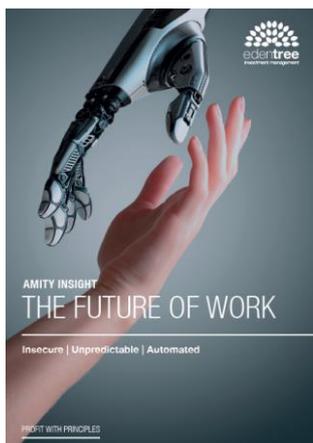


RESEARCH AND PUBLICATIONS



Our latest Amity Insight responds to client feedback to consider social justice issues such as the future of work, especially as it affects insecure and precarious employment in the ‘gig’ economy. The Insight looks at how insecure work has increased, for instance 50% of all 15-24 year olds working in the EU were on temporary contracts in 2016. We look at

how some of the worst effects can be mitigated by mechanisms such as the Living Wage and we focus on corporate responses to Modern Slavery and how companies are improving diversity in the workplace. Finally, we consider the risks and opportunities arising from automation and artificial intelligence and their likely impact on the future of work in displacing jobs. The Insight is online at www.edentreeim.com and available in hard copy on request.

In 2011 we published our research into water sustainability. Thirsty Planet considered the imbalance between supply and demand, and how by 2040, without action, water demand will exceed supply by 40%. Our next Amity Insight ‘Thirsty Planet Revisited’ will provide an update on our thinking, with new content on how climate change is impacting water availability. We also spotlight desalination as a technology whose time has come with over 21,000 active plants across the world. This Insight is due to be published in September.



During the quarter we published an RI Expert Briefing focusing on two conviction stocks held in the Amity Funds. Borregaard is a Norwegian bio-chemicals specialist, offering environmentally sustainable alternatives to oil based

chemicals for use in such applications as textiles, coatings, adhesives and plastics. Luceco is a UK manufacturer of high-quality LED lighting products and is well positioned to benefit from the global trend towards retrofitting lighting infrastructure with low-energy alternatives.



From time to time the RI team produces ‘thought pieces’ on topical ESG (environmental, social and governance) issues; during the quarter we published three blogs. One of these (*‘Breast is Best but Countries Need to do More’*) which looked at the effectiveness of the WHO Code on the Marketing of Breast Milk Substitutes (BMS), an issue that still generates much debate, but which is often misunderstood. The blog seeks to clarify the progress that has been made by manufacturers of BMS products, but acknowledges that countries must do more to implement the WHO Code in full.



Another blog reflected on the takeover defences mounted by Unilever and Akzo-Nobel, in the context of what it means to be a ‘Purposeful Company’ and how culture and sustainability (often referred to as ‘shared value’ models) adds considerable tangible value to a business over and above short-term returns demanded by activist investors. Our blogs are all accessible online.

During the quarter, we were featured in several trade publications, for example, writing on executive pay in FTfm, and on employment and social justice issues in Charity Finance.



We invite you to get involved with the team by following us on Twitter and LinkedIn. As well as accessing all of our publications at www.edentreeim.com, you can also follow Ketan on Twitter @Kethical where his 1,267 followers regularly read his

APRIL – JUNE 2017



Tweets on market, economic and sustainability issues. You can also 'link-in' with Neville where his 896 connections follow posts on topical ethical issues, research trends, and corporate governance news.

COMPANY ENGAGEMENT AND INDUSTRY INITIATIVES

We have commissioned portfolio carbon footprints for 2017 from South Pole Group for our four Amity equity Funds. The results will be published in line with our commitment under the Montréal Protocol at the end of July. We co-signed an IIGCC facilitated investor letter to the leaders of the G20 calling on them to maintain momentum in line with the Paris agreement to transition to a low-carbon economy. As part of the collaboration announced in our 1st quarter report, we co-signed letters to two US holdings (Kinder Morgan and LyondellBassell) calling on them to disclose GHG emissions data. We were subsequently informed by Lyondell that they have decided to respond to the 2017 CDP survey and disclose emissions data for the first time.



Our Healthcare positive screen has now been refreshed to become 'Health & Wellbeing' allowing a holistic approach to be taken in terms of prevention, diagnosis and treatment. Food companies will be assessed for instance under the Health & Wellbeing pillar to ensure they contribute positively to nutrition. We commenced engaging with Swiss company Aryzta (Amity European), a leading European food business on how they are responding to the wellness agenda.

We engaged with seven construction companies following an announcement by Taylor Wimpey (Amity UK; Amity Global Equity) that they had made provision for compensating purchasers of single-house leases that were sold a decade ago but no longer meet their high ethical standards. The leases contained provision for



ground rents to double every decade, assigning a significant cost to the purchaser over time. We sought confirmation from other housebuilders (Bellway, Berkeley Group, Morgan Sindall, Inland Homes, Crest Nicholson and Galliford Try) that they were not exposed to similar style lease terms. We engaged proactively with Taylor Wimpey and welcomed their decision to regularise outstanding leases.



