PROFITS WITH PRINCIPLES

edentree
investment management

2019

# RESPONSIBLE INVESTMENT ACTIVITY REPORT

# **CONTENT** ANNUAL RESPONSIBLE INVESTMENT ACTIVITY REPORT

# **FOREWORD** BY SUE ROUND, CHIEF EXECUTIVE OFFICER

I am delighted to introduce our second Annual Responsible Investment Review.

2019 represented something of a turning point for responsible and sustainable investing in the UK. When I launched our first screened product in 1988 it was only the second such equity product that put ethical considerations at the heart of investment philosophy.

Last year we saw unprecedented levels of interest from investors in new product launches across the responsible and sustainable investment landscape. This brings both challenges and opportunities; we welcome the vibrancy and choice new products and entrants present for the consumer, but it also raises questions of credibility and potential 'greenwashing', something regulators are becoming very much alive to.

2020 is therefore likely to be the year in which regulation and accountability becomes more robust in seeking to define for consumers what the often confusing language of responsible and sustainable investing means. We recognise this and share those concerns; the landscape has become excluding for all but the most informed – ethical, responsible, ESG, sustainable and impact investing are just a few of the currently fashionable and sometimes interchangeable terms. All are legitimate models but need careful definition so the end user knows what they are buying. In addition, a new Corporate Governance Code, new UK Stewardship Code, reporting requirements under the Shareholder Rights Directive (SRDII) and the EU Taxonomy on Sustainable Investing will all have a significant impact on how we, as investment managers, report and communicate to clients.

We are in good shape to respond to these demands with our thirty years of experience pioneering thinking on responsible and sustainable investing and our deep knowledge of the sector; it is after all, all we do. Unsurprisingly, given our heritage, we tend to agree with the Investment Association, which recently published its own response to these emerging challenges that "responsible investment is no longer a special product, or even an option. It's a necessity".

This Review points to our regular Insights and Expert Briefings as providing rigorous thought leadership across the environmental, social and governance spectrum. Our screening process – robust and distinctive – does not flinch from excluding stock ideas that fail to meet our demanding standards. Our engagement approach has become deep and broad with thematic strands on climate change, Modern Slavery and banks, whilst we work collaboratively with a broad range of partners. You can read more about all these strands in the pages that follow.

We never forget that you, the client, are at the heart of all that we do. Delivering 'Profits with Principles' for over 30 years has been a privilege and we hope you enjoy finding out more in the pages that follow.

As always, we welcome and invite comment and feedback.

**Sue Round**
Chief Executive Officer

# EDENTREE'S APPROACH TO RESPONSIBLE AND SUSTAINABLE INVESTING

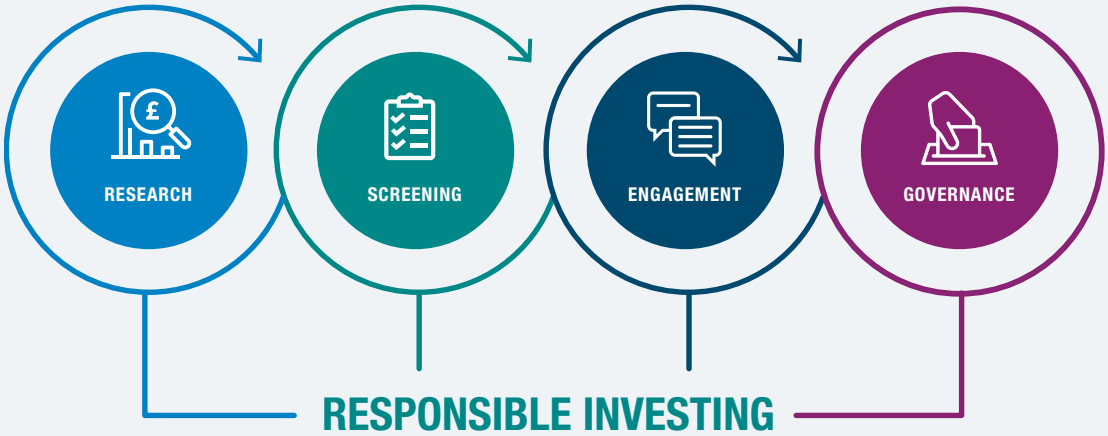
Our Amity range of screened retail and charity Funds have adopted a 'profit with principles' approach since their inception, in which investment decisions are based on an integrated investment and ESG case.


To be considered suitable for inclusion within our Amity range of responsible and sustainable Funds, an investment idea must meet the criteria laid out in our screening model. There are three parts to this: Ethics/Values; Responsibility/ESG; and Sustainability/Thematic.

The eight exclusion criteria which make up the Ethics/Values part of the screening process aim to avoid activities that are harmful to society. The Funds apply a default screen in which companies in the following business areas are excluded where turnover or profit exceed 10% (whichever is lower): alcohol production; gambling operations; pornographic or violent material; tobacco production; and weapons production.

We have also adopted zero-tolerance approaches to Arctic drilling and oil sands. Specific policies have been produced to cover (i) indiscriminate or strategic weaponry; (ii) animal testing; (iii) oppressive regimes; and (iv) intensive farming. These are available on request.

## APPROACH




**Investment ideas are then assessed across the following six environmental, social, and governance (ESG) risks, to determine suitability for inclusion in the Funds.**

- Business Ethics
- Community
- Corporate Governance
- Employment and Labour
- Environmental Management
- Human Rights

The Responsibility/ESG risk criteria can act as a brake on investment. Stocks are enabled into the Funds if they pass the Ethics/Values exclusions, and the Responsibility/ESG risks.

**Finally, our Amity process includes four themes, which are subject to manager stock selection. This is a discretionary part of the process.**

- Education
- Health & Wellbeing
- Social Infrastructure
- Sustainable Solutions

Stock ideas that are pursued are subject to investment and ESG analysis to assess their suitability for investment inclusion. Companies are screened as a 'pass' or 'fail' on their merits, or they may require engagement before proceeding. The Responsible Investment (RI) Team have the final say on the suitability of any stock in the Amity Funds based on our screening process.

Once invested, we will conduct thematic or company-specific engagement, and vote at company meetings. Engagement is conducted across the portfolios, and, although there is an emphasis on the screened Amity Funds and client-specific mandates, we also have a positive engagement commitment in our non-screened Funds, which include those of our parent company, Ecclesiastical Insurance Group. EdenTree manages a number of discretionary mandates and strategies for institutional and segregated clients. These are managed according to our overarching approach to responsible and sustainable investing, but may have alternative – or no – specific screening requirements. Engagements are wide-ranging and are conducted by the RI Team, either unilaterally, or in collaboration with fellow stakeholders.

The final piece of our responsible investing jigsaw is research/thought leadership. At EdenTree, we pride ourselves in providing clients, industry experts, and investors with relevant, detailed research on some of the most pressing sustainability- and ethics-focused challenges of our time. We also publish a number of shorter thought-leadership pieces, known as RI Expert Briefings, which focus on social, environmental, and governance topics, outlining the issues at stake, our House view, and what we are doing as responsible investors to address stakeholder concerns. 2019 saw the launch of a new type of Expert Briefing, which we have called "Emerging Issues". These pieces focus on issues on which we have not yet formed a strong House view, but which are increasingly coming onto our radar.

This Annual Review sets out some 2019 highlights across our four areas of focus.

# RESEARCH

EdenTree prides itself in providing clients, industry experts and other stakeholders with relevant, thoughtful, and detailed research on some of the most pressing sustainability and ethical challenges of our time.

In 2019, we published three Amity Insights – our flagship research pieces – on ethics at the cutting-edge of medical science, our views on "sustainability" as investors, and the issue of (socio)economic inequality in the 21st century.

We also published a number of RI Expert Briefings on a diverse range of topics. These covered: sugar, tax, genetic modification, the Access to Medicines Index, executive remuneration, gilts, palm oil, and the rearticulation of our Oppressive Regimes Ethics/Values screen. As mentioned, we also began to publish "Emerging Issues" Expert Briefings in 2019, with two pieces looking at hydrogen's future in a net-zero carbon economy, and (medicinal) cannabis as a sector for responsible investors.

