



**EDENTREE INVESTMENT MANAGEMENT LTD  
EUROPEAN SRI TRANSPARENCY CODE**

**LISTED EQUITY FUNDS**



**STATEMENT OF COMMITMENT  
2020/21**

## 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 was 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 and sustainable 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 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 screened products are the Amity Balanced Fund for Charities and the Amity Global Equity Fund for Charities.

Our responsible and sustainable (screened) funds under management totalled £798m (€900m) at 30 September 2019. This figure includes OEICs and other client mandates. **This document relates to the equity OEICs and our one mixed-asset-class OEIC only, representing £417.6m (€457.5m) of assets under management.**

Our commitment to responsible and sustainable investment has been recognised in the UK with several awards including the Moneyfacts 'Best Ethical Investment Provider 2020' – the 12th 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 8<sup>th</sup> statement of commitment and covers the year 2020/21.

Our full response to the European SRI Transparency Code can be accessed below and is available on our website at [www.edentreeim.com](http://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.

31 October 2020

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### 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](http://www.eurosif.org) and information of our policies and practices can be found at [www.edentreeim.com](http://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.

31 October 2020



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 2020	Other labels	Links to relevant documents
Exclusions  ESG integration  Thematic	Actively managed fund aimed at long term capital appreciation, principally via UK equities	<p>Our Amity UK Fund adopts a 'profit with principles' approach in which investment decisions are based on an integrated investment and responsibility/sustainability case.</p> <p>The Fund applies a default 'Ethics/Values' (formerly referred to as 'negative') screen in which companies in the following business areas are excluded where turnover or profit (whichever is higher) exceed 10%:</p> <ul style="list-style-type: none"> <li>- Alcohol production</li> <li>- Gambling operations</li> <li>- Pornographic &amp; violent materials</li> <li>- Defence (arms / weapons)</li> <li>- Tobacco production</li> </ul> <p>We have taken a zero tolerance approach to <b>oil sands</b> and <b>Arctic drilling</b>. Specific policies have also been developed on <b>animal testing, intensive farming, and oppressive regimes</b>. These are available on request, and these issues also form part of the 'Ethics/Values' part of the screening/review process.</p> <p>Investment ideas are also screened against six areas of ESG risk (also referred to as 'Responsibility/ESG):</p> <ul style="list-style-type: none"> <li>- Business ethics</li> <li>- Corporate governance</li> <li>- Environmental management</li> <li>- Community</li> <li>- Employment &amp; labour</li> <li>- Human rights</li> </ul> <p>The final part of our screening process is a discretionary element, which considers positive impacts across the following themes:</p> <ul style="list-style-type: none"> <li>- Education</li> <li>- Social Infrastructure</li> <li>- Health &amp; Wellbeing</li> <li>- Sustainable Solutions*</li> </ul> <p>*Sustainable Solutions comprises a number of sub-categories, including, but not limited to: renewable energy; sustainable agriculture; sustainable transport; green finance; circular economy; pollution prevention &amp; control.</p>	£119.3m	N/A	<a href="https://www.edentreeim.com/funds/screened-funds/amity-uk">https://www.edentreeim.com/funds/screened-funds/amity-uk</a>

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 2020	Other labels	Links to relevant documents
Exclusions ESG integration Thematic	Actively managed fund aimed at long term capital appreciation, principally via European equities	<p>Our Amity European Fund adopts a 'profit with principles' approach in which investment decisions are based on an integrated investment and responsibility/sustainability case.</p> <p>The Fund applies a default 'Ethics/Values' (formerly referred to as 'negative') screen in which companies in the following business areas are excluded where turnover or profit (whichever is higher) exceed 10%:</p> <ul style="list-style-type: none"> <li>- Alcohol production</li> <li>- Gambling operations</li> <li>- Pornographic &amp; violent materials</li> <li>- Defence (arms / weapons)</li> <li>- Tobacco production</li> </ul> <p>We have taken a zero tolerance approach to <b>oil sands</b> and <b>Arctic drilling</b>. Specific policies have also been developed on <b>animal testing</b>, <b>intensive farming</b>, and <b>oppressive regimes</b>. These are available on request, and these issues also form part of the 'Ethics/Values' part of the screening/review process.</p> <p>Investment ideas are also screened against six areas of ESG risk (also referred to as 'Responsibility/ESG'):</p> <ul style="list-style-type: none"> <li>- Business ethics</li> <li>- Corporate governance</li> <li>- Environmental management</li> <li>- Community</li> <li>- Employment &amp; labour</li> <li>- Human rights</li> </ul> <p>The final part of our screening process is a discretionary element, which considers positive impacts across the following themes:</p> <ul style="list-style-type: none"> <li>- Education</li> <li>- Social Infrastructure</li> <li>- Health &amp; Wellbeing</li> <li>- Sustainable Solutions*</li> </ul> <p>*Sustainable Solutions comprises a number of sub-categories, including, but not limited to: renewable energy; sustainable agriculture; sustainable transport; green finance; circular economy; pollution prevention &amp; control.</p>	£73m	N/A	<a href="https://www.edentreei.com/funds/screene-d-funds/amity-european">https://www.edentreei.com/funds/screene-d-funds/amity-european</a>