We joined a collaborative initiative facilitated by Share Action to urge companies to move towards Living Wage accreditation. We have long supported the Living Wage (Ecclesiastical Insurance, the owner of EdenTree is a Living Wage employer), and co-signed letters to a number of companies including Prudential, CRH, Informa and WPP calling on them to work towards Living Wage accreditation. The campaign has been very successful over time with 32 FTSE100 companies becoming Living Wage accredited.



We have joined a new collaborative investor initiative called the Workplace Disclosure Initiative which aims to mobilise investor engagement around the quality of work in direct operations and through the supply chain. Social issues have tended to be the 'Cinderella' element of ESG, and clients have told us they would welcome more attention to be focused on issues affecting discrimination, precarious work and the effect on young people. The coalition has already attracted 79 institutional investors with nearly \$8 trillion under management. The initial survey will target 75 companies seeking more comprehensive disclosure on workplace practices.

We continued to engage proactively with Samsung (Amity International) over a range of issues including workplace safety, cobalt sourcing and corporate governance reform. We



welcomed reforms being put in place including the search for more international representation at Board level.

We meet over 300 companies a year in which material environmental, social and governance risks are raised. During the quarter we had meetings with key holdings such as Marshalls and Vietnam Holdings – the latter, a pioneering Fund that fully integrates sustainability into a portfolio of Vietnamese companies allowing us access to a fast-growing and vibrant economy, but in a responsible and ethical way.

VOTING AND STEWARDSHIP



We are sometimes invited to consult on remuneration proposals, and during the quarter we provided feedback to Dunelm Group (Amity UK, Amity Balanced) on changes to their Remuneration Policy.

We have taken an active position this year in opposing Remuneration Policies that increased bonus or long-term incentive awards without justification. We took such action at Devro, Spectris and LSL Property Services, informing the companies of our action. We have integrated diversity into our voting policy and oppose the re-election of Nomination Committee Chairs where companies have failed persistently to meet the Davies target of 25% Women on Boards by 2015. We took such action at Prudential and Informa.



We were concerned and disappointed that National Express Group (Amity UK) used its discretion to pay director bonuses despite a fatal accident in their US business. The Remuneration Committee decided not to invoke a safety pre-condition to the payment of bonuses, although the specific safety element of the bonus was not awarded. We felt in the circumstances bonuses should have been foregone, and we opposed remuneration and the re-election of the Chair of the Remuneration Committee for the use of this discretion given we view safety to be *the* overriding priority.

The second quarter represents the peak of the annual UK voting season. During the quarter we voted on 1,980 resolutions at 117 companies. We opposed or abstained 144 resolutions (7%), predominately against executive remuneration and the re-election of directors. We take a robust approach towards executive pay that fails our excess tests or is poorly aligned with delivering superior out-performance for shareholders. During the quarter we took action in 75 cases (52% of all action taken). 2017 is for many companies a Remuneration Policy year, in which binding pay proposals are put to shareholders. We find it increasingly difficult to support remuneration at FTSE100 companies, and during the quarter we opposed 31 pay policies or reports (86%). Companies where we voted against remuneration on grounds of excess included HSBC, AstraZeneca, RSA Insurance, Pearson, Centrica, Aviva, Standard Life, Prudential and WPP.

We oppose the re-appointment of external auditors where these have not been tendered for some considerable time; during the quarter, we opposed external auditor re-appointment at Shire, Carillion, Morgan Sindall, Standard Chartered and Lloyds Banking Group.

Overseas, our strategic partner Glass Lewis & Co. votes all proxies in markets other than the UK, voting against poor corporate governance board structures or where unlimited powers are ascribed to the Board to the detriment of shareholders. The second quarter saw Glass Lewis vote at 137 meetings comprising 1,887 resolutions. They opposed or abstained 13% of resolutions mostly against directors (103 resolutions) and executive compensation (53 resolutions).

We support US shareholder resolutions where these promote our overall approach to responsible investment, and we voted for 26 separate shareholder resolutions at 13 US companies including Wells Fargo & Co., Johnson & Johnson and Pfizer.

Our Global Corporate Governance Report for the second quarter is available at www.edentreeim.com.

THE EDENTREE RI TEAM



Neville White
Head of RI Policy
and Research



Esmé van Herwijnen
Responsible Investment
Analyst



Jon Mowl
Responsible
Investment Analyst

We have a specialist in-house Responsible and Sustainable Investment (RI) team who carry out thematic and stock-specific research to identify investment ideas for our range of Amity Funds. Headed up by Neville White, Head of RI Policy & Research, and supported by Responsible Investment Analysts Esmé van Herwijnen and Jon Mowl, the team is also creates an on-going dialogue with companies, allowing us to engage on a wide variety of responsible and sustainable investment concerns. Our is overseen by an independent Amity Panel that meets three times a year, and comprises industry and business experts, appointed for their specialist knowledge.

We hope you enjoy this Responsible Investment Activity Report and find it useful and informative. For any further information please contact us on 0800 011 3821 or at ifa@edentreeim.com