Contact us

For additional information on EdenTree and to find out more about what our range of funds can deliver for you and your clients, please get in touch with us at:

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BENEFACT GROUP

edentree investment management

Responsible Investment Activity Report 2023

Foreword

Andy Clark
Chief Executive Officer

I am delighted to introduce our sixth Annual Responsible Investment Activity Report.

This report comes at a time of change for the UK asset management industry, with the FCA's Sustainability Disclosure Requirements (SDR) and labelling rules promising to bring much-needed clarity to the sustainable investment market.

With over 35 years of experience in this area, responsible and sustainable investment is not an add-on – it's all we do, and we are fully committed to offering our clients products which contribute to a greener, more sustainable economy. It will come as no surprise that we will be seeking to adopt the FCA's sustainability labels across our entire fund range.

We contend, however, that this new regime should not come at the expense of product innovation and flexibility – or create a 'tick-box' approach to the sustainable investment market. At EdenTree, our sustainable offering goes far beyond the use of a label. It can be seen at every level of the organisation, from our charitable ownership structure through to our product range.

As stewards of your investment, we see first-hand how our engagement with companies can be a catalyst for positive societal and environmental change. We know too the importance of rigorously integrating sustainability across all our investment decisions, aligning long-term financial goals with efforts to address the climate crisis, tackle inequality and improve human rights – issues that are increasingly material to market returns.

As well as sitting at the heart of our investment process, sustainability sits at the heart of our business. Our Corporate Responsibility Committee ensure we abide by the same rigorous standards we expect of investee companies, and we are proud to be part of the Benefact Group, an international group of financial services companies that give all available profits to charities and good causes. It is this alignment of interests throughout our organisation that we believe sets us apart in the industry.

This report shares our progress and achievements over the last year across our core responsible and sustainable investment pillars. We hope you enjoy reading through our updates, and as always, we welcome any comments and feedback.

About Us

EdenTree Investment Management began managing ethical – and latterly responsible, sustainable and impact – investments in 1988. We have a 35-year track record of leadership in this space; it is all we do. Across our range of responsible, sustainable and impact funds we seek to invest in companies operating as sustainable businesses, as well as those contributing to environmental and social solutions.

EdenTree is proud to be part of the Benefact Group, a diverse family of specialist financial services businesses, driven by our shared ambition to do right by our customers and clients, and united by a common purpose to give all available profits to charity and good causes. The Benefact Group is in turn owned by a registered charity, the Benefact Trust.

WINNER
Investment Life & Pensions
Moneyfacts
Awards 2023

Best Ethical Investment Provider

Being owned by a charity places good intentions at the foundations of our Group.

We are proud to have been awarded the Moneyfacts "Best Ethical Investment Provider" award every year since 2009 – an award voted for by our clients, that recognises our strong long-term performance and commitment to responsible and sustainable investment.

As of the 31st December 2023, EdenTree managed £3.6 billion of assets under management, serving clients in the institutional, retail, advisory and charity markets.

edentree

Award winning investment management, with a 35 year heritage in responsible and sustainable investment, demonstrating it is possible to have performance with principles.

BENEFACT GROUP

An international Group of financial services business, that gives all available profits to charities and good causes. Ultimately owned by the Benefact Trust.

BENEFACT TRUST

One of the UK's largest grant-making charities.

We strive to be fully transparent in all of our operations and various disclosures are made at edentreeim.com including conflicts of interest policy, culture & values statement, execution policy, privacy policy, remuneration statement and our Fund Value Assessment Report. Under regulatory information, we disclose our statement on research costs (MiFID II), our Pillar 3 disclosure and our Section 172 Statement.

2023 Highlights

Launched our proprietary Climate Change Strategy, introducing **ambitious Fund decarbonisation targets**

189 company engagements conducted

Won **Best Ethical Investment Provider** at the Moneyfacts for the **15th** successive year

Through our AIM engagement **72%** **of holdings targeted agreed to move to annual director elections**

Engaged with our renewable energy investment trusts on the just transition, with **11 out of 12** signalling their **commitment to publish a human rights policy**

5* Rating achieved in all PRI modules

Voted on **5,402 resolutions** at 353 meetings

Won **Best** **Thought Leadership** Piece at the 2023 ESG Clarity Awards

100% of funds on track to achieve their decarbonisation target, 90% of funds on track to achieve their SBT alignment target

11 thought leadership pieces published, including research on biodiversity, nuclear energy, and the just transition

Our Approach

EdenTree launched one of the first ethical equity funds in the UK in March 1988, marking the start of a long-term commitment to responsible and sustainable investment.

We believe consistent, long-term returns are more likely to be achieved by investing responsibly in sustainable businesses, and we fully integrate environmental, social and governance factors throughout our investment process. Across our range of responsible, sustainable and impact funds we seek to invest in companies operating as sustainable businesses, as well as those contributing to environmental and social solutions.

We have been a Signatory of the Principles for Responsible Investment since 2013 and are delighted to have achieved a five-star score across all modules in the most recent assessment. This is the highest possible score and is testament to our long-standing commitment to sustainable investment.

Our integrated, award-winning approach covers four areas: research, screening, engagement, and governance.

This report sets out highlights from 2023 across these four pillars.

Research

EdenTree's research draws on an unrivalled depth of expertise that has been built over three decades. Our responsible investment team regularly publish expert opinion pieces, which help to inform our clients and drive idea generation within our investment team. Our fund managers regularly provide their views on a range of industry topics, from macro-economic viewpoints through to individual stock ideas, and how they are finding opportunities that align with our sustainable investment approach. Our research hub is available here.

Screening

Screening, at its simplest, entails reviewing the suitability of companies to be included in our funds in accordance with their responsible, sustainable and impact investment objectives. Across our range of funds, we seek to invest in companies operating as sustainable businesses, as well as those contributing to environmental and social solutions. The Responsible Investment team and wider investment team work side by side to generate ideas, analyse opportunities, assess risk and create meaningful and sustainable portfolios.

Engagement

Our integrated stewardship approach includes engagement across a wide range of environmental, social and governance issues. We believe that the way we engage with businesses enables us to make sound, responsible investment decisions and to act as a catalyst for change. We seek to form constructive relationships with companies we are considering investing in and we continue to engage with them after we have invested as part of our ongoing monitoring programme. We also engage collaboratively on issues where partnering with like-minded investors will help to further our positive impact.

Governance

We believe that shareholders have a vital role to play in encouraging high standards of corporate governance. We therefore seek to vote at all company meetings in which we have a shareholding, except where these are share blocked, and have appointed Glass Lewis & Co. as our proxy advisory service. As long-term investors, we believe a pragmatic approach best fulfils the objective of building shareholder value over time. We seek to engage proactively with companies where either existing corporate governance arrangements or management proposals cause concern.

Screening

At EdenTree, we strongly believe that material environmental, social, and governance factors can have an impact on investment returns and client outcomes. This is why we apply a robust screening process, investing in companies which operate as sustainable businesses and are providing solutions to the planet's environmental and social challenges.

We apply a range of screened approaches across specific mandates and strategies. Our screening process includes three elements:

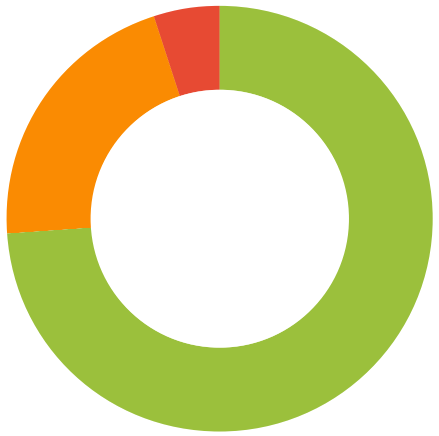
1. Our **negative screens** exclude companies whose products and services are harmful to the planet or society.
2. Our **positive screens** evaluate the quality and strength of a company's approach as a sustainable business.
3. Our **thematic screens** assess a company's contribution to several sustainability themes.

Our 'How We Screen' document provides further information on this process.

In 2023, the RI Team completed **64** screenings and reviews. New ideas in 2023 achieved a 95% pass rate. 74% were judged to be 'suitable' and 21% were deemed 'suitable with caution.' 5% of new ideas failed our screening and did not progress. These were **Ashtead Technology** and **Essity**.

The quality of long-hold portfolio stocks remains very strong, with 93% passing our screens. Of this, 63% achieved our highest rating of 'suitable' and 30% were judged to be 'suitable with caution'. 7% failed our screens and were divested. These were **Toronto Dominion Bank** and **Royal Bank of Canada**.

2023 Screening Outcomes

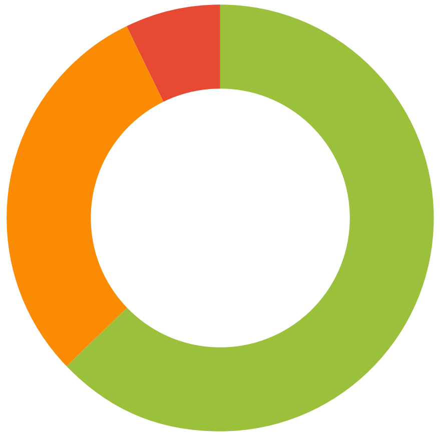


Suitable **74%**

Suitable with caution **21%**

Fails **5%**

2023 Review Outcomes



Suitable **63%**

Suitable with caution **30%**

Fails **7%**

Screening Examples

Ashtead Technology

Screening

Ashtead Technologies provides equipment rental services, advanced underwater technologies and support services to the global offshore energy sector. It offers one of the largest independent equipment rental fleets in the industry with over 17,000 assets.

Their equipment is integral to the exploration of oil and gas. At the time of screening, services provided to the oil and gas industry accounted for 67% of their revenue, with the remaining 33% coming from services to renewables.

The company has set a target to increase revenue from renewables to 50%, but at the same time has expressed an expectation that revenue from oil & gas will increase in the medium-short term due to 'energy security' concerns. The company also failed to quantify 'medium-term', which called into question its overall commitment to the low-carbon transition.

Therefore, while Ashtead Technology was suitable under our negative screens – our fossil fuel screen is focused on revenue derived from exploration and production – the company failed under our positive climate change screen. The company was deemed to be too integral to the fossil fuel industry, with its transition plan lacking definition, credibility and commitment. Ashtead Group was rated 'unsuitable' for inclusion in our Funds and the investment did not progress.

Royal Bank of Canada (RBC)

Divestment

In 2023, we conducted a review of our holdings in the Canadian Banking sector. These are companies that we have been engaging with for several years, with a particular focus on encouraging the withdrawal of financing from projects misaligned with the goals of the Paris Agreement. While our conversations have always been constructive, we observed that accompanying action was failing to materialise.

This was particularly pertinent in the case of RBC. As the largest of the five Canadian Banks, the company has considerable financing power, and yet, has failed to noticeably shift its levels of fossil fuel financing, despite coming under increasing investor pressure. Between 2016 and 2022, RBC provided $252bn in fossil fuel financing, and $31.7bn in tar sands financing. In 2022 alone, RBC was the largest financer of fossil fuels globally.

RBC also lags considerably behind European peers when it comes to fossil fuel financing policies. At present, the Bank has no credible fossil fuel lending restrictions. There is no policy to exclude unconventional sectors, such as fracking, tar sands, or ultra-deep-water financing, or to exclude oil and gas companies with expansion plans. The Bank also has no timeline on when it will phase out its existing fossil fuel clients.

In addition, we have not been able to gain comfort through our engagement that these practices will improve sufficiently in the future. The Bank appears unwilling to escalate its transition plan, and with the climate crisis becoming ever more urgent, we did not view this to be in keeping with the standards required by our responsible & sustainable screens.

We therefore recommended RBC for divestment. Working in collaboration with our Fixed Income Team, we have placed a hold on RBC. Proceeds from maturing bonds will be redirected towards alternative opportunities, while longer-dated bonds will be actively reduced across the Funds in which they are currently held.

Engagement

Our approach to engagement

As active managers, engaging with investee companies is fundamental to understanding the risks and challenges they face from an environmental, social and governance (ESG) perspective. We use engagement as a tool to assess how companies are considering and managing their ESG risk, which feeds into our investment case. Engagement is also a core way in which we can leverage our influence as investors to drive real-world, positive change and contribute towards a more sustainable future.

In the past three decades of engaging with companies in our portfolios, it has proved a powerful way of improving investee companies' performance on a range of environmental, social and governance topics.

How do we engage?

To achieve the best outcomes for our clients, we look to focus our time and attention on issues that are most material to our investments, and where engagement can have the greatest impact on company behaviour.

We seek to form constructive long-term relationships with the companies in which we invest – across both equity and bond holdings – and engage as part of an active, ongoing monitoring programme. This dialogue is conducted in close collaboration with fund managers.

As an active asset manager, most of our company engagement meetings are conducted on a one-to-one basis. However, we recognise that many of the issues we are tackling cannot be solved alone. We therefore seek to collaborate with other investors and organisations, where partnering will help us exert greater influence.

