

Triodos Research provides high-quality research for the sustainable investments of Triodos Values Funds and Triodos Bank Private Banking clients and engages with stock-listed companies at various research stages.

Contact during analysis

Description	July-Dec	Total 2009
Total contacts	112	129
Most frequent theme	Animal testing	Animal testing
Responses received	74%	75%
Companies selected	37%	35%
Companies not selected	51%	54%
Still engaging	12%	11%

INTRODUCTION

Dialogue with companies is an important part of the Triodos investment strategy and one of the ways we encourage sustainable business performance of stock listed companies. We discuss issues with regard to social, environmental, ethical and corporate governance performance and aim to raise awareness, convince, and motivate change. Companies usually welcome engagement with Triodos and it often stimulates them to take action.

This report demonstrates our engagement efforts during the second half of 2009, and the impact these efforts have. Key engagement with companies occurs during selection and monitoring of companies, responsible share ownership activities, and maintenance and development of our minimum standards. In the second half of 2009 we have had 501 engagement actions with companies, bringing the total for 2009 to 697. Details of the actions during July to December 2009 are contained in this report.

	Jan-June	July-Dec	Total 2009
During selection analysis	17	112	129
Monitoring our sustainable investment universe	5	3	8
Performance and reporting feedback	72	351	423
Pushing the sustainability agenda	3	2	5
Proxy voting	64	20	84
Responsible share ownership (AGMs plus other)	6	7	13
Engagement on themes	29	6	35
Total	196	501	697

ENGAGEMENT DURING SELECTION ANALYSIS

During analysis of a company we often question policies, programmes and performance. By engaging with companies throughout the research process companies have an opportunity to share their perspective on particular issues and to provide additional information that is not in the public domain.

The number of engagement activities undertaken during the analysis process in the second half of 2009 is significantly more than the first half of the year due to comparatively more sector studies having been performed in that time. During July to December we assessed more than 400 companies, 112 of which were asked questions for further clarification on our minimum standards. All engagement activities undertaken during selection analysis in the period July to December 2009 are summarised in Annex 1.

During the second half of 2009 we followed up on outstanding engagement activities reported in the January-June 2009 report with the following results:

- Dutch engineering consultancy Arcadis was not re-selected due to involvement in the nuclear power industry

- Japanese pharmaceutical company Astellas was not selected as it did not meet our standards on animal testing and genetic engineering
- We are still engaging with Dutch bank Rabobank on arms.

MONITORING OUR SUSTAINABLE INVESTMENT UNIVERSE

We actively monitor companies that have been selected for our investment universe. When there is potential breach of our minimum standards we investigate in depth and often enter into dialogue with the company. It can and does sometimes result in companies being de-selected from our universe.

During July to December 2009, there were 22 alerts on companies, three of which required engagement with companies. Engagement activities and related themes are summarised in the table below.

Engagement by theme

Minimum standard	July-Dec	Total 2009
Alcohol	1	1
Arms*	29	30
Animal testing	49	60
Blacklist project	10	10
Corruption	1	1
Environmental damage	28	33
Factory farming	13	13
Fur	2	2
Gambling	14	14
Genetic engineering	32	42
Basic labour rights	12	13
Human rights	16	17
Nuclear power	19	20
Other	10	16
POPs and pesticides	1	1
Pornography	13	13
Violation of legislation	12	13

* excludes engagement with financial institutions on sharpening of the arms minimum standard.

Company	Topic	Engagement outcome	Eligible for investment
Carrefour (FR, Food retail)	Basic labour rights	Responded satisfactorily to controversies raised by the Clean Clothes Campaign.	Yes
Nokia (FI, Communications equipment)	Cooperation with repressive regimes (Iran)	Response not yet considered satisfactory. Dialogue continues plus engagement with industry initiatives.	Engagement continues
Tom Tom (NL, Communications equipment)	Marketing malpractice and service support	Responded satisfactorily to customer compliant and taken measures to prevent recurrence.	Yes

During the second half of 2009 we followed up on outstanding engagement activities reported in the January-June 2009 report with the following results:

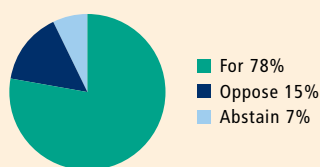
- We are still engaging with Belgian bank Dexia regarding human rights and its operations in Israeli occupied territories.
- We have de-selected the Spanish gas utility company Gas Natural from our investment universe due to involvement in nuclear energy via its acquisition of Union Fenosa.

