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:

08000 321 893

clientservice@edentreeim.com

edentreeim.com

The value of an investment and the income from it may go down as well as up and the investor may not get back the amount invested.

BENEFACT GROUP

edentree investment management

2022 Responsible Investment Activity Report

Contents

Foreword Andy Clark

I am delighted to introduce our fifth Annual Responsible Investment Activity Report.

2022 was another year in which we saw huge interest in responsible and sustainable investment. Building on trends seen in earlier years, client interest showed no let-up and regulatory scrutiny in the UK and elsewhere remains to the fore. Despite these positives, we have seen more challenge and debate; push-back against ESG as a methodology, and more specific criticism linked to sustainable investment 'over-reach'. Whilst events over the past year have led some firms to pull back in terms of their commitment, we remain steadfast and true in our principles and in our approach.

As the 'greenwashing' debate grows, we are increasingly seeing clients make decisions based not solely on the capability of the fund management team, but also on the character of the organisation. Investors want to know that people, processes and products are linked by a central belief, and that the business is aligned as a single entity with their own values.

With over 35 years of experience in this area, responsible and sustainable investment is not an add-on – it's all we do. That is why this year we built further on our product offering with the launch of three new thematic funds. These funds respond to growing client demand for impactful and outcomes-led products.

As well as sitting at the heart of our investment activities, responsibility and sustainability sit at the heart of our business. Supported by our charitable ownership, we are unique within financial services; a business that exists for the greater good by delivering all of its distributable profits to good causes. As we grow, we continue to invest in this area, and I am excited to have re-launched our Corporate Responsibility Committee this year to refocus our efforts on our people, the planet and our local communities – you can read more about this in the following pages.

At EdenTree, our focus isn't on being something for everyone but instead on being everything to someone – the manager of choice for investors that care as deeply about responsible and sustainable investment as we do.

This Activity Report sets out our progress and achievements over the past year across our core pillars of research, screening, engagement and governance. We hope you enjoy reading it, and as always, we welcome any comments and feedback.

Andy Clark
Chief Executive Officer

About Us

EdenTree Investment Management is the wholly owned investment subsidiary of Benefact Group, which in turn is owned by a registered charity, the Benefact 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 35-year track record in this space. It is all we do.

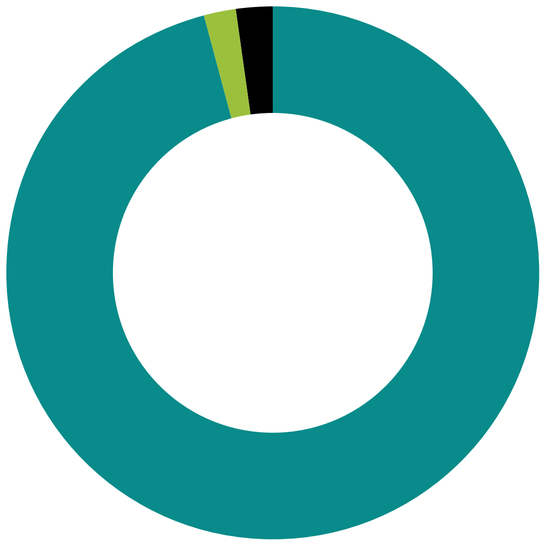
At 31 December 2022 we managed £3.7bn[1] of assets under management, with clients in the institutional, retail, advisory and charity markets. Approximately 30% of AUM constitute management of our Group's investments and those of our ultimate parent and our direct benefits pension scheme. The remaining 70% of assets are our pooled and segregated client mandates.

The assets we currently managed can be defined as:

- Responsible, Sustainable or Impactful **96%**
- Ethically managed **2%**
- Stewardship **2%**

BENEFACT GROUP BENEFACT TRUST

EdenTree Assets Under Management 31 Dec 2022



Responsible, Sustainable, Impactful **96%**

Ethically managed **2%**

Stewardship **2%**

[1] Source: EdenTree December 2022

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

The Responsible Investment Team

In 2022, we welcomed two new members to the team – Amelia Gaston and Cordelia Dower-Tylee – bringing the Responsible Investment Team complement up to five.

Neville White
Head of Responsible Investment Policy and Research

Neville holds a BA(Hons) degree in English & American studies from the University of East Anglia. He 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.

Rita Wyshelesky
Senior Responsible Investment Analyst

Rita holds a BSc in Biochemistry from King's College London and an MSc in Management with Finance from the 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. She holds the CFA Certificate in ESG Investing and the Investment Management Certificate (IMC).

Carlota Esguevillas
Senior 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. She holds the Investment Management Certificate (IMC) and a master's course in Business & Human Rights from the University of Bergen.

Amelia Gaston
Responsible Investment Analyst

Amelia holds a BA in Geography from Durham University and previously worked as a responsible investment analyst at LGPS Central, one of the UK Pension Pools. Amelia holds the Investment Management Certificate and CFA Certificate in ESG Investing. She leads EdenTree's work on climate and environmental issues.

Cordelia Dower-Tylee
Responsible Investment Analyst

Cordelia holds an MA in History from the University of Edinburgh and a Certificate in Sustainable Finance from the University of Cambridge. Cordelia previously worked with the International Water Management Institute and has experience in a green focused corporate advisory firm.

EdenTree's Approach to Responsible & Sustainable Investing

EdenTree's approach means we aim to achieve long-term performance delivered responsibly and sustainably. There are four pillars to our approach of how we manage client capital responsibly and sustainably:

Ever since the launch of our first screened fund in 1988, we have taken ethical considerations into account as well as environmental, social and governance (ESG) issues. We strongly believe that investing should not compromise values, which is why we apply a robust screening process, avoiding companies that cause harm and seeking to invest in companies that are good corporate citizens and provide solutions for some of the world's most pressing environmental and social challenges.

