

# OCTOBER-DECEMBER 2018

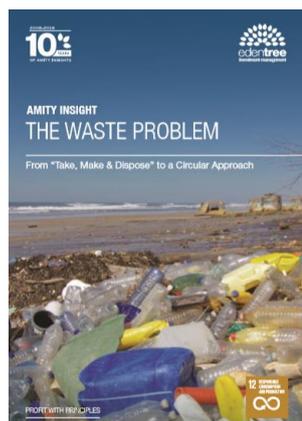


## RESEARCH AND PUBLICATIONS

2008-2018



The revolution in genetic based science is explored in our forthcoming Amity Insight, **The Life Code: Threats; Opportunities; Ethical Questions**. The unlocking of the human genome provides unimagined opportunities of decoding hard to treat conditions by tailoring treatments to the individual rather than in an ad-hoc way. The Insight will explore the revolution in linking disease to genes through personalised medicine. We explore the investment opportunities in sequencing, diagnostics, research, and precision medicine, as well as scoping the acute ethical issues arising from this novel area of medical research. The Insight is due for release in February.



Our final Amity Insight of 2018, **The Waste Problem**, is now available in hard copy and online and we welcome your feedback. This topical Insight looks at the exponential rise in waste generation and how we need to move towards circular solutions in driving out waste so as to become more sustainable.

During the quarter we published three RI Expert Briefings. The first on **Zero Hours Contracts**

sets out our House position on these controversial contracts and how we engage with companies on use and treatment; an Expert Brief on **Gender Diversity** looks at why we have long put diversity at the heart of our engagement strategy. In the final Brief we presented a company profile of **Philips** (Amity European) long known as a manufacturer of electrical goods and lighting and now a focused medical instrumentation and 'wellbeing' play. All of our publications are available online.

We provide comment and written pieces for the media and trade press on responsible investment and during the quarter we provided comment to Expert Investor, New Model Advisor, the *Wall Street Journal* and *The Times*, where we were quoted on our views on waste.



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 Patel on Twitter @Kethical where his 1,765 followers regularly read his Tweets on market, economic and sustainability issues. You can also 'link-in' with

Neville where his 1,214 connections follow posts on topical ethical issues, research trends, and corporate governance news.

## 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 – CLIMATE CHANGE

We continued our engagement with **a.s.r. Nederland** (Amity Global Equity, International) following a successful meeting with the company in Amsterdam. The call focused on the company's developing thinking on climate change. Much work has been done by the Dutch insurance company in the last two years, and we were able to understand in some detail how they invest with climate risk in mind and how they model products and services to take extreme weather events into account.

Following a meeting with management in October, we had further conversations with **Talanx** (Amity Balanced, European, International), regarding its approach to climate change. Despite operating in the insurance sector, the company had not identified climate change as a material risk and is now reviewing its position. It is also encouraging to see that the company increasingly integrates ESG issues in its investment division.

We also engaged with **Veolia**, (Amity European, Global Equity), the French waste and water utility company and one of the heaviest emitters in the Amity funds, to discuss the company's management of greenhouse gas emissions. We continue to challenge the absence of reduction targets for their own operations. The company's growth strategy in developing markets has led to the company becoming responsible for higher methane emissions from landfill and we continue to encourage the company to have a systematic, target-based approach to tackling this.

We engaged with a number of companies including **DS Smith** (Amity Balanced, UK) encouraging them to set science based targets for reducing emissions.

### THEMATIC ENGAGEMENT – DIVERSITY

We again wrote to FTSE 100 and FTSE 250 companies that continue to lag on **gender diversity** at board level. We

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contacted nine UK companies including **Prudential** (Amity Global Equity, International, UK) and **National Express Group** (Amity UK), to inform them of our intention to vote against Chairs of Nomination Committees if no progress is made.

We are investor supporters of the 30% Club and regularly attend meetings to progress collaborative dialogue on diversity. During the quarter, the Group met with the Chief Executive of **Royal Bank of Scotland** to learn how diversity was being embedded across the Bank.

## PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

In December, we participated in a conference call with the PRI on the issue of cobalt, which will be a collaborative engagement stream from January 2019 through to early 2021. We were taken through the main social and environmental risks associated with cobalt mining by representatives of RCS Global, a service provider which specialises in responsible sourcing/supply chain mapping. This PRI engagement stream will concentrate engagement efforts on electronics companies and some of the leaders in electric vehicle manufacturing. Cobalt will be the subject of a Blog to be published in January.

## COLLABORATIVE ENGAGEMENT



**Access to Medicine Index:** In November, we attended the Access to Medicine Index Launch event in London. The ATMI is a biennial

ranking of 20 of the world's largest pharmaceutical companies' efforts to improve access to medicine, and is an indicator of the companies' overall approach to corporate social responsibility. **GlaxoSmithKline** (Amity Balanced, Global Equity, International, UK) continues to top the ranking. The 2018 ATMI will be the subject of an RI Expert Briefing, to be published in Q1 2019.



**Corporate Human Rights Benchmark:** In November, we attended the CHRBC 2018 results launch. The CHRBC focuses on companies active in

three sectors – agricultural products, apparel, and extractives – and considers both their direct operations and supply chains. Company scores are calculated using publicly available information and take into account policy and practice. The results suggest that considerable work on human rights is still required in these sectors.

