EDENTREE INVESTMENT MANAGEMENT LTD

EUROPEAN SRI TRANSPARENCY CODE

STATEMENT OF COMMITMENT

2018/19

EUROPEAN SRI TRANSPARENCY CODE

EdenTree Investment Management Limited (EIM) is a wholly owned subsidiary of Ecclesiastical Insurance Group plc (EIG), and is domiciled and registered in the United Kingdom as a specialist insurance and financial services company.

The Group was founded in 1887 as a specialist insurer of church buildings. It now has insurance operations in Canada, Australia and the Republic of Ireland, as well as in the United Kingdom.

EIG is wholly owned by a UK registered charity, the AllChurches Trust Limited (Registered Charity Number 263960).

EIM was among the first fund management groups in the UK to launch an ethically screened retail equity fund in 1988 (the Amity UK Fund).

Statement of Commitment

EdenTree Investment Management Limited is a pioneer of ethical and responsible investment in the United Kingdom, launching its first ethical retail product (the Amity UK Fund) in 1988.

Since then, responsible investing has become an essential part of the strategic positioning and behaviour of EdenTree Investment Management Limited, and a mainstay of our product offer to the retail and charity markets in the UK, with five ethically-screened retail funds within our product range, and two screened Funds for the charity sector.

These are: the Amity UK Fund, the Amity International Fund, the Amity European Fund, the Amity Sterling Bond Fund and the Amity Short Dated Bond Fund for the retail market. Our two other products are the Amity Balanced Fund for Charities and the Amity Global Equity Income Fund for Charities.

Our ethically screened funds under management totalled £681m (€769m) at 30 September 2018.

Our commitment to responsible and sustainable investment has been recognised in the UK with several awards including the Moneyfacts 'Best Ethical Investment Provider 2018', the tenth successive year we have achieved this distinction.

We have been involved in responsible and sustainable investment since 1988 and welcome the European SRI Transparency Code. This is our sixth statement of commitment and covers the year 2018/19.

Our full response to the European SRI Transparency Code can be accessed below and is available on our web site at www.edentreeim.com.

Compliance with the Transparency Code

EdenTree Investment Management Limited is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate.

To the best of our knowledge, EdenTree Investment Management Limited meets the full recommendations of the European SRI Transparency Code, to which it is a signatory.

14 November 2018

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WINNER
TEN TIMES
Investment Life & Pensions
Moneyfacts
Award 2009-2018
Best Ethical Investment Provider

Disclaimer

The European SRI Transparency logo signifies that EdenTree Investment Management Limited commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the responsible and sustainable investment policies and practices relating to the funds. Detailed information about the European SRI Transparency Code can be found on www.eurosif.org and information of our policies and practices can be found at www.edentreeim.com

Whilst we have completed this Code Statement to the best of our ability and believe it is in line with key elements of the recommendations made by the Task Force on Climate Related Disclosures (TCFD), Article 173 of the French TEV Act, and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLGSE), this statement disclosure should not be taken as a requirement by us as a UK investor to be compliant with elements of non-UK law.

The Transparency Code is managed by Eurosif, an independent organisation.

The European SRI Transparency Logo reflects the fund manager's commitment as detailed above and should not be taken as an endorsement of any particular company, organisation or individual.

14 November 2018

transparent

1. ***List of funds covered by the Code***

Name of the fund: Amity UK Fund (inception date 01.03.1988; ISIN GB0009371310) – Fund domicile – United Kingdom					
Dominant or preferred SRI strategy	**Asset class**	**Exclusion Standards and Norms**	**Fund capital 30 September 2018**	**Other labels**	**Links to relevant documents**
Exclusions ESG integration	Actively managed fund aimed at long term capital appreciation, principally via UK equities	Our Amity UK Fund has adopted a 'profit with principles' approach in which investment decisions are based on an integrated investment and ESG case. The Fund applies a default 'negative' screen in which companies in the following business areas are excluded where turnover or profit exceed 10% - Alcohol production - Gambling operations - Pornographic & violent materials - Weapon production - Tobacco production - Intensive farming - Animal testing - Oppressive regimes As a House, we also avoid investment in oil sands and Arctic drilling. Specific policies have been developed on animal testing and intensive farming. These are available on request. Investment ideas are also screened against nine positive pillars. Six areas of business risk are: - Environmental management - Business ethics - Employment & labour - Corporate governance - Human rights - Community Three themes: - Education - Health & Wellbeing - Urban Regeneration	**£147.4m**	N/A	https://www.edentreeim.com/funds/screened-funds/amity-uk

Name of the fund: Amity European Fund (inception date 13.09.1999 ISIN GB0008446626) – Fund domicile – United Kingdom					
Dominant or preferred SRI strategy	**Asset Class**	**Exclusion Standards and Norms**	**Fund capital 30 September 2018**	**Other labels**	**Links to relevant documents**
Exclusions ESG integration	Actively managed fund aimed at long term capital appreciation, principally via European equities	Our Amity European Fund has adopted a 'profit with principles' approach in which investment decisions are based on an integrated investment and ESG case. The Fund applies a default 'negative' screen in which companies in the following business areas are excluded where turnover or profit exceed 10% - Alcohol production - Gambling operations - Pornographic & violent materials - Weapon production - Tobacco production - Intensive farming - Animal testing - Oppressive regimes As a House, we also avoid investment in oil sands and Arctic drilling. Specific policies have been developed on animal testing and intensive farming. These are available on request. Investment ideas are also screened against nine positive pillars. Six areas of business risk are: - Environmental management - Business ethics - Employment & labour - Corporate governance - Human rights - Community Three themes: - Education - Health & Wellbeing - Urban Regeneration	**£98.0m**	N/A	https://www.edentreeim.com/funds/screened-funds/amity-european