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 2020	Other labels	Links to relevant documents
Exclusions ESG integration Thematic	Actively managed fund aimed at long term capital appreciation, principally via global equities	<p>Our Amity International Fund adopts a 'profit with principles' approach in which investment decisions are based on an integrated investment and responsibility/sustainability case.</p> <p>The Fund applies a default 'Ethics/Values' (formerly referred to as 'negative') screen in which companies in the following business areas are excluded where turnover or profit (whichever is higher) exceed 10%:</p> <ul style="list-style-type: none"> <li>- Alcohol production</li> <li>- Gambling operations</li> <li>- Pornographic &amp; violent materials</li> <li>- Defence (arms / weapons)</li> <li>- Tobacco production</li> </ul> <p>We have taken a zero tolerance approach to <b>oil sands</b> and <b>Arctic drilling</b>. Specific policies have also been developed on <b>animal testing</b>, <b>intensive farming</b>, and <b>oppressive regimes</b>. These are available on request, and these issues also form part of the 'Ethics/Values' part of the screening/review process.</p> <p>Investment ideas are also screened against six areas of ESG risk (also referred to as 'Responsibility/ESG'):</p> <ul style="list-style-type: none"> <li>- Business ethics</li> <li>- Corporate governance</li> <li>- Environmental management</li> <li>- Community</li> <li>- Employment &amp; labour</li> <li>- Human rights</li> </ul> <p>The final part of our screening process is a discretionary element, which considers positive impacts across the following themes:</p> <ul style="list-style-type: none"> <li>- Education</li> <li>- Social Infrastructure</li> <li>- Health &amp; Wellbeing</li> <li>- Sustainable Solutions*</li> </ul> <p>*Sustainable Solutions comprises a number of sub-categories, including, but not limited to: renewable energy; sustainable agriculture; sustainable transport; green finance; circular economy; pollution prevention &amp; control.</p>	£175.3m	N/A	<a href="https://www.edentreei.com/funds/screend-funds/amity-international">https://www.edentreei.com/funds/screend-funds/amity-international</a>

**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 2020	Other labels	Links to relevant documents
<p>Exclusions</p> <p>ESG integration</p> <p>Thematic</p>	<p>Actively managed fund aiming to provide a balance between income and capital growth through investment in both equities and fixed income products</p>	<p>Our Amity Balanced Fund adopts a ‘profit with principles’ approach in which investment decisions are based on an integrated investment and responsibility/sustainability case.</p> <p>The Fund applies a default ‘Ethics/Values’ (formerly referred to as ‘negative’) screen in which companies in the following business areas are excluded where turnover or profit (whichever is higher) exceed 10%:</p> <ul style="list-style-type: none"> <li>- Alcohol production</li> <li>- Gambling operations</li> <li>- Pornographic &amp; violent materials</li> <li>- Defence (arms / weapons)</li> <li>- Tobacco production</li> </ul> <p>We have taken a zero tolerance approach to <b>oil sands</b> and <b>Arctic drilling</b>. Specific policies have also been developed on <b>animal testing, intensive farming, and oppressive regimes</b>. These are available on request, and these issues also form part of the ‘Ethics/Values’ part of the screening/review process.</p> <p>Investment ideas are also screened against six areas of ESG risk (also referred to as ‘Responsibility/ESG):</p> <ul style="list-style-type: none"> <li>- Business ethics</li> <li>- Corporate governance</li> <li>- Environmental management</li> <li>- Community</li> <li>- Employment &amp; labour</li> <li>- Human rights</li> </ul> <p>The final part of our screening process is a discretionary element, which considers positive impacts across the following themes:</p> <ul style="list-style-type: none"> <li>- Education</li> <li>- Social Infrastructure</li> <li>- Health &amp; Wellbeing</li> <li>- Sustainable Solutions*</li> </ul> <p>*Sustainable Solutions comprises a number of sub-categories, including, but not limited to: renewable energy; sustainable agriculture; sustainable transport; green finance; circular economy; pollution prevention &amp; control.</p>	<p><b>£25.7m</b></p>	<p>N/A</p>	<p><a href="https://www.edentreeim.com/funds/funds-for-charities/amity-balanced">https://www.edentreeim.com/funds/funds-for-charities/amity-balanced</a></p>