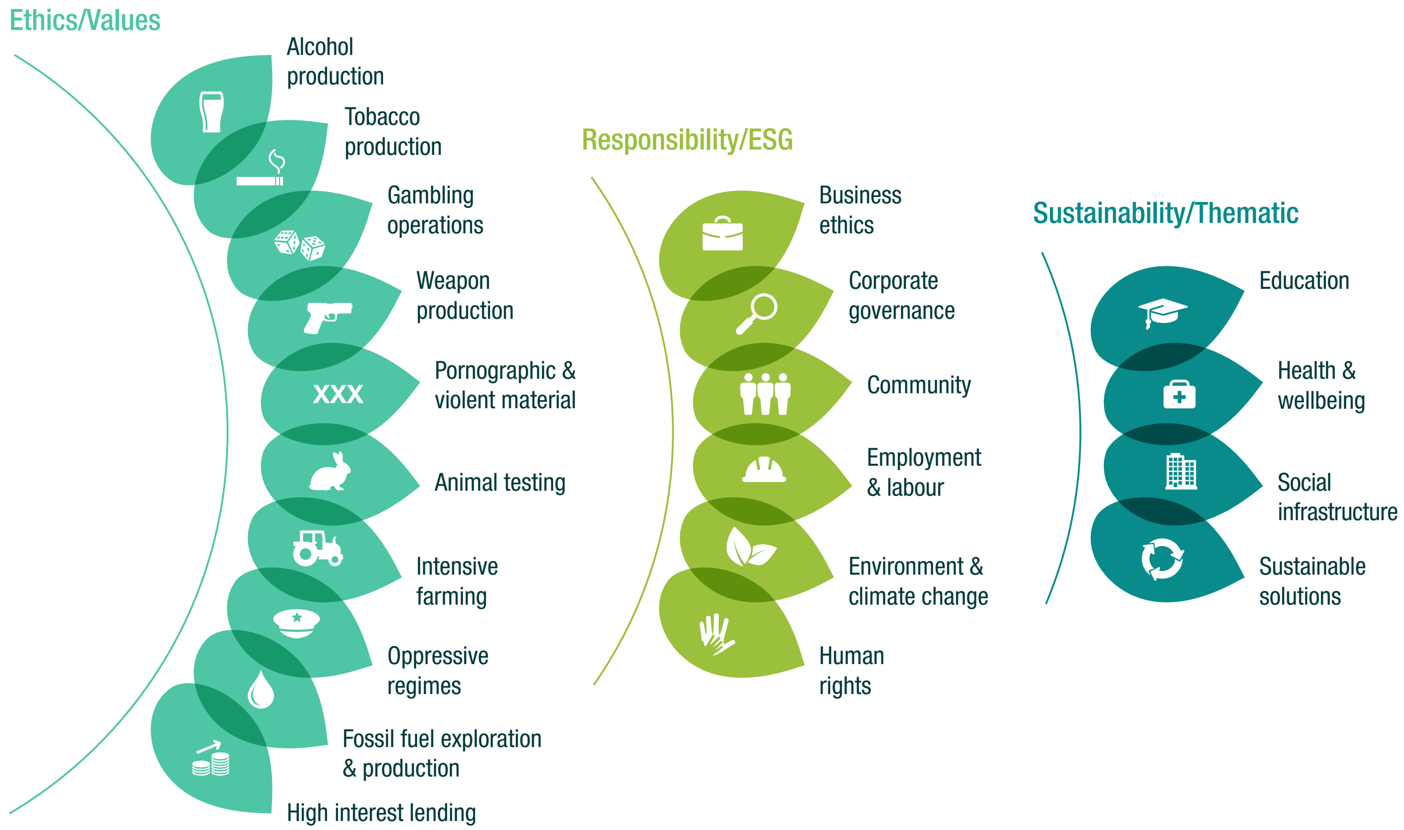
To be considered suitable for inclusion within our range of Responsible, Sustainable and Thematic Funds, an investment idea must meet the criteria laid out in our screening model. There are three parts to this: Ethics/Values; Responsibility/ESG; and Sustainability/Thematic.

The 10 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 right – are excluded when turnover or profit exceeds 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 environmental, social and governance (ESG) risks in a holistic way to determine suitability for inclusion in the Funds from the perspective of responsible business practices. This Responsibility/ESG screen ensures 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 businesses.

Just like our Ethics/Values screen, this screen can also act as a brake on investment. For example, mining and aviation are avoided on environmental, climate and human rights grounds under this part of the screening process. Stocks are therefore enabled into the Funds if they pass the Ethics/Values exclusions and are deemed suitable from a Responsibility/ESG risk perspective.



Finally, we look at companies through a thematic lens and consider the positive sustainability case in terms of products and services. The thematic focus varies across our different strategies; the majority of our Funds have a positive weighting towards Education, Health & Wellbeing, Social Infrastructure and Sustainable Solutions, whilst our newly launched Green Infrastructure and Green Future Funds have a specific thematic focus on environmental solutions.

For the Responsible & Sustainable Fund range the RI Team is the ultimate arbiter in deciding whether a holding is suitable for inclusion. Given their sole focus on environmental solutions, the two products in the 'Green' Thematic Fund range follow an integrated approach to assessing ESG risks, with the Fund Managers working closely with (but not directed by) the RI Team.

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 on and engagement takes place without distinction. Engagements are wide-ranging and are conducted by the RI Team, either unilaterally or in collaboration with fellow stakeholders.

The final pillar of our responsible and sustainable investment offer is our research and 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 Briefings', which focus on interesting issues that are novel and where we may not have developed a House view.

This Activity Report sets out some 2022 highlights across our four areas of focus.

Deep Dive: 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 organisation'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

Our concern over Oppressive Regimes is intrinsically linked to human rights. 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 to act accordingly.

Russia's invasion of Ukraine in early 2022 highlighted the importance of this screen for our responsible and sustainable investment approach. Russia has been captured by our oppressive regimes screen for many years, and as a result prior to the invasion we had no exposure to Russian sovereign bonds, state-affiliated companies or companies supporting the activities of the Russian state.

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; and global supply chains are becoming incredibly complex, exposing companies more and more to the potential of environmental and social violations under their watch.

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 wider 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 **edentreeim.com**. In 2022, we published two of our flagship EdenTree Insights: 'The Condition of Our Rivers' and 'Investing Responsibly in Care'.

EdenTree Insights

The Environment Agency's periodic review into the state of English waters has found that just 14% meet 'Good Ecological Status' under the Water Framework Directive – a figure that has not changed since 2009. Published in June 2022, 'The Condition of Our Rivers' shares our findings from engagement meetings we held with eight of the integrated English and Welsh water and wastewater utilities on this topic. We believe this matters: investors have largely failed to engage and lobby the industry about its environmental performance, and our conclusion is that urgent change is both possible and necessary.

The COVID-19 pandemic threw into relief perhaps as never before the vulnerability of the UK care sector with higher-than-average excess deaths when compared to wider society. Published in November 2022, 'Investing Responsibly in Care', explores how as responsible investors we seek only to invest in the highest quality care provision: what does 'good' look like in the context of social care? How do we know that an investment will have the highest welfare and care quality standards at its heart? How can we avoid the pitfall of potentially investing in organisations where care quality declines? These and other questions are addressed over the course of the Insight.

Our Insights are accompanied by short webinars, in which the author explores the key ideas within the Insight. These can be found on the EdenTree website.

RI Expert Briefings in 2022

We published a number of our familiar RI Expert Briefings and Emerging Issues Expert Briefings in 2022.

Insects – Feed, Food or Fad?

It is currently estimated that food production will have to increase by 70% to be able to feed the world in 2050, with meat outputs expected to double.[1] The rising demand, coupled with the environmental impact of animal farming, has led to protein shortages and the search for alternative supplies of sustainable protein. Recently, insects have been considered as a potential solution to the problem by utilising them as a source of food, animal feed and pet food. This Emerging Issues Expert Briefing looks into the benefits of edible insects as well as some of the challenges faced.

The Just Transition

The crucial context for the Just Transition is a need to decarbonise the global economy at an unprecedented rate. The transition to a net zero carbon economy has to be deep, broad and rapid if we are to avoid truly catastrophic global heating and irreversible climate change. Any delay in reducing emissions results in an ever-steeper pathway to net zero by 2050. The Just Transition is about doing this in a socially just and equitable manner. In this RI Expert Briefing, we explore what the Just Transition means in practice, why it is so important and our approach here at EdenTree.

