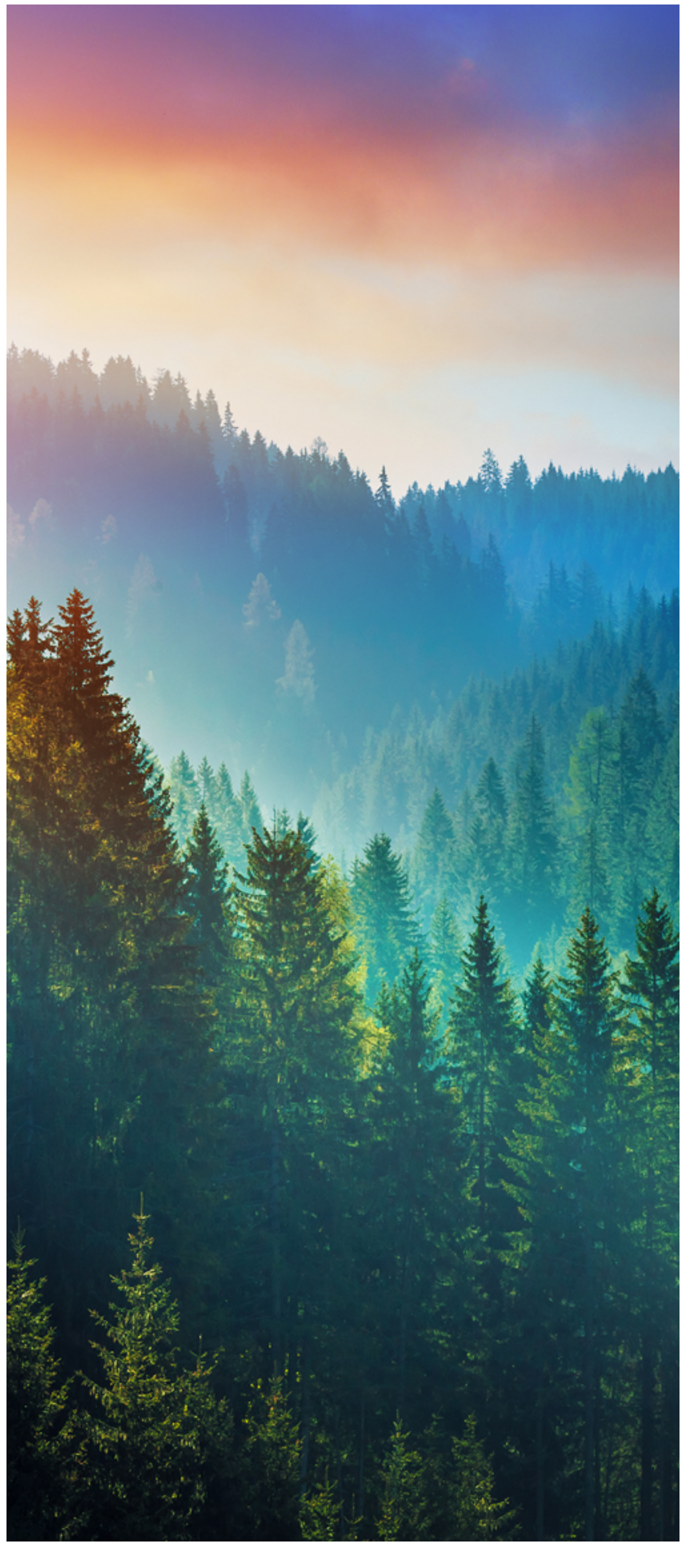
Performance
with principles®

2021
RESPONSIBLE INVESTMENT ACTIVITY REPORT

CONTENTS ANNUAL RESPONSIBLE INVESTMENT ACTIVITY REPORT



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FOREWORD BY ANDY CLARK, CHIEF EXECUTIVE

I am delighted to introduce our fourth Annual Responsible Investment Review.

EdenTree is a pioneer of responsible and sustainable investment and we are proud of delivering performance with principles for clients for over three decades. Responsibility and sustainability sit at the heart of our investment activities, but importantly, they also sit at the heart of our business. We have rigorous standards in assessing the practices of the businesses we invest in and we apply those same rigorous standards to ourselves.

Inclusion has always been one of EdenTree's five core values, and we are proud of the diverse experience and perspective which every colleague brings to our business. Our ability to perform is entirely dependent on diversity of thought within the business and we know we can do more. This year we established a staff-led Inclusion Council to oversee our Diversity & Inclusion (D&I) strategy. We also began work with a specialist D&I consultancy, who have conducted an independent audit of our processes and expanded the data we collect. 2022 will be a year of action – we will be building on this work to develop a clear strategy and goals to drive further progress.

Moving from fully remote working in 2020 to hybrid working in 2021, we also focused attention more closely on mental health and wellbeing of our colleagues to support them in their varying situations. We introduced Mental Health First Aiders to provide peer support within the business, and we've encouraged people to carry forward more flexible working practices gained during the pandemic.

2021 was another year of extraordinary interest from investors across the responsible and sustainable landscape, but it was also one of increasing scrutiny with the Responsible Investment (RI) Team alone recording 138 interactions with clients – a very significant increase on just a few years ago. Our authenticity and experience means we provide an investment approach our clients can trust in the face of an increasing number of new entrants in the market. For us this is not just a fad, but a long term dedicated approach to performance with principles.

This Annual Review sets out our progress and achievements over the past year across our core pillars of research, screening, engagement and governance. It also looks forward to some exciting new developments – for instance in building an Impact Investment proposition - as we continue to enhance our unique strengths and respond to client demand.

We hope you enjoy reading it, and as always we welcome any comments and feedback.

Andy Clark
Chief Executive Officer

Inclusion has always been one of EdenTree's five core values, and we are proud of the diverse experience and perspective which every colleague brings to our business.

ABOUT US

EdenTree Investment Management is the wholly owned investment subsidiary of the Benefact Group (previously Ecclesiastical Insurance Group), which in turn is owned by a registered charity, the Benefact Trust (previously AllChurches Trust).

Benefact Group is a unique financial services company that exists to serve its clients and customers and serve the greater good by giving all of its distributable profits to good causes.

EdenTree began managing ethical – and latterly responsible and sustainable investments in 1988, and has a three decade track record of leadership in this space. It is all we do.

At 31st December 2021 we managed £3.7bn[1] of assets under management, with clients in the institutional, retail, charity and advisor markets. Approximately 40% of AUM constitute management of our Group's investments and those of our ultimate parent and our direct benefits pension scheme. The remaining 60% of assets are our pooled and segregated client mandates.

The assets we currently managed can be defined as:

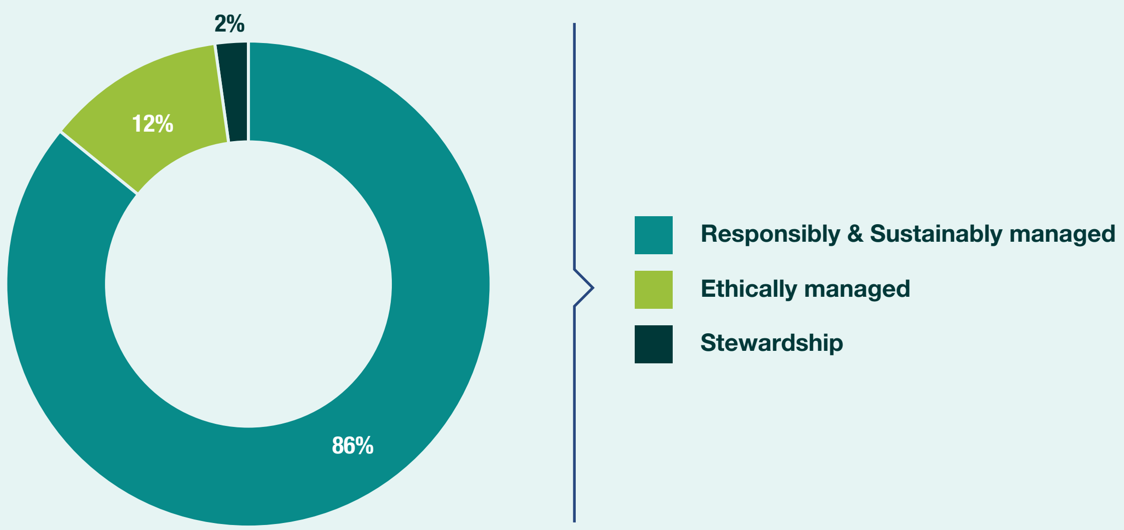
- Responsibly & Sustainably managed **86%**
- Ethically managed **12%**
- Stewardship **2%**

We strive to be fully transparent in all of our operations and various disclosures are made at www.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.

EdenTree has no employees of its own; all of our colleagues are employed by our parent, the Benefact Group, who also provides regulatory information on Gender Pay Gap reporting for the entire Group. At 31st December 2021 our colleague profile was:

		M (%)	F (%)
EIM Board	7	5 (71.5%)	2 (28.5%)
Executive Committee	7	5 (71.5%)	2 (28.5%)
All Staff	46	29 (64%)	17 (36%)

EDENTREE ASSETS UNDER MANAGEMENT 31ST DEC 2021



[1] Source: EdenTree December 2021

THE RESPONSIBLE INVESTMENT TEAM

Neville White
Head of Responsible Investment Policy and Research

Neville is responsible for RI policy and research and leads on global corporate governance proxy voting and business ethics. He has a wealth of experience in the field, having previously managed socially responsible investment for a number of church and charity investment managers. 25 years' experience.

