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## RESEARCH AND PUBLICATIONS

Our 2018 January Amity Insight focuses on Sustainable Cities: Challenges & Opportunities Arising from Urbanisation. With over half the world's population now living in urban areas, cities will need to change and adapt if they are to remain sustainable. The Insight considers macro trends affecting urban centres and considers some of the main challenges, such as housing, transport and waste disposal to their continued viability. We look too at connectivity in order to make cities 'smart' and examine the investment value chain.

In 2018 we will continue to publish a full range of Amity Insights and Expert Briefings to keep clients in touch with emerging and pressing responsible investment issues. The next Insight will be a companion piece to 'Thirsty Planet' as we revisit our work on food, (first published in 2012), and the challenges of feeding a population forecast to rise to over 9 billion by 2050. This work is due for release in May/June.

From time to time the RI team produces 'thought pieces' on topical ESG (environmental, social and governance) issues. During the quarter we published a blog setting out the case for our supporting the voluntary Living Wage. *'The Living Wage: because a fair day's work deserves a fair day's pay'* builds on work outlined in our Insight, 'The Future of Work'. The incidence of poverty in work is among the most pernicious and disheartening of modern phenomena and we therefore view the Living Wage as 'the natural pursuit of social justice for low-paid workers'. During 2018 we will engage with FTSE100 companies to lobby for full accreditation to Living Wage status.



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](http://www.edentreeim.com), you can also follow Ketan on Twitter @Kethical where his 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.

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## CYBER SECURITY


EdenTree has joined a PRI led coalition of over 40 investors on cyber security, and will co-lead engagement with four UK companies. Since publishing our Amity Insight on cyber security in 2016, we have frequently engaged with companies over their preparedness for the impacts arising from cyber-crime. We have long recognised this as a major, emerging business risk as companies migrate more of their infrastructure to digital. The work of the coalition will focus on company policies and governance so as to ensure confidence in its management. It will also seek to increase investor awareness and promote improved transparency around cyber reported risk. As part of the coalition EdenTree will co-lead investor engagement on four companies in the UK and European telecoms and banking sectors including ING Groep (Amity European and Global Equity) and Lloyds Banking Group (Amity UK, Balanced, Global Equity and Short Dated Bond).



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## COMPANY ENGAGEMENT AND INDUSTRY INITIATIVES

In support of our Health & Wellbeing positive pillar, we signed an investor statement relating to the non-therapeutic use of antibiotics in livestock production. Globally, the majority of antibiotics are used in farm animal production, often to promote growth. This is now being seen as an acute risk to human health arising from antimicrobial resistance (AMR). The Statement encourages companies in the food production, processing and retailing sectors to develop comprehensive policies on antibiotic use.

**ERICSSON**  The deteriorating human rights situation in Rakhine State, Burma, and the persecution of the Muslim Rohingya minority, culminated in the UN warning that 'genocide may be taking place'. Swedish telecoms company Ericsson (Amity European) is equipment provider for the rollout of the mobile network across Burma. We spoke to the company to address concerns about the impact of the conflict in Rakhine. Whilst the company is committed to universal coverage, it has

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conducted detailed human rights impact assessments, resulting in a number of priority issues. The company confirmed it is unable to work currently in the affected areas and that respecting human rights under the UN Guiding Principles is always a priority.



We meet over 600 companies a year in which material environmental, social and governance risks are raised. During the quarter we had meetings with holdings such as Inland Homes and Arytza (Amity European). Arytza is a Swiss specialty bakery business focused on frozen produce. It is a significant player in the B2B market, supplying retail, convenience and quick-serve restaurants. We engaged with the company to understand the supply chain and sourcing policies and its focus on health and wellbeing. Working with customers, the company has been successful in fortifying products with natural ingredients, removing fructose syrup.



## Hawaiian Electric

We had a conference call with Hawaiian Electric (Amity Global Equity), the sole energy provider on the Hawaiian archipelago to discuss their response to climate change. This was very encouraging as the State of Hawaii has set demanding decarbonisation targets, with Hawaiian Electric setting robust targets for transitioning to renewable energy sources. We have also discussed emissions targets with Vodafone Group (Amity Balanced and Amity UK) which, despite strong growing demand from customers has reduced emissions by 37% on 2016 per petabyte of data. The company is also reviewing plans for purchasing renewable supplies.