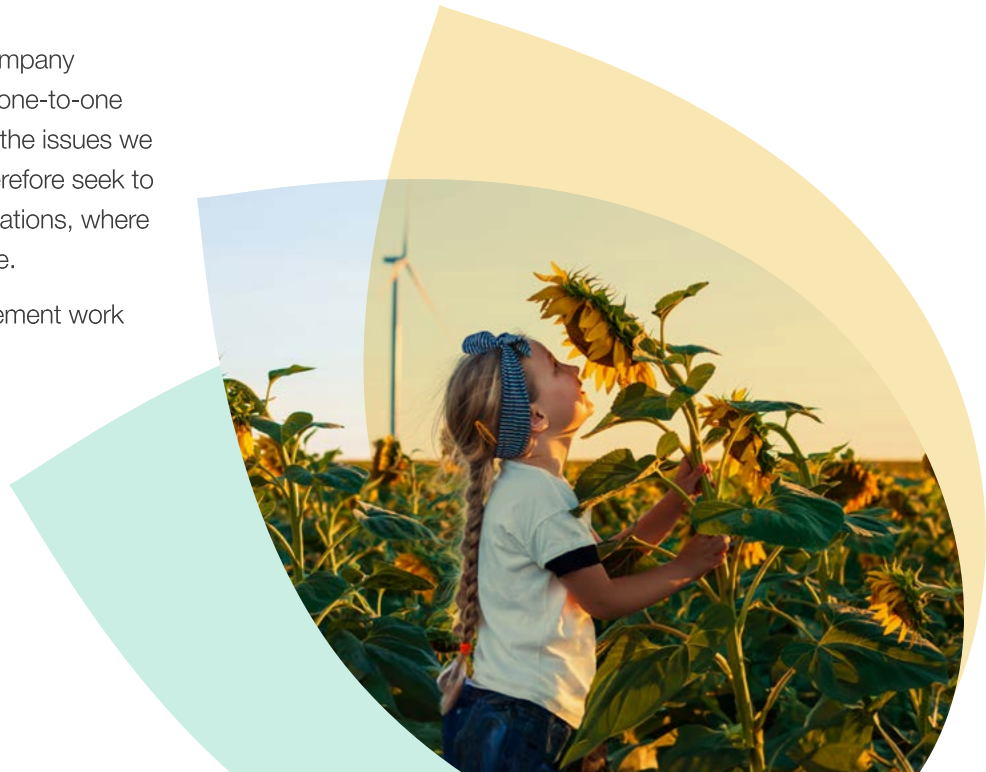
This report sets out highlights of our engagement work throughout 2023.

Looking ahead

Looking ahead to 2024, we have enhanced the way in which we categorise and track our engagement activity, with a greater focus on outcomes. We will endeavour, for every engagement, to set a clear objective and timeline for action, and track progress towards these objectives against five milestones.

We have also, at a firm level, chosen to focus our engagement on three core themes: A Just Climate Transition, Water Stress, and Social & Financial Inclusion. These thematic priorities are those which we deem to be material to the long-term value of our investments, and where we view our engagement as being able to drive real-world, positive change. Effective engagement is time intensive, and focusing on these three issues will allow us to concentrate our resources more effectively.

Our 'How We Engage' document provides further information on our engagement approach and priorities.



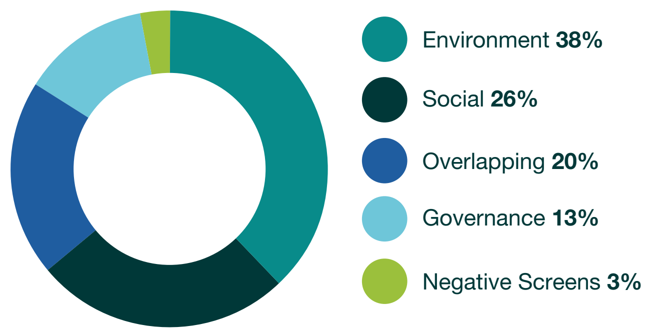
Engagement Statistics 2023

In 2023 we carried out 189 distinct engagements; 122 direct EdenTree engagements and 67 collaborative engagements.

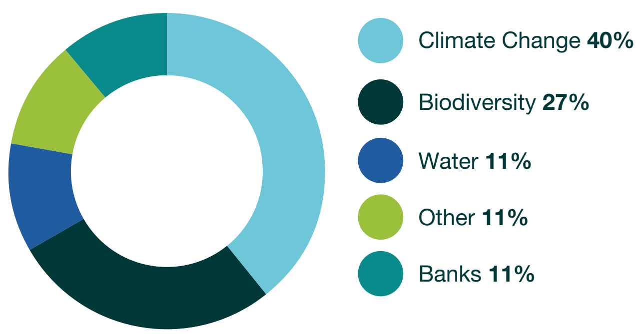
Type of Engagement	Number	%
Thematic	116	62%
Screening	46	24%
Reactive	6	3%
Voting Related	21	11%

Type of Engagement	Number	%
Environment	71	38%
Social	49	26%
Governance	25	13%
Overlapping	38	20%
Negative screens	6	3%

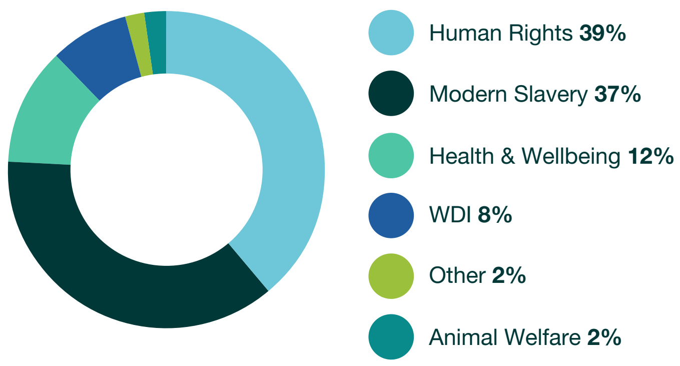
Topic of Engagement 2023



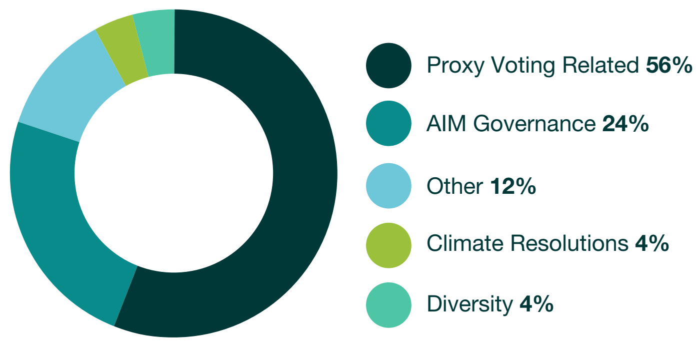
Environmental Engagements 2023



Social Engagements 2023



Governance Engagements 2023



Climate Change

The science of climate change is unequivocal; we are already living in a climate emergency and must rapidly reduce greenhouse gas emissions. To achieve the goal of the Paris Agreement of limiting global warming to 1.5°C, CO_2 emissions must fall by 45% by 2030, reaching net zero by 2050. If we fail to meet this target, the consequences will be severe and far-reaching.

In some cases, climate-induced changes are already materialising; half the global population contends with water scarcity for at least part of the year, and over 20m people have been forced from their homes every year since 2008 due to extreme weather events. These impacts are only set to intensify, and scientists warn the associated damage could be irreversible. Despite this, if emissions continue at their current rate, research suggests the 1.5°C threshold may be breached by the end of this decade.

Efforts to mitigate carbon emissions and adapt to the consequences must be ramped up. At EdenTree, we recognise that climate change requires immediate action, as the world cannot afford to push action out to the long term. In 2023, we refreshed our **climate change strategy** to reflect this urgency and ensure we play our role in ensuring a safe, and liveable future for all.

Building on our long-standing commitment to climate action, our new strategy sets out four areas where we believe work is most needed, and where we can make a significant difference.

Decarbonise our Funds

- We aim to decarbonise our funds in line with the goals of the Paris Agreement.
- We have set two climate targets for each of our Funds: a top-down decarbonisation target, and a bottom-up Science Based Target (SBT) alignment target.
- These targets are designed to position our Funds onto a 1.5°C-aligned pathway.

Accelerate the transition

- We aim to increase the amount of capital being directed towards climate mitigation and adaptation solutions.
- We intend to grow our range of Responsible, Sustainable, and Impact Funds.

Collaborate to drive change

- We plan to promote climate action through collaboration with other investors.
- We will use collaborative initiatives to drive greater change at the corporate level and encourage policymakers to establish comprehensive and robust climate frameworks.

Embody our standards

- We are acutely aware of the need to hold ourselves to the same high standards we expect of investee companies.
- We will continue to champion environmental initiatives and promote awareness and action within our local communities.

Top-Down Targets:

- Reduce the carbon intensity of our Funds by 50%-78% by 2035 against a 2016 base year, or;
- Maintain an implied temperature rise aligned with 1.5°C

Bottom-Up Target:

- 60-80% of a Fund's financed emissions to be covered by a Science Based Target by 2025

Fund	Bottom-Up Target			Top-Down Target		
	Target	Performance	Status	Target	Performance	Status
R&S European Equity Fund	80%	69%	On Track	-78%	-47%	On Track
R&S Global Equity Fund	80%	82%	Achieved	-78%	-52%	On Track
R&S UK Equity Fund	60%	23%	Off Track	-78%	-44%	On Track
R&S Managed Income Fund	80%	40%	On Track	-78%	-72%	On Track
Green Future Fund	80%	65%	On Track	-50%	-	-
R&S UK Opportunities Fund	60%	56%	Achieved	1.5°C	1.5°C	Aligned
R&S Short Dated Bond Fund	80%	49%	On Track	1.5°C	1.5°C	Aligned
R&S Sterling Bond Fund	80%	51%	On Track	1.5°C	1.5°C	Aligned
Global Impact Bond Fund	80%	82%	Achieved	1.5°C	1.5°C	Aligned
EIO Pension Fund	80%	89%	Achieved	1.5°C	1.5°C	Aligned
Benefact Group General Fund	80%	75%	On Track	1.5°C	1.5°C	Aligned

We strive to be transparent with our stakeholders and therefore we disclose progress against our climate ambitions on an annual basis. The table above demonstrates our progress against our Fund-level climate targets. These targets currently cover 83% of our total AUM.[1]

For more information on our climate strategy, read our Climate Stewardship Report

[1] 17% of our AUM is currently out of scope. This includes our investments in alternative classes such as infrastructure, property and sovereign debt, which we are unable to measure in the same way as equities and fixed interest due to data limitations.

Engagement on Climate Change

Active engagement is a powerful mechanism for achieving our climate ambitions. We believe engagement enables us to act as a catalyst for change. By encouraging our investee companies to improve their management of climate-related risks, we can drive reductions in GHG emissions and work towards the fulfilment of the targets set out in the table on page 12.

In 2023, we engaged on climate change **89** times, representing 47% of all our engagement activity

In 2023, our engagement focused on four key elements of climate change:

- **Heaviest Emitters via our Climate Stewardship Plan.** We aim to focus our work where it is most material. While climate change will affect all companies, those with carbon-intensive business models face elevated levels of risk. Further, due to their existing high emissions, successful decarbonisation of such companies would generate the biggest real-world impact. We have developed a proprietary Climate Stewardship Plan, which is our primary tool for engaging with these businesses. On a company-by-company basis, the Plan tracks performance against a series of expectations, allowing us to identify areas for improvement, which are used to inform our engagement activity.
- **Banks' Fossil Fuel Financing.** As a house which does not invest in fossil fuels, our main, indirect exposure to coal, oil and gas comes from our investment in Banks. Our engagement work is focused on encouraging the withdrawal of financing from projects that are misaligned with the Goals of the Paris Agreement. We believe that if Banks can achieve this, they can become important enablers of the low carbon transition due to their lending to the renewable and green energy sector. We engage both directly and through our involvement in the IIGCC Bank's Working Group.
- **Policy Engagement.** We believe that engagement with regulators and policymakers is important as no one organisation can drive the low carbon transition alone. The level of change required to meet the goals of the Paris Agreement requires action from all parts of society. Our policy engagement aims to encourage greater action at this level.
- **Climate Disclosure.** We recognise that it's not just the heavy-emitting companies that have an impact on global environmental goals. We believe that all our holdings need to take this issue seriously and implement a robust plan to manage climate risk. As such, in 2023, we ran an engagement with our small- to medium-cap companies, encouraging improved climate disclosure.

Climate Change

Renewi

Encouraging ambitious climate targets

Issue
Renewi is a European waste management company, and is a material contributor to the financed emissions of several of our Funds. Due to its carbon-intensive business model, the company faces significant transition risks, particularly if it fails to decarbonise at a rate consistent with the broader economy. The company is captured within our Climate Stewardship Plan, and our assessment identified an excellent enabling contribution to the low carbon transition (Renewi has a clear plan for amplifying its recycling offering), however other aspects of its decarbonisation plan are less well-developed. We identified three objectives for the engagement, for Renewi to: 1) set approved science-based targets, 2) disclose its scope 3 emissions, and 3) independently verify its scope 1, 2 & 3 emissions.

Actions
We engaged directly with the company and used the conversion to discuss the company's transition plan in detail. In particular, we shared our three expectations with the company, using them to guide our discussion. Under each objective, we asked for an explanation of the action the company was taking, pushing for more progress where necessary.

Outcome
The engagement was very constructive. Renewi confirmed that it intends to submit near-term targets to the SBTi for approval by mid-2024. The company also met one of our key objectives by disclosing its scope 3 emissions for the first time in 2023. However, it has yet to put in place any verification process for these emissions and has only achieved 'limited' disclosure for its scope 1&2 emissions. The company agreed to look into raising the level of assurance in future years. Overall, there are clear signs of progress and we intend to re-engage in 2024 to follow up on several areas, namely the SBTi approval process and its emissions verification.

DS Smith

Implementing a robust transition plan

Issue
DS Smith is another company covered by our Climate Stewardship Plan. It is widely held across our Funds, making it a major contributor to EdenTree's overall financed emissions. Despite this, it is currently one of the best performers within our Stewardship Plan, scoring highly across the majority of the 13 climate-related indicators. However, this is not to say the company scores perfectly, and therefore our engagement targeted the areas where we felt further improvements were needed. We set three objectives; for DS Smith to 1) commit to setting a net zero SBT, 2) improve progress towards its 2030 emissions reduction target, and 3) disclose a decarbonisation roadmap.