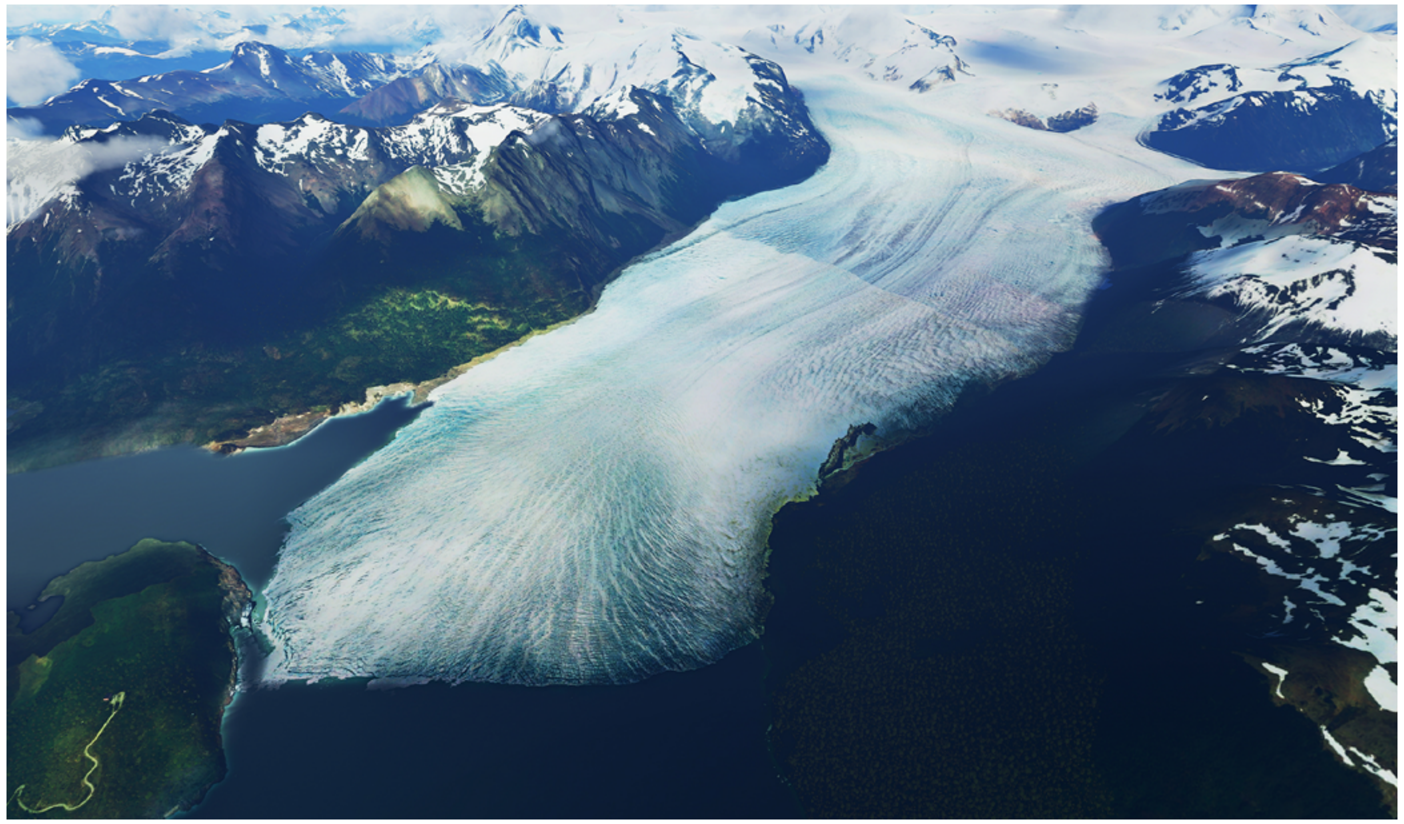
Rita Wyshelesky
Responsible Investment Analyst

Rita holds a BSc in Biochemistry from King's College London, and an MSc in Management with Finance from University of Bath. She is a Chartered Accountant with experience in audit and consulting from EY, and ESG experience from FAIRR Initiative. Rita leads on Thematic, Sustainability and Impact.

Carlota Esguevillas
Responsible Investment Analyst

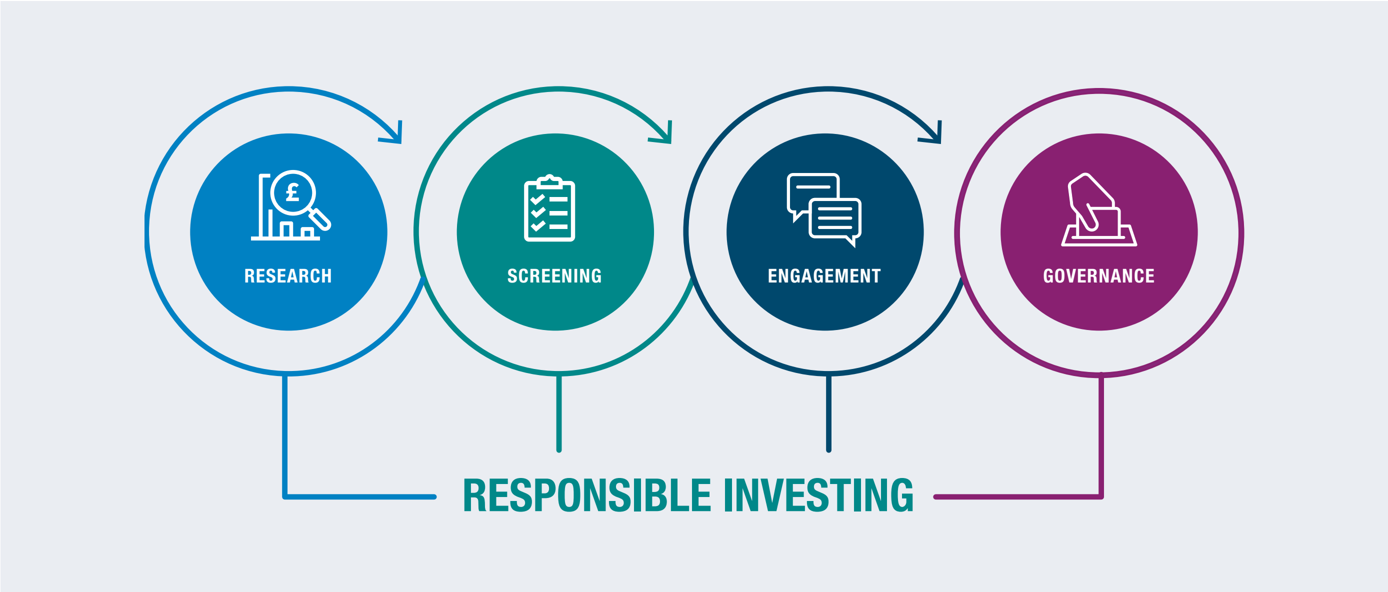
Carlota holds a BA in Geography from Oxford University and previously worked for a sustainability consultancy advising businesses on their sustainability strategies and disclosures. She leads EdenTree's work on social topics such as human rights, diversity and workforce issues.

We said farewell to Esmé van Herwijnen in early August after six years with the Team. Esmé joined us in 2015 and as the Senior Responsible Investment Analyst led all of our environmental and climate change work. Esmé has decided to return to France and we wish her every success for the future.



EDENTREE'S APPROACH TO **RESPONSIBLE AND SUSTAINABLE INVESTING**

There are four pillars to our approach in the way we manage client capital responsibly and sustainably:



Our range of screened retail and charity Funds have adopted a 'performance with principles' approach since their inception, in which investment decisions are based on an integrated investment and environmental, social and governance (ESG) case.

To be considered suitable for inclusion within our range of responsible and sustainable screened Funds, an investment idea must meet the criteria laid out in our screening model. There are three parts to this: Ethics/Values; Responsibility/ESG; and Sustainability/Thematic.

The ten exclusion criteria which make up the Ethics/Values part of the screening process aim to avoid activities that are harmful to society. The Funds apply a default screen in which companies in the several business areas – shown in the image above – are excluded where turnover or profit exceed 10% (whichever is lower).

Specific policies have been produced to cover (i) indiscriminate or strategic weaponry; (ii) animal testing; (iii) oppressive regimes; and (iv), intensive farming. These are available on request.

Investment ideas are then assessed across six ESG risks in a holistic way to determine suitability for inclusion in the Funds from the perspective of responsible business practices. Just like our Ethics/Values screen, these screens can also act as a brake on investment. Stocks are enabled into the Funds only if they pass the Ethics/Values exclusions **and** the Responsibility/ESG risk screens.

Finally, our process has a sustainability tilt, subject to portfolio manager stock selection, which supports positive investment in Education, Health & Wellbeing, Social Infrastructure and Sustainable Solutions.

Companies are screened as a 'pass' or 'fail' on their merits, or they may require engagement before proceeding. The Responsible Investment Team is the ultimate arbiter in deciding whether a holding is suitable for inclusion in the Responsible & Sustainable Fund range, and no holding can be purchased until the Responsible Investment Team has approved it.

Once invested, we conduct thematic or company-specific engagement, and vote at company meetings. Engagement is conducted across all portfolios and mandates equally. EdenTree manages a number of discretionary mandates and strategies for institutional and segregated clients which may have alternative specific screening requirements, however all mandates are routinely voted and engagement takes place without distinction. Engagements are wide-ranging and are conducted by the Responsible Investment Team, either unilaterally, or in collaboration with fellow stakeholders.

The final pillar of our responsible & sustainable investment offer is our research & thought leadership work. We provide clients with relevant and timely research on some of the most pressing sustainability and ethics-focused challenges of the day. We also publish a number of shorter pieces, known as 'RI Expert Briefings', which focus on pertinent topics, outlining the issues at stake, our House view, and how we can address stakeholder concerns. Another strand is our 'Emerging Issues' Expert Briefs, which focus on interesting issues that are novel and where we may not have developed a House view.

This Annual Review sets out some 2021 highlights across our four areas of focus.

DEEP-DIVE ON OUR OPPRESSIVE REGIMES SCREEN

Our Oppressive Regimes list is based on the assessments of Freedom House ("Freedom in the World"), Transparency International ("Corruption Perceptions Index"), and the World Economic Forum ("Gender Gap Assessment"). Based on the relevance of each organization's criteria to our own needs, we have developed a weighted average – strongly skewed towards the Freedom House score – for every country's regime. For our purposes, countries which fall under a certain threshold – 30% - are considered to be an Oppressive Regime.

If a company simply operates in these countries, either directly or indirectly, this is not sufficient to trigger the screen. We acknowledge that business can sometimes be a 'force for good' in these countries, so our screen captures a specific set of corporate activities where the activity overlaps with government practices and can lead to human rights violations. This is assessed on a case-by-case basis, and includes:

- Bonds issued by the government of any country identified as having an Oppressive Regime
- Operating in a country where UN sanctions are in place against the regime
- Activities within disputed territories which may lead to complicity in violating human rights
- Involvement in projects which have been shown to lead to egregious violations of human rights
- State-owned enterprises of any government identified as having an Oppressive Regime
- Activities – direct or in supply chains – in any country identified as having an Oppressive Regime with state-sponsored child or slave labour, where mitigation is impossible

Human rights risks are more acute for companies operating in – or with exposure to – countries with Oppressive Regimes. The identification of these countries helps us decide how exposed a company may be to potential human rights abuses, and act accordingly.

INTERVIEW
CHARLIE THOMAS
CHIEF INVESTMENT OFFICER

Charlie joined EdenTree in June 2021 to take on the role of CIO and has responsibility for the investment team. He ensures our team of experienced fund managers maintain their leadership position in an exciting and rapidly evolving market. Charlie adds more than two decades of investment management experience to the firm, most recently, as Head of Strategy, Environment and Sustainability at Jupiter Asset Management.

What attracted you to join EdenTree?

After 20 years dedicated to responsible and sustainable investment myself, the lines were firmly drawn that I should join a firm that was already committed. EdenTree is clearly one of very few firms entirely dedicated to responsible and sustainable investment. This is a characteristic, I believe, that will be increasingly considered by clients and prospective clients as critical since it underpins that the firm is both committed and genuine. I recognised this with EdenTree, responsible and sustainable runs through everyone in the firm, this is impossible to replicate if you aren't entirely committed. Authentic, was another characteristic I saw in EdenTree. Today, labelling a fund responsible and sustainable should be much more than rebranding. It should drive the investment philosophy and be grounded around a genuine commitment. Our Responsible Investment Team provide that to a level which I haven't seen in our industry, for me that was important. One final feature which attracted me, with the arrival of Andy Clark (CEO), was a new sense of ambition.

What does investing responsibly and sustainably mean to you?

