Responsible Investment Activity Report

Quarter 2 to 30 June 2025

Welcome to our Responsible Investment Activity Report for the three months to 30 June 2025.

The end of June marked the close of another dynamic proxy season, which was characterised by turbulence amid evolving global developments in corporate governance and shareholder rights. This volatility affected both investors and companies, reflected in several key trends, including shifts in the scope and support for shareholder proposals and changing sentiment around diversity, equity and inclusion (DEI), both in corporate policies and investor voting behaviour. A summary of our voting activity is provided below, with the full record available in our Quarterly Proxy Vote Report.

This report also summarises our key engagement activity over the quarter against our four priorities: A Just Climate Transition, Water Stress, Social and Financial Inclusion and Good Governance. This has included increasing our focus on banks' financing activities, continuing to engage with our chemical holdings on water stress, and kicking off an engagement with our building societies on financial inclusion.

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

Research

Our House Annual Activity Report was published in the quarter, which reflects on our stewardship activity over the past year. It also celebrates our achievement of obtaining four SDR labels and several sustainable investment awards. It is available to read here.

We wrote an article published in PA Future addressing the recent backlash against sustainability affecting the sustainable investment industry. We posit that what may appear as a step back through fund closures can serve as a pivotal moment for long-term progress through clarified commitments and eliminating greenwashing. We believe that these changes will help rebuild credibility and trust in the sustainable investment industry.

During the quarter, we participated in the Impact Investing Institute's Community of Practice for Public Markets. The event featured discussions on the need to introduce greater standardisation in impact reporting and fielded questions on what defines a robust engagement.

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.

A Just Climate Transiton

During this quarter, we focused heavily on our fossil fuel financing engagement strand. We engaged broadly across our holdings, leveraging a combination of direct engagement, collaborative engagement and written statements to push for change.

Fossil Fuel Financing
Crédit Agricole

Issue: We have recently taken a leading role within the Crédit Agricole engagement group as part of the IIGCC's Banks Engagement Initiative. Crédit Agricole is entering into a period of planning ahead of releasing its next medium-term plan towards the end of 2025. With this window of opportunity in mind, we engaged with the bank to encourage ambitious targets and to share some objectives to consider while it is developing the plan.

Action: We held a meeting with Crédit Agricole alongside the IIGCC engagement group. During the meeting, we spent time reintroducing the IIGCC Banks Engagement & Research Initiative, sharing the rationale for the engagement and the objectives of the investor group.

Outcome: The dialogue that followed was very dynamic, with Crédit Agricole sharing both its current position and seeking feedback from the investor group. Most time was spent on the topics of climate lobbying, fossil fuel exclusions and the client transition assessment process. On lobbying, the bank's position is fairly weak (reflective of the general industry position on this topic), and we encouraged Crédit Agricole to disclose a full list of its lobbying positions. On fossil fuel exclusions, while the bank no longer provides financing to pure-play clients, its restrictions do not extend beyond this. In particular, it has no restrictions regarding midstream financing, which we encouraged it to improve. Finally, on the client transition assessment process, we suggested Crédit Agricole could improve its position by being more transparent around the metrics and thresholds it uses to assess clients. On the whole, it was a positive start to the engagement, and we intend to hold another meeting, specifically on the topic of climate-related accounting.

Climate Financing Targets
HSBC Holdings Plc, Barclays, Standard Chartered and Crédit Agricole

Issue: Ambitious sustainable finance targets are a vital part of the energy transition. It is important for banks to set robust targets underpinned by a transparent methodology to ensure capital is directed towards low-carbon projects. It is equally important for banks to set stretching targets for fossil-fuel phase out and ensure their lending is aligned with the goals of the Paris Agreement. We have been collaborating with the ShareAction Banks Working Group to encourage this action at four major banks: HSBC, Barclays, Standard Chartered and Crédit Agricole.

