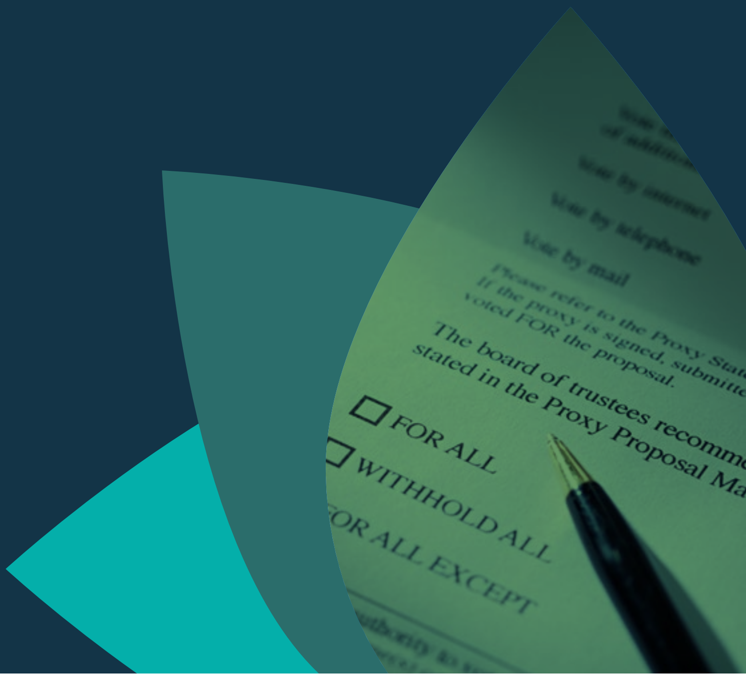
Responsible Investment Activity Report

Quarter 1 to 31 March 2025



Welcome to our Responsible Investment Activity Report for the three months to 31 March 2025.

This report comes at a time of geopolitical change and increasing polarisation in sustainable investment, with support for key issues like diversity and climate change wavering – particularly in the US. Amid growing levels of "greenhushing", we are proud to "bang the drum" for sustainable investment and continue to place high standards on the companies we invest in.

One key area through which we hold companies to account is through our proxy voting activity. In January, we were pleased to publish our new Corporate Governance & Voting Policy. This serves to guide our activity and provide further transparency around our corporate governance expectations.

Looking at the year ahead, active engagement remains a core part of our approach, and we seek to drive change in line with our thematic priorities. Recognising that strong oversight and governance is essential in driving progress against our objectives, Good Governance has been added to our thematic priorities for 2025, joining long-term themes of A Just Climate Transition, Water Stress and Social and Financial Inclusion.

We hope you enjoy reading our report. We welcome any feedback at RITeam@edentreeim.com

Research

FRC consultation on proposed changes to UK Stewardship Code

Following our participation in several consultation roundtables, we provided our response to the Financial Reporting Council (FRC) on the proposed changes to the UK Stewardship Code this quarter. Overall, we consider the FRC's proposed revisions to be a positive step forward. However, for the Code to retain its strong position as an internationally recognised measure of effective stewardship, we believe there are several areas that should be reviewed. Specifically, we have asked the FRC to continue to support high-quality stewardship and refrain from watering down its definition.

Commitment to net zero transition

We published a statement reaffirming EdenTree's commitment to the net zero transition and the targets set out in our climate strategy. The statement comes at a time of increasing political division around climate change, and we believe now is the time for like-minded investors to hold the line. The statement reiterates our conviction that climate change is a financially material risk and that securing an orderly net zero transition is an essential part of our fiduciary duty. It also references the leadership shown by the UK Wealth Manager and UK Asset Owner communities and endorses the power of collaborative stewardship initiatives. The statement can be found here.

Reporting

Corporate Governance & Voting Policy

In January, we published our 2025 Corporate Governance & Voting Policy. The policy, which builds on the strong foundations established in our former separated UK and International Corporate Governance Policies, reflects an evolution of our approach. It clearly outlines our key expectations of portfolio companies and articulates the stewardship actions we may take where companies fall short. The policy will serve to guide our activity and provide further transparency to clients, companies and other stakeholders around our corporate governance expectations and voting decisions. The policy can be found here.