As a Fund manager, the notion of responsible and sustainable is engrained. Over 20 years, I have only ever managed responsible and sustainable investment strategies, I made that commitment long ago that I would only run these strategies. There are many shades of responsible investment, and much of my investment career has been focussed on thematic investment, notably on environmental issues. It might sound clichéd but I have always considered ESG central to my investment thesis. Understanding ESG issues from both an investment risk perspective but also through an investment opportunity lens. With a natural investment inclination to smaller companies also allows far greater potential to engage and support investments, especially when you have a long term investment horizon. I very much support the idea of being "active but not activist". Transparency for investors runs parallel to this - how are investments aligned? Where has engagement been successful and less so? These play an important part in meeting investor's outcomes and expectations.

Is there ever a tension in your view between delivering long-term financial performance for investors and choosing sustainable options?

On the contrary, I feel that this is especially aligned to long-term investing. In a rapidly changing world, environmental issues will likely shape the way we live, the way we consume and the way companies and society operate. Such disruption will redefine business models, economies and innovation. This backdrop creates a multi-trillion investment opportunity, one which is central to delivering long-term performance for our clients. Few investments have a straight line to success but having the experience and patience to frame investments for the longer term is essential, and is what we deliver for our clients.

RESEARCH

Our world today is facing numerous systemic challenges. We are in the midst of a climate crisis, presenting a threat for people and their livelihoods around the world; economic inequality is one of the greatest structural challenges facing many societies; global supply chains are becoming incredibly complex, exposing companies more and more to the potential of environmental and social violations under their watch; and urban migration continues to experience rapid growth, with the number of urban dwellers expected to rise to 5 billion by 2030[1].

As responsible and sustainable investors, we watch these trends closely and through our research explore not only how these issues will affect the environment and society, but also how they will fundamentally change the way our economy operates and therefore how our investment portfolios are constructed and how they perform.

All of our research pieces – including the EdenTree Insights and Expert Briefings – are available on our website, at www.edentreeim.com. In 2021, we published one of our flagship EdenTree Insights – China on the world stage: What it means for responsible investors. We have published over 40 titles in our Insights series since 2008.

EDENTREE INSIGHTS

Published in March 2021, China on the world stage: What it means for responsible investors explores China's transformation and its place in the world, as well as the environmental, social and governance issues responsible investors should be aware of. China's development has been remarkable, and there is no doubt that China will continue to be a key market and global power in the twenty-first century. China's position as a world leader means what happens in China affects the rest of the world, this is especially true for environmental, social and governance standards. These issues are relevant when investing directly in China, in companies with operations or supply chains in China, and/or those seeking to access the growing Chinese consumer market. This Insight aims to highlight the issues that investors should be aware of, and demonstrates how we navigate these as responsible investors and the different options we have in our toolbox to address these.

Our Insights are often accompanied by short webcasts, in which the author explores the key ideas within the Insight. These can be found in the Insights section of the EdenTree website.

[1] United Nations (2018) World Urbanization Prospects

RI EXPERT BRIEFINGS IN 2021

We published a number of our familiar RI Expert Briefings and Emerging Issues Expert Briefings in 2021.

Fossil Fuel Divestment

The climate crisis has put high emitting industries under pressure. The fossil fuel divestment campaign has captured global attention, with many high-profile institutional investors such as churches and university colleges withdrawing investment from fossil fuels. We are often asked for our views on the campaign and how the EdenTree Responsible & Sustainable Funds are positioned; this RI Expert Briefing seeks to respond to those enquiries.

Investing in the FAANGs

Technology presents compelling investment opportunities given the exponential rise of digital connection. We seek opportunities where companies have strong IP (intellectual property), a leading market share, strong cash generation, a track record in innovation and which exhibit attractive valuations. We are often asked by clients whether we can invest in some of the 'hottest' technological stocks in the market – often referred to collectively as the F.A.A.N.Gs – Facebook (Meta), Apple, Amazon, Netflix and Google (Alphabet). In this RI Expert Brief we look at these stocks in turn and present our House view.

Conflict Minerals

Did you know that many everyday electronic products may contain minerals tainted by human rights abuses – commonly referred to as "conflict minerals"? In this RI Expert Briefing we take a deep-dive into the mineral supply chain, key human rights concerns, what we look for in companies' responses, and our approach here at EdenTree.

Breast Milk Substitutes

The sale and marketing of Breast Milk Substitutes (BMS) has been an ethical issue for investors since the 1970s. In this RI Expert Brief we take a look at the background to one of the most contentious ethical investment issues, and what responsible investors should look for. We view the issue to be of high impact and importance, and we take special care to ensure only the most responsible companies in the available universe are suitable for inclusion in the screened Funds.

Climate Change and Net Zero

Scientific consensus is that we need to bring global carbon dioxide emissions to Net Zero by 2050 to give the world a chance of averting the worst impacts of climate change. But what does Net Zero mean in practice and how does this differ from carbon neutral? In this RI Expert Briefing, which coincided with the publication of our annual portfolio carbon footprints, we define commonly used terms such as Net Zero and outline what we look for in a company's response to climate change.

Antimicrobial Resistance

Antimicrobial resistance has been said to be the next biggest threat after the COVID-19 pandemic. But what is antimicrobial resistance? How does it affect us? What can we do to stop it? And what should we be doing? This RI Expert Briefing seeks to answer these questions.

Oppressive Regimes

This RI Expert Briefing outlines our approach to what we call "Oppressive Regimes" – one of our ethics/values screens for the Responsible and Sustainable Funds. This Briefing details both the methodology behind our Oppressive Regimes classification, and the instances in which the ethics/values screen would be triggered.

Access to Nutrition Initiative (ATNI) Global Index

Obesity, under-nutrition and micronutrient deficiencies represent a heavy burden to economic development globally: their material cost is estimated at 5% of global income or US$3.5 trillion per year. Aiming to tackle these issues, ATNI publishes a Global Access to Nutrition Index rating the world's largest Food Manufacturers and their contribution to addressing these challenges. This RI Expert Briefing seeks to shed more light on the initiative and the index.

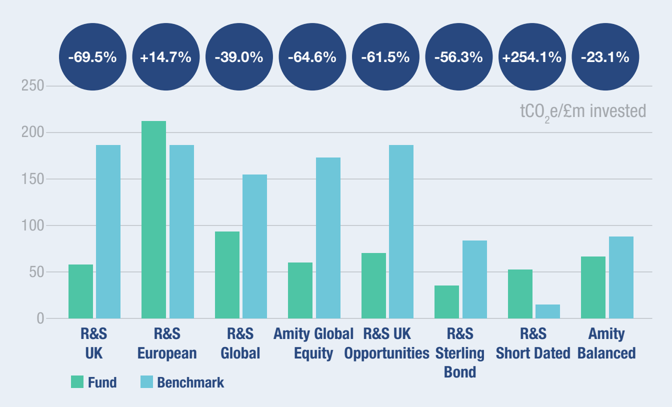
CLIMATE CHANGE

The urgency of climate change is at the heart of our investment process and forms a central part of our screening process and engagement with companies.

In our pooled screened Funds we have long avoided investment in high emitting fossil fuels such as oil & gas – however this year we made our commitment more explicit by adding fossil fuel exploration & production (oil, gas and thermal coal) to our ethical exclusions. In addition, our ESG screens avoid investment in aviation and auto manufactures, as well as mining, and other high carbon emitters such as heavy industry. For clients with a strong focus on carbon-aware investments, we view our range to be a compelling solution.

As signatories to the Montréal Pledge (and Paris Pledge) we publish our annual fund footprint results at www.edentreeim.com. Six years of data shows how portfolio carbon intensity has evolved over time. All equity funds have a lower carbon intensity than six years ago, meaning that per £1m invested, associated emissions are lower than when we began this exercise. The R&S Global Equity Fund and Amity Global Equity fund have made significant progress, having reduced their intensity by 63.4% and 65.1% respectively since 2016.

During the last six years, we have also compared the carbon intensity of our portfolios to their respective benchmarks, shown in the graph below. This year, four out of five equity funds showed a lower intensity per £1m invested than their benchmarks which is encouraging. Of particular note are the R&S UK, R&S UK Opportunities, and Amity Global Equity Funds which were 69.5%, 61.5% and 64.6% lower than their respective benchmarks.



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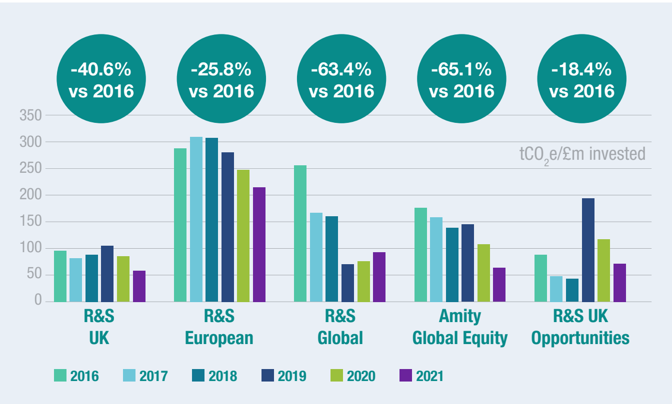

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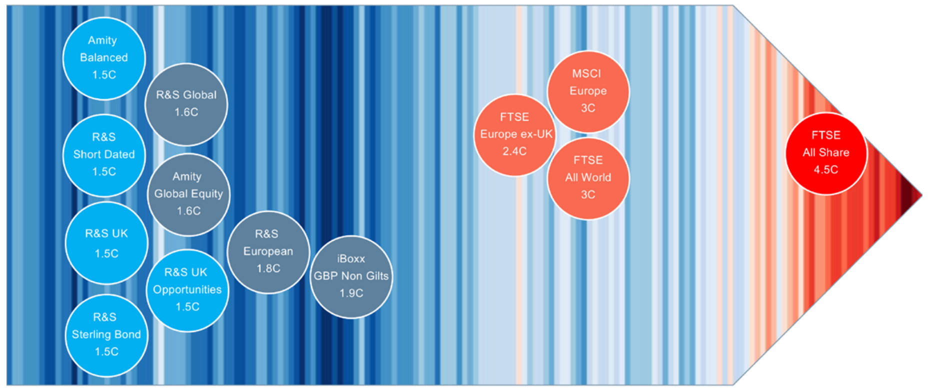
In the past, we have faced challenges in measuring the carbon footprint of our fixed-income and balanced portfolios however, this year we have been able to assess these funds for the first time. The results of this assessment, as well as the funds' performance against their respective benchmarks (per £1m invested), is shown in the graph opposite. Whilst R&S Sterling Bond and Amity Balanced are both below their respective benchmarks, the R&S Short Dated Bond Fund, despite having low overall emissions, is significantly higher than the benchmark. This is because the benchmark is typically overweight in financials, whilst the Fund has a more diversified portfolio of instruments.

We know that overall our economies are heading towards irreversible climate change without a momentous effort, meaning that solely striving to be below the benchmark is not enough. In order to tackle climate change, we need businesses and investments to align with the goals of the Paris Agreement. Due to significant improvements in the methodology, for the first time this year we have been able to assess whether our investment portfolios are aligned with Paris. We are very pleased that the majority of our funds are aligned with the Paris goal of limiting temperature increases to 1.5°C, with all our funds under 2°C as can be seen on the graph below.