Action: During the 2025 AGM season, we co-signed investor letters to each bank, calling for specific actions. We urged HSBC to reaffirm its commitment to both its 2050 net zero target and its interim 2030 financed emissions targets. At Barclays, we called for the setting of a clear target for renewable power financing. We requested Standard Chartered publish a plan for increasing renewable power financing as part of its climate strategy. And we called on Crédit Agricole to set a high-level sustainable finance target.

Outcome: HSBC reaffirmed its commitment to achieving net zero by 2050. However, it stopped short of endorsing its 2030 financed emissions targets. Instead, HSBC announced it would undertake a "comprehensive review of financed emissions targets and policies" to better reflect near-term challenges. Although disappointing, this development was not unexpected. We intend to continue engaging with HSBC over the coming months to press for stronger near-term ambition. Barclays acknowledged the investor request for a renewable financing target but stated that such a target is not currently under consideration. The broader investor group is now evaluating potential next steps. Standard Chartered gave a similar response, indicating that a renewable financing plan is not currently in development. However, Standard Chartered reiterated its commitment to sustainability, describing it as a "strategic growth area," and agreed to a follow-up call with the investor group to continue the dialogue. We have a follow-up call with Standard Chartered arranged for Q3 2025. Finally, At Crédit Agricole, while the CEO did not directly answer the two questions asked in the statement, the bank did reiterate its commitment to the net zero transition.

Fossil Fuel Financing
ING Groep

Issue: As part of our increased involvement in the IIGCC's collaborative banks engagement, we have joined the focus group for ING Groep. The Bank are one of the stronger performers in the European banking sector but still have improvements to make in order to align with the goals of the Paris Agreement.

Action: We joined a meeting with ING Groep, which largely focused on the bank's climate targets, facilitated emissions disclosure and its client transition assessment process.

Outcome: ING Groep has recently had its SBTs approved, which cements its position as an industry leader. The bank has also committed to both publish, and set reduction targets for, its facilitated emissions – another sector leading practice. The main area of improvement for the bank is its client engagement process, on which it has have fallen behind peers. ING only started to develop client transition plans last year and currently use a sector-agnostic questionnaire, which is not particularly sophisticated. There are also no red-lines or thresholds that clients must meet in order to unlock financing. The investor group will continue to push for enhanced ambition on this subject.

Water Stress

In the quarter, we have kicked off year two of our engagement with our chemical company holdings on water stress, which we are pleased to see has yielded outcomes over the past 12 months. In addition, we have appreciated engaging collaboratively through the NA100+ Investor Initiative on Hazardous Chemicals and the Valuing Water Finance Initiative over the past quarter.

Water Stress & Hazardous Chemicals
Borregaard

Issue: As a chemical company, Borregaard operates in a water-intensive sector with potential impacts on water quality through emissions and thermal discharge. With 94% of its water discharge flowing into the highly regulated River Glomma, it is critical for the company to manage pollution levels and reduce COD emissions in line with local requirements. Our engagement focuses on ensuring effective water stewardship, including reducing water consumption and improving local waterway health.

Action: This was our second meeting with Borregaard, following an initial discussion in April 2024. We followed up on key topics including COD emissions targets, water consumption, exposure to water stress and the development of biobased and safer chemical alternatives.

Outcome: Borregaard continues to demonstrate leading practices in managing water-related impacts. We appreciate its recent Climate & Nature Report, which outlines detailed targets and actions, including a goal to reduce COD emissions to 40 by 2030. Although there was a temporary rise in COD emissions in 2024, attributed to underperformance in wastewater treatment and changes in the product mix, both issues have since been addressed, and current emission levels are now on track to meet the target. Borregaard also shared promising work on developing a safer alternative to formaldehyde, which would represent a significant breakthrough if successful.

Biodiversity: NA 100+
Novartis

Issue: Novartis has a notable impact on biodiversity through its supply chain and is included in Nature Action 100+, a collaborative initiative pushing for companies to assess and disclose nature-related dependencies, impacts, risks and opportunities.

