

EdenTree SRI Activity Summary

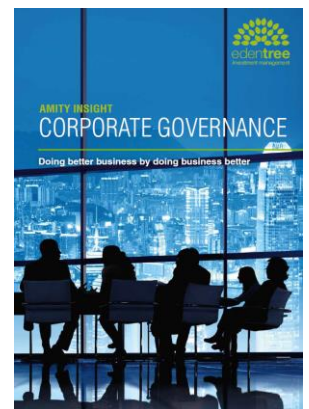
January-March 2016



Research and Publications

Our forthcoming Amity Insight, planned for release in June looks at **Natural Capital**. The Insight will discuss what Natural Capital is, the difference between renewable and non-renewable natural capital and models for valuing natural capital. Although a fairly novel issue, the depletion of natural resources (non-renewable natural capital) and the degrading of renewable resources (soil, air, water etc.) will have a profound impact for business and investors alike.

We will shortly re-issue a revised version of our 2011 Amity Insight on **Corporate Governance**, focusing on why good corporate governance is crucial. The Insight will look at executive pay, diversity, auditor independence and shareholder activism. We have been raising the game when it comes to corporate governance for many years by challenging, opposing and encouraging higher standards. We hope you enjoy the Insight, which will be published in May.



We published four SRI Expert Briefings during the quarter. Clients are often interested in how proxy voting decisions are made, and how votes are lodged and processed. Our Briefing, 'Corporate Governance; the how and why of proxy



voting' seeks to explain how we go about voting at the 250+ companies we invest in every year. As signatories to the Access to Nutrition Index, its biennial survey results help us to screen companies relevant to the critical issues of malnourishment and diet related obesity and chronic illness. Our Expert Brief outlined the results of the

2015 survey and how we will use them. Every year the World Economic Forum publishes its Global Risks Landscape Report, looking at the likelihood and impact of economic, environmental, geo-political, societal and technological risk. Our Expert Brief profiles the 2016 Risk Landscape, which is notable for the increasing number of climate related risks such as water stress, failure of climate change mitigation and ecosystem collapse. Finally, we have revised and re-issued our Expert Brief on GMOs and the issues for responsible investors. This is part of a planned 'scientific suite' of SRI Expert Briefs linked to the forthcoming Insight on Natural Capital.



During the quarter, we were featured in several publications, providing market and sustainability comment for FT Adviser, International Adviser, Investor's Chronicle, Investment Adviser, Charity Finance and City AM. We also published a blog on 'why farm animal welfare should matter to investors'.

We invite you to get involved with the team by following us on Twitter and LinkedIn. As well as accessing all of our publications at www.edentreeim.com, you can also follow Ketan on Twitter @Kethical where his 955 followers regularly read his tweets on market, economic and sustainability issues. You can also 'link-in' with Neville where his 733 connections follow posts on topical ethical issues, research trends, and corporate governance news.



Company Engagement & Industry Initiatives



Following engagement last quarter, we were the guests of St Modwen in Port Talbot to visit their major remediation and regeneration project on the site of the former BP oil distribution facility. Central to the vision behind the site is a 65 acre Bay Campus for Swansea University. Heavily toxic land has been cleaned and remediated and is now being regenerated into an award winning

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student living campus that will accommodate 2,000 students by 2017. A catalyst for economic growth in an area of high unemployment, the project will ultimately deliver up to 10,000 jobs and £3bn of positive economic impact. Part of the sprawling site is given over to residential housing and a small business park. 90% of St Modwen's land-bank is former brownfield land, making the company a strong proxy for our urban regeneration positive pillar.

We meet over 300 companies a year, and during the quarter we contacted **Hugo Boss** about sustainable cotton sourcing, **Sky** on Board diversity and **SCA** on animal testing.



We met **Mears**, a UK support services specialist to discuss issues around responsible business. We made site visits to the facilities of **Porvair** and **Victrex** (Amity UK), both of which have strong environmental and sustainability positives. We divested from **G4S** the security company owing to concerns around increasing risks arising from their custody and care businesses.