Name of the fund: Amity International Fund (inception date 13.09.1999; ISIN GB 0008448663) – Fund domicile – United Kingdom					
Dominant or preferred SRI strategy	**Asset Class**	**Exclusion Standards and Norms**	**Fund capital 30 September 2018**	**Other labels**	**Links to relevant documents**
Exclusions ESG integration	Actively managed fund aimed at long term capital appreciation, principally via global equities	Our Amity International Fund has adopted a 'profit with principles' approach in which investment decisions are based on an integrated investment and ESG case. The Fund applies a default 'negative' screen in which companies in the following business areas are excluded where turnover or profit exceed 10% - Alcohol production - Gambling operations - Pornographic & violent materials - Weapon production - Tobacco production - Intensive farming - Animal testing - Oppressive regimes As a House, we also avoid investment in oil sands and Arctic drilling. Specific policies have been developed on animal testing and intensive farming. These are available on request. Investment ideas are also screened against nine positive pillars. Six areas of business risk are: - Environmental management - Business ethics - Employment & labour - Corporate governance - Human rights - Community Three themes: - Education - Health & Wellbeing - Urban Regeneration	**£229.3m**	N/A	https://www.edentreeim.com/funds/screened-funds/amity-international

Name of the fund: Amity Sterling Bond Fund (inception date 18.02.2008; ISIN GB00B2PF8B06) – Fund domicile – United Kingdom					
Dominant or preferred SRI strategy	**Asset Class**	**Exclusion Standards and Norms**	**Fund capital 30 September 2018**	**Other labels**	**Links to relevant documents**
Exclusions ESG integration	Actively managed fund aiming to provide attractive income via UK government and corporate bonds	Our Amity Sterling Bond Fund has adopted a 'profit with principles' approach in which investment decisions are based on an integrated investment and ESG case. The Fund applies a default 'negative' screen in which companies in the following business areas are excluded where turnover or profit exceed 10% - Alcohol production - Gambling operations - Pornographic & violent materials - Weapon production - Tobacco production - Intensive farming - Animal testing - Oppressive regimes As a House, we also avoid investment in oil sands and Arctic drilling. Specific policies have been developed on animal testing and intensive farming. These are available on request. Investment ideas are also screened against nine positive pillars. Six areas of business risk are: - Environmental management - Business ethics - Employment & labour - Corporate governance - Human rights - Community Three themes: - Education - Health & Wellbeing - Urban Regeneration	**£145.1m**	N/A	https://www.edentreeim.com/funds/screened-funds/amity-sterling-bond

Name of the fund: Amity Balanced Fund for Charities (inception date 04.04.2011; ISIN GB00B3MV9484) – Fund domicile – United Kingdom					
Dominant or preferred SRI strategy	**Asset Class**	**Exclusion Standards and Norms**	**Fund capital 30 September 2018**	**Other labels**	**Links to relevant documents**
Exclusions ESG integration	Actively managed fund aiming to provide a balance between income and capital growth through investment in both equities and fixed income products	Our Amity Balanced Fund for Charities has adopted a 'profit with principles' approach in which investment decisions are based on an integrated investment and ESG case. The Fund applies a default 'negative' screen in which companies in the following business areas are excluded where turnover or profit exceed 10% - Alcohol production - Gambling operations - Pornographic & violent materials - Weapon production - Tobacco production - Intensive farming - Animal testing - Oppressive regimes As a House, we also avoid investment in oil sands and Arctic drilling. Specific policies have been developed on animal testing and intensive farming. These are available on request. Investment ideas are also screened against nine positive pillars. Six areas of business risk are: - Environmental management - Business ethics - Employment & labour - Corporate governance - Human rights - Community Three themes: - Education - Health & Wellbeing - Urban Regeneration	**£24.0m**	N/A	https://www.edentreeim.com/funds/funds-for-charities/amity-balanced

Name of the fund: Amity Global Equity Fund for Charities (inception date 04.04.2011 ISIN GB00B45M5W55) – Fund domicile – United Kingdom					
Dominant or preferred SRI strategy	**Asset Class**	**Exclusion Standards and Norms**	**Fund capital 30 September 2018**	**Other labels**	**Links to relevant documents**
Exclusions ESG integration	Actively managed fund aiming to provide above average income yield through investment in global equities	Our Amity Global Equity Fund for Charities has adopted a 'profit with principles' approach in which investment decisions are based on an integrated investment and ESG case. The Fund applies a default 'negative' screen in which companies in the following business areas are excluded where turnover or profit exceed 10% - Alcohol production - Gambling operations - Pornographic & violent materials - Weapon production - Tobacco production - Intensive farming - Animal testing - Oppressive regimes As a House, we also avoid investment in oil sands and Arctic drilling. Specific policies have been developed on animal testing and intensive farming. These are available on request. Investment ideas are also screened against nine positive pillars. Six areas of business risk are: - Environmental management - Business ethics - Employment & labour - Corporate governance - Human rights - Community Three themes: - Education - Health & Wellbeing - Urban Regeneration	**£13.0m**	N/A	https://www.edentreeim.com/funds/funds-for-charities/amity-global-equity

