

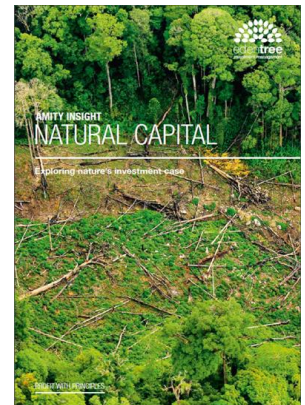
EdenTree SRI Activity Summary

April-June 2016



Research and Publications

Our latest Amity Insight looks at **Natural Capital** which concerns the goods and services that nature provides industry and society for free. As the Prince of Wales has said 'the bank of natural capital is in the red' with a risk that its depletion will considerably impede an ability to re-stock. Natural Capital encompasses 'renewable' resources such as air, soil, water and timber, as well as 'non-renewable' resources such as minerals and fossil fuels. The Insight looks at the considerable challenges around pricing these valuable services, the risks to business from ignoring the erosion of natural capital and the invisible cost of 'externalities' such as climate change, pollution, land-use and water stress. All sectors depend on Natural Capital to some extent, and the risks from this emerging responsible investment topic are fully explored.



Our final Amity Insight for 2016 will focus on an increasing and pressing risk: cyber security. Everyday around 650,000 new users join the Internet, and 1 million pieces of malware are released; each day around 30,000 websites are hacked. This has become a phenomenal and critical issue for business given customer security and business continuity are potentially imperilled. With the number of digital security incidents topping nearly 60 million in 2015, we provide a timely look at the problem facing business, responses to it, and the issues it raises for responsible investors.



Our client postbag has seen a considerable increase in enquiries about climate change and the fossil fuel divestment campaign. During the quarter we issued an SRI Expert Briefing, **Fossil Fuel Divestment**, which examines the background to the campaign, its effects and the implications for responsible investors. The Amity Funds do not invest in mining, and oil is also, by and large, excluded, making the Funds useful proxies for clients seeking low carbon investments. During the quarter we produced a Briefing on managing climate change risk via portfolio **carbon foot-printing**, which is explored further below. Our final Expert Brief published during the quarter supports our Natural Capital theme by looking at **Palm Oil** and the issues for responsible investors. Palm Oil is an omnipresent, versatile substance used as an ingredient in everything from chocolate to soap. The majority is sourced from Indonesia and Malaysia and has been associated with forest clearance, land and soil erosion and critical biodiversity loss. We ask whether Palm Oil can ever be sustainable and highlight what investors should look for when assessing company statements on how they source it.



During the quarter, we were featured in several trade publications writing on aviation in Funds Strategy, on corporate governance in FTFM, and in City Wire on shareholder activism.

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 1,018 followers regularly read his tweets on market, economic and sustainability issues. You can also 'link-in' with Neville where his 764 connections follow posts on topical ethical issues, research trends, and corporate governance news.



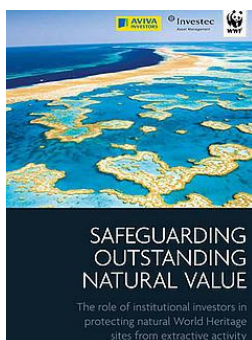
Company Engagement & Industry Initiatives

As part of our response to the COP21 climate agreement, we have continued to work with our service provider, **South Pole Group** on carbon foot-printing the Amity Funds. We have now completed portfolio footprints of the Amity UK and Amity European Funds with encouraging results. The Amity UK Fund is 58% less carbon intensive than the relevant benchmark (FTSE All Share) and the European Fund is 23% below bench-mark (FTSE Europe-Ex UK), in the main due to stock selection and the Amity policy of avoiding mining and oil. These results demonstrate that the Amity Funds present a low carbon option for clients concerned about climate change. Following the footprint exercise, we have signed the **Montreal Pledge**, which commits signatories to report on the outcome; a section of our website will soon be launched dedicated to carbon foot-print reporting. We have also undertaken significant engagement with companies that are the main contributors to carbon intensity within the Funds to understand their strategy for setting targets and in reducing emissions. During the quarter we had investor calls with **CRH, Shanks, DS Smith** and French energy group, **Engie** to discuss climate strategy.



