/sri) and that of eurosif (www.eurosif.org), and covers the period **1st October 2006 to 31st December 2007** for the following funds:

- Henderson Global Care Growth
- Henderson Global Care UK Income
- Henderson Global Care Managed
- Henderson Industries of the Future

Statement of Compliance with the Transparency Guidelines

Henderson Global Investors is committed to being open and transparent in the policies and performance of its Sustainable and Responsible Investment (SRI) funds. Our website (www.henderson.com/sri) contains extensive information on our SRI funds, strategy and performance, and we also provide regular updates to investors via a monthly briefing (the *Fund Fact Sheet*) and a twice yearly newsletter, *Investing in the Future*. We have also pioneered the use of 'carbon audits' to measure and compare the performance of our funds in terms of carbon dioxide emissions.

Henderson meets the full recommendations of the European SRI Transparency Guidelines.

May 2008

Contact details

Any questions or feedback on the statement should be directed to:

- Email: sri@henderson.com
- Address: Henderson Eurosif Transparency Guidelines, c/o My-Linh Ngo, SRI, Associate Director – SRI Research, Henderson Global Investors, 4 Broadgate, London EC2M 2DA

Definitions of key terms used in the guidelines (extract from the European SRI Transparency Guidelines for retail funds)

Term	Definition
Divestments	Companies that are sold from the fund portfolio.
Engagement	A long term process of dialogue with companies which seek to influence company behaviour in relation to their SEE practices.
Exclusion	The exclusion of sectors or companies from a fund if involved in certain activities based on specific SRI fund criteria e.g. no tobacco or no animal testing.
Fund(s)	A legal entity, the purpose of which is solely the acquisition of portfolio investments. This also includes compartments and sub-funds.
Fund manager	The entity responsible for overall management of the fund.
Fund purpose	The spirit and overall focus of the fund, but not the investment criteria employed.
Holdings	Equities and/or bonds of companies that collectively comprise the fund portfolio.
Portfolio	A collection of investments managed by the fund manager.
SEE	Social, ethical and environmental
Signatories	Fund(s) and/or fund manager that commits to disclose SRI information in line with the Guidelines.
SRI investment criteria	The principle or standard of judgement used to determine what the fund can and cannot invest in from a SEE perspective.
Voting policy	Policy of a fund to exercise its voting rights as investors to influence company behaviour.

National social investment fora to date include:

- Belsif, Belgium
- Forum Nachhaltige Geldanlagen, Germany
- Forum per la Finanza Sostenibile, Italy
- Forum pour l'Investissement Responsable, France
- Swesif, Sweden
- UK Social Investment Forum, UK
- VBDO (Vereniging van Beleggers voor Duurzame Ontwikkeling), The Netherlands

For further information contact Eurosif at +331 40 20 43 38 or at contact@eurosif.org.

SECTION 1: Basic Details

Signatories should be clear about who they are and provide background information on the fund and the fund manager

Founded in 1934, Henderson Global Investors the asset management business of the Henderson Group Plc (www.hendersongroupplc.com), which is a holding company listed on the London and Sydney stock exchanges. Henderson Global Investors' objective is to build a scaleable, profitable, active investment management business, based on its core equity, fixed income, property and emerging alternative products. As of 31st December 2007, assets under management totalled £59.2 billion. Henderson employs around 900 people around the world.

Henderson has been managing SRI funds since 1977 and currently has £876.9 million in assets under management (as of 31st December 2007) in six retail and institutional funds (four pooled funds and two segregated accounts) – see Figure 1.

Figure 1: Henderson SRI Retail Funds

Retail SRI Funds / Criteria Area	Henderson Global Care Growth Fund	Henderson Global Care Managed Fund	Henderson Global Care UK Income Fund	Henderson Industries of the Future Fund
<i>1a: Provide the name of the fund(s) and fund manager to which these guidelines apply</i>	<ul style="list-style-type: none"> Fund: Henderson Global Care Growth Fund <ul style="list-style-type: none"> Type: growth Region: global Asset Allocation: equities Launched: 1991 Manager: Tim Dieppe, Henderson Global Investors 	<ul style="list-style-type: none"> Fund: Henderson Global Care Managed Fund <ul style="list-style-type: none"> Type: balanced Region: international Asset Allocation: equities & bonds Launched: 1996 Manager: George Latham, Henderson Global Investors 	<ul style="list-style-type: none"> Fund: Henderson Global Care Income Fund <ul style="list-style-type: none"> Type: UK income Region: UK Asset Allocation: equities & bonds Launched: 1995 Manager: George Latham, Henderson Global Investors 	<ul style="list-style-type: none"> Fund: Henderson Industries of the Future <ul style="list-style-type: none"> Type: growth Region: global Asset Allocation: equities Launched: 1995 and Manager: Tim Dieppe, Henderson Global Investors
<i>1b: Provide contact details for further information regarding the funds</i>	Further fund information not included on the SRI website (www.henderson.com/sri) can be requested by emailing: SRI@henderson.com Existing policy holders requiring administration assistance or those interested in investing in the fund should contact Henderson Retail Client Services either by telephone: 0800 832 832, by e-mail to retailclientservices@henderson.com or by post at: Retail Client Services, Henderson Global Investors, 4 Broadgate, London EC2M 2DA			
<i>1c: What is the size of the fund?ⁱ (in GBP/euros at a specific date)</i>	GBP 195m	GBP 319m	GBP 113.9m	GBP 65.4m

ⁱ All figures are as of 31st December 2007. Monthly Fund Fact Sheets are available at: <http://www.henderson.com/sites/henderson/sri/funds.aspx>

Retail SRI Funds / Criteria Area	Henderson Global Care Growth Fund	Henderson Global Care Managed Fund	Henderson Global Care UK Income Fund	Henderson Industries of the Future Fund
1d: Where can financial performance history data about the fund be found?	Cumulative and discrete performance data for the SRI funds is shown on the Fund Fact sheets at the website address: http://www.henderson.com/sites/henderson/sri/funds.aspx			
1e: Provide details of the content, frequency, and means of communicating information to investors	<p>Annual reports</p> <ul style="list-style-type: none"> All investors in the OEICs receive copies of the manager's annual and semi-annual report in hard copy <p>Bi-annual</p> <ul style="list-style-type: none"> All retail SRI investors receive a printed copy of 'Investing in the Future' newsletter twice a year (April and October). This includes a summary of fund activity, select stock profiles, and information on SRI research & engagement activities. Current and old editions of the newsletter can be found on individual product pages, at the website address: http://www.henderson.com/sites/henderson/sri/documentlibrary.aspx?phid=TabbedPHolder3 Full listing of fund holdings with a short SRI rationale are published on the website twice a year (holdings as of 30th June and 31st December): http://www.henderson.com/sites/henderson/sri/funds.aspx <p>Monthly</p> <ul style="list-style-type: none"> Fund Fact Sheets summarising fund performance, and top 10 holdings are updated monthly and available at http://www.henderson.com/sites/henderson/sri/funds.aspx Financial advisers can also subscribe to a monthly e-newsletter 'SRI Investment News', which includes a summary of fund performance, select stock profiles and information on SRI research & engagement activities <p>Ad-hoc</p> <ul style="list-style-type: none"> The SRI website is the main channel through which the team communicates its SRI activities, and this includes copies of reports on the latest SRI research & engagement activities (www.henderson.com/sri). 			

