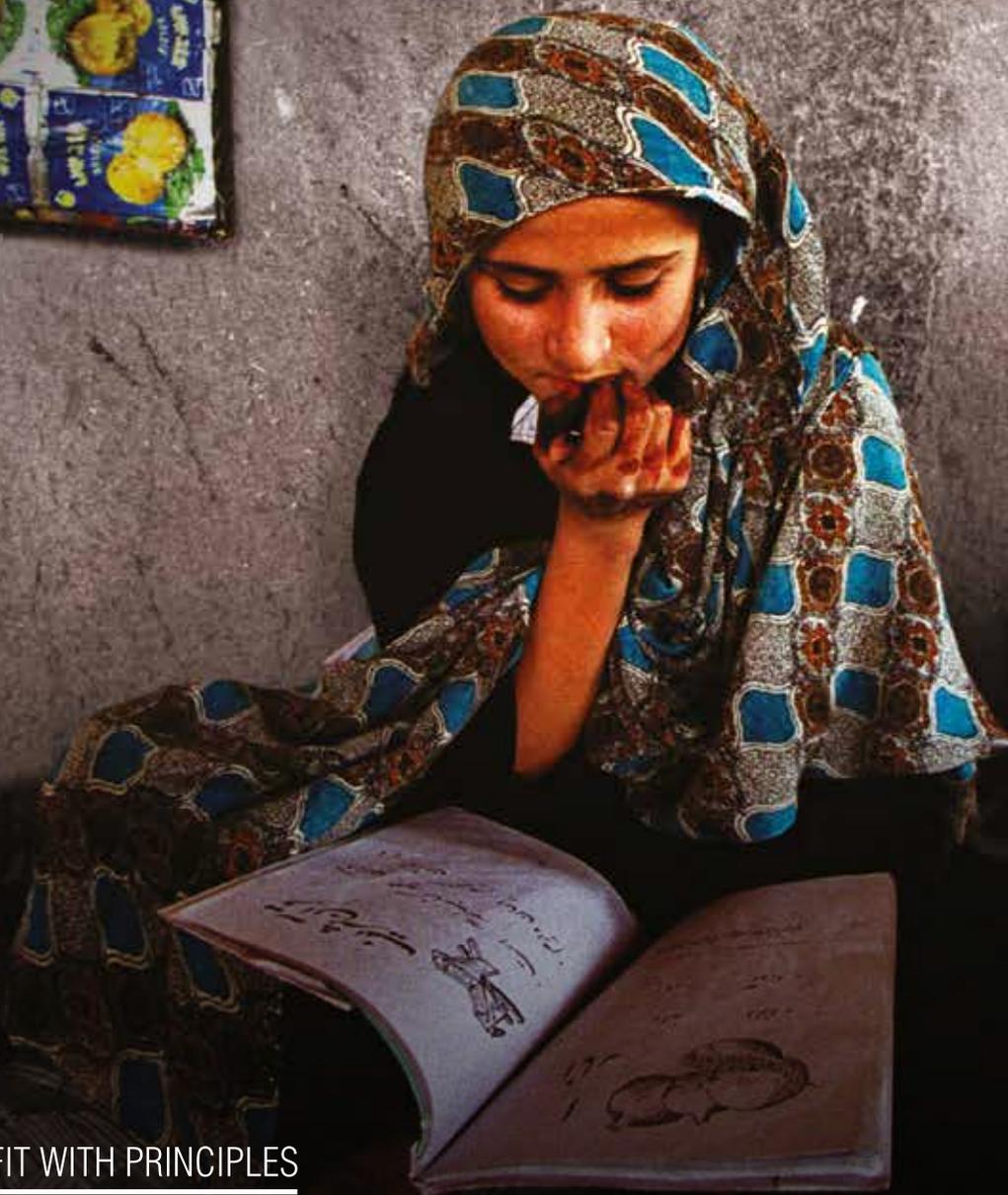


AMITY INSIGHT
INVESTING
IN EDUCATION



BUSINESS AND EDUCATION

By **Neville White**

Head of SRI Policy and Research
EdenTree Investment Management Limited

This Amity Insight focuses on one of our nine positive screens (or pillars on which our ethical investment process is built): Education.

Although there may not be a huge universe of companies directly involved in educational services, many companies understand that there is a direct return from investing in education, which is also the most reliable way of delivering economic empowerment and reducing poverty. To that end, many businesses commit considerable resources to education, training and development programmes across their sphere of influence.

Increasing access to education is at the heart of the Amity Education pillar. Many sectors that we are positive about provide a natural context for promoting learning and development, such as the engineering and pharmaceutical sectors.

In this Insight we look at education as a fundamental human right, the state of education in the world today and the role business is playing in helping to meet the Millennium Development Goal of universal access to primary education, and its effect in lifting people, especially girls, out of poverty. In so doing we will take a look at just a few of the many inspiring programmes companies are leading in the field of education.