We met many companies during the quarter in which environmental, social and governance issues were raised. In New York, we attended an investor healthcare conference, meeting among others, **GSK, Shire AstraZeneca, Roche** and **Novartis**. We signed a collaborative letter calling on **Roche** to participate in the 2016 **Access to Medicines Index**, from which it had indicated withdrawal. We attended the **GSK** AGM in London where a range of issues were raised by shareholders.

We began a new engagement initiative focused on the risks associated with sourcing **cobalt**. Although not classed as a conflict mineral, we responded to a report published by Amnesty International which suggested that cobalt is mostly sourced from high-risk areas where child labour, health & safety and environmental issues are a challenge. There is evidence that despite these risks, there has been little oversight by companies. We wrote to a number of leading technology companies including **Ericsson, Sony, Samsung** and **Xerox**, to understand how they manage supply chain risks around cobalt which is used in many electronic applications such as smartphones. The responses suggest more work by industry is required and we are in touch with the relevant industry body, the **EICC** (Electronic Industry Citizenship Coalition) which is beginning to scope the issue in the hope of collaborating further.



A further collaborative initiative we have joined is focused on protecting **World Heritage Sites**. The initiative throws a spotlight on the lack of protection afforded some of the world's most precious places and the risk of exploration and extractive development they are prey to. In Africa 61% of World Heritage Sites are at risk from intrusion or overlapping development. The investor coalition will engage with leading companies with the aim of promoting strategies to discourage explorative intrusion into World Heritage Sites.

We met with senior personnel at hospitality company **Patisserie Holdings** (Amity UK) to understand their approach to environmental sustainability. As a small company that recently came to the market, disclosure is still developing; we encouraged the company to produce more information in the next Annual Report specifically around supply chain sourcing and energy, which they have undertaken to do.

Voting and Stewardship



The second quarter is the busiest in the proxy voting calendar. We voted at 130 UK meetings voting on 2,055 resolutions. We opposed or abstained 110 resolutions, predominately against executive remuneration, auditor rotation. We take a robust

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approach towards executive pay that fails our excess tests or is poorly aligned with delivering superior out-performance for shareholders, and we took action in 50 cases during the quarter. Companies where we voted against remuneration on grounds of excess included **HSBC, AstraZeneca, Pearson, Shire, GSK, National Express Group, Lloyds Banking Group, Prudential and Kingfisher**. In cases where we view remuneration to be particularly egregious, we also vote to take action against the Chair of the Remuneration Committee. During the quarter, such action was taken at **Shire, AstraZeneca, Reckitt Benckiser, WPP, Standard Chartered, Wm. Morrison and Kingfisher**. We have integrated auditor rotation into our voting policy, and during the quarter we voted to oppose or abstain, the re-appointment of external auditors at 21 companies where there had been no audit tender for some considerable time.

The quarter was notable for the number of companies that had their remuneration reports voted down: **BP, Smith & Nephew and Weir Group** being just three. In the UK, shareholders are given a binding vote on remuneration policy every three years, with 2017 being the next year for such a vote. We intend to develop a strategy over the autumn for engaging and communicating with companies we have consistently opposed setting out some of the amendments to remuneration structure we expect to see in order for us to register support.

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 second quarter saw Glass Lewis vote at 145 meetings comprising 1,837 resolutions. They opposed or abstained 15% of resolutions mostly against directors (112 resolutions), and executive compensation (47 resolutions).



Our Global Corporate Governance Report for the second quarter is available at www.edentreeim.com

External Recognition

We are delighted to have been nominated once again in the category of Best Ethical Investment Provider in the Moneyfacts Investment Life & Pensions Awards. This marks the eighth successive year in which we have been nominated in this category. The Awards will be announced in September.



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.

EdenTree Investment Management Limited (EIM) Reg. No. 2519319. This company is registered in England at Beaufort House, Brunswick Road, Gloucester, GL1 1JZ, UK. EdenTree is authorised and regulated by the Financial Conduct Authority and is a member of the Financial Ombudsman Service and the Investment Association

July 2016