Banks

The EdenTree range of screened Responsible & Sustainable Funds holds over 250 different instruments across their portfolios. As well as having a compelling investment case, each instrument must be researched by the RI Team. Banks are seldom out of the news, with the whole sector brought low by multiple ethical scandals. In this updated RI Expert Briefing we outline our views on banks, and whether there is still a case for them as responsible investments.

Gilts

'Gilts' is a generic term that refers to Bonds issued by the UK Government. They are generally viewed as a low-risk, secure asset class with often long maturity times. We are frequently asked by clients for our views on Gilts and how these 'comply' with our ethical and ESG screening process. In this RI Expert Briefing we take a look at Gilts as an asset class and present our House view.

[1] https://sustainabledevelopment.un.org/content/documents/12867Policybrief_Insects.pdf

Buses

The humble omnibus makes a significant contribution to social mobility, access to basic services and to environmental sustainability. As the 200th anniversary of the first public omnibus service fast approaches in 2029, we take a look at the exciting prospects in place for the UK bus industry, and in particular through the lens of one EdenTree investment: National Express Group.

The Sustainable Development Goals (SDGs)

At the heart of the United Nations 'Agenda 2030' are the 17 UN Sustainable Development Goals (SDGs), which are defined by the UN as the blueprint for peace and prosperity, applying to all nations. This Expert Briefing is an update on our 2018 publication, exploring the topic more deeply and setting out our House view.

Tax

Tax continues to be an issue of contention. Once the preserve of accountants and lawyers, the amount of tax paid by corporations, and whether this is 'fair', continues to exercise rigorous scrutiny and debate. We are sometimes asked by clients for our views on tax as responsible investors, and so this updated RI Expert Briefing sets out our current thinking.

Executive Remuneration

Executive pay continues to attract criticism and has long been a contentious issue for investors, in the media and wider society. In this updated RI Expert Briefing we take a deep dive into executive pay, how it works, how it is calculated and what our approach to it is.

Modern Slavery

Modern slavery impacts millions of people all over the world. But often it is not called slavery, and many people do not even know it exists. In this updated RI Expert Briefing we take a deep dive into modern slavery and how we approach the issue here at EdenTree.

"Modern slavery and human trafficking are endemic issues, and the current geopolitical situation has only increased the risks of human exploitation. Companies have a crucial role to play in tackling modern slavery and as responsible investors, we believe it is essential that our holdings take adequate steps to identify and eradicate modern slavery in their supply chains."

Carlota Esguevillas
Senior RI Analyst and Social Lead

Interview: Tommy Kristoffersen, Fund Manager

Tommy joined EdenTree in 2021 and manages the EdenTree Green Infrastructure Fund. He also assists with the management of other funds within the Multi Asset Strategies & European Equities ranges.

Tommy answers questions on investing in green infrastructure following the launch of the EdenTree Green Infrastructure Fund.

What sets the Green Infrastructure Fund apart?

We believe the EdenTree Green Infrastructure Fund could provide environmentally conscious investors with something new and hopefully exciting: the opportunity to invest not just the equity and fixed income portions of their portfolios in an environmentally responsible manner, but also their alternatives. This is a Fund that should provide the characteristics of the infrastructure asset class in terms of inflation-mitigating income, low volatility and low correlation to both equity and fixed income markets, but it also should do so in an environmentally responsible manner. Whilst some other organisations have launched funds that to some extent have started to dip their toes into sustainable infrastructure markets, we tend to find that these are still willing to invest in areas such as airports and toll roads, which we would not consider sufficiently green for our Fund.

Tommy Kristoffersen
Fund Manager

What do you look for in an infrastructure company to support the green transition?

All of our investments are assessed against our Green Infrastructure Framework. We invest in companies that own, operate, construct, develop or provide debt funding for real assets and projects that enable the systems and services that a society needs to work effectively, whilst doing so in a manner that generates positive environmental outcomes. Our primary focus at present is on renewable energy generation, energy storage, energy efficiency and natural capital investments such as sustainable forestry and afforestation. We look for companies that we believe can generate an inflation-mitigating income stream whilst preserving their capital value.

How do you ensure this strategy has its desired impact?

Although the Fund does participate in primary market capital raisings and could therefore be said to make a direct impact on some of these issues, our focus aims to ensure that the companies we invest in make a positive impact themselves. With each investment we make, we are looking for quantifiable metrics that demonstrate intentionality and materiality when it comes to delivering positive environmental outcomes. For an energy generator, it could be megawatt hours of clean energy generated, for an afforestation portfolio, it could be tonnes of CO_2 sequestered, or for a wind turbine installation vessel company, it could be number of wind turbines installed. This focus on the presence of quantifiable metrics helps give us confidence that a real difference could be made. We also aim to go beyond just making sure that the companies we invest in are sufficiently green; we also engage with them on areas where they can improve, be it in relation to their supply chains, their reporting, their site selection or a number of other topics that are important to us as ethical investors.

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. Fossil fuel exploration and production (oil, gas and thermal coal) is one of our ethical exclusions, and our ESG screens avoid investment in aviation and auto manufacturers, as well as mining and other high carbon emitters such as heavy industry. Our Funds seek to direct capital to sustainable solutions and climate change is a permanent pillar of our engagement strategy.

We have supported various climate initiatives over the years. We are members of the IIGCC, the Institutional Investors Group on Climate Change, through which 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.

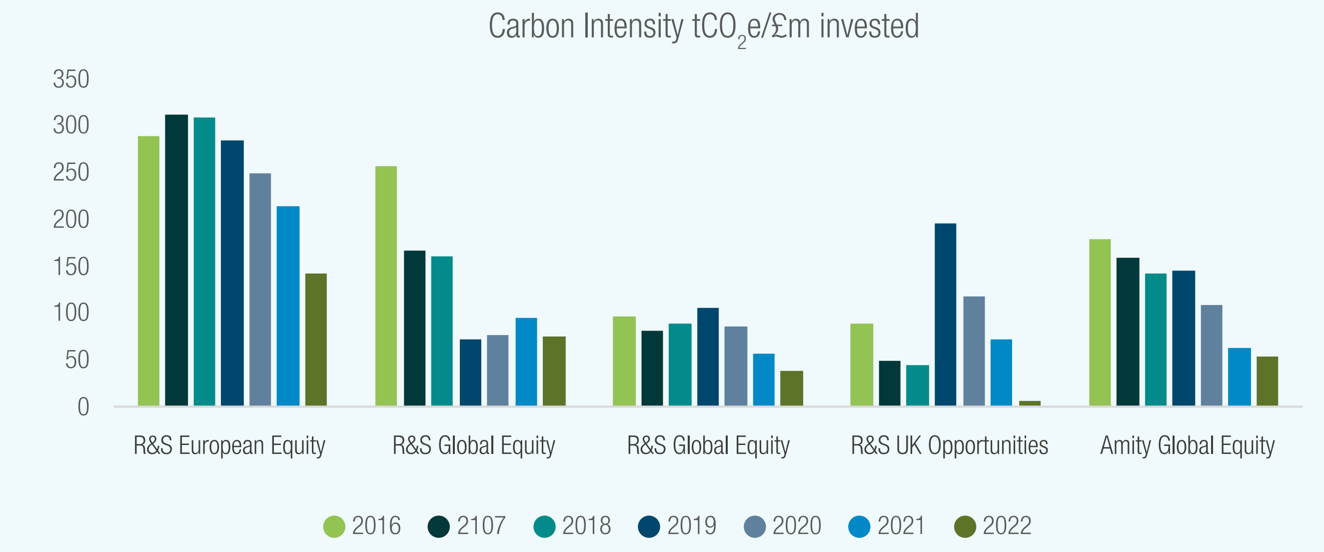
As signatories to the Montréal Pledge (and Paris Pledge) we publish our annual fund carbon footprint results on our **website**. We use several different, complementary carbon metrics to provide a fuller assessment, recognising that no single dataset provides a complete insight into a fund's climate risk.

