

18 June 2012

To whom it may concern,

Rathbone Greenbank is the specialist ethical investment arm of Rathbone Investment Management. We provide an ethically screened bespoke portfolio investment service, and many of our investors seek to take a Best of Sector approach when investing in the oil and gas sector.

We are therefore pleased to provide our feedback on the draft guidance being developed for implementation of the 'protect, respect, remedy' framework in the oil and gas sector. The investment industry were key stakeholders in the work of the UN Special Representative, and we provided feedback at various stages of the process, so it is great to see the principles being operationalised.

•Does the Discussion Paper identify the most serious and the most likely impacts that companies in this sector may have on human rights?

Yes, the paper covers most of the important impacts. You accurately state (intro to section 3) that the main differentiators will be geographical risk, since most human rights risk with oil and gas companies comes where the asset is located in an area of weak governance.

However, issues of FPIC and local impact are more directly relevant to the mining sector, since their operations will be almost exclusively onshore. Oil and gas companies operate in a mixture of on and offshore environments, and so do not face the immediate HR risks associated with land access and land clearance.

The key HR risk for investors is therefore political risk, since we do not wish to be associated with providing revenue for corrupt or oppressive regimes. A great deal of the exclusions of oil companies from SRI portfolios will come about due to human rights risk from countries of operation. This is a HR risk which operates at a much more national level, involving elements of the social contract. A key issues which the guidance should address would therefore be transparency regarding payments to host governments, so that the equity of the investment arrangement can be addressed i.e. are the human rights of a country's population to develop being addressed through the structure of the contract with the host government?

•Does the Discussion Paper identify the major challenges that companies in this sector are facing in respecting human rights?

Yes, but more could be made of the contractor angle. You rightly state that the problems come in the supply chain (section 5.4, business relationships), but a link needs to be made to the more general problem of reliance on contracted labour.

Oil and gas companies work through JVs as you state. But they often work on a semi-permanent basis with the same suppliers. A good example is the Deepwater horizon rig – there were BP men, Transocean crew, Halliburton Engineers etc. Oil and gas companies will have multiple relationships with key contractors, and so more should be made about the management of HR risks in these ongoing third party relationships.

•Are there good practices in addressing these human rights challenges that could be built on in developing the forthcoming guidance on the corporate responsibility to respect in this sector?

We rank BG group very highly on HR risk management. Both they and RDS are trialling grievance mechanisms for addressing HR risk which are progressive and impressive.

Both make an important link to assessment (section 5.5). KPIs acting as proxy indicators for intangible risks are important, but need to be monitored and tested. Grievance mechanisms can help provide that critical feedback of the accuracy of HR KPIs.

•What form should the forthcoming guidance take in order to add greatest value in advancing respect for human rights in this sector?

Investors generally prefer 'comply or explain' frameworks. Even if a company does not consider its HR risks to be material, they at least report and explain their reasoning.

I hope this is of use.

Please keep us posted on any developments. We would be happy to circulate any further consultations with our peers.

Kind regards,

Matt Crossman

Ethical Research & Corporate Engagement

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