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 2020	Other labels	Links to relevant documents
Exclusions ESG integration Thematic	Actively managed fund aiming to provide above average income yield through investment in global equities	<p>Our Amity Global Equity Fund adopts a 'profit with principles' approach in which investment decisions are based on an integrated investment and responsibility/sustainability case.</p> <p>The Fund applies a default 'Ethics/Values' (formerly referred to as 'negative') screen in which companies in the following business areas are excluded where turnover or profit (whichever is higher) exceed 10%:</p> <ul style="list-style-type: none"> <li>- Alcohol production</li> <li>- Gambling operations</li> <li>- Pornographic &amp; violent materials</li> <li>- Defence (arms / weapons)</li> <li>- Tobacco production</li> </ul> <p>We have taken a zero tolerance approach to <b>oil sands</b> and <b>Arctic drilling</b>. Specific policies have also been developed on <b>animal testing, intensive farming, and oppressive regimes</b>. These are available on request, and these issues also form part of the 'Ethics/Values' part of the screening/review process.</p> <p>Investment ideas are also screened against six areas of ESG risk (also referred to as 'Responsibility/ESG'):</p> <ul style="list-style-type: none"> <li>- Business ethics</li> <li>- Corporate governance</li> <li>- Environmental management</li> <li>- Community</li> <li>- Employment &amp; labour</li> <li>- Human rights</li> </ul> <p>The final part of our screening process is a discretionary element, which considers positive impacts across the following themes:</p> <ul style="list-style-type: none"> <li>- Education</li> <li>- Social Infrastructure</li> <li>- Health &amp; Wellbeing</li> <li>- Sustainable Solutions*</li> </ul> <p>*Sustainable Solutions comprises a number of sub-categories, including, but not limited to: renewable energy; sustainable agriculture; sustainable transport; green finance; circular economy; pollution prevention &amp; control.</p>	£14m	N/A	<a href="https://www.edentreeim.com/funds/funds-for-charities/amity-global-equity">https://www.edentreeim.com/funds/funds-for-charities/amity-global-equity</a>

## 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 responsible investment (RI) case is researched side by side. A specialist team (the "RI 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 (15 persons) are expected to have an understanding of responsible investment, and include sustainability research into their thinking. No distinction is made between equity and fixed income investment as far as ESG integration and ethics/values screening is concerned.

Our commitment to responsible and sustainable investment has been recognised in the UK with several awards, including the Moneyfacts 'Best Ethical Investment Provider 2020', the 12<sup>th</sup> successive year we have achieved this distinction (2009-2020).

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



Engagement on environmental, social, and governance issues is conducted primarily by the RI Team. This is either carried out on an ad-hoc basis (i.e. as issues arise during the course of periodic reviews of holdings across the Funds, or in relation to news-flow), or in a more methodical, thematic manner (e.g. focused engagement on CDP reporting, Modern Slavery in the UK's construction sector, corporate governance of small-cap companies, diversity laggards etc.). Engagement activities are communicated to the Investment Team on a bi-weekly basis, and are communicated externally in our Quarterly RI Activity updates, and our RI Annual Review.

The RI Team's research is produced in three forms: (i) our flagship research pieces, known as EdenTree Insights, which explore in detail pressing issues facing responsible and sustainable investors; (ii) our RI Expert Briefings (which have recently been supplemented by an additional "Emerging Issues Expert Briefing" stream), which typically explore a topic (e.g. palm oil, Board diversity, tax) and outline our House view; and (iii) our opinion pieces (Blogs), which allow our RI Team to write about issues that interest them, reflecting their own thoughts and opinions. Further detail is provided in section 6.3.