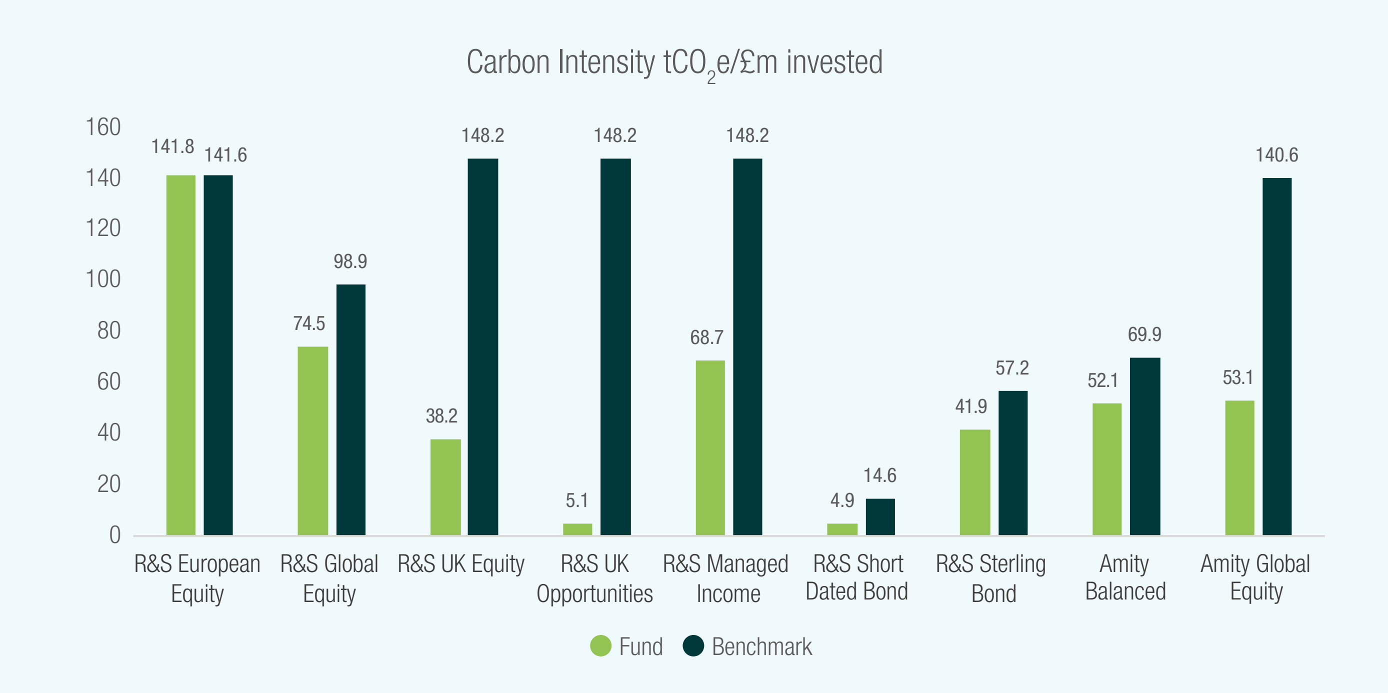
Carbon Intensity

We provide in the graph below the carbon intensity data for our Responsible & Sustainable retail and charity Funds.

We have a seven-year track record of carbon footprinting our equity Funds and a two-year track record of carbon footprinting our fixed income Funds. All our Funds have a lower carbon intensity than seven years ago, meaning that per £1m invested, associated emissions are lower than when we began this exercise. The R&S UK Opportunities and R&S Global Equity Funds have made significant progress, reducing their carbon intensity by 94.2% and 71.0%, respectively.

We also compare the carbon intensity of our portfolios to their respective benchmarks, shown in the graph overleaf. This year, eight out of nine of our Funds have a lower carbon intensity per £m invested than the benchmark. Of particular note are the R&S UK Opportunities Fund, the R&S Managed Income Fund and R&S UK Equity Fund, which are respectively 96.6%, 92.1% and 74.2% more carbon efficient than their benchmarks.





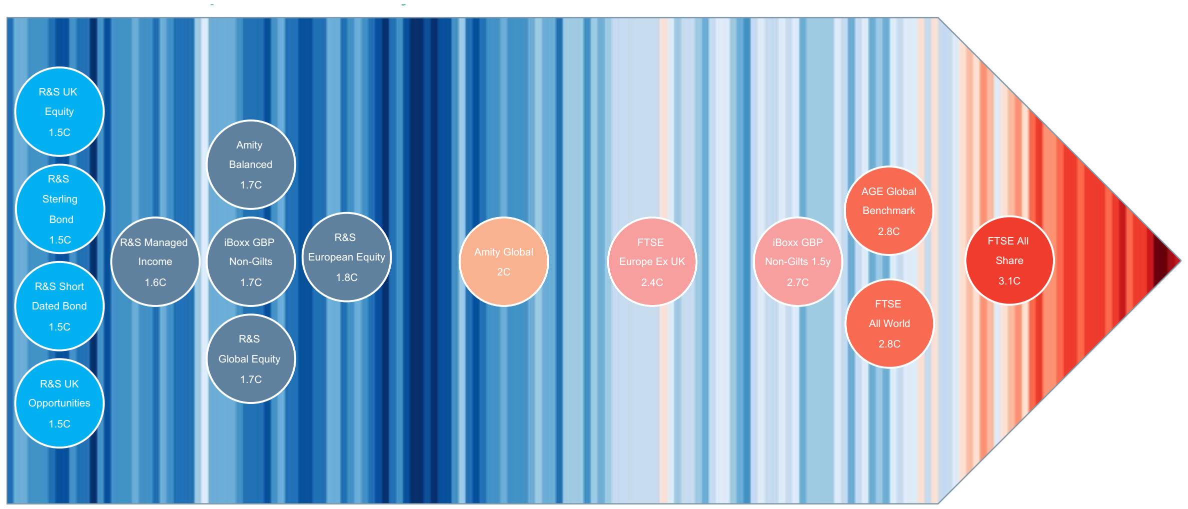
Alignment with the Paris Agreement

We know that, without momentous effort, our economies are heading towards irreversible climate change, 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 and limit global warming to well below 2°C. In recognition of this, we measure the potential increase of our portfolios and benchmarks by 2050 in degrees Celsius.

