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The EdenTree Green Future Fund Principal Adverse Impact Statement

June 2023



Statement on principle adverse impacts of investment decisions on sustainability factors

Financial market participant: EdenTree Green Future Fund

(LEI: 213800KZRU969X1R9N86)



1. SUMMARY

The EdenTree Green Future Fund considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors¹ of the EdenTree Green Future Fund. This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

EdenTree do not have a regulatory obligation to report on Principal Adverse Impacts at entity level, and this statement has been produced on a voluntary basis at product level for the EdenTree Green Future Fund.

A summary of Principle Adverse Indicators considered by EdenTree is presented in Table 1.

Table 1: Summary of Principal Adverse Indicator prioritised by EdenTree

Theme	PAI Indicator
Climate and environmental indicators	GHG emissions
	Carbon footprint
	GHG intensity of investee companies
	Exposure to companies active in the fossil fuel sector
	Share of non-renewable energy consumption and production
	Energy consumption intensity per high impact climate sector
	Activities negatively affecting biodiversity sensitive areas
	Emissions to water
	Hazardous waste ratio
Social and employee, respect for human rights, anti-corruption and anti-bribery matters.	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
	Unadjusted gender pay gap
	Board gender diversity
	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)

¹ The statement addresses requirements as set out in the Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector

2. DESCRIPTION OF PRINCIPLE ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Table 2: Description of the principal adverse impacts on sustainability factors

Adverse sustainability indicator	Metric	Impact (2022)	Actions Taken
1. GHG emissions	Scope 1 GHG emissions	1,599.45	General Approach EdenTree are committed to driving real world decarbonisation and achieving alignment with the goals of the Paris Agreement.
	Scope 2 GHG emissions	377.16	
	Scope 3 GHG emissions	33,134.47	
	Total GHG emissions	35,111.08	
2. Carbon footprint	Carbon footprint	1,403.98	EdenTree's investment process is designed to facilitate the creation of carbon-aware portfolios. Investment ideas are assessed against a positive environment and climate change screen. As part of this we consider the credibility of a company's transition plan, their governance of climate risk, their emissions reduction targets, their decarbonisation goals and performance, and their climate-related disclosure. We also look at companies through a thematic lens. The Green Future Fund focuses on companies whose products and services offer solutions for seven environmental themes: alternative energy, energy efficiency, circular economy, environmental services, water management, future mobility, and regenerative agriculture.
3. GHG intensity of investee companies	GHG intensity of investee companies	2,532.45	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	4.62%	
5. Share of non-renewable energy consumption and production	Share of non -renewable energy consumption from non - renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	77.64%	Given the sustainable solutions focus of the Green Future fund it should be noted that significant emphasis is placed on avoided emissions associated with the investments. The emergence of avoided emissions is still in the early stages of development regarding accepted metrics and data capture, this is an important characteristic of the investment strategy and anticipate future significant development in this regard.
	Share of non - renewable energy production of investee companies from non - renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	0.02%	

			<p>Engagement EdenTree have created a proprietary Climate Stewardship Plan which contains the companies responsible for the majority of our scope 1&2 financed emissions. The CSP sets out 13 climate-related expectations which we view as best practice, and assesses the performance of the 22 high-impact companies against these expectations. Based on performance we have identified areas for improvement and translated these into engagement objectives. EdenTree participates in several collaborative investor initiatives through which we aim to influence corporate action and promote progressive climate policy. This includes the IIGCC, CDP and ShareAction.</p>
<p>6. Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</p>	Agriculture, Forestry, and Fishing	0	<p>Exclusions Fossil fuel exploration and production is negatively screened, meaning our Funds do not invest in companies that derive more than 10% of their revenue from oil and gas exploration and production, and thermal coal extraction and production.</p> <p>Voting We support shareholder resolutions to support wider environmental best practice including climate change.</p>
	Mining and Quarrying	0	
	Manufacturing	0.52	
	Electricity, Gas, Steam and Air Conditioning Supply	3.71	
	Water Supply, Sewerage, Waste Management and Remediation Activities	0.34	
	Construction	0	
	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	0	
	Transportation and Storage	0.04	
	Real Estate Activities	0.00	
<p>7. Activities negatively affecting biodiversity-sensitive areas</p>	Share of investments in investee companies with sites/ operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.00%	<p>General Approach EdenTree considers a company's management of biodiversity-related risk as part of its positive environment screen. As part of this, we will assess a company's exposure to biodiversity-related risk, and any strategies or targets they have in place.</p> <p>Engagement EdenTree have been engaging on the topic of biodiversity for many years. In 2022 we launched a thematic engagement focusing on biodiversity loss within the food and agricultural sector. Through the engagement we aimed to understand the sector's challenges in tackling biodiversity; identify, encourage and share examples of best practice; and push for greater action where necessary.</p>

