

## EdenTree SRI Activity Summary

July - September 2015



### Research and Publications

Complementing our recent Amity Insight on the shipping industry, we turn our attention to **aviation** for the next Insight due out in January 2016. It is easy to forget that powered flight is barely a century old so eponymous has it become. However, with substantial growth projected in the coming decade but with aviation's increasing impact on climate change, we look at the risks and opportunities affecting a sector that includes manufacturers, airlines, airports, engineering, service providers and technology plays. We also explore the issues for responsible investors such as climate change, safety, end of life use and labour issues with a view to setting out our House position on investing in the sector.



We published two SRI Expert Briefings during the quarter. In September we profiled two specialist property companies included in the Amity Funds. **Morgan Sindall** is a focused regeneration specialist and strongly supports our urban regeneration pillar. More innovatively, the Amity Sterling Bond Fund invested in a retail charity bond issued by the **Hightown Housing Association**. Based in the northern Home Counties (Herts, Beds and Bucks), the Association provides housing support (4,700 homes) with ambitions to grow its portfolio by 300-400 new units annually. As well as a strong social housing play, we particularly liked its model that provides care for the victims of domestic violence and those with complex mental health needs.



Our second SRI Expert Brief responds to client concerns around investment in **fossil fuels**. The global divestment campaign has achieved significant traction with its call for investors to withdraw investment from key fossil fuels such as thermal coal and tar sands. The Amity Funds have no exposure to mining or transnational oil and are thus consistent with calls to withdraw from these sectors. The Brief sets out our House position as a contribution to the vigorous debate on investment in fossil fuels.

During the quarter, Head of SRI Policy & Research, Neville White, was interviewed on **Share Radio** to talk about our recent Amity Insight on shipping. We promote responsible investment wherever possible to as wide an audience as possible, and during the quarter we were published on the **Money Observer** and **FE Trustnet** consumer websites with commentary on various SRI subjects.



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](http://www.edentreeim.com), you can also follow Ketan on Twitter @Kethical where his 787 followers regularly read his tweets on market, economic and sustainability issues. You can also 'link-in' with Neville where his 662 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. **Marshall's** (Amity UK) is a leading provider of paving and flooring products to the commercial and domestic sectors. We have been impressed by the company's leadership role in working to eradicate child labour in the stone quarrying sector, with its pioneering partnership with UNICEF and funding of free schools for the children of quarry workers. We are engaging with regeneration specialist **St Modwen** (Amity Sterling Bond) on its environmental strategy as well as encouraging more targets around waste, energy and water use.



We sought clarity from **EDF** (Amity Sterling Bond) on its ambitious renewables targets and plans to diversify its generation mix away from nuclear. In addition, we sought to understand how the company is managing its legacy nuclear waste in a responsible and safe way. The company outlined plans to double its renewables generation to 50MW by 2030.



Our forthcoming Amity Insight on **Life Ethics** tackles **stem cell** technology as an important development that holds out the prospect of life-changing treatment for chronic conditions. The sourcing of some stem cells raises important ethical issues that are of concern to many. We wrote to eight pharmaceutical and healthcare companies held in the Amity Funds (including Pfizer, Sanofi, GSK and Novartis) seeking information on their policies and approach around the sourcing and use of stem cells. They all provided comprehensive responses which demonstrated the need for strong ethical safeguards in their sourcing and application; in many cases work in this area is overseen by dedicated panels of ethicists.



One pillar of our engagement strategy is to work collaboratively with other global investors. We do this principally through our involvement with the UN Principles of Responsible Investment (**UNPRI**). During the quarter, we joined signatory coalitions engaging with companies involved in Arctic drilling; lobbying US regulators for a Modern Slavery Bill that incorporates supply chain transparency reporting; lobbying 60 stock exchanges on ESG (environmental, social and governance) reporting standards, and lobbying the Alberta Government to encourage carbon pricing. We attended the **PRI in Person** conference in London that brought together over a thousand delegates in the world's leading forum for responsible investors.



We were delighted to receive a rating of **A+** in our first survey return to the PRI, which is a requirement of our membership. Rated across several individual modules and scored from A+ to E, we were acknowledged to be among the top 10% of reporting asset managers globally.

Climate change is a significant issue that we believe can best be responded to by working with international investor coalitions. To that end, we joined **IIGCC** – the International Investor Group on Climate Change – during the quarter that exists to present an investor voice in the climate change public policy arena. IIGCC has been a successful interlocutor, particularly at EU level, in putting the case for a low-carbon economy, carbon pricing and corporate leadership in tackling climate change impact.



## Voting and Stewardship

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The third quarter marks the end of the annual proxy voting season in many markets. We voted on 983 resolutions at 67 UK company meetings in the quarter to 30 September. We opposed or voted an abstention against 22 remuneration reports and took action against the re-election of 15 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 **National Grid Group, Land Securities, BT Group** and the **Nationwide Building Society**. Where remuneration is felt to be particularly egregious we vote against the Chair of the Remuneration Committee, and we took such action at **BT Group** and **Halma**. At **Dixons Carphone**, where the governance structure was of concern, we took action to oppose six non-independent non-executive directors. We have integrated emerging best practice rules on the appointment of external auditors into our proxy voting. Companies that have not put their external audit to tender for ten years or more, or have no intention to do so, will no longer be supported in their re-appointment.



We participated in the annual **TUC Fund Manager Survey**, now in its 12<sup>th</sup> year. The Survey provides a valuable snapshot on how various managers exercise voting rights. In 2012, 28 managers completed the survey – nearly 60% of the target group, with the majority revealing they disclose at least some voting data.

We integrated Board diversity into our UK corporate governance policy during 2015, and will vote against Nomination Committee directors where companies have made little meaningful progress since 2010 to improve Board diversity. We engaged with seven FTSE100 companies (including ITV, Aviva and Johnson Matthey), that have failed to meet a target of 25% women directors by 2015. Working with the 30% Club (of which we are members) we are now engaging with FTSE250 companies where there are all male Boards to drive progress.



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 third quarter saw Glass Lewis vote at 19 meetings comprising 135 resolutions. They opposed or abstained 18% of resolutions, mostly against directors (10 resolutions) and shareholder rights issues (seven resolutions). Our complete Global Corporate Governance Report is available at [www.edentreeim.com](http://www.edentreeim.com)



## External Recognition

We were delighted to win the award for **Best Ethical Investment Provider** in the Moneyfacts Investment, Life & Pensions Awards 2015. This is our *seventh* successive win in this category against a strong and challenging field. This is testament to our commitment to be the best ethical and responsible investment provider for clients, and a huge vote of confidence from all our supporters who nominated and voted for us. Thank you.



Best Ethical Investment Provider



Best Ethical Investment Provider

We are also pleased to have been nominated **Best Ethical Investment Fund Management Group** in the Investment Week Sustainable Investment Awards.

## Further information

For further information on EdenTree's range of Amity SRI Funds please contact your EdenTree Business Development Manager, visit [www.edentreeim.com](http://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.