Additional: Briefly describe the corporate responsibility policies of the organisation that manages or promotes the fund(s), or give direction to where this information can be located

Henderson Global Investors has adopted a corporate responsibility (CR) policy and reports on its progress in the company's Annual Report, covering issues such as business standards, the environment, workplace practices and community involvement. Details of the CR policy is available at:

<http://www.henderson.com/sites/henderson/hendersongroup/financials/annualreports/2005annualreport.aspx>

The latest annual report with CR commentary can be found at:

<http://www.henderson.com/sites/henderson/hendersongroup/financials/annualreports/2007home.aspx>

Some notable features of its approach to corporate responsibility include:

- A Responsible Investment policy for all UK and International Equities, available at <http://www3.henderson.com/sites/henderson/responsibleinvestment.aspx>
- Active membership of the UNEP Finance Initiative (UNEP FI), the UK Social Investment Forum (UKSIF) and EUROSIF, as well as the Institutional Investors Group on Climate Change (IIGCC); and
- Strong support for the UN Principles for Responsible Investment (UN PRI) and the Carbon Disclosure Project (CDP) through our membership of these initiatives.

SECTION 2: SRI Investment Criteria

The following information is available at:

<http://www.henderson.com/sites/henderson/sri/home.aspx>

<http://www.henderson.com/sites/henderson/sri/philosophy.aspx>

<http://www.henderson.com/sites/henderson/sri/funds.aspx>

Signatories should be clear about their purpose and investment criteria

Henderson's SRI philosophy

Henderson has been managing SRI funds since 1977 and currently has £869 million in assets under management (as of 31st December 2007) in six retail and institutional funds (four pooled funds and two segregated accounts). Our track record of innovation in SRI has been demonstrated in a number of ways, notably our winning entry to the competition for 'Managing Pension Fund Assets as if the Long Term Really Matters' in 2003, and the award of a AAA rating for the SRI process by Novethic in 2004.

Our experience suggests that extra-financial factors – covering social, environmental, ethical and governance – are powerful drivers of investment performance and we apply an integrated, five-pronged strategy to SRI:

- First, we invest globally in companies providing solutions to sustainability challenges – what we call the '*Industries of the Future*'. We have identified 10 sustainability themes: Cleaner Energy, Efficiency, Environmental Services, Health, Knowledge, Quality of Life, Safety, Social Property & Finance, Sustainable Transport, and Water Management
- Second, we invest in companies from the broader market in the UK with good standards of corporate responsibility (CR) - including corporate governance, business ethics, workplace practices, human rights, environmental management and community relations
- Third, we engage with companies both to understand the social and environmental challenges they face, and also to exert influence for improved performance where this is required
- Fourth, we can exclude companies whose products or activities conflict with our clients' social, ethical or environmental values. We can screen on a wide range of ethical factors including alcohol, animal testing, arms, automotive, chemicals, fossil fuels, gambling, genetic engineering, meat & dairy, mining, nuclear, ozone layer depletion, pesticides, pornography, road-building and tobacco
- Fifth, we engage with policy makers to understand and shape the markets we seek to invest in

We take a long-term approach to investment, which enables us to fully crystallise the investment benefits of acknowledging sustainability and responsibility trends in the portfolios we manage for our clients.

Figure 2 summaries the SRI investment criteria of our funds.

Figure 2: SRI Investment Criteria

Retail SRI Funds / Criteria Area	Henderson Global Care Managed Fund Henderson Global Care UK Income Fund	Henderson Global Care Growth Fund	Henderson Industries of the Future Fund
2a: How does the fund define SRI?	<ul style="list-style-type: none"> Seeks out Industries of the Future opportunities <ul style="list-style-type: none"> Income: 20-40% of the fund Managed: 30-50% of the fund Extensive engagement to encourage improved CR practices Core ethical exclusions 	<ul style="list-style-type: none"> Dedicated 100% focus on Industries of the Future opportunities Limited emphasis on engagement Focus on acceptable business CR standards Comprehensive ethical exclusions 	<ul style="list-style-type: none"> Dedicated 100% focus on Industries of the Future opportunities Limited emphasis on engagement Focus on acceptable business CR standards Core ethical exclusions
2b: What are the SRI investment criteria of the fund?	<p>Common criteria applicable to all 3 Global Care funds are:</p> <p>Business ACTIVITIES – POSITIVE selection</p> <ul style="list-style-type: none"> <i>Education and training:</i> Companies supplying education or training services to enhance the quality of life and opportunity in the workplace. <i>Energy conservation:</i> Companies engaged in the supply of energy conservation services such as domestic or industrial insulation, or electronic energy efficiency devices. <i>Healthcare services:</i> Companies supplying medical equipment, nursing services, care for the elderly or holistic therapies. <i>Health & safety equipment:</i> Stricter legislation and corporate focus on employee safety has created a demand for equipment that minimises the risk of industrial accidents and improves workplace conditions. We look for companies supplying specialist equipment or devices that have a health, safety or environmental application. <i>Mass transit systems:</i> Companies engaged in the provision of bus and rail services, or manufacture of bicycles, buses and trains. <i>Multimedia & telecommunications:</i> Companies which are directly involved in transforming the use of information, communication or ways of working, including developments in the internet, CD-ROMS, tele-working and mobile telephony. 		<p>Business ACTIVITIES – POSITIVE selection</p> <p>The 10 Industries of the Future themes are about investing in companies which provide solutions to sustainability (environmental or social) challenges</p> <ul style="list-style-type: none"> Cleaner energy Efficiency Environmental services Health Knowledge Quality of life Safety Social property & finance Sustainable transport Water management <p>.. more details on each of these themes are available on the website: http://www.henderson.com/sites/henderson/sri/approach/topdowntheme/overview.aspx</p> <p>Business ACTIVITIES – NEGATIVE screening</p>

Retail SRI Funds / Criteria Area	Henderson Global Care Managed Fund Henderson Global Care UK Income Fund	Henderson Global Care Growth Fund	Henderson Industries of the Future Fund
	<ul style="list-style-type: none"> • <i>Pollution monitoring/pollution control equipment:</i> Companies engaged in the manufacture, supply or operation of pollution control equipment or monitoring devices. • <i>Process control equipment:</i> Companies engaged in the manufacture or supply of efficiency improvement devices that provide water, energy or materials savings. • <i>Recycling services:</i> Companies engaged in the collection and recycling of waste or which use a high proportion of recycled waste in their products. • <i>Renewable energy:</i> Companies involved in the generation of electricity from renewable resources such as wind, solar and hydro power. • <i>Textiles:</i> Companies developing alternative textiles to leather. • <i>Vegetarian foods:</i> Companies active in processing or retailing vegetarian foods. • <i>Water management:</i> Companies involved in the protection and provision of water supplies, or provide water purification services or equipment. <p>... essentially these activities have been formalised within the 10 Industries of the Future themes:</p> <ul style="list-style-type: none"> • Cleaner energy • Efficiency • Environmental services • Health • Knowledge • Quality of life • Safety • Social property & finance • Sustainable transport • Water management <p>.. more details on each of these themes are available on the website: http://www.henderson.com/sites/henderson/sri/approach/topdowntheme/overview.aspx</p> <p>Business ACTIVITIES – NEGATIVE screening</p> <ul style="list-style-type: none"> • <i>Alcohol:</i> We avoid companies involved in the production of alcoholic drinks or which generate more than 10% of their turnover from its sale. • <i>Armaments:</i> We avoid companies involved in the sale or production of strategic goods or services for military weapons or operations. • <i>Gambling:</i> We avoid companies with activity related to gambling, including the 		<p>In applying avoidance criteria, the fund managers take into account the significance of a company's involvement in following areas in terms of their contribution to the company's overall business.</p> <ul style="list-style-type: none"> • <i>Alcohol:</i> Companies deriving turnover from the production of alcohol, or more than a third of their turnover from the sale of alcohol. • <i>Animal testing:</i> Companies involved in animal testing for cosmetic products. Companies may be considered for investment where animal testing is legally required, for example, for medical products. • <i>Armaments:</i> Companies producing strategic military goods and services. • <i>Automotive industry:</i> Companies deriving more than a third of their turnover from manufacturing cars or private commercial vehicles. • <i>Chemicals:</i> Companies manufacturing ozone depleting chemicals, PVC or phthalates or irresponsibly marketing pesticides. • <i>Forestry:</i> Companies involved in unsustainable timber extraction or trading. • <i>Gambling:</i> Companies deriving turnover from gambling. • <i>Genetic engineering:</i> Companies involved in the deliberate release of genetically modified organisms. Medical and industrial applications in a contained setting will be assessed on a case by case basis. • <i>Greenhouse gas emissions:</i> Companies which are major contributors to climate change, unless they show a responsible approach to reducing emissions. • <i>Intensive farming:</i> Companies involved with intensive farming, fish farms or abattoirs. • <i>Nuclear power:</i> Companies involved in nuclear energy production or manufacturers of nuclear equipment (excluding safety equipment). • <i>Pornography:</i> Companies which publish, print or distribute pornography • <i>Road building:</i> Companies deriving more than a third of their turnover from road building. • <i>Tobacco:</i> Companies deriving turnover from the production of tobacco or more than a third of their turnover from the sale of tobacco products. <p>Business CONDUCT/CORPORATE RESPONSIBILITY (CR) – POSITIVE selection</p> <p>We evaluate its business practices to ensure that they have acceptable standards of corporate responsibility. We focus on the following factors, looking for positive practices in terms of:</p>