Name of the fund: Amity Short Dated Bond Fund (inception date 01.09.2017; ISIN GB00BZ012J01) – Fund domicile – United Kingdom					
Dominant or preferred SRI strategy	**Asset Class**	**Exclusion Standards and Norms**	**Fund capital 30 September 2018**	**Other labels**	**Links to relevant documents**
Exclusions ESG integration	Actively managed fund aiming to achieve capital preservation whilst providing an above-average, steady income for investors	Our Amity Short Dated Bond Fund has adopted a 'profit with principles' approach in which investment decisions are based on an integrated investment and ESG case. The Fund applies a default 'negative' screen in which companies in the following business areas are excluded where turnover or profit exceed 10% - Alcohol production - Gambling operations - Pornographic & violent materials - Weapon production - Tobacco production - Intensive farming - Animal testing - Oppressive regimes As a House, we also avoid investment in oil sands and Arctic drilling. Specific policies have been developed on animal testing and intensive farming. These are available on request. Investment ideas are also screened against nine positive pillars. Six areas of business risk are: - Environmental management - Business ethics - Employment & labour - Corporate governance - Human rights - Community Three themes: - Education - Health & Wellbeing - Urban Regeneration	**£24.1m**	N/A	https://www.edentreeim.com/funds/screened-funds/amity-short-dated-bond

2. *General information about the fund management company*

2.1. Name of fund management company that manages the applicant fund(s):

EdenTree Investment Management Ltd (hereafter "EIM").

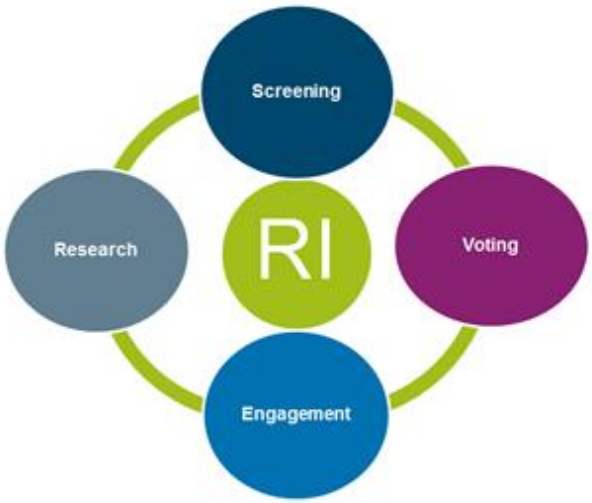
2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

EIM is a pioneer of responsible and sustainable investment in the UK, launching the country's second ethically screened retail equity product in 1988. EIM operates an integrated team in which the investment and SRI case is researched side by side. A specialist team comprising three members provide the detailed in-house resource for ESG screening, engagement, voting and research.

With our integrated process, all members of the investment team (14 persons) are expected to have an understanding of SRI and include sustainability research into their thinking. No distinction is made between equity and fixed income investment as far as ESG integration is concerned.

Our commitment to SRI has been recognised in the UK with several awards, including the Moneyfacts 'Best Ethical Investment Provider 2018', the tenth successive year we have achieved this distinction (2009-'18).

Our overarching offer to clients in respect of ESG is articulated as:



2.3. How does the company formalise its sustainable investment process?

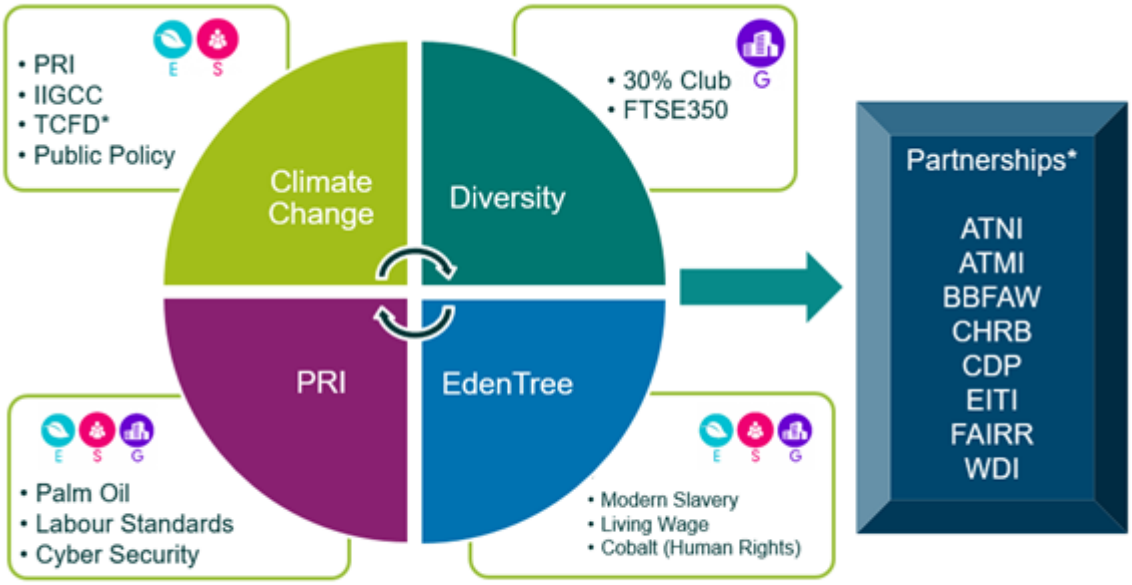
EIM's responsible and sustainable investment process is publicly available, and can be accessed here:

https://www.edentreeim.com/process

EIM publishes annually its UK and International Corporate Governance Proxy Voting Policies. In addition we publish annually our Statement under the UK Stewardship Code.