Information on our screening and governance/voting work is provided elsewhere in this response.

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

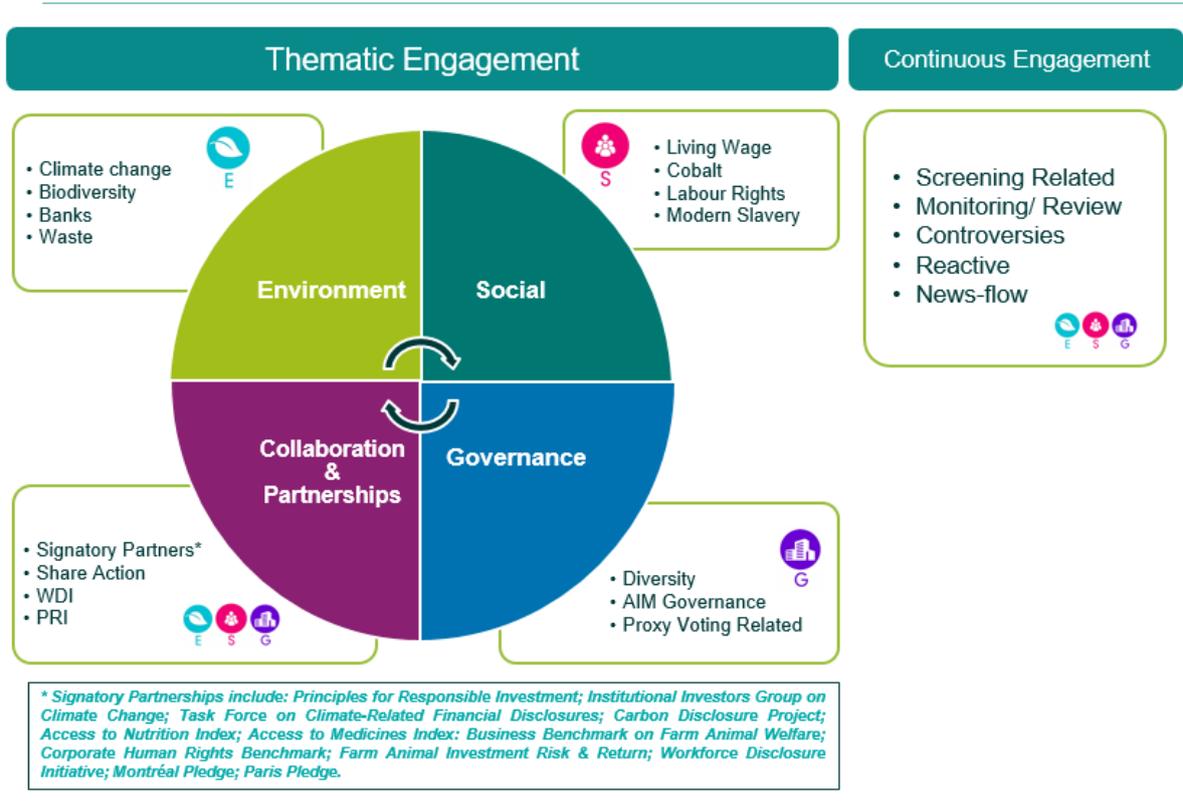
EDM's responsible and sustainable investment process is publicly available, and can be accessed here:

<https://www.edentreeim.com/approach>

EDM 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 at [www.edentreeim.com/insights](http://www.edentreeim.com/insights) searching under the "Governance" tab.

EDM reviews and articulates its overarching engagement strategy on an annual basis; for 2020, this is shown below:



**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. We do not have a pre-screened exclusion list, although the Ethics/Values screens serve this exclusionary purpose in practice.