Retail SRI Funds / Criteria Area	Henderson Global Care Managed Fund Henderson Global Care UK Income Fund	Henderson Global Care Growth Fund	Henderson Industries of the Future Fund
	<p>National Lottery and ownership or operation of betting shops, horse and greyhound racing tracks, licensed bingo halls, casinos or gaming clubs.</p> <ul style="list-style-type: none"> • <i>Nuclear power:</i> We avoid companies which are involved in the uranium fuel cycle, treat radioactive waste, or supply nuclear related equipment or services for constructing or running nuclear plant or facilities. • <i>Ozone layer:</i> We avoid companies that make or sell ozone depleting chemicals or users of ozone depleting chemicals that have yet to set dates for their phase-out. • <i>Pesticides:</i> We avoid companies which manufacture, store, wholesale or retail pesticide products in the UK which are on the Department of the Environment Red List, which have been restricted in five or more countries or which have been implicated in incidents investigated by the Health and Safety Executive. • <i>Road building:</i> We avoid companies generating more than 10% of turnover from road building. • <i>Tropical hardwood:</i> We avoid companies active in the extraction, clearing, processing or import of tropical hardwood products. • <i>Fur:</i> We avoid companies involved in the sale or manufacture of animal fur products • <i>Genetic engineering:</i> We seek to avoid companies whose primary activity is research into life forms involving the transfer of genes across species and alteration of plant or animal genes for commercial use. • <i>Pornography:</i> We avoid companies that publish, print or distribute newspapers or magazines, or distribute films or videos, classed as pornographic. • <i>Tobacco:</i> We avoid companies that engage in activities related to the production of tobacco products or generate more than 10% of turnover from tobacco sales. <p>Business CONDUCT/CR – POSITIVE selection</p> <ul style="list-style-type: none"> • <i>Community involvement:</i> Companies active in the community with programmes that may include staff secondment, support of Business in the Community, the Per Cent Club or charitable giving and fundraising. • <i>Corporate governance:</i> Companies which demonstrate accountability to their investors and are seeking compliance with the recommendations of the Cadbury Committee on Corporate Governance. • <i>Employee relations:</i> Companies with good industrial relations records and policies that include, for example, measures to encourage employee participation, support for women and minorities, and Employee Share Ownership Plans. • <i>Policy statements, audits & openness:</i> Companies with clear policies and systems of accountability. For example, those that publish a statement of business ethics or code of conduct, have environmental management systems (such as EMAS) or 		<ul style="list-style-type: none"> • <i>Corporate standards:</i> Corporate governance policies and performance Ethical business policies and performance • <i>Workplace:</i> Employee involvement and relations; equal opportunities and diversity; health and safety policies and performance • <i>Social:</i> Human rights in business operations and supply chains; access to essential goods; community impacts. • <i>Environment:</i> Environmental policies, management systems and disclosure; management of climate change, pollution, resource use and biodiversity. <p>Business CONDUCT/CR – NEGATIVE screening</p> <p>The fund will not invest in companies which:</p> <ul style="list-style-type: none"> • Persistently breach laws and regulations concerning corporate governance, competition, customer relations, health and safety, employment practices, and the environment. • Are complicit in cases of bribery & corruption, abuses of human rights or irresponsible marketing practices. • Actively resist the shift to more sustainable and responsible corporate behaviour.

Retail SRI Funds / Criteria Area	Henderson Global Care Managed Fund Henderson Global Care UK Income Fund	Henderson Global Care Growth Fund	Henderson Industries of the Future Fund
	<p>conduct social audits and make them publicly available, and respond fully to external enquiries.</p> <ul style="list-style-type: none"> • <i>Progressive relationships & strategy:</i> Companies that clearly outline and explain the environmental implications of their corporate strategy. Companies which actively promote the interests of staff, such as maternity/paternity leave, counselling services; customers, for example those with eco-labelling of products; suppliers, such as those implementing audits for environmental performance and fair trade; and the public, such as those which contribute to community activities. <p>Business CONDUCT/CR – NEGATIVE screening</p> <ul style="list-style-type: none"> • <i>Irresponsible marketing:</i> We avoid companies that have consistently had public complaints upheld against them by the Advertising Standards Authority (ASA) or have irresponsibly marketed products, such as breast milk substitutes, to developing countries. • <i>Oppressive regimes:</i> Companies with subsidiaries or associated interests which support the activities of oppressive regimes, or companies which use forced labour are avoided. • <i>Water pollution:</i> We avoid companies consistently exceeding discharge consents. <p>Additional criteria – ONLY applicable to UK Income and Managed funds</p> <p>Business ACTIVITIES – NEGATIVE screening</p> <ul style="list-style-type: none"> • <i>Contentious industries:</i> Investments will not be made in companies in contentious industries such as mining, oil, chemicals, car manufacture, or in pharmaceutical companies using animal testing, unless the company can demonstrate an outstandingly positive response towards environmental and social concerns. <p>Additional criteria – ONLY applicable to Growth fund are:</p> <p>Business ACTIVITIES – NEGATIVE screening</p> <ul style="list-style-type: none"> • <i>Animal testing:</i> We avoid companies which manufacture pharmaceuticals, medicines, vitamins, cosmetics, soaps or toiletries, unless they make it clear that their products and ingredients are not animal tested. 		

Retail SRI Funds / Criteria Area	Henderson Global Care Managed Fund Henderson Global Care UK Income Fund	Henderson Global Care Growth Fund	Henderson Industries of the Future Fund
	<ul style="list-style-type: none"> • <i>Greenhouse gases:</i> We avoid companies generating high emissions of carbon dioxide, the main greenhouse gas, including the extraction, refining or distribution of fossil fuels except natural gas, oil exploration and distribution and fossil fuel power stations that use coal or oil. • <i>Meat & dairy production:</i> Any companies involved in the production or processing of meat/poultry or dairy products or eggs, or whose primary activity involves their sale, are avoided. • <i>Mining:</i> We avoid companies directly involved in mining or quarrying 		
2c: How are the SRI criteria defined, how frequently and by whom are the criteria reviewed?	SRI criteria were defined at launch, with input from the independent SRI Advisory Committee. The team and the Advisory Committee keep the criteria and their interpretation under review.		
2d: How are the criteria changes communicated to investors?	Any changes to the criteria have to be approved by investors at an Extraordinary General Meeting (EGM)		

SECTION 3: Research Process

The following information is available at:

<http://www.henderson.com/sites/henderson/sri/approach/overview.aspx>

<http://www.henderson.com/sites/henderson/sri/approach/corporateresponsibilityevaluation.aspx>

<http://www.henderson.com/sites/henderson/sri/approach/activeinvestment.aspx>

Signatories should provide information on their research process

3a: Describe your SRI research methodology and process

Henderson conducts both company and strategic SRI research.