In anticipation of the 2018 proxy voting season, we have begun to engage with 10 FTSE companies regarding Board diversity. Targets include Prudential, Dechra Pharmaceuticals, Informa, and Great Portland Estates (all

Amity UK). Via our membership of the 30% Club we regularly collaborate with other investors to lobby for improved diversity across the holdings that we own.

### VOTING AND STEWARDSHIP

Following a competitive tender for a UK proxy advisory service, we re-appointed IVIS (Institutional Voting Information Service) provided by the Investment Association. IVIS provides a competitive 'one-stop' shop for proxy voting information across the FTSE All Share, but does not provide voting recommendations or ballot execution, which is performed in-house.



Proxy voting activity in the final quarter is traditionally light, and 2017 closed with our voting at 34 UK company meetings, comprising 407 resolutions.

We voted to oppose or abstain 28 resolutions, the majority against remuneration and the re-appointment of auditors. We opposed Remuneration Policy at Close Brothers and abstained at Galliford Try and Kier Group (all Amity UK). The re-appointment of auditors was opposed at six companies including at Smiths Group and Bellway (Amity UK) owing to excessive tenure with no imminent prospect of a tender.

Over the course of 2017 we voted on 3,711 resolutions at 246 UK meetings, opposing or abstaining 264 or 7% of resolutions. The majority of opposition (57%) was against remuneration and incentive schemes. A further 19% of resolutions opposed the re-election of directors.



## GLASS LEWIS

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 fourth quarter saw Glass Lewis vote at 18 meetings comprising 112 resolutions. They opposed or abstained 18% of resolutions mostly against executive

compensation (10 resolutions) and the re-election of directors (seven resolutions). Over the course of 2017 Glass Lewis & Co. voted on 2,355 resolutions at 194 overseas meetings, opposing or abstaining 341 or 14% of resolutions. The majority of opposition (40%) was against the re-election of directors.



We submitted a response to the consultation on proposed reforms to the Hong Kong Corporate Governance Code, commending the Exchange for its emphasis on transparency and accountability. We particularly welcomed proposals that would require justification for appointing a director already holding six or more corporate appointments, but questioned the proposal to allow directors to be re-appointed as 'independent' after only one year away from any Board.

Our Global Corporate Governance Report for the fourth quarter together with annual statistics for the 2017 calendar year is available at [www.edentreeim.com](http://www.edentreeim.com).

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#### ACCREDITATION

EdenTree has been re-accredited under the European SRI Transparency Code, our fifth Statement of Commitment. The Code, a widely used bench-mark of SRI transparency in Continental Europe, is managed by Eurosif and aims at increasing accountability and clarity around SRI products and Funds. Our complete submission under the Code for 2017/18 can be viewed at [www.edentreeim.com](http://www.edentreeim.com).

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#### EDENTREE COMMUNITY INVESTMENT FUND

In early October we proudly launched the EdenTree Community Investment Fund. The Fund is a £150,000 grant over three years to support young people in areas of need across London.

The Fund's approach has been staff led; following a poll, our partner, London Community Foundation, invited organisations to apply for a flagship grant of £120,000 over three years to support young people in the areas of Education and Health & Wellbeing. The remaining £30,000 will be divided into one-off

single grants of £10,000 to support projects in the areas of human rights or the environment and conservation. In the first year, EdenTree will support the victims of Modern Slavery and human trafficking.



For the major grant, we will support performance group, Futures Theatre which produces work putting women at its centre. The grant specifically supports the tour of *Underwater Love* to schools across London exploring how young people can assert themselves within relationships in a world saturated with the pressures of social media and sexual imagery. Each performance is followed by a Forum workshop in which students are challenged to engage with the material they have seen. The grant will fund performances for up to 4,000 beneficiaries in the 13-18 age range with EIM providing 75% of the funding.



Our first one-off grant of £10,000 has been given to Street Talk a small organisation that provides intense one-to-one counselling for women trapped in street based prostitution and human trafficking. Most of the women Street Talk works with have experienced severe abuse and neglect, and their therapy based approach is part of a long-term healing process for some of the most vulnerable. The EdenTree grant will fund individual therapy for up to 30 women for a year.

More information on the projects chosen will be provided on our website.

THE EDENTREE RI TEAM



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Head of RI Policy  
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**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](mailto:ifa@edentreeim.com)