Actions
We reached out to the company and requested a meeting, which we subsequently held with the Firm's Senior Sustainability Manager. The meeting covered our objectives, alongside several other aspects of DS Smith's Climate Strategy. The company was able to go into considerable detail, which gave us confidence that it is genuinely committed to the transition.

Outcome
The company is making progress against all three of our objectives. Firstly, it is in the process of seeking validation of its net zero target, which is expected from the SBTi by July 2024. Secondly, it has outlined a number of near-term steps it intends to take to improve its emissions performance; this includes reducing its consumption of natural gas. Finally, it intends to disclose a full decarbonisation roadmap, which will include actions to reduce its scope 3 emissions. All three are very encouraging updates, and affirm our view of DS Smith as a transition leader. We intend to follow up with the company in late-2024, once its SBT has been assessed and its climate action plan has been released.

ScotiaBank

Fossil fuel financing withdrawal

Issue

Banks continue to be dominant players in providing loan capital for fossil fuel projects which hinders the transition to a low carbon economy. This is particularly prevalent within the Canadian banking sector which lags European peers when it comes to climate ambition. ScotiaBank (Canada's 4th largest Bank) is no exception: between 2016-22 the Bank has provided $182.3bn in fossil fuel financing, and its fossil fuel lending policies remain weak and littered with loopholes. We strongly believe this needs to change, and therefore our engagement objectives are for ScotiaBank to 1) materially reduce its level of fossil fuel financing, 2) implement robust lending criteria that exclude projects misaligned with the goals of the Paris Agreement, and 3) implement a plan to phase out existing fossil fuel clients.

Actions

We have been engaging collaboratively with ScotiaBank via the IIGCC's Banks' Working Group. We believe that the collective reputation and size of the investor alliance add extra weight and legitimacy to the engagement activity. In 2023, the Group undertook several engagement activities. Firstly, we wrote a letter asking the Bank to consider bolder action to align its financing with a 1.5°C aligned pathway. The letter called for the Bank to: extend its oil & gas and power & utility targets to cover all lending, project financing, investment banking and advisory activity; expand sector targets to include all carbon-intensive activities; and to improve its quantitative disclosures of climate risk in its annual report. We subsequently held a call with the Chair and Audit Committee Chair, to follow up on the asks of the letter. Within the call, we challenged the Bank to set clear red lines and escalation pathways.

Outcome

The Bank was able to point to some interesting pilots, especially around its client relationships, but ultimately, it remains a laggard compared to European peers. We challenged the bank to increase its level of ambition, and intend to continue our engagement into 2024. We will consider escalating the engagement if the bank doesn't progress on its climate ambitions.

UK Government

Advocating for ambitious climate policy

Issue

During the summer of 2023, we grew concerned with the UK Government's public statements and policy signals around green energy and the net zero transition. They intimated that the Government sought to rollback existing targets, which, in our view, would undermine the UK's leadership in the clarity, certainty, and confidence of policymaking toward meeting net zero. A shift in position blurs regulatory visibility for investors, eroding trust and the ability of the financial sector to make the large-scale transformative investments required to accelerate net zero delivery.

Actions

Our engagement with the UK Government was part of a collaborative initiative, led by the UK Sustainable Investment and Finance Association. Collectively, a group of 36 investment managers, banks, asset owners and other financial institutions representing £1.5tn in assets under management, signed a letter to the UK Prime Minister calling for greater consistency in the Government's messaging about the net zero economy and its policy plans. The letter not only reinforced the industry's concerns about the Government's recent policy signals, but also clearly outlined why an ambitious approach to sustainable finance and long-term policy certainty would be a huge economic benefit and help the UK maintain its position as a global leader in green investment.

Outcome

We believe our involvement in the initiative signalled our support for stronger policy around green finance and the net zero transition. We are seeking to become more involved in policy engagement in 2024 and will explore further options.

Bruker

Encouraging better climate disclosure

Issue

We believe it is important for all companies to manage their climate risk, not just those that have carbon-intensive business operations. All companies face physical and transition risks to some extent, and therefore must manage these risks in order to preserve shareholder value. With this in mind, we sought to engage with the small-cap companies held in our Funds, particularly those with a history of poor disclosure on the subject. Bruker was one of the companies we targeted, and the primary objective was for the company to disclose its scope 1, 2 and 3 emissions.

Actions

We engaged directly with Bruker, holding a call with a representative from investor relations. While the call initially focused on its emissions disclosures, we also used it as an opportunity to assess its overall ESG priorities, and to understand how its processes around ESG were being formalised. Towards the end of the call, we highlighted the SBTi, and explained how we view it as the gold standard for target setting, should Bruker seek to elevate its climate risk management to the next level.

Outcome

We were pleased to learn that Bruker intends to publish its first ESG report, which will include disclosure of its scope 1&2 emissions. It has yet to fully measure its scope 3 emissions, but acknowledged the importance of doing so, and said it would likely feature in future versions of the report. Similarly, it welcomed the feedback on SBTs, and said they were under consideration and could be incorporated in years to come. While Bruker is, by its own admission, currently behind its peer group, we were encouraged by its direction of travel. We intend to re-engage in the future, to assess progress and revisit any areas which are still under development.

Nuclear energy continues to be one of the most controversial and heavily debated aspects of the low carbon transition. In our RI Expert Briefing, we explore the issues that make it so contentious, and set out our House view on whether there is a case for including nuclear energy as part of the energy mix.

Amelia Gaston
Senior RI Analyst
and Climate Lead

> **"With each year that passes, more climate records are broken. 2023 was no different, surpassing previous records to be named by scientists as the world's hottest year. Surface temperatures were 1.48°C warmer than the long-term average, and sea surface temperatures also smashed previous highs. There is a possibility that 2024 may even surpass the 1.5°C warming threshold for the first time. It is clear, therefore, that urgent action is needed, and it's heartening to be part of an organisation that is genuinely committed to driving the transition; both in terms of encouraging investee decarbonisation and channelling capital flows towards climate solutions. 2023 saw the launch of our revamped Climate Strategy and we remain wholly engaged and focused on driving change under its four pillars of action as we move into 2024."**

Human Rights

The Principles for Responsible Investment (PRI) defines human rights as having “a universal right to be treated with dignity. Every individual is entitled to enjoy human rights without discrimination.” Companies that fail to proactively manage their impact on human rights issues will face an increasing level of scrutiny, in addition to legal, reputational, and financial implications.

As responsible and sustainable investors, we have a responsibility to ensure that the companies within our portfolios respect human rights based on internationally recognised standards. Not only have we publicly committed to respecting internationally recognised human rights standards, but we seek similar action from the companies held within our portfolios.

In 2023, we engaged on human rights

37 times, representing 20% of all our engagement activity.

In 2023, we focused on three key areas of human rights:

- **Just Transition:** The climate crisis requires the rapid expansion of renewable energy capabilities. Yet, it is also crucial that the energy transition does not harm people, workers or communities. As companies deploy renewable technologies, we believe they must also consider the broader social impact of their operations and supply chain for the transition to be just.

  In 2023, we engaged with 12 renewable energy investment trusts held in our Green Infrastructure Fund on the topic of human and labour rights. Our objective for this engagement was for each company to publish a standalone human rights policy outlining their approach, and where relevant commit to implementing the principles of Free, Prior and Informed Consent (FPIC). We were pleased that all except one signalled their commitment to this ask and several asked for further input on their human rights disclosures, commenting that these conversations had helped them build the business case for action. We will continue our dialogue on this topic in 2024.

- **Ethical and Responsible Artificial Intelligence (AI):** The scope of AI’s impact on the global economy could potentially be more transformative than any prior technological evolution. But while it could bring positive developments, evidence has also shown that it could increase the risk of social harms. If digital technology companies fail to adopt, implement and disclose robust governance policies and controls, backed by strong ethical principles, they may face reputational as well as revenue losses, and society as a whole faces tremendous risk.

  Given the elevated risks we felt it was important to engage on the topic, in particular with the companies developing AI technology. As part of the World Benchmarking Alliance’s collaborative initiative on Digital Inclusion, we are pushing for best practice in the implementation of ethical standards, ensuring digital technology companies disclose policies on ethical design and the use of AI, and put in place robust governance controls.

- **Modern Slavery:** Modern slavery is thought to affect more than 50 million people worldwide and, by its very nature, can be difficult to uncover. It includes the exploitation or enslavement of individuals in a variety of coercive or deceptive practices such as bonded and forced labour. From a business perspective, modern slavery is a particular concern in sectors characterised by low-skilled, temporary and subcontracted labour.

  Modern slavery has been a continuous focus of our engagement work for several years. We are active participants in several industry collaborations on the topic. This includes Votes Against Slavery (VAS) which focuses on adherence with the reporting requirements of the Modern Slavery Act 2015, and ‘Find it, Fix it, Prevent it’ which encourages companies to discover modern slavery in their supply chains and provide the appropriate care and remedy.

Greencoat Renewables

Indigenous land rights

Issue
Despite their explicitly positive contribution to decarbonisation, renewable energy assets are significantly more land-intensive than traditional fossil fuels. Indeed, it is estimated that wind and onshore solar projects require about ten times more land than fossil fuel projects to deliver the same power, placing significant pressure on local communities and indigenous populations globally. As one of our holdings with renewable assets located in or around indigenous communities, we engaged with Greencoat Renewables on this topic.

Actions
In 2023, we held several conversations with Greencoat Renewables on its approach to protecting indigenous communities’ rights, and how this balances with their ambition to accelerate the energy transition. The management team weren’t aware of the FPIC principles prior to our engagement, but they were able to evidence previous work undertaken to deepen their understanding and recognition of indigenous rights. For example, they spoke of the importance of early engagement with indigenous communities when considering assets in their communities. Importantly, they expressed the view that financial arrangements alone were inadequate – a view that we support – and favoured a holistic, in-depth and long-term engagement approach.

Outcome
Following our engagement, Greencoat Renewables updated its Modern Slavery and Human Trafficking Statement to include a section on ‘indigenous peoples’, outlining its policy to ensure that land rights are respected and a commitment to FPIC. This demonstrated progress against a number of our engagement asks, and we will continue to use our influence to push for best practice.

For more information on our Just Transition engagement please read our report here.

Tommy Kristoffersen
Fund Manager

“Responsible and sustainable investing is all we do at EdenTree. It goes beyond screening and box-ticking. We don’t simply assume that because our investments make a positive contribution to the energy transition they are ethical businesses. We look critically at their supply chains, their land use, their governance, and any other relevant topics before forming a view. By taking stewardship and engagement seriously in this way, not only does it reassure our investors that we are aligned with their values, but it also deepens our ability to collaborate with investee companies to achieve better outcomes. And, most importantly, it’s the right thing to do.”

Salesforce

Ethical use of artificial intelligence technology

Issue
In 2023, we co-led an engagement with Aviva Investors as part of the World Benchmark Alliance's Coalition for Ethical AI with US cloud-based software company Salesforce. Salesforce is a leader in the ethical use of artificial intelligence however, its disclosures on the topic were spread across several blogs and website locations, making it difficult to understand its policy position. In addition, while it had ethical AI guidelines in place, we were not clear on the extent to which these were applied to partners and customers.

Actions
We held several conversations with Salesforce over the year, with a specific focus on improving its disclosures and establishing clear red lines around the use and sale of its technology. During the engagement, we gained significant reassurance around the implementation of its AI policy and the guardrails it had in place. We did however believe its external disclosures could be strengthened and encouraged Salesforce to improve disclosure by creating one simplified area to display this information.

Outcome
Following our engagement, we were pleased that Salesforce met a number of our asks. It has updated its externally facing Ethical and Humane Use website to better reflect its commitment to ethical AI, and has published a new externally facing AI Acceptable Use Policy document that governs how customers should use its AI technologies.

Triple Point Energy Transition (TENT)

Human rights disclosure

Issue
The battery and energy storage sector faces elevated human rights risks, in particular due to a prevalence of forced and child labour in mining operations. TENT is exposed to these risks through its supply chain, and at present publishes a boiler plate human rights statement under its investment manager – Triple Point.

Actions
Given the elevated risk facing the sector, we engaged with TENT to encourage them to develop a standalone human rights policy. Specifically, we asked them to move away from a boiler plate statement to one which discussed the specific challenges facing their business. We also discussed their approach to human rights due diligence, and encouraged them to disclose this detail publicly.

Outcome
Across our conversations we found that TENT had a more robust human rights process in place than their disclosures suggested – this was a common finding in our engagements with the sector. We are pleased that since our engagement, Triple Point has updated its human rights disclosures with further detail. However, at the time of writing TENT did not disclose its own human rights policy and we will continue to engage on this topic in 2024.

For more information on oppressive regimes, please read our whitepaper on the subject, available here.

Human Rights

Bellway

Modern slavery risks in the construction sector

Issue
Modern slavery exists in many forms in the UK. One sector particularly at risk from modern slavery is the construction and house-building sector. Long, complex supply chains, widespread use of sub-contracted labour, and a reliance on temporary projects lead to elevated risk levels. With this in mind, we led an engagement with Bellway as part of the Find It, Fix It, Prevent It collaborative engagement.

Actions
We met with Bellway in 2023 to discuss its approach to modern slavery including governance of the issue, reporting on instances and training provided for employees on the topic. Specifically, in line with the objectives of the Find It, Fix It, Prevent It coalition we encouraged Bellway to proactively search its supply chain for modern slavery, on the assumption that it exists. We also sought to better understand its approach to remedy for those affected, and the steps it is taking to ensure that modern slavery does not exist in its supply chain.