Engagement

As active managers, engagement with investee companies is fundamental to our approach. This section highlights our engagement activity over the quarter across our four core themes: A Just Climate Transition, Water Stress, Social and Financial Inclusion and Good Governance. It also summarises our fact-finding company engagement.

A Just Climate Transiton

Climate Capital Adequacy
Prudential Regulation Authority

Issue: Climate change poses risks to financial stability, something made clear by the Financial Stability Board and member banks. In response, central banks are increasingly conducting climate stress tests, but bank-specific results are rarely shared with investors. We believe improved climate risk disclosures would benefit both investors and financial stability.

Actions: In January 2024, along with 21 other investors, we signed a letter to the Prudential Regulation Authority (PRA), coordinated by Sarasin & Partners. The letter sought the support of the PRA in delivering better climate disclosures. In particular, it sought improved disclosure around how material climate risks have been factored into banks' financial statements, auditor reports and capital adequacy reporting.

Outcome: In January 2025, the PRA responded to our ask, stating its intention to "focus on disclosures that will help users understand the effect of climate risk on firms' exposure to credit risk". We additionally met with the PRA to discuss the letter in more detail, with the PRA keen to know precisely what disclosures investors would like to see.

PRI Advance: Human Rights
Enel

Issue: Enel manages 60.9 GW of renewable energy capacity, making a key contribution to the climate transition. However, the company has been involved in several controversies related to lack of respect for indigenous and community rights in recent years.

Actions: As part of the Principles for Responsible Investment (PRI) Advance Investor Initiative on human rights, we are co-leading the engagement with Enel. This dialogue has been ongoing for over a year, and we had our fourth conversation with the company in January 2025, primarily focused on its operations in Western Sahara.

Outcome: Throughout our conversation, we sought to understand more about the human rights due diligence process Enel conducted prior to entering the region. We also probed on the company's stakeholder consultation processes and the mitigation measures put in place. We will continue engaging with Enel in 2025 to encourage responsible exit and remediation activities.

Climate Stewardship Plan
Clean Harbors

Issue: Clean Harbors is one of the companies in our Climate Stewardship Plan, contributing materially to the carbon emissions of some of our funds. The company's climate risk management is weaker than peers, as it lacks formal climate targets, scope 3 emissions data or a formal transition plan. The purpose of the engagement is to strengthen the company's approach in these areas.

Actions: We have met with the company twice in the last two-year period, most recently in January 2024. During both engagement meetings, we encouraged the company to improve its operational climate risk management. We also spent time discussing Clean Harbors' provision of climate solutions.

Outcome: We were pleased to learn that the company has introduced intensity-based decarbonisation targets, which is a welcome step. As a next step, we encouraged Clean Harbors to consider setting absolute targets, which we view as more robust than intensity-based targets. The company is yet to commit to full disclosure of its scope 3 emissions or to set a climate transition plan. These aspects will be the focus of our engagement moving forward.

Climate Targets
HSBC

Issue: In early 2025, HSBC rolled back its operational emissions targets, citing a new 2050 net zero deadline, replacing the previous aim of 2030. The bank also announced an upcoming review of its financed emissions targets and has started to soften the language used in its energy policy. These developments raised significant concerns.

Actions: We met with HSBC as part of a collaborative investor group, coordinated by ShareAction. The call provided the group an opportunity to meet Pam Kaur (the new CFO) and Julian Wentzel (the new CSO) who took up their roles in January 2025. During the meeting, the investor group raised concerns about the rollbacks and encouraged HSBC to remain committed to its existing targets.

Outcome: The meeting was successful in building the relationship between the group and the new HSBC representatives. However, we did not gain sufficient clarity regarding HSBC's commitment to its existing climate targets. As such, we intend to escalate our concerns next quarter via further collaborative engagement.

Fossil Fuel Financing
IIGCC Banks Working Group

Issue: We have been engaging directly with our bank holdings for a number of years. In light of recent global events, including numerous banks pulling out of the net zero banking alliance (NZBA) and several banks rolling back climate targets, we felt it was appropriate to expand the scope of our engagement.