This section of our of Annual Responsible Investment Review outlines the extent of our thought leadership work in 2019. All of our research pieces – including the Amity Insights and Expert Briefings – are available on our website, at **www.edentreeim.com/insights**. We welcome feedback on any of our Insights and Expert Briefings, and encourage you to spend some time looking back through our thought leadership work of previous years.


## AMITY INSIGHT. JANUARY.

### The Life Code:
### At the Cutting Edge of Medical Science

This Insight emerged from a recognition that the application of DNA-related medical knowledge is creating a range of investment opportunities throughout the value chain in diagnostics, genetic editing, research and treatment, but that these technologies can present profound ethical challenges.

As scientific research begins to unravel the mysteries of the building blocks of life, DNA, the potential for life-saving and life-altering medicines is clear. Precise, tailored treatments for a broad range of conditions may soon be possible. EdenTree's Health & Wellbeing theme recognises the importance of improving the efficacy and affordability of treatments, reducing drug waste, and powering the discovery of new drugs for currently untreatable conditions.

However, as technology now allows us to sequence genomes, how do we protect this important data? What are the implications of genetic editing? How far does this technology threaten what it really means to be human? And how far should the life code itself be manipulated for profit?

The areas covered in *The Life Code* are at the cutting edge of developments in medical science, where many of the ethical dilemmas are still to emerge, and to be regulated adequately by policy makers. Several months after The Life Code was published, for instance, a Chinese scientist was jailed for conducting experiments on human embryos to try to immunise them against HIV. We also saw a backlash against a company whose DNA-sequencing hardware was allegedly used to profile the Muslim population of Xinjiang Uygur Autonomous Region (XUAR) in China.

These cases have highlighted ethical tensions at this scientific boundary, and demonstrate the importance of following a strong moral compass when navigating this particular investment universe.

## AMITY INSIGHT. JUNE.

### Sustainability:
### Fad, Fashion, or the Future of Investment?

As the world contends with multiple systemic challenges – climate change, poverty, water scarcity, ecological devastation and rising population – it is not surprising that interest has grown among some investors in seeking to respond to these imperatives directly via investment strategies that have come to be defined as 'sustainable'.

Knowing the importance of avoiding 'greenwash' and building on our rearticulated Amity process, this Insight sought to define what 'sustainable investing' means for us as a House. It outlined emerging models of 'transition' and 'circularity', coupled with an appreciation of how the Sustainable Development Goals support our thinking in this area.

We looked at the sustainable investment opportunity set and presented case studies of 'sustainable investing' in action through the lens of stock selection. Our Global Fund Manager, David Osfield, CFA, set out in an interview how sustainable investing drives much of his thinking in constructing portfolios 'built for the future'.

The Insight concludes that "sustainable investing" can be a locomotive of change in investment decision making. Whilst it is clearly capturing the imagination of markets, investors and society, we also stress that it needs to be clearly and transparently defined.

## AMITY INSIGHT. OCTOBER.


### Mind the Gap:
### Economic Inequality in the 21st Century

This Insight marked a slight departure from the traditional format, whereby we have tended to identify a (global) challenge, and then outline how we can invest in companies which go some way in dealing with the issue. Although *Mind the Gap* does consider what EdenTree can do in terms of trying to tackle economic inequality, the Insight deliberately adopted a more systems-thinking approach, looking at some of the systemic drivers of inequality and highlighting the need to address underlying causes, rather than just treating symptoms.

*Mind the Gap* examines various dimensions of income and wealth inequality on a global and national scale, places them squarely within the context of the current climate and ecological crises, and considers ways of tackling inequality within the planetary boundaries. A case study focusing on economic inequality in the UK demonstrates how inequality manifests itself, and considers why inequality is far worse in the UK now than it was in the thirty or so years after the Second World War.

The Insight considers how responsible investors can play a part in promoting a 'race to the top' by supporting Living Wages, a strong culture of diversity, robust labour and supply chain standards, and fair tax arrangements, but also stresses the limits to investor action in a vacuum. Leaning on the 'Doughnut Economics' model developed by Kate Raworth (Senior Visiting Research Associate at Oxford University's Environmental Change Institute), and theories underpinning ecological economics, *Mind the Gap* asks whether radically new economic thinking is required if we are to meet the needs of all within the planet's ecological boundaries.

We are very grateful to Dominic Burke, Investment Director at the LankellyChase Foundation, for writing a thought-provoking Foreword to this Insight.

All of our Amity Insights are accompanied by short webcasts, in which the author walks the listener through the key ideas within their Insight. These can be found in the Insights section of the EdenTree website.

## RI EXPERT BRIEFINGS IN 2019.

### Our Responsible & Sustainable Approach

This Expert Briefing, published in February, reflected on the evolution of the Amity process which occurred through 2018. We recognise that the responsible investment market is evolving fast and that clients are seeking more from their fund managers, particularly in the area of sustainability, and how this is taken into account in stock selection. This Expert Briefing laid out our transformed approach, introduced the new three-stage screening process (outlined on page 4 of this document), and reflected in our engagement, thought leadership, and voting work.

### Sugar

In response to several enquiries from clients on our approach to sugar and nutrition, we published this Expert Briefing in early 2019. It examines different types of sugar, the health implications of excessive sugar consumption (including the strain placed on public healthcare systems), and sets out our investment approach.

### Palm Oil (update)

Palm Oil was among the first RI Expert Briefings we published for clients, back in 2011. This update reiterates our House position to avoid investing in palm plantations, with exposure chiefly limited to companies using it as a product ingredient. We look for commitments to source sustainably, and for banks to avoid financing deforestation. To help us, we use investor tools such as SPOTT, developed by the Zoological Society of London, which tracks transparency in the palm oil supply chain.

### Gilts

We are often asked how Gilts (or Treasury debt) comply with our responsible and sustainable approach to investing. This Expert Briefing explains our views on their ethical acceptability as an asset class, whilst acknowledging that for some clients they may be challenging owing to the allocation of Gilt proceeds to defence or nuclear programmes. Whilst accepting an allocation to developed market debt as 'ethically acceptable', our ethics Oppressive Regimes screen may prevent our taking a position in some overseas markets.

### GMOs (update)

As with "Palm Oil", we first published an Expert Briefing on Genetically Modified Organisms (GMOs) a number of years ago. This updated version serves to demonstrate that, whilst our approach to certain issues change rapidly, our ethical stance on others is often unwavering. We reiterate our House view that the genetic modification of animals is highly controversial, and we remain cautious with respect to its medical or scientific justification, whilst later-generation plant-based GMOs could be deemed acceptable depending on the efficacy.

### Oppressive Regimes

Our Oppressive Regimes Ethics/Values screen can be among the most challenging to apply. In 2019, we refreshed this screen, re-articulating what we mean by an 'Oppressive Regime'. This Expert Briefing set out in some detail our revised thinking in this area, highlighting the characterists of oppressive regimes, constructing a list of countries with oppressive regimes using third-party (NGO) assessments, and identifying corporate complicity in human rights violations in these countries. It also scopes emerging issues around certain technologies and how they are deployed by state actors, which require ongoing attention.

### Tax (update)

We are sometimes asked by clients for our views on tax as responsible investors, and so this updated Expert Briefing sets out our current thinking. Tax is one element of corporate governance we consider when looking at and monitoring potential investments. On the whole, we prefer transparent and appropriate tax structures, opposing highly engineered, artificial or aggressive avoidance mechanisms.

### The How and Why of Voting (update)

Proxy voting is a key part of exercising investor stewardship on behalf of our clients and is conducted through our Governance pillar. Our voting policies and voting action are all published, but we are sometimes asked about the mechanics of voting, how it works, and why we do it. This fully updated RI Expert Briefing seeks to answer these questions.

