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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

"STEWARDSHIP"

UK Stewardship Code Report 2022-23

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Welcome to our Stewardship Report for 2022-23

This report constitutes our disclosure under the UK Stewardship Code and should be read in conjunction with our other disclosures and reports which are all published on our website at www.edentreeim.com

EdenTree Investment Management Ltd is a specialist Responsible and Sustainable investment House offering investment management services to the retail, charity, advisor, and institutional markets.

As dedicated Responsible & Sustainable investors we are proud of our more than three decades of stewardship managing client capital and this report sets out our response to the Code's 12 'comply or explain' principles published by the Financial Reporting Council (FRC) in 2020.

This Report was approved by the EdenTree Executive Committee and signed by the Chief Executive Officer, Andy Clark, in October 2022.

First things

Foreword by the Chief Executive Officer, Andy Clark

I am delighted to introduce our 2022-23 UK Stewardship Code Report, which is our second under the new Code published by the Financial Reporting Council. The Code provides a qualitative template for accountability when it comes to Stewardship, and we have always commended its aim to improve the quality of disclosure and transparency. This has become even more important as interest in responsible and sustainable styles of investing gain momentum. The need to act always with integrity and authenticity have been watchwords for EdenTree since inception: We know too that this is important to clients who are increasingly interested in not only what we do on their behalf, but how we do it. We have been signatories to the previous (2012) UK Stewardship Code since inception.

For over three decades EdenTree has been dedicated to promoting the importance of environmental, social and governance integration as part of an holistic investment approach – our first dedicated screened Fund was launched as long ago as 1988, and our expertise and pedigree have placed us in the vanguard of ethical, responsible, and now sustainable investing. Over time we have added new products to meet the objectives of our clients; a Green Future Fund, a Global Impact Bond Fund and most recently a Green Infrastructure Fund. We move with the times, but our values and principles remain unchanged: To deliver Performance with Principles. This has been recognised in a succession of awards including winning the Moneyfacts Best Ethical Investment Provider for 14 successive years (2009-22).

This report should be read in conjunction with our many other reports and disclosures that we make, and it complements those narratives.

We hope you enjoy reading about how we exercise stewardship on your behalf and welcome any feedback.

Andy Clark
Chief Executive Officer
EdenTree Investment Management Ltd.
24 Monument Street London

1 October 2022

The 12 Principles

"Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".

Contents

BENEFACT GROUP

"A belief that better business can better lives"

EdenTree Investment Management Ltd is a wholly owned subsidiary of the Benefact Group[1], a specialist financial services company that is ultimately owned by a registered charity – the Benefact Trust.

Founded in 1887, Benefact Group provides grants in the form of distributable profits to the Benefact Trust, and has, since 2014, donated £150m in grants for charitable purposes, with a new aim of donating cumulatively £250m by 2025. The Trust is among the UK's largest grant giving charities and raises funds for charitable distribution from its wholly owned asset – Benefact Group.

The Group comprises specialist insurance businesses in the UK, Ireland, Canada and Australia, investment management in the UK, and broking businesses across the UK and overseas. EdenTree provides responsible and sustainable investment management services to a range of retail, charity, advisor, and institutional clients, and at 31 December 2021, managed over £3.7bn of assets.

As a specialist investor we provide managed services across a range of strategies and policies from our screened Funds to clients who instruct proxy voting and engagement.

BENEFACT TRUST

[1] Formerly Ecclesiastical Insurance Group (EIG) which re-branded as Benefact Group in January 2022. The All Churches Trust, the ultimate owner of Benefact Group, also rebranded to become The Benefact Trust. Benefact Group is the owner of Ecclesiastical Insurance Office (EIO) the trading name of Group subsidiaries.

Further Information:

Ecclesiastical Insurance Office Annual Report: Here

EdenTree Investment Management Ltd Responsible Investment Annual Review: Here

Benefact Trust Annual Report: Here

About Us

We manage a range of strategies and mandates across the wholesale, charity, advisor, and institutional segments, comprising general listed and unlisted equities, fixed instruments, and direct real estate. At 31 December 2021, total assets under management were £3,732,000,000.

We segment these as: Responsible & Sustainable range of Funds, including Multi-Asset range (10 Funds); Amity charity funds (2 Funds), external segregated mandates (7 mandates), Benefact Trust, Benefact Group portfolios and Ecclesiastical Insurance Office Pension Fund. The value (and % AUM) of these were as follows:

Responsible & Sustainable Collective Funds	£1,838m	49%
Amity Charity Funds	£48m	1%
External Segregated Mandates	£636m	17%
Benefact Trust	£75m	2%
Benefact Group	£777m	21%
EIO Pension Fund	£358m	10%

In terms of asset class, the breakdown was as follows:

Equity	£2,166m
Bond	£1,154m
Mixed	£203m
Property	£210m

"THE 12 PRINCIPLES"

Working Stewardship

Principle 1

Purpose, strategy and culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

EdenTree exists to serve its clients who choose us as a responsible and sustainable investor of their capital so as to deliver superior performance over the long-term. Our business model is to provide clients with an attractive range of screened responsible and sustainable investment products that seek to preserve capital and deliver either income or growth (or a combination of both). We have a low-risk, ethically astute business model that puts clients first and does not risk capital by investing in more risky alternative instruments.

EdenTree are pioneers in responsible and sustainable investing, having launched one of the first ethical equity funds in the UK, in March 1988. We are proud of our 34 year track record in delivering exceptional, long-term results for our clients.

We have been continuously recognised for the strength of our approach, being awarded the title of 'Best Ethical Investment Provider' at the Moneyfacts Life & Pensions Awards for 14 consecutive years.

Best Ethical Investment Provider

We are proud of our clear culture and strong values which set us apart, that focus on our business, our people, our environment, our community and our customers. We are a diverse and inclusive business, proud of our culture that unites all colleagues to deliver 'performance with principles'.

EdenTree has an appropriate Risk and Governance regime that monitors business activity, overseen by the EdenTree Board and various committees. Fund Managers operate in a closely regulated environment consistent with 'treating customers fairly' (TCF) rules and our ethically driven culture.

EdenTree's distributable profits are given in the form of a dividend to Benefact Group, which in turn makes grants to our ultimate parent, the Benefact Trust for distribution to good causes.

In that sense the whole of EdenTree's purpose is driven by our serving clients in order to re-distribute our profits for the greater good of society. We also have our own distinct and independent staff-led Community Fund, a £150,000 three-year project to fund a flagship project operating in London boroughs neighbouring our offices at London Bridge and linked to our Responsible & Sustainable criteria e.g. environment, health & wellbeing, education or human rights. More on the EdenTree Community Fund is available here, together with information on the latest projects and charities we are supporting.

