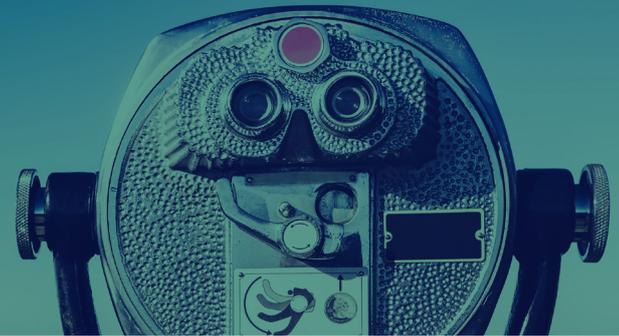


QUARTER TO 30 SEPTEMBER 2022

Welcome to our Responsible Investment Activity Report for the three months to 30th September 2022 with news of our responsible investment research, engagement and governance activities across our managed Funds and strategies. Our RI Activity Reports follow our overarching Responsible and Sustainable Investment pillars:



Research



Screening



Engagement



Governance

Responsible investing

RESEARCH

Investing in care is among the most challenging areas for responsible investors given the vulnerable nature of those provided for. In light of this we have conducted research that will lead to some in-house guidance on investing in the sector. Scoping the history of private investment into the UK care sector, what good looks like and some examples of poor practice will ultimately help guide investment decision making in the future. The Insight 'Investing Responsibly in Care' is due to be published later this year.

We published a refresh of three RI Expert Briefs during the quarter. [Tax](#), the final Brief in a trilogy of pieces looking at financial services, sets out our House views on fair taxation and what we look for when assessing companies. We also re-issued the Expert Brief on [Executive Remuneration](#) which comments on new types of incentive schemes we are seeing in the market, together with our thoughts on what responsible remuneration looks like.

The final refreshed Expert Brief looks at the 17 [Sustainable Development Goals](#) (SDGs) and how companies use them. We also consider why the Goals remain of variable use to investors given the way companies report. We look at some examples of good practice and conclude that although the SDGs can be a force for good, the lack of standardisation in their use make integration and avoidance of 'greenwash' a challenge.



Social Media

We invite you to get involved with the team by following us on social media. As well as accessing our publications, you can also follow Fund Manager, Ketan Patel on Twitter @KEthical where his 2,348 followers regularly read his Tweets on market, economic and sustainability issues. You can also 'link-in' with Head of RI, Neville White, where his 1,782 connections follow posts on topical ethical issues, research trends, and corporate governance news.



ENGAGEMENT

Engagement lies at the heart of what we do; we exercise an integrated stewardship approach that includes engagement on a range of environmental, social and governance issues. A flavour of activity carried out this quarter is set out below.

THEMATIC ENGAGEMENT – EMPLOYMENT & LABOUR

We are once again taking part in the **Workforce Disclosure Initiative (WDI)** to improve corporate transparency and accountability on workforce issues. Made up of 53 institutions with \$7.5 trillion of assets under management, the WDI aims to improve corporate transparency and accountability on workforce issues. This year we targeted 10 companies and are delighted that **Royal Mail Group** and **Prysmian** have both confirmed participation for the first time.



We continue to be strong advocates of the Real Living Wage, particularly during the current cost of living crisis. During the last quarter we met with **M&S** as part of ShareAction's Good Work Coalition to discuss the Living Wage. M&S already

pays the real living wage to all employees but does not include contractors. We explored challenges with accreditation and encouraged the company to scope the inclusion of contractors as part of their commitment. This quarter also saw the high-profile shareholder resolution at **J Sainsbury** calling on the company to pay the Real Living Wage. We met with the Chair and following careful consideration we recognised that Sainsbury is already leading the supermarket sector in terms of pay, and so we did not feel there was a sufficiently strong case to support the resolution although we will remain in touch with the company.

THEMATIC ENGAGEMENT – CLIMATE CHANGE

For the sixth successive year EdenTree is taking part as a lead investor in the **CDP Non-Disclosure Campaign**. The questionnaire, which is fully aligned with the TCFD guidance allows companies to disclose their environmental impact and how they are managing their contribution to climate change as well as risks and opportunities. This year we led the engagement with eight companies including **Mears Group, Indus Holdings, Hawaiian Electric Industries, IP Group, Rayonier and Exact Sciences**. As part of our engagement, we held meetings with a number of these to discuss challenges in taking part in the questionnaire. The majority were eager to improve their reporting and a number including IP Group and Rayonier indicated that they planned to disclose in future years.

THEMATIC ENGAGEMENT – WATER QUALITY



As part of our engagement with water companies we had two further meetings. **Pennon Group** which owns South-West Water has maintained a poor Environment Agency rating for 11 consecutive years and we wanted to understand the

Chief Executive's strategy to improve. SWW face very specific challenges as their infrastructure is in close proximity to major water sources and so has, in their view, a disproportionate impact. We will continue to monitor, with the Chief Executive saying she expects improvements from 2024. Our second call was with **Thames Water** the largest of the integrated English water companies and rated an average performer. The call focused on how Thames is tackling combined sewer outflows and how the Thames Tideway Tunnel should largely prevent these from happening in the future.