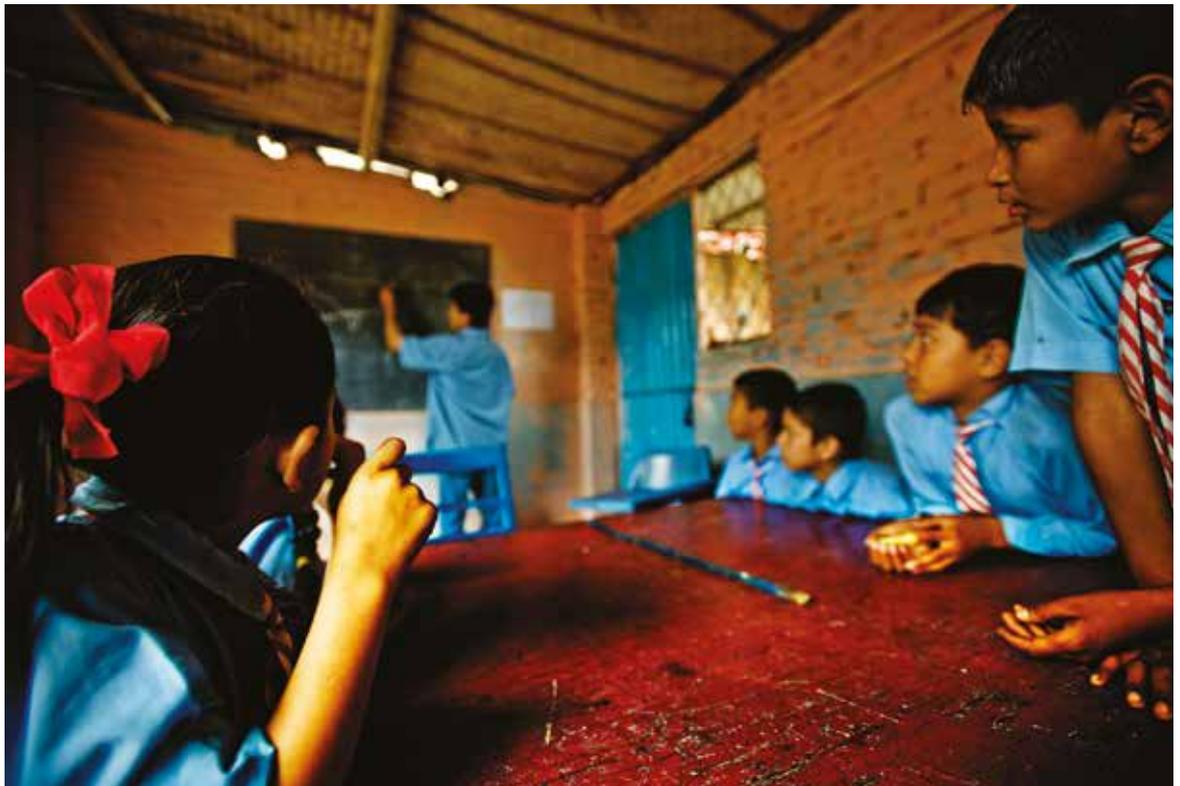
EDUCATION AS A HUMAN RIGHT

Education is a fundamental human right laid down in the UN Universal Declaration of Human Rights (1948), Article 26:

- Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.
- Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.

This is supported by the UN Convention on the Rights of the Child (1979) in which Articles 28 and 29 provide for:

- Every child having the right to an education with primary education being free. Secondary education should be available and developed countries should help developing countries achieve this.
- Education (serving the purpose to) develop every child's personality, talents and abilities to the full and encouraging respect for human rights, different cultures and the environment in every child.



EDUCATION AS A MILLENNIUM DEVELOPMENT GOAL

Achieving universal primary education is the second Millennium Development Goal, with a target that by 2015 all children should be able to complete a course of primary schooling measured by (i) net enrolment ratios, (ii) the proportion of students commencing Grade 1 who reach final grade and (iii) the literacy rate among 15 to 24-year-olds.

Since the Goal was set in 2000, there has been strong progress, with the UN estimating that in 2010, 90% enrolment had been achieved in developing countries. However, the current rate of progress is insufficient to meet the 2015 target.

The UN has identified several key incentives to help meet the Goal, including abolishing school fees, investing in teaching infrastructure and promoting education for girls. Expanding access in remote regions, such as an initiative centred on bringing education to remote Mongolian tribes via mobile schools, has also been successful.



EDUCATION IN THE WORLD TODAY

The UN estimates that as many as 69 million children were not in school as at 2010. However great a challenge meeting the UN Millennium Goal may seem, this compares to as many as 106 million children for whom there was no school place when the Goal was set.

