

JULY - SEPTEMBER 2018



RESEARCH AND PUBLICATIONS

2008-2018



OF AMITY INSIGHTS

Our next Amity Insight, due for publication in October is **'The Waste Problem'**. The world generates at least 3.5m tonnes of solid waste a day, or 10 times the amount 100 years ago! The Insight closely examines what is needed to make waste part of the 'circular economy', and in turn focuses on four areas for improvement: Plastic, fast-fashion, electronic and construction waste.



During the quarter we published two SRI Expert Briefings. We are often asked by clients whether we can invest in the so called FAANG stocks: Facebook, Apple, Amazon, Netflix and Alphabet (Google). The brief summarises the challenges for responsible investors like ourselves to invest in them owing to multiple issues such as labour, data protection, market domination, fake-news, tax policies and the mental health impacts of social media. It sets out our House position on each of the stocks and whether we can invest.



ACCESS TO NUTRITION INDEX™

Health & Wellbeing is one of our nine positive pillars, and we published an SRI Expert Briefing looking at the latest Access to

Nutrition Index results. This showed the world's largest food and beverage companies are improving their efforts to promote healthy diets – but there is still some way to go. The brief also looks at what EdenTree is doing in the health and nutrition investment space.

We provide comment and written pieces for the media and trade press on responsible investment and during the quarter we provided comment to FTfm for an article on why investors should pay more attention to human rights.



We invite you to get involved with the team by following us on Twitter and LinkedIn. As well as accessing all of our publications, you can also follow Ketan

on Twitter @Kethical where his 1,714 followers regularly read his Tweets on market, economic and sustainability issues. You can also 'link-in' with Neville where his 1,160 connections follow posts on topical ethical issues, research trends, and corporate governance news.

PORTFOLIO CARBON FOOTPRINTS



As a signatory to the Montréal pledge, we are committed annually to measuring and publishing the carbon footprints of our equity portfolios. This year we worked once more with ISS-Ethix Carbon Solutions to conduct a full analysis of four Amity equity portfolios. We published the results on our website and have used these to guide engagement with high emitting companies such as **CRH** (Amity UK), and **Hop Fung Group** (Amity International). This year we introduced science based emission reduction targets as part of our engagement with companies and are encouraged that some of our holdings have set ambitious targets, including **BT** (Amity UK), **Suez** (Amity European) and **Sony** (Amity Global Equity and International).

EXERCISING STEWARDSHIP: ENGAGEMENT

Collectively we meet over 600 companies a year and have an integrated Stewardship approach that includes engagement on a range of environment, social and governance (ESG) issues.

FOCUSED ENGAGEMENT



We made an annual visit to the Netherlands in September, a key European investment market for us, to meet five companies held within the Amity portfolios. Each meeting integrates an investment update with raising key ESG issues. On the most recent trip we met **KPN** (Amity European), **a.s.r** (Amity European, Global Equity and International), **ING Groep** (Amity European, Global Equity and International), **PostNL** (Amity Balanced, European and Global Equity) and **Philips** (Amity European). At ING we sought reassurances around the bank's compliance and audit regime following a significant financial penalty for poor compliance systems. At Philips we learnt more about the transition of the company from an electronics conglomerate to a focused medical diagnostics and consumer care group. Philips will be the subject of a future Expert Brief.

During the quarter, we met the aviation support group **John Menzies** (Amity UK) and discussed their environmental management practices and efforts in health in safety following the sale of the news distribution business and focus on aviation services.

We joined a collaborative initiative urging **Standard Chartered** (Amity International, Sterling Bond and UK) to cease financing

JULY - SEPTEMBER 2018



coal projects, and were delighted when the bank announced in September it would stop financing new coal fired power stations globally.



Site visits provide important opportunities to learn more about manufacturing processes. **Scapa** (Amity UK) is a global supplier of bonding solutions, manufacturing adhesive based products for the healthcare and industrial markets. A visit to their production site in Wiltshire provided a fascinating insight into the company's strong investment in research and development, and how the company's advanced products in wound care and consumer bandages are improving the lives of thousands of patients.