Action: We've engaged with Novartis on this topic for over a year, recently holding our third dialogue. In response to earlier discussions, the company introduced a Nature Pillar in its sustainability strategy. While this is a positive step, we encouraged Novartis to provide more detail, conduct site-specific risk assessments and set nature-related targets.

Outcome: Novartis is making progress, adopting the TNFD LEAP approach and identifying that under 5% of its nature impact lies within direct operations, as such the company is now shifting its focus to its supply chain. The company is also updating water withdrawal targets using SBTN guidance. We welcome this progress and will continue to monitor for tangible outcomes.

Public Policy
UK Independent Water Commission

Issue: The UK water sector has faced sustained scrutiny, with growing calls for reform to enhance financial, structural and environmental resilience. The current regulatory framework is widely viewed as inadequate, enabling poor performance and containing overlapping, sometimes contradictory, objectives.

Action: We submitted our own response to the Independent Water Commission's call for evidence, emphasising the need to strengthen sector resilience and rebuild public trust. We also engaged with the Investment Association (IA) on its submission, aligning on the need for regulatory reform and the creation of a new regime with clear and coherent objectives.

Outcome: Through our own response, we reinforced the investment community's call for regulatory change and stressed that restoring trust is essential to achieving long-term sector stability. The interim report was published by the Commission in June, which highlighted the need for a resilient, transparent and aligned water sector, and we look forward to the final publication in Q3.

Biodiversity

Imerys

Issue: Imerys approached us seeking feedback on the strength and effectiveness of its biodiversity strategy. As a company in the extractives sector, we were particularly interested in how it manages biodiversity risks across multiple geographies and how it ensures best practices are consistently applied at all operational sites.

Action: We held a call with Imerys to better understand its approach to biodiversity risk management and to share relevant examples of best practice from across the industry.

Outcome: Imerys' approach is impressive, grounded in science, informed by geospatial data and continually evolving as new data becomes available. We were particularly pleased to see a risk-based approach focused on 20 priority sites, where it is actively applying the mitigation hierarchy. This is supported by robust governance, with board-level oversight and a clear commitment to building biodiversity awareness in the workforce. We suggested enhancements to its reporting suite to improve clarity and detail. Overall, Imerys continues to show leadership in this area, and we will monitor its progress as the strategy develops further.

Water Stress & Hazardous Chemicals

Johnson Matthey

Issue: Johnson Matthey is part of our thematic engagement on water stress and hazardous chemicals. As a chemical manufacturer, it faces significant water-related risks, including rising production costs, potential stranded assets, and regulatory and reputational challenges. Its use of PFAS chemicals also presents litigation and reputational risks due to growing concern over their toxicity and persistence.

Actions: This was our second meeting with Johnson Matthey. We discussed its progress on setting water withdrawal targets, the implementation of its nature strategy, and its approach to phasing out persistent and hazardous chemicals.

Outcome: We were encouraged to see the company has now set site-based water reduction targets, meeting one of our key engagement objectives. The company also reported increased employee engagement with water targets, which is positive to drive change. Johnson Matthey has now completed a site-level assessment of nature-related risks and is developing local action plans for high-risk sites. On PFAS, the company is investing in R&D to find safer alternatives, though it acknowledged the technical and commercial challenges of this work. PFAS remain essential to its hydrogen technologies and usage may rise in the short term as its sustainable solutions portfolio grows. We will continue to engage as the company navigates these complex and competing issues.

Social & Financial Inclusion

Over the quarter, we commenced a thematic engagement exercise focused on financial inclusion with our Building Society (BS) holdings. We also engaged with a selection of holdings on the topics of human rights and labour management.

Ethical AI

Alphabet Inc.