PERFORMANCE AND REPORTING FEEDBACK

Results of assessments are shared with the companies. This includes a full overview of their performance on key sustainability themes. In addition, companies are informed whether or not they are eligible for investment by Triodos Bank. Many companies seek further dialogue based on assessments.

In the second half of 2009 Triodos Research sent results of assessments to 351 companies, bringing the total in 2009 to 423. During this period, five companies actively responded to our feedback and provided additional information or requested further dialogue. One company, Metro AG, is currently developing a formal policy against animal testing for its own brand products on the basis of dialogue with Triodos. During July-December 2009 feedback was received from the companies in the table below.

Voting behaviour



Company	Topic	Engagement outcome	Eligible for investment
Gerresheimer (DE, Containers & packaging)	Climate change	Company provided additional information	Yes
Metro AG (DE, Hypermarkets)	Animal testing	Company developing formal policy	Yes
Ricoh (JP, Office electronics)	Human rights (Coltan)	Engagement continues	No
SEB (SE, Financials)	Arms	Company requests reassessment on basis of new policies	No
Toyota Motor Corp (JP, Automobiles)	Basic labour rights, Human rights (Burma)	Company wishes to provide more information	No

PUSHING THE SUSTAINABILITY AGENDA

Being committed to sustainable development means that we also try to help companies we consider to be less sustainable to become more so.

In the second half of 2009, we engaged with two companies in order to help raise awareness of sustainability issues. This brought our total for 2009 to five.

Company	Topic	Engagement outcome	Eligible for investment
Shell	Human rights (Nigeria)	Stakeholder meeting	No
KPN	CSR strategy and performance	Stakeholder meeting	No

RESPONSIBLE SHARE OWNERSHIP

By exercising our rights as a shareholder and voting at shareholder meetings, as well as attending other shareholder and stakeholder meetings, we believe we are able to further challenge companies we already invest in to remain sustainable and to become even more so.

In the second half of 2009, Triodos voted at 20 meetings from a possible 28 – comparatively few compared to the 64 voted at in the first half of this year. This is due to most annual general meetings being held between March and June, when annual reports of many companies are then available. Seven of those meetings were extraordinary meetings and 12 of them were for companies based in the UK where AGMs are traditionally held in July. Interestingly, UK companies often propose resolutions related to political donations. We encourage companies to be transparent about contribution amounts and reasons for donations, and to set pre-defined limits. Triodos does not support donations for political events, specific political parties and relatively high contributions. In line with our corporate value of transparency, all companies are informed about our voting behaviour and we publish our ballots on www.triodos.com. In 2009, the meetings at which Triodos did not vote were predominantly companies in the Triodos Values Pioneer Fund, usually small and mid-cap companies. Triodos intends to vote at more of these company meetings in 2010.

As with the first half of the year, almost 15% of votes were against management recommendations and we abstained on more than 7% of resolutions. Votes for which we have voted against management remain those related to (re-) appointment of directors and auditors, director compensation, and share issues. The

second half of the year, there were no shareholder resolutions for the meetings Triodos voted at, with all agenda items being resolutions proposed by company management. Remuneration resolutions and approval for remuneration reports was on the agenda for 10 of the meetings. Notably, Triodos did not support any of them for reasons of excessive compensation levels, unclear or not sufficiently challenging targets, and/or a lack of transparency.

In July we attended the annual general meeting of Vodafone, and in October, Diageo's. Both meetings took place in the United Kingdom. Consistent with the first half of the year, questions raised were on the themes of linking sustainability targets to remuneration policies, climate change, and product obsolescence. We had additional contact with both companies after the shareholder meetings to follow up on our questions. In particular, Vodafone sought our thoughts on the topic of linking remuneration policy to sustainability targets.