### Executive Remuneration (update)

Following the publication of our Amity Insight on economic inequality, Head of RI Policy & Research and Governance lead Neville White took a deep dive into executive pay, how it works, how it is calculated, and our approach to it. Executive pay continues to attract criticism, and has long been a contentious issue for investors and in wider society. .

### Banks (update)

We penned an Expert Briefing on banks not long after the 2007-8 financial crisis, principally looking at the governance structures and cultures which led to the subprime bubble. Whilst culture remains key, the sector's exposure to fossil fuel financing and its contribution to environmentally intrusive or socially unjust projects also raises concern. It is therefore legitimate to ask whether banks can continue to be viewed as 'responsible' and suitable for inclusion in our Amity range of responsible and sustainable Funds. This Expert Briefing sets out our House views.

## EMERGING ISSUES EXPERT BRIEFINGS

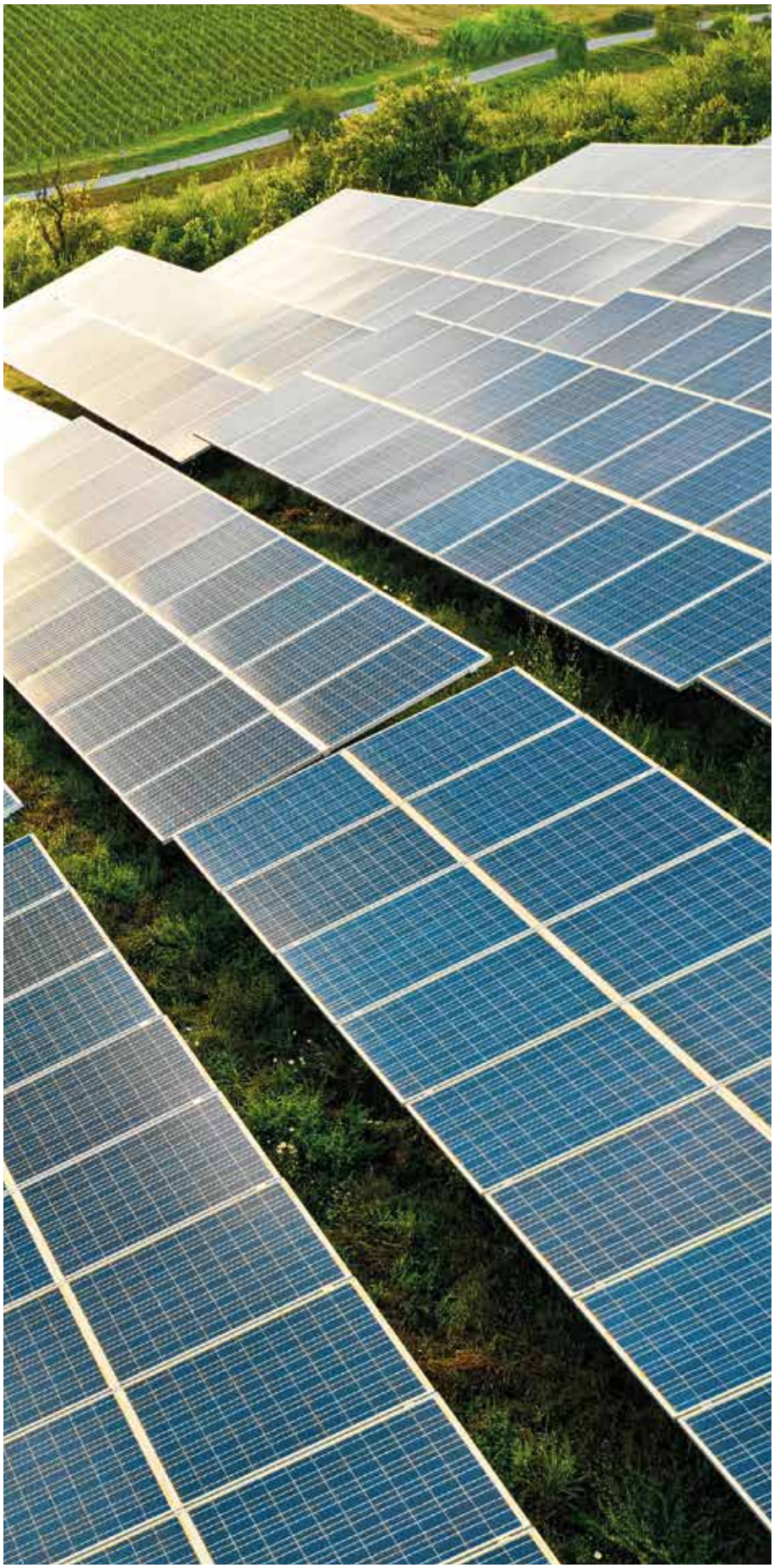
New for 2019, our new thematic suite of occasional Expert Briefings looking at 'emerging issues'. These may be themes that are attracting attention, but are perhaps too early for us to have a clear or finished House view.

### Cannabis

Excitement over the market for legalised cannabis continued to grow apace throughout 2019, as deregulation took place in some countries. This, the first of our Emerging Issues Expert Briefings, explored the potential of therapeutic cannabis, but suggested that this alone may not be particularly commercially viable. Our Health & Wellbeing theme would potentially support properly prescribed and professionally administered cannabis for a range of acute conditions, but our concern is that companies would seek to profit from deregulated, recreational cannabis use, which is highly unlikely to pass our screening process.

### Hydrogen

This Emerging Issues Expert Briefing explores the potential for hydrogen to become a liquid fuel source across a range of applications, such as local public transport, trains, long-range haulage, air travel, and shipping. In a zero-carbon future, we believe hydrogen has an interesting role to play, and we acknowledge that this will be complemented by battery-electric technology. Investment opportunities in hydrogen remain thin at present, but the potential is exciting, especially for the public transport and commercial fleets.



# SCREENING AND REVIEWS

Both the screening of new investment ideas and reviews of current investments form a key part of the RI Team's work on a day-to-day basis.

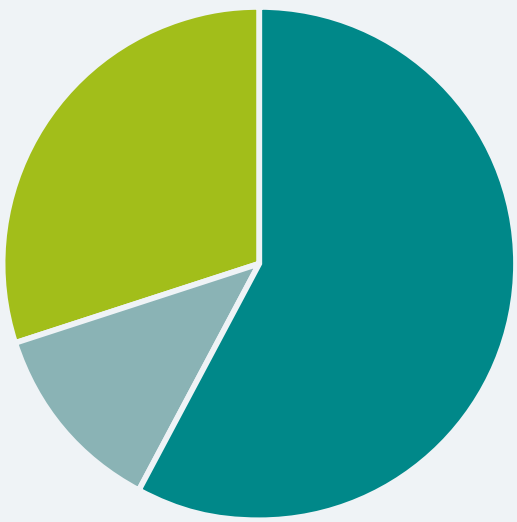
Screenings and reviews draw on information from a broad range of sources, including our data provider in 2019, Sustainalytics, company meetings, broker research, mainstream media, NGOs and non-profits, academic research, national and international laws and protocols, company reports, and our own expertise.

We apply a range of screened approaches across specific mandates and strategies, principally within our family of Amity retail and charity Funds.

The Amity Funds apply the Ethics/Values ('negative') screening in keeping with the adoption and maintenance of a distinctive, long-standing ethical stance. Responsibility/ESG screening is applied so that the Amity Funds comprise a portfolio of companies we view as likely to deliver superior returns over the long-term, based on their strong credentials as responsible and sustainable companies.

The Responsibility/ESG risk criteria – outlined on page 4 of this document – can act as a brake on investment, should a company's ESG performance fail to meet our required standards. To that end, mining and transnational oil are avoided on environmental, climate, and human rights grounds, under this part of the screening process. As a House, we view the integration of ESG factors to be a key way of reducing risk and adding value over time.