We acknowledge that this metric is highly dependent on assumptions and so we do not view it as an exact forecast of future fund performance. Rather, we find value in the relative assessment between the portfolio and benchmark, and believe it provides a forward-looking complement to our carbon footprint metrics.

We are pleased that all of our Funds have a lower implied temperature rise than their benchmarks. The majority of our Funds are aligned with the Paris goal of limiting global warming to 1.5°C, whilst none of our Funds have a projected temperature rise higher than 2°C.

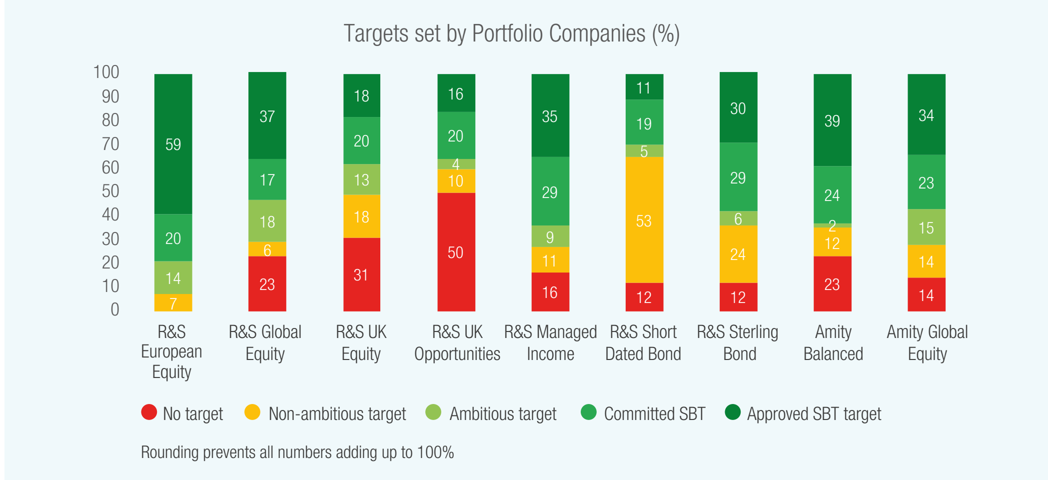
Alignment with Paris Agreement: potential temperature increase by 2050 in Celsius



Science Based Targets

To achieve the year-on-year improvements required to limit global warming to 1.5°C, companies must set – and meet – reduction targets. At EdenTree, we place a strong emphasis on Science Based Targets (SBTs) through our engagement activities. SBTs provide companies with a clearly defined path to achieve 1.5°C alignment, mandate absolute emissions reductions rather than carbon offsetting, and require companies to tackle the full scope 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 SBTs has increased significantly. The results of our latest assessment are shown below. We are particularly pleased that all of our Funds have at least 30% of their holdings with either approved or committed SBTs. Of particular note is the R&S European Equity Fund, with 80% of its holdings having either set or committed to set SBTs. Even our small cap R&S UK Opportunities Fund, where such disclosure is rarer, has 36% of its portfolio holdings having set or committed to set a Science Based Target.



Looking Ahead

We are proud of our decarbonisation progress so far, but are cognisant that there is always more to be done. From 2023, we will introduce new fund-level decarbonisation targets which we believe embody our ambitions for further progress. For each fund, we will seek to:

- Reduce the carbon intensity by 78% by 2035 against a 2016 baseline
- Ensure that at least 80% of each fund's financed emissions are covered by a Science Based Target by 2025

We will create a Climate Stewardship Plan (CSP) which will be our primary mechanism for achieving these targets. The CSP will include the companies responsible for the majority of EdenTree's financed emissions and will track their performance against a series of decarbonisation objectives. We will disclose progress against our targets on an annual basis, starting with our first Climate Stewardship Report which will be released in the second quarter of 2023.

In addition to our financed emissions, we also have a strategy in place to reduce our operational business emissions. For further information on our efforts, please head to page 36.

"2022 was another year of global climate disappointments. The UK experienced record temperatures, the energy crisis fuelled record profits for the Oil & Gas sector, and the atmospheric CO_2 concentration reached 420ppm, scarily close to the 450ppm tipping point. Against this backdrop, it's heartening to be part of a company that is genuinely committed to tackling the climate challenge. EdenTree has a seven-year track record of Fund decarbonisation, a product range almost entirely aligned to the goals of the Paris Agreement, and no desire to stop there. 2023 sees the launch of our updated Climate Stewardship Strategy and I'm excited to see how much change we can continue to drive."

Amelia Gaston, RI Analyst and Climate Lead

Interview: Tom Fitzgerald, Fund Manager

Tom joined EdenTree in 2011 and has been co-manager of the EdenTree Responsible & Sustainable Global Equity Fund since August 2018. He also co-manages the Green Future Fund, as well as the firm's 'Sustainable Global Equities for a Just Transition' segregated strategies. Tom answers questions on investing in sustainable solutions following the launch of the EdenTree Green Future Fund.

What sets the Green Future Fund apart?

The strategy is differentiated by its investment philosophy and established investment process. Our philosophy centres on the view that the value of the planet's natural capital is inappropriately priced within traditional market conventions, leading to the widespread abuse of natural resources and excessive levels of pollution. As society becomes increasingly aligned with the protection of natural capital, we believe that those business models that are designed to improve the environmental footprint of the global economy (both in the solutions they provide and the operations they oversee) will experience greater levels of demand and deliver higher returns on capital over the long term. To source these investment opportunities, the team utilises an established and thorough investment process that is built on fundamental research and the integration of the firm's proprietary responsible and sustainable insight throughout the due diligence process.

Tom Fitzgerald
Fund Manager

What do you look for in a company which offers environmental solutions?

We invest in companies that can make an active contribution to addressing the world's environmental challenges, rather than companies purely focusing on minimising the environmental impact of their own operations. This is measured by the strategic importance of environmentally related products and services within the company. In order to be eligible for the portfolio, the majority of the firm's activities must be related to solutions that are actively solving environmental challenges. We focus on those business models with sustainable competitive advantages, strong balance sheets and scope for high and improving returns on capital that are managed by skilled and engaged management teams.

What solutions are you investing in?

One of the common misconceptions with a strategy of this kind is that they are restrictive in their opportunity set and heavily indexed to one theme or factor risk. However, as a team, we have developed an investment universe of approximately 2,000 listed companies that make a substantial active contribution to solving the world's environmental challenges. This investment universe is broad (i.e. evenly split from a geographical and sector perspective) and it is constantly evolving (for instance, the investment universe has grown by over 200 companies since fund launch alone). We have broken down that investment universe into seven environmental-focused investment verticals (Alternative Energy, Circular Economy, Water Management, Energy Efficiency, Future Mobility, Environmental Services and Regenerative Agriculture), all of which represent transformative, multi-trillion-dollar economic opportunities over the next decade. For context, the Fund's largest exposure at a thematic level is currently Energy Efficiency (~25% of AUM) and its smallest allocation is Water Management (~9% of AUM).