During the second half of 2009 we also met with Arcadis to follow up on the questions we raised at the company's annual general meeting and at the same time engaged on the themes that arose as part of the re-assessment we performed earlier in the year. The outcome saw the company de-selected from our investment universe. Unfortunately anticipated follow up engagement with Reed Elsevier did not take place and we intend to attend the company's annual general meeting in 2010.

As with the first half of 2009, we had several stakeholder sessions and other meetings with companies. A summary of the themes asked to and/or discussed with each of the companies is provided below.

Company	Topic	Engagement outcome	Eligible for investment
Vodafone	AGM: Remuneration policy, climate change, product obsolescence	Follow up dialogue with emphasis on remuneration policy	Yes
Diageo	AGM: Remuneration policy, climate change	Follow up dialogue on all themes	Yes
KLM	Sustainability	Meeting to provide opinion	Yes
Oce	Sustainability strategy and reporting	Stakeholder meeting: information exchange	Yes
Storebrand	Arms	Company provided additional information	Yes
Tom Tom	Open source software	Information exchange	Yes
TNT	General CSR and dilemmas	Stakeholder meeting: information exchange	Yes

ENGAGEMENT ON THEMES

Triodos has strict sustainability investment standards. We aim to stay on top of changes best practice and regulation and engage with companies, non-governmental organisations and governments.

During the second half of 2009, we engaged with four companies on biomass (BDI Biodiesel International AG, Petrotec, Smack Biogas AG, Thenergo) and one regarding animal testing and genetic engineering (Bard). We also had extensive dialogue with Novo Nordisk, Burma Centrum Nederland and Burma Campaign UK on the topic of Burma and access to medicines. As with the first half of 2009, we continued engaging with several financial institutions regarding the sharpening of our minimum standard for involvement in the arms industry (see below).

CASE STUDY UPDATE: ARMS

Triodos introduced a stricter application of involvement in arms by financial institutions in 2008. As a result we began intensive dialogue with the 56 financials in our investment portfolio at the beginning of that year. At that time we also informed that we would further tighten the application in 2009 and would then require an end to relations with producers of anti-personnel mines and cluster bombs. At the beginning of 2009, the position of 25 companies was not clear. By the end of June 2009, the status of 16 companies was known, resulting in continued dialogue with nine companies in the second half of the year. The results are as follows:

- four companies comply: Dexia, DnBNor, ING, and Svenska Handelsbanken.
- three companies were removed from the investment universe: ICAP, SEB, and State Street.
- two companies are pending and dialogue continues: Rabobank, and Westpac.

To date, of the original 56 financial companies, the status on 54 is known, notably 37 comply, 16 do not comply and one had merged leading to investigations halting.

During the engagement we focus on the scope of the application (for own assets as well as actively managed investment funds for clients), and on identification of producers of anti-personnel mines and cluster bombs. Several companies, including those that do not meet the zero-tolerance requirement, have indicated that they have taken steps as a result of our engagement on this theme. Specific actions include:

- developed arms related policy or further strengthened current policy
- began use of a blacklist of arms producers or existing blacklists extended
- considered wider scope of our arms policy
- commitment to end all relationships with companies mentioned on the our black list.

OTHER ENGAGEMENT ACTIVITIES

During the second half of 2009, Triodos formed part of Eurosif's Steering Committee for its Banking sector report. The report was published in September 2009 and highlights social and environmental issues for six key challenges faced by the sector, as well as a case study on remuneration.

Triodos Bank continued its role in the Round Table for Corporate Social Responsibility (CSR) and Animal testing in the Netherlands. The Round Table is an informal group of stakeholders that meets on a regular basis to discuss themes concerning CSR and animal testing.

In October 2009 Triodos joined 70 other member affiliates at the Eurosif Advisory Council Meeting. There were several roundtable discussions including EU insights on policy progress regarding sustainability disclosure with representatives from the European Commission.