We were delighted to support the launch of the 2015 **Business Benchmark on Farm Animal Welfare** survey by being invited to join the panel at the report's launch, which included Noble Foods, McDonald's and Greggs. The latest survey showed that, whilst remaining a largely immature sustainability issue, more companies are beginning to develop policies and processes around farm animal welfare. We are also working with the Benchmark to develop an Investor Statement on Farm Animal Welfare so as to catalyse investor support around some guiding principles. We supported an investor coalition facilitated by Share Action focused on antibiotic use in the meat supply chain by writing to **Restaurant Group** and **Mitchell's & Butler's**.



As part of our response to the COP21 climate agreement, we have been developing thinking around how as investors we should respond to climate change. We have commissioned Swiss climate consultancy South Pole Group to work with us on a portfolio carbon footprint exercise in which the carbon emissions and intensity of the Amity UK Fund will be measured. Early results are encouraging, and we will publish more detail in due course. Portfolio carbon foot-printing helps identify those companies making the largest contribution to the Fund's carbon impact with a view to engaging. We have identified 10 companies with which to engage and this work is now in its early stages. It will also allow us to sign the Montreal Pledge, a UN initiative on carbon transparency, and perhaps most importantly, provide fund managers with data on a core environmental risk-metric that was previously unquantified. As well as the 10 companies identified for engagement, we wrote to **Nottingham Building Society** (Amity Sterling Bond) as we viewed their disclosure on energy management to be weak.



A pillar of our engagement strategy is to work collaboratively with other global investors. We do this mainly through our involvement with the Principles of Responsible Investment (PRI). Last quarter we were part of an investor coalition calling on the Indonesian President to act on deforestation caused, in the main, by palm oil cultivation. In response President Jokowi has established the Peatlands Restoration Agency and committed to ambitious forest and peat conservation programmes.



As responsible investors, we have been cognisant of the risks surrounding palm oil cultivation, and support the Roundtable on Sustainable Palm Oil as a means of encouraging sustainable sourcing. During the quarter we were briefed on a new investor tool developed by ZSL (Zoological Society of London) which provides data and ranking of the world's largest palm oil producing companies so as to monitor the environmental impacts. As a house we have avoided investment in Indonesian palm as a result of poor sustainability management, preferring – with caveats - Malaysian palm, as subject to stronger regulation. SPOTT – the Sustainable Palm Oil Transparency Toolkit will help investors in monitoring Asian palm. As resources allow, it is hoped the toolkit will be extended to companies sourcing palm oil. We will issue a refreshed Expert Brief on Palm Oil in April.



Voting and Stewardship



We voted at 37 UK meetings in the first quarter, applying our revised and updated UK Corporate Governance Policy. We voted on 439 resolutions, opposing or abstaining 30 (7%). We opposed or voted an abstention against 15 remuneration reports, and took action against the re-election of six Board directors. We take a robust approach towards executive pay that fails our excess tests or is poorly aligned with delivering superior out-performance for shareholders. Companies where we voted against remuneration on grounds of excess included **Britvic, Aberdeen Asset Management, WH Smith and Compass Group**. We also opposed three long-term incentive plans. We take action on excessive requests to approve non-party political expenditure as caught by the Companies Act and voted to oppose political expenditure at two companies.

For 2016, we expect to take more action where Boards have failed to meet reasonable expectations around diversity levels, specifically meeting the Davies Committee target of 25% women on Boards by the end of 2015. We also oppose the re-appointment of auditors where the incumbent has been in post for over a decade and where no tender has been proposed. During the first quarter, we opposed the re-appointment of auditors at three companies on length of tenure grounds.

Overseas, our strategic partner **Glass Lewis & Co.** votes all proxies in markets other than the UK, voting against poor corporate governance board structures or where unlimited powers are ascribed to the Board to the detriment of shareholders. The first quarter saw Glass Lewis vote at 23 meetings comprising 240 resolutions. They opposed or abstained 18% of resolutions mostly against directors (22 resolutions), and executive compensation (12 resolutions). Our Global Corporate Governance Report for the final quarter of the year is available at www.edentreeim.com



We published our 2016 UK Stewardship Code Statement in January, setting out how EIM applies the seven principles set out in the Code. This is available at www.edentree.im

Your SRI Team and Further information



We welcome your comments, feedback and suggestions. To comment, or for further information on Eden-Tree's range of Amity SRI Funds please contact your EdenTree Business Development Manager, visit www.edentreeim.com or call our sales support team on 0800 011 3821. If you have feedback on our research, or there are topics that you would like to see covered, please do contact us.