All three policies can be accessed here: www.edentreeim.com/literature

EIM reviews and articulates its overarching engagement strategy on an annual basis; for 2018 this is shown below:



* TCFD: Task Force on Climate-related Financial Disclosures; ATNI: Access to Nutrition Index; ATMI: Access to Medicines Index; BBFAW: Business Benchmark on Farm Animal Welfare; CHRB : Corporate Human Rights Benchmark; CDP: Carbon Disclosure Project; EITI: Extractives Industry Transparency Initiative; FAIRR: Farm Animal Investment Risk & Return; WDI: Worforce Disclosure Initiative

2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by the company?

As bottom-up active stock pickers our model does not utilise a universe of pre-screened eligible investments. Investment ideas arise within the whole investment team, based on a range of sources. Nor do we have a pre-screened exclusion list.

Stock ideas that are pursued are subject to investment and ESG analysis to assess their suitability for investment inclusion. As bottom up stock pickers, there is no minimum threshold of ESG scoring; companies are screened as a 'pass' or 'fail' on their merits, or 'requires engagement to proceed'. Our typical internal screening matrix is set out below whereby across our core positive pillars companies are marked red, amber or green depending on the quality of disclosure, ESG risk management and performance:

Business Ethics	Community	Corporate Governance
		POOR
Education	**Environmental Management**	**Health & Wellbeing**
N/A	STRONG	N/A
Human Rights	**Employment & Labour**	**Urban Regeneration**
		N/A

Our investment team continuously considers ESG risks and opportunities, including those linked to climate change. Climate-related risks/opportunities within the investment universe will be captured during the screening process under our "Environmental Management" pillar (or in the negative pillars of Arctic drilling/oil sands), or where the investment team will also take physical climate risk into consideration where material (i.e. if a company's operations are concentrated in an area more prone to extreme weather events as a result of climate change).

We also conduct an annual carbon footprint assessment of each of our Amity equity funds, and managers are encouraged to take portfolio carbon footprints into account when considering investment stock ideas. Our most recent carbon footprint assessments can be found here as part of our disclosure under the Montréal Pledge: https://www.edentreeim.com/literature. We consider most climate related risks to be medium/ long term.

Controversies are managed on a regular basis. We are subscribers to Sustainalytics which provides fortnightly updates on controversies across a global universe. Significant controversies (Category 3 or above) are regularly

communicated to the entire investment team. Depending on the controversy, the SRI team may use this information as a trigger to engage.

2.5. How many employees are directly involved in the company's sustainable investment activity?

EIM's dedicated Responsible and Sustainable Investment team comprises three people. These are:

Neville White, Head of RI Policy & Research – 21 years' experience
Esmé van Herwijnen – Responsible Investment Analyst – four years' experience
Jon Mowll – Responsible Investment Analyst - <1 year experience (trainee analyst)

Given that responsible and sustainable investing forms the core of our business, managers and analysts within the Investment Team are required to integrate ESG thinking into their day to day work. The dedicated Investment Team (ex-SRI) has 11 persons within it.

Our Responsible and Sustainable Investment process is overseen by an independent Amity Panel. The Panel meets three times a year and may advise and inform but not mandate a course of action. The Panel is made up of independent experts; the Panel's Terms of Reference are available on request.

The current Amity Panel Membership is shown below:

2.6. Is the company involved in any RI initiatives?

EIM became a signatory to the Principles of Responsible Investment (PRI) in early 2013, and we submitted our first response for publication in June 2015. We received an A+ rating for strategy and governance in our third response in 2017.

Our 2018 PRI Transparency Report and Assessment Report are published at www.edentreeim.com/literature

EIM is also a signatory-supporter to several collaborative investor initiatives, including:

- *Access to Medicine Index http://www.atmindex.org/*
- *Access to Nutrition Index (ATNI) http://www.accesstonutrition.org/*
- *CDP (carbon, water, and forest) http://www.cdproject.net/*
- *Extractives Industry Transparency Scheme (EITI) http://eiti.org/*
- *Business Benchmark on Farm Animal Welfare (BBFAW) http://www.bbfaw.com/*
- *Farm Animal Investment Risk & Return (FAIRR) http://www.fairr.org*
- *30% Club on Governance Diversity http://www.30percentclub.org.uk/*
- *Corporate Human Rights Benchmark https://www.corporatebenchmark.org/*
- *Workforce Disclosure Initiative https://shareaction.org/wdi/*
- *Montreal Pledge http://montrealpledge.org/*
- *Paris Pledge http://www.parispledgeforaction.org/*

EIM is a member of UK Sustainable Investment and Finance Association (UKSIF) (http://uksif.org/), the Institutional Investors Group on Climate Change (IIGCC) (http://www.iigcc.org/), and the Ecumenical Council for Corporate Responsibility (ECCR) (www.eccr.org.uk).

In addition, we contribute to the promotion of responsible and sustainable investing in the UK via a suite of frequent thought leadership research reports and publications, by hosting occasional industry meetings and seminars, providing thought leadership pieces for the investment and finance trade press, and by presenting on ESG issues at conferences.

2.7. What is the total number of SRI assets under the company's management?

Responsible and Sustainable Investment is the unique selling point of EIM. We manage investments on behalf of institutional, retail and charity clients including the investment portfolios of our parent, Ecclesiastical Insurance Group Plc.