Company Research

All companies are assessed in terms of both the sustainability of their core business and the corporate responsibility (CR) of their operations.

Business sustainability – the companies' product & service offerings

In the first step, companies are assigned to one of five business sustainability categories: Industries of the Future, Gatekeepers, Sensitive, Controversial and Extreme, as illustrated in Figure 3.

Figure 3: Business Sustainability Categories

Business Sustainability Categories	Key Characteristics	Indicative Themes & Sector Focus
Industries of the Future	<ul style="list-style-type: none"> Emerging themes offering solutions to sustainability challenges Driven by key technological breakthroughs and rising societal expectations 	<ul style="list-style-type: none"> Cleaner energy Health Water management
Gatekeeper	<ul style="list-style-type: none"> Established companies with few direct impacts, and key focus on product stewardship and value chain impacts 	<ul style="list-style-type: none"> Financials Media Retail Support services
Sensitive	<ul style="list-style-type: none"> Includes companies which offer high potential, but also pose high risks or major ethical dilemmas Also includes basic industries or services where preference depends on the nature of the product or services 	<ul style="list-style-type: none"> Construction Engineering & machinery Healthcare Technology
Controversial	<ul style="list-style-type: none"> Covers companies with high and long-term social and environmental costs, whose transformation is part of the sustainability transition Typically associated with natural resource exploitation 	<ul style="list-style-type: none"> Chemicals Mining & quarrying Oil exploration & production Power generation
Extreme*	<ul style="list-style-type: none"> Unacceptable social, health and environmental costs according to individual fund criteria 	Core concerns include: <ul style="list-style-type: none"> Military Nuclear power Tobacco

NOTE

*Each SRI fund will have its own set of exclusion criteria

These categories enable us to assign preference to potential investments and understand the level of corporate responsibility we need to see demonstrated prior to approval for investment. From a positive perspective, we seek out Industries of the Future companies. Conversely, we never invest in companies with an 'extreme' categorization; other sectors may also be excluded from investment depending on specific fund criteria, and the team's own analysis.

Corporate responsibility (CR) – how the company conducts its business

Once a company has been categorized as potentially investable from a sustainability perspective, it is then subject to a CR evaluation that assesses policies, systems and performance in terms of business standards, workplace practices, environmental management and community relations – as illustrated in Figure 4.

Figure 4: Corporate Responsibility Analysis Clusters

Corporate Standards

A company's obligations towards its economic stakeholders - shareholders, customers, suppliers and competitors - through its corporate governance rules, business ethics and disclosure.

Workplace Practices

A company's responsibilities towards its employees in terms of labour standards, health and safety, wages and benefits, equal opportunities and diversity, skills and career development, consultation and participation.

Environmental Management

A company's responsibilities for reducing its impact on the natural environment, minimising pollution and waste, conserving resources, eliminating hazards and respecting animal welfare and biodiversity.

Interactions with Society

A company's responsibilities for protecting and enhancing human rights (both indigenous peoples' rights and supplier labour standards), its practices towards the communities it operates within and its community investment and involvement

For each sector, Henderson has a CR benchmark containing core and sector-specific issues against which we measure corporate practices. Following our evaluation, each company is awarded one of five CR gradings, expressing our conclusion as to whether a company is essentially 'resisting' responsible practices, simply 'reacting' to external developments, 'developing' policies and program, 'integrating' these into core business or 'leading' the drive for corporate responsibility, as shown in Figure 5.

Figure 5: Corporate Responsibility Gradings

CR Grades	Key Characteristics
Leading	<ul style="list-style-type: none"> • Proactive in seeking improvement and opportunities in the sustainability agenda • Corporate responsibility integrated into business practices and extended along value chain • Processes for stakeholder dialogue and involvement • Detailed disclosure and quantified reporting
Integrating	<ul style="list-style-type: none"> • Formal policies and systems in place to manage key corporate responsibilities • Tangible improvements in performance in key corporate responsibility areas • Examples of key innovations • Good disclosure track record
Developing	<ul style="list-style-type: none"> • Putting in place policies and programmes • Management commitment to improvement • Focus on key risks (e.g. environment) • Descriptive reporting
Reacting	<ul style="list-style-type: none"> • Compliance focused • Internal controls only • Little/no reporting
Resisting	<ul style="list-style-type: none"> • Continual non-compliance in key responsibility areas • Actively resisting the corporate responsibility and sustainability agendas • Little/no formal policies and systems in place • Poor disclosure

Depending on sector risk, these gradings determine whether a company then enters the approved universe for stock selection. In addition, it is at this stage that we can apply ethical screens or exclusions depending on client needs.

Ideas for company research emerge from both the SRI analysts and SRI portfolio managers. In addition to evaluating new companies, we also monitor and review existing holdings; all holdings will be fully re-assessed at least every three years, and in some cases, more frequently as deemed appropriate and necessary.

Strategic Research (sector/issue/thematic)

Henderson also carries out strategic research on critical sustainability themes and CR issues. By this, we mean the investigation of macro-level sustainability trends and pressures, along with policy and market responses in terms of regulation and technology, as well as emerging investment opportunities in companies providing solutions to these challenges. This research is critical to the top-down dimension of our investment process. We draw on a range of sources for this research, including the outputs of international research institutes, industry reports, sell-side brokers, and specialist expert network organisations. We also use our independent SRI Advisory Committee to review this analysis on at least an annual basis.

In the year in question, we examined a number of critical sustainability & CR issues, including:

- *Sector reviews*: conducted analysis on UK companies in the insurance, telecoms, and utilities sector; explored the model for how to make food retailing more sustainable
- *Issues reviews*: continued to explore the challenges of access to medicines within the global pharmaceutical industry; considered how management of employees within companies can add to shareholder value, evaluated how evolving regulation to tackle climate change is leading to new risks and opportunities for the companies we invest in (in areas such as biofuels, clean energy and energy efficiency)
- *Fund analysis*: continued to review ways to assess and demonstrate how our SRI funds perform on extra-financial parameters e.g. continuing to assess the climate footprint of some of our SRI funds, as well as initiated some research exploring the corporate governance performance of fund holdings

3b: Does the fund manager use an in-house research team and/or an external research team? Please explain.

Henderson has an in-house SRI research team and also uses external SRI research. For the period covered by this statement, the SRI research team was made up of the following individuals:

- Nick Robins*, Head of SRI Funds
- My-Linh Ngo, Associate Director – SRI Research
- Hyewon Kong**, Junior SRI Analyst

NOTE

* Nick Robins left in October 2007. Seb Beloe was recruited as Head of SRI Research in January 2008

** Hyewon Kong joined in June 2007

In addition, for SEE and governance matters, the team works closely with Antony Marsden, Corporate Governance Manager.

In terms of external research, Henderson subscribes to Innovest's 'intangible value' evaluation for the constituents of the MSCI World, Euro300 and FTSE350. It also buys-in research from other institutions, such as Trucost and the GLG Group. Finally, we also commission SRI research from sell-side investment banks.

3c: Is there an external control or external verification process in place for the research process? Where an Advisory Committee is used, please state its responsibilities.

The SRI team has established a number of mechanisms to ensure the integrity of the research process, including:

Electronic trading system

Henderson's electronic dealing system is programmed so that only companies approved for investment can be purchased for the funds.

Internal Compliance

Henderson's internal compliance team also periodically reviews the quality of SRI systems to ensure the fund criteria are adhered to.

External Reviews

Henderson also commissions external research to assess the SRI 'quality' of its funds. As well as continuing to assess the 'carbon footprint' of some of our SRI funds, we have also initiated exploratory research to review the corporate governance of the funds, as well as determine our compliance with SRI criteria.