Our whole purpose is focused on delivering 'Performance with Principles' for our clients based on our award-winning Responsible and Sustainable screening process. We measure and judge our success by client retention, new business attracted under competitive tender, complimentary feedback from existing clients whose needs we serve, and in maintaining a nil or low number of complaints. On all of these metrics we judge that we are serving the best interests of our clients.

Principle 2

Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

As a regulated business, EdenTree operates within a rigorous risk and governance environment, led by the EdenTree Board, the Audit, Risk & Compliance Committee, and the Executive Committee. We operate a professional and well-resourced personnel across our teams which comprise Investments, Operations, Distribution & Marketing, Finance, Compliance and Human Resources.

The Responsible Investment Team comprises four professional individuals within the wider investment team charged with overseeing the Responsible & Sustainable Investment Process; this comprises all our stewardship activities – research, screening, engagement and governance.

Research

EdenTree publishes thought leadership in the form of regular EdenTree Insights and RI Expert Briefings to help inform our RI process.

Engagement

EdenTree apply negative screening based on absence of harm, plus positive screening across ten pillars to identify responsible and sustainable companies.

Screening

EdenTree engages with companies to understand material ESG risks, to encourage best practice and to catalyse positive change.

Governance

EdenTree, as responsible stewards, vote at all meetings across all international markets except where these are shareblocked.

We invest in our people through continuous professional development (CPD), which includes relevant qualifications as well as general training and development. Regulatory training is mandatory, comprising monthly modules such as whistleblowing, money laundering, treating customers fairly etc.

Across the business we employ the services of systems, products and software to provide qualitative investment management services to our clients. This principally includes broker research and Bloomberg. Within the RI Team, a dedicated ESG service provider is taken (ISS-ESG) which provides raw data across the investment universe on company disclosure and performance. We do not use ratings; more we interpret and analyse the raw data from ISS-ESG together with company disclosures to inform our decision making. Our screening process is a qualitative one in which our stewardship is deepened and enhanced by the understanding and knowledge of the dedicated RI team.

The internal Responsible Investment Team resource grew to four in July 2022, with further enhancement planned. The Team currently comprises:

Neville White
Head of Responsible Investment Policy and Research

Neville holds a BA. Hons from UEA in History and is responsible for RI policy and research and leads on global corporate governance proxy voting and business ethics.

Rita Wyshelesky
Responsible Investment Analyst

Rita holds a BSc in Biochemistry from King's College London is a Chartered Accountant. She leads on Thematic, Sustainability and Impact issues.

Carlota Esguevillas
Responsible Investment Analyst

Carlota holds a BA in Geography from Oxford University. She leads on social topics such as human rights, diversity and workforce issues.

Amelia Gaston
Responsible Investment Analyst

Amelia holds a BA in Geography from Durham University and leads EdenTree's work on climate and environmental issues.

Because investing responsibly and sustainably is all we do, stewardship is fully integrated into the way we work, think and deliver. All colleagues are motivated via annual strategic objectives to deliver for clients in a responsible and sustainable way. Our remuneration policy is here and is designed to support a strategy of 'Achieving More Together' so that we can attract, motivate and retain skilled people aligned to our values, and which encourages the right business behaviours. An appropriate mix of fixed and performance-related pay opportunity is offered, while ensuring that any incentive plans are responsibly designed and encourage high standards of professional conduct whilst not incentivising undue risk taking.

We have integrated some ESG or stewardship components into variable pay calculations, and this is something the Board, and the Group Remuneration Committee continues to look at.

We view our governance structures to be robust, appropriate and arranged so as to deliver our strategic objectives within the context of a regulated entity and which in turn support our strong Stewardship focus. Given this is all we do, we aim to have structures in place that are nimble, agile and responsive to client needs whilst fully meeting the requirements of a professional and regulated business. We have established a staff-led Risk Council, as well as other working groups (Business Excellence, Diversity & Inclusion etc.) that show our governance is dynamic and continues to evolve to support the needs of the business.

Principle 3

Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

We have a published policy for managing actual and potential conflicts of interest.

EdenTree does not offer or publish advice that might conflict with the responsibilities of managing investments on behalf of our clients. As a regulated business, our policy regarding potential conflicts of interest and "Treating Customers Fairly" (TCF) in the conduct of investment business forms a key part of our overall compliance regime.

In accordance with FCA rules, EdenTree is required to establish, implement, and maintain an effective conflicts of interest policy appropriate to the nature and scale of the business. This policy sets out key areas where we may be subject to a conflict of interest in the provision of services to clients whilst carrying out regulated or ancillary activities. The policy covers those circumstances which either constitute or could give rise to a conflict of interest entailing a material risk of damage to the interest of one or more clients.

The policy identifies the potential conflicts of interest relative to the business and describes the structures that have been put in place to limit the consequences of these actual or potential conflicts of interest. These structures make use of separation of function and restrictions on activities and are designed to ensure that relevant persons maintain an appropriate degree of independence.

Our potential material conflicts of interest relate to actual and potential client relationships, specifically as the asset manager appointed by Benefact Group to manage its investment portfolios whilst also being the wholly owned investment business of Benefact Group. Conflicts have been identified as:

- Conflicts relating to the interests of the Ecclesiastical Insurance Office (EIO), Benefact Group and the investors in the funds managed by EdenTree;
- Failing to allocate securities between fund clients on an equitable basis;
- Inappropriate use of the services of the Group;
- Substantial gifts or entertainment;
- Entering into mandates where clients have conflicting interests;
- Entering into mandates where client interests may conflict with those of the Group;
- Misuse of information for personal gain/insider dealing;
- Inappropriate use of dealing commissions;
- Personal Account Dealing by employees, and
- Remuneration and oversight