We view all of our Funds under Management as being within scope of our responsible and sustainable approach via screening, voting or engagement or all three strategies.

Our ethically-screened Amity Funds, applicable to this Code, totalled £681m at 30th September 2018.

At 30th September 2018 our total AUM was £2.8bn.

Links to where published material for these Amity products is set out in item 1 above.

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3. ***General information about the SRI fund(s) that come under the scope of the Code***

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

The approach taken by EIM to incorporating ESG factors into its investment management process forms a fundamental element of the corporate responsibility policies of EIM's parent, the Ecclesiastical Insurance Group (EIG), part of which is to be 'the best ethical investment provider".

All the Amity funds take an approach that encompasses both negative and positive screening. They may therefore be categorised as combining (i) exclusion of holdings from the investment universe (ii) integration of positive ESG factors in financial analysis (iii) engagement on sustainability matters and (iv) global proxy voting.

The Amity Funds have adopted a 'profit with principles' approach in which investment decisions are based on an integrated investment and ESG case. The Funds apply a default 'negative' screen in which companies in the following business areas are excluded where turnover or profit exceed 10% (whichever is the lower).

- *Alcohol production*
- *Gambling operations*
- *Pornographic and violent material*
- *Tobacco production*
- *Strategic weapon production*
- *Animal testing for cosmetic or household products*
- *Intensive farming*
- *Oppressive regimes*

As a House we have also determined to avoid companies with exposure to oil sands and Arctic drilling.

Specific policies have been produced on our approach to (i) strategic weapons production (ii) animal testing and (iii) intensive farming, and these are available on request.

Companies are then assessed across nine positive screening 'pillars' for their suitability for inclusion in the Funds. The nine pillars were completely refreshed during 2016, and are now articulated as 'six areas of business risk' and 'three themes'. The nine pillars are:

- ***Business ethics** – including Codes of Conduct; product quality and safety; culture and behaviours; financial conduct; ethical sourcing; supply chain relationships; taxation policy; farm animal welfare and lobbying*
- ***Community –** including community liaison; license to operate; project finance; giving programmes; health, education and welfare, Access to Medicine and training and apprenticeships*
- ***Corporate governance –** includes Code compliance; independent Boards; pay for performance; diversity; anti-bribery and whistleblowing; cyber security; audit; related party transactions and political donations*
- ***Employment & labour –** includes ILO protocols; equal opportunities; diversity; anti-discrimination; reward structures; freedom of association & collective bargaining; training & development; health & safety and occupational wellbeing*
- ***Environmental management –** Includes climate change; GHG emissions; resource depletion; water; pollution; natural capital; waste and recycling; energy; soil and forestry and sustainable products*
- ***Human rights –** includes policies; support for the UDHR and UN Guiding Principles; child, bonded and forced labour; trafficking and Modern Slavery; indigenous people and land rights; sanctions and conflict risk and conflict minerals*
- ***Education –** businesses focused on education, training, human development, promoting girls' education and student housing & support*
- ***Health & wellbeing –** businesses focused on affordable healthcare, access to medicine, pharmaceutical R&D, biotechnology, clinical care and nutrition and*
- ***Urban regeneration –** businesses focused on social housing, affordable housing, green building, inner city brownfield development and natural capital*

The Funds apply negative screening in keeping with the adoption of a distinctive, long-standing ethical stance. Positive screening is applied so that the Funds comprise a portfolio of companies we view as likely to deliver superior returns over the long-term given their strong credentials as responsible companies.

The positive criteria can also act as a brake should a company's ESG performance fail to meet our required standards. To that end, mining and transnational oil are normally avoided on environmental, climate change, and human rights grounds under our positive screens.

We view the integration of ESG a factor in reducing risk and adding value over time. We also believe that through investor engagement, we may play a role in raising standards and improving business behaviour.

Whilst the Funds principally invest in listed equity and mainstream debt instruments, we may also invest in unlisted social, community, or impact investment vehicles, particularly in our Amity Sterling and Amity Short Dated Bond Funds.

More information on our integrated process can be found at: https://www.edentreeim.com/process.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

Our basic ESG risk analysis is provided by Sustainalytics www.sustainalytics.com which rates each company within an industrial sector peer group; this is noted for the purposes of our first tier analysis. Companies achieving a below peer group average rating would be subject to additional ESG scrutiny in order to achieve a positive investment recommendation. This is usually taken to mean third quartile or lower.

Our SRI team then conducts additional research and analysis from publicly available materials including:

- *Company literature (annual reports, websites and sustainability reports)*
- *Industry or trade body publications and websites*
- *NGO reports and websites*
- *Government and academic research including websites*
- *Investor benchmark initiatives*

We seek always to determine whether a potential investment meets the detailed criteria of the Amity Funds with any remaining areas of enquiry pursued via engagement.

We utilise the services of ISS-Ethix Climate Solutions https://www.issgovernance.com/esg/climate-solutions/ as our sole provider of carbon footprint analysis for the Amity equity Funds.

We utilise research services provided by Glass Lewis & Co. to conduct and execute international (ex-UK) voting. www.glasslewis.com

All UK proxy voting is undertaken in-house; basic UK corporate governance research is provided by the UK Investment Association's voting information service, IVIS www.ivis.co.uk.

UK voting decisions are recommended by the SRI team and approved by a relevant Fund Manager. Votes are executed in-house. We publish a Global Corporate Governance Report online each quarter.

3.3. What ESG criteria are taken into account by the fund(s)?

This information is contained in 3.1.