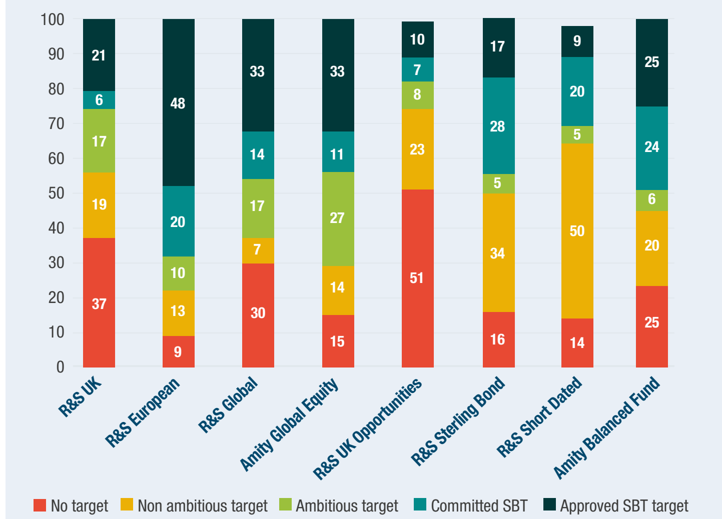
Alignment with Paris Agreement: potential temperature increase by 2050 in Celsius



In order to achieve year on year improvement requires companies to set – and meet - emission reduction targets. At EdenTree, we place a strong emphasis on encouraging the setting of Science Based Targets (SBTs) through our engagement activity. SBTs provide companies with a clearly defined path to reduce emissions. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the Paris Agreement of limiting global warming to 1.5°C above pre-industrial levels. In addition, SBTs mandate an approach which relies on absolute emission reductions rather than carbon offsetting, and also requires companies to tackle the full extent of their emissions including Scope 3. Over the years, we have been encouraged to see that the number of companies in our Funds that have set or committed to set SBTs has increased. The results of our latest assessment is shown below, and we are particularly pleased the R&S European Fund has nearly 70% of holdings that have either set or have committed to set an SBT. As expected, funds with a higher proportion of smaller-cap companies such as R&S UK Opportunities have fewer SBTs, so this is one area where we will continue to engage with companies.

We are members of IIGCC, the Institutional Investors Group on Climate Change, through whose means we participate in public policy lobbying and investor collaboration. We are also members of the CDP, and take part in their annual non-disclosure campaign.

Targets set by portfolio companies* (%)



*rounding prevents all numbers adding up to 100%.

We recognise our role in tackling climate change, and in addition to the work we do on behalf of clients, we also have in place our own strategy to reduce emissions across our business. For further information on our efforts, please head to page 29.

INTERVIEW
DAVID OSFIELD CFA
GLOBAL FUND MANAGER

David leads management of the Responsible & Sustainable Global Equity Fund reflecting his strong advocacy and passion for responsible and sustainable investment. David joined EdenTree in July 2016 and manages Global equities, including leading EdenTree's "Sustainable Global Equities for a Just Transition" segregated strategies.

David answers questions on why he puts a 'Just Transition' at the heart of his investment approach.

What does a Just Transition mean to you?

In the simplest terms, as we focus on meeting our emissions reduction targets, we must ensure we take people with us on this journey. As we transition the economy away from carbon intensive activities to achieve the targets outlined in Paris, the core enabler of a fair and just transition is the creation of good, green jobs. We cannot afford to repeat historic mistakes – for example, the closure of the coal mining industry in Northern England and South Wales provides us with a historic precedent for failing to manage the long-term community and socio-economic impact.

What do you look for in a company which is a just transition champion?

We appraise the company's ability and willingness to transition in order to assess whether it has a leadership position. Ability reflects how challenging is it for the company to capture the opportunity that comes with decarbonising the area in which they operate, within the investment forecast window (typically five years from now). How a company shapes its operations through acquisition and divestment is important to consider, and we would not expect potential transition champions to sell the issue on to another company and put jobs at risk. The willingness of company management to transition is a further critical factor – we look to how future strategy and capital expenditure plans are reflecting the transition and how they are being reflected in remuneration plans across the company. Typically transitional champions will also lead in key areas of social disclosure, and therefore are likely to be aware of the importance of creating retaining and reskilling existing talent in order to fulfil the growth opportunities in sustainable solutions, products and services. The place-based nature of the Just transition can be captured across an operations footprint and we have spoken to several management teams that have identified highly valuable and experienced talent pools in the regional economy that have been ideally sited for the expansion of new transition-orientated sustainable initiatives.

How do you balance competing environmental and social demands?

We really don't see this as a trade-off, however we would say that so far companies have been much more willing to disclose their environmental impacts than they have their social impacts. We seek to encourage our current holdings and prospective investments in order that we can fully inform our engagement activities and drive better outcomes from a social perspective. The OECD's estimates of the amount of investment required to enable the transition to net zero remains in the trillions, therefore it will be increasingly challenging to deploy this capital without sustainable human capital. The increasingly tight labour market and rising wage inflation only exacerbates the need to get this balance right.

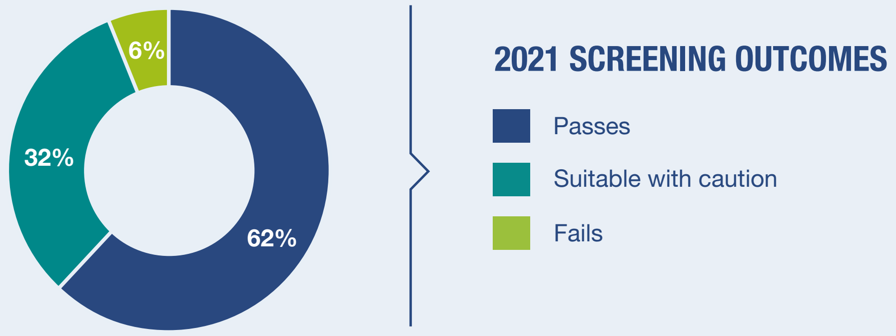
SCREENING AND REVIEWS

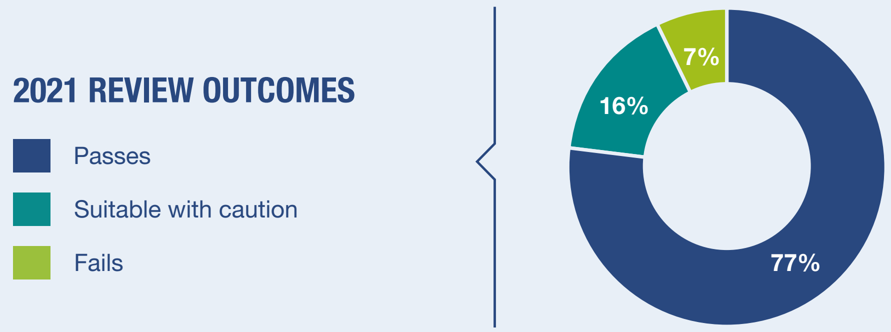
The screening of new investment ideas and reviews of current holdings is a key part of the RI Team's day-to-day work.

The team reaches consensus decisions based on an analysis of information from a wide range of sources including our data provider, ISS-ESG, company disclosures, broker research, mainstream media, NGOs, academic research and our own expertise.

We apply a range of screened approaches across specific mandates and strategies, principally within our family of screened retail and charity pooled Funds. These Funds apply the Ethics/Values screen in keeping with our distinctive, long-standing ethical stance. Responsibility/ESG screening is then applied so that the Funds comprise a portfolio of companies we view as likely to deliver superior returns over the long-term, based on their strong credentials as responsible and sustainable companies.

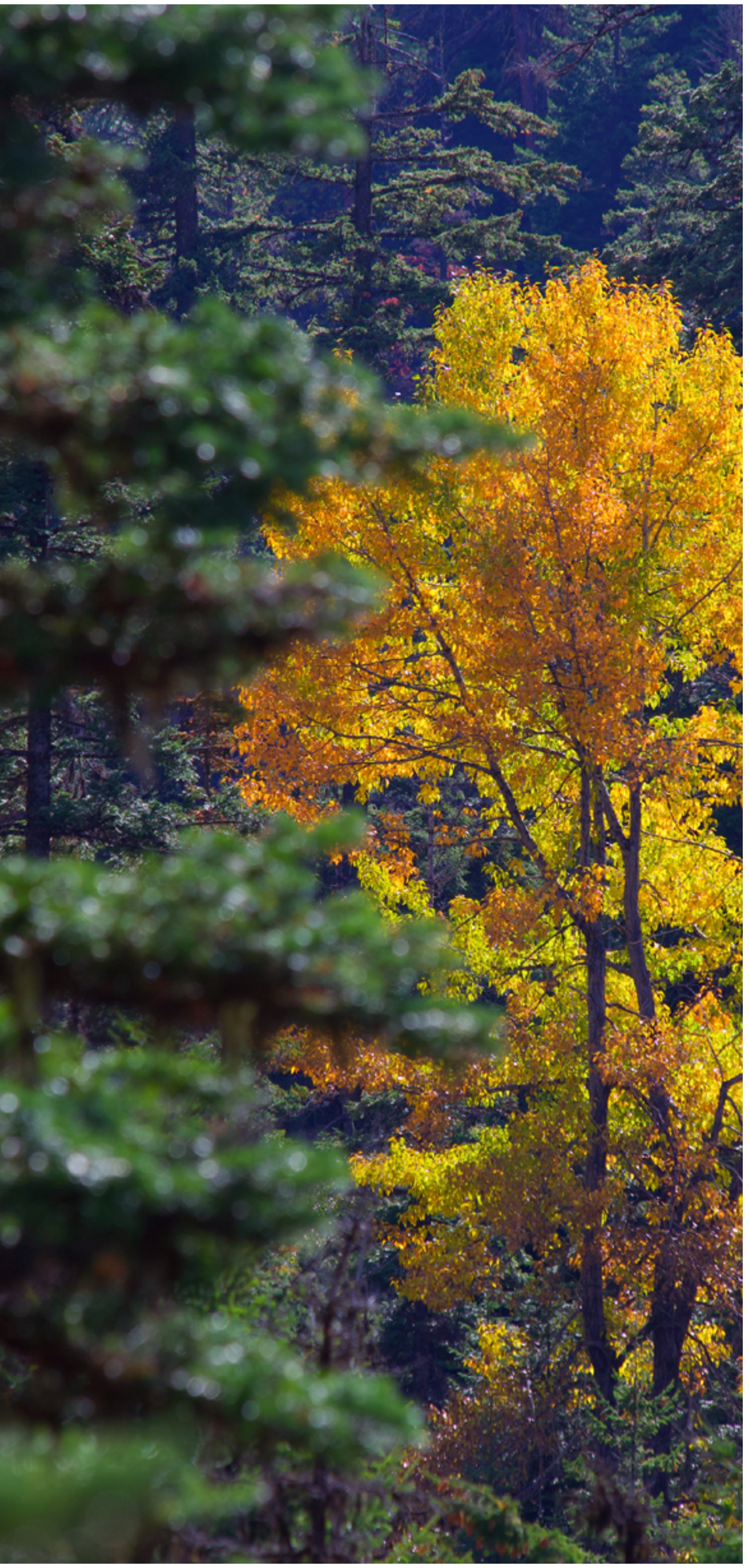
These criteria can act as a brake on investment, should a company's ESG performance fail to meet our required standards. To that end, mining for instance is avoided on environmental, climate, and human rights grounds, under this part of the screening process.