## 2019 SCREENING OUTCOMES



### 2019 SCREENING OUTCOMES

- **Passes - 25**
- **Fails - 5**
- **Suitable with caution - 13**

Total **43 issuers screened in 2019**

## DIVESTMENTS ON ESG / SUSTAINABILITY GROUNDS

The above figures reflect the outcomes of our screening of new investment ideas presented by EdenTree's Fund Managers. The RI Team also conducts periodic reviews of existing holdings, to determine their continued suitability for inclusion in the Funds. As our thinking on a number of ESG / sustainability issues evolves, there are sometimes consequences in relation to how we view existing holdings, some of which may have been in the Funds for many years.

As long-term investors, we believe that a healthy balance between good stock selection and constructive engagement – with the ultimate sanction of divestment – provides a robust process of risk assessment for clients, and reassurance that, as a Fund Manager, we do have clearly established intrinsic values, with divestment 'red lines'.

Divestments in 2019 were primarily the result of strengthening our Funds' resilience to climate-related risks, although decisions are reached based on a rounded assessment of the company. For instance, the RI Team advocated divestment from US-based chemicals company **LyondellBasell**, on a range of environmental, community, and health & safety grounds. The company is engaged in high-sulphur crude refining with a high carbon intensity, has a significant exposure to plastic feedstock (with no indication of shifts to bioplastics or environmentally-friendly products), and had significant hazardous waste management impacts. Air pollution in the vicinity of the company's production facilities was also noted – a risk which appears to be exacerbated by increasingly severe hurricane seasons along the US Gulf coast.

In August, following a concerted engagement with the company, we recommended divestment from **Centrica** (owner of British Gas), on climate and environmental grounds. Centrica's oil & gas joint venture Spirit Energy holds operational licenses in the Barents Sea (north of Norway); consultation with WWF Norway confirmed that these licenses are deep within the Arctic circle and in areas of high ecological importance. The company stated an intention to sell this Exploration & Production division by the end of 2020, but the lead-time and strategy appeared to us to be too long and uncertain. Based on a failure of the Arctic drilling Ethics/Values screen, Centrica was no longer considered suitable for the Amity Funds, and we divested promptly. This view will hold until such time as Spirit Energy is sold.

Decisions were also made to divest our equity positions in French utilities company **Engie**, and a fixed income exposure to **Heathrow Airport Funding Limited**.

# ENGAGEMENT

### Edentree engagement figures from 2019

As responsible investors, engagement with companies is one of the most important aspects of our work, and the one which can result in the most profound real-world impacts. Engagements are either conducted solely by EdenTree (unilerateral), or alongside other stakeholders (collaborative).

Unilateral engagements are usually initiated if (i) a company is involved in a high-level controversy ('reactive engagement'); (ii) if a company has been identified as a target for engagement during the course of a screening or review ('screening/monitoring-related engagement'); or (iii) as part of a wider round of thematic engagement (e.g. reporting on climate impacts, or Modern Slavery in the construction sector).

Collaborative engagements are key to wider progress on environmental, social, and governance issues, leveraging the collective voice and expertise of like-minded investors and other stakeholders.

Engagement is conducted across all client strategies and mandates.

**EdenTree is a signatory-supporter to several collaborative investor initiatives, including:**

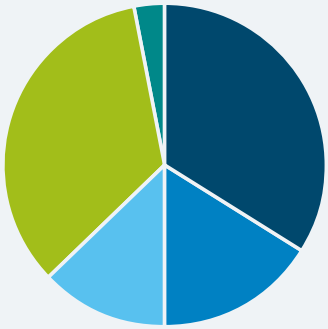
- Access to Medicine Index (ATMI)
- Access to Nutrition Index (ATNI)
- CDP (carbon, water, and forest)
- Business Benchmark on Farm Animal Welfare (BBFAW)
- Farm Animal Investment Risk & Return (FAIRR)
- 30% Club on Diversity
- Corporate Human Rights Benchmark (CHRB)
- Workforce Disclosure Initiative (WDI)
- Montréal Pledge
- Paris Pledge

We support a range of collaborative partnerships in the course of our work.

## 2019 EDENTREE ENGAGEMENT STATISTICS*

| | |
|---|---|
| 160 | Total engagements on ESG issues in 2019 |
| 55 | Engagements with a specific environmental focus |
| 26 | Engagements with a specific social focus |
| 20 | Engagements with a specific governance focus |
| 54 | Engagements with an overlapping (ESG) theme |
| 5 | Ethics/Values (negative) screens-related engagements |

* These figures are significantly lower than those reported in our 2018 Annual Review, due to a change in our reporting methodology which now aligns with PRI reporting requirements.

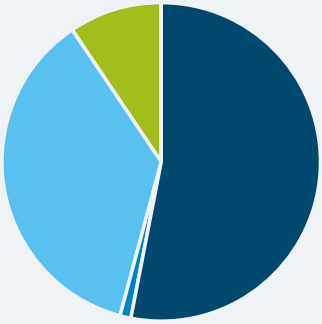


## BREAKDOWN OF ENGAGEMENT TYPES (%)

- **34%** Environmental focus
- **16%** Social focus
- **13%** Governance focus
- **34%** Overlapping (ESG) theme
- **3%** Ethics/Values (negative) screens focus

## ENGAGEMENT BY TYPE (NO.)

- **85** Thematic Engagements
- **2** Reactive Engagement
- **58** Screening / monitoring-related engagement
- **15** Voting-related engagements



**EdenTree also supports a range of collaborative partnerships in the course of our work, where we add our name and experience to coalitions of international investors to drive positive change. During 2019, we:**

- Have supported a collaborative investor initiative calling on the Marine Stewardship Council to strengthen its fisheries standard to include abandoned, lost or discarded fishing gear as part of its certification process. So-called 'Ghost Gear' is a significant contributor to marine pollution, adversely affecting biodiversity.
- Signed the PRI's investor statement on responsible cobalt
- Signed the PRI's investor letter to the mining sector to improve disclosure on tailings dams
- Participated in Taskforce on Climate-Related Financial Disclosure (TCFD) roundtables on climate-readiness in the electric utilities, construction materials, and chemicals sectors
- Signed a collaborative letter with ShareAction to **Barclays** and **HSBC** on fossil fuel (project) financing
- Signed an investor statement on Canadian Board Diversity, an initiative led by NEI Investments
- Participated in a number of 30% Club and Diversity initiatives, and signed a 30% Club letter to Centrica (no longer held in Amity Funds) on Board diversity
- Signed a number of Investor Decarbonisation Initiative letters, to **Roche**, **Deutsche Telekom**, and **China Telecom**
- Signed a FAIRR-led investor letter to support a moratorium on Amazon soy against deforestation

We also continue to engage with regulatory bodies regarding the future direction of responsible and sustainable investing. For example, in 2019 we offered our thoughts on a proposed new category of fixed income product, "Transition Bonds", submitted a detailed response to the Investment Association consultation on 'Sustainable and Responsible Investment', and gave a 'teach-in' to the Financial Conduct Authority (FCA) on responsible investing.