31 million of these children are in Sub-Saharan Africa, and 18 million in Southern Asia. At least 30% of primary school students in Sub-Saharan Africa do not complete their primary education, often for reasons of conflict, family issues or a lack of infrastructure. Although regions such as this and Southern Asia continue to be challenged, the graph shows that elsewhere much has been achieved: 97% enrolment has been achieved in developed countries, and the 'world average' primary enrolment has achieved 90%.¹

The figures also hide other crucial issues such as the 'gender gap': in North Africa 66% of all out of school children are girls.²

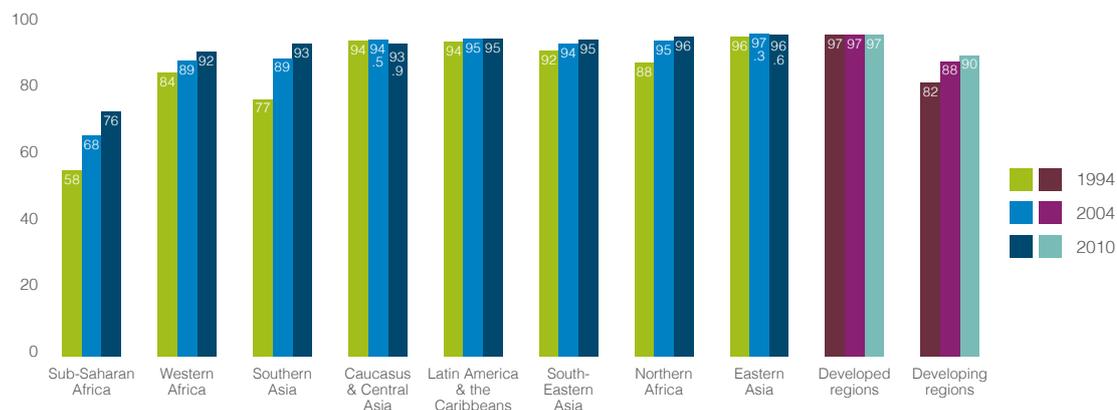
Data gathered from 55 countries suggests children from outlying, rural areas are twice as likely to be out of school as urban children, with poverty the biggest obstacle to educational access.³ This is particularly true of the educational discrimination against girls: girls from the poorest households are 3.5 times more likely to be out of school than girls from more affluent backgrounds;⁴ girls suffer too from cultural, social and economic barriers, making it less likely overall that they will have access to, and complete a course of, primary education. 75% of all girls out of school are in Sub-Saharan Africa.⁵

The UN views education as among the most-efficient means of alleviating poverty and stimulating economic growth: in countries where there is less than 75% enrolment into primary education, Gross National Income per capita (GNI pc) is almost exclusively less than \$1,270.⁶

Although the Millennium Development Goal is focused on access to primary education, as we have seen, being able to develop talent through secondary education is also a fundamental human right. In 2010, 62.5% of secondary-age students worldwide were enrolled (up from 53.1% in 2000), but as many as 25 countries have less than half of their secondary-age students actually achieving enrolment. Countries with less than 50% enrolment in secondary education also achieve low GNI pc of about only \$3,000.⁷

A compelling reason for business interest in supporting educational attainment is the correlation between enrolment ratios and prospering GDP ratios. Education fosters a 'middle-class' economy able to take part in consumption. These countries also provide the educated workforces so many businesses require in a globalised, technological age.

ADJUSTED NET ENROLMENT RATE IN PRIMARY EDUCATION 1994, 2004, 2010 (%)



Source: UNDP.