External SRI Advisory Committee

The SRI team is supported by an independent Advisory Committee, whose role is to provide strategic advice to the team, acting as a sounding board and offering a source of information and new ideas. It also helps to ensure the accountability of the team in its activities and conduct to its stakeholders. Committee members are as follows:

- *Ram Gidoomal (Chair)*: an entrepreneur, and former UK Group Chief Executive of the Inlaks Group. He is Chairman of Employability Forum, helping refugees and asylum seekers into jobs and a council member of the Institute for Employment Studies. Ram is a Trustee of Forum for the Future.
- *Prof Frans Berkhout***: Director of the Institute of Environmental Studies (IVM) at the Vrije Universiteit in Amsterdam. He has an extensive background of research and analysis into a wide range of sustainability issues, focusing on the link between innovation and corporate environmental performance, industrial and policy responses to climate change, and sustainable consumption and product policy
- *Reg Green**: active in the trade union movement, he has responsible for health, safety and environmental affairs at the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM). He has worked at the international level for some 20 years and has wide experience within a number of UN organisations including the ILO, UNEP and WHO as well as within the OECD. Reg chairs a FTSE4Good Expert Committee and is a member of the European Social Investment Forum (Eurosif) Pension Programme Advisory Council
- *Adrian Henriques*: an independent adviser on corporate responsibility, social accountability and sustainability and Director of JustAssurance, a social enterprise promoting stakeholder-oriented report assurance. His main areas of activity are advice and auditing for companies and other organisations, research and training
- *Paul Hohnen*: an Australian national with extensive experience in global environmental and sustainability policy formulation. An international lawyer by training, he has worked as a diplomat (including to the OECD and the EU), as an international civil servant, as international political director of Greenpeace, and as a private consultant to a range of UN, business, and non-profit organisations

NOTE

* Reg Green left the Committee at the end of 2006

** Frans Berkhout left the Committee at the end of 2007

The Committee's Terms of Reference is available at: <http://www.henderson.com/sites/henderson/sri/transparency.aspx?phid=TabbedPHolder3>

The Committee also publishes an annual commentary on its activities and interactions with the SRI team, details of which are also available on the website.

3d: Does the research process include stakeholder consultation? If yes, please provide details.

Henderson's SRI research process involves dialogue with stakeholders to better understand perspectives and expectations of corporate performance from regulators, trade unions, whistleblowers and environment & human rights NGOs.

3e: Do companies have the opportunity to see their profile or analysis? If yes, how often?

The SRI team does not routinely disclose the details SRI analysis to companies, but this is available on request. We also provide feedback to companies on their eligibility for SRI investment and the quality of their CR.

3f: How frequently is the research process reviewed?

The effectiveness of the research process is reviewed formally on an annual basis and more frequently as deemed appropriate and necessary.

3g: What research findings are disclosed to the public? How?

Fund holdings

- Top 10 holdings for the funds are disclosed on a monthly basis on the website and monthly fund sheets
- Full fund holdings are disclosed on a bi-annual basis (for periods 31st June, 31st December) on the website, accompanied by a short description of the investment – we believe we are one of the fund managers to do this proactively

The data for fund holdings can be found on the website: <http://www.henderson.com/sites/henderson/sri/funds.aspx>

Research activities

- We communicate and report on our activities to other stakeholders on a monthly (e-bulletin to financial advisors), and bi-annual basis (client newsletters in April and October, available on the website: <http://www.henderson.com/sites/henderson/sri/transparency.aspx?phid=TabbedPHolder1>).

Other

- We report and share with other stakeholders our activities at conferences and seminars, we well as on our website (www.henderson.com/sri)
- We respond to ad-hoc investor and stakeholder queries on a case by case basis

SECTION 4: Evaluation & Implementation

The following information is available at:

<http://www.henderson.com/sites/henderson/sri/approach/overview.aspx>

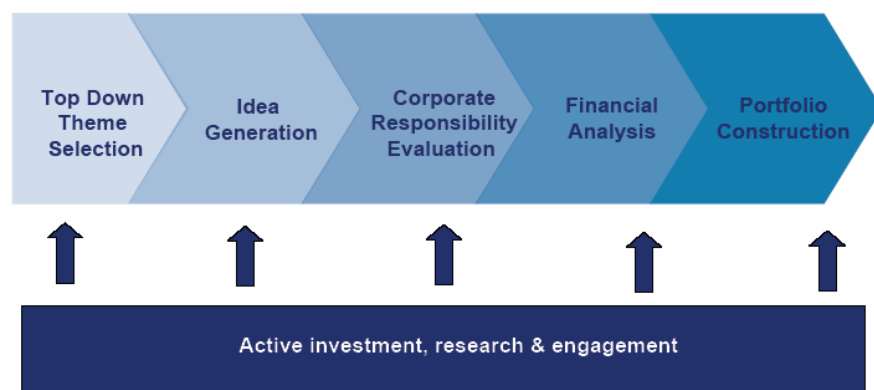
Signatories should provide information on how the research is used to build and maintain their portfolio

4a: How are the results of research integrated into the investment process, including selection and approval of companies for investment?

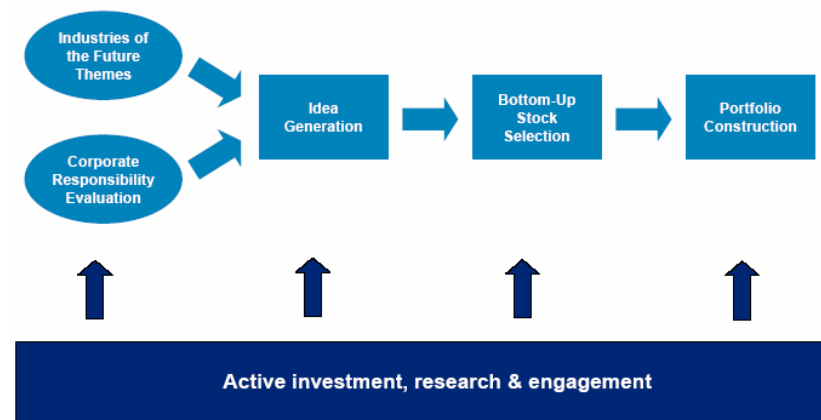
For our SRI funds, we broadly have two approaches to integrating research into the investment process, as illustrated in Figure 6.

Figure 6: SRI Investment Process

a) Approach for Global Care Growth, Industries of the Future funds



b) Approach for Global Care Managed, and Global Care UK Income funds



4b: What internal or external measures are in place to ensure portfolio holdings comply with SRI investment criteria?

The majority of these have already been described in Section 3c. In addition to these, the SRI team monitors news flow affecting companies, and attends regular updates with company management.

4c: What is the policy and procedure for divestments on SRI grounds?

De-approval or divestment of a company, on SRI grounds is rare, and may result due to one of two possible reasons:

- *Business activity falls under one of the excluded activities:* the company is involved in a business activity which falls under the category of being excluded from investment in the fund;
- *Corporate responsibility (CR) practice becomes unacceptable:* the company's CR management and/or performance deteriorates to such a level that it is no longer considered acceptable for approval in the fund; and/or the company is unwilling to change its practices.

In either instances, the decision generally follows a period of extensive research to investigate the issue of concern, and in the case of the latter, time is taken to carefully explore allegations of poor practice and/or engagement to encourage improved practices. If the company that is having its approval status revoked is currently held in a fund, the fund manager has a 3 month period in which to divest of the holding. This is so to ensure the fund does not incur any unnecessary financial costs.

4d: Are investors informed about divestments on SRI grounds? If yes, how frequently and by what means?

The SRI team endeavours to inform investors of divestments on SRI grounds in the bi-annual '*Investing in the Future*' newsletter.