The same ESG analysis is applied across all sectors, geographies and company types. We do not make a distinction between quoted securities and fixed interest in terms of sustainability analysis.

We apply two country exceptions on a case by case basis in terms of investment restriction: Sudan and Burma (Myanmar). Other potential oppressive regime information is assessed using Freedom House and Transparency International data.

Material risk assessment is taken into account that considers the sector and its global footprint: companies working in the oil and extractives sectors seldom meet our positive human rights and environmental management standards, and are therefore rarely approved for inclusion and are often excluded under our positive criteria.

Companies are 'scored' using external and internal research analysis before a decision on suitability from an ESG perspective is approved. The subsequent investment decision then lies with the Fund Manager. The Funds do not apply either a 'best in class' or 'norms' based approach to investment decision making; companies are judged on the overall positive contribution they are assessed as making across the nine positive screening pillars. All stocks are required to earn their place in the portfolios on an integrated basis.

Additional tests are applied as regards sovereign debt where Freedom House and Transparency International core ratings are taken into account when approving potential sovereign debt (Gilts) issued by countries with poor human rights records. This is normally taken to mean lower quartile country rankings.

Across each ESG dimension a range of issues may be considered pertinent to the particular company, its sector and its global reach. Although not exhaustive, we would seek to take into account the following as part of our due diligence ESG research:

Environmental	Social	Governance
➢ Biodiversity	➢ Access to medicines	➢ Alcohol
➢ Ozone depleting chemicals	➢ Affordable healthcare	➢ Nuclear power
➢ Pesticide use	➢ Equal opportunities	➢ Animal testing & fur
➢ Resource production	➢ Health & safety	➢ Pornography
➢ Environmental management	➢ Human rights	➢ Oppressive regimes
➢ Energy	➢ Child labour	➢ Gambling
➢ Transport	➢ Supply chain management	➢ Tobacco
➢ Nuclear power	➢ Community	➢ GMOs
➢ Pollution	➢ Bribery & corruption	➢ Intensive farming
➢ Water	➢ Labour standards	➢ Executive remuneration
		➢ Board structures
		➢ Audit fees / auditor tenure

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?

Whilst we do not have a specific climate change screen, issues associated with climate change will be captured within our "Environmental Management" positive pillar.

On climate change in particular we look at a company's commitment to tackling climate change and how climate risk is assessed. In addition, we expect companies to provide transparent disclosure on how its business is impacted by climate change, and how it contributes to climate change through greenhouse gas emissions.

Finally we consider best practice regarding how climate risks are being managed and whether the company has set ambitious emission reduction targets. We encourage companies to set Science Based Targets in line with the goal of the Paris Agreement. We consult company disclosures on climate change and encourage them to report in line with TCFD recommendations. Additionally, we are also institutional members of IIGCC and the CDP to support our work in this area.

As indicated in our response in section 2.4, we conduct an annual carbon footprint assessment of each of our Amity equity Funds, and have a published three-year track record of portfolio performance. Managers are encouraged to take carbon emissions and their overall carbon inventory into account when making investment decisions.

In addition to the carbon footprint and assessing companies' disclosures we also assess the portfolio against science based targets and engage with the companies that have not yet set any science based targets.

Our 2018 carbon footprint assessments can be found at: https://www.edentreeim.com/literature. Our portfolio carbon footprint service provider is ISS Ethix Climate Solutions (formerly Southpole Group).

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used, etc.)?

As we have indicated, as bottom-up active managers the investment and sustainability/ESG case is considered in parallel. Our ESG data provider, Sustainalytics provides a detailed ESG rating methodology in which general assumptions are made regarding the outline suitability for inclusion. We take absolute and peer ratings into account when analysing companies; no other rating system is used.

Companies operating in 'high risk' sectors are subject to specific data testing on environmental management, human rights and safety protocols.

We look for companies that broadly meet our sustainability requirements contained under the nine pillars; companies must have reasonable and appropriate environmental, social and governance positives to commend them for inclusion in the Funds. We do not expect all companies to score well under all nine screens, but we expect all potential holdings to exhibit reasonable overall sustainability positives, as well as passing the default negative screen.

We apply a 'traffic light' system across the nine pillars to assess disclosure, process and performance in each area. In addition to written analysis, this is communicated to Fund Managers in the form of a tabular assessment, an example of which is set out below:

Business Ethics	**Community**	**Corporate Governance**
		POOR
Education	**Environmental Management**	**Health & Wellbeing**
N/A	**STRONG**	N/A
Human Rights	**Employment & Labour**	**Urban Regeneration**
		N/A

Companies may either –

- *Fail – fails the negative screen or does not meet our required standards*
- *Passes – passes the negative and positive screens*
- *Passes with caution – the stock may exhibit some risks or require engagement prior to investing*

In 2017, approximately two-thirds of screening ideas passed our negative and positive screens, and the remaining third was split equally between 'suitable with caution' and 'fails'.

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

The research process is reviewed in a timely manner consistent with the needs of the business. Individual company holdings are reviewed periodically (at least once every two years) to ensure they continue to meet the criteria of the Funds and are otherwise not in breach of any Amity ethical policies. Reviews will also be triggered in the event of worsening controversy indicators, or mergers & acquisitions. Direction of travel is important, and companies screened positively are monitored to ensure they remain eligible for inclusion.