Outcome
Since our engagement with Bellway commenced in February 2023, it has published a new modern slavery statement with further detail on its work over the course of the last year. This includes the implementation of a cross-functional anti-slavery committee to oversee its efforts, and an increase in training for employees on the topic. However, we would welcome further detail on its process for identifying instances of modern slavery and are continuing to engage with the company on this topic.

Keller

Allegations of human rights violations in Neom, Saudi Arabia

Issue
The construction of Neom in Saudi Arabia, which is funded by the Kingdom's Public Investment Fund, has faced several allegations of violating human rights. UN human rights experts have called for "all companies involved in Neom to ensure they are not causing or contributing to serious human rights abuses". In response to this, we engaged with geotechnical specialist contractor Keller, our only holding that was exposed to the construction of Neom at that time. Our key objectives were to understand the extent of Keller's involvement, to assess its human rights policies and to ensure that its activity in Saudi Arabia was not connected to the alleged human rights abuses.

Actions
We held several conversations with Keller to understand its approach to the project. Keller has extensive experience working responsibly in Saudi Arabia, and was able to highlight several key areas where this experience has helped drive best practice on the ground. Prior to commencing work on Neom, the company undertook an extensive human rights risk assessment and a substantial review of its procedures in Saudi Arabia to ensure they were effective. Among other measures, this led it to implement Neom-specific working groups focused on human rights and health & safety, and to put together an advisory council with external specialist expertise to support its approach.

Outcome
Keller was able to demonstrate robust human rights processes across its involvement in the project. Phase I of the project is now complete, and Keller highlighted that prior to tendering for Phase II, it will conduct a new human rights risk impact assessment to determine whether it is able to remain involved – particularly in light of the UN's intervention.

Nature

Nature refers to the entire physical world. It supports everything we need to survive, providing us with food, clean water, medicine, climate regulation and seed dispersal. However, millions of plant and animal species are currently threatened with extinction and the decline in wildlife populations is expected to worsen if we continue with business-as-usual scenarios. We are using the equivalent of 1.6 Planet Earths per year to maintain our current rate of consumption – a rate at which ecosystems cannot replenish themselves.

This is of great significance to investors as more than half the world's GDP is dependent on nature and its services, and the unprecedented loss of biodiversity places this value at risk. As responsible and sustainable investors, we engage with our company holdings to ensure they follow best practice on respecting nature and halting biodiversity loss.

In 2023, we engaged on nature 27 times, representing **14%** of all our engagement activity.

In 2023, we focused on three key areas of nature:

- **Biodiversity:** Recognising that the global food system is the primary driver of global biodiversity loss, in 2023 we continued our engagement with the food and agricultural sector. The engagement sought to identify how investee companies were managing biodiversity risk, and push for elevated action on biodiversity where necessary. Our engagement found that companies are struggling to fully assess their impact on the natural world, although encouragingly, most companies expressed a desire to start their biodiversity journey by taking small steps instead of using the complexity of the issue as an excuse for inaction. In 2024 our biodiversity work will continue through the NA100+ investor coalition which aims to drive greater corporate ambition and action on nature.
- **Plastics:** Single-use plastics are resulting in severe environmental, social, economic and health consequences. Half of all plastic produced is used just once and then thrown away, leading to approximately 400 million tonnes of plastic waste every year[2]. Only a small fraction of this waste is recycled, and plastics have become ubiquitous in our natural environment. Systemic change is needed to stop this flow of plastic waste from polluting our environment. In 2023, as well as engaging with companies which use a high amount of single-use plastic, we called on EU policymakers to create a legally binding Global Plastics Treaty. We believe the issue of plastic is rooted in regulatory reform and to drive change we will continue this policy work in 2024.
- **Water:** The health of the rivers in the UK has been in crisis for several decades. A regulatory regime predicated on keeping costs low has led to poorly overseen incident management, impunity for continued offences and underinvestment by the water industry. Yet, rivers are critically important to a healthy, balanced ecology, carrying water and nutrients, and draining a majority of the land surface. The task of restoring their health is immense, but imperative. As investors in several water utilities, we have been engaging on the topic of river quality and pollution since 2022, pushing for best practice and improved performance. With the next five-year regulatory period commencing in 2025, we believe now is the time to recalibrate the investment needed to improve the health of our rivers. We will continue to push for the highest possible level of ambition across the industry and in 2024 will focus on the fitness of the regulatory regime.

For more information on our Biodiversity engagement
read our report

[2] https://www.unep.org/interactives/beat-plastic-pollution/?gad_source=1&gclid=EAIaIQobChMI6u3eg66qhAMVF5JQBh3MfAQLEAAYAiAAEgK1f_D_BwE

Tesco

Challenges of measuring biodiversity loss

Issue

Biodiversity encompasses a complex range of risks, including soil health, deforestation, water quality and monocultures. Unlike climate change, where reducing carbon emissions will have a clear positive impact, tacking biodiversity loss cannot be distilled into one clear goal, which creates confusion not only around the best way to tackle it but also around how impact can be measured. As part of our engagement with Tesco, we sought to understand the challenges it faces in tackling biodiversity loss in its supply chain.

Actions

In our conversation with Tesco about biodiversity risks and the challenges of managing them throughout its supply chain, it spoke optimistically on the use of technology. Specifically, the role it could play in helping overcome biodiversity measurement issues. It referenced two trial projects that use detection technology to establish the health of farmland and track whether actions are improving local ecosystems or having a detrimental effect.

Outcome

We felt our dialogue with Tesco was constructive, as the company expressed ambition and vision to tackle biodiversity loss. Tesco is involved in the Taskforce on Nature Related Financial Disclosures (TNFD) working group and stated its desire to set science-based targets once an appropriate framework has been developed. We were impressed with its approach and will continue to monitor Tesco's progress on biodiversity measurement and management going forward.

Plastics

Robust policy on single-use plastics

Issue

Many companies in the consumer and food retail sectors are taking limited action to mitigate the risks posed by plastics. Amid an upcoming wave of action to tighten legislation on the topic, we believe that companies' failure to respond will expose them to financial risks that threaten both value creation and investment returns. That said, we also believe improved policy is required to compel companies to shift their business models away from intensive plastic consumption.

Actions

We adopted a three-step approach to this engagement. First, we joined a collaborative group of institutional investors, coordinated by the Dutch Association of Investors for Sustainable Development (VBDO) to co-sign an investor statement. The statement called for companies to support ambitious policy, commit to reducing single-use packaging, and eliminate the use of hazardous substances in products and packaging.

We also signed a collaborative Investor Statement to EU Policymakers on the topic of plastic packaging. This statement called for the European Parliament and Council to take a visionary, forward-looking position on the proposed Packaging and Paper Waste Regulation Reform (PPWR) that supports the reduction of waste at source, including waste prevention and reuse targets.

Finally, we signed a letter to members of the High Ambition Coalition (HAC) governments calling for a robust, effective, legally binding Global Plastic Treaty (GPT) in anticipation of the third round of discussions in mid-November last year. To extend this message, we were also a signatory on the Carbon Disclosure Project's investor letter calling for the mandatory disclosure of data surrounding plastic use by corporates.

Outcome

The letter sent to companies resulted in a series of engagement meetings and certainly succeeded in elevating this issue. Companies that we engaged with included Unilever and Danone. We await the outcome of the Global Plastic Treaty, as negotiations are ongoing, and our engagement on this matter will persist in 2024.

Anglian Water

Water pollution and river quality

Issue
The challenge of combined sewage overflows into UK waterways has received significant attention in recent years. We have been engaging on the topic of river quality and pollution since 2022, to better understand the drivers for the deterioration in river health and, importantly, encourage better performance on environmental degradation.

Actions
We reached out to Anglian Water following a downgrade in the Environment Agency's environmental performance assessment. We challenged the company on performance, and we were pleased to hear that it is investing significantly in several areas which, in time, will drive better performance. This included increasing the pace of technology rollout to better predict and avoid pollution incidents, and trialling nature-based solutions in several locations.

Outcome
Our engagement with Anglian Water helped us to better understand what drove the Environment Agency's downgrade, and gain confidence that the company's strategy and investment plan will improve its environmental impact. The call highlighted the importance of engaging directly with holdings, as ratings and headlines do not always provide the full picture.

For more information on our engagement with water utilities on river pollution, read our report

Michael Sheehan CFA
Fund Manager

> **Our interaction with the UK water companies has provided us with an excellent opportunity to delve further into the sector's challenges. Few sectors have such a close correlation between investment viability and environmental performance. By gaining insights into the structural challenges confronting these companies, we can distinguish between widespread sectoral issues and those that are more unique to specific companies. How successful companies are in addressing these challenges will have a significant impact on the underlying investment fundamentals.**
>
> **Amid the prevalent negative sentiment surrounding the sector, our engagement provided a welcome opportunity to learn about the positive impact companies are making. As bond investors, our natural focus is on risk mitigation and minimising downside risks. However, as sustainable investors, it was encouraging to witness a shift in management focus towards safeguarding biodiversity. While there is still room for improvement, more companies are presenting credible solutions for managing biodiversity, with explicit investment targets and KPIs.**

Ofwat

Fitness of the regulatory regime

Issue
The UK water industry is viewed as slow to innovate, held back by ageing infrastructure and struggling to invest efficiently. During our engagement with water companies, we heard several times that the regulatory regime has been too heavily focused on keeping customer bills low at the expense of enabling greater investment. In addition, we heard that the regulators have been slow to move on key issues such as climate change, biodiversity, and nature-based solutions. With this in mind, and recognising the need for a supportive regulatory regime to drive environmental improvements, we engaged with Ofwat – the water services regulator.

Actions
In our conversation, Ofwat highlighted the significant challenge facing the sector – delivering affordable bills while investing significantly in infrastructure improvements to curb environmental damage. However, the regulator emphasised that improvements in company performance are both necessary and possible, and it felt that calling out poor behaviour has moved the dial and incentivised greater action.

Outcome
Our engagement with the sector and the regulator has restored our confidence in the ability of companies to improve their environmental performance. However, we question whether the current regulatory model is enabling water utilities to meet the multi-faceted challenges they face. Specifically, the model that financially rewards leaders and punishes laggards, while keeping prices artificially low, is seen to limit the ability of companies to invest in the infrastructure improvements required to turn around performance. We will continue to engage with the regulator on these core issues in 2024.

Nestlé UK

Regenerative Agriculture

Issue
Industrial food systems have historically had a detrimental effect on biodiversity and ecological health. To halt this decline, the food system requires urgent reform by shifting to regenerative agricultural practices, which seek to nurture and restore soil health while contributing to climate and water resilience. As part of our engagement with Nestlé, we had the opportunity to visit a regenerative agricultural project first-hand and observe Nestlé's progress in improving its environmental impact.

Actions
During our site visit to Nestlé's factory in the Lake District, we heard of the importance of building positive relationships with farmers. Nestlé highlighted a programme through which it pays local farmers a guaranteed price, premium to the farm gate price. This gives farmers greater stability in income, which allows them to invest in regenerative practices and improved animal welfare. It also highlighted several activities to improve biodiversity, such as 'Silvopasture', which plants trees in the middle of fields enabling herds to graze around them, thereby improving soil nutrition, health, and water retention.

Outcome
Our engagement and site visit with Nestlé brought to life the importance of agricultural practices which place farmers at the very heart. It also highlighted the huge potential of regenerative agriculture, as a practice which can stem nature loss, tackle climate change, and improve relationships with local farmers and communities.

For more information on our site visit to Nestlé please read our blog

Governance

Corporate governance is the system by which companies are directed and controlled for the long-term benefit of their shareholders. Good governance is rooted in transparency, accountability and trust, and it fosters a culture of integrity and financial stability. Companies without appropriate governance controls can exhibit poor management, a lack of oversight, and in some cases business failure. As responsible and sustainable investors, we regularly engage with our holdings on governance best practices and encourage changes which strengthen business oversight.

In 2023, we engaged on corporate governance 25 times, representing **13%** of our overall engagement activity.

In 2023, we focused on three key areas of corporate governance:

- **Executive pay:** In recent years executive pay has steadily increased in the UK, influenced by the American market's pay packages. We are cognisant that pay should be sufficient to recruit, retain and motivate, but at the same time should remain within specific parameters. In our view, remuneration with excessive quantum – which rewards threshold performance or is overly linked to share price appreciation – is poor practice.

  In 2023 we engaged with 15 companies on executive remuneration. This ranged from taking part in remuneration consultations, formally writing to companies to ask for improved pay practices, and meeting with Remuneration Committee Chairs. Our asks on remuneration were company-specific but largely sought restraint on pay and appropriate transparency. In the face of the cost-of-living crisis, we feel engaging on executive pay is particularly pertinent.

- **Alternative Investment Market:** The Alternative Investment Market (AIM) was established as a place where smaller companies could access capital, with greater regulatory flexibility than the UK's main stock market. Among other differences, there are fewer governance requirements. While supportive of the flexibility AIM provides for smaller companies, we believe that certain basic principles of good governance should apply to all companies.

  Over the last year, we continued our engagement with our AIM-listed holdings with a view to raising standards to best practice. Our engagement centred on two key areas that improve transparency and accountability: the annual election of directors and putting executive remuneration to an annual advisory vote. Since commencing this engagement in 2019, 72% of the AIM companies we have engaged with have agreed to move to annual director elections.

- **Board diversity:** It is well documented that improvements in boardroom diversity not only help address social inequalities, but also support businesses in becoming more successful and resilient. Companies whose board members reflect the makeup of their employees and society as a whole are better equipped, and overperform over the long term[3].

  In 2023, our engagement on this topic sought to improve gender and ethnic diversity on boards in line with the targets of the Hampton Alexander Review and the Parker Review. As members of the 30% Club Investor Group, we focused our efforts on ensuring our holdings were aligned with the target to have 33% female representation, and at least one ethnically diverse Director, on their boards.