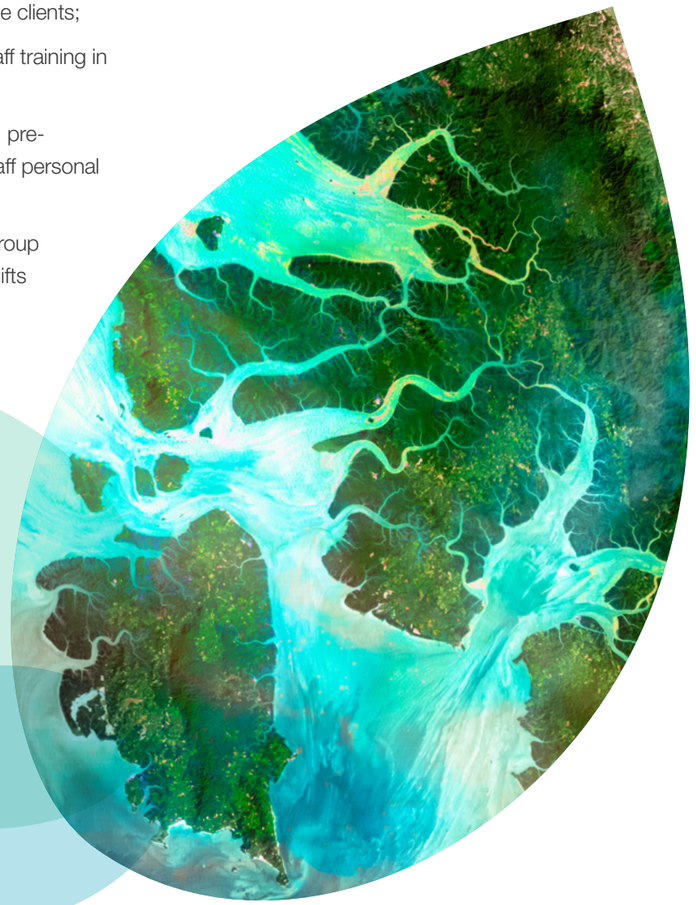
Procedures and processes are fully documented and are in place to support and comply with the conflicts of interest policy particularly regarding:

- Reporting lines; these are designed to avoid conflicts arising so that where necessary there is separation of duties and relevant staff are supervised adequately. In addition, procedures are in place to minimize the exchange of information between persons where such an exchange of information could give rise to a conflict of interest. It is not entirely possible to remove all conflicts therefore relevant staff are required to report actual or potential conflicts of interest to management as they are identified.
- Remuneration structures; these are designed to avoid incentivising undue risk that may disadvantage clients;
- Training; relevant and compliance focused staff training in conflicts of interest;
- Restriction on Personal Account Dealing (PA); pre-clearance by The Compliance Officer of all staff personal dealing requests;
- Gifts & Entertainment; compliance with the Group policy on accepting and registering external gifts and entertainment.

The conflicts of interest policy and the conflicts register are subject to periodic review by the EdenTree Board and the EdenTree Executive Committee and are maintained by the EdenTree Compliance Officer.

We have identified one further stewardship conflict of interest where an EdenTree or Ecclesiastical director is simultaneously a director of an investee company where we may wish to take voting action. Without exception, proxies are cast in a uniform way across all portfolios in accordance with our published UK and Overseas Corporate Governance Policies. Voting as a delegated function is not open to clients, or directors to influence.

We have not identified any actual conflicts of interest that required further reporting.



Principle 4

Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Risk analysis and monitoring is a standard function of operational business management, with governance oversight sited in a well-developed Management Board and Committee structure. The EdenTree Board (comprising executives and independent non-executives) sets and approves the overall risk appetite within the business, whilst each Fund is risk rated in accordance with regulatory requirements. In accordance with evolving best practice, Value For Money Assessments (VFM) are published for our UCITS products offered. These are available at www.edentreeim.com

The Executive Committee (ExCo) has day to day operational oversight including breaches and systems risks. Internally we have also established a 'Risk Council' with colleague representatives from around the business who are tasked with monitoring specific risks within their areas of competence. EdenTree is supported by Group risk, compliance and internal audit functions which can also provide competence and oversight.

Fund risk is additionally affected by long-term systemic issues such as climate change – affected from a multi-disciplinary perspective that may include regulatory, economic and reputational risk.

EdenTree seeks to mitigate and respond to some of these challenges via an active engagement process in which we focus on transition, stranded asset risk, reducing impacts and long-term alignment with the Paris Agreement via the setting of science-based targets. Over time, the objective is to decarbonise portfolios via active monitoring and engagement but with the ultimate sanction of divestment where progress is lacking or absent.

Most of our client strategies have long mandated no fossil fuel extraction (coal, oil & gas), or sectors relying heavily on oil and gas such as aviation, automobile manufacturers and shipping. As part of our commitment to the Montréal Pledge, we have measured the carbon footprint of each of our equity portfolios for the past seven years, all of which have a long-term track record of being below their relative benchmark for carbon intensity. In 2021 we foot-printed our two fixed interest Funds, as well as some large institutional and segregated clients including our Group and Pension Fund.

In 2022 Benefact Group published its climate ambitions which include a Net Zero target by 2040 with supporting intermediate milestones. EdenTree is now actively considering its climate change next steps which will be published later in 2022.

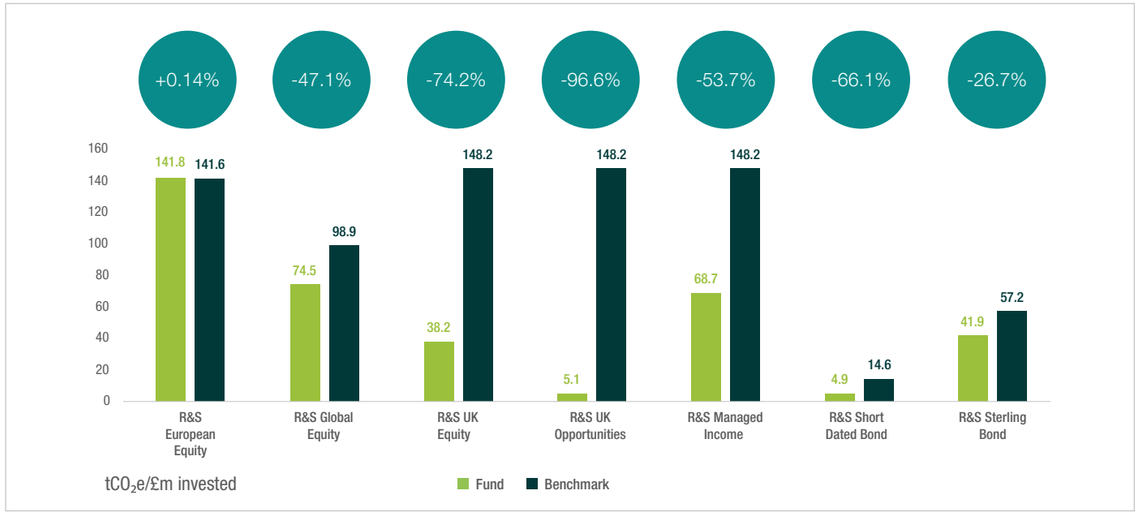
Our Climate Change Position Statement is updated bi-annually and is available here.

Our 2022 carbon footprint outcomes are shown below; we are delighted that the long-term track record of our client portfolios remains materially below benchmark intensity for a majority of our client Funds.