THEMATIC ENGAGEMENT – HEALTH AND WELLBEING



We had a call with **Danone** organised as part of the Healthy Markets coalition to discuss progress in the last year. The company discussed their strategy in playing a leadership role in the plant-based market, as well as their shift to reporting on the impact they have as a company and setting impact metrics. We attended a meeting with **M&S** as part of the Sustainable Proteins collaborative engagement. The company spoke about their strategy and plans to reduce GHG emissions from cattle by working with farmers, as well as their work on the Plant Kitchen range.



We had a call with **Waitrose** as part of the collaborative engagement with ATNI on the UK retailer index. We spoke to the company about their healthy sales targets and strategy, their Responsible Marketing Policy, the affordability of healthy products and strategy towards multi-buy promotions. The call was very encouraging with plans to publish new targets and policies in January 2023.

COMPANY ENGAGEMENT ROUND-UP



We had a meeting with **Imerys** following a review of the company. Imerys engages in the exploration, mining and processing of minerals a part of its integrated manufacturing process, and as such is a relatively high risk holding. We met with

the company to discuss management of key risks including biodiversity and safety and were pleased with the level of ambition and oversight. We will be conducting a site visit to their China Clay operations in Cornwall in November.

As part of the World Benchmark Alliance’s Digital Rights Collective Impact Coalition, we are co-leading engagement on digital rights with some of our holdings. As an investor group we are encouraging all companies to do more on ethical AI to promote a more inclusive and trustworthy digital economy. We have also signed an [investor statement](#) on the topic.



We joined an ESG roadshow with **Novartis** in which the Chief Ethics Officer gave an update. The company has now concluded satisfactory settlements with nearly all of its legacy corruption issues and has had no new incidences or breaches in over two

years. The company’s progress in turning around the culture is commendable and justifies our decision to stay invested at a very challenging time.

We joined the ethnic diversity working group of the **30% Club Investor Group**. As part of this group, we are engaging with FTSE250 companies not currently meeting the goals of the Parker Review (to have one director from a minority ethnic background on Boards by 2024). We are leading the engagement with **Diploma Plc** and are seeking to understand what actions the company is taking to improve diversity of the board, and more widely across the company.



We were the guests of **Anglian Water** for a visit to two infrastructure sites serving the Greater Norwich area; we first visited the Heigham Water Treatment Works which supply around 42 million litres of water a day into the Norwich supply zone

that serves 200,000 people, and then to the Whitlingham Water Recycling Centre (sewage treatment) which filters, disinfects, cleans and aerates sewage from the surrounding catchment area. The works also utilises a **Cambi** plant (thermal hydrolysis process) that treats imported sludge to produce biogas and high quality biosolids. Site visits like this are very helpful in providing the context for much of our work. The Anglian Water site visit was very much an ‘EdenTree integrated investment experience’ – with sewage solids removed by **Biffa** and via hydrolysis imported sludge processed by Cambi. The Happy Team is pictured at Heigham suitably garbed in ‘high-vis’ below!





We attended a site visit to **NextEnergy's** solar farm in Staughton. The site is the largest subsidy-free solar farm in the UK, covering 143 hectares, and supplying enough clean energy to power 15,000 households. During our tour of the site,

Next Energy took us through the entire power generation process, explaining how solar energy is captured by the panels before being converted via several substations into power on the grid.

Following a three-year break, we resumed our regular Netherlands roadshow, meeting with eight Dutch companies in Amsterdam and Utrecht over the course of three days. These face-to-face meetings were an opportunity to engage, in an integrated way, with a large number of portfolio companies over a concentrated period. Themes emerging from the trip included the way sustainability is driving innovation across design and manufacture; frustration with ratings agencies and how the SDGs are being used. As part of the roadshow we met with **ABNAMRO, Akzo Nobel, Aalberts, a.s.r Nederland, Philips, ING Groep** and **Randstad**.



We had a second call with **Scotiabank** to follow up on two specific areas – asset management and project finance. Their asset management business has adopted an integrated ESG approach and is beginning to develop a strong product

suite for clients. On the credit side, whilst they would not rule out financing new E&P projects, their risk framework would require a strong transition plan to allow financing to proceed.



We met with Italian precision cable and wire manufacturer, **Prysmian** to discuss the company's ESG strategy. It was a positive meeting with the company demonstrating progress in several areas, including plans to reduce their scope 3 emissions via targeted

customer and supplier engagement, as well as ambitions to expand their ECO-cable range which will improve the recyclability of their products.



We met with Spanish Bank **BBVA** following a review of the company. BBVA has very strong disclosure and so the call focused on climate change, project finance and asset management. The Bank has committed €200bn in green finance as

part of its commitments to financing the climate transition and to tackling financial exclusion.