[3] https://www.thecorporategovernanceinstitute.com/insights/news-analysis/board-diversity-leads-to-better-profits/#:~:text=Diversity%20brings%20profits&text=The%20research%20found%20that%20the,can%20take%20to%20encourage%20diversity.

Instem

Raising governance standards in the Alternative Investment Market

Issue

The Alternative Investment Market (AIM) is designed to provide smaller companies with flexible access to capital and, among other differences, it sets out fewer requirements on corporate governance. For example, directors at AIM-listed companies are typically required to 'retire by rotation' but in practice, this means that in some years no directors will be up for election by shareholders. It also adds the risk that shareholders are unable to exercise their discontent towards specific directors, which in some cases can result in directors being opposed as they are the only directors up for re-election that year.

Actions

The objective of our engagement with life sciences company Instem was to encourage them to move to annual director elections – an ask we felt would not add any significant financial or administrative burden, but would have a strong, positive upside. We met with Instem and made this ask, and held a constructive conversation in which the company agreed that the ask was reasonable and achievable.

Outcome

We are pleased that following our engagement Instem moved to annual elections for its 2023 AGM. This marks a significant improvement in its governance practices and our ability to exercise our rights as shareholders. As was the case with the other AIM-listed companies we targeted, our engagement was widely welcomed and encouragingly suggested that we were knocking at an already open door.

JTC Plc

Board diversity

Issue

There continues to remain a lack of diversity on company boards. The Parker Review was established in 2015 to consult on the ethnic diversity of UK boards. As well as providing information on best practice, in 2017 the Parker Review set targets for FTSE 350 Boards of Directors which have more recently been extended to cover senior management teams to help enhance the performance of business and the opportunities for ethnic minorities.

Actions

In 2023, we engaged with fund administration services provider JTC on its progress to meet the Parker Review target of having at least one ethnically diverse director on its board. The company advised us that it will be looking for a new non-executive director over the next 12 months and has the ambition to fill the vacancy with a candidate who satisfies the Parker Review and would also improve its gender balance. JTC emphasised that this recruitment is not viewed as a tick-boxing exercise and that it sees this as an opportunity to improve governance. The company was confident in its ability to find the appropriate candidate to fulfil skills requirements while improving governance best practice.

Outcome

To our knowledge, JTC has yet to appoint an ethnically diverse director to its board; however, the Company showed clear intention and ambition in our engagement. The Parker Review targets are expected to be met in 2024 so the company still has time to comply, but we will monitor its progress and will continue the engagement in 2024 if required.

[For more information on our AIM engagement, please read our blog: How do you solve a problem like AIM? (edentreeim.com)]

Kier Group

Executive Remuneration

Issue
Our high expectations of corporate governance employ a particular focus on executive pay. We have been engaging with British construction, services and property group Kier on remuneration since 2020, laying out our expectations on pay against its policy. We felt that its executive pay structure was focused at a mid-sized company level, which was inappropriate given the small-cap nature of the business. In 2022, its remuneration report faced 44% opposition and 27% abstention.

Actions
We engaged with Kier twice during the year, outlining why we had not been able to previously support its remuneration packages. The Remuneration Chair conceded that the business needed to better engage with shareholders on pay, particularly on why its salaries may seem higher than its peers. The Remuneration Chair subsequently stood down and when a new Remuneration Chair was appointed, we met again to discuss the company's new strategy and pay proposals.

Outcome
Our conversations with Kier gave us confidence that it was taking our engagement seriously, particularly after shareholder discontent had been made clear at its previous AGM. The company was keen to rehabilitate its relationship with shareholders on pay and felt that going forward more detail and engagement on amendments to its remuneration policy would be the norm. In 2023, we were able to support its remuneration packages.

Banks

Bonus cap lifting

Issue
In October last year, the UK government announced that it would lift the cap on bankers' bonuses that had first been put in place by the European Commission in 2014. This maximum cap on executive variable pay had been broadly circumnavigated by banks through the inclusion of a share element to fixed pay worth 100% of a cash base salary. While the UK regulator supported the lifting of the bonus cap, saying it would encourage greater alignment between risk-taking, risk management and long-term performance, we were interested to see how banks proposed to revise their remuneration policies to reflect these changes in the regulatory environment.

Actions
We wrote letters to Lloyds Banking Group, Barclays, NatWest Group, Standard Chartered and HSBC Holdings expressing our expectation that going forward we would expect the share element to be withdrawn and that base salary levels should return to normal. We added that our preferred outcome would be for the banks to propose a revised remuneration policy based on conventional models and that we would be unable to support any proposals for combined schemes which exceeded the current EU cap of 200% or the continued use of a share-based model which reduces the emphasis on superior, incentivised outperformance.

Outcome
At the time of writing, two banks have responded to our request, and we will continue to monitor their approaches to pay now that the cap has been removed. We will remain vigilant in our scrutiny of banks' remuneration policies, especially those that maintain the share element and also increase bonuses and will engage where appropriate in 2024. If we deem pay structures to be egregious, we will escalate this through our proxy voting, opposing remuneration reports, policy or Remuneration Committee Chairs where relevant.

For more information on our view on banks, please read our whitepaper

Interview: Chris Hiorns, Fund Manager

Chris Hiorns
Head of Multi-Asset and European Equities

What sets the Responsible & Sustainable European Equity Fund apart?

The Responsible & Sustainable European Equity Fund is unusual among sustainable funds in combining a Value-orientated approach to investment alongside a robust responsible & sustainable screening process. The vast majority of sustainable funds tend to have a strong bias towards highly valued growth stocks whereas the Responsible & Sustainable European Equity Fund by contrast has a strong bias towards 'value' stocks. This provides exposure to companies offering high and growing dividend yields, contrarian opportunities in companies which have fallen out of favour with the wider market but with strong recovery prospects, as well as companies which trade on attractive valuations to their existing business but with unrecognised growth opportunities often linked to sustainability.

What sustainable growth trends are you investing in?
Across the portfolio there is exposure to a large range of sustainable growth trends from companies which are actively involved in providing solutions to some of the most globally significant challenges including climate change, the circular economy and human health. For example, investments in Greencoat Renewables, Enel SpA, Prysmian, Mersen and Landis & Gyr are positive contributors to decarbonisation as key suppliers of renewable energy and their role in greening the grid. Veolia and Kemira provide positive solutions in water purification and recycling contributing to the circular economy and building resilience in a water-stressed world. While investments in pharmaceutical companies such as Novartis, Sanofi, Roche and life science companies like Sandoz, Merck KGAA and Euroapi help expand scientific innovation and offer access to medicines and vaccines.

How do you work with the Responsible Investment Team?
Our robust Responsible and Sustainable screening process is designed to ensure that all holdings in our portfolio do not play a negative role in society, manage their non-financial risk appropriately and offer positive contributions to global challenges. While the investment and Responsible & Sustainable screening processes are conducted concurrently with the intention that they will both inform the investment case; the robustness of the process is ensured by the separation of the decision points. This provides the Responsible Investment team with the ability to halt potential investments if any holding doesn't hold up to our sustainable investment criteria. The concentration of sustainable factors within the investment process also ensures the portfolio is well aligned to structural growth opportunities coming from the increasing move in the global economy to more environmentally and socially friendly policies.

Proxy Voting

Proxy voting is a core responsibility of asset managers. It is one of the most visible means of influencing corporate behaviour, and EdenTree votes at all company meetings in all markets, except where these are share-blocked.

Voting entails executing ballots on behalf of clients, and exercising support or discontent at company management. We vote on issues such as executive remuneration, board balance, auditor re-appointment, and shareholder capital issues. We also reserve the right to use voting as a form of escalation, to signal our discontent at a company's performance on environmental or social issues.

Voting is conducted in accordance with our published UK and International Corporate Governance Policies (available on our website.)

In 2023 we voted on 5,402 resolutions at

353 meetings

In 2023 all UK proxy voting (including Guernsey, Jersey, and the Isle of Man) was conducted in-house by the RI Team, with overseas proxy voting contracted out to our proxy advisor Glass Lewis & Co.

For more information on our voting process please read our 'How We Vote' Primer available here.

2023 Voting Activity

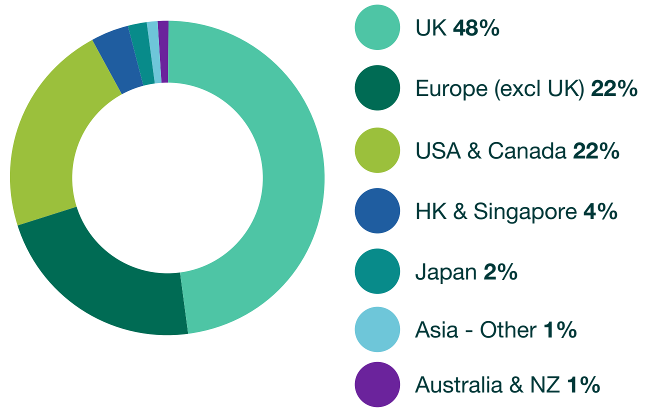
Total Number of Meetings Voted	353
Total Number of Resolutions Voted	5,402
Total Number of Markets	23
Percentage of Proposals Opposed/Abstained	11%

A complete and transparent record of voting action taken is published quarterly in a single House Global Corporate Governance Report. This contains UK and overseas voting statistics, detail of action taken (oppose/abstain), meetings where all resolutions were supported, diversity records (in the UK), and where we have supported shareholder resolutions globally. Voting reports tailored to specific client mandates are provided as routine or on request.

2023 Voting activity by region

Overseas we voted at 182 meetings in 20 markets in the following regions.

2023 Meetings Voted at by Region



Meeting Region	No.
Europe[1]	79
USA & Canada	76
HK & Singapore	15
Japan	6
Asia – Other[2]	4
Australia & NZ	2
Total	**182**

1 Ex-UK (see separate report)
2 Malaysia, Thailand, Vietnam, South Korea

Exercising shareholder rights

In 2023 we voted across all areas of corporate governance, taking a thoughtful and considered view on each resolution. Issues we focused on particularly, included remuneration, auditor re-appointment, and shareholder proposals.

UK Executive Remuneration

In the UK, 57% of action taken was against executive remuneration reports and policies. When action against individual long-term incentive schemes is included, the percentage of action taken rises to 65% against executive pay in total.

We have a detailed framework on executive pay and find it very challenging to support pay packages where we view the majority to be excessive, and where the annual variable pay multiple exceeds 300%. In 2023 we supported just one remuneration report out of our 45 FTSE100 holdings voted (2%). All UK bank proposals on pay are routinely opposed on the grounds of their including role-based or fixed-allowance pay as part of base salaries to circumvent the variable pay cap on banker bonuses, and it is an area we are continuing to engage on.

In the UK variable incentive schemes represented 8% of all action taken, opposing 11 schemes across the year. We welcomed that throughout the season the introduction of Restricted Share Plans slowed but we continued to oppose a small number of these new plans. Restricted Share Plans reward executives with grants of shares that are not linked to performance, which we view as 'doing the job' and therefore add little value for shareholders.

Total number of UK remuneration proposals voted	209
Total Percentage of Remuneration Proposals Supported (All Votes)	46%
Total Percentage of Remuneration Proposals Opposed/Abstained (All Votes)	54%
Percentage of FTSE100 Remuneration Opposed	98%

Genus

Executive Remuneration

Issue
Genus is a UK FTSE 250 biosciences group where remuneration has historically been viewed as modest or in line with market norms. We viewed several aspects of new remuneration arrangements to be problematic following the appointment of a new, external Chief Executive.

Buyout awards for the incoming CEO amounted to $4.9m, which the Board intended to implement using newly issued shares and treasury shares while seeking shareholder approval for flexibility on this figure. We deemed the buyout element to be excessive with no rationale as to why shareholders should allow flexibility.

How we voted
A proposed exceptional performance share plan of 400% of salary breached our policy and appeared egregious given it guaranteed a bonus to the incoming CEO. This paired with the buyout awards and a base salary increase of 11% demonstrated in our view a very significant uplift in quantum. As such we opposed the re-election of the Remuneration Committee Chair and opposed the remuneration report to voice our discontent at the remuneration changes for the new CEO.

Board Gender Diversity

Diversity is fully integrated into our UK and overseas voting policies; overseas we oppose the Chair of the Nomination Committee (or equivalent) where women form less than 25% of the Board. In the UK we support recommendations that Boards should be diverse and in which women make up at least 33% of the Board consistent with the Hampton Alexander recommendations. Persistent laggards are targets for engagement, and routine opposition of the Nomination Committee Chair.

We have been monitoring gender diversity since 2011 and considerable progress has been made across the UK market in promoting more balanced Boards. In the UK we did not oppose any director elections on diversity grounds in 2023. Overseas, we opposed the re-election of Nomination Committee Chairs at 15 companies in the US and Asia.

Advanced Drainage Systems

Diversity on Boards

Issue
In 2023 Advance Drainage Systems had 25% of its Board positions held by women. Diversity of experience, thought and skills strengthens board oversight and resilience, something a 12-member Board with just 3 female Directors is lacking. In addition, the company provided very limited disclosures on racial and ethnic minority demographic information, which are important for oversight and are viewed as routine disclosures in the US.

How we voted
We would expect board gender diversity to be at least 30%, and ideally 33% or above, in line with the best practice set by the Hampton Alexander recommendations. As such we opposed the re-election of Director R. Fischer, Chair of the Nominations Committee to demonstrate our discontent at this lack of progress. Director Fisher received 21.5% votes against his re-election at the 2023 AGM.