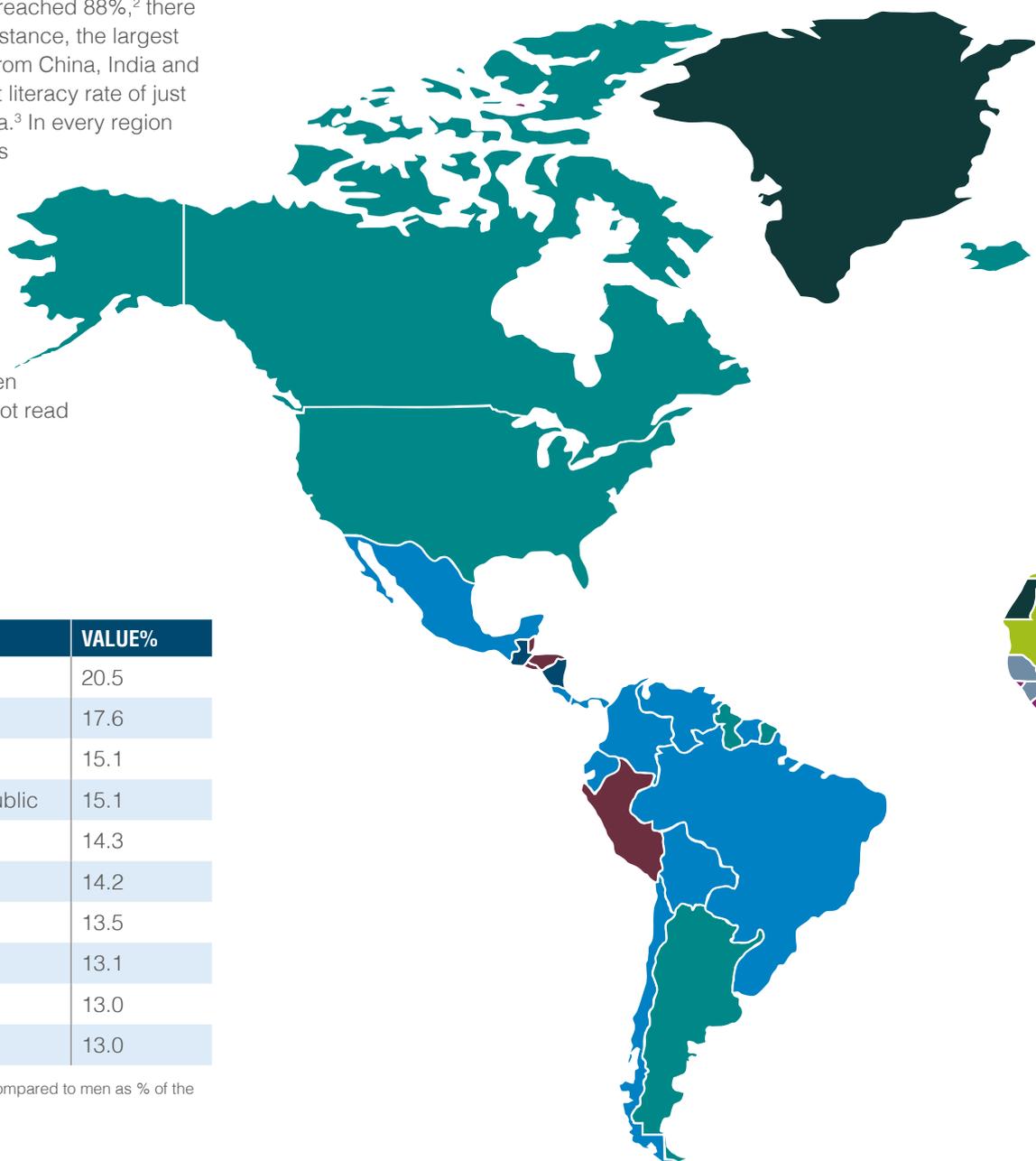
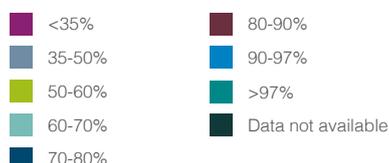
1. UNDP: The Millennium Development Goals Report 2012 <http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2012/English2012.pdf>
 2. *ibid.* 3. *ibid.* 4. *ibid.* 5. *ibid.* 6. UNESCO/World Bank. 7. *ibid.*

GLOBAL LITERACY

Literacy is the third component of the Millennium Development Goal, and is a critical mechanism for economic participation and empowerment. The map illustrates global literacy rates as assessed by the United Nations for students aged 15 to 24 in 2011. India, Sub-Saharan Africa and parts of North Africa remain hugely challenged and are failing their students' potential; Brazil has made great strides in achieving literacy levels of about 90%. Poor literacy holds back 122 million people between the ages of 15 and 24, the majority – 60% – are female.¹

While global adult literacy has reached 88%,² there remain wide differences. For instance, the largest numbers of literate adults are from China, India and the USA, but India has an adult literacy rate of just 61% compared to 91% in China.³ In every region the percentage of literate adults is lower than the equivalent figure for literate youths, with the highest margins in North Africa (17%) and in Central Africa (13%). The biggest gap between male and female literacy occurs in Southern Asia: for instance 24% of women aged 15 to 24 in Pakistan cannot read or write simple sentences.⁴