Screening and Reviews

The screening of new investment ideas and reviews of current holdings in the Responsible & Sustainable Fund range 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 Responsible & Sustainable 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. Our **'How We Screen'** primer provides further information on this process.

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.

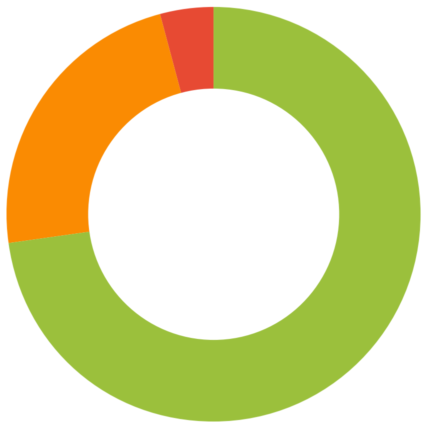
This year, the RI Team completed 132 screenings and reviews – the most in any single year to date. The quality of long-held portfolio stocks remains very strong with 73% achieving our highest rating of Pass. Of the reviews conducted, 23% were judged suitable with caution and 4% failed and were divested.

New ideas in 2022 achieved a 69% pass rate – an improvement on both 2021 (61%) and 2020 (53%). Of the remaining requests, 21% were judged suitable with caution and 10% failed our screening and did not progress. These were **Sun Hung Kai Properties, Centene Corp., Comcast, Vinci, Logicor** and **Brookfield Renewables**.

2022 Screening Outcomes

Passes **69%**
Suitable with caution **21%**
Fails **10%**

2022 Review Outcomes



Passes **73%**
Suitable with caution **23%**
Fails **4%**

Divestments in 2022

The RI Team conducts periodic reviews of existing holdings, to determine their continued suitability for inclusion in our 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 **Bayer** (which was only held in one portfolio) on the grounds that it breached our Defence policy. Specifically, the company is a supplier of white phosphorous to the US military, which is captured under the unconventional weapons screen. We also divested from Swedish telecommunications company **Ericsson**, following an ethical controversy, which is explored in more detail in the case study.

With the transition of our Group's Pension Fund to a fully screened Fund, we recommended one further divestment. **Sumitomo Mitsui Financial Group** is a significant financer of the Burmese (Myanmar) junta and military-aligned projects, and therefore failed our oppressive regimes screen. It is also a financer of several controversial projects in challenging geographies and faces a number of money laundering and corruption scandals.

Case Study: Ericsson Divestment

In February, Swedish telecoms company Ericsson announced that they had uncovered corruption related misconduct in Iraq. The CEO announced that the company made payments to terror organisations, including potentially ISIS, between 2011 and 2019. The payments purchased transportation routes through areas controlled by terrorist organisations to circumvent legitimate customs routes.

We were extremely concerned about these allegations and the potential for terror related financing to have occurred, and in turn, the failure of Ericsson's internal controls and compliance rules.

Following this news, we placed an immediate 'stop' on the holding and sought an urgent call with the company to discuss the issue. The call did not reassure us that the company is on top of material risk in conflict areas, or that it had a compliance and internal control regime that was fit for purpose. In particular, the company had no intention of looking beyond 2019 to see if further payments may have been made in subsequent years.

As a result, we took the view that the merits of further engagement would be limited in this instance, and we felt that further revelations were likely to arise that would be detrimental to the share price and the company's reputation with more value at risk.

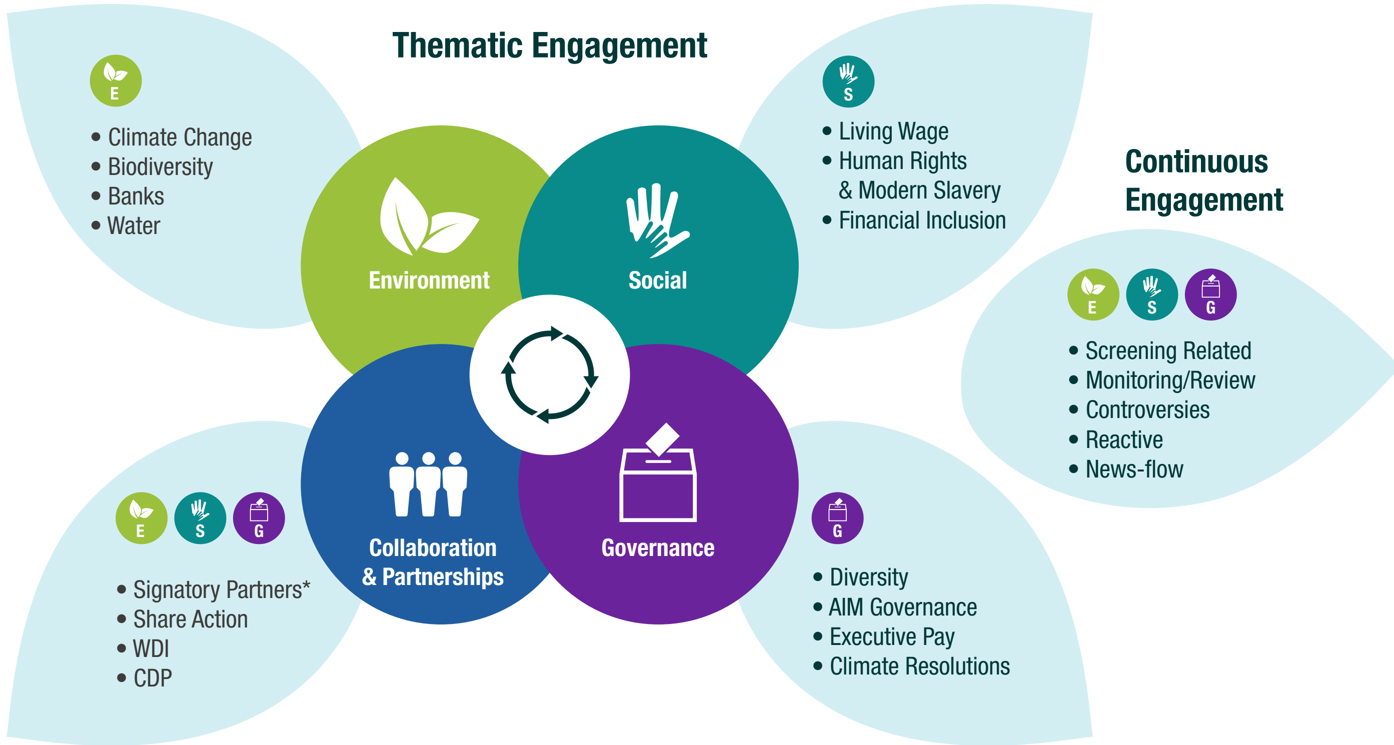
We decided that Ericsson was no longer a suitable holding for our Responsible & Sustainable Funds, and Ericsson was divested from all portfolios within 48 hours.