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', 'suitable with caution', or 'fail' on their merits, or may 'require engagement to proceed'. Our typical internal screening matrix is set out below whereby across our core Responsibility/ESG criteria, companies are marked red, amber or green depending on the quality of disclosure, ESG risk management and performance:

Business Ethics	Community	Corporate Governance
HIGH RISK		
Employment & Labour	Environmental Management	Human Rights
		HIGH RISK

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 ethics/values screens 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 additionally reflect strong contributions to “Sustainable Solutions” through a company’s products and/or services. This may include companies which contribute to GHG emissions reductions or to the sequestration of atmospheric carbon, such as renewable energy companies, those pioneering circular economy models, or those supporting regenerative agriculture. This part of the screening process remains discretionary. A company does not need to have a specific alignment to one of our themes (Education, Health & Wellbeing, Social Infrastructure, and Sustainable Solutions) to be considered suitable for inclusion in the screened Funds. Alignment to our themes is reflected in a similar way to the Responsibility/ESG criteria, with a colour-coding system and underlying detail provided to the Fund Managers.

<b>Education</b>	<b>Health &amp; Wellbeing</b>
N/A	N/A
<b>Social Infrastructure</b>	<b>Sustainable Solutions</b>
N/A	<b>STRONG</b>

We also conduct an annual carbon footprint assessment of each of our screened 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: [www.edentreeim.com](http://www.edentreeim.com). We consider most climate related risks to be medium/ long term.

Controversies are managed on a regular basis. We are subscribers to ISS-ESG which provides regular updates on controversies across a global universe. Significant controversies are communicated to the entire investment team as part of our bi-weekly update. Depending on the controversy, the RI 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 RI Team comprises three people. These are:

- Neville White, Head of RI Policy & Research – 23 years’ experience
- Esmé van Herwijnen – Senior Responsible Investment Analyst – 6 years’ experience
- Jon Mowll – Responsible Investment Analyst - 2 years’ experience

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-RI Team) has 12 persons within it.

Our responsible and sustainable investment process is overseen by an independent EdenTree Responsible Investment Advisory 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 EdenTree Responsible Investment Advisory Panel Membership is shown below:



**Rt Rev Dr Nigel Peyton**  
Panel Chair



**Julie McDowell**  
Independent Consultant



**Bill Seddon**  
Former CEO CFB Methodist Church



**Julian Parrott**  
Client Member, Ethical Futures



**Mike Barry**  
Former Director of Sustainable Business

Full biographies of Panel Members can be accessed here: <https://www.edentreeim.com/approach> under the “EdenTree Responsible Investment Advisory Panel” tab.

## 2.6. Is the company involved in any RI initiatives?

EIM became a signatory to the Principles for 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 sixth response in 2020.

Our 2020 PRI Transparency Report and Assessment Report are published at [www.edentreeim.com/insights](http://www.edentreeim.com/insights)

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

- Access to Medicine Index (ATMI) <http://www.atmindex.org/>
- Access to Nutrition Index (ATNI) <http://www.accessstonutrition.org/>
- CDP (carbon, water, and forest) <http://www.cdproject.net/>
- Business Benchmark on Farm Animal Welfare (BBFAW) <http://www.bbfaq.com/>
- Farm Animal Investment Risk & Return (FAIRR) <http://www.fairr.org>
- 30% Club on Diversity <http://www.30percentclub.org.uk/>
- Corporate Human Rights Benchmark (CHRB) <https://www.corporatebenchmark.org/>
- Workforce Disclosure Initiative (WDI) <https://shareaction.org/wdi/>
- Montréal Pledge <http://montrealpledge.org/>
- Paris Pledge <http://www.parispledgeforaction.org/>

EIM is a member of the UK Sustainable Investment and Finance Association (UKSIF) (<http://uksif.org/>), and the Institutional Investors Group on Climate Change (IIGCC) (<http://www.iigcc.org/>).

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 some combination of the three.

**Our responsible and sustainable (screened) funds under management totalled £1,949m (€2,135m) at 30 September 2020. This figure includes OEICs and other client mandates including our parent Group screened Funds. This document relates to the equity OEICs only, representing £417.6m (€457.5m) of assets under management.**

At 30th September 2020, our total AUM was £2.8bn.

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

### 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 three phases of screening – Ethics/Values; Responsibility/ESG; and Sustainability/Thematic. 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 Ethics/Values 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

As a House we have also determined to avoid companies with direct exposure to oil sands and Arctic drilling, intensive farming and animal testing for household, beauty and cosmetic purposes. Our proprietary Oppressive Regimes screen avoids committing capital in specific circumstances to countries with high human rights risk.

