

EdenTree SRI Activity Summary

January – March 2015



Research and Publications

Shipping is the cornerstone of modern trade with up to 90% of goods subject to seaborne traffic, and yet this crucial form of transport remains largely invisible and mysterious. In our first Amity Insight of 2015 we will explore shipping as an asset class, the diverse value chain and the issues arising from shipping pertinent to responsible investors. The Insight, due for release in May, will be the first of a two part look at transport, with our views on aviation due for release in early 2016.



Our second Amity Insight of 2015, due out in the autumn, will look at 'sanctity of life ethics'. We are often asked by clients for information regarding our investment approach to these most complex and sensitive life-ethics issues, and the Insight will explore our house view and the therapeutic opportunities we see arising from developments such as stem cell research.

Corporate tax has become a major topic for commentators, society and companies. Although a complex and technical issue, we are sometimes asked by clients for our views on tax as an 'ethical issue'. Our SRI Expert Briefing on Tax was published in February and set out our emerging views on tax avoidance, how aggressive schemes designed purely to avoid tax can erode public trust and corporate reputation, and what investors can do when engaging with companies. We welcome views and feedback on the briefing.



We promote responsible investment wherever possible to as wide an audience as possible. During the quarter we gave comment to **City AM** on healthcare drug pricing, and took part in a **Share Radio** interview on our Big Data Amity Insight.



The transcript is available [here](#). We were delighted to take part in a **Guardian** sponsored event in Manchester hosted by Skipton Building Society in which as the keynote speaker we looked at how responsible investment can be a tool in adding value and reducing risk in portfolio construction.

As well as accessing all of our publications online, you can also follow Ketan on Twitter [@Kethical](#) where his 701 followers regularly read his tweets on market and sustainability issues. You can also 'link-in' with Neville on [LinkedIn](#) where his 593 connections follow posts on topical ethical issues, research trends, and corporate governance news.



Company Engagement & Industry Initiatives

We attended the annual HSBC SRI Investor Conference in Frankfurt during the quarter meeting a number of UK and international companies including **Pennon Group**, **National Grid Group**, **Philips** and **Shanks**, which are held in the Funds. This is an opportunity to meet major companies and receive updates on their business and sustainability strategies.

We met with **Morgan Sindall** senior management (Amity UK) during the quarter. Morgan Sindall specialises in the construction and regeneration sectors, integrating sustainability into



every project. It fulfils our positive screen on urban regeneration, as it essentially works on brownfield projects in major centres of need. The company has delivered impressive returns and has strong environmental and safety credentials including 91% of construction waste diverted from landfill, group carbon emissions reduced by 28% since 2010 and a 13% reduction in reportable incidents (RIDDOR).

We were delighted to be among a group of leading investors to sign an Investor Statement on the UN Guiding Principles Reporting Framework. We integrate human rights risk into our investment process as one of our nine positive screening pillars. Companies that do not proactively assess and manage human rights risks face potential legal and reputational risks, and we actively engage with companies on material human rights risk exposure. The UN Guidance provides the basis for the 'protect, respect, redress' regime, in which companies have a duty to 'respect' human rights in their sphere of operation. The investor initiative affirms our commitment to this as a material business issue, and calls on companies to ensure the UN Guiding Principles are adopted in order proactively to manage key risks.



We are active members or signatories to several industry and investor initiatives, including in the UK, the **30% Club**. Launched in 2010, the 30% Club has the aim of FTSE100 Boards being comprised of 30% women by the end of this year. We are members of the investor group, lobbying companies for improved diversity and to aspire to meet this target, as well as meeting the UK Government's own target of 25% by 2015. The 30% Club Investor Group serves to explain the case for improved diversity, to encourage all investors to engage with the issue of diversity and to consider the issue when voting our shares. The 2015 Davies Review, which oversees the UK Government's goal, reported that FTSE100 Boards now comprise 23.5% women – almost double the first report's total in 2011, and with no all-male Boards remaining within the Index. We have already integrated diversity into our UK corporate governance policy, and will, this year, take more action against the re-election of directors where companies are not making meaningful progress, or demonstrate little appetite to improve.



We met other companies during the quarter, in which sustainability performance was discussed or raised, including filters company **Porvair** (strong sustainability positives), the **Japanese Residential Investment Trust**, in which our engagement has led to improved disclosure on buildings energy efficiency, and **Skyepharm** (oral and inhalation pharmaceutical specialisms meeting our positive healthcare screen). We also met with **Hightown Praetorian & Churches Housing Association**, which has launched a retail bond focused on the social housing and care sector, in which EIM has decided to invest. We particularly liked this issue as providing a mix of social housing and supported housing such as nursing and care. Hightown manages 4,400 units of housing including 2,602 affordable homes for rent, and 667 supported housing units. They provide homes for those needing support and care, such as the vulnerable homeless, those with mental health issues and other young people with specialist care needs.



Voting and Stewardship

We published our 2015 Corporate Governance Policies for the UK and International in January, which are now available online. In 2015 we expect to see the proxy voting season return to normal in that the triennial binding vote on Policy will next fall in 2017. Companies will, in the main, put their non-binding vote on the Remuneration Report to vote based on the remuneration Policy adopted in 2014. Our UK policy has been amended to reflect new EU requirements on audit tenure and we will also begin to vote more aggressively in instances where

diversity targets have fallen well short of the Davies recommendation to move towards 25% women represented on Boards by 2015.

The first quarter is a prelude to the main proxy voting season in April. We voted on 439 resolutions at 39 UK company meetings in the quarter to 31 March. We continue to take a robust approach towards executive pay which fails our excess tests or is poorly aligned with delivering superior out-performance. In the first quarter we opposed 11 remuneration policies or reports, and voted an abstention on a further two. Companies where we voted to oppose Remuneration Policy on grounds of excess included **WH Smith**, **Britvic** and **Compass Group**. Long-term incentive schemes were similarly opposed at Britvic and Compass Group. Non-binding proposals on remuneration were also opposed at **Aberdeen Asset Management**, **Sage Group** and **Smith & Nephew**.

An independent review of proxy voting results conducted by service provider **Proxy Insight** placed EdenTree as among the top 10 UK investors opposing executive remuneration in 2014, emerging as the second most robust house overall for rejecting the binding vote on Policy, where 47% of policies in 2014 were either opposed or abstained.



Overseas, our strategic partner **Glass Lewis & Co.** votes our proxies in all markets other than the UK (including Guernsey, Jersey and the IOM), voting against poor corporate governance board structures or where unlimited powers are ascribed to the Board to the detriment of shareholders. The first quarter saw Glass Lewis vote at 26 meetings comprising 272 resolutions. They opposed or abstained 15% of resolutions, mostly against directors and executive pay.



Further information

For further information on EdenTree's SRI range of Amity Funds please contact your EdenTree Business Development Manager, visit www.edentreeim.com or call our IFA support team on 0800 011 3821.

Please note that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations, you may not get back the amount originally invested. EdenTree Investment Management Limited (EIM) Reg. No. 2519319. Registered in England at Beaufort House, Brunswick Road, Gloucester, GL1 1JZ, UK. EdenTree is authorised and regulated by the Financial Conduct Authority.