This year, the RI team completed 96 screenings and reviews – the most in any single year to date. The quality of long-held portfolio stocks remains very strong with 77% achieving our highest rating of Pass. Of the reviews conducted, 16% were judged suitable with caution and 7% failed and were divested (see below).

New ideas in 2021 achieved a 62% pass rate – an improvement on both 2020 (53%) and 2019 (58%). Of the remaining requests, 32% were judged suitable with caution and 6% failed our screening and did not progress. These were **Starwood European Real Estate**, **BW LPG** and **Fresenius Medical Equipment**.



DIVESTMENTS IN 2021

The RI Team conducts periodic reviews of existing holdings, to determine their continued suitability for inclusion in the Funds. The team has discretion to recommend divestment if companies fail to meet our standards in terms of responsibility, if they breach our Ethics/Values screens, or indeed if their business models clash too markedly with our sustainability themes.

As long-term investors, we believe that a healthy balance between good stock selection and constructive engagement – with the ultimate sanction of divestment – provides a robust process of risk assessment for clients, and reassurance that, as a Fund Manager, we have established divestment ‘red lines’.

Following a review, we recommended divestment from **TT Electronics** on the grounds that it breached our Defence policy. Specifically, following an acquisition, revenues from pure defence were estimated to be at c.15%, breaching our 10% threshold. We also divested from **Morgan Sindall** on the grounds of defence (nuclear weapons) following confirmation of its involvement in supporting the UK’s nuclear weapons programme at Barrow, Faslane and Coulport.

With the transition of our last unscreened fund – the Higher Income Fund – to a fully-screened Fund – the Responsible and Sustainable Managed Income Fund – we recommended three further divestments. **Solvay** failed our animal testing policy due to continued testing on animals where alternatives were available and where it was not specifically required by law. **Swedbank** failed our positive screen due to multiple business ethics controversies and ongoing investigations, as well as poor overall governance. And lastly, **LF MW Nippon Yield Fund** failed our positive screening due the inclusion of high-impact sectors such as oil, autos, steel, chemicals and plastics. All three were divested.

ENGAGEMENT

As responsible investors, engagement with companies is one of the most important aspects of our work, and the one which can result in the most profound real-world impacts.

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.

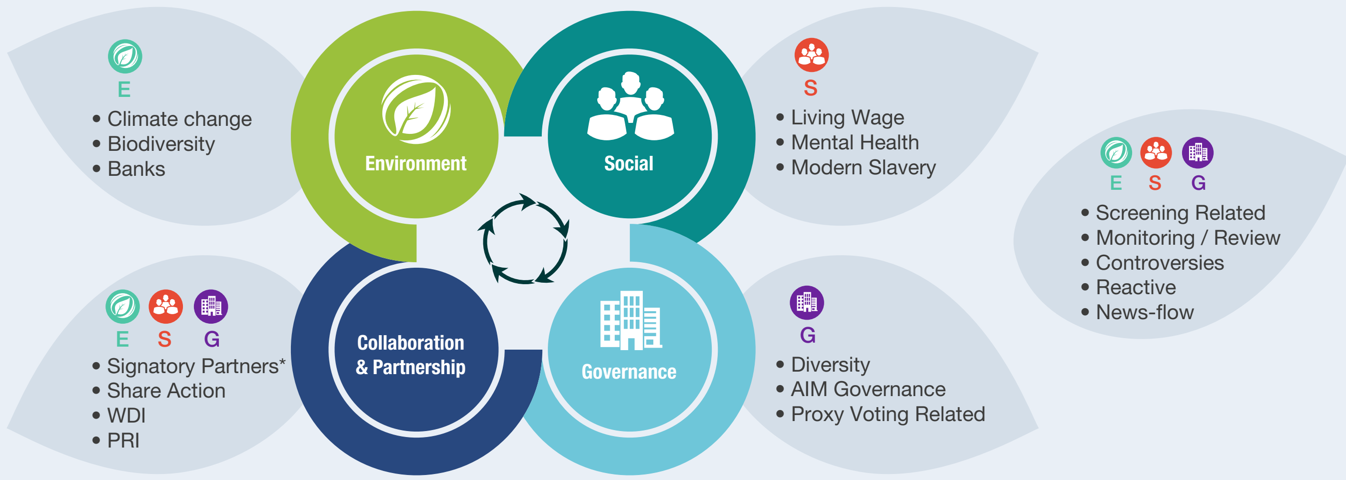
We form constructive relationships with companies we are considering investing in and we continue to engage with them after we have invested as part of our monitoring program. We also engage collaboratively with other investors on issues where there is common cause, and work collectively with investors through initiatives such as the Principles for Responsible Investment.

We devise and set out our engagement strategy every year, which comprises thematic engagement e.g. climate change or diversity, and reactive, controversy or screening related engagement. Our 2021 strategy is shown below.

Engagement is conducted equally across all client strategies and mandates.

THEMATIC ENGAGEMENT

CONTINUOUS ENGAGEMENT

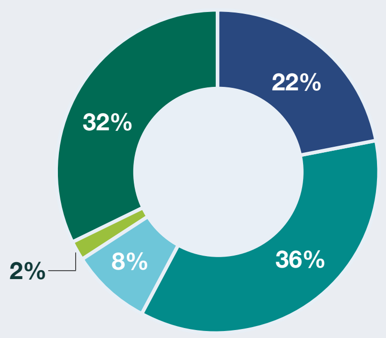


* Signatory Partnerships include: Principles for Responsible Investment; Institutional Investors Group on Climate Change; Task Force on Climate-Related Financial Disclosures; Carbon Disclosure Project; Access to Nutrition Index; Access to Medicines Index: Business Benchmark on Farm Animal Welfare; Corporate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

ENGAGEMENT STATISTICS 2021

In 2021 we had 189 distinct engagements with companies, in the following areas:

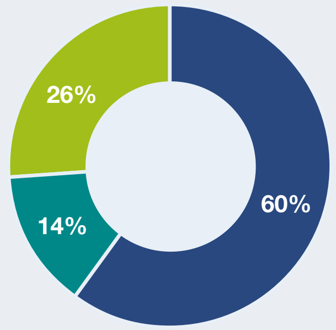
189	**100%**	**Total Number of Engagements**
17	**9%**	Proxy Voting Related
93	**49%**	Thematic Engagement
63	**33%**	Screening Related
16	**8%**	Reactive & Controversy Related



NUMBER OF ENGAGEMENTS 2021

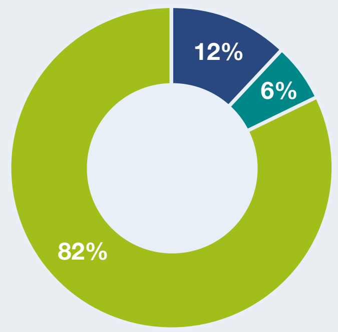
- Environment
- Social
- Governance
- Negative screens: Ethics/Values
- Overlapping

For the first time this year, we have also been able to capture data showing the underlying topics we engaged with under the 'E', 'S', and 'G'.



ENVIRONMENTAL ENGAGEMENTS 2021

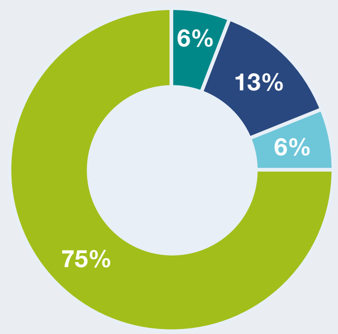
- Climate
- Banks
- Water



SOCIAL ENGAGEMENTS 2021

- Living Wage
- Modern Slavery
- Social Other

Social 'Other' category includes our collaborative engagements with the WDI, ATNI, ATMI, Facial Recognition Technology, as well as individual engagements on Healthy Markets and our Q2 2021 thematic engagement on COVID-19 supply chain challenges in the apparel industry.



GOVERNANCE ENGAGEMENTS 2021

- AIM Governance
- Diversity
- Proxy related
- Other

PERFORMANCE WITH PRINCIPLES

THEMATIC ENGAGEMENT CASE STUDIES

CLIMATE CHANGE

Climate change is a core thematic engagement, and in 2021 we continued our conversations with companies on this topic. We engaged both with individual holdings as well as collaboratively through different initiatives. Overall, we engaged on climate change 63 times, both as individual engagements and overlapping engagements – representing 33% of our overall engagements.

Every year thousands of companies are invited to take part in the CDP's Climate, Water and Forest questionnaires, and this year we participated in the CDP Non-Disclosure Campaign for the fifth consecutive year. We lead the engagement with seven companies including **Zoetis**, **Hella**, **Hawaiian Electric Industries** and **John Menzies**, and supported letters to many others. A significant win in this year's campaign was Zoetis which, following the appointment of their first head of sustainability, will now take part. Long-term engagement target Hawaiian Electric Industries has not yet agreed to take part but they have acknowledged that this would be the logical next step in their reporting journey and will likely take part next year.

We continued to support ShareAction's Investor Decarbonisation Initiative asking companies to set science based targets, increase renewable energy use or improve energy efficiency. Letters were sent to companies in various sectors including **Yara International**, **BASF**, and **DSM**.

Following the sixth iteration of our portfolio carbon footprints we also continued our engagement with the heaviest emitting companies in our funds asking them to set Science Based Targets. We reached out to **Ashtead Group**, **Northern Ireland Electricity Supply Board**, **Elementis**, **Mersen**, **Northern Powergrid** and five others to discuss their efforts. Our discussions to date have been very positive, with a number of companies including Hawaiian Electric, Northern Powergrid, Northern Ireland Electricity Supply Board and Mersen all indicating an intention to set a SBT.

Climate change remains a key topic in our engagement strategy and we expect to continue dialogues with companies in 2022.

BANKS

As a house which does not invest in oil and gas, our main exposure to fossil fuels is a result of the banking sector's financing of fossil fuels. This topic has been part of our thematic engagements for four consecutive years, and we engage with banks, both unilaterally and collaboratively as members of the Institutional Investors Group on Climate Change (IIGCC), to withdraw from projects that fail to meet the Paris Agreement goals.

This year, as part of the IIGCC we joined a collaborative engagement with **Royal Bank of Canada** to discuss their fossil fuel financing and climate change strategy. We discussed the challenges they face given the dependence of the Canadian economy on fossil fuels, and whilst we were sympathetic of the challenges, we stressed the importance of setting ambitious targets and 'red lines'. This collaborative engagement will continue, in particular to encourage the bank to set intermediary targets and to disclose more information on its loan book and methodology used for target setting.

Over the year, we also met with **Standard Chartered**, **ING** and **HSBC**, and signed a letter to **Barclays**, on the topic of fossil fuel financing.

LABOUR RIGHTS IN TEXTILE SUPPLY CHAINS

In March 2020, it was reported that global fashion brands had refused to pay for over $16 billion worth of goods since the outbreak of COVID-19[1]. Following this news, we commenced a new thematic engagement strand on labour rights in textile supply chains over the COVID-19 pandemic. We contacted 10 investee companies in the fashion and apparel sector to understand how they treated their workforce during the crisis and the long-term impact the pandemic has had on their supply chain.