4e: Does the fund manager inform companies of portfolio exclusions or divestments due to non-compliance with its SRI policy and criteria?

Where a divestment is made on SRI grounds the SRI team may inform the company if we believe there to be a benefit in doing so.

Additional: To what extent do any results of engagement activities feed into company selection?

The results of engagement activities feed directly into the company selection process. It is a critical element for the investment process, enabling us to have a better understanding of company performance and use our position as shareholders to encourage improved performance. As a result of engagement activities, companies may continue to be approved for SRI investment or have their approval status questioned and sometimes result in it being revoked.

SECTION 5: Engagement Approach

The following information is available at:

<http://www.henderson.com/sites/henderson/sri/approach/activeinvestment.aspx>

Signatories should explain their approach to engagement if the fund has such a policy

5a: What are the aims of the engagement policy?

Henderson Global Investors is involved in engagement in two ways:

- First, to help implement Henderson's Responsible Investment policy for all of its equity holdings; and
- Second, to implement the specific engagement goal for SRI funds

For us, company engagement can have one of two objectives:

- First, to generate additional *insights* into company practice, and
- Second, to exercise *influence* for improved management and performance

In addition, we also engage in policy dialogue with the aim of helping to shape the market so that sustainable and responsible behaviour is rewarded.

5b: How does the fund prioritise which companies it will engage with?

We undertake three main forms of company engagement:

- The first is *baseload* engagement, where we seek regular updates from companies on their corporate responsibility, and which are prioritised according to the size of the company in the SRI funds
- The second is *thematic* engagement, where we select an issue of importance and undertake research and engagement with a number of companies to compare and contrast approaches; and
- The third is *reactive* engagement, where engage with companies in the wake of events which raise concerns, and which are prioritised by the severity of the issue at stake

5c: Who undertakes engagement on behalf of the funds?

The SRI research team, assisted by the Corporate Governance Manager undertake engagement on behalf of the funds.

5d: What methods of engagement are employed?

Typically our engagement activities take the form of dialogue through meetings, conference calls, telephone calls or written communications.

5e: How is the effectiveness of engagement activity monitored/addressed?

Engagement activities are monitored and reviewed on an ongoing basis.

5f: What further steps, if any, are taken if engagement is considered unsuccessful?

Where engagement efforts fail to result in adequate results, we may exercise our voting rights (for example, against the adoption of the report & accounts) or de-approve the company, which may result in divestment if it is an existing holding.

5g: How, and how frequently, are engagement activities communicated to investors and other stakeholders?

Engagement is communicated to investors through the bi-annual *Investing in the Future* newsletter (April and October), which is also available on the website.

SECTION 6: Voting Activities

The following information is available at:

<http://www.henderson.com/sites/henderson/sri/documentlibrary.aspx?phid=TabbedPHolder3>

Signatories should make clear their policy on voting

6a: Does the fund have a voting policy? If so, what is it?

Yes – the SRI funds have a policy of actively voting its shares in all geographies where possible. We seek to promote the highest standards of corporate governance and corporate responsibility (CR), and will support special resolutions where we believe these have merit.

6b: Does the fund disclose its voting practices and reasoning for decisions?

Henderson seeks to disclose where it has voted against management or abstained, and/or its view on shareholder proposals in its bi-annual *Investing in the Future* newsletter, as well as in ad-hoc communications as appropriate.

6c: Does the fund sponsor/co-sponsor shareholder resolutions?

Henderson Global Investors has not sponsored/co-sponsored a shareholder resolution in the period under review. However our policy does not prohibit this course of action where deemed appropriate.

SECTION 7: Periodical Activities

The following information is available at:

<http://www.henderson.com/sri>

<http://www.henderson.com/sites/henderson/sri/transparency.aspx?phid=TabbedPHolder2>

<http://www.henderson.com/sites/henderson/sri/news.aspx>

<http://www.henderson.com/sites/henderson/sri/documentlibrary.aspx>

Signatories should periodically disclose information about their activities. This should be done at least on an annual basis.

7a: List the fund holdings at a specific date within the last 6 months

A list of all the holdings and their associated SRI rationales for each retail SRI fund is published on our website, updated twice a year (for periods 30th June and 31st December). The latest full holdings are as of 31st December 2007:

<http://www.henderson.com/sites/henderson/sri/funds.aspx>

7b: What engagement activity has been carried out on behalf of the fund during the past year?

During the period **1st October 2006 – 31st December 2007**, Henderson explicitly engaged with over 100 companies on more than 200 occasions in the form of meetings, telephone conversations or email/letter on environmental, social & governance related matters. The majority of these communications were focused on environmental and social issues (c. 70%), with the remainder focused on governance. Of the environmental and social engagement, most (more than half) were thematic (mostly relating to climate change), followed by reactive engagement (just under a third), with much fewer baseload engagements. Examples of company engagement over this period are shown in Figure 7.

Figure 7: Examples of SRI Company Engagement

Type	Applicability to Retail Funds	Commentary
Company	<ul style="list-style-type: none"> Growth Industries of the Future 	<ul style="list-style-type: none"> <i>Apple Computers (US)</i>: engagement on a number of issues including management of labour supply chain risks in China, as well as environmental management, and CR disclosure. Voting at AGM accordingly. Company has since committed to improvement management and disclosure of supply chain risks, and improved environmental management and disclosure
Company	<ul style="list-style-type: none"> Income Managed 	<ul style="list-style-type: none"> <i>GSK (UK)</i>; as part of our membership of the GSK EHS External Stakeholder Panel; specific engagement on issues such as access to medicines, CR reporting and disclosure
Company	<ul style="list-style-type: none"> Income Managed 	<ul style="list-style-type: none"> <i>HSBC (UK)</i>: engagement with company on its involvement in a market listing of a Malaysian timber firm which was accused of logging tropical moist forest in breach of HSBC's own Forestry investment policy. The company explained its policy allowed a phased approach to obtaining certification which the timber company was in the process of gaining. We encouraged the company to improve disclosure of how it implements environmental lending policies
Company	<ul style="list-style-type: none"> All 	<ul style="list-style-type: none"> <i>Reed Elsevier (UK)</i>: engagement with regards to involvement in organising defence trade exhibitions. Company announced in June 2007, decision to divest this business following stakeholder concerns
Company	<ul style="list-style-type: none"> All 	<ul style="list-style-type: none"> <i>Southern Cross (UK)</i>: following media coverage in late 2007 alleging poor practices at one of the company's facilities, we engaged with senior management to determine the validity of the claims and to better understand management of patient safety practices. The company has since investigated the claims and found them to be broadly unfounded, but as stepped up measures; has committed to improve disclosure of performance on such issues, as well as invited us to visit their facilities
Company	<ul style="list-style-type: none"> Growth Industries of the Future 	<ul style="list-style-type: none"> <i>Selection of US companies</i>: During a trip to Boston and New York, engaged with some US companies headquartered there, about their CR management practices and disclosure. Companies were: Ambac Financials, Henry Schein, McGraw Hill, and Millipore
Issues / themes	<ul style="list-style-type: none"> All 	<ul style="list-style-type: none"> <i>Carbon disclosure (global)</i>: we engaged with companies in late 2006 and again in 2007, who had either yet to respond, or declined to respond to the Carbon Disclosure Project (CDP) to encourage them to do so/reconsider. We contacted 15 companies in 2006, with the majority responding to our enquiry explaining their reasons, and many promising to response in future. During 2007, we contacted 25 companies, with 20 replying, of which 10 committed to completing the survey (included companies such as East Japan Railway, Nitto Denko, Biocare, and Ranbaxy)
Issues / themes	<ul style="list-style-type: none"> All 	<ul style="list-style-type: none"> <i>Climate change regulation (UK/ global)</i>: participated in UK government consultations on draft Climate Change Bill, on new nuclear build; as well as collaborated with other investor groups such as the IIGCC to promote a robust international policy framework for climate change post Kyoto
Issues / themes	<ul style="list-style-type: none"> Growth Industries of the Future 	<ul style="list-style-type: none"> <i>Corporate governance regulation (US)</i>: participated in public consultation by the US Securities & Exchange Commission (SEC) on future corporate governance regulation

