



RESEARCH AND PUBLICATIONS

A decade from now it is estimated that around 1.8 billion people will be living with acute water shortage. Lack of water has an immediate, catastrophic impact on human economic and societal viability. Our latest Amity Insight, *Thirsty Planet Revisited* updates earlier work first published in 2011 by looking at water as a critical sustainability issue, the implications for climate change, and the supply-demand imbalance.

We consider too, the wide-ranging opportunities for investors in responding to acute water shortage via technology and infrastructure plays. We look at desalination as one such technology that is now having a critical impact on supplying clean, potable water in areas of acute stress such as North Africa and the Middle East. The Insight will be available online at www.edentreeim.com and in hard copy on request.

A tipping point has already been reached with over half the world's population living in urban areas. By 2050 this is expected to have increased to nearly two thirds. If these 'mega-cities' are to thrive we may need to rethink how we organise the urban environment by making them more eco-efficient. Digital technology and 'smart systems' hold out the prospect of living more sustainably and in our next Amity Insight we will explore the Smart Cities phenomenon and the issues and opportunities for responsible investors. This Insight is due to be published in the first quarter of 2018.

During the quarter we published a RI Expert Briefing on Modern Slavery. The 2016 Global Slavery Index estimated that 45.8m people are involved in some form of Modern Slavery across 167 countries. It is a pernicious practice from which no country is entirely free. The Expert Briefing explores the facts behind the numbers and how companies are affected. It also sets out our response to Modern Slavery and the criteria we use to assess corporate responsibility.

From time to time the RI team produces 'thought pieces' on topical ESG (environmental, social and governance) issues. During the quarter we published two blogs linked to our 2017

carbon footprint results. '*Carbon Foot-printing 2017*' presents the Fund footprint results in an easy to understand form, whilst '*Bringing carbon foot-printing to life*' features three company examples (Veolia, Smurfit Kappa and Enel), where progress has been made in reducing emissions, despite these companies being in high intensity sectors.

During the quarter, we were published in Fund Strategy writing on precarious work and our response to the Government's corporate governance reform proposals in the same publication.



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 1,396 followers regularly read his Tweets on market, economic and sustainability issues. You can also connect with Neville on LinkedIn, where his connections follow posts on topical ethical issues, research trends, and corporate governance news.

CLIMATE CHANGE

For the second year we have commissioned carbon footprints of the Amity equity funds. Climate change is well integrated into our overall responsible investment approach and the 2017 carbon footprint results show that all four Amity Funds are less carbon intense than their relative benchmarks. Amity UK was found to be 57% below its benchmark (tonnes of CO₂e per £1m invested). The greatest improvement over the year was seen in the Amity International Fund which is 22% below its relative benchmark and 35% less emissions intense compared to 2016.

We use the results internally as a tool for fund managers, as well as a means of selecting target companies for engagement based on the contribution each makes to the Funds' overall emissions. In 2017 we have written to 10 global companies and await responses. Full disclosure by Fund of the footprint results is made as part of our commitment under

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the Montréal Pledge and these can all be accessed on our website at www.edentreeim/literature



We have also joined a coalition of over 100 global investors with \$1.8 trillion of assets

that have written to 62 international banks calling on them to improve disclosure on climate associated risk aligned with the recommendations of the FSB Task Force on Climate Related Financial Disclosures (TCFD). This recognises that banks have a key role to play in the transition to a low-carbon economy via the projects and corporations they choose to finance.

COMPANY ENGAGEMENT AND INDUSTRY INITIATIVES

Following the close of the UK proxy voting season we are now identifying engagement targets among the FTSE250 where diversity appears poor. We engaged with three companies during the quarter, Genus, Bodycote and Clarkson where Board diversity is significantly below 20%. During the autumn we will scope further targets to support our core strategy of encouraging improved diversity among the companies we own.