In December 2009, Triodos attended a session convened by the Human Rights Initiative and the Global Compact Network Netherland (5). The network is focused on raising awareness of the Global Compact in the Netherlands and providing a valuable learning and action platform for signatories. The session focused on the development of human rights business practices, and discussed in particular finding the balance between practical solutions and general enough to be relevant to as many types of companies as possible. In particular, the meeting

explored the Ruggie recommendations, a three-pillar framework addressing the role of states, the role of business, and the importance of access to remedies. We expect to continue our dialogue on this theme with the GCNL and Human Rights Initiative in 2010.

In 2009 Triodos Bank joined Eumedion, an organisation that aims to maintain and further develop good corporate governance on the basis of the responsibility of institutional investors established in the Netherlands. Triodos Bank takes seat in two Eumedion committees, one of which is the investment committee. As part of this responsibility Triodos may engage with Dutch companies for itself and on behalf of other Eumedion members. Likewise other Eumedion members may engage with companies on our behalf.

ANNEX 1: COMPANIES ENGAGED WITH DURING SELECTION ANALYSIS
Companies that responded to our engagement efforts

The companies in the table below responded to our engagement efforts. In some cases dialogue still continues. An update will be provided in the next Triodos Company Engagement Report.

Company	Topic	Eligible for investment
Aeon Co Ltd (JP, Hypermarkets)	Animal testing, environmental damage, factory farming, fur, genetic engineering	Yes
Ansell (AU, Healthcare equipment & supplies)	Animal testing	Engagement continues
Asahi Holdings (JP, Specialty stores)	Basic labour rights	Yes
Arcadis (NL, Industrials)	Nuclear power	No
Asian Bambo (DE, Food products)	Animal testing, environmental damage, genetic engineering, basic labour rights	Engagement continues
Automatic Data Processing (US, IT services)	Human rights	No
Bank of Kyoto (JP, Commercial banks)	Arms, blacklist projects, nuclear power	No
Bank of Nova Scotia (CA, Diversified banks)	Arms, environmental damage, nuclear power	No
Bard CR Inc (US, Healthcare equipment & supplies)	Animal testing, violation of legislation	No
Barry Callebaut (CH, Food products)	Animal testing, environmental damage, factory farming, human rights, basic labour rights	Engagement continues
Bendigo & Adelaide Bank Ltd (AU, Commercial banks)	Blacklist projects, nuclear power	Yes
Bonduelle (FR, Food products)	Animal testing, environmental damage, factory farming, basic labour rights	No
Brambles (AU, Commercial services & supplies)	Environmental damage	Yes
Canon (JP, Office electronics)	Arms, animal testing, human rights, basic labour rights	No
Carrefour (FR, Food retail)	Animal testing, environmental damage, factory farming, genetic engineering	Yes
Casino (FR, Food retail)	Animal testing, environmental damage, factory farming, genetic engineering	Engagement continues
Chipotle Mexican Grill (US, Restaurants)	Genetic engineering, basic labour rights	Yes
Chubb (US, Property & casualty insurance)	Arms	No
Colruyt (BE, Food retail)	Animal testing, environmental damage	Yes
Computershare (AU, Data processing)	Human rights	No
Covidien (IE, Healthcare equipment & supplies)	Animal testing	No
Delta Lloyd (NL, Insurance)	Arms	Yes
Deutsche Post (DE, Transportation)	Human rights (Burma)	No
DirecTV (US, Cable & satellite)	Gambling, pornography	Yes
DSM (NL, Specialty chemicals)	Animal testing, genetic engineering, violation of legislation	Yes
Energy Developments (AU, Renewable energy)	Human rights	Yes
Fresenius SE (DE, Healthcare equipment)	Animal testing, genetic engineering	No
Gestevisión Telecinco (ES, Broadcasting)	Gambling, pornography	Yes
Hachijuni Bank (JP, Commercial banks)	Arms, blacklist projects, nuclear power	Yes
Hain Celestial (US, Food products)	Animal testing, environmental damage, factory farming, basic labour rights	Engagement continues