GLOBAL LITERACY RATES



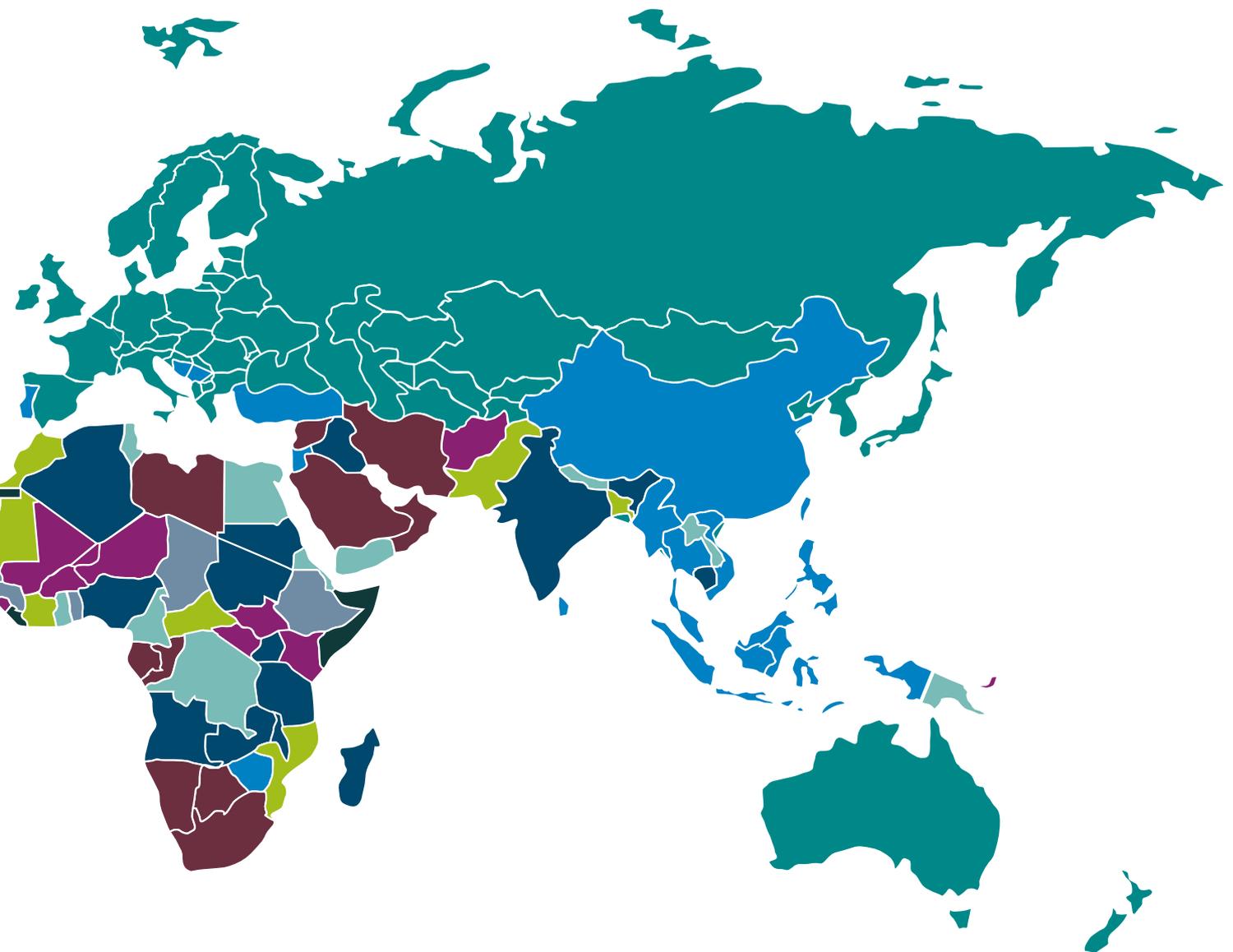
RANK	TERRITORY	VALUE%
1	Yemen	20.5
2	Nepal	17.6
3	Mozambique	15.1
4	Central African Republic	15.1
5	Benin	14.3
6	Togo	14.2
7	India	13.5
8	Malawi	13.1
9	Pakistan	13.0
10	Bhutan	13.0

Extra women aged 15+ who are illiterate compared to men as % of the total adult population.

1. UNDP: The Millennium Development Goals Report 2012. 2. UNESCO/World Bank. 3. Sheffield University; Worldmapper Project <http://www.worldmapper.org/display.php?selected=197> 4. Sheffield University; Worldmapper Project.

“ For hundreds of millions of individuals, literacy is the bridge from misery to hope. For a society and economy, it is simply essential for sustained social and economic development.

KOFI ANNAN, FORMER UN SECRETARY GENERAL



THE BUSINESS CASE FOR SUPPORTING EDUCATION

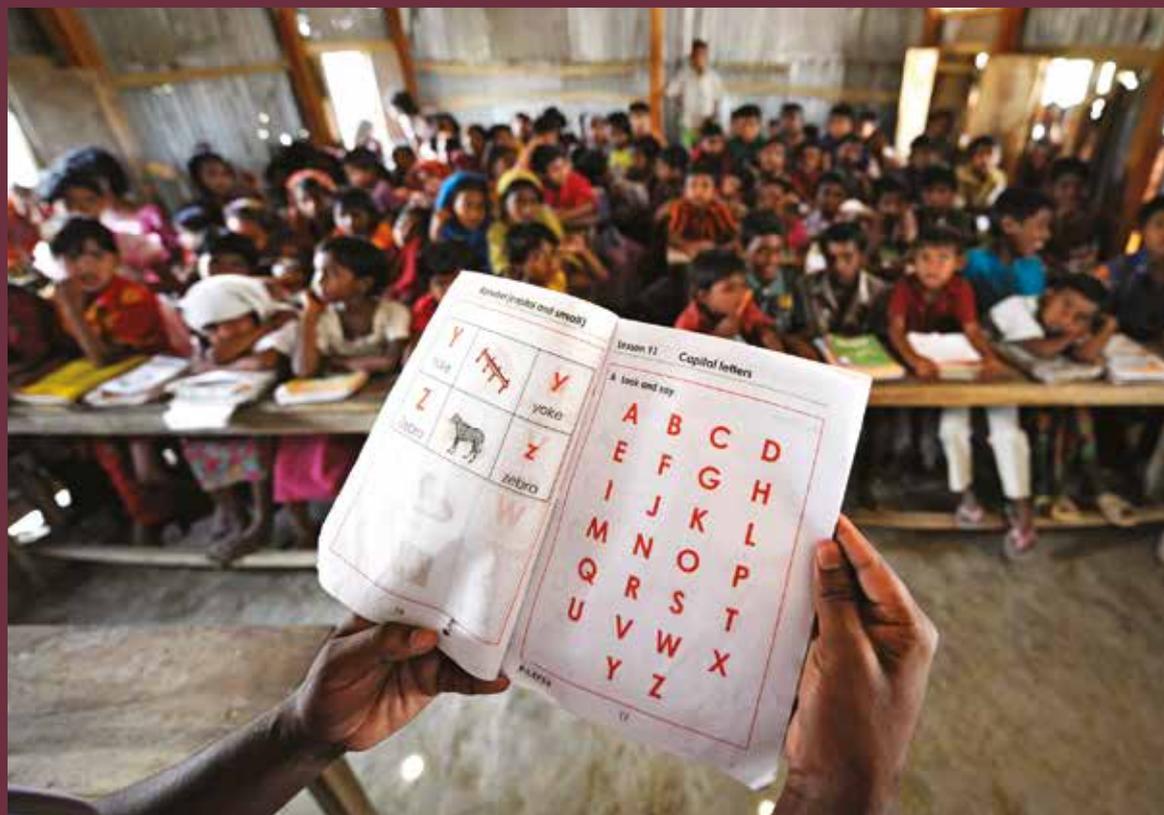
International businesses require an educated, motivated pool of talent responsive to the needs of today's globally competitive marketplace. This is as true in a developed market such as the UK, as it is in the fast-developing emerging economies.