# UNILATERAL ENGAGEMENT CASE STUDIES

## A CLIMATE FOCUS

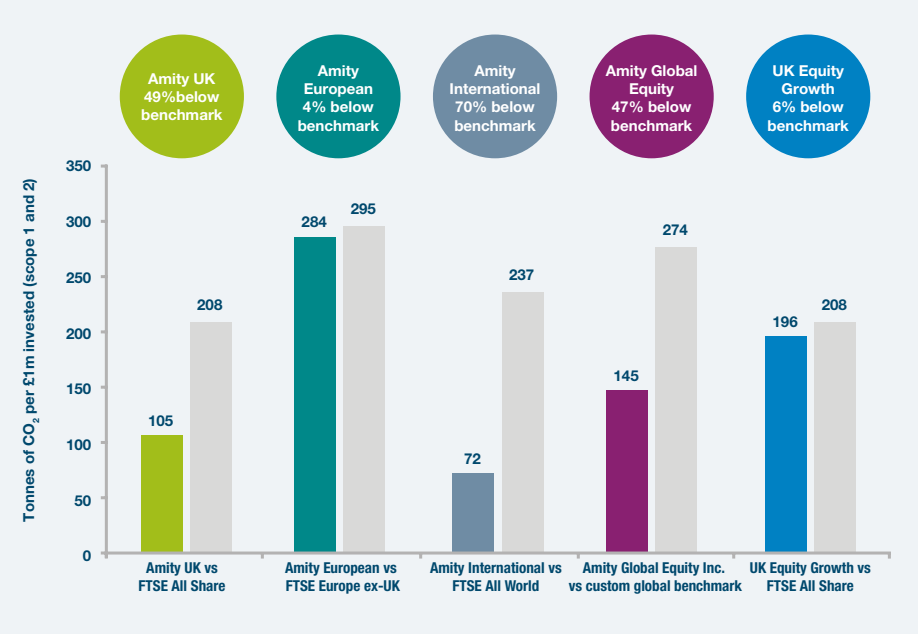
Whilst global emissions of carbon dioxide continue to rise, the effects of climate breakdown (from 1 degree of warming) are increasingly being felt across the world. 2019 was marked by extreme drought and water shortages in Delhi, sharp rises in Amazonian deforestation rates, successive devastating cyclones striking Mozambique, and apocalyptic bushfires across Australia. Throughout the year, we stepped up our efforts to engage with companies on greenhouse gas emissions. As a signatory to the Paris Pledge for action, we believe investors cannot ignore climate change; the moral imperative is too great.

We also aim to understand and reduce the risks of climate breakdown in our portfolios. Carbon footprinting our equity portfolios is the first step in this approach. As climate risks become more acute, we are seeking a more integrated, systemic method of assessing physical and transition risks across our portfolios, and this be a key piece of work through 2020. We started carbon footprinting our equity portfolios in 2016, and reported on the fourth consecutive year of undertaking these in 2019.

This year all of the Amity equity funds continue to report a lower carbon intensity than their respective benchmarks, and we are particularly pleased to see a further decline in the Amity International Fund's carbon intensity (as measured by tonnes of CO2 equivalent per £1m invested). The increase in UK Equity Growth's carbon intensity is the result of the addition of one stock – **Applegreen**.

We believe the lower carbon profile of the equity funds in particular is the result of our thorough screening process, where we actively look for companies with strong environmental management practices. We aim to invest in companies that fully integrate climate risks and opportunities into their business strategies and seek to reduce the emissions in their direct and indirect emissions.


* Source: CDP 31.12.2018




Whilst the results help to show the carbon-aware profile of the portfolios, they are particularly used to drive engagement with the heaviest emitters in each portfolio. Our engagement focuses on transparent disclosure, emission trends and emission reduction targets. In 2019, we continued to ask companies to report in line with the Taskforce for Climate related Financial Disclosures (TCFD) recommendations, and we particularly encouraged companies to set science based targets.

During 2019, we engaged with 17 companies to encourage emissions reductions and setting more ambitious targets including electric utility company **Enel** about the transition of its electricity generation mix, **Smurfit Kappa** on its approach to climate change and challenges to improve efficiency and increase 'renewables' as well as **Renewi** on the importance of reduction targets in addition to measuring avoided emissions.

## BANKS AND THE CLIMATE CRISIS

In the second quarter of 2019, we conducted thematic engagement with our banking sector holdings, including **Société Générale**, **Standard Chartered**, **DBS**, and **Commerzbank**, regarding their project financing activities. In particular, we were concerned with the banks' exposure to fossil fuel projects and corporations deriving large proportions of their revenues from fossil fuels, as well as ecologically destructive infrastructure projects in the mining and utilities sector. We urge our banking holdings to play a more active role within the financial sector to lead the low carbon transition, and restrict lending to fossil fuel projects, in part because this may strengthen their resilience to potentially abrupt climate policy shocks. Alongside company-specific requests, we encouraged the targeted banks to align their loan books with a 1.5 or 2 degree scenario, consistent with the 2015 Paris Agreement.

We plan to revisit this engagement stream in 2020, when we will also factor biodiversity into our questions around project finance due diligence.

### OUR BANKING SECTOR HOLDINGS

BARCLAYS
COMMERZBANK
Bank of Ireland
LLOYDS BANKING GROUP
BBVA
OCBC Bank
大新銀行 DahSingBank
DBS
HSBC
ING
Santander
Standard Chartered
SMBC
SOCIETE GENERALE



* Source: CDP 31.12.2018

## A MODERN SLAVERY FOCUS

We conducted thematic engagement with our UK construction sector/house-builder holdings on the issue of Modern Slavery and human trafficking. We identified 10 companies for this engagement: **Berkeley Group**, **Landsec**, **Morgan Sindall**, **Bellway**, **Inland Homes**, **British Land**, **Great Portland Estates**, **Taylor Wimpey**, **Urban & Civic**, and **Galliford Try**. We aimed to understand the impact of Modern Slavery policies and practices, and the level of due diligence conducted with respect to direct employees and those in the supply chain (including business partners and contractors).

Our particular interest was establishing whether few reported instances of Modern Slavery/trafficking in supply chains and among contractors'/sub-contractors' labour forces are the result of strong policies and due diligence (i.e. the policies have ensured that there are no instances), or indicate that methods of identifying and reporting instances of Modern Slavery are insufficiently mature to be able to show they are occurring.

The candour of many responses demonstrated that there is an acute understanding of the shortfalls in existing due diligence processes, particularly deep within supply chains and sub-contracted workforces. It is important to stress that we are not looking to 'blame' companies for 'found' instances of Modern Slavery in their supply chains or in sub-contracted workforces, but to encourage and work alongside them to help identify risks, free victims from all forms of slavery, and prevent re-occurrence.

Modern Slavery will continue to be a key engagement theme through 2020. As well as revisiting these construction sector holdings, we are looking forward to playing an active role in a new investor-led initiative called "Find It, Fix It, Prevent It" . This will bring together investors, NGOs, and academic research institutions to encourage businesses to find victims of slavery within their supply chain and support their rehabilitation. There are four parts to the initiative: (i) an investor statement, which we have signed; (ii) an investor engagement group which will initially target 16 companies in the UK hospitality sector; (iii) an investor group which will seek to drive public policy change, focusing on strengthening the Modern Slavery Act; and (iv) a group bringing together academics, ESG ratings providers, and investors, to develop metrics on Modern Slavery which can be incorporated into ESG ratings. We have provisionally pledged support across all three groups, with the engagements expected to begin in March/April 2020.

> The candour of many responses demonstrated that there is an acute understanding of the shortfalls in existing due diligence processes, particularly deep within supply chains and sub-contracted workforces.
>
> **Jon Mowll**,
> Responsible Investment Analyst

### OUR UK CONSTRUCTION SECTOR/HOUSE-BUILDER HOLDINGS

## CONSTRUCTION 'WASTE'

Last year we dedicated one of our Insights to the topic of waste and explored how the existing (linear) economic model has led to the depletion of resources and an exponential increase in waste production. The construction sector emerged as a major contributor to waste, and in early 2019 we decided to engage with our holdings in the construction sector to understand how they are managing this, and to encourage better practices. We targeted the same 10 companies as in our Modern Slavery engagement stream outlined above.

> The vast majority of UK property developers, construction companies and house-builders that we own in our portfolios have set ambitious landfill diversion targets and have already met these or are on track to do so. However, very few companies have set targets to address the volumes of waste generated
>
> **Esmé van Herwijnen**, Responsible Investment Analyst

The key materials sent to waste by the sector include bricks, rubble, timber, metals, plasterboard, (plastic) packaging from material deliveries and other mixed waste. Waste monitoring presents some challenges for developers, and house-builders also struggle to have proper oversight of the volumes and types of waste generated. Often the responsibility lies with the sub-contractors. There is some oversight of the types of waste generated, although the different waste types are not always sufficiently segregated.