We had a catch-up call with French food retailer **Carrefour** which covered an overview of the company's ESG strategy, GHG emission reduction targets, and its approach to nutrition and healthy products.

The company has a very clear ESG strategy in place and is conducting some cutting-edge work with farmers to support biodiversity.

We met with **Foresight Sustainable Forestry** to discuss key ESG risk areas for the company. We discussed the company's approach to measuring GHG emissions, how they will tackle biodiversity loss and calculate Net Gain Biodiversity, how they are addressing H&S in the managed forests, carbon credits and timber sales. Forestry is a potential new area of investment for EdenTree and further work will be conducted to assess what a responsible approach might look like.



GOVERNANCE

We vote at all meetings in all territories unless these are share-blocked. Our Governance work also includes public policy and remuneration consultations, as well as engaging with companies on governance issues.

The September quarter marks the end of the 2022 proxy voting season and saw us vote on 722 resolutions at 46 UK meetings, opposing or abstaining in 6% of cases. Executive pay accounted for 58% of all action taken, with our opposing 25 reports and policies, and five long-term incentive plans.

We continue to oppose remuneration packages which we view as excessive or poorly structured. During the quarter we opposed remuneration reports at **Marks & Spencer, Land Securities, J Sainsbury, BT Group, Vodafone** and **Tate & Lyle**. Companies in the UK are obliged to put their Policies to vote every three years and we opposed several during the quarter including at **Nationwide Building Society, National Grid, SSE** and **Currys**.



At **Berkeley Group** we were particularly concerned at planned new long-term incentives that would reward the Chief Executive by up to £40m over the life of the scheme. We were concerned that remuneration overall remains complex and

opaque and targeted to reward excessively generously. We voted not only to oppose the new Remuneration Policy and two new long-term incentive plans but also the Chair of the Remuneration Committee's re-election. Other long-term incentive plans we opposed were at **Halma** and **Nationwide Building Society**.



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. In the

September quarter Glass Lewis voted at 13 meetings comprising 117 resolutions in 9 markets. They opposed or abstained 22% of resolutions, with Board Directors comprising 46% of action taken. We find few US pay packages that we can easily support, and during the quarter we opposed compensation packages at **Nike** and **Advanced Drainage Systems**.

ALTERNATIVE INVESTMENT MARKET ENGAGEMENT



Since 2019 we have engaged with selective investments listed on AIM where standards of corporate governance are generally lower. Companies are not required to adhere to the UK Corporate Governance Code and generally apply

fewer standards. We identified two areas that we believed would improve accountability to shareholders and lead to higher quality governance; annual election of directors and putting remuneration to vote. We targeted six companies and were delighted that four agreed to raise the issue with their Boards. Subsequently, Isle of Man based **Strix** confirmed they would move to annual director elections.

SHAREHOLDER AND CLIMATE RESOLUTIONS

We are seeing more climate transition plans being put to vote in the UK and we support these where we view them to be ambitious. In the September quarter we supported climate resolutions at **National Grid, Pennon Group** and **SSE**.

Overseas, we support shareholder resolutions where they are reasonable and proportionate and in keeping with our general stance on ESG (environmental, social and governance) positives. Where they appear to mandate an unreasonable financial charge or represent narrow lobby interests, we may exercise discretion to oppose or abstain. There was just one shareholder proposal during the quarter: At **Nike** we supported a shareholder resolution calling on the company to pause sourcing cotton from China and to carry out a review.



There was one meeting share-blocked and which we did not vote: **Yara International**. In some markets that are share blocked investors are required to waive their right to trade if they wish to vote. Although outlawed in the EU, it continues to be a feature of the Norwegian market.

Our Global Corporate Governance Voting Reports are online at www.edentreeim.com

RECOGNITION

We were delighted to be recognised once again in the **Moneyfacts Investment Life & Pensions Awards** in winning for the 14th successive year in the category ‘Best Ethical Investment Provider’. The Award is voted for by clients rather than a panel and is therefore one we hold as being very special.



THE RESPONSIBLE INVESTMENT TEAM

We have a specialist in-house Responsible Investment (RI) team who carry out thematic and stock-specific research to identify ethically responsible investment ideas for our range of screened Funds. Headed up by Neville White, Head of RI Policy & Research, and supported by Responsible Investment Analysts Carlota Esguevillas, Rita Wysheslesky and Amelia Gaston, the team is also responsible for creating an on-going dialogue with companies, allowing us to engage on a wide variety of ethical and socially responsible investment concerns. For investors, it’s an added layer of assurance that our client’s money is being invested in companies that are operating in a responsible and sustainable way. Our ethical and responsible investment process is overseen by an independent Advisory Panel that meets three times a year, and comprises industry and business experts, appointed for their specialist knowledge.



Neville White
Head of RI Policy and Research



Carlota Esguevillas
RI Analyst



Rita Wysheslesky
RI Analyst



Amelia Gaston
RI Analyst

We hope you find this RI Activity Report useful and informative. For any further information please contact us on:

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