



EdenTree SRI Expert Briefing – December 2015

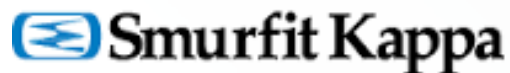
Amity Fund SRI Company Profiles

Introduction

The EdenTree range of SRI screened 'Amity' funds hold over 250 different company stocks and debt instruments across their portfolios. As well as having a strong and compelling investment case, each holding must be researched and approved by the SRI team. Here we profile two interesting overseas holdings that deliver strongly against our nine positive screens: Irish paper-based packaging company Smurfit Kappa (Amity European) and sustainable investment fund, Vietnam Holding (Amity International).

Smurfit Kappa

Irish based Smurfit Kappa is a global provider of packaging for the retail, food, and industrial sectors. The company is vertically integrated in that its primary market is corrugated cardboard packaging but the company is present throughout the whole value chain, owning forests, paper mills, manufacturing facilities, design-based packaging and supply chain recycling solutions. The company has a history dating back to 1934, and today has operations in more than 30 countries employing 43,000 people. It owns and manages 104,000 hectares of forest plantation. It is the #1 provider of corrugated packaging and containerboard in Europe and #2 globally¹.

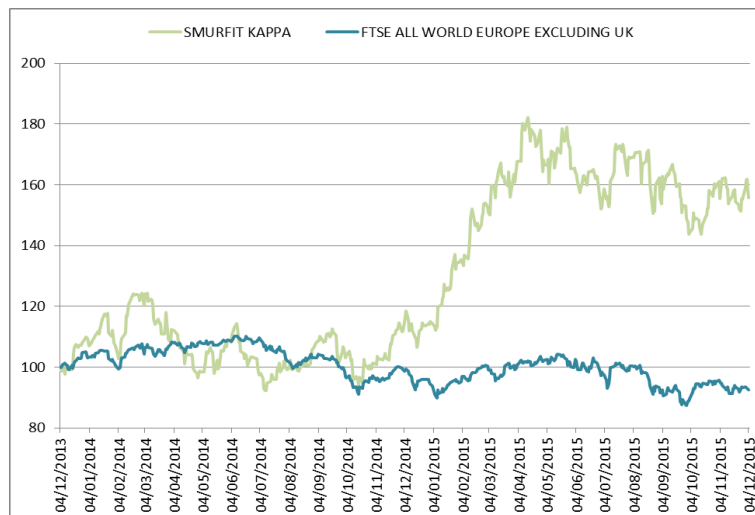


From forest to clients, the chain of custody is verified and certified. The company operates forest plantations in South America, where it grows pine and eucalyptus varieties. The forests are managed in a sustainable manner with 97% certified to FSC or PEFC standards²; suppliers are also expected to deliver 'chain of custody' certified materials. It operates 38 mills and 235 packaging plants and is rolling out recovered paper facilities as it expands its recycling business.

Investment Proposition

Smurfit Kappa has delivered strong results in a challenging market. In 2014 Group revenue increased by 2% to €8bn with operating profit increasing marginally over 2013 to €661m. The company achieved its target of increasing ROCE to 15% and has implemented a progressive dividend policy with increases of 37% and 50% respectively in 2012 and 2013. The 2014 dividend was further increased by 30% to €0.55 a share. Operating in a highly competitive market, the company has achieved higher corrugated pricing year on year, and has steadily grown capacity to meet increased demand; volumes have grown by 10% since 2009.

The company is effectively developing its recycling offer, processing nearly 6m tonnes of recovered paper across 13 territories. The company purchases and processes used paper and board, which is cleaned, treated and remade in a 14 day 'closed-loop' manufacturing cycle. The shares have performed well:



Source: Bloomberg

ESG Positives

As a vertically integrated company, Smurfit Kappa effectively manages the ‘chain of custody’ risks within the supply chain. Its strong presence in the recycled paper and board market enables the company to reduce the volume of virgin fibre it manufactures, processing nearly 6m tonnes of used paper in 2014. Recycled fibres account for an impressive 74% of raw materials used. As of 2015, all its paper-based products are made from renewable resources and are 100% recyclable. The company has set a target of 25% reduction in CO₂ emissions by 2020 from a 2005 base-line. Emissions have reduced year on year since 2010 despite increased production.