Hiroshima Bank (JP, Commercial banks)	Arms, blacklist projects, nuclear power	No
Hokuhoku Financial Group (JP, Commercial banks)	Arms, blacklist projects, nuclear power	No
Horiba Ltd (JP, Electronic equipment)	Animal testing	No
Huhtamäki Oyj (FI, Containers & packaging)	Other (CSR pioneer)	Yes
Imtech NV (NL, Construction & engineering)	Arms	Engagement continues
ITV (UK, Broadcasting)	Gambling, pornography	Yes
Johnson & Johnson (US, Pharmaceuticals)	Animal testing, genetic engineering, violation of legislation	Yes
Johnson & Matthey (GB, Specialty chemicals)	Animal testing, genetic engineering	Yes
Kesko (FI, Food retail)	Arms, animal testing, environmental damage, factory farming, genetic engineering	No
Kroger (US, Food retail)	Arms, animal testing, environmental damage, genetic engineering	Engagement continues
Liberty Global (US, Cable & satellite)	Gambling, pornography	Yes
Lifeway Foods (US, Food products)	Sustainable products & services	Engagement continues
Metro AG (DE, Hypermarkets)	Arms, animal testing, environmental damage, factory farming, fur, genetic engineering	Yes
National Bank of Canada (CA, Diversified banks)	Arms, nuclear power	Yes
Nedbank (ZA, Commercial banks)	Arms, Environmental damage,	Engagement continues
Nihon Kohden Corp (JP, Healthcare equipment)	Animal testing	No
Nitto-Denko (JP, Specialty chemicals)	Animal testing, genetic engineering, nanotechnology	No
Nobel Biocare (CH, Healthcare equipment)	Animal testing	Yes
Novo Nordisk (DK, Pharmaceuticals)	Animal testing, environmental damage, genetic engineering, human rights	Yes
Novozymes (DK, Specialty chemicals)	Animal testing, genetic engineering, nanotechnology	No
Olympus (JP, Healthcare equipment)	Animal testing	Yes
Patterson Companies (US, Healthcare providers)	Animal testing	Yes
Precious Woods Holding (CH, Paper & forest products)	Genetic engineering	Yes
PVATePla (DE, Semiconductors)	Arms, nuclear power	Engagement continues
Rentokil Initial (GB, ENvironmental & facilities services)	Animal testing, persistent organic pollutants and pesticides	Yes
Resona (JP, Commercial banks)	Arms, blacklist projects, nuclear power	Yes
Ricoh (JP, Office electronics)	Arms, human rights, nuclear power	No
Rion (JP, Healthcare equipment)	Animal testing	Yes
Roche (CH, Pharmaceuticals)	Animal testing, genetic engineering	Yes
Royal Ahold (NL, Food retail)	Animal testing, genetic engineering, basic labour rights,	Yes
Sainsburys, J (UK, Food retail)	Factory farming	Yes
Sanofi-Aventis (FR, Pharmaceuticals)	Animal testing, environmental damage, genetic engineering, nanotechnology, violation of legislation	No
Shaw Communications (CA, Cable & satellite)	Gambling, pornography	No
Shizuoka Bank (JP, Commercial banks)	Arms, blacklist projects, nuclear power	No

SIG (GB, Trading companies)	Basic labour rights	Engagement continues
Sigma-Aldrich Corp (US, Specialty chemicals)	Animal testing, environmental damage, genetic engineering, nanotechnology	No
Sims Metal Management Ltd (AU, Metals & mining)	Basic labour rights	Yes
St. Jude Medical (US, Healthcare equipment)	Animal testing	No
SunOpta (CA, Food products)	Animal testing, environmental damage, factory farming, genetic engineering	Yes
Suruga Bank (JP, Commercial banks)	Arms, blacklist projects, nuclear power	Yes
Suzuken (JP, Healthcare distributors)	Animal testing, genetic engineering	Yes
Terumo Corp (JP, Healthcare equipment)	Environmental damage, genetic engineering	Yes
TF1 ((Société Télévision Française 1) (FR, Broadcasting)	Gambling, pornography	Yes
TFS Corp (AU, Paper & forest products)	Environmental damage, genetic engineering, human rights,	Engagement continues
Tokyo Broadcasting (JP, Broadcasting)	Gambling, pornography	Yes
Trygvesta (DK, Property & casualty insurance)	Arms, basic labour rights	Yes
United Natural Foods (US, Food products)	Environmental damage, basic labour rights	Yes
Virgin Media (US, Cable & satellite)	Gambling	Yes
Wereldhave Belgium (BE, Diversified REITs)	Organisational structure	Yes
Whole Foods Market (US, Food retail)	Environmental damage, basic labour rights	Engagement continues
WM Morrison (UK, Food retail)	Animal testing, factory farming	Yes
Woolworths (AU, Food retail)	Alcohol, animal testing, environmental damage, factory farming, genetic engineering, violation of legislation (anti-trust)	Yes
Xerox Corp (JP, Office electronics)	Human rights (Coltan)	No
Zon Multimedia (PT, Cable & satellite)	Gambling, pornography	No