While there is a huge local, regional and international talent pool to draw on, business is attracted to those with good literacy and communication skills as well as broader emotional intelligence skills such as problem solving and team building. The absence of these skills will exclude people from the workplace and potentially restrict them to unskilled labour or under-employment.

Typically in developed markets, businesses recognise it is in their interests as well as those of the country more widely, to harness and develop people who have basic skills, particularly in the area of transitioning students from school to the workplace, and in partnering with tertiary centres of excellence. Continuous training, development, e-learning, apprenticeships and mentoring all have a key role to play in providing the knowledge and skills base needed to compete in today's world.

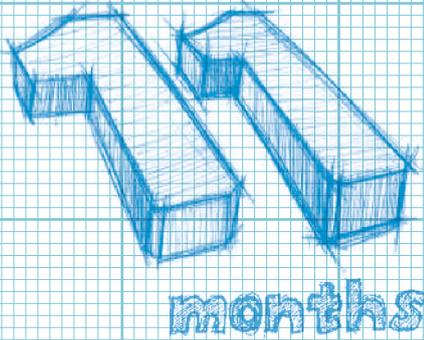
Business in the Community (BITC) has a 'business and education' strand focused on providing every young person facing social disadvantage with support from business via mentoring, work placements and schools partnering. 150,000 placements have already been made under the scheme involving 600 UK companies.¹ BITC and the Confederation of British Industry (CBI) strongly focus on youth unemployment and under-employment, a key phenomenon of the economic downturn in Europe since 2008.

The CBI has highlighted the economic detriment implicit in those 'children left behind' as a result of poor access to learning, social disadvantage or areas prone to marginalisation and high youth unemployment.

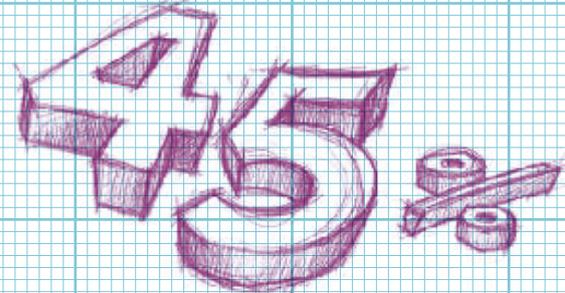


1. Business in the Community: <http://www.bitc.org.uk/issues/community/education-and-young-people>

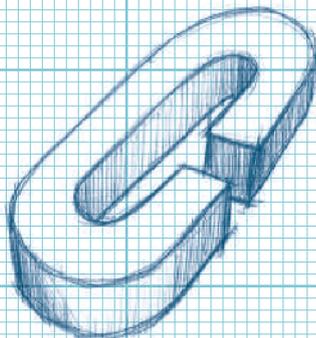
Education: The statistics



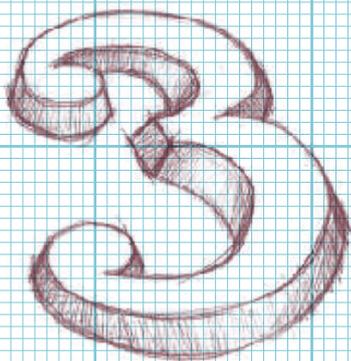
At the age of five, the vocabulary of a child from a low-income family is on average 11 months behind that of a child from a higher-income background.



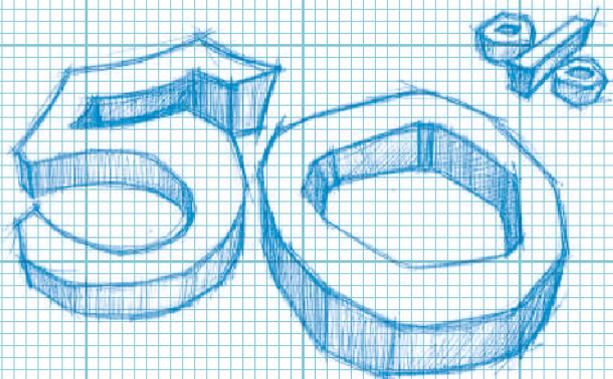
45% of children are read to daily in the poorest families, compared with 78% in the richest fifth.