Issue: Artificial intelligence (AI) has the potential to bring significant positive developments. However, it also increases the risk of social harms. As a leading technology company, Alphabet has comprehensive disclosures on the topic, with strong policies and processes to avoid misuse of the technology. However, we were particularly concerned that the company recently dropped their pledge against using AI for weapons and surveillance at their subsidiary DeepMind.

Action: We joined a collaborative engagement with Alphabet, led by the World Benchmarking Alliance, focusing on the implementation and oversight of its AI policies. The coalition sent Alphabet a letter outlining our key asks, which included asks on content moderation, human rights impact assessments, child protection and enforcement of its acceptable use policy.

Outcome: Alphabet responded with a holding email and offered a follow-up discussion post-AGM. Now that the AGM has passed, we've sent a renewed request for a meeting.

Financial Inclusion in the UK

Coventry Building Society, Skipton Building Society and Leeds Building Society

Issue: We have commenced a thematic engagement with UK building societies on financial inclusion, aiming to understand how they are addressing systemic barriers and supporting underserved or financially vulnerable communities. In the quarter, we met with Coventry BS, Skipton BS and Leeds BS to explore their respective approaches.

Action: The Societies all have notable differences in their approaches. Therefore, a key point of consideration in these meetings was implementation. Coventry's approach is largely community focused. We, therefore, sought further information on its local initiatives as well as the certainty of partnership funding and potential operational challenges following its acquisition of the Co-operative Bank. Skipton's approach is more strategically embedded, which leant to proposition-centred discussions such as how its commitment to accessibility has shaped its lending activity and extensive policy work. In all meetings, we spent time discussing the future of branches, borrower type distribution and the evolution of data and technology in the sector.

Outcome: A key theme emerging from our meetings so far has been the importance of maintaining a physical presence in local communities. Each society is adapting their branch services to better meet member needs. For example, Coventry is partnering with local charities to host community events in-branch, while Leeds is retraining staff to deliver fraud awareness and financial education. These efforts reflect a broader commitment to inclusive, community-based financial services.

Human Rights in the Supply Chain

Nike Inc.

Issue: Nike was identified for engagement due to ongoing labour-related controversies and its historical prominence in supply chain scrutiny. Concerns centred on how the company manages human rights and labour risks across its operations and supply chain.

Action: We held a discussion with Nike covering improvements to its systems for identifying, assessing and remediating labour and human rights issues.

Outcome: We gained increased confidence in Nike's approach to labour and supply chain oversight. We welcomed the company's proactive steps to enhance supplier visibility and strengthen relationships across its value chain. We also discussed the company's current labour-related targets, which expire in FY25, and acknowledged the challenges posed by the evolving political and legislative environment in the US. We will continue to monitor progress as the company navigates a complex and shifting external landscape.

Workforce Safety

Novo Nordisk

Issue: Novo Nordisk has rapidly expanded its manufacturing capacity to meet the significant demand for Ozempic. However, this accelerated growth has raised concerns around health and safety, workforce conditions and human rights. Within a few months, there were three fires at company sites, reports of individuals working without permits and signs of inadequate safety measures.

Action: We requested a call with the company to understand the rise in safety incidents and assess improvements to health and safety processes. In the quarter, we met with the Investor Relations (IR) team to share our concerns and highlight areas for strengthening workforce protections.

Outcome: The IR team acknowledged a slight increase in accidents in 2023 but emphasised that the overall accident rate has declined. They reaffirmed their commitment to safety, though they placed primary responsibility on suppliers; a stance we encouraged them to evolve. We welcomed the introduction of financial penalties for non-compliant suppliers in 2024. However, we noted the company's attribution of recent safety incidents to the pressures of rapid expansion. In response, we reiterated that sustainable and safe growth must remain a priority and will continue our engagement to encourage further improvements.

Good Governance

Over the quarter, we continued to engage with companies on good governance principles. This included discussions on the oversight of material sustainability issues, participating in shareholder consultations and advocating for shareholder access.