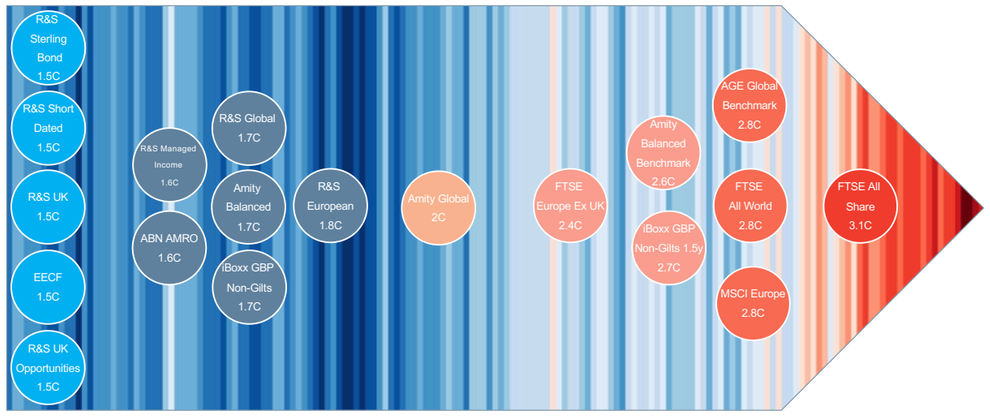
To help clients understand portfolio climate resilience we have also mapped the projected carbon budget overshoot of each product. This indicates that a majority of Funds are currently on trend for compliance with a 1.5° scenario, whilst relative benchmarks are currently at 1.7° and above. This is a commendable and strong position of resilience to be able to demonstrate to climate aware clients. A majority of Funds based on this modelling are resilient out to 2050, with only the Amity Global Equity Fund slightly outside this range at two degrees.

Elsewhere, so as to contribute towards well-functioning market systems, we will often provide a response to consultation processes on, for instance, international corporate governance codes, regulatory changes, ESG frameworks and wider public policy discussions relevant to our clients and our business.

EdenTree Equity and Fixed Interest Funds



tCO2e/£m invested – Equity and Fixed Interest Funds at 31.12.21



Temperature overshoot for each Fund and relevant benchmarks based on the Sustainable Development Scenario

Principle 5

Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

As a regulated investment management company, EdenTree provides clear and transparent information on our Funds and business activity. This includes all regulatory documentation as well as, for instance, Value for Money Assessments. Key documentation is reviewed by the Compliance Officer and her team, as well as the Executive Committee. Ultimate oversight is provided by the Board and specific committees of the Board.

Key policies are published online including:

- Conflicts of Interest
- Execution Policy
- Privacy Policy
- Remuneration Statement
- Climate Change Position Statement

Policies are reviewed periodically as part of a normal 'business as usual' cycle of policy documentation updates and reviews. These are updated to ensure they continue to be 'fit for purpose', are accurate, reflect the most up to date regulatory guidance, and are written in plain English. The majority of policy updates would be signed off by the Executive Committee or the Board.

We also maintain a suite of operational policies that guide our Responsible Investment process; these are also updated when the process changes, or in the light of events. Other specific policies are available on request, and this is made clear to clients via other published material. These policies include, animal testing, defence investment and intensive farming.

Key documents relating to our core process approach are:

- How We Screen
- How We Engage
- How We Vote

Changes to the responsible investment process may need regulatory approval and would undergo internal review by the Board and/or the Executive Committee before seeking regulatory approval. There were no changes during the period covered by this Report.

The EdenTree Responsible Investment Advisory Panel exists to provide advisory oversight over the entirety of our business and all our ESG processes. They may advise and inform but not mandate a course of action. For assurance purposes, we view the Panel as providing external independent assurance of our process and activity.

The Panel acts as our independent external assurance function, with the Chair providing an annual statement to the EdenTree Board. Panel Members are appointed for their expertise for an initial term of three years, renewable for a maximum of two further terms of three years each. The current Members of the Panel are:

Rt Rev Dr Nigel Peyton
Panel Chair

Julie McDowell
Independent Consultant

Julian Parrott
Client Member, Ethical Futures

Bill Seddon
Former CEO CFB Methodist Church

Mike Barry
Former Director of Sustainable Business at Marks & Spencer

Sue Round
Deputy Chair
EdenTree IM

Our Group Internal Audit function also plays a role in reviewing and certifying key internal controls, risk functions and other stewardship processes such as proxy voting.

Since 2018, our core Responsible & Sustainable investment screening process has evolved and changed several times; the market for ESG products is fast-moving and dynamic, and we have responded. Key changes to our process that have made the offer more robust and competitive include:

- Changing our Health pillar to a Health & Wellbeing one that now includes sport, nutrition, and holistic wellbeing for the first time
- Changing urban regeneration to social infrastructure to broaden the scope for investing in socially useful infrastructure
- Adding sustainable solutions to our thematic pillars and setting out in a key research document how we define and articulate 'sustainability'
- Re-imagining what we do as Responsible & Sustainable rather than 'SRI'
- Adding several new ethical exclusions based on client feedback, such as fossil fuel extraction, exploration and production, and high-interest sub-prime lending

We constantly re-imagine what we do given the fast-moving nature of the responsible investment market and is part of our commitment to 'pivot to the client'. This has led to continuous improvement of our Stewardship policies and processes across the business.

Principle 6

Client and beneficiary needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

EdenTree is a UK based active investor with approximately £3.7bn of assets under management. As specialist Responsible & Sustainable investors, we operate under an overarching 'Performance with Principles' approach. Our clients are drawn from a range of institutional, collective retail, charity, advisory and segregated clients. We are managers of our parent, The Benefact Group's assets, its Defined Benefits (DB) Pension Fund and part of the capital endowment assets of our ultimate parent, The Benefact Trust. We define the current assets under management as:

- Responsible & Sustainable 97.5% - informed negative and positive screening, engagement and voting
- Ethical Investment 2% - negative screening, engagement and voting
- Stewardship <0.5% - engagement and voting only

The parent, Ecclesiastical Insurance Office, manages the Defined Benefits Scheme in the UK which closed to new entrants in April 2006. The Defined Benefits Scheme represented 10% of assets under management at 31 December 2021; it has 1,032 active members with an average age of 51 years.

We invest as active managers across all developed markets in the equity and fixed interest securities markets; we place considerable emphasis on capital preservation, and the majority of our external Fund products have a lower risk profile. We tend not to invest in frontier or higher risk emerging markets or in instruments such as derivatives. We are long-term investors with a typical 10 year+ investment horizon.

The way we like to work is to ensure Stewardship is exercised in respect of client needs and aspirations. We have set up several ongoing focus groups located across the UK to engage discussion in terms of product range, product offer, RI offer etc.

More broadly we are passionate about how we communicate what we do using a broad sweep of media. The website www.edentreeim.com is the main access point for news, events and publications, and their arrival on the website is announced via regular email drops to clients, informing them of new research and views that might interest them. We take care to ensure we adhere to high standards of data protection and privacy and adhere fully to the requirements of GDPR (General Data Protection Regulation).