Proxy Voting

Auditors

Auditor independence is critical for good governance. If an auditor is to carry out their duties correctly, they must be independent of the firm they are auditing to prevent a conflict of interest. As such we view long audit tenures as eroding this crucial independence. We opposed the re-appointment of auditors at 49 companies, mostly in the US on length of tenure grounds. We see very long auditor incumbencies more frequently in the US, whereas in Europe, audits must be tendered, and the incumbent auditor changed at least every 20 years. Our voting activities reflect this with the majority of auditor opposition voted in the US, with significantly fewer in Europe and the UK.

AO Smith Corporation

Audit Tenure

Issue
Ernst & Young have been the auditors for AO Smith Corporation for 106 years, an extremely long tenure. Despite lead audit partner rotation, as recommended by the International Organization of Securities Commissions, the familiarity of having the same auditor for over a century cannot be ignored. In addition, non-audit fees represented 30% of audit fees in 2022, which can also have an impact on an auditor's independence, providing consultancy services and advice to companies they also audit.

How we voted
In line with our voting policy, we favour the tender and rotation of auditors, and withhold support where neither has occurred for longer than 15 years. As such we voted against the ratification of the auditor, based on independence grounds, and continue to vote against US companies with excessively long audit tenures.

Climate Change

Companies are increasingly putting their climate reports, disclosures, and net zero strategies to vote. We have also seen an increase in shareholder resolutions on the topic, often filed by activists and advocating for greater action on the topic. In 2023 we supported five such company-sponsored proposals.

Covivio SA

Climate Change Strategy

Issue
In 2023 the company sought shareholder approval of its climate strategy and objectives for 2030, as it wished to consult shareholders on its suitability. It was an advisory vote on the strategic direction of the Company, rather than binding the board to the strategy.

How we voted
Covivio have a robust climate change strategy with science-based targets, a strong track record of decarbonisation since 2010 and ample disclosures reporting in line with the TCFD and against the CDP. In addition, the Board has oversight of climate-related risk, therefore we supported the vote to signal our support for its climate change strategy.

Shareholder Resolutions

We voted on
95 shareholder proposals in 2023

Shareholder proposals vary across markets, although they are typically filed by either shareholders or NGO activist groups requesting the board to take, or refrain from taking certain actions. They remain relatively rare in the UK, however we are seeing more companies globally putting their climate transition strategies to an advisory shareholder vote.

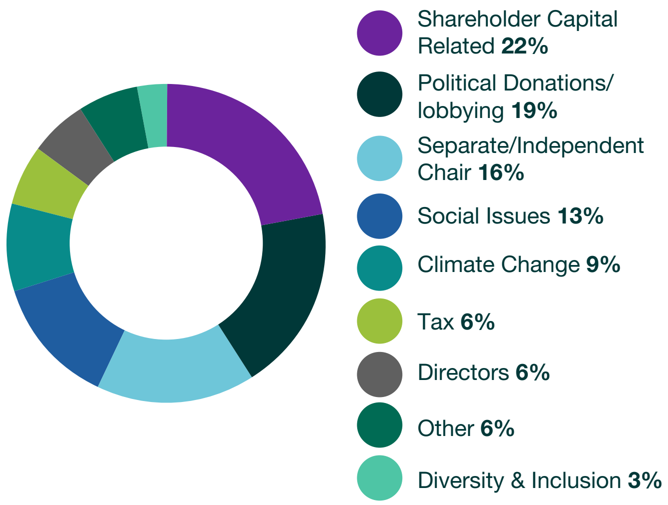
We support shareholder resolutions where they appear reasonable and proportionate and are in keeping with our responsible investment objectives. Where they appear to mandate an unreasonable financial charge or represent narrow lobby interests, we may exercise discretion to oppose or abstain. The overriding principle governing our approach to voting is to act in line with the interests of our clients.

In total we reviewed 95 shareholder proposals in 2023, an increase from 85 in 2022 with just 3 brought forward in the UK at HSBC Holdings. During this period, we supported 32 resolutions (34%) and opposed or abstained from 63 (66%), which reflects the increasing polarity in the proposals being requisitioned. We supported shareholder proposals representing a wide range of issues – with environmental (including climate change) and social ones being in the minority. We supported seven resolutions aimed at improving or enforcing shareholder capital rights, six in favour of disclosing more on lobbying or political contributions and five seeking the separation of the roles of Chair and Chief Executive or the appointment of an independent Chair.

Overseas, shareholder resolutions are common in the US, but less so in other markets. An average proxy season may see over 1,000 separate proposals requisitioned by shareholders, activists and single-issue lobby groups. Where proposals represent an appropriate and legitimate means of progressing environmental and social risk awareness, it is our policy to support.

We have supported far fewer of these proposals in our universe this year given the politicised nature of many of the proposals which reflect polarised positions, for instance resolutions around reproductive rights have seen an exponential increase in 2023.

Shareholder Proposals Supported 2023



Hartford Financial Services Group Inc

THE HARTFORD

Issue
A proposal was filed requesting that the company adopt and disclose a policy for a time-bound phase-out of lending and underwriting for new fossil fuel exploration and development. The proponent highlighted the increasing global insured losses due to weather-related disasters, and the need to align underwriting activities to the company's own net zero targets as the core reasons for filing the resolution.

How we voted
Despite the Board emphasising that prescriptive approaches to address climate change can fail to encompass the complexity of the insurance market, we voted in favour of the proposal. We see a clear need for insurance companies to ensure underwriting activity is in line with their own net zero targets. In addition, the insurance market is already feeling the material negative financial impacts of climate-related risks, which are only set to increase.

Our quarterly Global Corporate Governance Reports are published at www.edentreeim.com within the Governance part of the Insights hub and provide more detail on the number and nature of shareholder proposals supported or opposed.

Partnerships

We are signatories to and members of a number of industry partnerships, working collaboratively to advance the investor voice on sustainable investment.

- **Principles of Responsible Investment**
- **UK Sustainable Investment and Finance Association (UKSIF)**
- **Global Impact Investing Network (GIIN)**
- **FRC UK Stewardship Code**
- **Institutional Investor Group on Climate Change (IIGCC)**
- **FAIRR Initiative**
- **Financing a Just Transition Alliance**
- **World Benchmarking Alliance (WBA)**
- **Access to Medicine Foundation**
- **Access to Nutrition Initiative**

We are also active participants in collaborative engagement initiatives across the industry, including:

- **PRI's Advance initiative on human rights**
- **IIGCC's Banks Working Group**
- **Carbon Disclosure Project (CDP)**
- **Climate Action 100+**
- **Nature Action 100+**
- **WBA's Digital Inclusion Collective Action coalition**
- **30% Club Investor Group**
- **ShareAction's Good Work Coalition**
- **Find it, Fix it, Prevent it initiative on modern slavery**
- **Votes Against Slavery**
- **Valuing Water Finance Initiative**
- **Investor Initiative on Hazardous Chemicals**
- **Microfiber Pollutions Initiative**
- **Investor Action on Anti-Microbial Resistance**

Holding Ourselves to Higher Standards

A message from our Chair

We are pleased to present our Corporate Responsibility section for 2023, which encapsulates the work we have done in the year since we revised our strategic approach to Corporate Responsibility (CR).

Aaron Cox
Chair of Corporate Responsibility Committee and Head of Investment Communications

Building on the foundations laid by our CR Committee since its inception in 2017, we took the decision early in 2023 to elevate our ambition, focusing our efforts on three core areas: People, Community and Environment.

I am pleased to report that the Committee, which is comprised of dedicated volunteers from across our business, has brought this vision to life this year.

True to our culture, we set a high standard for ourselves in terms of measuring our impact – looking beyond simple metrics to ensure our efforts have the intended outcome. Our approach to charity partnerships is a case in point. We purposefully extend our partnerships to three years, rather than the one-year schemes more common in the industry. And importantly, we look to provide more than financial support; for example, working with candidates from Blind in Business to improve interview skills and to provide work experience, which go a long way to increasing confidence and have laid the foundations for future employment. We also gain from this partnership, learning about areas we need to improve to provide a more inclusive and practical environment to existing and future colleagues as well as visitors and students.

Indeed, this spirit of self-awareness and learning has been salient in other activities – informal peer coffee mornings on charity partnerships matters and a sustainability roundtable with CR professionals from among our clients, both with the aim to build a richer mosaic of understanding with which to improve our approach but also to work collaboratively to help others.

Culture is notoriously difficult to measure and, indeed, influence in a constructive and meaningful way. Our Diversity & Inclusion work under the People pillar has had pleasing success, with high levels of participation at talks on mental health, our family day and for the excellent initiatives and events during Black History Month, which we highlight in this report. We also took important steps to improve our recruitment process with an eye to reducing various forms of bias and we continue to engage with staff to identify possible impediments to a more inclusive workplace.

In full support of the Benefact Group's environmental ambitions, we have several initiatives in place to reduce our operational emissions, and a strong strategy to reduce our financed emissions (scope 3). We have seen some promising progress with more expected over the next 12 months. We are also exploring other ways to create an impact, deploying our environmental expertise to assist charity partners to improve their approach to decarbonisation, and to support emerging leaders in sustainability, including young members of the 'Go Green Gorillas', with our Force for Good prize. This is yet another example of how we seek to have an outsized impact as a CR Committee, but also as a business.

Following a formative year, we are optimistic about the future impact we can make across our three pillars. We hope you find this chapter interesting and warmly welcome feedback and dialogue about any of the topics covered.

A different kind of business

In addition to our activities as investors, we are acutely aware of the need to hold ourselves to the same high standards we expect of investee companies, and to report on our own corporate responsibility initiatives.

Our colleague-led Corporate Responsibility (CR) Committee has oversight of the key impacts that make up our own corporate impact, as well as oversight of the EdenTree Community Fund. The Committee has representation from different departments across the firm, with Aaron Cox, Head of Investment Communications, acting as Committee Chair and Leonora Rae, Head of Social Responsibility, as Deputy Chair.

BENEFACT GROUP

We are proud to be part of the Benefact Group, a diverse family of specialist financial services businesses, driven by our shared ambition to do right by our customers and clients, and united by a common purpose to give all available profits to charity and good causes.

Whether in specialist insurance, investment management, broking or advisory, every business that makes up the Benefact Group is a specialist in their respective field. Together we provide Responsible and Sustainable investment, protection of iconic buildings and world heritage sites, and trusted advice to people and businesses.

BENEFACT TRUST

Being owned by a charity – Benefact Trust – places good intentions at the foundations of our Group.

Benefact Trust is a top 30 grant-making charity in the UK, making a positive difference by empowering the most vulnerable and giving people, communities and places a renewed opportunity to flourish.

CORPORATE DONOR 3RD LARGEST IN THE UK* · MOVEMENT FOR GOOD

We're built on the idea that better business can better lives. The Benefact Group is the UK's third largest corporate donor to good causes*, having given £200m in charitable donations since 2014, including through the Movement for Good awards, and is on track to meet its ambition of giving £250 million to good causes by the end of 2025.

*DSC UK Guide to Company Giving 2023/24

People

Diversity & Inclusion

At EdenTree we are committed to Diversity & Inclusion (D&I). Not only do we feel that a responsible business like ours must champion diversity, but we proactively seek out a diverse range of thought, experience and background, bringing greater value-add to our clients and business.

All EdenTree colleagues are formally employed by our parent company, the Benefact Group, which also provides regulatory information on Gender Pay Gap reporting for the entire Group. As at 31 December 2023 our colleague profile was:

		M (%)	F (%)
EdenTree Board	7	5 (66.7)	2 (33.3%)
Executive Committee	6	5 (71.4%)	1 (28.66%)
All Staff	64	43 (67%)	21 (33%)

In November 2023, working alongside our partners at Inclusive Employers, we issued a Diversity & Inclusion survey, to improve our understanding of the makeup of our workforce and to identify areas of improvement. The results of the survey revealed much to be proud of, and we are particularly encouraged that 80% of respondents state they feel valued in the workplace. We also asked colleagues what they would like to see us focusing on, to support the future plans and initiatives of the Committee and business.

In 2023, EdenTree colleagues celebrated a number of cultural awareness days and inclusion initiatives. This included, but was not limited to, events and communications around: Pride Month, Mental Health Awareness Month, Black History Month, International Women's Day and Men's Mental Health.

Alongside our internal Diversity & Inclusion initiatives that support and engage our small team, EdenTree is taking active measures to broaden our talent pool and has partnered with a number of specialist firms and charitable organisations. These organisations are supporting us in a number of ways, including helping us to amend our job descriptions, recruit interns and full-time staff, offering training and raising awareness in our industry.

The organisations we are currently partnered with include:

Inclusive Employers · Lord Mayor's Appeal Charity · A Better City for All · We Can Be | This Is Me | Power of Inclusion · The Girls' Network · Investment 20/20 · City Hive · Career Collective · BLIND IN BUSINESS · Ambitious about Autism

Power of Inclusion

Amos Dadzie
Investment
Operations Manager

“The Power of Inclusion workshop by the Lord Mayor’s Appeal was a great experience to be a part of. Beyond hiring, it illuminated the crucial journey toward social mobility in business. Insights from inspiring speakers urging us to extend our focus beyond standard recruitment practices, some of which EdenTree already employs. The event fostered a commitment to monitoring socioeconomic progress, creating a culture where a sense of belonging is paramount. I was grateful for the opportunity to engage in the roundtable discussions which left me with a renewed dedication to drive social and economic diversity at all levels.”

Spotlight: Black History Month panel event

To honour the national theme for Black History Month, ‘Celebrating our Sisters’, we invited colleagues to a lunchtime panel discussion, chaired by Diversity & Inclusion committee member Jay Husbands-Alexander, to hear from a panel of black women discussing their experiences in the business and charity sectors.

Jay Husbands-Alexander
Presentation Production Specialist

“When organising our Black History Month Panel Discussion “Women of Impact: Navigating Success and Giving Back” I aimed to foster dialogue and promote diversity within our professional community. As a dedicated member of the committee, I continue to advocate for inclusivity and meaningful conversations that resonate beyond the event, contributing to a more vibrant and equitable workplace.”