The deteriorating situation in Burma/Myanmar

prompted a review of companies that may have some exposure to the country following the lifting of sanctions. In particular we contacted Ericsson (Amity Balanced, European and International) which is in partnership with Telenor in rolling out a mobile-telecoms network. The company has provided assurances around upholding the UN Guiding Principles on Business and Human Rights, and provided considerable detail on managing risk and conflict. Parts of the affected Rakhine State have been assessed as 'no-go', although the company is committed to providing technology to all areas without discrimination. They also confirmed that there has been no request from the military for dual use technology.

We continued to engage proactively with Samsung (Amity International) over a range of issues including workplace safety, cobalt sourcing and corporate governance reform. We sold our holding in Wells Fargo on investment and ethical grounds after further malpractice came to light.



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, Mears, a.s.r and Imerys. The latter (Amity European) provided an update on their sourcing of specialist talc from Afghanistan. A full independent review of their supply chain had taken place and concluded that there was increased risk of the supply chain falling into Taliban control. This has resulted in their decision to seek alternative sources in Europe and India. We have appreciated the level and quality of engagement with French based Imerys over time.

Site visits are a good opportunity to meet management and understand the working practices of a company on the ground. Our Amity International Fund Manager paid a visit to Oslo and the operations of Borregaard, a specialist bio-refiner using wood to make lignin products, specialty cellulose, vanillin and bio-ethanol. He was able to see the manufacturing processes at first hand of a company that screened positively into the Funds. Borregaard remains an attractive sustainability play in the innovative specialty chemicals space.

VOTING AND STEWARDSHIP



We provided feedback on remuneration proposals to the Chair of the Dunelm (Amity UK, Amity Balanced) Remuneration Committee, suggesting some modest changes but being otherwise broadly supportive. 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 Johnson Matthey, DS



Smith and Vodafone, where maximum opportunity was increased to 775% of salary per annum without justification.

The third quarter traditionally sees the end of the UK voting season. During the quarter we voted on 899 resolutions at 62 companies. We opposed or abstained 56 resolutions (6%), 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.

2017 is for many UK companies a Remuneration Policy year in which binding pay proposals are put to shareholders. However there were few pay defeats against Remuneration Policy, although some companies incurred sizeable opposition. We find it increasingly difficult to support remuneration at FTSE100 companies, and during the quarter we opposed 26 pay policies or reports. Companies where we voted against remuneration on grounds of excess included M&S, BT Group, Experian, Nationwide Building Society, Tate & Lyle and Vodafone Group. Long-term incentive plans were opposed at two companies: DS Smith and Johnson Matthey.

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 eight companies including Severn Trent, Dixons-Carphone and Homeserve.



Along with other investors, we have concerns over plans by the Financial Conduct Authority (FCA) to relax the rules that would allow state-owned issuers to secure a premium stock exchange listing, whilst removing some of the requirements made of non-Sovereign entities. We have serious concerns that the proposals could potentially be to the detriment of minority shareholders and dilute London's global reputation for strong corporate governance leadership. We have made a submission under the FCA consultation rejecting the proposed changes as a regulatory 'race to the bottom' in

terms of investor safeguards, and proposing a non-premium listing for state-owned issuers.

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 third quarter saw Glass Lewis vote at 19 meetings comprising 112 resolutions. They opposed or abstained 25% of resolutions mostly against directors (12 resolutions) and shareholder capital issues (seven resolutions).

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

PRI IN PERSON

We attended the annual 'PRI in Person' Conference, held this year in Berlin, which brought together close to a thousand delegates to hear about developments in the responsible investment industry. Key issues discussed included climate change, the role of investors in meeting the UN Sustainable Development Goals and disruptive technology, including cyber security and precarious work.

RECOGNITION

We were delighted to win the award for Best Ethical Investment Provider in the Moneyfacts Investment, Life & Pensions Awards 2017: our *ninth* successive win in this category against a very strong field of eight other nominees. 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. Thank you. We have been nominated in three categories at the Investment Week Sustainable Investment Awards for Best Ethical Investment Fund Management Group; Best Ethical Investment Fund (Amity European); and Best Thought Leadership research for our Cyber Security Amity Insight. The results will be announced in November.

THE EDENTREE RI TEAM



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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