Engagement

As responsible investors, engagement with companies is one of the most important aspects of our work, and the one which could 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. 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 programme. 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. Our **'How We Engage'** primer provides further information on how we conduct engagement.

We devise and set out our engagement strategy every year, which comprises thematic engagement and reactive, controversy or screening related engagement. Our 2022 strategy is shown below.



* 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; World Benchmarking Alliance; Just Transition Alliance.

Engagement Statistics 2022

In 2022 we had 229 distinct engagements with companies, in the following areas:

Type of Engagement	Number	%
Proxy Voting Related	25	11%
Thematic Engagement	117	51%
Screening Related	73	32%
Reactive & Controversy Related	14	6%
Total	229	100%

Topic of Engagement	Number	%
Environment	57	25%
Social	61	27%
Governance	35	15%
Overlapping	72	31%
Negative screens	4	2%
Total	229	100%

Topic of Engagement 2022

- Environment **25%**
- Social **27%**
- Governance **15%**
- Negative screens: Ethics/Values **2%**
- Overlapping **31%**

Environmental Engagements 2022

- Banks **5%**
- Biodiversity **27%**
- Climate Change **26%**
- Water **21%**
- Other **21%**

Social Engagements 2022

- Animal Welfare **21%**
- Financial Inclusion **2%**
- Health & Wellbeing **31%**
- Human Rights **16%**
- Living Wage **7%**
- WDI **15%**
- Other **8%**

Governance Engagements 2022

- Diversity **3%**
- Proxy Voting Related **37%**
- AIM Governance **26%**
- Other **34%**

Thematic Engagement

Cimate Change

Climate change is a core thematic engagement, and in 2022 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 95 times – representing 41% 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 sixth consecutive year. We led the engagement with eight companies including **Mears Group, INDUS Holding, Hawaiian Electric Industries** and **Exact Sciences**, and have co-signed letters to 25 others across all three questionnaire requests. A significant win in this year's campaign was Hawaiian Electric which, following a five-year period of engagement, has disclosed to the CDP Climate questionnaire for the first time. We were also pleased that the company committed to set a Science Based Target (SBT) and to expand renewable generation – two of our key engagement asks.

Following the seventh iteration of our portfolio carbon footprints we also continued our engagement with the heaviest emitting companies in our Funds. We met with **Elementis** and **Kemira** during the year to ask them to set Science Based Targets (SBTs). Elementis has intensity targets in place currently with scope 1 and 2 emissions disclosed. Kemira discloses scopes 1, 2 and 3 emissions; however, it only has absolute emission reduction targets for scopes 1 and 2. With both, we discussed challenges in decarbonising the chemicals sector, the difficulties in collecting scope 3 data, and the challenges in setting SBTs without sectoral guidance from the SBTi. We were pleased that both companies are looking to set an SBT – although not until 2024.

Climate change remains a key topic in our engagement strategy and we expect to continue dialogues with companies in 2023.

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 five consecutive years, and we engage with banks, both unilaterally and collaboratively as members of the Institutional Investors Group on Climate Change (IIGCC), encouraging them to withdraw from projects that fail to meet the Paris Agreement goals.

This year we met with Dutch bank, **ING Groep**, to discuss their decarbonisation strategy, and we remain convinced that they are a leader in this space. We asked questions around their alignment targets for the shipping sector, which is one of the few they have yet to map a net zero pathway for. We also continued our engagement with the **Royal Bank of Canada (RBC)** to discuss their net zero strategy, including their financing of new fossil fuel infrastructure, aligning their oil and gas targets with the IEA's (International Energy Agency) net zero scenario, and ensuring their public policy work is 'Paris aligned'. Whilst the Bank is undoubtably significantly behind European peers, we are encouraged by their openness to a discussion. Our holdings in the Canadian banking sector continue to be a focus for us.

Over the year, we also met with **Standard Chartered, HSBC, Barclays** and **Bank of Nova Scotia** on the topic of fossil fuel financing.

River Quality

Last year, the Environment Agency reported that only 14% of England's rivers enjoyed 'good health' that approached their natural ecological condition. Following a number of decades of poor environmental performance by UK water utility companies, we carried out a thematic engagement with eight English and Welsh water utility companies on the topic of river quality and pollution management. Calls were held with **Thames Water, Yorkshire Water, United Utilities, Dwr Cymru** (Welsh Water), **Severn Trent, Pennon** (South West Water), **Anglian Water** and **Southern Water**. We published an Insight on our findings (see page 8), and have been engaging with **Ofwat** and the **Environment Agency** on the topic and their role as regulators.

Wet Wipes

Following Tesco announcing they would cease selling non-biodegradable wet wipes by the end of 2022, and knowing this is an issue of critical importance to the water industry, we wrote to our six holdings that retail wet wipes. These were **J Sainsbury, John Lewis Partnership, Wm Morrison, B&M European, Marks & Spencer** and **Co-operative Group**. All companies stated that their own-brand wipes are biodegradable, 'Fit to Flush', or were on the pathway to making these plastic-free by the end of 2022. The majority, however, did not specify whether this is also the case for third party brands, and this was a key focus of our engagement.

Conflict Areas and Telecommunications

In light of the crisis engulfing Ericsson over alleged payments to terrorist groups, we undertook a focused engagement with 10 telecommunications companies to probe their compliance due diligence around operating in theatres of conflict where there is a high risk of bribery. The responses were encouraging with qualitative replies from **Telefonica, BT Group, Nokia, Verizon** and **Telstra**, meetings with **Orange** and **Vodafone**, and confirmation that neither **KPN** nor **Telefonica Deutschland** have operations or exposures that would lead to the kind of ethical issues encountered at Ericsson.

Governance

We had conversations with several companies during 2022 that were remuneration linked. Among many others, we had a meeting with the Chair of **Frontier IP Group** over their remuneration proposals. FIP planned to move to more conventional pay arrangements; however, we had some concerns around the planned rises in base salary of over 33%, coupled with the introduction of two new variable pay schemes with a maximum 400% salary. We made reducing the quantum a condition of our support. We were delighted that following the meeting the Board agreed to reduce overall limits to 300% in line with our Governance Policy.

We also had significant correspondence with the Chair and CEO of **Caledonian Trust** over ongoing governance concerns. The Trust is a controlled company and our concerns centre on the lack of Board refreshment and director elections. The Trust's Nominated Advisor (NOMAD) also engaged with the Board and some concessions were extracted. We have given notice that we are unlikely to support the Board until these concerns have been addressed.

In 2022 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 targeted six companies and were delighted that four agreed to raise the issue with their Boards. Subsequently, Isle of Man based **Strix** confirmed they would move to annual director elections.

Employment and Labour

We once again took part in the **Workforce Disclosure Initiative (WDI)** to improve corporate transparency and accountability on workforce issues. 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. This year we targeted 10 companies and are delighted that **Royal Mail Group** and **Prysmian** have both confirmed participation for the first time.

