

EdenTree SRI Activity Summary

April – June 2015



Research and Publications

Welcome to our first quarterly SRI Activity Summary as EdenTree Investment Management.

Our second Amity Insight of 2015, responds to client interest in our 'House' position on 'sanctity of life' issues. These touch on the most complex and sensitive life-ethics issues. The Insight will outline the science behind adult and embryonic stem cell research and our investment approach. The Insight will also touch on contraceptives and abortifacients as well as considering our more general approach to investing in healthcare as one of our nine positive screens. The Insight is due out in late summer.



Following publication of our Insight on shipping, we will continue our analysis of transport by taking a look at aviation. It is easy to forget that commercial aviation in its modern form is a relatively new phenomenon, so eponymous has it become in terms of leisure and business travel. Our Insight will explore the growth and dominance of aviation, what the issues are for responsible investors, and whether aviation can ever be genuinely 'sustainable'. It will also present our House views on investing in the sector and the aviation value chain. The Insight is due out in January 2016.



During the quarter, Senior Investment Analyst, Ketan Patel, was interviewed on **Share Radio** to talk about global economic trends, including environmental, social and governance themes. We promote responsible investment wherever possible to as wide an audience as possible, and during the quarter we gave comment to **City AM** on drug pricing in Scotland and spoke to **Investment Week** on the takeover of **BG Group** by **Royal Dutch Shell** and its implications for responsible investors. We wrote an article for **Actuarial Post** on current SRI themes and trends.



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 751 followers regularly read his tweets on market, economic and sustainability issues. You can also 'link-in' with Neville where his 637 connections follow posts on topical ethical issues, research trends, and corporate governance news.



Company Engagement & Industry Initiatives

We met a number of companies during the quarter. **Pearson** (Amity UK) is a leading provider of educational materials to schools and academies and is building a strong digital offer as it transitions from traditional print media. We were able to discuss this business transition story and also the positive contribution Pearson is making globally in providing access to education.



Although not held in the Amity Funds we met with **Drax** during the quarter. Drax manages Europe's largest coal fired power station in Yorkshire, but has ambitious plans to convert four of its six furnaces to biomass. We were able to discuss how Drax is managing its supply chain of biomass and the degree to which this is sustainable.





Also linked to energy, we also met with **SSE** (Amity UK) to discuss how the company is managing its ambitious plan to reduce emissions by 50% from 2006 levels by 2020 (a 34% reduction was achieved in 2014/15). The company scores well across our positive screens; it is an accredited Living Wage employer, is the sole FTSE100 Company to achieve the Fair Tax mark, and attained an 'A' rating under the CDP (Carbon Disclosure Project) survey.

We met with **N Brown** (Amity UK) a leading home shopping fashion company that sells via the Internet and home catalogue. We were able to discuss how the company is strengthening its supply chain focusing on the Ethical Trading Initiative (ETI) base code. The company and its various brands had no supplier relationships linked to the Rana Plaza tragedy, but we were impressed at the work being undertaken on ethical trading generally. The company has also reduced its GHG (Greenhouse Gas Emissions) by 6.2% over the past year.

N Brown Group plc



The global security company **G4S** has had a challenging time over the past year with a series of contract scandals that led to a suite of fines and management change. The company is held in the Amity UK Fund and we have been conducting a review to assess its inclusion in the portfolio. We met with the company during the quarter for an in-depth discussion on business ethics, behaviours and culture, whilst also tackling the very complex issues surrounding custody and care. The review is ongoing, and we expect to reach a conclusion shortly.

We engage collaboratively with other investors and through the UN Principles of Responsible Investment (UNPRI). We are part of a collaborative initiative focused on sustainable palm oil, and were pleased to join a coalition of global investors lobbying the RSPO (Roundtable on Sustainable Palm Oil) to strengthen protocols around conserving high carbon stock areas; reporting on greenhouse gas (GHG) emissions and reduction targets; protecting peat, regardless of depth and ensuring palm oil originates from known sources.



Voting and Stewardship

The second quarter is the main proxy voting season in many markets. We voted on 2,183 resolutions at 131 UK company meetings in the quarter to 30 June. We opposed or voted an abstention against 51 remuneration reports and took action against the re-election of 25 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 **Centrica, BG Group, GSK and Lloyds Banking Group**. We opposed individual incentive schemes at **Marks & Spencer** and **Standard Life** where we felt the schemes reflected poor value for shareholders. We supported a shareholder resolution brought by Trades Unions at **National Express Group** calling for an independent report into a long-running labour dispute in the US. Our complete UK Corporate Governance Voting Report is published at www.edentreeim.com



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 second quarter saw Glass Lewis vote at 146 meetings comprising 1,816 resolutions. They opposed or abstained 15% of resolutions, mostly against directors, and shareholder rights issues. A number of US shareholder resolutions were supported where these were in keeping with our general stance on ESG (environmental, social and governance) issues. In particular we believe shareholders are best served by a separation of the roles of Chairman and Chief Executive and a number of resolutions calling for such separation were supported

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including at **Wells Fargo**, **Johnson & Johnson** and **Intel**. At **PepsiCo** we saw merit in a shareholder resolution calling for the formation of Sustainability Committee, and at **Johnson & Johnson** a proposal to ensure political spending (common in the US) reflects wider corporate values.

Strengthening the Team

We are delighted to announce the strengthening of the SRI team at EdenTree with the appointment of a new Responsible Investment Analyst, Esmé van Herwijnen from 6th July. Esmé has a background in economics and has experience in company research, screening and analysis.



Further information

For further information on EdenTree'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 any feedback on our research, or there are topics that you would like to see covered, please do contact us.

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