We are also active on social media where news flashes and opinion pieces can be profiled. The Investment Team, RI Team, Sales, Marketing etc. all have active social media accounts and regularly engage clients and the wider public.

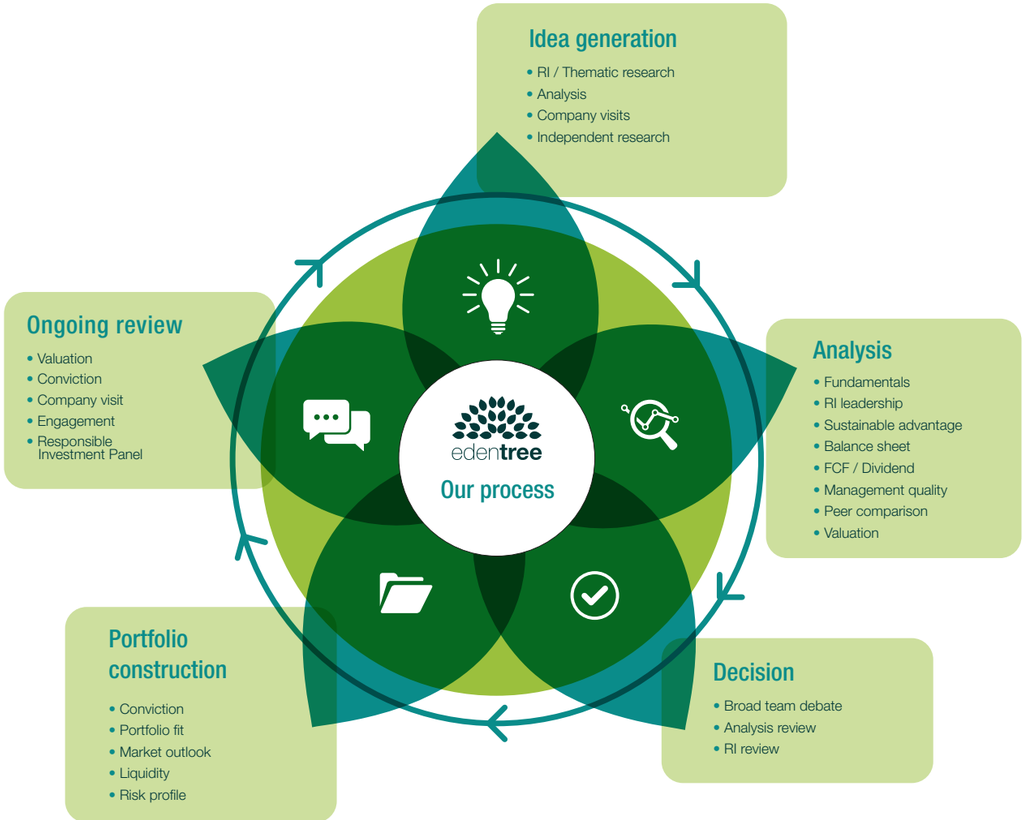
Principle 7

Stewardship, investment and ESG integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

EdenTree is a pioneer in integrating environmental, social and governance risk into its investment philosophy and approach. Since launching our first dedicated screened fund in 1988, we have consistently believed that an approach that fully integrates responsibility and sustainability will deliver superior risk adjusted returns for clients over the long-term. We manage a range of strategies that reflect client objectives from light screening to our core Responsible & Sustainable screened approach applied to our suite of screened retail, multi-asset and charity products.

As bottom up, active managers the investment and ESG cases are run in parallel; integration does not differ between strategies, mandates, asset classes or geographies as responsible & sustainable investment is all we do:

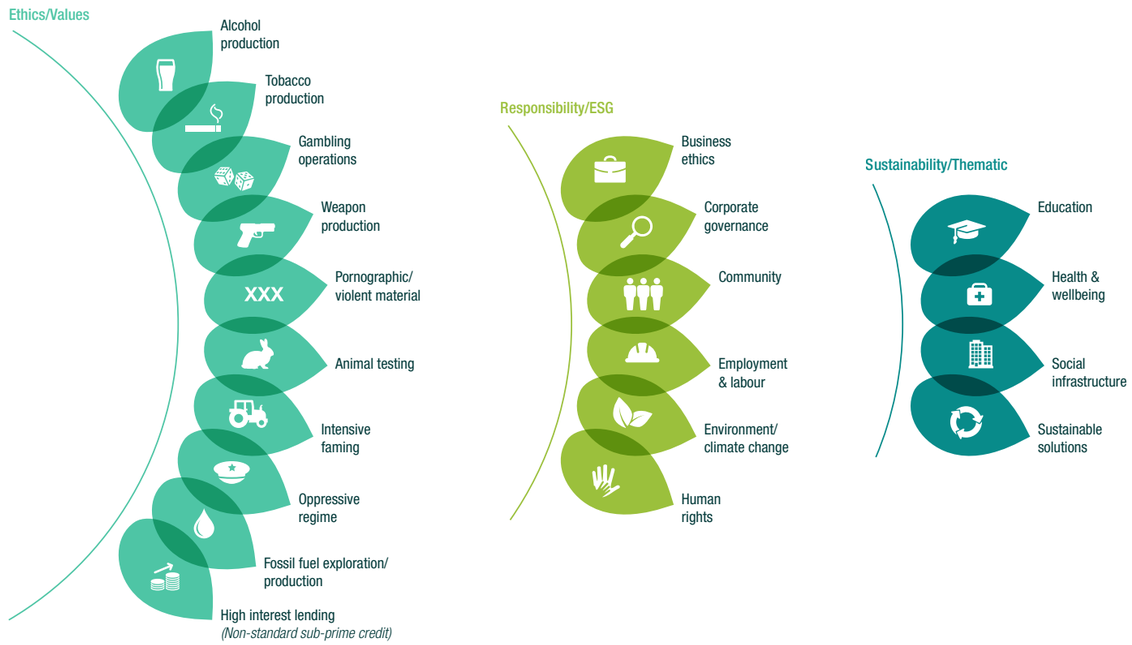


The Responsible Investment (RI) team has oversight of suitability from an ESG point of view; Fund Managers are unable to trade in a security until the RI team has passed it as suitable. Fund Managers are responsible for the timing, weighting, and allocation of an investment.

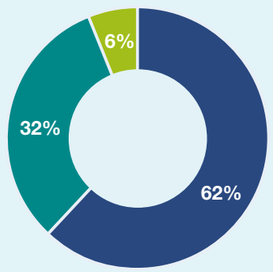
Our core Responsible & Sustainable screening process integrates three elements when assessing stewardship suitability of a security for inclusion: Ethics, ESG and Sustainability. Our ethics screens seek to avoid key areas of the market associated with environmental and social harm.