Actions: We have expanded the number of collaborative engagements we are part of within the Institutional Investors Group on Climate Change (IIGCC) Banking Workstream. We have taken up a leading role in the engagements for Credit Agricole and Toronto Dominion (previously a supporting investor), alongside joining the engagement groups for HSBC, ING Groep and Barclays. We remain members of the ScotiaBank engagement group.

Outcome: Collaborative engagement is an increasingly important means for encouraging ambitious climate action, and we believe this action will allow us to exert the necessary pressure on banks to align with the goals of the Paris Agreement.

Water Stress

Water Stewardship
Apple, Alphabet, Adidas, Burberry, Danone and Microsoft

Issue: Companies within the apparel, beverage, food and technology sectors have a significant water footprint in their supply chains. As growing water scarcity affects communities globally, it also poses a significant financial risk. These companies were targeted for engagement given their potentially large impact and dependency on water.

Actions: We signed letters sent out by the Valuing Water Finance Initiative, which calls on companies in sectors with a high water footprint to assess water as a material financial risk. This collaborative engagement encourages companies to increase their ambition in line with the Corporate Expectations for Valuing Water, which are a set of action points for companies to steward and protect water resources they depend on.

Outcome: We await responses from the companies, but we will continue to monitor the water-related risks, impacts and dependencies of the targeted companies and look to engage further where relevant.

Water Stewardship and Hazardous Chemicals
AkzoNobel

Issue: The chemical sector is highly exposed to water-related risks and can have a negative impact on water security through consumption and pollution. In addition, chemical substances can be damaging to both human and environmental health, particularly persistent chemicals and substances of high concern.

Actions: We held our first engagement meeting with AkzoNobel, which has recently been added to our thematic engagement on water stress as a speciality coatings business.

Outcome: We were pleased to hear that AkzoNobel is managing its water risk well. The company's exposure to high water stressed regions is low and its freshwater use is declining year on year. Although the company has water reduction targets, they are not time-bound. Therefore, we encouraged AkzoNobel to make these targets more ambitious. On hazardous chemicals, the company's approach to sourcing safer alternatives is strong, and its lobbying transparency is leading the sector. We will continue to engage and for best practice.

Social and Financial Inclusion

Votes Against Slavery

**3i Infrastructure,
Close Brothers Group,
HICL Infrastructure,
Hollywood Bowl Group,
JTC, MoneySuperMarket,
Spirax Sarco and Tritax EuroBox**

Issue: Modern slavery has been a continuous focus of our engagement work for several years, and in 2025, we continue to support the Votes Against Slavery collaborative initiative, which focuses on company adherence to the reporting requirements of the Modern Slavery Act 2015.

Actions: The coalition, led by Rathbones, reached out to several companies and called on them to make their Modern Slavery disclosures compliant with the current legal requirements of the Act ahead of their AGMs.

Outcome: We are pleased that Tritax EuroBox, JTC, HICL Infrastructure and Close Brothers have all updated their statements to ensure full compliance following the engagement of the coalition. We will continue to monitor broader progress, and if necessary, take voting action at the AGMs of companies which remain non-complaint.

Workforce Safety

Randstad

Issue: Over the past year, Randstad reported eight fatalities in its business. Upon examining Randstad's reporting, we felt its disclosures were light touch on causation and remediation.

Actions: We reached out to the company to seek further information on the fatalities to help inform our voting decisions at the upcoming AGM. Although Randstad were able to clarify a number of points and were willing to engage, the company's response to our engagement did not provide in-depth answers.

Outcome: We chose to vote against the ratification of the Supervisory Board as an escalation measure, and we are continuing to engage with Randstad on health and safety to ensure the company's oversight of risks is managed appropriately.

Good Governance

Rollback of Strategic Targets

Lloyds Banking Group

Issue: Lloyds Banking Group has made adjustments to its strategic climate and diversity objectives, which we deem to be less ambitious. This includes removing international travel from the scope of its decarbonisation targets and focusing gender and ethnic representation targets at the executive level.

