

TRANSCRIPT: EPISODE 26

10 October 2019 (pre-recorded 25 September 2019)

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[INTRODUCTION]

Sam Slator (SS): I'm Sam Slator from FundCalibre and today I'm joined by Neville White, Head of Responsible Investment Policy and Research at EdenTree. Hi Neville.

Neville White (NW): Hello.

[INTERVIEW]

[0:10]

SS: Can you explain your role exactly at EdenTree and how it's changed over the years perhaps?

NW: Yeah, I head up a team of three people at EdenTree and we are wholly responsible for all of the ethical, responsible and sustainable research policy and strategy. The way the team works is I have environmental and social leads and I lead on policy, strategy, governance and business ethics. The role has changed enormously over the years, it's now much more complex, clients are looking for more sophisticated answers to some of their questions and really there's so many issues that we have to deal with on a day by day basis, the team has lots of variety.

SS: And there's a lot of focus on sustainability today and more public awareness, has this led to more and more fund managers focusing on it and do you think that this is just a fad or where do you see it leading?

NW: We've seen a really strong demand for that specific area in the market and we see a trend that is moving away from what used to be called ethical, responsible investment toward sustainability and we think this is a really positive trend. In fact we wrote an Amity Insight quiet recently called 'Sustainability fad fashion or the future of investment' but what we did feel is this is still a fairly undefined, difficult area of the market for clients to understand.

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Within that insight we defined very clearly what we mean by sustainability, and we've looked at it through the lens of companies that are either transitioning their business model away from being a high fossil fuel stock, [and] circular economy models that has been pioneered by the Ellen MacArthur Foundation: the idea is businesses that move out waste, and sustainable solutions companies ie those providing specific goods and services to solving macro problems, like water pollution or water sanitation. We've seen a lot of trends in that area and we're very positive on it so our funds certainly have a sustainability element within them.

[1:58]

SS: And do you ever get involved in industry or government initiatives?

NW: We're very keen on collaborative engagement, so we do work - as a fairly small house - we do work collaboratively across the piece with the Principles of Responsible Investment and those sort of work streams with initiatives like the access to medicines index, access to nutrition index. We've been really at the forefront at putting animal welfare at the heart of our investments through business benchmark on farm animal welfare.

Public policy is a really interesting area because obviously we're here to serve clients, but where we really think we should have a voice, and we talk to government or other public bodies, we will do that as well.

[2:33]

SS: And you mentioned earlier one of the reports we've written recently but when you go onto EdenTree's website the depth of research is mind-blowing and the subjects you cover: you've got reports on all things from genetics to palm oil, the plastic pandemic to gender diversity, zero hour contracts, sugar, tobacco - where do you start and how does your research get back to your fund managers?

NW: Well thank you for that, we do really feel the research offer makes us distinctive and we've had a very long tradition of providing qualitative research to clients for over 10 years. The Amity Insight's now 11 years old and we've produced around 34 of these quite lengthy documents: looking at water, food, sustainable cities, corporate governance, corporate malfeasance since the digital economy, and really looking at what are the issues for responsible investors and then what is the value chain.

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But we've also supplemented that over the years because clients would quite often ring and say 'I've been reading about all the problems with palm oil, tell me everything I need to know about palm oil but in two sides' and so that's where the idea of our expert briefs came from and they now range across from as you suggested GMOs, sugar, we've introduced a new strain on emerging themes like cannabis and hydrogen.

We really sit around as a team and the team are empowered to write about things they're passionate about, things that are in the news and all of this research is distributed back to the fund managers on a biweekly basis so they can see what we're writing on but also quite a lot of the ideas we put into the Amity Insights do find themselves into our stock section process as well so it's mutually beneficial.

[4:07]

SS: And what are EdenTree's investors mainly concerned about at the moment?

NW: Well, I think climate change really is at the heart of what clients are telling us is their concern and that's understandable given we are at the beginning of a climate emergency and it's so much in the news. Equally clients, depending on who they are, will have concerns around environmental issues: biodiversity loss, palm oil, the degree of exposure we have to things that they're concerned about.

Some of our other clients might not like particular sectors that we are drawn to and so we have to explain why and where the positives in those and how we also engage for change where we believe there's poor business behaviour. There's always sectors that are quite problematic, we have very very small exposure to banks, but where we do, some clients are concerned about the behaviours of the banks and we've spent quite a long time engaging with them around culture as well.

[4:57]

SS: And what do you personally think is the most important theme today when it comes to sustainability?

NW: Well we've put climate change and diversity at the heart of our engagement strategies so I've talked a little bit about that, both myself and my deputy run the diversity platform at EdenTree and we're really passionate about businesses empowering women, not only onto boards but through their executive and talent pipeline and we've engaged really extensively with a lot of companies particularly in the mid-cap where they tend to be laggards on board diversity to ensure that voice is

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being heard and women have opportunities and they really are being pioneered through the pipeline, so those are the two core themes. But then there's a lot of substrata, my social lead colleague will talk about modern slavery and the real risks around trafficking and supply chains so there's so much going on it's difficult to say one thing is more important than the other.

[5:49]

SS: And what's the most interesting fact you've come across and repeated in conversation recently that's led someone to say 'wow'?

NW: We've had a lot of discussion around the team around the UN Global Assessment of Species Extinction which was an enormous report that came out 2 months ago which was basically a wake up call that around a million plant and animal species are facing almost immediate extinction because of man's intervention.

Biodiversity is really the Cinderella of responsible investment, it's really difficult to see how companies can have a focus in protecting and conserving biodiversity and therefore investors tend not to campaign or engage on it, but we're looking at the fourth quarter of 2019 to really think about how we can engage with pertinent companies around biodiversity and special protection and habitat based on that UN report. It's another example of how we use big public reports like the UN to integrate it into our investment and responsible investment strategy for thinking and engagement.

SS: That was fascinating, thank you very much.

NW: Thank you.

SS: I'm Sam Slator and if you'd like to listen to more of our Investing on the go podcast please subscribe to FundCalibre.