In Amsterdam we visited the **Renewi** (Amity UK) anaerobic digestion plant which turns 120,000 tonnes of organic liquid food waste into heat, electricity and nutrient rich compost. The resultant energy is used to power nearly 10,000 homes.



Animal Investment Risk & return) coalition calling on Brazil to cease deforestation in the Cerrado biome which covers 20% of Brazil's landmass and which is seeing exponential soy expansion to the detriment of the areas rich ecology.

We joined **Alphabet (Google)** (Amity International) on its first quarterly ESG call with investors where data centre efficiency and the company's carbon neutrality were discussed. In providing feedback, we called for more transparency on workforce data and encouraged the company to participate in the Workforce Disclosure Initiative (WDI). We separately wrote to four other companies encouraging them to participate in the WDI survey including **Carrefour** (Amity European) and **National Grid** (Amity Balanced, Global Equity, International and UK).

VOTING AND STEWARDSHIP

The third quarter marks the conclusion of the UK proxy voting season. We voted at 57 UK company meetings, comprising 724 resolutions. We voted to oppose or abstain 45 resolutions (6%), the majority against remuneration (42%) and the re-election of Board directors (20%). We continue to find it challenging to support pay packages in the FTSE100 owing to excessive pay-outs and poor links to performance. During the quarter we opposed remuneration at, among others, **Royal Mail Group** (Amity UK, Balanced) **National Grid Group**), **Tate & Lyle** (Amity Balanced, Sterling Bond), **Vodafone Group** (Amity Balanced, Sterling Bond, UK) and **DS Smith** (Amity UK).



During the quarter we provided feedback to **N Brown Group** (Amity Balanced and UK) on remuneration and indicated to **Royal Mail Group** that we would not support remuneration proposals; the company subsequently saw its remuneration report voted down by shareholders.

Diversity is fully integrated into our UK (and overseas) voting policies and we publish each quarter a record of FTSE100 diversity. Of 14 FTSE100 companies voted in the third quarter, 43% have met the Hampton-Alexander target of at least 33% of women on Boards by 2020, which represents commendable progress among the UK's largest companies held in our portfolios.

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

PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)



We are delighted to have maintained our A+ score for strategy & governance in the 2018 PRI survey assessment and achieved 'A' scores across all of our major asset classes.

Our submission to the PRI and the Assessment are published on the Edentree website.

COLLABORATIVE ENGAGEMENT

During the quarter we participated in various collaborative investor initiatives. We



GLASS LEWIS

joined other investors in writing to the Roundtable on Sustainable Palm Oil (**RSPO**) regarding the review and strengthening of its principles, and joined a **FAIRR** (Farm

JULY - SEPTEMBER 2018



shareholders. The third quarter saw Glass Lewis vote at 18 meetings comprising 125 resolutions in eight markets. They opposed/ abstained 20% of resolutions, mostly against the re-election of directors (48%).

Our Global Corporate Governance Voting Reports are online at www.edentreeim.com

GROWING THE TEAM

We are delighted to have welcomed Jon Mowll to Edentree's Responsible Investment Team, who will be our lead on social issues. Jon joins us from Infospectrum Ltd, where he was Commodities and Trade Finance Analyst, specialising in analysing ESG issues in commodity supply chains.

Jon is a graduate in History from Cambridge, is IMC qualified, and has a Post Graduate Certificate in Sustainability from the Cambridge Institute of Sustainability Leadership.

RECOGNITION

We are delighted to have been named for the 10th successive year 'Best Ethical Investment Provider' in the Moneyfacts Investment Life & Pensions Awards 2018 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. Thank you.



THE EDENTREE RI TEAM



Neville White
Head of SRI Policy
and Research



Esmé van Herwijnen
Responsible Investment
Analyst



Jon Mowll
Responsible
Investment Analyst

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

For any further information
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