Type	Applicability to Retail Funds	Commentary
Issues / themes	<ul style="list-style-type: none"> All 	<ul style="list-style-type: none"> <i>CR management (global)</i>: participation in ad-hoc company stakeholder consultation e.g. GSK, Millipore, Royal Bank of Scotland, Shire Pharmaceuticals
Issues / themes	<ul style="list-style-type: none"> All 	<ul style="list-style-type: none"> <i>Employee health & safety (UK)</i>: continued to work with BITC by informing on their Action on Health Campaign, to explore companies' management of H&S of its employees, focusing on themes of occupational H&S, mental health & wellbeing.
Issues / themes	<ul style="list-style-type: none"> All 	<ul style="list-style-type: none"> <i>WWF One Planet business - Sustainable mobility</i>: for the past 2 years we have been involved in the design of an ambitious new programme by WWF, which seeks to identify strategies for creating economic value within planetary limits. The first area of focus is on sustainability mobility, one of our Industries of the Future themes. We have encouraged a strategy that moves beyond simply looking at improving eco-efficiency of existing aviation and auto use to wider issues of modal shift and substitution through technology
Sectors	<ul style="list-style-type: none"> Income Managed 	<ul style="list-style-type: none"> <i>Financials – responsible lending (UK)</i>: continuing our work to better understand the issue of responsible banking, and determine best practice, we engaged with NGOs such as Which? And Citizens Advice. Issues we focused on related to payment protection insurance and penalty charges
Sectors	<ul style="list-style-type: none"> Income Managed 	<ul style="list-style-type: none"> <i>Financials – insurance (UK)</i>: the review focused on 4 companies: Aviva, Friends Provident, Legal & General and Prudential, although it explored the key investment, and sustainability/CR challenges for the sector as a whole. Overall we found companies to have strong CR management practices, although there was scope for improvements for all. We initiated engagement with 2 of the companies to follow up the issues identified in the review in greater depth
Sectors	<ul style="list-style-type: none"> Income Managed 	<ul style="list-style-type: none"> <i>Pharma – access to medicines (global)</i>: continued to engage with companies, NGOs (such as Oxfam) and other stakeholders on issue; participated in development of initiatives to benchmark companies management of issue e.g. Access to Medicines Index Project
Sectors	<ul style="list-style-type: none"> Income Managed 	<ul style="list-style-type: none"> <i>Retail – supermarkets (UK)</i>: explore the concept of sustainable supermarkets, identifying 10 key environmental/social challenges for the sector and testing this with key stakeholders. The response to the 10 point plan was positive
Sectors	<ul style="list-style-type: none"> Income Managed 	<ul style="list-style-type: none"> <i>Telecoms (UK)</i>: the sector review evaluated the key sustainability/CR drivers and challenges facing the industry for companies such as BT and Vodafone. The findings showed steady improvements in management practices by Vodafone, although BT continued to lead the sector
Sectors	<ul style="list-style-type: none"> Income Managed 	<ul style="list-style-type: none"> <i>Utilities – power generators (UK)</i>: revisited the electricity generation industry, to update on our understanding of how issues such as climate change are shaping the markets within which companies such as Scottish & Energy and Centrica. Despite strong CR practices among the companies, the sector as a whole has yet to fully grasp the magnitude of change required to operate in a low carbon energy future, and so develop appropriate strategies

In addition, we continued to participate in a number of collaborative/external engagement initiatives – as illustrated in Figure 8.

Figure 8: SRI Collaborative Engagement Initiatives

Initiative	Nature of Involvement	Engagement Goals & Objectives
Carbon Disclosure Project (CDP)	Henderson Global Investors	To lend support to an institutional investor initiative which aims to encourage companies to disclose how they are managing the issue of climate change in their businesses
European Social Investment Forum (Eurosif)	Henderson Global Investors	To promote and inform on leading SRI practices within the European SRI industry
Extractive Industry Transparency Initiative	Henderson Global Investors	To lend support and lead on efforts to increase transparency over payments by oil, gas and mining companies to governments and government-linked entities, as well as transparency over revenues by those country governments
Institutional Investors Group on Climate Change (IIGCC)	Henderson Global Investors	To promote improved corporate management of climate change and long-term policy frameworks
Pharmaceutical Shareowners Group (PSG) - Steering Committee - Engaging Institution	Henderson Global Investors	To support and lead on investor efforts to encourage the global pharma industry to address the issue of access to medicines in emerging markets
Pharmaceutical Shareowners Forum (PSF) - Lead participant	Henderson Global Investors	To promote investor collaboration and efforts to address key business, sustainability and CR challenges facing the pharma industry
UK Social Investment Forum (UKSIF)	Henderson Global Investors	To promote and inform on leading SRI practices within the UK SRI industry
UN Environment Programme Finance Initiative (UNEP FI) Asset Management Working Group	Henderson Global Investors	To promote and inform on leading sustainability/CR practices within the private finance industry
GSK Environment, Health & Safety External Stakeholder Panel	SRI	To promote and inform on leading CR practices within the company, in the area of HSE
Responsible Investment Network (RIN)	SRI	To promote and inform on leading SRI practices within the UK SRI industry
Reuter's Corporate Responsibility Advisory Committee	SRI	To promote and inform on leading CR practices within the company
UK Sustainable Development Panel	SRI	To communicate the views of SRI into the policy process
WWF One Planet Business Advisory Group	SRI	To promote the design of long-term sustainability targets

7c: What voting actions occurred that were related to the SRI fund criteria?

For the period **1st October 2006 – 31st December 2007**, Figure 9 details the instances in which we voted against company management or abstained on traditional corporate governance & SEE proposals, as well as our position on shareholder proposals.

Figure 9: SRI Voting Decisions Related to SRI Fund Criteria

Company		Applicability to Retail SRI Funds (held)	Resolution	Voting (relative to mgmt)	Rationale
Cree (N America)	Q4 2006	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Re-election of 6 directors	Withhold	Opposed re-election due to failure to remove the dead-hand feature from the company's poison pill
Aegis (UK)	Q4 2006 / Q2 2007	<ul style="list-style-type: none"> • Some - Managed 	Shareholder resolutions proposing election of 2 representative directors to the board in total		Note Opposed resolution due to the conflict of interest of the proposed director, who is a significant shareholder of a competitor (in line with mgmt)
CMR Fuel Cells (UK)	Q1 2007	<ul style="list-style-type: none"> • Some - Managed 	Resolution to transact other business	Against	No information provided on what 'other business' was so best practice not to approve something we have no details of
Bioteq Environmental (N America)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future 	Resolution on other business	Against	No information provided on what 'other business' was so best practice not to approve something we have no details of
Praxair (N America)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Shareholder resolution for requirement for majority vote for election	Against	Consider this to be best practice Note Not supported shareholder resolution on poison pill as current provisions considered to be sufficient
Canadian National Railway (N America)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future 	Shareholder proposals to link executive compensation to ESG success, and proposal to integrate and conduct a track safety audit at	Against	Legitimate and reasonable require for company to link remuneration to ESG objectives, particularly given importance of such issues for the business