The chances of children from the poorest 10% of UK areas getting a C or above in GCSE maths is just 50%.



Children from the highest social class group are three times more likely to go to university than those from the lowest social class groups.



50% of children reach the expected literacy standards at age 11 in schools in areas of disadvantage.

COMPANY EXAMPLES

The BITC flagship 'Ready for Work' programme releases £3.12 in economic benefit for every £1 invested, underlying the benefits to business from supporting investment in education.¹

We highlight here three corporate programmes targeted at supporting education.



GSK, the UK's leading pharmaceutical company, has launched an initiative called 'scientists in sport' which aims to inspire 11 to 14-year-olds to think differently about science and to encourage careers in science. It provides resources and teacher packs to help bring science to life in the classroom. The initiative emerged out of GSK's partnership with the London 2012 Paralympic Games. Over 10,000 students have so far taken part, focused on how science is used in sport. GSK also supports students in the transition from school to work via mentoring and placements.



Construction, services and property company, Kier, has supported the UCE Academy, Ellesmere Port by introducing engineering and construction to 250 students. The company has also mentored local schools in developing alongside Kier professionals making sustainable environmental improvements to their school and the wider community. In an innovative project, Kier worked with disadvantaged youngsters who shadowed Kier property managers over 12 weeks, learning every aspect of property maintenance.



Insurance giant, Aviva, has teamed with HSBC and Tesco to back International Day for Street Children. Aviva's participation follows involvement in its 'Street to School' programme supporting street children projects in the UK and 27 other countries. Aviva also sponsored a global study to explore the opinions and experiences of young people who receive 'Street to School' help so that it can be targeted more effectively. The project has supported 600,000 street children return to education.

¹. Business in the Community.

AMITY FUNDS' EXPOSURE TO EDUCATION

Education is one of the Amity Funds' nine positive screening pillars, and it is represented across the range of Funds via direct and indirect exposure.

In screening companies we look for ones that either directly provide services to the education sector, or are supporting education via community and employment initiatives. In particular we look for:

- Educating the underprivileged, particularly girls, who remain most at risk from marginalisation
- The ratio of education programmes in developing economies vs developed
- Philanthropic contributions towards providing educational infrastructure or bursaries
- Partnerships with academic institutions; developing accredited access programmes over time
- Affording access to education via school fees support, buildings facilities, software and teaching materials
- Providing volunteer teachers
- Access to further education via training programmes (eg corporate universities)
- Linking education, health and nutrition as part of well-being programmes.

Education itself represents a relatively small universe of companies and it may not be relevant to all companies, as for instance environmental management or corporate governance are, but many do have an education theme for the reasons we have already discussed. Some sectors provide a 'natural home' for promoting learning and access to education such as pharmaceuticals, financial services and science and engineering-based businesses. The Amity approach is predicated firmly on the specific relevance to business, and education being a human right.

We look now at two cases where the Amity Funds are exposed to education either directly or indirectly. The Funds have direct exposure to education via publishing groups Pearson, Reed Elsevier, Thomson Reuters, Hibu and Wolters Kluwer.

The Funds' indirect exposure to education is found in initiatives that companies undertake to align with their citizenship strategy and values. Sectors include banks, insurance, pharmaceuticals, telecommunications, healthcare, engineering and construction.



AMITY FUNDS' EXPOSURE TO EDUCATION



Wolters Kluwer is a Dutch-based information services provider specialising in four core areas: financial compliance, health, tax and accounting, and legal and regulatory. It is well diversified geographically, and began the conversion to digital product ahead of many of its competitors to the extent that 71% of revenues are now digitally sourced.

We met the company in Amsterdam, and the stock is well represented in the Amity Funds. Wolters Kluwer is a primary service provider to the student and professional markets, however its links to education are also reflected in its wider corporate responsibility activities. For instance, the company has sponsored 'Youth Off The Streets' in Australia, offering support to children who are out of school and who may have suffered bullying or abuse.

Similarly, in Spain the company supports Fundación Balia, an independent Spanish NGO that develops projects for children, young people and their families who are at serious risk of social exclusion. The company has strong sustainability credentials with a diminishing carbon footprint owing to its growing digital profile and good corporate governance.



Banco Santander is a Spanish-based bank, the largest in the Eurozone, focused on retail banking for private customers and small and medium businesses.

We met the company in London, and the stock is well represented in the Amity Funds. Santander has made education a core part of its citizenship, with over 1,000 co-operation agreements with universities in the Americas, Asia and Europe. Institutions receive support through scholarships, mobility grants and research grants. Its mobility grant programme, supporting less-abled students, is the largest in the world at €600m. In its home market, Iberia, 1,216 institutions have been supported in the drive to protect indigenous languages, reaching 11.2m students.