As a paper business, Smurfit Kappa has a significant water footprint. The company is developing water impact assessments for all facilities having used 119m m³ of water in 2014. Over 90% of paper and board is now produced at mills with advanced water treatment processes in place, whereby water returned to the environment is aerobically and anaerobically treated to reduce the organic charge of effluent. Overall water intake per tonne of production has reduced over time. The company has made strenuous efforts to reduce the amount of waste destined for landfill, with the amount of waste per tonne of product decreasing by 12% since 2013.

The company shows high awareness of environmental issues in the forestry and paper sector and has developed strong supply chain management. The whole chain is verified and certified, tracking the product through different stages of the manufacturing process, ensuring high product sustainability. 100% of the chain of custody is certified by FSC, PEFC or SFI³, showing best practice in the sector.

Smurfit Kappa Positive Amity Score

Smurfit Kappa scores well across our six positive criteria, and particularly well for chain of custody and environmental management. There were no fatalities in 2014, and the long-term LTIR⁴ is reducing. The company subscribes to ILO, UDHR and other human rights protocols including child labour audits. Close to €4m was donated in community funding for educational, research, health and social inclusiveness projects.

| Business Practices | Community | Governance |
|--------------------|------------------|--------------------|
| Education | Environmental | Healthcare |
| n/a | STRONG | n/a |
| Human Rights | Labour Relations | Urban Regeneration |
| | | n/a |

Vietnam Holding (VNH)

Vietnam Holding (VNH) is an investment company dedicated to sustainable investments in Vietnamese equities. The fund was launched in 2006 and initially invested in IPOs of privatised Vietnamese state owned enterprises. In this way

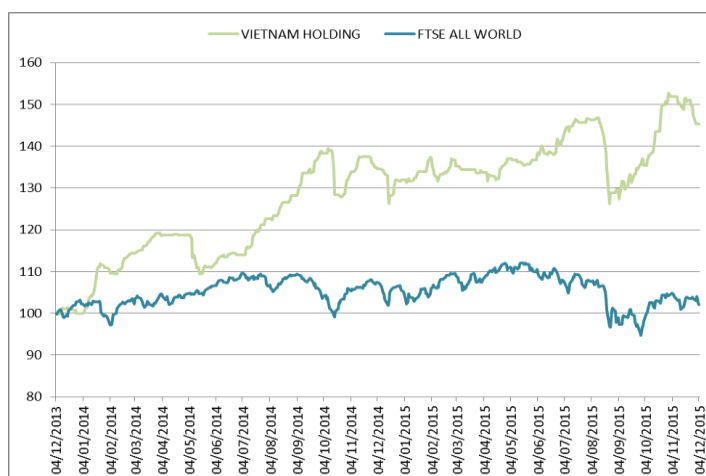


VNH supports the country’s market liberalisation and invests in a variety of sectors, while benefiting from the country’s economic growth. It represents a unique opportunity for the Amity International Fund and contributes to our geographical diversification and bias towards Asia in a responsible way. At FY2015, the Fund was valued at \$126m. NAV per share increased 9% in 2015 to \$2.093, with the share price rising 23% to \$1.083⁵.

VNH is a signatory to the UN Principles for Responsible Investment (PRI) and differentiates itself through the evaluation of environmental, social and governance issues in the investment process. The company has also developed a negative screening process which is similar to the Amity criteria, excluding alcohol, tobacco, armaments and gambling.

Investment Proposition

Vietnam is one of the leading emerging markets, rich in natural resources, with a growing population. It has a median population age of 29.6 years with a 95% literacy rate. Its rapid economic growth (6% in 2014) is driven by its young demography and rapidly developing urbanisation and growth in domestic consumption. Vietnam currently attracts significant Foreign Direct Investment contributing to its development along with support from the World Bank and Asian Development Bank. The fund has performed well since launching, and is ranked in the top-two for NAV performance among 11 Vietnam funds over the past six years.