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

Companies are then assessed across six Responsibility/ESG areas, for their suitability for inclusion in the Funds. These are as follows:

- **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; tax transparency; 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

The Funds apply Ethics/Values (formerly known as ‘negative’) screening in keeping with EdenTree’s distinctive, long-standing ethical stance. Responsibility/ESG (formerly known as ‘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 businesses.

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

We view the integration of ESG as a way to reduce risk and add value over time. We also believe that, through investor engagement, we may play a role in raising standards and improving business behaviour. Our engagement strategy is laid out above (see 2.2.).

The final part of our screening process (Sustainability/Thematic) is a discretionary element, which considers positive impacts across the following themes:

- Education
- Health & Wellbeing
- Social Infrastructure
- Sustainable Solutions\*

\*Sustainable Solutions comprises a number of sub-categories, including, but not limited to: renewable energy; sustainable agriculture; sustainable transport; green finance; circular economy; pollution prevention & control.

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

### **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 ISS-ESG [www.issgovernance.com](http://www.issgovernance.com), which rates each company within an industrial sector peer group; this is used for the purposes of our first-tier analysis. Companies achieving a rating below the peer-group average would be subject to additional ESG scrutiny in order to achieve a positive investment recommendation. This is usually taken to mean fifth decile or lower.

Our RI 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
- Government agencies and audit reports

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 services of the CDP to conduct our portfolio carbon footprints.

We utilise research services provided by Glass Lewis & Co. to conduct and execute international (ex-UK) voting. [www.glasslewis.com](http://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](http://www.ivis.co.uk).

UK voting decisions are recommended by the RI 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 ESG analysis.

We apply country-specific exceptions on a case-by-case basis in terms of investment restriction, determined by our oppressive regimes policy. This identifies countries with oppressive regimes using the analysis of Freedom House, Transparency International and World Economic Forum Gender Gap, and identifies a particular set of corporate activities which – where they overlap with government policies/negligence – may facilitate, contribute to, or directly cause human rights violations.

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 human rights and environmental management standards, and are therefore often excluded under our Responsibility/ESG criteria or in the Ethics/Values screen (due to exposure to oil sands and Arctic drilling).

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 in the areas of Responsibility/ESG and Sustainability/Thematic. All stocks are required to earn their place in the portfolios on an integrated basis.

Additional tests are applied as regards sovereign debt where our oppressive regimes policy – using weighted country scores of Freedom House, Transparency International and World Economic Forum Gender Gap – identifies countries as having oppressive regimes. No sovereign debt issued by oppressive regimes is suitable for inclusion in our Amity Funds.

Across each Responsibility/ESG area, 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:



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

Issues associated with climate change are captured within our assessment of a company's 'environmental management' (one of the six Responsibility/ESG criteria).

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 Taskforce on Climate-related Financial Disclosures (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 five-year track record of portfolio performance that is publicly available. Managers are encouraged to take carbon emissions and their overall carbon intensity 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.

Analysis of our Funds' 2020 carbon footprints can be found here: [www.edentreeim.com/insights](http://www.edentreeim.com/insights) Our portfolio carbon footprint service provider is the CDP.

### 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 responsible & sustainable case is considered in parallel. Our ESG data provider, ISS-ESG provides an 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 usually subjected to higher levels of scrutiny around ESG issues, be that with respect to climate change, Modern Slavery, business ethics, etc.

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 against every Responsibility/ESG and Sustainability/Thematic criteria, but we expect all potential holdings to exhibit reasonable overall positives, as well as passing the default Ethics/Values screens.

We apply a 'traffic light' system across the Responsibility/ESG and Sustainability/Thematic assessments to reflect disclosure, process and performance in each area. In addition to written analysis, this is communicated to Fund Managers in the form of tabular assessments, an example of which is set out below:

<b>Business Ethics</b>	<b>Community</b>	<b>Corporate Governance</b>
		<b>WEAK</b>
<b>Employment &amp; Labour</b>	<b>Environmental Management</b>	<b>Human Rights</b>

<b>Education</b>	<b>Health &amp; Wellbeing</b>
SOME	N/A
<b>Social Infrastructure</b>	<b>Sustainable Solutions</b>
N/A	N/A

Companies may either –

- Fail – fails the Ethics/Values screen or does not meet our required standards
- Suitable – passes the Ethics/Values and Responsibility/ESG screens; may have thematic positives
- Suitable with caution – the stock may exhibit some risks or require engagement prior to investing

In 2019, 58% of companies passed the screening process, 30% were considered 'suitable with caution' and 12% failed.