Our engagement demonstrated that, in the UK, landfill is no longer seen as an option for the sector. Whilst we are encouraged by this progress, we believe more is needed to address the overall volume of waste generated in construction projects. Waste management is poorly regulated and the sector has not been able to self-regulate. We believe a more integrated approach is required. When asked, most of the companies did not see any potential value from waste streams; ultimately, we need to move away from seeing these products as 'waste', and rather view them as a resource for reuse.

## FOOD ALLERGENS

We have relatively little exposure to the restaurant and hospitality sector, but we wrote urgently to three holdings in light of the Coroner's written ruling in the case of Owen Carey. Owen, who was 18, died from acute allergen shock from eating a hamburger that had been exposed to dairy products, with the Coroner ruling he had been 'misled' by the menu. Whilst rare, we view this distressing case as proof that the sector needs to do more in terms of allergen awareness and in training staff to understand the risks.

We wrote to **Greene King** and **Mitchells & Butlers** (not Amity) as well as **SSP Group** to ask for their response to the Coroner's ruling, whether they view their allergen information to be adequate in light of the ruling, and how they expect to ensure staff are adequately trained to respond to customer concerns. We received constructive and detailed responses from all three companies which suggested strong internal risk procedures and comprehensive training is in place.

## SEEKING GOVERNANCE IMPROVEMENTS AT AIM-LISTED COMPANIES

AIM listed companies are subject to lower corporate governance standards than those with a premium listing; this has led to concerns of weaker and poorer protection for shareholders.

We believe that certain principles should be observed by all companies including annual election of directors and an annual vote on remuneration. We therefore engaged with seven AIM companies urging Boards to introduce these standards.

The engagement proved highly effective, with the majority of companies agreeing to a review. Subsequently, three companies - **Tatton Asset Management, Actual Experience** and **Harwood Wealth Management** - agreed to introduce annual director elections from the 2020 AGM. This means that three companies have now agreed to amend their Articles of Association to move towards best practice in annual elections following our engagement and is very positive news for the effectiveness of constructive engagement with smaller companies.

## ENGAGING ON BETTER GOVERNANCE

We engage with a range of companies across our portfolios on material corporate governance issues.

We spoke with the CFO of **Tracsis** over poor remuneration disclosure, where the lack of disclosure on bonus conditions were insufficient to take an informed view. We met with the Chair of the Remuneration Committee at **Lloyds Banking Group** to discuss the bank's 2018 remuneration outcomes. The company was keen to hear investor views on how to improve remuneration in the future. We raised our concerns about quantum and high variable opportunities, as well as the disconnect between executive pensions and the wider workforce. We met with the Chair of the Commerzbank Supervisory Board (Amity European) and discussed a range of topics including Board composition and elections, cyber risk, climate change, and remuneration. We encouraged the company to introduce annual resolutions on Director Elections and remuneration reports.

We met with the Chairman of the Supervisory Board of Commerzbank to discuss corporate governance. German governance is unusual with half of the Supervisory Board typically being employee directors, whilst management are seldom offered for annual shareholder election. We welcomed – at times – robust dialogue with our urging annual director elections at Commerzbank.

We are occasionally asked to consult on remuneration proposals and in 2019 we provided our views to **Mears Group** where a new remuneration policy will be adopted in 2020.

## DIVERSITY

We have fully integrated diversity across our UK and international holdings in all markets. Overseas, we will oppose Nomination Committee chairs where diversity is poor, absent or has been consistently below 25%. In the UK we support the Hampton-Alexander target of 33% women on Boards by 2020 and again, vote against Nomination Committee chairs where diversity has been poor overtime.

6 – the number of UK Nomination Committee Chairs opposed in 2019 including **Sage Group**, **Prudential** and **Smiths Group**.

18 – the number of overseas Nomination Committee Chairs opposed in 2019 including **Deere & co.**, **Pfizer**, **Autoliv**, **intel** and **Alphabet**.

## SITE VISITS

Whilst face-to-face meetings at our offices and conference calls with senior management form the core of our company-specific engagement schedule, we occasionally have the opportunity to visit company facilities in the UK and continental Europe. These allow us to gain a better understanding of on-site working conditions, environmental management strategies, and, in some cases, how pioneering circular economy models are being implemented.

We visited a manufacturing site, owned by **Marshalls Plc**. The visit was structured so that the investor group was shown around some of the site's manufacturing facilities by site managers. The site employs roughly 150 people, and manufactures concrete products, principally for water management and storage, although they have a number of other applications. We had the opportunity to discuss environmental and social issues during the course of the day, and we will continue to engage with a company which we consider to be a sector-leader across numerous social and environmental issues.

> Site visits allow us to gain a better understanding of on-site working conditions, environmental management strategies, and, in some cases, how pioneering circular economy models are being implemented.
>
> **Neville White**, Head of Responsible Investment Policy and Research

# COLLABORATIVE ENGAGEMENT CASE STUDIES

## PRI INVESTOR GROUP ON RESPONSIBLE COBALT

The PRI working group on responsible cobalt is a continuation of a pre-existing initiative which began in 2016, following an Amesty International report on human rights abuses in cobalt supply chains. The group's objectives are to ensure that target companies (i) improve practices around human rights risk assessments and due diligence; (ii) monitor on-the-ground impacts and corrective actions, including remediation processes; and (iii) collaborate on systemic issues.

Of the targeted companies, we are leading the engagement with German company **Infineon**, with support from fellow investors in Australia and Germany. We opened a dialogue with the company to establish the extent of their exposure to cobalt, and the steps they are taking to ensure universal human rights are upheld in their cobalt supply chain, but progress so far has been limited.

Away from the company-specific engagement stream, we attended a roundtable discussion in November, convening NGOs, representatives from the European Commission, companies sourcing from the DRC, and investors. Discussion revolved around different approaches to supply chain management with the aim of preventing human rights abuses, and being positive forces in-country.

## PRI INVESTOR GROUP ON THE JUST TRANSITION TO A NET-ZERO-CARBON ECONOMY

A further PRI investor group we joined during 2019 focuses on the Just Transition to a net-zero-carbon economy. The working group is in the process of scoping the objectives of the engagement stream, and establishing the role investors can play in ensuring a Just Transition over the next decade.

## LIVING WAGES, THE WDI, AND OUR WORK WITH SHAREACTION

We have been supporters of the **Workforce Disclosure Initiative (WDI)** since its inception. The initiative is spearheaded by UK-based NGO ShareAction, and is supported by a coalition of investors. It calls for transparency from companies on how they manage and treat workers in their direct operations and supply chains. The WDI aims to achieve this via an annual survey to be completed by companies (similar to the CDP, but for social/workforce issues).

We targeted six companies in relation to the 2019 WDI survey, including **Tesco**, **Carrefour**, and **Siemens**, inviting them to complete the survey for the first time. We also attended a WDI conference in the summer, which brought together companies, investors and NGOs to discuss workforce issues. It was an opportunity for us to speak directly to companies we hold and that have not yet participated in the initiative.

EdenTree has also been a supporter of the Living Wage Foundation's work, and ShareAction's investor-led campaigns on living wages and fair pay. We have signed Living Wage-related letters to **British Land**, **Halma**, **Hargreaves Lansdown**, **Phoenix Group**, **Rentokil Initial**, **Royal Mail**, **Smurfit Kappa**, and **United Utilities**. These letters, co-signed by other investors, requested updates in relation to the companies' progress towards paying a Living Wage to its employees (and towards accreditation from the Living Wage Foundation), following the announcement of the new Living Wage rates in November 2019.

## CDP ENGAGEMENTS – CLIMATE DISCLOSURE

During the course of 2019, we engaged with a number of companies as part of the annual CDP non-disclosure campaign. Each year, the CDP sends invitations to thousands of companies, requesting they

respond to the CDP survey, which is a valuable source of information to investors assessing corporate climated-related risks. EdenTree has been leading engagement with four non-responding companies to encourage them to participate this year: **TT Electronics**, **Autoliv**, **Hawaiian Electric**, and **Draegerwerk**. Of these, we are pleased to report that TT Electronics and Autoliv have now submitted responses to the CDP. We will be taking part in the non-disclosure campaign in 2020, and look forward to leading engagements with other companies held in our portfolios.