8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.00	<p>General Approach EdenTree consider water-related risks as part of our investment process. We look for companies to report on their water use, abstraction from water stressed areas, and have in place targets to reduce water use. We also assess incidents of pollution and how these are prevented, and where relevant, the use of nature-based solutions.</p> <p>Engagement Water is one of EdenTree’s engagement priorities. In 2022, we led an engagement with our water utility holdings to challenge and understand why river pollution in England and Wales continues to be a problem. We also intend to engage with our high-impact water sectors to encourage best practice and ensure they are being proactive and ambitious on water.</p>
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.20	<p>General Approach EdenTree analyse waste-related risks as part of our investment process. Metrics we consider include a company’s total waste, their overall waste trend (whether usage is increasing or decreasing), the % of hazardous waste, the amount of waste sent to landfill, and the rates of recycling. We also analyse any waste management targets and the waste management controls within a business.</p> <p>Engagement Waste regularly features as one of EdenTree’s thematic engagement topics. We conducted a thematic engagement with our holdings in the construction sector, which enabled us to explore the value-chain of the sector in detail, and to use our voice to push for better, more sustainable practices in waste management. We are also part of the Plastic Solutions Investor Alliance.</p>
10. Violations of UN Global Compact Principles and OECD Guidelines	Share of investments in investee companies that have been involved in violations of the UNGC principles or	0.00%	<p>General Approach Membership to the UN Global compact and respect of the 10 underlying principles are taken into account when we analyse companies for inclusion in the Funds. We assess the elements of the UN Global Compact (human</p>

for Multinational Enterprises	OECD Guidelines for Multinational Enterprises		rights, labour, environment, anti-corruption) through our in-depth screening process. We continuously monitor for company controversies through news flow and our data providers. We define controversies as breaches of international norms or other negative news flow that may affect our view of a company's suitability, such as the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises. Where a breach is identified we will engage with the company and, depending on the severity of the breach and potential for improvement/remediation, divestment will also be considered.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	28.31%	<p>Exclusions Elements of the UNGC principles are considered through our Oppressive Regimes screen. We maintain a list of countries – based on proprietary analysis – in which human rights risks are considered more ubiquitous, severe, or opaque. In these countries, where corporate activities overlap with government policies and practices of oppressive regimes, it will trigger the negative Oppressive Rights screen and excluded from the Funds.</p>
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	-12.33%	<p>General Approach Assessment of the gender pay gap is included as part of the company screening process. We believe companies should seek to collect and disclose, where possible, relevant data on the composition of the workforce, report on associated pay gaps and identify a strategy for improvement where issues are identified.</p>
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	34.05%	<p>General Approach We believe that companies should have a suitably diverse mix of skills and perspectives. We analyse the gender diversity of the Board as part of our company screening.</p> <p>Voting EdenTree supports the aspiration to improve Board diversity as set out in the Hampton-Alexander Review, 'FTSE Women Leaders'. We look to</p>

			<p>FTSE350 companies to report progress on how they have worked towards meeting a minimum target of 33% women on boards. Where companies make 'boiler plate' statements, or do not appear to be making sufficient headway, we will use discretion to oppose or abstain the re-election of the Chairman (or Members) of the Nominations Committee.</p>
<p>14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)</p>	<p>Share of investments in investee companies involved in the manufacture or selling of controversial weapons</p>	<p>0.00%</p>	<p>Exclusions EdenTree avoid investment in companies manufacturing weapons and weapon systems, or goods and services specifically required to support those systems. The Funds apply a 10% threshold above which EdenTree will not invest. While the 10% threshold serves as a guide, companies involved in the manufacture of indiscriminate weaponry including nuclear weapons, cluster bombs, landmines and biological or chemical weapons, will not be considered suitable for investment.</p>

3. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Methodology to identify and prioritise principle adverse impact

All sustainable investments made by the Fund are subject to an initial and ongoing review by the Investment Manager to ensure that they do not significantly harm any other social or environmental objective. This is known as the 'Do No Significant Harm' test. As part of the DNSH assessment, the Investment Manager considers all the mandatory principal adverse indicators listed in Table 1 of Annex 1 of the Commission Delegated Regulation (EU) 2022/1288. Assessing a Fund against these indicators provides a view as to whether an investment is having a material adverse impact against the sustainable investment objective.

The Fund incorporates negative screening to avoid companies whose activities are harmful to society.

The Fund will avoid investment where there is a material involvement (10% or more) in alcohol and tobacco production, conventional weapon production, gambling, publication of violent or explicit materials, intensive farming, fossil fuel exploration and production and high interest (sub-prime) lending. The Fund will avoid companies with material operations in oppressive regimes. The Fund has a proprietary means of assessing oppressive regime risk, and operates this on a case by case basis. It will also seek to avoid companies that have exposure to the manufacture of unconventional weapons where these are defined as nuclear, biological and chemical weapons, land mines and cluster bombs. Finally, the Fund will seek to avoid companies using animals to test cosmetic, beauty or household products. It will invest in pharmaceuticals companies that may conduct animal testing but will encourage the adoption of the 3R principles: refine, reduce, and replace. By applying the negative screen pre-investment, we limit investing into companies with a negative impact on sustainability factors.