We next apply an ESG risk screen that assesses the degree of risk and impact tailored specifically to the security in question. A traffic light system is used to indicate whether the risk/impact is well-managed (green), poorly managed (red) or has residual issues that should be borne in mind when investing (amber). A security is deemed either suitable, suitable with caution or fail, based on these two sets of screening criteria which are mandatory.

Our thematic or sustainability screens are discretionary but are positive on areas of the market that have strong social utility - education, health & wellbeing, social infrastructure, and sustainable solutions. Where a security passes the ethics and ESG screens and screens well against our themes, we view that as doubly positive.



In our annual Responsible Investment Review, we publish screening statistics (new ideas and reviews) so that clients can see how their capital equates to new and existing portfolio ideas from an ESG and Stewardship perspective, these are shown below.

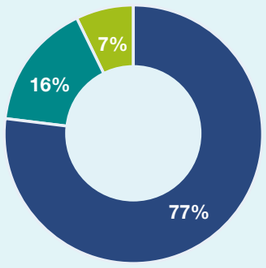


2021 SCREENING OUTCOMES

- Passes
- Suitable with caution
- Fails

2021 REVIEW OUTCOMES

- Passes
- Suitable with caution
- Fails



Principle 7

The exercising of stewardship via engagement and corporate governance proxy voting is generic across clients and strategies and is based on client feedback, the volume and type of client enquiries and the team strategy, which is set annually. Climate change and diversity are core strands of our engagement activity, and we publish carbon footprints for our equity and fixed interest funds as well as material on our engagement with companies on their climate change strategy and alignment with the Paris Agreement.

Our ESG service provider (ISS-ESG) provides raw data which is used and analysed by the RI team as part of the screening process. They do not provide recommendations, and we do not use ratings to determine outcomes. The ESG service provider has no material decision making impact on the screening process or its outcomes.

We use two service providers for corporate governance proxy voting. IVIS, is the UK voting service provided by the Investment Association. IVIS does not make voting recommendations and is used as a research provider. The RI Team executes voting decisions based on this research as measured against our published Corporate Governance voting policy. Glass Lewis & Co. Inc. is our overseas voting provider, and more detail is provided below in Principle 8.

Our assessment score under the PRI Annual Assessment process is indicative of our strong commitment to integration and our overall stewardship. Since inception (2012) we have consistently been awarded the highest rating for Strategy and Governance: A+.

Under the new pilot reporting regime, signatories no longer receive an overall score, but are instead rated 0-100 across distinct asset classes which then translates into a 'star rating', with a maximum of five stars. For our overall Investment and Stewardship Policy we received a four-star rating. Our PRI reports are all published online.

Since 2011 we have been signatories to the European SRI Transparency Code sponsored by Eurosif. Our response to the Code is published online.

Principle 8

Monitoring managers and service providers

Signatories monitor and hold to account managers and/or service providers.

As a professional and regulated asset manager we require a range of professional services to run our business for clients, these include broking, legal, information technology, custodian and data service providers.

The majority of our core services are supplied by well-known international providers with strong ESG credentials (Bloomberg, Northern Trust, Broadridge) and a range of well-known global brokers. These services are subject to legal contract and are routinely monitored to ensure they deliver as expected. Relationships are owned by various teams across EdenTree with periodic meetings to discuss problems or errors. A central function within EdenTree manages contracts.

Our sustainability and governance data providers are ISS-ESG, Glass Lewis & Co. Inc. and IVIS (Institutional Voting Information Service).

ISS-ESG is our dedicated ESG research provider. We have direct contact with a relationship manager should we encounter any issues; this is operated via a self-service platform. Errors would be recorded and reported through the relationship manager. ISS also provides our dedicated carbon footprint tool, which is also operated as a self-service platform. Queries as to the quality or integrity of data outputs would be recorded and reported through the client relationship manager. Regular discussion, requests for training and general update meetings are held from time to time.

IVIS is a UK corporate governance voting provider and any errors with the data provided are reported directly to the research author. Clarification is often sought on the detail to be voted, again directly with the research author. We have an annual debrief meeting with IVIS at the end of the main UK proxy voting season, to exchange views on the main issues to have emerged during the season, trends in corporate governance best practice and IVIS's stance on particular issues. IVIS does not vote our UK ballots.

The in-house RI team use IVIS to inform their views and ballots are executed directly on the Broadridge Proxy Edge platform. We have not encountered any errors regarding Broadridge; however, our Operations Team own the relationship with Broadridge and would engage with them directly should any be encountered.

Glass Lewis & Co. Inc. executes all overseas ballots under delegated authority. We regularly liaise with the client relationship team on emerging issues, client set-up, ballot integrity and outputs where these arise. We regularly test and assess voting outcomes to ensure they comply with policy and in 2021 confirmed that no ballots were missed, and all were voted in accordance with our published policy. Voting outcomes are published quarterly in the Governance hub at www.edentreeim.com. Glass Lewis conducts an annual audit of performance which, as the client, we assess and sign off.

We generally have three-year rolling contracts with our key providers with due diligence carried out towards the end of each three-year semester to assess whether they remain fit for purpose, or whether a full tender should be carried out. We would normally tender at least every 10 years to ensure the contract remains competitive as well as 'testing the market'.

As we are dedicated Responsible and Sustainable investors a majority of activities are carried out in-house with no external parties used for engagement activities.

Only Glass Lewis exercises external stewardship in respect of executing overseas proxy voting.

Principle 9

Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Engagement with investee companies and issuers lies at the heart of our approach to stewardship. Engagement is carried out as an internal function and is never outsourced to third parties. The majority of engagement is conducted by EdenTree however, we seek to collaborate positively with like-minded investors wherever possible or as part of collaborative industry initiatives. The RI team sets out its annual engagement strategy at the beginning of each calendar year, which comprises our anticipated thematic engagement and priorities.

For 2022 the strategy has been defined as set out below, with our priorities being climate change, diversity, and various social oriented issues such as mental health & wellbeing and Modern Slavery.

Thematic engagement will combine leading E, S and G issues, with climate change and diversity a constant. The E, S & G leads within the team will set out their objectives for short thematic strands e.g. biodiversity, engagement with AIM, the universe of companies targeted, and the goals for the engagement. Each strand is expected to take at least three months. Responses via calls or correspondence are mapped against the goals and follow up questions asked. Conclusions drawn are written up as published research, in blogs and as part of our quarterly client reporting.

Objectives for each engagement strand will differ but may encompass fact finding, comparing corporate approaches, raising awareness of an issue and engaging corporate reactions, improving disclosure, improving risk management and improving behaviours. The objectives may commence with an impression of what 'good looks like' or may seek to arrive at a definition of what good looks like. Poor overall responses may lead to escalation and potentially, collaboration.