“Your dedication to creating a space for learning, reflection, and dialogue is commendable, and I am grateful to have been part of the event.”

Panellist Leonore Lord-Patterson
Director at True Measure

Holding Ourselves to Higher Standards

Women in Finance

The Benefact Group is also a founding member of the ‘Women in Finance’ charter and the 30% Club, looking to promote better gender equality in Financial Services and is committed to a target of at least 30% of women being in senior management positions.

Vaida Gapsyte
Head of HR

“We are continuously looking for opportunities to access diverse talent pools, by partnering with organisations such as Investment 20/20 and working with inclusive recruiters from The Diversity Project. Through our ongoing partnerships we are able to access a diverse pool of graduates, school and college leavers. We have enhanced our recruitment strategy in order to attract diverse talent by introducing a mandatory interview with CR committee members as part of the process. This has proved extremely helpful when assessing the cultural fit of the candidates as well as allowing them to discuss our approach to D&I.”

Family Day

In December 2023, we were pleased to repeat our much-loved EdenTree Family Day in the office. It was a great opportunity for colleagues to introduce their families, partners and friends to one another and for the children to see where their parents work. Similar to last year, there was much excitement by the younger generation about the face painting, electronic whiteboards and swivelling office chairs. We are delighted this is now a firm fixture of the EdenTree calendar.

“Family day is a great way to demystify the workplace for many. Whether it be the 5-year-old who wonders where their parent goes every day, or for the proud mother to see where her child’s hard work has gotten them to. I think a family day adds warmth to the culture and small family energy within EdenTree, which is what makes us what we are.”

A quote from the popular face painter:

‘I’ve been to many companies in the city, but yours feels like a real family.’

Jermaine Nooks
Senior Investment Operations

EdenTree Football Team

“Our quarterly football socials are a great way to engage colleagues of all sporting abilities with a friendly game of 5 or 7 a side. We recently brought our kick-off time forward to accommodate colleagues with caring responsibilities which has been welcomed and led to more involvement. Alongside our football socials, we are also proud to have partnered with Bloomsbury Football Foundation, volunteering as assistant coaches at their holiday camps.”

Carlota Esguevillas
Head of Responsible Investment

Community

£200 million donated to charities

Our charitable ownership and commitment to our customers and communities mean we have a unique opportunity to create a positive impact in the world. As well as our core giving via the EdenTree Community Fund, the Group runs its own giving programmes such as the Movement for Good Awards and the 12 Days of Giving at Christmas, and each colleague has a personal grant that they can give to a charity of their choice, which is matched if you volunteer for the same cause.

Volunteering

In 2023 EdenTree supported a variety of charities doing vital work in the community.

We took part in 'Money Matters', an initiative by education support charity The Switch, to engage school children about the important topic of money management.

We enjoyed a morning in the kitchen at Ronald McDonald House, a charity providing free 'home away from home' accommodation to families with seriously ill children in hospital.

We spent the day at Sky Studios with the team at the Black Swimming Association and the 15 boys on the Medway Programme, a water safety and early careers programme which the Benefact Group supported with a Movement for Good grant. This was one of three 'Experience Days' as part of the programme and involved filming news reports related to water safety.

We supported EdenTree Community Fund beneficiary, the Drop In Bereavement Centre, planting and tidying up the centre garden and painting the communal areas.

In December we volunteered with Borough Food Cooperative, supporting 66 customers in the cooperative's shop, and East End Community Foundation, wrapping 200 care packages for the elderly and isolated.

Benefact Big Give

In September we celebrated the inaugural 'Benefact Big Give', a focused week of giving and volunteering initiatives to celebrate all the amazing giving across the Group. This included joining Group colleagues at The Hygiene Bank, an amazing charity distributing hygiene products to those in need, operating from the Holy Sepulchre Church in the city. Together we packed 75 bags to be distributed to the parents of a local school.

Helping people with learning disabilities achieve their potential

In November, we were delighted to host the social enterprise PiP (Pursuing Independent Paths) and their juice stall 'Fruitful' in the main lobby of our London office. Fruitful is just one of many projects run by PiP to empower people with learning disabilities and differences to be independent and feel valued for their contribution, creativity, and individuality.

Spotlight: £40,000 for the Black Swimming Association

Pamela Vaz
Head of Marketing

"We were delighted to demonstrate our continued support and partnership with the Black Swimming Association (BSA), a charity that encourages inclusion and positive relationships with water among all communities. During the summer we launched a challenge to promote water safely and encourage people to get swimming and raise vital funds by unlocking a grant. Participation levels were phenomenal with over 15,000 swimmers taking part from 123 countries to collectively swim 66,221km. As a result, we were thrilled to be able to recognise these efforts and award the BSA a Movement for Good grant of £40,000, double the amount we had initially pledged."

Charity Partnerships Coffee Club

In January Leonora Rae, Head of Social Responsibility, set up a peer-to-peer network 'the Charity Partnerships Coffee Club'. Comprised of professionals across the financial services, members meet every other month to discuss topics such as corporate volunteering and social impact measurement. As a charity-owned business with a strong commitment to supporting our community, we feel it is important to convene peers to discuss and establish best practice in corporate charity partnerships.

Leonora Rae
Head of Social Responsibility

"It's a privilege to manage this network of experienced, passionate people dedicated to the charities they support. Topics vary from how to engage colleagues in corporate charity partnerships to finding and supporting smaller, grassroots charities, and it has been great to see the connections and friendships made.

Bringing people together and sharing best practice is very much in EdenTree's culture. I feel fortunate to be part of a company that values this and supports participation in networks and external volunteering, including trusteeships, in work hours."

Work Experience

In 2023 we were pleased to host a number of students for work experience, introduced by our charity partners Blind in Business. This included Aleks, a marketing student, who joined us for a week in July. Aleks gave us some great feedback on his work experience at EdenTree, including some helpful accessibility suggestions.

Aleks
Marketing Student

> **"Overall, the experience at EdenTree was extremely positive, informative and even eye opening. It was really enjoyable that the team tried to fit in as many people from different departments as possible. That certainly showed a very broad range of varied opportunities and a lot of these folks showed different perspectives on their careers and the working environment. Additionally, I really admired that the programme was in some way uniquely tailored to me and my preferences."**

The EdenTree Community Fund

The EdenTree Community Fund, launched in 2017, is a three-year £150,000 grant to support charities operating in areas that support our core responsible and sustainable investment criteria.

In 2021 EdenTree staff voted on the themes and charitable projects we will be supporting as part of the Fund's second three-year cycle, which commenced in January 2022. The chosen themes were Education, Mental Health & Wellbeing and the Environment.

The charities we are supporting with £30,000 and £10,000 multi-year grants are: Blind in Business, the Drop In Bereavement Centre and Walworth Community Gardening Network.

We are delighted with the impact these grants have made in the second year of our three-year partnership, with 614 people benefitting from the grants so far.

London Community Foundation (LCF) is our charitable partner in longlisting and facilitating projects.

Blind in Business

BLIND IN BUSINESS

Theme: Education

Grant amount: £30,000 per year for three years.

Grant purpose: Towards core office costs over the next three years to support 360 blind and sight-impaired young people with education and employment.

Beneficiaries: 360 people have benefitted from the grant so far.

Activities in the second year: Blind in Business has continued to deliver one-to-one and group-based training with this grant, giving blind and sight-impaired people the confidence and raised aspirations to apply for jobs. Blind in Business ran two Education Employment events in London and Birmingham with the involvement of HSBC, Vision Foundation, London Stock Exchange, Oxfam, WS Law, Bank of England. It also ran 8 employer insight sessions which included KPMG, ITV, ViringO2, NHS and Financial Times along with 6 mock assessment centre days with employers. Over the course of the last year Blind in Business has helped 61 people into employment. In addition, it has delivered training to 285 school pupils and visited 19 universities to link with careers advisors and disability officers.

For more information about Blind in Business:
www.blindinbusiness.org.uk

Holding Ourselves to Higher Standards

Drop In Bereavement Centre

DROP-IN Bereavement centre

Theme: Mental Health & Wellbeing

Grant amount: £10,000 per year for three years.

Grant purpose: Support the salaries of professional bereavement counsellors to deliver bereavement counselling and grief counsellors to deliver COVID-19 peer group counselling workshops.

Beneficiaries: 60 people have benefitted from the grant so far.

Activities in the second year: This grant has provided the Drop In Bereavement Centre with the stability to meet the increasing demand for its services. The organisation has been supporting individuals who were GP/Talking Therapies (IAPT) referred from across the East London boroughs (Redbridge, Newham, and other outside areas of North London, Enfield, Stoke Newington) to access bereavement counselling. The organisation has been offering telephone, video, face-to-face and support group workshops to help individuals cope more effectively with the loss of single/multiple family members. Funding has contributed to the cost of senior grief counsellors and 2 volunteer qualified bereavement counsellors. Individuals have been able to access between 12, 18 or 24 sessions of grief counselling.

For more information about the Drop In Bereavement Centre:
www.thedropinbereavementcentre.co.uk

Walworth Community Gardening Network

WALWORTH COMMUNITY GARDENING NETWORK wcgn

Theme: Environment

Grant amount: £10,000 per year for three years.

Grant purpose: Towards core running costs of the community garden network over three years.

Beneficiaries: 194 people have benefitted from the grant so far.

Activities in the second year: Walworth Community Gardening Network (WCGN) provides the infrastructure and support for community gardening groups in Walworth to come together to share skills and experience, celebrate successes and tackle collective issues.

This year, WCGN gardening groups continued to grow and sustain community gardens, working mostly on council estates where poor soils, antisocial behaviour and low levels of trust between residents and the council provide a challenging environment. Despite the challenges, the dedication of the network members has offered a way for neighbours to connect with each other and build trust and companionship through mutual endeavour.

For more information about Walworth Community Gardening Network:
www.walworthcgn.co.uk

Environment

Operational Emissions

EdenTree's direct carbon footprint is very small. We have no scope 1 emissions as we do not own any company cars, and do not directly burn any coal, oil or gas. Our scope 2 market-based emissions are zero as 100% of our energy is sourced from renewable origins. Our scope 3 emissions have increased slightly since 2021 due to an increased scope of reporting which now covers the most material scope 3 categories.

EdenTree's 2023 Operational Emissions (tCO2e)

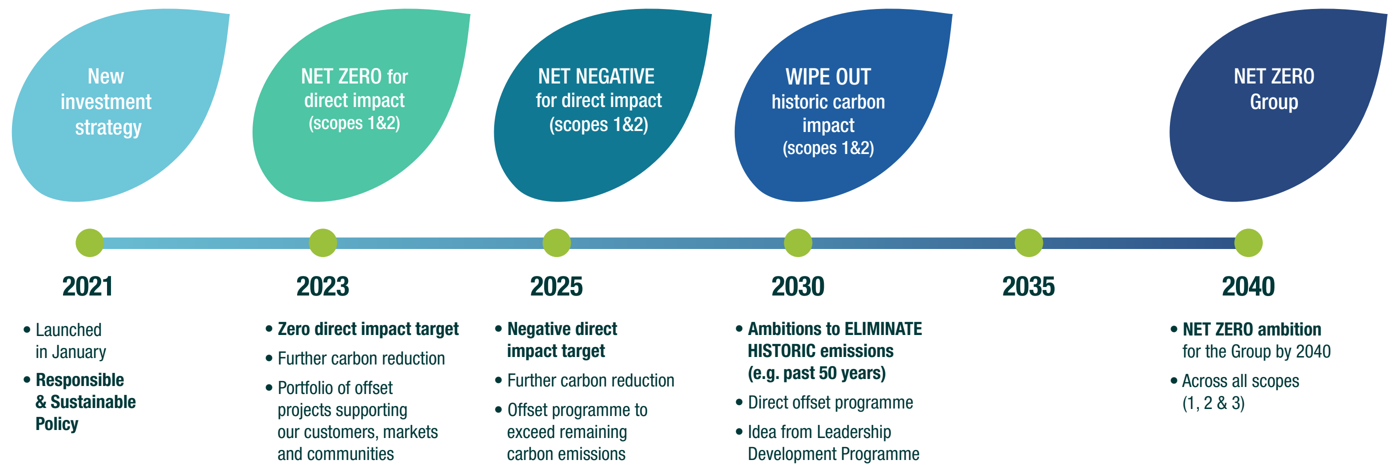
	2020	2021	2022	2023
Scope 1 (gas)	0.65	0	0.00	0
Scope 2 (market based electricity)	0	0	0.00	0
Air travel	0.12	0.34	2.19	9.1
Rail travel	0.02	0.05	0.47	1.6
Business Mileage (own car travel)	0	0	23.14	12.3
Car rental	0	0.1	1.19	0
Waste	0	0	0.57	0.2
Water supplied	0	0	0.14	0.5

In 2023 there is more data, as the Group has taken a more granular approach to assigning travel data, separating out each business unit's emissions. This explains why EdenTree's mileage has decreased, and air and rail travel has risen, travel we had expected to rise as part of the post-pandemic bounce back.

In terms of our energy use, our building at London Bridge has achieved an Energy Performance (EPC) rating of 'B' out of a range of 'A' to 'G' with a score of 30, placing it towards the higher end of the band, and is BREEAM-rated as 'Excellent'. In addition, our office equipment is low energy and is recycled responsibly as part of our end-of-life due diligence programme.