Good Governance

GCP Infrastructure

Issue: GCP Infrastructure consulted us after hearing from advisors that environmental, social and governance (ESG) committees may have a "shelf life," with ESG considerations ideally integrated across all board committees. The company sought our views on whether they should consider moving away from having a standalone ESG Committee.

Action: We advised that while non-financial risks often fall under the audit committee's remit, a dedicated ESG Committee remains valuable. It provides clear accountability and helps ensure sustainability risks are meaningfully integrated into risk management. We also noted that audit committees may lack the time or expertise to lead on ESG strategy. Given the current political climate, we cautioned that removing the ESG Committee could be perceived as weakening oversight of sustainability risks.

Outcome: The Board appreciated our perspective and has decided to retain its ESG Committee, a decision we welcome.

Remuneration Consultation

Supermarket Income REIT

Issue: Supermarket Income REIT was drafting its new remuneration policy and requested our feedback into best practice areas we would like to see incorporated into their new structure, prior to publishing the 2025 policy.

Action: We responded to the consultation, outlining the metrics, disclosure, structure and overall quantum that we would be happy to support.

Outcome: In its new policy, the REIT has aligned to our asks: that they use a balance of absolute and relative performance metrics, align their pensions to the wider workforce, set an appropriate shareholding requirement and ensure overall quantum remains reasonable. The only deviation from our request was that the REIT has chosen to integrate ESG targets into the bonus rather than the LTIP. However, given the other improvements in the remuneration structures, this is a minor deviation.

Shareholder Access

Yara

Issue: As a chemical company manufacturing nitrogen fertilizer, Yara is one of our most carbon intensive holdings and has a significant environmental footprint through its sourcing, manufacturing and product use. We have been engaging with Yara on its climate targets, hazardous chemical management and approach to water stress for a number of years. However, when we reached out to schedule a new engagement call, Yara informed us that this would no longer be possible, as they have moved to bi-annual group investor calls on ESG issues where questions are submitted in advance.

How we voted: We saw this movement as a significant erosion of shareholder rights. Reducing the ability of shareholders to hold Yara accountable for their non- financial risks (especially in the face of Yara's significant environmental footprint) does not allow us to appropriately understand the company's progress and minimises our ability to engage to drive meaningful change. This was particularly pertinent as Yara rolled back on its commitment to set Scope 3 science-based targets last year. As an escalation of our discontent at this change, we voted against the re-election of the Chair of the Environmental and Social Committee at the Board level. In addition, we also signed ShareAction's AGM statement, which was read at the company meeting, calling on Yara to be ambitious on climate change.

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 18% 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:

Q2 2025 Voting Summary	
No. proposals eligible to vote on	3,191
Proposals voted on	100%
Proposals supported	82%
Proposals opposed	17%
Proposals abstained	1%
Proposals voted against management's recommendation	18%
Proposals voted against GlassLewis' recommendation	15%
No. meetings voted at	188

Compensation

Over the period, we continued to oppose poor pay practices and compensation disclosures, voting against 198 remuneration-related proposals. Building on this, we also escalated our voting action on the grounds of remuneration concerns at 9 meetings.

Compensation

Enel

Issue: Enel has suffered a number of fatalities in its business over 2024, building on consecutive increases in recent years. It is an area we have engaged the company on several times, looking for Enel to further embed a safety culture across its business. Enel has taken steps to do so, including the addition of a safety component in remuneration representing 20% of the total bonus. In its 2025 remuneration policy, the company proposed amending this metric, removing the gate linked to fatal accidents. This new metric broadens the methodology from the workplace accident frequency to a measure weighted by severity. Enel are looking for this metric to capture serious accidents and life changing accidents, which could reduce the overall number of fatal accidents.

How we voted: Although the proposed policy removed the fatality gate, given that it is severity weighted and overall encompasses more types of workforce safety, we chose to support the remuneration policy. We view this amendment as a positive addition, to elevate the importance of safe working conditions, and as a positive outcome of our continued engagement on workforce safety.