* Signatory Partnerships include: Principles for Responsible Investment; Institutional Investors Group on Climate Change; Task Force on Climate-Related Financial Disclosures; Carbon Disclosure Project; Access to Nutrition Index; Access to Medicines Index: Business Benchmark on Farm Animal Welfare; Corporate Human Rights Benchmark; Farm Animal Investment Risk & Return; Workforce Disclosure Initiative; Montréal Pledge; Paris Pledge.

Engagement, given our House size, is generic and seeks to benefit all clients and strategies equally where they have the same holdings. We do not usually carry out tailored engagement for a specific client, believing that Stewardship should serve the interests of all clients equally. We will however undertake engagement where a holding is only held in one or two mandates, where we feel the issues to be important or of concern. The published results will similarly be available for all clients and the wider public. Engagement is conducted initially by email with the expectation that we will, in the majority of cases have a conversation with the company.

Our escalation policy for engagement is set out under Principle 11.

Engagement is not necessarily linear with clear 'cause and effect' outcomes. We track all engagements and assess the effectiveness of the engagement when these are concluded. In general, a one-off approach will be concluded quickly and assessed in that context. Our thematic engagement strands are designed to last around three months, and will entail initial emails, conversations with investee companies, and a written report of the findings and conclusions. We publish case studies, statistics and findings in our quarterly and annual Responsible Investment Activity Reports.

We capture a range of outcomes for each engagement pursued:

- Company provided information sought
- Company committed to change
- Company improved disclosure
- No response – chase
- No response – escalate
- No response – close
- Ongoing
- Completed

Engagement Case Study: Alternative Investment Market

Our UK Opportunities Fund invests primarily in small-cap growth stocks, some of which are listed on the Alternative Investment Market (AIM). AIM has lower qualifying hurdles of corporate governance than the primary market, and we identified this an example of where we could influence change. We engaged with a handful of companies around two core asks: the annual election of directors and putting remuneration to vote. The former we identified as particularly important given retirement by rotation, in some years, results in only one director offering themselves for election. Engagement (which began in 2019) has been encouraging. In nearly all cases companies told us this had not been an issue for shareholders generally; moreover a number of those approached, having consulted their Boards agreed to make the change to annual director elections.

Principle 10

Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

We embrace collaborative engagement with other like-minded investors, non-governmental organisations and investor collaborative initiatives as providing considerable 'value-add' for clients. Collaboration is the 'fourth quadrant' on our published engagement strategy.

We are members or signatories to several industry collaborative partnerships involving the responsible investment community. We work collaboratively with coalitions of investors where this adds value. These partnerships include:

- Access to Medicine Index (ATMI)
- Access to Nutrition Index (ATNI)
- Business Benchmark on Farm Animal Welfare (BBFAW)
- Carbon Disclosure Project (CDP including CDP-Water and Forest Footprint)
- Corporate Human Rights Benchmark (CHRB)
- Farm Animal Investment Risk & Return (FAIRR)
- Institutional Investors Group on Climate Change (IIGCC)
- The 30% Club
- Principles for Responsible Investment (PRI)
- PRI Montréal Pledge and Paris Pledge
- Workforce Disclosure Initiative (WDI)
- UKSIF

During 2022 we became members of two new collaborative partnerships: The World Benchmarking Alliance, and Financing a Just Transition Alliance, with whom we expect to work closely on the development of ESG frameworks.

Membership of the Principles for Responsible Investment (PRI) affords specific opportunity to work with like-minded global investors on material issues. We have been members of several PRI work-streams, including cobalt sourcing, and are involved with a new collaborative work stream on face recognition technology. Typically, these collaborations afford an opportunity to take part in company calls as either a leading or supportive investor and to sign investor statements or policies.

We collaborate regularly with investor members of the 30% Club in promoting diversity, and with other initiatives such as the Living Wage campaign, the Workforce Disclosure Initiative (WDI), and with IIGCC on climate change public policy engagement. Public policy would normally be carried out via an industry lobbying group such as IIGCC or UKSIF.

Our partnership with BBFAW adds our voice to their annual letter writing campaign on farm animal welfare sent to the world's largest food manufacturers, processors and retailers. We regularly support the CDP in its annual campaign to encourage non-reporting companies to report their climate risks to the CDP.

Case Study: Workforce Disclosure Initiative

In 2021, we took part in the Workforce Disclosure Initiative (WDI) for the 5th consecutive year. Made up of 53 institutions with $7.5 trillion of assets under management, the WDI aims to improve corporate transparency and accountability on workforce issues, providing investors with comprehensive and comparable data on company approaches to human rights and labour rights. This year we wrote to 12 companies asking them to consider participating in what is now the primary reporting tool on social and labour issues. A significant win in terms of encouraging participation was DS Smith, which confirmed it will take part for the first time this year.

Principle 11

Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

We have a process for the escalation of engagement depending on the nature of the issue. As responsible and sustainable investors we engage with company management in an open and constructive manner so as to understand the issues, and to raise concerns. We aspire to build long-term relationships with investee companies and to that end, escalation may happen naturally, or be confined to instances where engagement has in the first instance failed (this may not necessarily be due to uncooperativeness, but because of our communication not being received, acted upon, or, quite often, gone astray).

Escalation would normally occur if a request were unanswered or is inadequately addressed.

Typically, we engage with companies via email. In the first instance these are directed to:

- Environment and Social issues – Investor Relations or Head of Sustainability/CR
- Corporate Governance – Company Secretary or Counsel
- Financial and Corporate Strategy – Investor Relations

Companies are normally given two to three weeks to respond before a second attempt is made via the same contact. The usual method of escalating contact with investee companies is then via senior management; the Chief Executive (for strategic and operational matters) or the Chairman or Senior Independent Non-executive Director for governance and other issues. In the event of the company failing to reply after a second or third attempt, we may utilize House brokers to facilitate contact and dialogue.

We are willing to make our views known when concerns are not fully met, and in some circumstances, we will actively collaborate with other like-minded investors in the event of an escalated approach.

Our ultimate sanction is divestment; however, we would generally view this as a last resort, and then only if the issue was of a material consequence financially and/or reputationally. This process is adopted irrespective of the sector in which it operates or the domicile.

Case Study: Ericsson

The Swedish telecommunications company, Ericsson, was held widely across our screened mandates and strategies. In January 2022 news broke that the company was alleged to have made payments to terrorist groups in Iraq. The Chief Executive gave an interview that an internal probe going back to 2019 had found 'serious failings' by staff and contractors. We immediately placed a stop on the holding pending investigations. We asked for a meeting with the company which was held within 24 hours of the stop being placed. The purpose of the meeting was to seek clarity on the nature of the claims and internal responses, particularly around internal controls. The meeting did not provide the reassurances we were looking for – specifically that the company had extended the probe since 2019 and was escalating reform to their compliance procedures. As a result, the decision to divest was taken and this was completed within 48 hours.