Whilst all companies we spoke to have paid suppliers for cancelled orders, approaches towards managing cancellations varied across the peer group. Many highlighted the co-dependence with suppliers – not only did they believe that cancelling orders was unethical, if they had cancelled orders their suppliers may have become insolvent thereby causing an issue when they were ready to go back into production. With this in mind, some brands offered financial assistance to suppliers during the pandemic, and all reported efforts to ensure worker health and safety was prioritised during the crisis. A fuller reflection on our engagement on this topic can be found on the EdenTree website in the form of an engagement outcomes blog.

[1] https://cleanclothes.org/campaigns/payup

GOVERNANCE

We had conversations with several companies during 2021 that were remuneration linked. Among many others, we wrote to media company **Future** following concerns around the potential for excess arising from its new Value Creation Plan, which we viewed as having little merit. Future brought its fourth Remuneration Policy in four years to shareholders, and as a result we expressed a loss of confidence in the Remuneration Committee by opposing all the non-executive directors. In light of our concerns, we also had a call with the Chair of the Future Remuneration Committee.

We also had several conversations with **Kier Group** as part of their consultation on executive pay. The proposals effectively escalated CEO pay to the low FTSE100 range when its performance demoted it to being a small cap. We provided recommendations for a more prudent and appropriate package but Kier pressed ahead with, what in our view, was a wholly egregious package. We opposed the new Policy and the re-election of the Chair of the Remuneration Committee.

In 2021 we continued our thematic strand of engagement with AIM listed companies with the objective of improving Governance standards. The Alternative Investment Market has generally lower standards than the premium market, but we continue to believe 'best practice' should include some minimum conditions: annual director elections and putting remuneration to shareholder vote. We were pleased when earlier this year **Essensys** agreed to move to annual director elections from the next AGM - the fifth company in our target group to do so.

EMPLOYMENT & LABOUR

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.

Following media coverage of litigation against **Biffa** regarding Modern Slavery in their supply chain, we engaged with Biffa, **Renewi** and **Veolia** regarding the steps they are taking to monitor and manage Modern Slavery risk in their supply chains. We were pleased to hear that all had introduced additional processes to mitigate modern slavery risks, and Renewi in particular has gone one step further by moving away from third party contracted labour due to the potential risks.

We remain committed to lobbying in support of the Living Wage and over the year, as part of ShareAction's Good Work Coalition, we co-signed letters on the Living Wage to **J Sainsbury**, **Tesco**, **Biffa** and **Rentokil**.

INVESTOR STATEMENTS HIGHLIGHTS

We are cognisant that new technologies can present fundamental risks to human rights. Together with 50 investors representing over $4.5 trillion, we have signed an **Investor Statement on Facial Recognition**. This addresses the risks raised by facial recognition technology, and will form the basis of a dialogue with companies as part of a collaborative engagement programme in the coming months.

No sector has been more impacted by COVID-19 than social and nursing care. We have given our support to an **Investor Statement on Expectations for the Nursing Home Sector** co-ordinated by Uni Global Union. The impact of the pandemic has illuminated and exacerbated many long-standing issues in the nursing and care home sector. The statement sets out investor expectations on core areas of concern such as health and safety, wages and contracts, freedom of association and collective bargaining, and quality of care for residents. The best practice guidelines set out will offer additional insight when looking at potential investment in the sector, and in our engagement with existing holdings.

During the year we also signed an **Investor Statement on Chemicals Decarbonisation**, convened by ShareAction, to encourage progress in a sector responsible for 5.8% of global emissions. As part of this initiative we will be engaging with our holdings in the chemical sector to discuss emission reductions.

SPECIFIC COMPANY ENGAGEMENT HIGHLIGHTS

We also conduct engagements with companies following screenings and reviews, or in response to news-flow and controversies. Here are a few examples of such engagements from 2021:

We met with **Royal Mail Group** as part of a general sustainability catch up, and to address specific allegations of bullying within Royal Mail. The company has a well-articulated corporate responsibility strategy, and has recently made an announcement placing a large order for EVs. Alongside BT, Royal Mail operates the largest corporate fleet in the UK and has a very significant carbon footprint. The new CEO has made eradicating all forms of bullying and harassment a key commitment, and the company was able to provide strong reassurance that this is not tolerated and is a priority.

We had our first substantive update since 2019 with **Novartis** following the intense engagement we had with them as a result of multiple misconduct issues. The company appears to have moved firmly beyond a series of reoccurring crises to a position that is positive and outward looking. Most of the legacy issues have been solved and the new culture and ethics regime appears to have bedded in well.

We met with **Synthomer** to discuss the company's sustainability plans. Synthomer is in the early stages of a long term strategy to transition from a heavy, oil and solvent based chemical play to one that is more based on sustainable solutions through water-based solvents. As part of its 'Vision 2030', the company is in the process of setting science-based targets, publishing its first TCFD report, and has increased its sourcing of renewable electricity to 100%. It is also working to address issues such as the use of oil as a raw material for chemical processes and recyclability of polymers.

We had an ESG update with healthcare technology company **Koninklijke Philips** to discuss the company's ESG strategy, and in particular its progress on climate action and new business models to increase circularity. We heard about the company's four-pillared ESG strategy focused on access to care, circular economy, eco-design and climate action, and we were impressed by the ambition of the company's targets, and its ongoing efforts to embed sustainability throughout every part of the business. We also met with the company to learn more about the recall of two products which the FDA classified as a Class I recall, and were satisfied that the issue was being well managed.

Under our Health and Wellbeing pillar, diet and nutrition forms a key part of our holistic approach to wellness. Following a proposed shareholder resolution on healthy diets at **Tesco**, we attended an investor roundtable to discuss the company's new healthy diets strategy. We were impressed by the company's ambitious commitments, which was recognised by ShareAction withdrawing their resolution in recognition of the significant steps Tesco have taken. We also had a call with **Wm Morrison** prior to their de-listing to discuss their approach to health and nutrition. Morrisons is in a strong position to improve the nutrition of its own brand products due to its integrated supply chain, and has made significant progress in recent years. However, we felt there was room for improvement on how the company influences the nutrition of branded products sold in its stores.

We had a call with **NCC Group** to discuss the company's new sustainability framework. NCC has made some progress in recent years in identifying key topic areas and developing a plan to address these, but it is still at the beginning of its journey with limited KPIs and targets on key impact areas. We were impressed by the team's passion for, and commitment to, sustainability, and will continue to monitor the strategy as it develops.

We have been part of a wide-ranging stakeholder consultation led by **Nestlé** on raising industry standards in the marketing of BMS (breast milk substitutes) products. We recently joined a roundtable comprising senior Nestlé personnel, the Bill Gates Foundation and others to review commitments the company has made under an industry wide Call to Action. Nestlé is describing its commitments as representing the biggest shift in industry compliance since the advent of the WHO Code in 1981 and include unilaterally ending promotion of formula for babies aged 0-6 months in all countries where policy has not applied to date. The Call to Action is likely to drive significant change with 17 (out of 21) companies responding and nine supporting a global ban on marketing for 0-6 months.

We had a call with **Nationwide Building Society** to discuss the company's sustainability strategy, and in particular its emission reductions and climate risk within its portfolio. We heard about the company's ongoing efforts to measure and reduce scope 3 emissions, including challenges related to financed assets and efforts to green its mortgage book whilst continuing to support all its members (some who, for example, might not be able to afford making their homes more energy efficient). We also discussed the company's extensive efforts to assess the climate risk of its lending portfolio, and in particular challenges around measuring transition risk.

During 2021, we had many calls and conversations with companies across the ES&G spectrum; these included **Knights Group**, **Mattioli Woods**, **St James's Place**, **Exact Sciences** and **Rockwool**.

More detailed information on our engagements during 2021 can be found in the Quarterly RI Activity Reports published on the website.

PERFORMANCE WITH PRINCIPLES

GOVERNANCE

EdenTree votes at all company meetings in all markets except where these are share-blocked. In such cases, we have taken a House view not to waive our trading rights.

Voting is conducted in accordance with our published UK and International Corporate Governance Policies (available on our website). All UK proxy voting (including Guernsey, Jersey, and the Isle of Man) is conducted wholly in-house by the RI Team. Overseas proxy voting is contracted out to our partner Glass Lewis & Co, Inc.

A complete and transparent record of voting action taken is published quarterly in a single 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 can be provided as routine or on request. At present we do not publish Fund proxy voting reports but this is kept under review as market best practice continues to evolve.

In the UK, the majority of action taken (56%) was against executive remuneration, followed by Board balance issues (director elections – 30%). We have a detailed framework on executive pay, and find it very challenging to support pay packages in the FTSE100 where we view the majority to be excessive.

IN 2021 WE VOTED AT:

385	Total Number of Meetings Voted
5,588	Total Number of Resolutions Voted
26	Total Number of Markets
9%	Percentage of Proposals Opposed/Abstained

REMUNERATION PROPOSALS 2021

203	Total Number of UK Remuneration Proposals Voted
49%	Total percentage of Remuneration Proposals supported (all votes)
51%	Total percentage of Remuneration Proposals opposed/ abstained (all votes)
91%	Percentage of FTSE100 Remuneration Opposed

During 2021, of 53 FTSE100 Remuneration Policies and Reports voted, we chose to support just five.

Diversity is fully integrated into our UK and overseas voting policies; overseas we will oppose the Chair of the Nomination Committee (or equivalent) where women form less than 25% of the Board – in some markets, such as Japan, this has resulted in significant voting action. In the UK we support the Hampton Alexander recommendations that Boards should be diverse in which women make up at least 33% of the Board. Persistent laggards are targets for engagement, and routine opposition of the Nomination Committee Chair. We have been monitoring diversity since 2011 and considerable progress has been made across the UK market in promoting more balanced Boards. Nevertheless, in 2021 such opposition was exercised at several UK companies including **Morrison (WM) Supermarkets**, **Berkeley Group** and **Frontier Developments**.

For a number of years, we have focused attention on so called 'one and done' Boards where there has been only one female Board member for two years or more. We continue to prefer to encourage improved diversity via 'comply or explain' mechanisms rather than via quotas, however we note more markets (e.g. France and Germany) are moving in that direction to nudge long-term systemic change. Our focus on diversity extends beyond gender to ethnic and cultural diversity. We are cognisant of the importance of the UK Parker Review which notes how much work there is still to do to ensure true equality at senior levels and to meet the 'one by 2021' target set in 2017. To this end, we are a member of the 30% Club's Ethnic Diversity Working Group and signed its Investor Statement on addressing racism and call to action. Our 2022 UK Corporate Governance Policy has been further strengthened in this area.

We opposed the re-appointment of auditors at 18 companies on length of tenure grounds, and we also opposed the introduction of long-term incentive plans at 17 companies, including a handful of more controversial restricted share plans where there is an absence of performance hurdles.