Source: Bloomberg

ESG Positives

Environmental, Social and Governance factors are integral to VNH’s investment approach, which makes it almost unique for an emerging markets Fund. There is still room for improvement as far as corporate reporting standards on sustainability issues in Vietnam is concerned hence VNH has developed a thorough engagement cycle with the companies in which it invests.

VNH’s investment policy excludes investment in companies that do not commit to environmental protection or violate labour standards and human rights. It particularly looks for companies that show improvement over time, and VNH attended 22 AGMs in 2014 as well as voting on every holding in the portfolio. VNH also plays a key role in growing awareness of sustainability and good governance practices in Vietnam at its annual VNH forum events, covering a variety of topics from ESG reputation and environmental impact to sustainable growth and good governance practice.

Sustainable Investment Case Study: Hung Vuong Corporation

Agriculture represents 20% of Vietnam’s GDP, with nearly half of the country’s workforce employed in the sector, making it an important part of the country’s exports. Hung Vuong Corporation is a good example of VNH’s sustainable investment in the farming, processing and exporting of Pangasius fish. It was the first producer in Vietnam to commit to the Aquaculture Stewardship Council and has implemented training for its employees on the ASC standards and restructured its farming practices in order to comply with the certification. Sustainable farming practices have been implemented, increasing for instance vegetable feed in fish feed and improving supervision and management of waste waters.

Vietnam Holding Positive Amity Score

VNH applies similar investment criteria to the Amity Funds range, adopting an integrated responsible investment approach and looking for long-term sustainable investments in Vietnam. It represents a strong sustainability play in a key emerging market.

| Business Practices | Community | Governance |
|---------------------|-------------------------|---------------------------|
| GOOD | | GOOD |
| Education | Environmental | Healthcare |
| n/a | | n/a |
| Human Rights | Labour Relations | Urban Regeneration |
| | | n/a |

The EdenTree SRI Team

We have a specialist in-house Socially Responsible Investment (SRI) team who carry out thematic and stock-specific research to identify ethically responsible investment ideas for our range of [Amity Funds](#). Headed up by Neville White, Head of SRI Policy & Research, and supported by Associate Fund Manager Ketan Patel and Responsible Investment Analyst Esmé van Herwijnen, the team is also responsible for creating an on-going dialogue with companies, allowing us to engage on a wide variety of ethical and socially responsible investment concerns. For investors, it’s an added layer of assurance that client money is being invested in companies that are operating in a responsible and sustainable way. Our ethical and responsible investment process is overseen by an independent Amity Panel that meets three times a year, and comprises industry and business experts, appointed for their specialist knowledge.



EdenTree - Ethical Investment Specialist



Best Ethical Investment Provider



Best Ethical Investment Provider

Since launching the [Amity UK Fund](#) in 1988, EdenTree has taken a leadership role in managing ethical investments through our research, engagement and strong fund performance. Consequently, we were delighted to receive the Moneyfacts Award for Best Ethical Investment Provider 2015, the seventh consecutive year of winning this award. We were particularly pleased to win as it is voted for by the Adviser community. In 2013, the [Amity UK Fund](#) was rated 'Highly Commended' in the Investment Week Climate Change and Ethical Investment Awards. We were also awarded Money Observer Best Ethical-SRI Bond Fund for the [Amity Sterling Bond Fund](#); the [Amity UK Fund](#) won Best Equity Fund in the 2014 Money Observer Ethical/SRI category, and we were nominated for an award in the category of Best Thought Leadership Paper on Sustainable Investing, in the Investment Week Sustainable Investment Awards 2014. Today we offer six SRI funds under our Amity brand, four retail funds and two for charity investors, covering the major markets and investment classes.

Further information

For further information on EdenTree's SRI range of Amity Funds please contact your EdenTree Business Development Manager, visit www.edentreeim.com or call our IFA support team on 0800 011 3821.

Notes:

¹ All figures Smurfit Kappa Annual Report & Accounts 2014; www.smurfitkappa.com

² FSC: Forestry Stewardship Council; PEFC: Programme for the Endorsement of Forest Certification

³ SFI: Sustainable Forestry Initiative

⁴ LTIR: Lost Time Injury Rate

⁵ All figures Vietnam Holding Annual Report 2015 www.vietnamholding.com