Principle 12

Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

As dedicated responsible and sustainable investors we seek fully to exercise our rights and responsibilities in the interests of our clients. The principal means at our disposal is to vote our listed equity shares at all meetings in all markets. We do not place an economic cut off in respect of voting, believing that even small holdings have an economic value that in respect of our Stewardship responsibilities we should vote.

Proxy voting is a delegated function in all our client mandates; we do not take instruction on how to exercise our proxies from any client, nor do we show preference to one client over another in the exercise of specific proxies. Clients have no agency to override House policy.

We publish annually in January our UK and Overseas Corporate Governance Policies, which are available on the Governance hub at www.edentreeim.com. These Policies are the sole guide for our voting decisions. EdenTree supports the principle of considered voting, believing that shareholders have a vital role to play in encouraging and promoting high standards of corporate governance. EdenTree has adopted a policy of voting to support company management except where proposals are considered to be in breach of UK or in-country governance best practice or reflect poor shareholder value.

EdenTree actively votes all equity (and where relevant, fixed interest) holdings within its UK and overseas portfolios except at meetings which are designated as 'shareblocked', where we opt to withhold, rather than waive, our shareholder rights. Shareblocked meetings represented 1.8% of all meetings – and were limited to just seven ballots in 2021; the majority were Norwegian holdings.

EdenTree UK voting decisions (including Jersey, Guernsey and Isle of Man registered holdings) are informed by the IA (Investment Association) Institutional Voting Information Service (IVIS), by engagement with companies, and by active monitoring of any "comply or explain" statements issued by the investee company. IVIS does not provide voting recommendations and we do not use IVIS to direct or steer decision making. All UK voting is researched by the RI team and then exercised in-house, and routinely audited by our compliance and internal audit functions.

We actively contribute to company consultations on executive remuneration proposals when approached, although given the typical size of holding, we are not often ranked in the top 20 shareholder register.

Overseas (ex-UK) voting research and ballot execution is outsourced to Glass Lewis & Co., based on an agreed voting template which is reviewed annually. Execution of overseas voting is subject to close and regular manual intervention by the RI team. All shareholder resolutions, investment proposals and corporate actions are designated 'refer to manager' and are reviewed and voted in-house. In support of our wider stewardship aims, our policy is to support shareholder resolutions where these constitute a reasonable and proportionate request and are not narrowly focused by a single interest group.

It is not EdenTree policy to stock-lend.

It is our policy to provide comprehensive and regular disclosure on UK and overseas voting activity. These reports include overall voting statistics, where oppose or abstain action has been taken, and the reason for the action taken, a list of companies where no action was taken, FTSE100 and 250 diversity statistics, and a list of all shareholder and climate proposals supported (UK and internationally).

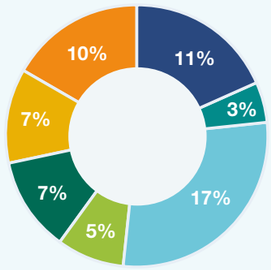
Our comprehensive global voting reports are available in the Governance hub online at www.edentreeim.com and published quarterly.

We take higher than market average levels of action against executive pay in all markets. In the UK up to 90% of FTSE100 remuneration reports and policies are routinely opposed owing to poor performance hurdles, significant vesting of variable share awards at median or because of simple excess. Other areas where we take prudent Stewardship action include long-serving incumbent auditors (especially in the United States), Board directors on independence grounds or where diversity is poor, and where market shareholder capital rules act against the long-term interests of shareholders.

Where proposals are viewed as particularly egregious, we will advise the company of our action, request our views be forwarded to the Remuneration Committee or Board, and in some instances seek a meeting. We do not routinely advise all companies of action taken owing to the resource intensive nature of the proxy voting season. We do not collaborate with other investors on proxy voting, except in the case of shareholder proposals where these are facilitated by an NGO. It is not our general policy to co-file shareholder resolutions in the UK or overseas, although this is always a possibility depending on the issue and the circumstances. We did not co-file any such resolutions in 2021.

All climate and other shareholder resolutions are considered and voted by the RI Team and are not outsourced. In 2021 we voted on 60 such resolutions globally across six markets (UK, USA, Germany, Sweden, Denmark, and France. Of those supported, the majority related to climate change (17%) and shareholder rights (11%).

Shareholder Resolutions Supported 2021



- Shareholder Rights
- Worker Directors
- Climate Change
- Independent Chair
- ESG Related (e.g. Human Rights)
- Gender & Culture Diversity
- Other

Our Annual Responsible Investment Report also has a comprehensive section on proxy voting.

In 2021 we voted on 5,388 resolutions at 385 meetings in 26 markets, opposing or abstaining in 9% of cases. For purposes of reporting, we detail our UK and Ex-UK action across several types of resolution, and these are shown right in respect of 2021 stewardship outcomes.

Grand Total UK and Overseas Ballots Executed and Action Taken in 2021

	For	Oppose	Abstain	Total
Resolutions	4,888	454	48	5,388
%	91	8	1	100
Meetings				385
Markets Voted				26
Shareblocking				7

Reason for Action	Oppose	Abstain	Total
Executive Compensation	207	19	45%
Board Balance (Directors)	130	8	28%
Shareholder Capital Issues	28	0	6%
Other	89	19	21%
Total	454	46	100%

The number of markets voted is technically 28, however seven meetings have been counted in the country of trade (Hong Kong and Singapore) rather than market of incorporation (Bermuda and Cayman Islands). The UK counts as four markets.

Meeting Region	No.
UK[1]	218
Europe[2]	80
USA/Canada	58
HK/Singapore	18
Japan	7
Asia – Other[3]	3
Australia/NZ	0
Emerging[4]	1
Total	385

1 UK includes Channel Islands & IOM
2 Ex-UK
3 Malaysia, Thailand, Vietnam, South Korea
4 Latin America/India/Africa/Israel/Offshore

Case Study: Auditor Tenure United States

Whereas in the European Union there is now a legal limit to the tenure of the external auditor, in the US there is no such limit, with the consequence that we see, typically, some very excessive tenures with some over a century in duration. Independence of the external auditor is fundamental to assuring the accuracy and reliability of corporate disclosures and we view tenure to be material to this being potentially compromised. There appears to be little debate within 'corporate US' around auditor tenure, however, our policy is to oppose their re-appointment where there has been no tender for over 20 years. In 2021 we opposed over 30 cases of excessive tenure by auditors, including General Electric 112 years, Walt Disney Co. 83 years, and Deere & Co. 111 years.