Overseas we voted at meetings in 22 markets, in the regions shown opposite. We support Shareholder Resolutions where these appear reasonable and proportionate and are in keeping with our general stance on ESG positives. Where they appear to mandate an unreasonable financial charge or represent narrow lobby interests we may exercise discretion to oppose or abstain. During 2021 we supported 60 resolutions in six territories: the USA, UK, Germany, Sweden, France and Denmark. As the chart opposite shows these were on a range of issues ranging from diversity and climate change to freedom of information and human rights, at companies such as **Apple**, **Pfizer**, **PayPal**, **Xylem**, **Union Pacific**, **Microsoft**, **Nike**, **Boston Scientific**, **Bristol Myers-Squibb** and **Disney**. In the UK we supported climate resolutions at several companies including **Barclays**, **SSE**, **HSBC**, **Unilever**, **Severn Trent** and those at **BP**, **Royal Dutch Shell** and **BHP**, which were held in some unscreened mandates.

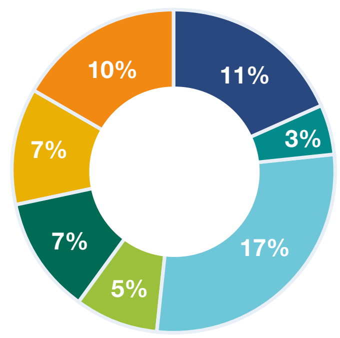
No.	Meeting Region
80	Europe[1]
58	USA/Canada
18	HK/Singapore
7	Japan
3	Asia - Other[2]
0	Australia/NZ
1	Emerging[3]
167	**Total**

SHAREHOLDER RESOLUTIONS SUPPORTED 2021

Q1	UK, USA, Germany, Sweden	10
Q2	UK, USA, France, Denmark	37
Q3	UK, USA	4
Q4	UK, USA	9
Total	6	60

[1] Ex-UK (see separate report)
[2] Malaysia, Thailand, Vietnam, South Korea
[3] Latin America/India/ Africa/Israel/Offshore

SHAREHOLDER RESOLUTIONS SUPPORTED 2021



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

In some markets, we are particularly active in opposing the re-appointment of auditors. The external auditor plays a profoundly important role in providing financial assurance and ongoing viability. Part of this assurance is based on being independent. Whilst in the EU legislation now mandates the regular tender of the external auditor at least every 20 years, in the US and Canada some incumbents have – in one form or another – been in place for a century or more. Examples where we oppose include **Adobe** (38 years), **General Electric** (112 years), **Union Pacific** (54 years), **Cerner** (38 years) **Medtronic** (58 years).

Our quarterly Global Corporate Governance Reports are published at www.edentreeim.com within the Governance part of the Insights hub.

"2021 if not quite normal saw the proxy voting season return to something closer to pre-pandemic times, although most meetings continued to be held virtually. We remained alive to companies seeking to reward executives for undeserved performance, or where bonuses had been paid despite Government COVID support not being reimbursed. There was a further flurry of Restricted Share Schemes introduced, and we have opposed all of these in our client portfolios. Last year also saw more companies put their climate change strategy to shareholder vote in the UK than ever before. We welcome this trend as affording transparency and investor 'buy-in'. We supported such resolutions at SSE and Severn Trent for example, and also supported shareholder resolutions on the same subject where these were justified – as at Barclays and Unilever. Overseas, the US continues to reward extravagantly and we rarely find a compensation package we can support; the longevity of auditor tenure in the US also continued to exercise our opposition – General Electric and John Deere vie for having the longest serving auditors we have come across – 112 and 111 years respectively, meaning that when originally appointed in 1909 President Theodore Roosevelt the 26th President of the United States was about to cede office to the 27th incumbent - William Howard Taft!"

Neville White
Head of Corporate Governance

HOLDING OURSELVES TO **HIGHER STANDARDS**

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 Social Responsibility (CSR) Committee, established in 2017, has oversight of the key impacts that make up our own corporate impact, as well as oversight of the EdenTree Community Fund.

EdenTree occupies a single floor in a modern multi-let office development near London Bridge; our direct environmental impacts are modest and relate in the main to energy use and resources such as paper and equipment. The CSR Committee undertakes several initiatives to manage reductions in our impacts such as ensuring PCs are switched off every evening and reducing paper use. With hybrid working, we continue to encourage employees to be mindful when printing and avoid it when possible. Some impacts, given we occupy a multi-let building, are at the discretion of the building's management, however 100% of energy is sourced from renewable origins and waste is recycled. The building has achieved an Energy Performance Certificate (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, EdenTree's office equipment is low energy and is recycled responsibly as part of our end of life due diligence.

EdenTree as a subsidiary does not measure its carbon footprint as this is monitored and managed as part of the Group's responsibilities. 2021 is the 6th year that an exercise to calculate Benefact Group's carbon footprint has been carried out, independently verified by Clearstream Solutions. This has been expanded in scope and now captures the majority of our direct Group carbon inventory, as well as scope 3 categories of business travel, waste and water use. We are currently working with a third party on expanding our scope 3 disclosure to include all relevant categories. We are also a voluntary member of ClimateWise, a group of organisations ambitious about climate action, and we report annually to the ClimateWise framework which is in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We scored 52% in 2021, a 7% increase on last year.

COVID-19 related restrictions have continued to have an impact on the 2021 footprint, which has reduced office attendance and business travel. Some of this influence we expect to stay with us for the long-term – increased use of video meeting technologies and more flexible work – but we also expect office occupancy to increase.

	UK (2021)	Non-UK (2021)	Total
Scope 1	**99**	**6**	**105**
Scope 2[1]	**395**	**97**	**492**
Scope 3	**208**	**22**	**231**
Total	**703**	**126**	**828**

Unit of measurement is 'tCO_2e'

Emissions intensity: $0.42tCOe_2$/employee

[1] Assuming Scope 2 Location Based emissions

LOOKING AHEAD – OUR NET ZERO AMBITIONS

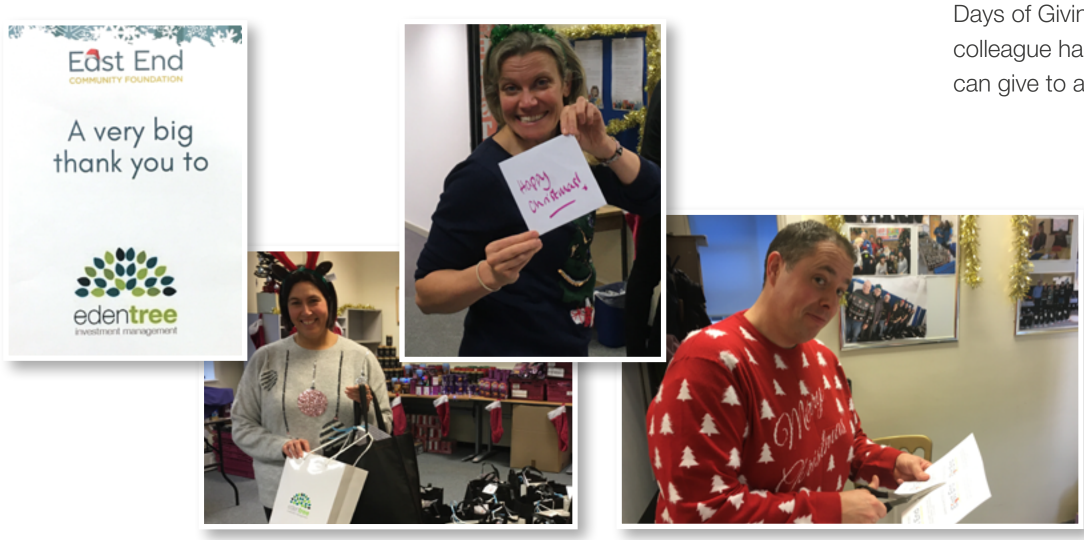
In recognition of the urgency of the issue and to further drive reductions, in 2022 the Group set out its net zero ambitions:

- **Achieve net zero for direct impact (scopes 1+2) by 2023**
- **Eliminate historic emissions by 2030**
- **Net zero for the Group by 2040 (incl. scope 3)**

We will be scoping what this means for EdenTree and setting our own interim reduction targets for our funds in 2022. We have also set out our formal position on climate change on our website, available here.

Moving from fully remote working in 2020 to hybrid working in 2021, the Committee also focused attention more closely on mental health and wellbeing of our colleagues to support them in their varying situations. We introduced several initiatives, such as the Mental Health First Aiders, and the Group has launched mindfulness sessions for all employees. The Committee has also sought to increase staff volunteering, and in December we organised a volunteering day with the East End Community Foundation, a grant-maker and philanthropy advisor dedicated to improving lives in the East End of London. Our volunteers helped with packing bags, gift wrapping and writing cards as part of the charity's winter appeal. Over the year, the RI Team has also partnered with the London School of Economics (LSE) Student's Green Finance Society, running events and workshops for students.

Some impacts are managed at Group level by our parent Benefact Group, such as procurement. The Group is also responsible for publishing an annual Modern Slavery Statement under the Modern Slavery Act 2015. This can be found at **www.benefactgroup.com** together with the Group's Impact Report.



A DIFFERENT KIND OF COMPANY

Our charitable ownership and commitment to our customers and communities' means we have a unique opportunity to create a positive impact in the world. Since 2016 Benefact Group has surpassed its giving target of £100m in grants and donations to good causes, making us the fourth largest corporate donor in the UK. This target was set in 2017 after £50m had been successfully gifted to our charitable owner. As well as this core giving, 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 grant of £125 that they can give to a charity of their choice.

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 correlate to our core responsible and sustainable investment criteria.

In 2020, owing to the pandemic, we suspended our plans and opted to donate £30,000 to the London Community Foundation (LCF) Covid Relief Fund. Funding was allocated to four charities; Kanlungan Filipino Consortium, Dose of Nature, Let's Go Outside and Learn CIC and Be Kind Movement.

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

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

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

BLIND IN BUSINESS

Helps blind and sight impaired young people into employment. £90,000 over three years will assist the charity with their office costs, the hub of their offer and activities.

"On behalf of all the staff and Trustees of Blind in Business, we are so pleased with the outcome of this application. Through the London Community Foundation, the charity Blind in Business were awarded a three-year grant from EdenTree to support blind and sight impaired young people towards employment and transforming the lives of young sight impaired people so they can think positively about good careers. The charity's confidence building, life changing work for the young people they support will help improve the employment process of people with sight loss so they can avoid state benefits and excel in a society world, thank you."

Director: Dan Mitchell

DROP IN BEREAVEMENT CENTRE

One of two bereavement support services in Newham, supporting bereaved individuals and their families to process the grief journey. £30,000 over three years will assist in engaging professional counsellors and delivering Covid 19 Peer Group Counselling Workshops.

"On behalf of the Drop-In Bereavement Centre we are so very grateful for the EdenTree Investment Community Fund (London Community Foundation) supporting our Charity. These have been very tough and challenging years and your support grant for the next 3 years will enable our Charity to further develop project activities designed to improve the mental health and general wellbeing of the bereaved. THANK YOU, THANK YOU."

Project Manager: Olive Brade

WALWORTH COMMUNITY GARDENING NETWORK

Linked to over 40 community gardens representing more than 240 active gardeners. £30,000 over three years will support spaces to hold 10 shared experiences each year for three years.

"WCGN is incredibly pleased to have been awarded the EdenTree Community Investment grant which we will utilise to support our core services and allow for us to support spaces to hold 10 share experiences each year over three years. Thank you for giving us the opportunity to support our community, sustainability and growth as an organisation."