This focus on core stakeholders has led to the innovative funding of the Miguel de Cervantes Virtual Library of Hispanic Literature. In 2011 alone, funding of education projects amounted to over €120m, while the number of scholarships awarded topped 22,000.

VIEW FROM THE TOP

Benjamin Franklin once said, “An investment in knowledge pays the best interest.” Education is a human right and a Millennium Development Goal. It forms one of the Amity Funds’ nine pillars of positive screening because we recognise business has an important role in encouraging and supporting education and development.

There have been strong strides in improving literacy and access to education globally, but there is still much to do. Globalisation and the need to compete increase the urgency for educational attainment, as there is compelling evidence that these lift the most people out of poverty and encourage economic empowerment. As we have seen, girls remain among the most marginalised for cultural, societal and economic reasons, and much more needs to be done if girls are to achieve their potential.

For business there is a ‘win-win’ to supporting educational programmes: investing in education provides an expanding talent and skills pool, but equally, educated populations provide growing markets for consumer goods and services. We look for companies that are either supporting education through the direct provision of education-related goods and services, or are committed to education as a community imperative.

This Amity Insight provides a snapshot of companies that understand the importance of promoting education, from Santander’s university partnerships to Aviva’s working with street kids to get them back into education. Although hard data is not easily available, it has been estimated that the Global 5000 corporations spend \$17bn a year on education and training, with the banking sector alone responsible for \$3.36bn.¹

For many businesses, education is a valuable ‘win-win’ in which every pound of investment can be expected to generate much more in skills, talent and disposable incomes; it remains the most reliable and well-tested means of lifting millions out of poverty, as well as nurturing many more towards fulfilling their potential.



Neville White
Head of SRI Policy and Research

1. The Global 5000 <http://theglobal5000.com/spending-on-corporate-training-education-in-global-5000-companies>

WHY EDENTREE?

- Over 25 years of experience of socially responsible investing (SRI)
- Funds that are both positively and negatively screened
- An investment team with a wealth of experience spanning many years
- A comprehensive in-house SRI research function
- An independent panel that reviews investment decisions
- A robust socially responsible investment process
- A pride in our independent analysis. We're not afraid to adopt contrarian positions and are in favour of long-term investment horizons
- A consideration of the preservation of capital as our primary responsibility, preferring absolute returns over relative performance
- Fund Managers at EdenTree are unconstrained by rigid stock lists, permitting more flexibility to take advantage of good-value opportunities as they present themselves
- Decision-making for the long term, as frequent trading increases costs and decreases returns
- Avoidance of companies materially involved in alcohol production, gambling operations, pornographic and violent material, tobacco production, testing animals for cosmetic or household products, supporting oppressive regimes or strategic weapon production
- Actively seeking out companies with a record of involvement and good performance in terms of business practices, community relations, corporate governance, education, environmental management, healthcare, human rights, labour relations and urban regeneration



OUR PEOPLE



Sue Round
**Director of Group Investments
and Senior Fund Manager**

Sue is the UK's longest-serving retail SRI Fund Manager. She launched the Amity UK Fund 27 years ago – pioneering our Profit with Principles investment approach. She is also AA rated by Citywire as of November 2015.

citywire AA



Neville White
Head of SRI Policy and Research

Neville is in charge of our Socially Responsible Investing team. His extensive experience includes being responsible for managing global corporate governance proxy voting for CCLA Investment Management.



Rob Hepworth
**Chief Investment Officer
and Senior Fund Manager**

Rob has previously been voted Investment Week's Fund Manager of the Year and has been recognised as one of Citywire's top 10 Fund Managers of the past decade. This places him in the top 10% of all UK Unit Trust and OEIC Managers.



Ketan Patel CFA
Associate Fund Manager

Ketan began his career on the equity derivatives trading desk at JP Morgan, before moving to Insight Investment as a Global Healthcare Analyst. Ketan leads the team's company research, supporting the Fund Managers' investment decision-making. He has been a CFA Charterholder since 2009.



Chris Hiorns CFA
Fund Manager

Chris has worked at EdenTree since 1996. He started as a Graduate Trainee and worked as an Investment Analyst before being appointed as the Fund Manager for the Amity European Fund in 2007 and the Amity Sterling Bond Fund in 2008.

citywire +



Phil Harris
Fund Manager

With over 25 years' experience in UK small and mid-cap company sectors, Phil joined EdenTree in 2015 to run the UK Equity Growth Fund. He focuses on growth small-caps and previously specialised in corporate activism.



Peter Cameron CFA
Associate Fund Manager

Peter is an experienced Equity Analyst, having worked in both the Quant solutions and SRI performance and portfolio risk teams at Aviva. He holds a Master's degree in Corporate Governance, and is a CFA Charterholder.



Esmé van Herwijnen
SRI Analyst

Esmé holds a Master's degree in Sustainable Business from Toulouse Business School and gained experience in ESG research from Sustainalytics and PIRC. She supports our SRI team with company screening, proxy voting and engagement.

How to contact us

We hope you have found this Amity Insight interesting and useful. If you have any questions, or would like to know more about our responsible investment, in-house research and analysis, please get in touch.

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