The outcomes of a positive screen are also used to ensure all potential investments are managing their material sustainability risks. As part of this screening process, we will identify companies which have a negative impact on environmental and social factors, and investment in that company will only be permitted where the Investment Manager is satisfied that appropriate remedial actions have been implemented. Performance against the PAI indicators is monitored on an ongoing basis using a third-party data provider. Monitoring is subject to data availability and quality. Engagement is also utilised as a means to mitigate and improve principle adverse impact.

Governance

The Investment Manager conducts research and due diligence to ensure that companies in the Fund follow good governance. As part of this, the Investment Manager assesses prospective investments for issues relating but not limited to ownership and control, board structure, board diversity, pay practices, accounting and tax practices, political and lobbying practices, and stakeholder engagement. To conduct this assessment, the Investment Manager reviews policies, such as codes of conduct and anti-bribery and corruption policies, as well as compliance infrastructure. The Investment Manager also examines the history and pattern of corporate behaviour going back five years and assesses remediation of governance controversies.

Data Sources

The Investment Manager uses a variety of data sources within its investment process. In particular the Investment Manager uses reported company data such as annual reports and sustainability reports, investment research, third party financial providers, trusted NGOs (such as the PRI, IIGCC, CDP, Workforce Disclosure Initiative, World Benchmarking Alliance), and third-party data providers, such as ISS, which act as an extra layer of due diligence. ISS' ESG rating, norms-based screening, SFDR analysis and climate analysis may be consulted by the Investment Manager.

Sustainability data is sourced and utilised according to need. Relevant uses may include (but are not limited to) sustainability analysis of individual securities, sustainability analysis of the portfolio, ensuring compliance with do no significant harm policies, negative and positive screening, impact reporting and other sustainability-related regulatory reporting.

4. ENGAGEMENT POLICIES

Active engagement is an important and integrated part of the EdenTree's investment process. Several engagement methods are used by the Investment Team to further understand, expose, and improve disclosures, policies, and practices of investee companies.

Stock-related engagement

As we screen new investment ideas and review existing holdings in our Funds, we will often identify issues that need further clarification. On occasion – for instance if we need to confirm details around animal testing or exposure to the defence sector – we will recommend that this engagement is conducted before we reach a final decision on a company's suitability for the Funds.

In the case of reviews, our engagement may focus on specific risks identified, or if disclosure is poor, a general catch-up. It is also possible that new issues, previously not on the radar, are flagged for discussion during periodic reviews.

Thematic engagement

Thematic engagement usually focuses on a particular issue, such as climate change, Board diversity, modern slavery, or biodiversity. We either conduct thematic engagement by ourselves, or in collaboration with other stakeholders. Depending on the theme, we may look to engage with companies across a number of sectors, or focus on just one. Another way of engaging thematically is to concentrate efforts on a specific sector, and engage across a wide range of issuers.

Targeting a large number of companies at the same time helps us to conduct peer group comparisons, identify leaders and laggards in a sector, and helps inform future engagement. Core thematic strands around the issues of climate change and Board diversity form a consistent part of our annual strategy.

Collaborative thematic engagements are another core strand of our work. These typically involve EdenTree joining groups of stakeholders – usually other investors – to engage with companies on a particular issue. Some of these engagement streams are often co-ordinated by NGOs, such as ShareAction, or the PRI (Principles for Responsible Investment). Collaborative engagements can span a number of years, and our involvement typically ranges from signing investor letters or investor statements, to leading engagement with companies on the topic in question.

Reactive engagement

We may need to take urgent action in the case of negative news-flow or emerging controversies. Typical issues that may require urgent, reactive engagement include involvement in a controversial project, allegations of misconduct, product quality/safety issues, or any other environmental, social or governance controversy.

These usually prompt us to conduct a short engagement to seek information and the company's position or response. In rare instances, engagement arising from negative news-flow may result in companies breaching our Ethics screens, in which case, (and following engagement), divestment may be recommended.

For more information, please check the External Investment Manager's Engagement Policy: [c00880-how-we-engage-v2.pdf \(edentreeim.com\)](https://www.edentreeim.com/c00880-how-we-engage-v2.pdf)

5. REFERENCES TO INTERNATIONAL STANDARDS

In addition to national corporate governance principles and codes of best practice, EdenTree takes account of many broadly accepted codes of conduct, statements and best practices. Currently the most important codes and principles are:

- United Nations Global Compact
- United Nations Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- International Labour Organisation Protocols
- United Nations Sustainable Development Goals
- Paris Agreement

6. HISTORICAL COMPARISON

A historical comparison of the period reported on with the previous reported period will be made as of 2024.