## SCREENING AND REVIEW-RELATED ENGAGEMENTS

Many of our engagements with companies centre on issues which we flag during the screening or review process. These take place throughout the year. Here's a flavour of some of our screening- and review-related engagements

- We had a six-month follow up call with **Novartis**, following our intense engagement with the Chief Ethics Officer in the autumn of 2018. Our engagement has included a high-level letter to the CEO and recording a video which was broadcast to the top 500 leaders across the company. The follow up call was encouraging, with a strong emphasis placed on rebuilding a culture of honesty and trust, and an expert hired from Siemens to lead Group-wide change. This has been a rewarding example of positive and proactive engagement affecting change.
- In the summer, we secured a call with **Microsoft's** Director of ESG Engagement and the company's dedicated human rights team, to discuss the company's human rights challenges when operating in certain countries, particularly China. This was prompted in particular by press articles which linked Microsoft's facial recognition technology/research to a Chinese military university. The human rights team provided us with considerable detail about oversight of human rights, clear red lines and the process Microsoft has implemented to ensure it operates within its own policies in challenging countries such as China.
- A good example of screening-related engagement came in the form of **Valmont Industries Inc**, a US engineering conglomerate only just beginning their ESG disclosure journey. We had an introductory call with Investor Relations to discuss the business and its ESG risk management. As is common with US companies, disclosure around key risk metrics (emissions, water, waste, energy, health & safety, etc.) can be rudimentary or absent. The call was extremely constructive and went far in providing reassurance around the importance of environmental and social metrics for investors, and the company's willingness to dialogue with us around best practice.
- We engaged with **Enel** to discuss three important ESG topics for the company: its energy transition, health & safety and human rights. The company has set out an ambitious pathway around its energy transition, with Enel aiming to be carbon neutral by 2050.
- An interesting case study for engagement came in the form of **PRS REIT**. ESG disclosure among REITs – real estate investment trusts – is quite variable, and PRS REIT, which focuses on the development of affordable housing in the rented sector, is an example of a company where engagement prior to investment was considered prudent. Subsequent engagement has focused on our providing input into the type of disclosure useful to investors, including more information on the landbank and brownfield development.
- Other calls and meetings on ESG reporting and strategy during 2019 included **WPP**, **Direct Line Grup**, **Renewi**, **Pfizer**, **Vodafone**, **Walt Disney Co.**, **Union Pacific**, **Rentokil**, **Pridential. Phoenix Group Holdings**, **Philips**, **Randstand**, **a.s.r. Nederland**, **Telfonica**, **Kemira** and **Michelin**.

# GOVERNANCE

EdenTree votes at all company meetings in all markets except where these are share-blocked. In such cases, we have taken a House view not to waive our voting rights.

Voting is conducted in accordance with our published UK and International Corporate Governance Policies (available on our website). All UK proxy voting (including Guernsey, Jersey, and the Isle of Man) is conducted wholly in-house by the RI Team, and signed off by a Fund Manager. Overseas proxy voting is contracted out to our partner Glass Lewis & Co, Inc.

A complete and transparent record of voting action taken is published quarterly in a single Global Corporate Governance Report. This contains UK and overseas voting statistics, detail of action taken (oppose/abstain), meetings where all resolutions were supported, diversity records (in the UK), and shareholder resolutions (in the US).

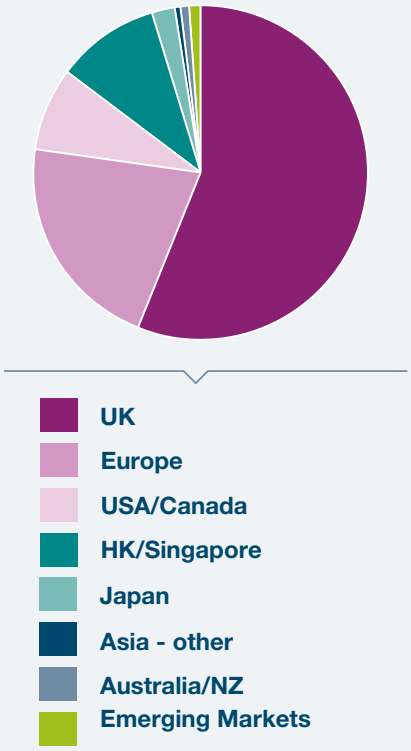
We continued our 100% voting record through 2019, voting at 367 company meetings during the year. As noted in our Amity Insight on economic inequality, we often vote against what we consider to be excessive executive remuneration.

In the USA we support shareholder resolutions where these appear reasonable and proportionate in keeping with our general stance on ESG (environmental, social and governance) positives. Where they appear to mandate an unreasonable financial charge or represent narrow lobby interests we may exercise discretion to oppose or abstain. During 2019 we supported 18 shareholder resolutions at 11 companies on isues such as electing an independent Chair, and improved reporting on remuneration, content policies and sexual harassment. At **Alphabet**, which saw an unprecedented number of shareholder proposals in 2019, we supported nine resolutions on a variety of issues.

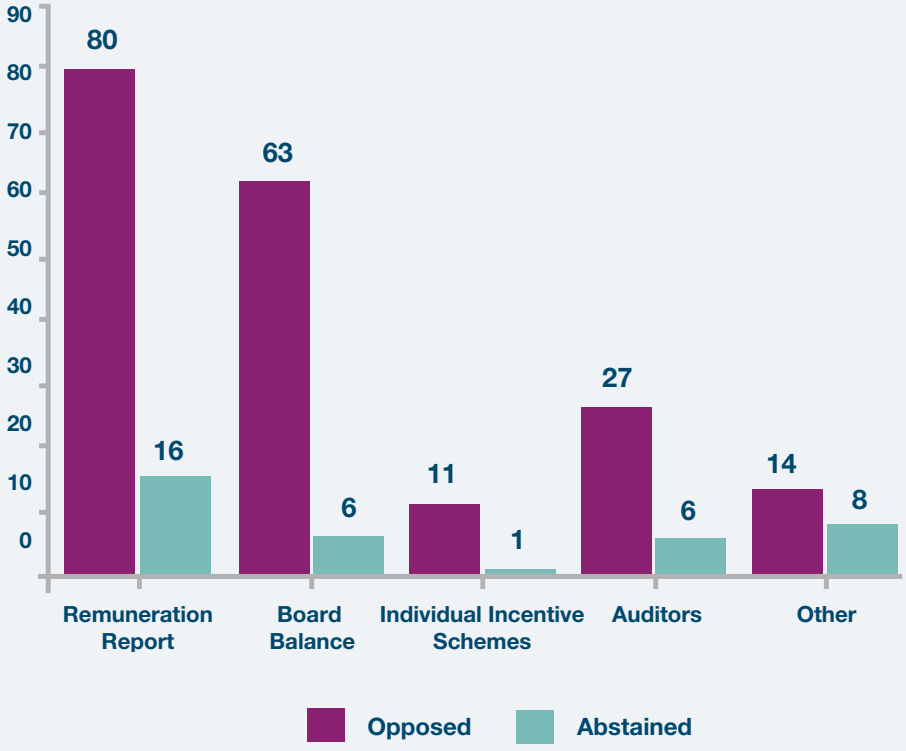
## VOTING RECORD IN 2019

| | |
|---|---|
| 367 | Total number of meetings at which EdenTree voted |
| 5,095 | Total number of resolutions on which EdenTree voted |
| 30 | Number of markets in which EdenTree voted |
| 41% | Percentage of UK remuneration reports and policy votes opposed or abstained by EdenTree |
| 88% | Percentage of UK FTSE100 company remuneration reports and policy votes opposed or abstained by EdenTree |
| 100% | Percentage of management and shareholder proposals supported by EdenTree in 2019 |
| 100% | Voting record in the UK |

## GEOGRAPHICAL BREAKDOWN OF VOTING ACTIVITY




## UK PROXY VOTING 2019 - OPPOSITION AND ABSTENTION



# RECOGNITION THROUGHOUT 2019

We were delighted to have been named 'Best Ethical Investment Provider' in the Moneyfacts Investment Life & Pensions Awards 2019 for the 11th successive year in a highly competitive category that included nine other Fund houses.