Project Manager: Debbie Mitchener

RECOGNITION AND PARTNERSHIPS

We were delighted to have been named 'Best Ethical Investment Provider' in the Moneyfacts Investment Life & Pensions Awards 2021 for the 13th successive year in a highly competitive field. This is testament to our commitment to be the best responsible and sustainable investment provider for clients, and a huge vote of confidence from all our supporters who nominated and voted for us. We were also delighted to win Boutique Investment Manager of the Year at the Charity Times Awards.

We have been signatories to the Principles for Responsible Investment (PRI) since 2012. Each year, our process and performance is assessed by the PRI in an RI Transparency Report which we submit to retain signatory status and receive our scores. In 2021 however, the PRI made significant changes to their reporting methodology and as a result we are not expecting to receive our final scores until June 2022. In 2020, we were delighted to achieve the highest score of A+ in the overarching Strategy & Governance section. We are assessed across six other areas, and the results are set out in the RI Assessment Report, which, alongside the Transparency Report, is available on our website within the Governance hub.

We were once again accredited under the SRI European Transparency Code, facilitated by Eurosif. We achieved our 9th successive accreditation in 2021. The full Transparency Reports for equity and fixed interest are available within the Governance hub at **www.edentreeim.com**

We have long been a Tier I Signatory to the UK Stewardship Code, as accredited by the Financial Reporting Council (FRC). In 2021 we submitted our Stewardship Code Report under the 2020 Code in time for the October 31st deadline, and, at the time of writing, we currently await a response from the FRC on our continued accreditation.

MEMBERSHIPS AND PARTNERSHIPS

We are signatories, members and subscribers to a number of industry partnerships and initiatives:

- **Access to Medicine Index (ATMI)**
- **Access to Nutrition Index (ATNI)**
- **CDP (carbon, water, and forest)**
- **Business Benchmark on Farm Animal Welfare (BBFAW)**
- **Farm Animal Investment Risk & Return (FAIRR)**
- **30% Club on Diversity**
- **Corporate Human Rights Benchmark (CHRB)**
- **Workforce Disclosure Initiative (WDI)**
- **Montréal Pledge**
- **Paris Pledge**
- **UK Sustainable Investment and Finance Association (UKSIF)**
- **Institutional Investors Group on Climate Change (IIGCC)**
- **LSE Financing a Just Transition Alliance**

SERVICE PROVIDERS

ISS-ESG is our main provider of ESG data research and controversies updates. IVIS (Institutional Voting Information Service) is our UK proxy research provider, and Glass Lewis & Co. Inc. provides research and execution services for our overseas proxy voting. ISS is also our nominated provider for carbon footprint data (see Page 12) for our pooled equity and fixed income Funds.

THE EDENTREE RESPONSIBLE INVESTMENT ADVISORY PANEL

The EdenTree Responsible Investment Advisory Panel provides independent oversight of our 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. At 31st December 2021 the Panel comprised five persons (one vacancy).

Julie McDowell
Independent Consultant

Julie McDowell 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.

Julian Parrott
Client Member, Ethical Futures

Julian Parrott 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 and holds the ISO 22222 standard in financial planning. Julian is active in promoting ethical investment to the public and adviser community. He has served on the board of UKSIF & Ethical Investment Association. He is a Director of the Ethical Finance Hub project as well as other consultancy roles. Julian is a fellow of the RSA.

Rt Rev Dr Nigel Peyton
Panel Chair

Rt Rev Dr Nigel Peyton is Assistant Bishop in the Diocese of Lincoln and was until 2017 Bishop of Brechin in Dundee, Scotland. Previously a Non Executive Director of the Ecclesiastical Insurance Group. From 1985 Nigel served in the Diocese of Southwell & Nottingham, first as an inner city vicar and from 1999 as Archdeacon of Newark and Canon of Southwell Minster, and also as a member of the Church of England's General Synod 1995-2010. Bishop Nigel is a Governor of Bishop Grosseteste University Lincoln and Honorary Scholar at the University of Liverpool Management School, a researcher and writer.

Bill Seddon
Former CEO CFB Methodist Church

For 30 years, until retiring in 2017, Bill Seddon 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 the CFB's Special Adviser on ethical issues, Director of Dominion Insurance and an elected representative of General Synod on the Church of England's Pension's Board.

Mike Barry
Former Director of Sustainable Business at Marks & Spencer

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.

"The Panel continues to fulfil its role as a critical friend, helping to ensure that the range of funds and portfolios managed by EdenTree meet their stated ethical and responsible investment aims and objectives.

We provide advice on responsible and sustainable investment policy in the light of fast-changing environmental, social and governance needs by advising on relevant emerging issues, topics or themes. We provide guidance on individual companies or sectors and on the RI Team's engagement and screening work.

Our membership brings together recognised expertise in sustainability and responsible investment, alongside insights from independent financial planning, church and charity investment.

In 1994, as an early adopter of ESG principles, I invested in the then called Amity UK Fund (now Responsible and Sustainable UK Equity Fund) towards a pension. I am proud to have supported UK businesses growing in a responsible and sustainable way and which underpin our economic and social flourishing.

Through its charitable owner, the Benefact Trust, EdenTree helps channel millions of pounds a year to community serving organisations and projects, particularly those engaged with poverty, young people and access to opportunity.

The Panel is proud to support the delivery of Performance with Principles that has guided EdenTree's investment approach for over three decades."

Rt Rev Dr Nigel Peyton
Panel Chair, EdenTree Responsible Investment Advisory Panel

INTERVIEW
DAVID KATIMBO-MUGWANYA CFA
SENIOR FUND MANAGER

David leads on EdenTree's responsible and sustainable fixed income strategies, including the Sterling Bond Fund, the Short-Dated Bond Fund, and the Global Impact Bond Fund. David joined EdenTree in 2015 and possesses over a decade of investment expertise across sovereigns, corporate debt and money markets.

David answers questions on investing for Impact.

What does impact mean to you?

Impact Investing seeks to generate positive outcomes for people and planet that are measurable, alongside market-competitive financial returns and in so doing sets about to achieve a double bottom line investment objective. As public debt market investors, the emergence and growth of the use-of-proceeds ESG-labelled debt market including green, social and sustainable bonds has proved timely for us. As these offer a credible and transparent means via which private capital can be mobilised to achieve positive impact towards people and planet, such debt instruments have a crucial role to play in advancing the transition to a more sustainable future. Specifically, we at EdenTree are seeking to do so guided by the overarching themes of Education, Health & Wellbeing, Social Infrastructure and Sustainable Solutions. It is equally important, we believe, that companies issuing debt to fund projects that address societal challenges operate responsibly for desired impact outcomes to be just and inclusive for all stakeholders.

What sets the Global Impact Bond Fund approach apart?

A key differentiator is the fund's focus on impact debt instruments from issuers whose overall business activities are responsible. The suitability of potential investments is therefore not only gauged by intentionality, whether stated projects enhance the attainment of desired outcomes and the quantification thereof, but it also incorporates an assessment of whether the issuer's main activities minimise adverse impacts based on values and robust ESG risk integration. As a result, positive impact in and of itself, is not sufficient, with the Fund seeking to establish whether an issuer's impact is 'net' positive particularly as recourse is to the issuer than the specific projects targeted for investment.

EdenTree has a strong record in assessing ESG factors and their materiality vis-à-vis responsible investment. Taken together with our asset class-agnostic active ownership approach, via which we have engaged with issuers to catalyse positive change for over three decades, we view the Fund as well positioned to deliver real world positive impact holistically and to optimise intended objectives.

How do you ensure this strategy has its desired impact?

One of the main reasons behind our focus on use-of-proceeds bonds is the set of voluntary principles by which issuers of such ESG-labelled debt abide. These principles include; ring-fencing of proceeds to ensure non-fungibility with funds available for other general corporate purposes; timely reporting on cash disbursements or allocations towards impactful projects as well as commitments to providing periodic impact updates that are typically verified by 3rd parties.

We are particularly alive to the fact that measurement of outcomes is a core characteristic of impact investing and consequently, a robust approach in measuring and verifying impact is of prime importance. In addition to EdenTree's experienced Responsible Investment Team conducting their own independent analysis and reporting, we are partnering with an established third-party service provider to add a another valuable layer of impact verification. We believe that such an approach will not only reinforce the strategy's credibility but will also help avoid misrepresentation of an issuer's environmental, social and sustainable data disclosures.

LOOKING AHEAD

The investment appetite for ESG labelled products grew to new heights in 2021, with strong inflows in sustainability and ESG named products. Our approach and process has evolved strongly in recent years, but cannot stand still if it is to compete with the increasing number of new entrants and labelled products.

We run mandates that are ethical, responsible and sustainable and linked to the Just Transition. Clients are drawn from across the market from purely ethical to impact focused, from charities to Independent Financial Advisors to Discretionary Fund Managers.

This final section looks ahead and gives a sneak preview into some of our plans for 2022 and beyond.

We launched two Funds in January 2022 to give investors the opportunity to contribute to a more sustainable global economy.

The **EdenTree Green Future Fund (GFF)** managed by Charlie Thomas, EdenTree's Chief Investment Officer, and Tom Fitzgerald, Fund Manager, has been designed to help investors position their portfolios to take advantage of the opportunities presented by the transition to a more sustainable, low-carbon economy. The managers, who have over 30 years combined experience in responsible and sustainable investing, cite unprecedented demand from investors for future-focused portfolios that seek to address environmental challenges.

The **EdenTree Global Impact Bond Fund (GIB)**, which aims to produce positive financial returns through responsible, sustainable and ethical fixed income instruments, will be co-managed by David Katimbo-Mugwanya, Senior Fund Manager, and Michael Sheehan, Fund Manager, who bring 15 years' combined investment experience. The managers will operate with a remit that reflects both the global investment universe and the international nature of the challenges that the fund seeks to address.

The two new Funds will complement EdenTree's existing range of products that invest responsibly and sustainably across a variety of equity, fixed income and multi-asset strategies. Investment decisions in the Green Future Fund and Global Impact Bond Fund will embed ESG criteria, with the Fund Managers working closely with the Responsible Investment Team.

In addition to these exciting new Fund launches, we will transition the Group's Direct Benefits Final Salary Pension Fund to a fully screened Responsible & Sustainable fund from 1st April to join our range of responsible and sustainable products. This follows the transition of the Groups entire £800m+ of assets to a responsible and sustainable screen last year, and means that the vast majority of EdenTree's assets under management will be administered either with an ethical or a responsible & sustainable approach (98%).

DISCLOSURES UNDER SRD II

Our charitable ownership and commitment to our customers and communities' means we have a unique opportunity to create a positive impact in the world. Since 2016 Benefact Group has surpassed its giving target of £100m in grants and donations to good causes, making us the fourth largest corporate donor in the UK. This target was set in 2017 after £50m had been successfully gifted to our charitable owner. As well as this core giving, 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 grant of £125 that they can give to a charity of their choice.

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.

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

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 how we exercise stewardship as asset managers on behalf of all clients equally. Our disclosure under the UK Stewardship Code (2020) provisions will be published alongside this Annual Review on an annual basis.

MRS J NOLAN
Compliance Manager

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March 2022

Performance
with principles®

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