Board & Oversight

Over the period, we opposed the re-election of directors serving at 123 companies, predominantly in their capacity as the Chair or as members of key sub-Committees.

Oversight of Material Risk Areas

Sanofi

Issue: Cybersecurity is a material risk for pharmaceutical and healthcare companies due to the sensitive data they collect and store. This was demonstrated in 2024 when UnitedHealth Group experienced a cyberattack that compromised data belonging to a third of Americans, exposing the company to significant litigation risk. In response, we have raised our expectations for healthcare companies, advocating for board-level oversight and expertise in cybersecurity, and increasingly, artificial intelligence to effectively manage and mitigate these risks.

How we voted: Sanofi currently lacks cyber or IT expertise on its Board, which we believe would enhance oversight. While the Board has not yet appointed a director with relevant experience, it has taken steps to address the gap by introducing director training sessions on cybersecurity. As a result, we chose to abstain from the re-election of Director Barbara Lavernos, who is up for election and serves on the Environment & Social (E&S) Committee.

Board Effectiveness

AstraZeneca

Issue: AstraZeneca's 2024 remuneration policy received only 62% shareholder support, primarily due to concerns over high executive pay. We engaged the company last year to raise concerns about the overall quantum. Following further review, we voted against the policy, finding both its structure and maximum opportunity misaligned with shareholder interests. We also noted concerns around director commitments, including multiple external board roles and inconsistent attendance at Board and Committee meetings.

How we voted: In 2025, we re-engaged with AstraZeneca and pre-declared our intention to vote against the remuneration report, citing ongoing concerns around excessive pay and overlapping incentive schemes. We also sought clarity on how the company assesses director availability and manages overboarding. Despite receiving additional disclosures, we remained unconvinced that these issues were being adequately addressed — particularly in light of 22% shareholder opposition to the re-election of Director Wallenberg, due to overcommitments and poor attendance. As a result, we voted against the remuneration report and the re-election of several directors.

Shareholder Proposals

Q2 2025 Shareholder Proposals	
No. shareholder proposals voted on	37
Environmental voted on	2
Social voted on	15
Governance voted on	13
Compensation voted on	6

Governance

Alphabet Inc.

Issue: Alphabet has a multi-class structure, whereby common shareholders carry less than half of the voting rights while baring significantly more of the economic. After almost 20 years and no sunset-clause, we believe the benefits of this structure have long since expired. In relation to this, a shareholder proposal regarding the recapitalisation of Alphabet's share structure and equalise voting rights has been repeatedly tabled at its AGM for the last 9 years, each time gaining more support than the previous year. More broadly, Alphabet continues to demonstrate poor practice across some areas of corporate governance, most notably the misclassification of directors as 'independent' despite long tenures between 21 to 27 years, and the placement of these individuals on sub-committees that should be comprised fully of independent directors.

How we voted: We voted in favour of recapitalisation and escalated our voting action by voting against the re-election of several directors as well as publicly pre-declaring our voting intentions through the PRI's Shareholder Resolution Database. We also supported 7 of the 12 shareholder proposals tabled at the meeting, one of which (Recapitalisation) received circa 80% support when removing the impact of the additional voting rights held by Class B shareholders.

Living Wage

Next Plc

Issue: We voted on a shareholder proposal tabled at Next, which called on the company to provide investors with the information needed to assess the company's approach to human capital management. We recognised the significance of the issue, particularly given recent controversies around pay equity and broader labour practices. These concerns highlight the potential material financial risks associated with poor human capital management.

How we voted: We supported the shareholder proposal, as we believe enhanced reporting would offer shareholders greater transparency and enable more informed decision-making, particularly given Next's historically weak performance in this area. We also publicly pre-declared our voting intentions in advance via the PRI platform.

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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