COMPANIES THAT DID NOT RESPOND TO ENGAGEMENT EFFORTS

The companies in the table below formally declined to respond to our engagement efforts. None of the companies are eligible for investment.

Company	Topic
Cablevision Systems (US, Cable & satellite)	Gambling, pornography
Chiquita Brands International (US, Food products)	Animal testing, factory farming, human rights
Fuji Media Holdings Inc (JP, Broadcasting)	Gambling, pornography
Promotora de Informaciones (PRISA), (ES, Broadcasting)	Gambling, pornography
Shinsei Bank (JP, Commercial banks)	Arms, blacklist projects, nuclear power

Annual general meetings

	Vodafone	Diageo
Month	July	October
Remuneration	•	•
Climate change	•	•
Product life	•	
Follow up	July	October

You can read more about our attendance at annual general meetings and follow up dialogue at www.triodos.com

Further information

Triodos Research produces engagement reports twice a year. You can find more up to date information about our engagement activities in the Research & Dialogue section at www.triodos.com. If you would like to provide feedback on this report or other engagement activities, please contact Triodos Research.

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The companies in the table below failed to respond to our engagement efforts. None of the companies are eligible for investment.

Company	Topic
Abbott Laboratories (US, Pharmaceuticals)	Animal testing, genetic engineering
Ace (US, Property & casualty insurance)	Arms, human rights (Burma), violation of legislation
ACS (ES, Construction & engineering)	Human rights
Allergan Inc (US, Pharmaceuticals)	Animal testing, genetic engineering
Allstate Corp (US, Insurance)	Arms, violation of legislation
Bank of Yokohama (JP, Commercial banks)	Arms, blacklist projects, nuclear power
Boston Scientific (US, Healthcare equipment & supplies)	Animal testing, violation of legislation
CBS Corp (US, Cable & satellite)	Environmental damage, gambling, pornography
Cochlear (AU, Healthcare equipment & supplies)	Animal testing
Comcast Group (US, Cable & satellite)	Gambling, pornography
Henry Schein (US, Healthcare distributors)	Animal testing, human rights
Hitachi Chemical (JP, Specialty chemicals)	Animal testing, genetic engineering, nuclear power, nanotechnology
Hospira (JP, Healthcare equipment)	Animal testing, genetic engineering
Insurance Australia Group (AU, Insurance)	Arms
JSR (JP, Specialty chemicals)	Animal testing, environmental damage, genetic engineering, nanotechnology
Kansai Paint (JP, Specialty chemicals)	Animal testing, environmental damage, genetic engineering, nanotechnology
Royal Bank of Canada (CA, Commercial banks)	Arms, Environmental damage, nuclear power, violation of legislation
Shin-Etsu Chemical (JP, Specialty chemicals)	Animal testing, genetic engineering, nanotechnology
Toronto-Dominion Bank (CA, Diversified banks)	Arms, nuclear power
Travelers Companies (US, Property & casualty insurance)	Arms, violation of legislation
Wells Fargo (US, Diversified banks)	Arms, nuclear power
Western Union (US, Data processing & services)	Human rights
XL Capital (US, Property & casualty insurance)	Arms