

MEDIA RELEASE

30th June 2011

Greater emphasis on ESG issues to drive capital allocation and investment performance, says First State

The short-term nature and focus of financial markets is inhibiting consideration of environmental, social and governance (ESG) issues in capital allocation and could be detrimentally impacting long-term company and investment performance, according to First State Investments.

Following the publication of its fourth annual Responsible Investment Report, First State says that investors should put a greater emphasis on pricing ESG issues into every investment decision. The global asset manager argues that these factors have a significant impact on company performance, with recent research demonstrating that the top rated ESG stocks in its Global Listed Infrastructure portfolio outperformed the bottom-rated stocks by more than 20 percent over the three years to May 2010.

Mark Lazberger, CEO of First State Investments, the fund management business of the Commonwealth Bank of Australia, said the investment industry is showing signs of improving but needs to go further to achieve best practice ESG management:

‘As a fiduciary it is our responsibility to make the best possible investment decisions on behalf of our clients. Critical to that process is appropriate consideration of environmental, social and governance issues as these factors significantly impact long-term company performance.’

Kanesh Lakhani, First State’s Managing Director in charge of Distribution across EMEA, explained:

‘As part of our approach, ESG issues are considered across all of our funds in the same manner as other investment-related issues. In our view, this is the most effective way of incorporating key sustainability issues in all investment decisions, which allows us to protect our clients against ESG-related risks and enhance the investment performance of our strategies.’

Mark Lazberger adds:

'We have built performance metrics into our strategic planning process and have defined success as incorporating six key Principles of Responsible Investment into all areas of our business.'

First State's latest annual Responsible Investment Report reveals that the group has outperformed most other signatories of the United Nations Principles for Responsible Investment (UNPRI) in the course of 2010, achieving higher rankings than the combined average scores of investment managers globally on all six principles.

Mark Lazberger says:

'It is pleasing that since signing the UNPRI in early 2007 we have made significant steps towards achieving this target and now sit in the top quartile in four of the six principles. We are currently focussing on principles two and three and are actively seeking to achieve top quartile rankings across five of the six principles in 2011.'

In addition to its focus on the PRIs, First State seeks to actively engage governments, companies and the investment community to drive further improvements in ESG related practices. In 2009, First State Investments, which is known as Colonial First State Global Asset Management in Australia, became a signatory to the Extractive Industries Transparency Initiative (EITI). This has led to a stronger focus for the group on achieving greater transparency and accountability in operating behaviours across companies and governments during the whole of last year. The EITI is a coalition of governments, companies and civil societies that have developed a global standard for transparency in extractive industries.

Kanesh Lakhani explains:

'We have decided to join and support the Extractive Industries Transparency Initiative because it aims to drive real changes in the behaviour of companies and governments through engagement. Last year, we held discussions with a large number of companies globally to get a detailed understanding of the consequences of and issues related to benefit sharing and corruption in high risk political regimes, as well as challenges they present for

investors. In our view, such initiatives will illustrate over time how well-thought engagement on PRI results in better returns for all investors.'

Mark Lazberger concludes:

'We would like to see a greater number of investors considering ESG risks and we believe the investment industry has a role to play in encouraging companies to make the required changes. Positively, investors are increasingly becoming alert to the importance of ESG issues and are challenging the industry to incorporate these considerations into the investment process. As a consequence, we expect capital allocations will be made more efficiently over time.'

- Ends -

Notes to media

*The **United Nations Principles of Responsible Investment** include:

Principle 1

We will incorporate ESG issues into our investment analysis and decision-making processes

Principle 2

We will be active owners and incorporate ESG issues into our ownership policies

Principle 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest

Principle 4

We will promote acceptance and implementation of the Principles within the investment industry

Principle 5

We will work together to enhance our effectiveness in implementing the Principles

Principle 6

We will each report on our activities and progress towards implementing the Principles

First State Investments has been a signatory to the United Nations' Principles of Responsible Investment (UNPRI) since March 2007. The principles are an initiative developed by institutional investors in conjunction with the UN Environment Programme Finance Initiative and the UN Global Compact.

The UNPRI provide a framework for including environmental, social and governance (ESG) issues in investment decisions. First State Investments undertakes to utilise the framework provided by the UNPRI in aligning our investment processes with the objectives of our investors. By embracing the Principles, First State Investments believes it can achieve better long term investment returns for our clients.

For further information please contact:

Name	Telephone	Email
Sergei Cristo, Media Relations Associate First State Investments	+44 (0)20 7332 6545	sergei.cristo@firststate.co.uk
Steve McCool, Partner Hume Brophy	+44 (0)20 3440 5660	steve.mccool@humbrophy.com
Belinda Marks, Account Manager Hume Brophy	+44 (0)20 3440 5655	belinda.marks@humbrophy.com

Notes to editors:

About First State Investments

First State Investments provides specialist asset management services to wholesale and institutional investors across a diverse range of asset classes, including Asia Pacific and global emerging market equities, global equities, property securities, infrastructure and global natural resources. First State has more than 190 staff in London and Edinburgh and provides a range of specialist investment products to investors. First State is part of Colonial First State Global Asset Management, the consolidated asset management business of the Commonwealth Bank of Australia. Colonial First State Global Asset Management is Australia's largest fund manager. It employs investment professionals in Sydney, London, Edinburgh, Hong Kong, Singapore, Jakarta and Tokyo. Colonial First State Global Asset Management is a signatory to the United Nations' Principles for Responsible Investment, a voluntary program which encourages best practice in environmental, social and corporate governance issues.

Important Information

This press release is intended for information only, aimed solely at the media and should not be relied upon by private investors or Advisers. This document does not constitute an offer to sell or a solicitation of an offer to buy securities in the United States or in any jurisdiction where such an offer or solicitation would be unlawful. The content of this document should not be construed as a financial promotion under the FSA Conduct of Business rules.