Actions: We engaged with Lloyds to gain further insight behind these decisions and to feedback our views on why the changes to the bank's sustainability targets signal a weaker level of ambition. We also wanted to encourage transparency around accountability to ensure robust governance of the bank's targets.

Outcome: Lloyds emphasised that the amendments to its targets serve only to align older targets with the bank's updated forecasts. Since setting its decarbonisation targets, the need for international travel has increased due to operations opening in new regions. Lloyds further noted that amendments to its diversity targets increased the bank's ambition but focused it at the executive level. Despite these amendments, Lloyds remains a leader on a range of sectoral issues, and we will continue to monitor its position and governance going forward.

Fact-Finding Company Engagement

Cybersecurity

Experian

Issue: As part of our ongoing review of companies in our portfolio, we identified some cybersecurity concerns at Experian. As a global information services company, Experian collects and stores personal and business data. Therefore, its susceptibility to information security risks is relatively high.

Actions: We held a meeting with Experian to gain further insights into the company's alleged involvement in a number of moderate controversies surrounding data breaches. We also sought to gain further insight into its broader sustainability strategy and impact framework.

Outcome: Overall, Experian appears to have taken reasonable steps to manage data-related risks, especially considering the company's operational challenges and scale. On social impact, we were pleased to see the company take a proactive yet cautious approach to quantifying social impact.

Human Rights

Orange S.A.

Issue: We met with Orange after identifying elevated social risks within its business. As a telecommunications company, Orange operates in some challenging regions and has been involved in historic controversies surrounding poor employee mental health.

Actions: We requested a meeting with Orange to deep dive into how the company manages operating in high-risk regions. At this meeting, we also discussed how Orange approaches employee mental health and wellbeing in the face of ongoing company restructuring.

Outcome: Orange's representatives described the company's approach to operating in challenging regimes in detail. We gained comfort in the company's management of this elevated risk through its detailed vigilance plan and membership of the Global Network Initiative. In addition, Orange's supply chain visibility is excellent, with oversight down to tier 4 suppliers. Within the company's own operations, there is a social barometer that is used to check in on employee wellbeing and monitor employee stress. Overall, it was a positive call, and we gained a deeper understanding of how Orange manages its social impact.

Governance

We vote at all meetings in all territories for which we have a shareholding. The only exception is where meetings are 'share blocked', where we would otherwise have to waive our right to trade in the stock for a period prior to the meeting.

During the quarter, we voted against management's recommendation on 16% of all proposals voted. These voting actions most commonly reflected concerns relating to remuneration, oversight of material areas, board independence and director availability. Our voting activity over the last quarter is summarised below:

Q1 2025 Voting Summary	
No. proposals eligible to vote on	652
Proposals voted on	100%
Proposals supported	84%
Proposals opposed	15%
Proposals abstained	1%
Proposals voted against management's recommendation	16%
Proposals voted against GlassLewis' recommendation	15%
No. meetings voted at	42

Compensation

Over the period, we continued to oppose poor pay practices and compensation disclosures, voting against 31 remuneration-related proposals. Building on this, we also escalated our voting action on the grounds of remuneration concerns at three meetings.

Remuneration Enhancements

Hollywood Bowl Group

Issue: We voted against Hollywood Bowl Group's 2024 Remuneration Report at its AGM due to high pay outs vesting at threshold. Under the company's proposals, 30% of overall pay would be awarded for threshold level performance, i.e. simply doing the job, which we are not in support of.

How we voted: Following our vote against Hollywood Bowl Group's remuneration report, the company's management team reached out for us to consult on the 2025 remuneration policy. We shared our concerns around the overreliance on absolute performance measures in the LTIP, as well as the considerable vesting opportunity for threshold performance. Within our review of the 2025 policy, we were pleased to see the company had improved both aspects by reducing vesting and adding a relative performance measure. As such, we voted in favour of the 2025 remuneration policy and pre-declared our intentions directly to the company.

Outcome: The policy received 93% support from shareholders, a marked improvement from last year's remuneration report (83% support).

Board And Oversight

Over the period, we opposed the re-election of 28 directors, predominantly in their capacity as the chair or as members of key sub-committees.