This is testament to our commitment to be the best ethical and responsible investment provider for clients, and a huge vote of confidence from all our supporters who nominated and voted for us.


We have been signatories to the **Principles for Responsible Investment (PRI)** since 2012. Each year, our process and performance is assessed by the PRI in an RI Transparency Report which we are obliged to submit to retain signatory status. We are pleased to report that, in 2019, we again achieved the highest score of A+ in the overarching Strategy and Governance Section. We are assessed across six other areas, and the results are set out in the RI Assessment Report, which, alongside the Transparency Report, is available under the Amity Hub's "Governance" tab on EdenTree's website.

We are also accredited under the **SRI European Transparency Code**, facilitated by Eurosif. We achieved our seventh accreditation in 2019. The full Transparency Report is available under the Insights Hub's "Governance" tab on EdenTree's website. Here, you can also find our UK Stewardship Statement.

We remain a Tier I Signatory to the **UK Stewardship Code**, as accredited by the Financial Reporting Council (FRC).

We also work with a select few service providers: **CDP** (carbon footprints); **ISS-ESG** (our main provider of ESG data and controversy updates from 1 January 2020); **IVIS** (Institutional Voting Information Service); **Glass Lewis & Co. Inc** (for overseas proxy voting) and **Proxy Insight** (ballot outcomes).

## MEMBERSHIPS & PARTNERSHIPS

**Access to Medicine Index (ATMI)**

**Access to Nutrition Index (ATNI)**

**CDP (carbon, water, and forest)**

**Business Benchmark on Farm Animal Welfare (BBFAW**

**Farm Animal Investment Risk & Return (FAIRR)**

**30% Club on Diversity**

**Corporate Human Rights Benchmark (CHRB)**

**Workforce Disclosure Initiative (WDI)**

**Montréal Pledge**

**Paris Pledge**

**UK Sustainable Investment and Finance Association (UKSIF)**

**Institutional Investors Group on Climate Change (IIGCC)**

# HOLDING OURSELVES TO HIGHER STANDARDS

In addition to our activities as investors, we are increasingly aware of the need to hold ourselves to the same high standards we expect of investee companies, and to report on our own corporate responsibility initiatives.

2019 saw the inauguration of the EdenTree Cor porate Responsibility Working Group. This employee-led working group seeks to identify areas for improvement in relation to EdenTree's environmental impact, our community involvement, and the health & wellbeing of staff.

We are pleased to report that our office does not send any waste to landfill, and that the majority of the energy for the building comes from renewable sources. All our paper is responsibly sourced (according to FSC or PEFC standards). Nonetheless, we have looked to improve our office's approach to recycling, moving away from individual waste bins to centralised recycling points, encouraging everyone to actively sort their waste.

The working group has also sought to increase staff volunteering. We organised a volunteering day at Surrey Docks Farm (pictured), an educational working farm near Surrey Quays, in London. The volunteers helped with daily tasks on the farm, including horticulture and cleaning out the farm's goats and sheep.

In relation to health & wellbeing, the working group's members have introduced a weekly supply of fresh, locally-produced fruit for the office, and have organised weekly group walks along the Thames, which are proving popular.

The working group looks forward to continuing its work in 2020 and to make further progress to reduce our environmental impact, support a healthy workplace and increase our community work.

# EDENTREE COMMUNITY FUND

We launched our Community Fund in 2017 to support the Ecclesiastical Group's wider aim of contributing towards the Greater Good. The Fund is a three-year £150,000 Fund which we have allocated to support projects in line with our culture and values, and aimed at providing support to local community based charitable programmes in our neighbouring boroughs in London.

We support small, innovative organisations that are having a remarkable impact working with marginalised people. We especially focus on the needs of young people, particularly girls, in the areas of sexual health, relationships education, mental health, addiction, bullying or other youth based training, education and support. Currently the fund is split to provide one flagship project with funding of £120,000 over three years, and three projects with one-off grants of £10,000. Our aim is to be fully involved over the life of the partnerships, with members of the EdenTree team providing volunteering and other support to our two chosen partners.

## FUTURES THEATRE

Our flagship support has been to Futures, a performance based education specialist that creates and produces work from a female perspective that places women at the centre. Futures specialises in commissioning work that tours schools and youth audiences across London, focusing on young people's needs.

Our grant supports the tour of 'Underwater Love' a challenging piece that explores how young people can assert themselves within relationships in a world saturated with social media, peer pressure and sexual imagery. Each performance is followed by an interactive workshop in which students engage with the material, act out scenarios, and explore how they can affect positive change.

## STREET TALK

Receiving a £10,000 grant in 2018-19, Street Talk provides intensive counselling and therapy for women caught up in trafficking or street work. Their aim is to provide professional, specialist care, for as long as it takes, for some of the most vulnerable and brutalised women with complex needs. The therapeutic services Street Talk offers take time, and our grant will fund a professional counsellor to work with 30 women over the course of a year. A number of EdenTree colleagues donated to provide personal care products for the women supported by Street Talk.

## NATURE VIBEZZZ

Receiving a £10,000 grant in 2019-20 Nature Vibezzz provides outdoor educational services, environmental education and practical nature conservation sessions, programs, events and community projects in South London. Their aim is to run services for the community that take the community outdoors, especially people who are not so confident about themselves or around nature, to promote nature activities, support volunteering and provide help to others organisations through community engagement and to provide opportunities for the disadvantaged, elderly and schoolchildren, among others. We were attracted to the wide ranging projects and commitments and particularly providing services for young people and families who are facing challenges in their lives, as well as for the general community, and in supporting young people in the transition phase from adolescence to adulthood – from dependence to independence.

# OUR RESPONSIBLE INVESTMENT TEAM

**Neville White**

Head of Responsible Investment Policy and Research

Neville heads the Responsible Investment Team. He leads on global corporate governance, proxy voting, and engagement with business around environmental, social and governance issues. He previously managed socially responsible investment for a number of church and charity investment managers.

**Esmé van Herwijnen**

Responsible Investment Analyst

Esmé holds a Master's degree in Sustainable Business from Toulouse Business School and gained experience in ESG research from Sustainalytics and PIRC. Alongside Neville and Jon, she works across the four key areas of our responsible investment approach – screening, governance, thought leadership/research, and engagement. Esmé has been with EdenTree since 2015, and, among other things, now leads our work on environmental issues, including climate change and portfolio carbon footprints.

**Jonathan Mowll**

Responsible Investment Analyst

Jon is the most recent addition to the EdenTree Responsible Investment Team, having joined in September 2018. He has previously worked in the commodities space, where he specialised in identifying ESG risks embedded in commodity supply chains. Jon holds a BA in History from Cambridge University, as well as the Postgraduate Certificate in Sustainable Business from the Cambridge Institute of Sustainability Leadership. Jon is EdenTree's social issues lead.

## OUR AMITY PANEL

Our Responsible and Sustainable Investment process is overseen by an independent Amity Panel. The Panel meets three times a year and may advise and inform but not mandate a course of action. The Panel is made up of independent experts appointed for their knowledge and expertise. The Panel was refreshed during the year following a refreshment of its Terms of Reference.

These now provide for a client member, and the initial appointment was Mr Julian Parrott, an advisor with Ethical Futures. EdenTree also appointed Mr Bill Seddon as an independent member of the Panel. Bill is the former Chief Executive of the Central Finance Board of the Methodist Church. The Panel's Terms of Reference are available on request.

**Rt Rev Dr Nigel Peyton**

Panel Chair

**George Prescott**

Chartered accountant BA FCA

**Julie McDowell**

Independent consultant

**Helen Crosby**

Environmental consultant

**Julian Parrott**

Client Member, Ethical Futures

**Bill Seddon**

Former CEO CFB Methodist Church

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