**ShareAction - Living Wage:** We continue to work with Share Action on their Living Wage and WDI (Workforce Disclosure Initiative) campaigns. In early November, we met with fellow investors to discuss how more companies can be encouraged to participate in the WDI. Now in its second year, the initiative calls for transparency from companies on how they manage their workforce disclosures. EdenTree has been an early supporter. In addition, we signed investor letters to several companies including **Dunelm** (Amity UK), **Bellway** (Amity UK), **Smiths Group** (Amity UK), **Vodafone Group** (Amity Balanced, Sterling Bond, UK) and **United Utilities** (Amity UK, Short Dated Bond), calling for them to take steps to accredit as Living Wage employers.



## COMPANY ENGAGEMENT

We sought more information from **Fever Tree Drinks** (Amity UK) on the company's approach to ingredients sourcing, their environmental foot-print (including carbon emissions) and sugar content within its range of flavoured mixers. The company has grown swiftly with ESG disclosures requiring improvement commensurate with the range of risks (e.g. sourcing quinine from DRC). Whilst some reassurances have been received, we continue to engage to encourage reporting improvements.

We engaged with **Siemens** (Amity European, International) on a variety of issues including environmental management, human rights due diligence and business ethics. Whilst the company has in the past been involved in various controversies, we were reassured it now takes a more proactive approach to managing risks. In particular, the company shows an improved awareness of reputational risk and places a stronger focus on ethical business culture.

We had a follow-up call with **PostNL** (Amity Balanced, European, Global Equity) to discuss health & safety and climate change. The company delivers mail and parcels mostly in the Netherlands; 50 million km are travelled annually by bike and on foot, whilst 48 million km are completed by motorised vehicle. The company's drive to reduce its environmental impact has led the company to invest in bio-gas vehicles and to complete more deliveries by scooter. An unfortunate side effect has been an increase in accidents due to badly loaded scooters, and so there is now more emphasis on weight allocation on scooters.

We had a call with the company secretary of **Dunelm** (Amity UK), the household goods retail company for a catch-up on

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corporate social responsibility matters. We discussed labour standards in the supply chain and modern slavery; the company had an incident a few years ago with forced labour in one of its suppliers' factories in the UK. It works with third parties on auditing and also provides more training for suppliers. We also discussed the living wage, plastic and climate change.

Other notable meetings in the quarter included an investor presentation on sustainability hosted by **BT Group** (Amity Balanced, Global Equity, International, Sterling Bond, UK), a similar meeting hosted by construction company **Morgan Sindall** (Amity UK) and a discussion on textile waste with the CEO of **Bonmarché** (Amity UK).

## VOTING AND STEWARDSHIP



The final quarter is traditionally quiet in global markets as far as proxy voting is concerned.

We voted at 38 UK company meetings, comprising 381 resolutions, opposing or abstaining 21 resolutions (6%), 48% against remuneration. 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, **Smiths Group** (Amity UK), **Genus** (Amity UK), **Close Brothers** (Amity Global Equity, UK) and **Ferguson** (Amity UK).



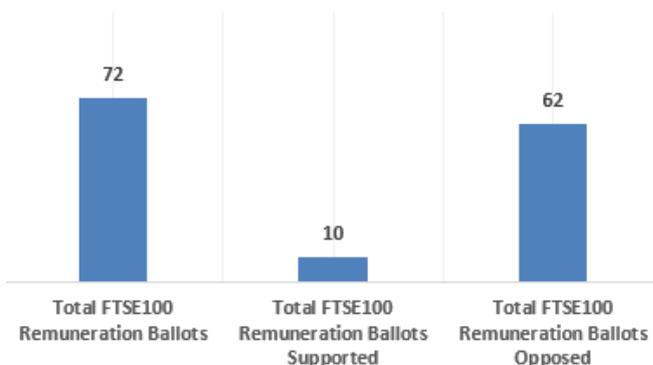
Overseas, our strategic partner **Glass Lewis & Co.** votes all proxies in markets other than the UK, voting against poor corporate governance board structures or where unlimited powers are ascribed to the Board to the detriment of shareholders. The final quarter saw Glass Lewis vote at 15 meetings comprising 108 resolutions in nine markets. They opposed/ abstained 15% of resolutions, mostly against the re-election of directors (44%).

We provided advice to **Galliford Try** (Amity UK) on their audit tender process, and completed an investor consultation for **N Brown** (Amity Balanced, UK) on an amended Remuneration Policy.

## 2018: THE YEAR IN VOTING

Our fourth quarter Global Voting Report provides a note of how we have voted in total during the calendar year. In the UK we voted at 248 meetings comprising 3,386 resolutions with 7% of proposals either opposed or abstained.

The majority of action taken (45%) was in respect of executive pay. Out of a total of 214 remuneration proposals during 2018, we opposed 48%. However among the UK's largest FTSE100 companies this rises to 86% of all proposals on executive pay being opposed!



Internationally, our partner Glass Lewis & Co. voted at 173 meetings comprising 1,640 resolutions in 25 markets. Action was taken in 16% of cases, the majority in respect of elections to the Board (39%) and executive pay (20%). We aim to vote at all meetings in all markets except where share-blocked; there were just two instances of our withholding our votes in 2018 at meetings that were share-blocked.

Our Global Corporate Governance Voting Reports are online at [www.edentreeim.com](http://www.edentreeim.com)

## RECOGNITION



We were delighted to have been named Best ESG Fund Management Group (Specialist) at the Investment Week Sustainable & ESG Investment Awards 2018. This was particularly exciting as we were

included in a high calibre field of seven other highly commended entrants.

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.

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