Benefact Group net zero ambitions

In recognition of the urgency of the issue and to further drive reductions, in 2022 the Benefact Group set out its net zero ambitions:



The Benefact Group continued to develop its climate strategy in 2023, with key achievements including:

- Achieving Net Zero for direct emissions by virtue of real reduction and investment in an overseas, highly assured offsetting project run by the charity Cool Effect
- Extending measurement of the Group's indirect impact through property investments, underwriting and employee commuting
- Giving more than £250,000 to support climate and environmental charities. Projects focused on a range of areas including rewilding and biodiversity, climate resilience of historic buildings and supporting climate education in schools
- Increasing employee engagement through initiatives such as an electric car salary sacrifice scheme and personal carbon calculator, which have resulted in a continuing increase in employee engagement
- Board engagement and training – a number of reports to the Board including climate performance and a training session on Just Transition

Annual performance is assessed through membership of voluntary initiative ClimateWise, a group of organisations ambitious about climate action. Annual reporting to ClimateWise is independently audited and encourages best practice and learning across the industry. The Group published an annual report in line with the Taskforce of Climate-related Financial Disclosures (TCFD) which is available on its website.

Commuter Emissions

In 2023 the Benefact Group conducted a commuter survey with a high response rate of 73%. EdenTree's footprint was revealed to be small, and well below the UK average, both in terms of yearly emissions by business unit and average commuter emissions. This is largely due to our central London office with most staff commuting by efficient modes of transport including cycling, tube and train but also due to our individual commitment to reducing our emissions as a firm.

EdenTree Force for Good Prize

In September we launched the EdenTree Force for Good prize, an opportunity for schools in the UK Schools Sustainability Network (UKSSN) to apply for funding for an environmental initiative. We are delighted to have awarded the prize to two worthy school projects.

1st prize (£1,000)

City of London School 'Eco-School Committee' and their rooftop garden project

"We are immensely grateful to have this incredible opportunity from EdenTree to receive support and funding for our environmental initiative of creating a school garden which challenges the difficulties of being located in an urban site and thus having minimal soil while also tackling the rising air pollution in London. The support for our project enables our school to continue our work in protecting the environment and adds to our contribution in reaching the sustainable development goals, with a specific focus on SDG 11: creating a city which is resilient, inclusive, and sustainable."

Rainier
Junior Sixth Former at the City of London School

2nd prize (£500)

Corbridge Middle School and their project 'Go Green Gorillas', encouraging other schools to start gardening & promote biodiversity

"Gaining this additional funding from EdenTree made the Go Green Gorillas team so happy because it means 5 other schools will get help to start gardening. We're so glad that our 'social action for good' idea will benefit so many young people.

We really want more children in our area to improve biodiversity and grow their own food. The £500 prize from EdenTree is really generous and we will put it to the best use possible."

Sofia and Lucy (age 12)
Corbridge Middle School

Spotlight: Sustainability Stories from Across the City

"In October we hosted 12 financial services peers in ESG, Sustainability and Corporate Responsibility roles to discuss ways of embedding sustainability into business practices. Hosted by environmental charity and Movement for Good winner, Greener & Cleaner, topics included personal staff connections to sustainability and net zero targets, legal and regulatory reporting and waste and cost reduction.

The roundtable was a fantastic way to engage with peers from across the city. We were able to share learnings and discuss practical ways to embed sustainability as we all work towards a shared goal of making our workplaces more environmentally conscious."

Amelia Gaston
Senior Responsible Investment Analyst

The Responsible Investment Team

Carlota Esguevillas
Head of Responsible Investment

Carlota leads the Responsible Investment Team. Prior to joining the firm, Carlota worked for a leading sustainability consultancy advising global companies on their ESG strategies and disclosures. She holds a First-Class Honours BA in Geography from Oxford University, a master's certificate with distinction in Business & Human Rights from Bergen University, and the Investment Management Certificate (IMC). She is also a member of the UK Sustainable Investment and Finance Association's (UKSIF) Industry Development Committee.

Amelia Gaston
Senior Responsible Investment Analyst

Amelia joined EdenTree in 2022 and is a Senior RI Analyst. She previously worked as a Responsible Investment Analyst at LGPS Central Limited, a UK pension pool with approximately £55bn in assets, where she managed its Climate Risk Monitoring Service, and led RII&E due diligence for manager selection and monitoring. Amelia holds a First-Class Honours BA in Geography from Durham University, the Investment Management Certificate (IMC) and CFA Certificate in ESG Investing. She is also a member of the PRI's Circular Economy Reference Group.

Hayley Grafton
Senior Responsible Investment Analyst

Hayley joined EdenTree in 2024, and leads on the firm's approach to corporate governance and proxy voting. She holds the Investment Management Certificate, and is a member of the StePs (Stewardship Professionals) Association. Previously, Hayley worked at Mercer, where she focused on the firm's stewardship approach and activity across portfolio funds in her role as a Sustainable Investment Specialist.

Cordelia Dower-Tylee
Responsible Investment Analyst

Cordelia holds an MA in History from the University of Edinburgh, and a Certificate in Sustainable Finance from the University of Cambridge. She has previously worked with the International Water Management Institute and has experience in a green-focused corporate advisory firm. She leads EdenTree's environmental work, with an emphasis on water, and supports the company's work on governance.

The Responsible Investment Advisory Panel

The EdenTree Responsible Investment Advisory Panel provides independent oversight of our RI process and meets three times a year to provide advice on cases, issues and ethical dilemmas. The Panel may advise, but not mandate, a course of action.

Will Oulton
Panel Chair

Will is the Chair of the European Sustainable Investment Forum (Eurosif), a Non-Exec Director at the UK-based Marine Conservation Society, and Chair of King Charles III's Accounting for Sustainability (A4S) Expert Panel. Prior to these positions he was for over a decade the Global Head of Responsible Investment at global asset manager First Sentier Investors, where he led the delivery of an award-winning RI strategy for the business. He was also the Head of Responsible Investment for EMEA at Mercer Investments and the Director of Responsible Investment at FTSE, leading the ongoing management and development of FTSE's responsible investment services.

Paul Simpson OBE
Strategic Advisor

Paul is an advisor to organisations focused on accelerating the transition to a net zero economy. He pioneered climate and environmental disclosure globally having co-founded CDP (Carbon Disclosure Project) in 2001 and spent 12 years as the CEO until 2022. Paul received an OBE for services to tackling climate change in the 2022 Honours List. He initiated the Science Based Targets Initiative (SBTi) in 2014 and has held board positions with SBTi, We Mean Business, EIRIS, The Investor Agenda and the Climate Disclosure Standards Board.

Julian Parrott
Client Member, Ethical Futures

Julian is an independent financial planner specialising in ethical and sustainable investment advice. Julian has over 25 years' experience in financial services, encompassing building society management, life assurance sales and financial planning & advice. He is the founding partner of the Ethical Futures LLP. Julian is active in promoting ethical, sustainable & responsible investment to the public and adviser community. He has served on the board of UKSIF & Ethical Investment Association and Ethical Finance Hub project as well as other consultancy roles. Julian is a fellow of the RSA.

Annette Fergusson
Director, Threefold

Annette is an independent consultant with over 25 years of experience working on sustainability and business and human rights, with a particular focus on the telecoms and technology sectors. She advises companies, industry associations and non-governmental organisations on a wide range of human rights issues including digital rights, children's rights and labour standards. Annette was previously Vodafone Group's Head of Sustainable Business and for over 10 years led the company's human rights programme. From 2016 to 2018, she was a member of the Board of the multi-stakeholder Global Network Initiative.

Mike Barry
Former Director of Sustainable Business

Until recently, Mike was Director of Sustainable Business at Marks & Spencer, spearheading its ground-breaking Plan A sustainability programme. He also co-chaired the Consumer Goods Forum's sustainability work, bringing together the world's largest retailers and fast-moving consumer goods brands to work on issues such as deforestation, plastics and forced labour. He is a Senior Associate at the Cambridge Institute for Sustainability Leadership.

Bill Seddon
Former CEO CFB Methodist Church

For 30 years, Bill was Investment Manager and Chief Executive of the Central Finance Board of the Methodist Church and a member of the Methodist Church Joint Advisory Committee on the Ethics of Investment. He was also the CFB Observer on the Church of England's Ethical Investment Advisory Group, a member of the Joseph Rowntree Charitable Trust Investment Committee and Trustee of the EIRIS Foundation. Currently he is a Trustee Director of the Leech Foundation, a Director of the Methodist Church Lay Employees' Pension Scheme, and a member of the Church of England Ethical Investment Advisory Committee's Nomination Committee.

Julie McDowell
Independent Consultant

Julie is an independent consultant with over 25 years' experience in law and finance. From 2001 to 2013 she led the Responsible Investment Team at Standard Life Investments, one of the UK's largest fund managers. She specialised in extractive industries for over ten years and has served on numerous advisory groups relating to extractive industries, human rights, climate change and corporate reporting. She was a member of the Board of the Extractive Industries Transparency Initiative (EITI) from 2009 to 2013 and chaired the Validation Committee from 2009 to 2012. Julie chairs a social housing association in Scotland and is a member of the Sustainability for Housing Board, which oversees the Sustainability Reporting Standard for Social Housing.

Sue Round
Deputy Chair, EdenTree Investment Management

Following more than 40 years in investment management, Sue retired in 2022. Sue joined what was then Ecclesiastical Investment Management in 1984 and as a senior fund manager, launched one of the first responsible (ethical) retail funds in 1988. A longstanding supporter of responsible & sustainable investment approach, she went on to develop and reposition a range of funds to integrate environmental, social and governance into the investment process. Prior to retirement, Sue was a member of FCA Smaller Business Practitioners Panel and an advocate for improvements across the broader investment industry to promote greater clarity of approach to avoid "greenwash" to clients.

Looking Ahead: Interview

Carlota Esguevillas
Head of Responsible Investment

The FCA's Sustainability Disclosure Requirements (SDR) and investment labels policy is a major step for the UK investment industry. How does EdenTree plan to respond to this new regime?

Given the recent growth of the industry, the number of new entrants, and the range of terminology currently used, we believe bringing clarity to the market is essential and our primary reaction is one of support. The final policy statement has taken into account our feedback on several points, including on the concept of additionality, the need for an absolute measure of sustainability, and support for qualitative standards to reduce reliance on ESG ratings.

Are you concerned about the recent debate about the role of ESG?

After several years of progress, we have begun to see more debate on the value of integrating ESG factors as part of a dedicated investment strategy – particularly in the United States.

At EdenTree, we are deeply concerned about the shift in rhetoric from sections of the industry, the government and the media. For us, responsible and sustainable investing is not a 'fad or fashion'; it represents the clearly articulated values surrounding the responsible management of client assets entrusted to our charge.

The rigorous standards we apply in assessing the practices of businesses we invest in recognises that while some negative sustainability externalities might not be financially material today, due to changing regulation and legislation, they can damage that company's returns in the future.

We are in the midst of a cost-of-living crisis, and climate change remains as pressing as ever. In our view, these times require heightened ESG scrutiny, not less, and we remain committed to our robust approach to responsible and sustainable investing.

What are the RI Team's priorities for the year ahead?

With a 35-year commitment to sustainable investment, our approach and process has evolved strongly in recent years. But, we cannot stand still - successful ESG integration and engagement is a process that needs continual review and updating.

With this in mind, we are continually evolving the tools and systems to support our investment team and ensure close collaboration with RI specialists. For example, we recently took action to further embed our proprietary research database across the firm, giving investment teams access to ESG research and engagement data in a truly integrated way.

Looking ahead to 2024, we have enhanced the way in which we categorise and track our engagement activity, with a greater focus on outcomes. We have also, at a firm level, chosen to focus our engagement on three core themes: A Just Climate Transition, Water Stress, and Social & Financial Inclusion. Effective engagement is time intensive, and focusing on these three issues will allow us to concentrate our resources more effectively – and, ultimately, drive greater change.

We look forward to continuing to invest in sustainable companies that make a positive impact on the world's environmental and social challenges, and that can generate good investment returns in doing so. We hope you have enjoyed reading our report, and welcome feedback at RITeam@edentreeim.com.

Disclosures under SRDII

The Shareholder Rights Directive (SRDII) places certain disclosure obligations on us as asset managers. We declare that this Annual Review, together with our other public disclosures, constitutes our disclosure under SRDII as regards:

- Engagement Policy
- Corporate Governance Policies
- RI Activity Reports
- Proxy Voting Reports
- Stewardship Code

Disclosure of Engagement Policy

SRD II requires all institutional investors and asset managers to develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement into their investment strategy.

Annual Disclosure of Implementation

Institutional investors and asset managers have to annually disclose how they have implemented their policy, including how they have cast votes in general meetings of investee companies.

Firms must give explanations of the most "significant" votes and may exclude "insignificant" votes from this disclosure.

Our engagement policy is generic to all clients, strategies and mandates and is based on priorities set each year and then executed. Engagement expectations (high-level) are set as part of each thematic strand of engagement. We do not believe all engagement has a linear outcome, although we track responses, progress of the engagement and any follow-up. Engagement is reported in detail in our quarterly RI Activity Reports and in this Annual Review. The engagement policy is published at www.edentreeim.com which sets out how we conduct, escalate and integrate engagement into investment strategy.

Our quarterly corporate governance voting reports serve as our disclosure under SRD II in terms of how votes are cast, significant votes and outcomes. We state as a matter of course every quarter the proxy advisors we use, and their function in executing ballot stewardship. We detail all votes where we have opposed and abstained which we declare to be 'significant votes' under SRD II. Meetings where all resolutions are supported are also listed (by meeting); we view these as 'insignificant votes' for the purposes of SRD II.

We are signatories to the UK Stewardship Code which dovetails in its intentions on how we exercise stewardship as asset managers on behalf of all clients equally. Our disclosure under the UK Stewardship Code (2019) provisions is published each September and forms part of our reporting suite that includes this RI Annual Review and our Climate Stewardship Report.

Terry Lingley

Head of Compliance and Business Risk

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