We monitor the fortnightly controversies rating report supplied by Sustainalytics and the highest categories of controversy (4 and 5) are scrutinised in depth. Fund Managers are made aware of any changes in controversy rating for portfolio holdings. Sold stocks will normally require re-screening prior to any subsequent re-purchase, and cannot be bought until this has occurred. Controversies are taken into account as part of our overall risk-assessed approach. Companies with significant recent or ongoing risk-related controversies require additional due diligence assessment prior to approval and are subject to intensified monitoring.

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4. ***Investment process***

4.1. How are the results of the ESG research integrated into portfolio construction?

The investment and ESG process is integrated. Investment and ESG research takes place in parallel at the ideas stage. The SRI Team have ultimate authority to reject a proposed stock from investment if it fails either the negative screen, exhibits insufficient positives or bears unacceptable risk under the positive criteria.

We apply no weightings or other quant based analytics.

If an investment ceases to be eligible for inclusion, for instance because a banned activity has passed the 10% threshold, the Fund Manager will have an appropriate and reasonable time limited period to sell the stock down (normally three calendar months). Companies that change their strategy or move into areas that raise concerns may also lead to divestment after a period of review and engagement.

All companies are analysed equally. The exception is investment trusts where we employ a de minimus threshold test across the whole portfolio, whereby a Trust should not normally have more than 10% of its holdings in excluded areas of activity in aggregate. A review is conducted at least annually of Trusts held in the portfolios. Trusts fulfil a specific investment function and are not subject to separate positive screening.

4.2. How are criteria specific to climate change integrated into portfolio construction?

There is no specific climate change screen, however under our process of screening against the nine positive pillars the contribution of any stock to the Funds' carbon inventory is scoped and taken into account.

On environmental, human rights and climate change grounds we exclude mining and all transnational oil, and position the Amity Funds as 'carbon aware'. Similarly, when screening electricity generation companies, we will look at the energy mix and generally prefer companies with a reducing fossil fuel inventory, and one biased towards gas and renewables.

Since 2016, we have conducted portfolio carbon footprints for our Amity equity Funds and used this as a basis for engagement with heavy emitting companies in our portfolios and for engaging with clients on climate risk. The information also provides fund managers with additional information to consider when stock picking and portfolio weightings.

We do not exclude heavy emitting industries (other than mining and transnational oil) from the portfolios e.g. chemicals or steel making, however this will form a material part of our analysis at screening stage, and stocks may be excluded from investment if we feel the carbon risk to be material and poorly managed.

We have not set targets or a carbon budget for the Funds, but may consider doing so in the future.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

This is generally not applicable as all issuers in the Amity funds are subject to ESG analysis.

The only exceptions are OECD government debt and supra-national bodies such as the European Investment Bank or International Finance Corporation.

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

No.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

We manage general equity and fixed interest Funds for the mainstream retail and charity markets, with instruments drawn from across the broad universe of available stocks and debt instruments.

As part of our screening process, we assess issuers against the above-mentioned nine pillars. In doing so, we highlight the positive ESG impacts and attributes companies are having from the perspective of labour issues, the environment, human rights and on the communities in which they operate.

Three of our nine pillars are thematic in nature (Education, Health & Wellbeing and Urban Regeneration), and as a House we are positive on these market sectors where the investment case is also positive.

Additionally, within our Fixed Interest Funds, subject to a positive investment case, we will take positions in the green, social and charity bond markets where issuers are raising capital to pursue social outcomes. Typical vehicles may include supra-national debt investing in global environmental infrastructure projects, social bonds in the care or social housing sectors and other green bonds.

4.6. Does (do) the fund(s) engage in securities lending activities?

No

4.7. Does (do) the fund(s) use derivative instruments?

No

4.8. Does (do) the fund(s) invest in mutual funds?

The Funds are able to invest in non-listed, non-conventional Instruments such as Preference Shares and PIBS (Perpetual Interest Bearing Shares). Additionally, the Funds can invest in non-listed Fixed Interest instruments such as social and charity Bonds.

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5. ***ESG controls***

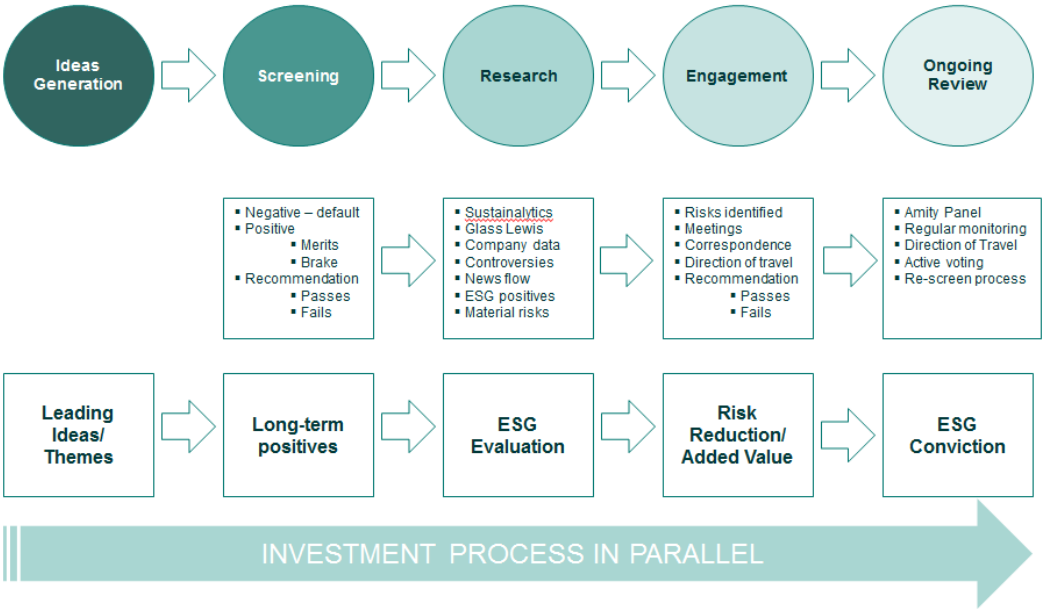
5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

Holdings are controlled by the Charles River operating and dealing system which requires SRI approval prior to purchase where screens apply.