Company		Applicability to Retail SRI Funds (held)	Resolution	Voting (relative to mgmt)	Rationale
		- Managed	specified location		activity; reasonable request to require such an audit given safety has been particularly issue for company in recent years
Stryker (N America)	Q2 2007	<ul style="list-style-type: none"> • Some - Industries of the Future - Managed 	Shareholder proposal on performance-based and/or time-based equity awards	Against	Consider this to be best practice
McGraw Hill Companies (N America)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Resolutions on re-election of 4 separate directors; shareholder proposal on declassifying the board; shareholder proposal to adopt single majority vote requirements; and shareholder proposal on political donations	Withhold/Against	<p>First resolution – supported as this was something Board should have implemented following majority vote for this in previous AGM</p> <p>For remaining shareholder resolutions - consider this to be best practice</p>
Schneider Electric (Europe)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Shareholder proposal to amend bylaws in order to cancel voting rights limitation	Against	Consider this to be best practice
Canadian Hydro Developers (N America)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Approval of unallocated options	Against	Plan permits unlimited discretionary director participation (including NEDs) which can compromise independence
SunPower (N. America)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Amend omnibus stock plan	Against	Against the re-pricing of underwater stock options without shareholder approval
Neon-Neo Holdings (Asia Pacific)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future 	Issuance of shares without pre-emption rights; authorisation to re-issue repurchased shares	Against	Not agree with authority for up to 20% of share capital, and due to absence of provisions limiting the potential discount to market price
Nexans (Europe)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Issuance of shares for use in restricted option plan; amendment of articles regarding voting rights	Against	Due to absence of information on key terms of the plan such as performance criteria

Company		Applicability to Retail SRI Funds (held)	Resolution	Voting (relative to mgmt)	Rationale
Dexia (Europe)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Re-election of 3 directors; authorisation of share repurchase; issuance of warrants in event of public offer	Abstain/Against	<p>Abstained on re-election of directors as all have connections to major shareholders and as Board lacks sufficient independent representation</p> <p>Voted against other two as they are a form of poison pill or are an anti-takeover device</p>
Boiron (Europe)	Q2 2007	<ul style="list-style-type: none"> • Some - Managed 	Approval of special auditors' report regarding related party transactions; re-election of 2 directors; authorisation of share repurchase; authority to issue shares with/without pre-emption rights; additional share issue in event of additional demand	Against	<p>Decision on first resolution due to size of compensation payment and existence of consultancy agreements</p> <p>View on director re-election due to view that they are not independent, adding to already non-majority independent board</p> <p>Voted against last 2 resolutions as the first is a form of poison pill, and the latter was considered excessive</p>
Veolia Environment (Europe)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Authorisation for share purchase; issuance of shares for use in restricted stock plan; issuance of warrants in event of public offering; authorisation to utilise share issue authorisation granted in previous year in event of hostile public offering	Against	<p>Against first resolution as form of poison pill</p> <p>Second resolution - absence of sufficient information on key plans of the plan</p> <p>Third resolution - considered an anti-takeover device</p> <p>Final resolution – considered a form of poison pill</p>
Apple Computers (N America)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Re-election of directors; shareholder proposal on executive pay issues	Withhold/Against	<p>Concerns over options back-dating justify decisions on these resolutions/proposals</p> <p>Note</p> <p>There were 2 shareholder resolutions on chemicals and e-waste mgmt & reporting. Following recent efforts by the company to address this issue ahead of AGM, and dialogue with the filers of the proposal, we decided not to</p>

Company		Applicability to Retail SRI Funds (held)	Resolution	Voting (relative to mgmt)	Rationale
					support these
Essilor (Europe)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Approval of stock option plan grants; authorisation of issued capital for use in restricted stock plan; authorisation for board to issue free warrants with pre-emptive rights during public offering; amend articles re shareholding disclosure threshold; amend article re voting rights ceiling	Against	<p>First resolution – terms of scheme not justify the potential dilution</p> <p>Second – lack of disclosure of performance targets</p> <p>Third – consider this an anti-takeover device</p> <p>Fourth – considered not be in shareholder interest</p> <p>Last – consider this an anti-takeover device</p>
Danaher (N America)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Approval of stock option plan; shareholder proposal to introduce stock retention/holding period	Against	<p>First resolution – lead to excessive shareholder value transfer</p> <p>Second resolution – would improve the alignment of interests with shareholders</p>
Community Health Systems (N America)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Shareholder proposal on pay for superior performance	Against	Company currently not applying and disclosing meaningful performance targets for share incentive awards
Centrotec (Europe)	Q2 2007	<ul style="list-style-type: none"> • Some - Managed 	Approval of creation of capital without pre-emption rights	Abstain	Level of discretion considered excessive
Roper Industries (N America)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Resolution on other business	Against	No information provided on what 'other business' was so best practice not to approve something we have no details of
Keyence (Japan)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Approval of allocation of income with final dividend; appointment of internal statutory auditor	Against	<p>Opposed first resolution as company has long had among the lowest payout ratios in Japan and provided little explanation for this</p> <p>Voted against appointment of auditor as considered not be sufficiently independent</p>

Company		Applicability to Retail SRI Funds (held)	Resolution	Voting (relative to mgmt)	Rationale
Hitachi Metals (Japan)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Re-election of 3 directors	Abstain	None of the nominees are considered sufficiently independent
Schmack Biogas (Europe)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Approval of increase of existing pool of capital without pre-emptive rights	Abstain	Issuance request considered to result in potentially excessive dilution
Orpea (Europe)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future 	Authorisation of issuance of equity/equity linked securities without pre-emptive rights; authorisation of board to increase capital in event of additional demand; authorisation of board to set issue price without pre-emptive rights; authorisation of board to issue free warrants with pre-emptive rights during public offering	Against	<p>First resolution – signals potential loss of priority rights for existing shareholders, deemed excessive</p> <p>Second/third resolution – deemed excessive</p> <p>Final resolution – inadequate and untimely disclosure for evaluation of request</p>
Sekisui Chemical (Japan)	Q2 2007	<ul style="list-style-type: none"> • Some - Industries of the Future - Managed 	Appointment of internal statutory auditor	Against	Not considered to be sufficiently independent
Rengo (Japan)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Adoption of shareholder rights plan (poison pill)	Against	Concerns about lack of independence of the board
SMC (Japan)	Q2 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Appointment of internal statutory auditor	Against	Not considered to be sufficiently independent
FirstGroup (UK)	Q3 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed - UK Income 	Shareholder resolution to adopt workplace human rights policy		<p>Note</p> <p>Opposed this resolution, which we voted in favour for in the previous year, as company deemed to have taken appropriate action on issue</p>

Company		Applicability to Retail SRI Funds (held)	Resolution	Voting (relative to mgmt)	Rationale
Vodafone (UK)	Q3 2007	<ul style="list-style-type: none"> • Some - Managed - UK Income 	Shareholder resolution to amend articles to enable shareholders to direct mgmt by ordinary resolution; alter capital structure of company; authorisation of scheme to introduce new holding company with new capital structure; amend articles re protection of borrowing capacity by capping amount spent on acquisitions without seeking shareholder approval		Note Opposed these as they require investment decisions, which are best left to shareholders to evaluate for themselves
Pediatric Medical Group (N America)	Q4 2007	<ul style="list-style-type: none"> • Some - Growth - Industries of the Future - Managed 	Re-election of 8 directors	Withhold	Vote had not practical implications but helped send a signal to company about our concerns regarding the company's poison pill provision, and involvement in options backdating practices

Additional: What divestments occurred in the past year related to SRI fund criteria?

During period under review, **1st October 2006 – 31st December 2007**, divestment decisions (of approved and held companies) were made as shown in Figure 10.

Figure 10: SRI Divestments

Company	Period	Applicable Retail SRI Fund	SRI Reason for Divestment
Egg [Bond]	2H 2007	<ul style="list-style-type: none"> • Income • Managed 	Company's CR standards not considered to be sufficient for company's size and business activities

Additional: What were the amount of donations and the percentage of management fees that the fund gave to charities this past year?

Henderson's SRI funds did not make any donations during this period.



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