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

The evaluation of issuers is reviewed in a timely manner consistent with the needs of the business. Individual company holdings are reviewed periodically to ensure they continue to meet the criteria of the Funds and are otherwise not in breach of any Ethics/Values screens or any other Amity policies. Reviews will also be triggered in the event of worsening controversy indicators, or mergers & acquisitions. Direction of travel is important, and companies screened against our Responsibility/ESG criteria are monitored to ensure they remain eligible for inclusion.

We monitor controversies regularly reported by ISS-ESG. 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.

All companies within the screened funds are reviewed for breaches of the Ethics/Values screens at least annually. Breaches of the Ethics/Values screens may also be highlighted in the periodic reviews, or in relation to controversies.

In 2019 we conducted 45 reviews, of which 69% passed, 22% were deemed 'suitable with caution' and 9% failed and were divested.

**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 RI Team have ultimate authority to reject a proposed stock from investment if it fails either the Ethics/Values screen, exhibits insufficient positives or bears unacceptable risk under the Responsibility/ESG 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 further screening criteria.

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

Under our screening process 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 we do not hold any companies engaged in oil & gas exploration and production in the Amity Funds. As indicated, we have taken a zero-tolerance approach to oil sands and Arctic drilling through our Ethics/Values screens. 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 de-facto exclude heavy emitting industries (other than mining and transnational oil) from the portfolios e.g. chemicals, cement or steel making, however this will form a material part of our analysis at screening stage, and stocks may be excluded from investment if the carbon risk is viewed as material and poorly managed.

We have not set specific 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 not applicable as all issuers in the Amity Funds are subject to ESG analysis.

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

The ESG evaluation process is continually evolving to take account of changing real-world circumstances and client demand, and as we integrate thought leadership/research work into our process. There have been no material changes to our process in the past 12 months, which underwent considerable reiteration in 2019.

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

As part of our screening process, we assess issuers against the above-mentioned Ethics/Values, Responsibility/ESG and Sustainability/Thematic criteria. In doing so, we highlight the positive impacts and attributes companies are having from, for instance, the perspective of labour issues, the environment, human rights and their impacts on the communities in which they operate. We brought our award winning thought leadership to bear on social issues during the year with the publication of 'Mind the Gap: Economic Inequality in the 21<sup>st</sup> Century'.

#### **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 Amity Balanced Fund can invest in non-listed Fixed Interest instruments such as social and charity Bonds.

### 5. ESG controls

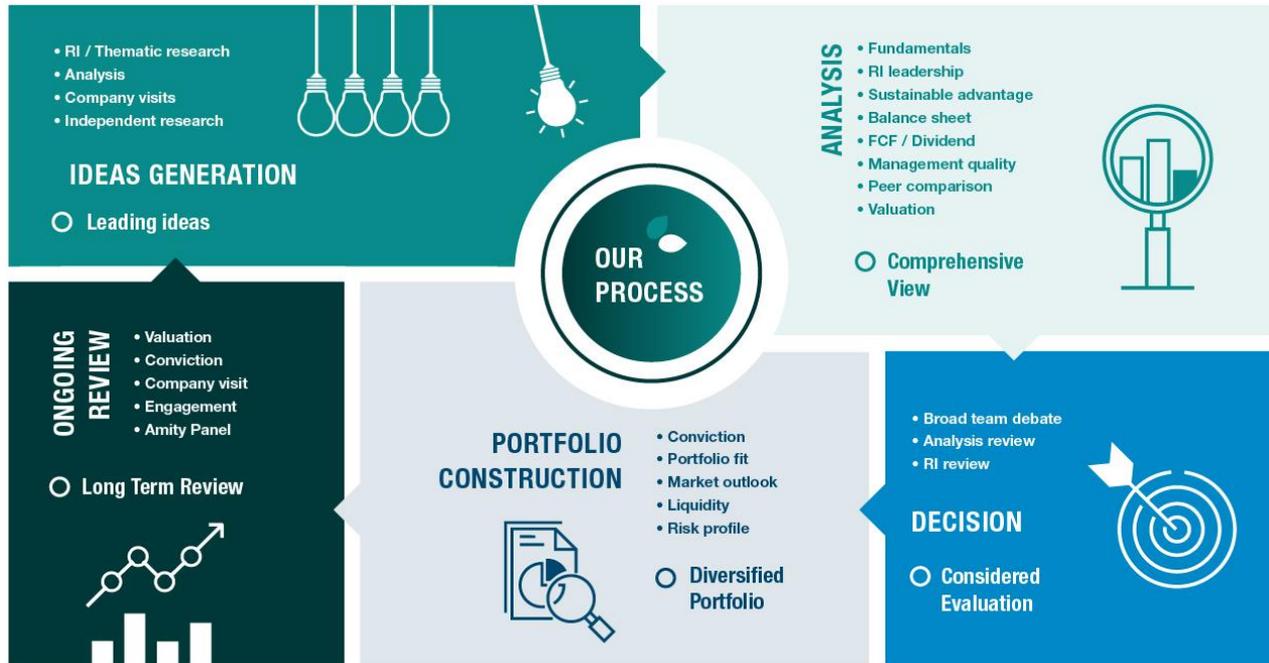
#### 5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