Board Independence

Novartis

Issue: Novartis has made great strides in its restoration efforts following a history of successive financial-crime-related controversies. We recognise that this is in large part due to a shift in management. However, in terms of corporate governance, we believe this could be further strengthened. For example, independence is an issue, both in terms of misrepresentation of affiliated directors as 'independent' and the presence of an insider on the Audit Committee.

How we voted: We voted against the re-election of a number of directors for overcommitment and independence concerns. We escalated this to vote against the Chair of the Nomination Committee.

Outcome: While all directors were re-elected, one received moderate shareholder dissent, with 15% voting against their re-election. We would expect the Board to address this ahead of the next AGM.

Board Diversity

Diploma

Issue: Diversity of experience, thought and skills strengthens board oversight and resilience. Aligned with this, we expect FTSE 350 companies to align to the requirements of the Parker Review to have at least one director from an ethnic minority on their Board by 2024. We have been engaging with Diploma on the Parker Review since 2022.

How we voted: In its reporting, Diploma referenced that a new director will be appointed to its board in the first half of 2025 who will fulfil the requirements of the Parker Review. After voting against the re-election of the Nomination Committee Chair for a number of years due to diversity concerns, we were satisfied with progress and chose to vote in favour in 2025.

Outcome: The director serving as Chair of the Nomination Committee was successfully re-elected. However, they received moderate shareholder dissent (14%), likely driven by concerns around potential overcommitment. We expect the board to address this ahead of the next AGM.

Shareholder Proposals

Q1 2025 Shareholder Proposals	
No. shareholder proposals voted on	18
Environmental voted on	1
Social voted on	6
Governance voted on	7
Compensation voted on	4

Workforce Safety

Novo Nordisk

Issue: Novo Nordisk has been rapidly expanding its manufacturing production capacity due to the high demand for Ozempic. As it has pushed its expansion, there have been health and safety and human rights concerns on its construction sites, with reports of fires and workers without permits.

How we voted: A shareholder proposal was filed at Novo Nordisk on collective agreements for employees and ensuring a good working environment. We chose to support the proposal given the workforce and human rights concerns that have come to light in the last 24 months.

Outcome: The company has not published its AGM voting results yet. However, we have reached out to Novo Nordisk to arrange a meeting to discuss the company's approach to health and safety in the face of rapid capacity expansion.

Ethical AI

Apple

Issue: We voted on four shareholder proposals at Apple, two of which we supported. The first was related to ethical artificial intelligence (AI) data acquisition and usage and the second was related to software transparency.

How we voted: Considering the company has recently settled a $95 million class action suit claiming its Siri offering violated users' privacy, we felt support for the AI-related proposal was warranted, as additional disclosure could allow shareholders a better understanding of how Apple is ensuring it is mitigating risks associated with data sourcing.

Outcome: The proposal relating to ethical AI data sourcing did not pass. However, it received 12% support, indicating a reasonable amount of shareholder interest.

Our Responsible Investment Team

We have a specialist in-house Responsible Investment (RI) team who carry out thematic and stock specific research on environmental, social and governance issues.

The team is also responsible for creating an ongoing dialogue with companies, allowing us to engage on a wide variety of sustainability topics. For investors, it's an added layer of assurance that our clients' money is being invested in companies that are operating in a responsible and sustainable way.

Our responsible and sustainable investment process is overseen by an independent Advisory Panel, comprised of industry and business experts appointed for their specialist knowledge.

Carlota Esguevillas
Head of RI

Amelia Gaston
Senior RI Analyst

Hayley Grafton
Senior RI Analyst

Cordelia Dower-Tylee
RI Analyst

Aaron Cox
Impact Strategist

Why EdenTree?

Partnering with us can empower your clients with a suite of investment strategies designed to help address pressing environmental and social challenges, while seeking to deliver competitive rates of return.

Contact us today to explore our innovative investment solutions and discover how we can support your clients' sustainable investment objectives.

Further information and support

We serve the professional investment community across the entirety of the UK, with our Business Development Team consisting of dedicated and experienced regional representatives, who are on hand to provide exceptional levels of client support.

For additional information, please contact your EdenTree relationship manager, or get in touch with us at:

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