Holdings are regularly monitored to ensure there are no breaches to negative criteria, and that they continue to meet our positive criteria. This is conducted in house by the SRI team utilising external service provider information and publicly available disclosures.

The flow chart below illustrates our overall process for the selection and monitoring of actual and potential investments in the screened Amity Funds.

Divestment recommendations would be subject to an appropriate and reasonable time specific draw down, usually three calendar months. Companies that are sold would normally need to be re-screened prior to any further intended purchase. Companies in breach (and therefore requiring sale on ethical grounds) would be flagged in management breach reports triggered by the Charles River operating and dealing system.



6. ***Impact measures and ESG reporting***

6.1. How is the ESG quality of the fund(s) assessed?

The Funds' ESG quality derives from the rigorous application of our ESG risk/opportunity evaluation in the investment process. The Funds' record on ESG quality is reflected in being recognised by independent industry panels over an extended period of time; for instance, EIM has won Moneyfacts' "Best Ethical Investment Provider Award" for 10 consecutive years (2009-2018).

Internally we undertake annual carbon footprints of our screened equity funds to assess financed emissions versus financed emissions in the respective benchmarks.

We do not undertake any additional quantitative assessment. The Funds are sometimes ranked and assessed by external ratings agencies, however, these are not within our control to influence

6.2. What ESG indicators are used by the fund(s)?

See our response 3.3.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Information on our processes and how the Funds are managed from an ESG perspective is made publicly available via our website, and clients are free to clarify any concerns/issues with members of the EIM SRI team directly.

We publish regular thought leadership pieces in the form of "SRI Expert Briefings" and "Amity Insights", which provide investors with a deeper understanding of some of the key topical ESG issues which the Responsible and Sustainable Investment team take into consideration when evaluating investment propositions. We aim to publish three new Amity Insights annually, and five or six SRI Expert Briefings. The latter are aimed at the general investor wishing to understand more about a specific complex ESG issue and typically comprise a four-page briefing note. At least two briefings per year feature stocks held in the funds.

Over the decade 2008-2018 we have published 32 Amity Insights. The following Amity Insights are currently available via https://www.edentreeim.com/insight-news. The following Amity Insights are currently available via https://www.edentreeim.com/insight-news

- *The Waste Problem: From Take, Make & Dispose to a Circular Approach (2018)*
- *Hungry Planet Revisited (2018)*
- *Sustainable Cities: Challenges and Opportunities arising from Urbanisation (2018)*
- *Thirsty Planet Revisited (2017)*
- *The Future of Work (2017)*
- *The Energy Paradox (2017)*
- *Cyber Security (2016)*
- *Natural Capital (2016)*
- *Corporate Governance (2016)*
- *Aviation (2015)*
- *Shipping (2015)*
- *Life Ethics (2015)*
- *Corporate Misconduct (2014)*
- *Digital Planet II – Big Data (2014)*
- *Digital Planet (2014)*
- *Education (2013)*
- *Human Rights (2013)*

The following SRI Expert Briefings are currently available at https://www.edentreeim.com/literature:

- *Investing in the FAANGs*
- *Health & Wellbeing*
- *The Sustainable Development Goals*
- *Sand Mining*
- *Modern Slavery*
- *Farm Animal Welfare*
- *Biofuels*
- *Palm Oil*
- *GMOs*
- *Fossil Fuel Divestment*
- *Access to Nutrition (2016)*
- *How We Vote*
- *Global Risks Landscape (2016)*
- *Oppressive Regimes*
- *The Internet of Things*
- *Banks*
- *Tax*
- *Carbon Footprint*
- *Access to Medicines Index (2014)*
- *Company profiles (various)*

We also publish quarterly Corporate Governance proxy Voting Reports and a quarterly SRI Activity Reports at: https://www.edentreeim.com/literature

6.4. Does the fund management company publish the results of its voting and engagement policies?

An account of our engagement with companies is published in our Quarterly SRI Activity Reports.

EIM votes at all company meetings in all markets except where these are share-blocked. In such cases we have taken a House view not to waive our trading rights. This occasionally effects our withholding proxies in Norway, Switzerland and Luxembourg. Voting is conducted in accordance with our published UK and International Corporate Governance Policies.

All UK proxy voting (including Guernsey, Jersey and the Isle of Man) is conducted wholly in-house by the SRI team and signed off by a Fund Manager. Overseas proxy voting is contracted out to our partner Glass Lewis & Co.

A complete and transparent record of voting action taken is published quarterly in a single Global Corporate Governance Report. This contains UK and overseas voting statistics, detail of action taken (oppose and abstain), meetings where all resolutions were supported, diversity records (in the UK) and shareholder resolutions (in the US).

EIM has also published its UK and international corporate governance voting policies, and engagement approach as part of our signatory obligations under the UK Stewardship Code.

All three policies can be accessed here: www.edentreeim.com/literature

***** ENDS *****