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

Holdings are regularly monitored to ensure there are no breaches to Ethics/Values criteria, and that they continue to meet our ESG/Responsibility and Sustainability/Thematic criteria. This is conducted in house by the RI Team utilising external service provider information and publicly available disclosures.

The diagram 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 and are reviewed as part of the compliance function.



### 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 12 consecutive years (2009-2020).

*Internally, we undertake annual carbon footprints of our screened equity funds to assess financed emissions versus financed emissions in the Funds' respective benchmarks. We also monitor the ratio of companies/issuers in the top 20 holdings of each Fund being assessed as "suitable" and "suitable with caution", and conduct analysis of the number and severity of controversies across each Fund. This data is provided to the Fund Managers annually, with the intention that they consider these factors as they construct portfolios.*

*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 response to 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 RI Team directly.*

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

*We added a new stream to our RI Expert Briefings in 2019, known as "Emerging Issues" Expert Briefings. These cover emerging trends and issues which we feel are worth exploring, but on which we have not necessarily developed a fully formed 'House view'. Examples include Briefings on hydrogen as a low-carbon fuel, cannabis as a potential area for investment, and plant-based meat.*

*Between 2008 and 2020, we published 38 EdenTree Insights, of which 23 are in print and available from the website [www.edentreeim.com/insights](http://www.edentreeim.com/insights)*

- *Supply Chains (2020)*
- *Animals in Business (2020)*
- *Sustainable Transport (2020)*
- *Mind the Gap: Economic Inequality in the 21<sup>st</sup> Century (2019)*
- *Sustainability: Fad, Fashion, or the Future of Investment? (2019)*
- *The Life Code: At the Cutting Edge of Medical Science (2019)*
- *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)*
- *Cybersecurity (2016)*
- *Natural Capital (2016)*
- *Corporate Governance (2016)*
- *Aviation (2016)*
- *Big Data (2015)*
- *Shipping (2015)*
- *Life Ethics (2015)*
- *Digital Planet (2014)*
- *Corporate Misconduct (2013)*
- *Human Rights (2013)*
- *Education (2013)*

*The following RI Expert Briefings are currently available:*

- *Fossil Fuel Divestment*
- *Fast Fashion*
- *Banks*
- *Executive Remuneration*
- *The How and Why of Voting*

- Tax
- Oppressive Regimes
- Genetic Modification
- Gilts
- Palm Oil
- Sugar
- Our Responsible & Sustainable Approach
- The Access to Medicine Index
- Gender Diversity
- Zero-Hours Contracts
- Investing in the FAANGs
- Nutrition and Wellbeing
- The Sustainable Development Goals
- Sand Mining
- Modern Slavery
- Farm Animal Welfare
- Biofuels
- Company Profiles (various))

The following RI Emerging Issues Expert Briefings are currently available:

- The Just Transition
- Non-Meat Proteins
- Hydrogen
- Cannabis

We also publish quarterly Corporate Governance proxy Voting Reports and a quarterly RI Activity Report at: [www.edentreeim.com/insights](http://www.edentreeim.com/insights)

#### **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 RI 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 affects 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 RI Team. Overseas proxy voting execution 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: <https://www.edentreeim.com/insights> under the "Governance" tab.

\*\*\* ENDS \*\*\*