We continue to be strong advocates of the Real Living Wage, particularly during the current cost-of-living crisis. During the last quarter we met with **M&S** as part of the Good Work Coalition to discuss the Living Wage. M&S already pays the Real Living Wage to all employees but does not include contractors. We explored challenges with accreditation and encouraged the company to scope the inclusion of contractors as part of their commitment.

Health and Wellbeing

As part of the **Access to Nutrition Index** and the Healthy Markets Coalition we have been engaging our food retailer holdings on the topic of healthy food sales. Over the year we attended calls with several companies including **Tesco, Danone, M&S** and **Waitrose**, encouraging them to report on sales of healthy food and shift promotions away from unhealthy options.

As part of our health and wellbeing focus, we also take part in the **Access to Medicine Index** annual engagements to encourage our pharmaceutical holdings to improve access to critical drugs. This year we joined calls with **Novartis, Sanofi** and **GSK**, among others, to discuss topics such as the difficulties in antibiotic innovation, supply chain resilience and the need to collaborate with government to increase access.

Anti-microbial resistance (AMR) is a topic of growing importance, and we had calls with **Zoetis** and **Dechra Pharmaceuticals** on the topic of AMR in animal feed. Both companies spoke about the role of farmer education in tackling the risk of AMR and the impact on their business of the new EU legislation on giving prophylactic antibiotics to animals.

Investor statement highlights

We support collaborative investor letters and statements where appropriate. This year, we signed an investor letter facilitated by the **Plastics Solutions Investor Alliance** calling for a comprehensive Global Treaty on plastic waste. The letter sought a coordinated international response to the problem of plastic waste that covers the entire life-cycle of plastics and promotes a circular economy approach, and called for a Treaty agreement that removes unnecessary plastics from the supply chain. Since signing the letter, nearly 200 countries have agreed to start negotiations on an international agreement to take action on the 'plastic crisis'.

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 2022.

We contacted **Lloyds Banking Group** after it closed the last remaining retail bank branch on the Scilly Isles. The Bank had conducted a normal viability review and concluded the branch was not viable, whilst at the time not giving guarantees that the last remaining ATM on the islands will remain open. We made representations noting that remote island communities require a different viability assessment to mainland branches where alternatives may only be a bus ride away. Despite increasing online banking, the closure of the last remaining facility on the Scillies may put the economic viability of island communities and their businesses at risk. We have been in touch with the local MP for West Cornwall and the Scillies (St Ives) who is keen to explore the option of a community banking hub for the islands, and we have assisted in providing some leads.

We had a call with the Chief Executive and Senior Management of **Lassila & Tikanoja** (L&T), a Finnish circular economy player focused on environmental services and facilities management. L&T, which operates exclusively in Finland and Sweden, is a dominant player in the B2B waste resource sector. Our screening of the company, whilst very positive, raised some issues around contracted labour and absolute emission reduction targets. This was a very constructive call which sowed a seed with management that they should do more to integrate contractor H&S data into their mainstream reporting, given it represents 70% of active procurement.

We had a call with **National Express Group**, the international UK based transport Group, to discuss a range of sustainability issues including fleet transition, improved reporting and vehicle end of life. The company has been through some challenging times as the market for public transport disappeared during COVID, but their eye-catching announcement never to buy another diesel bus is still in place. It was also interesting to note they have ruled out buying hybrid vehicles in favour of battery powered for local urban transport, and believe hydrogen for the long-distance coach network is the likely fuel of the future, but this will take longer to transition.

We had a meeting with **Royal Mail Group** following a recent review. In particular, we wanted to understand the company's approach to safety management, given it reported 31 fatalities in 2020. The company has maintained a policy of reporting any incident that comes into contact with a Royal Mail vehicle, and so many of the fatalities reported were not incidents caused by Royal Mail itself. We also discussed the company's ambitious net zero plans and fleet transition strategy, as well as how technology is helping to support postal staff in dealing with dangerous dogs.

We also had a one-to-one with the CEO and CFO of **PostNL**, the Dutch post and logistics operator, which has become mired in controversy at its Belgian operations, including allegations of child labour. We were able to learn more of the two ongoing criminal and regulatory investigations at their Belgian business, which the company has aggressively contested. We remain alert to developments but have kept in close contact with the company.

We met with Italian precision cable and wire manufacturer **Prysmian** to discuss the company's ESG strategy. It was a positive meeting with the company demonstrating progress in several areas, including plans to reduce their scope 3 emissions via targeted customer and supplier engagement, as well as ambitions to expand their ECO-cable range which will improve the recyclability of their products.

We had a meeting with **Imerys** following a review of the company. Imerys engages in the exploration, mining and processing of minerals as part of its integrated manufacturing process, and as such is a relatively high risk holding. We met with the company to discuss management of key risks including biodiversity and safety and were pleased with the level of ambition and oversight. This was followed up by a site visit to their China Clay operations in Cornwall in November.

We had a detailed catch-up with **Nestlé**, in which they provided updates on some of their ground-breaking regenerative agriculture projects in the UK, as well as product refreshment, climate change strategy and their latest Modern Slavery Report. As the world's largest food producer, Nestlé is in a commanding position to make a significant difference to farmer livelihoods and the way they farm sustainably, which they have now extended to dairy farming, wheat and sugar. The meeting also touched on their updated approach to the marketing of Breast Milk Substitutes and their commitment to cease marketing in all countries for 0–6 months and to encourage the industry to move to a similar position for follow-on foods up to 12 months.

We met with **Enel** for an update on their decarbonisation targets and strategy. Interestingly, the company has decided to manufacture its own solar panels in Sicily and the US in order to overcome forced labour issues connected with sourcing from China. By 2024 Enel will have 3GW of installed capacity at its Sicilian plant and enough to supply all of its needs throughout Europe. Despite energy supply challenges in 2022, they are certain that longer term emission reduction targets are not in jeopardy from short-term volatility.

We were the guests of **Anglian Water** for a visit to two infrastructure sites serving the Greater Norwich area; we first visited the Heigham Water Treatment Works which supplies around 42 million litres of water a day to the Norwich supply zone that serves 200,000 people, and we then visited the Whitlingham Water Recycling Centre (sewage treatment) which filters, disinfects, cleans and aerates sewage from the surrounding catchment area. The works also utilises a Cambi plant (thermal hydrolysis process) that treats imported sludge to produce biogas and high quality biosolids. Site visits like this are very helpful in providing the context for much of our work.

We were interviewed as part of materiality assessments for **Talanx, Harmony Energy Income Trust, Nordic Paper** and **Sanofi**. All are in the process of reviewing or updating their sustainability strategies, and our discussions centred on key topics of importance for each company, and best practice recommendations such as the setting of SBTs.

More detailed information on our engagements during 2022 can be found in the quarterly RI Activity Reports published on the EdenTree website.

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.

Share-blocking is outlawed across the European Union and doesn't manifest in any other region. However, some companies in Norway and Switzerland particularly require shareholders to waive their right to trade in order to vote. Our long-standing position is not to do this. Eight meetings were share-blocked in 2022, including **Yara International** and **Cambi**. All eight meetings were Norwegian.

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. Our **'How We Vote'** primer provides further information on this process.

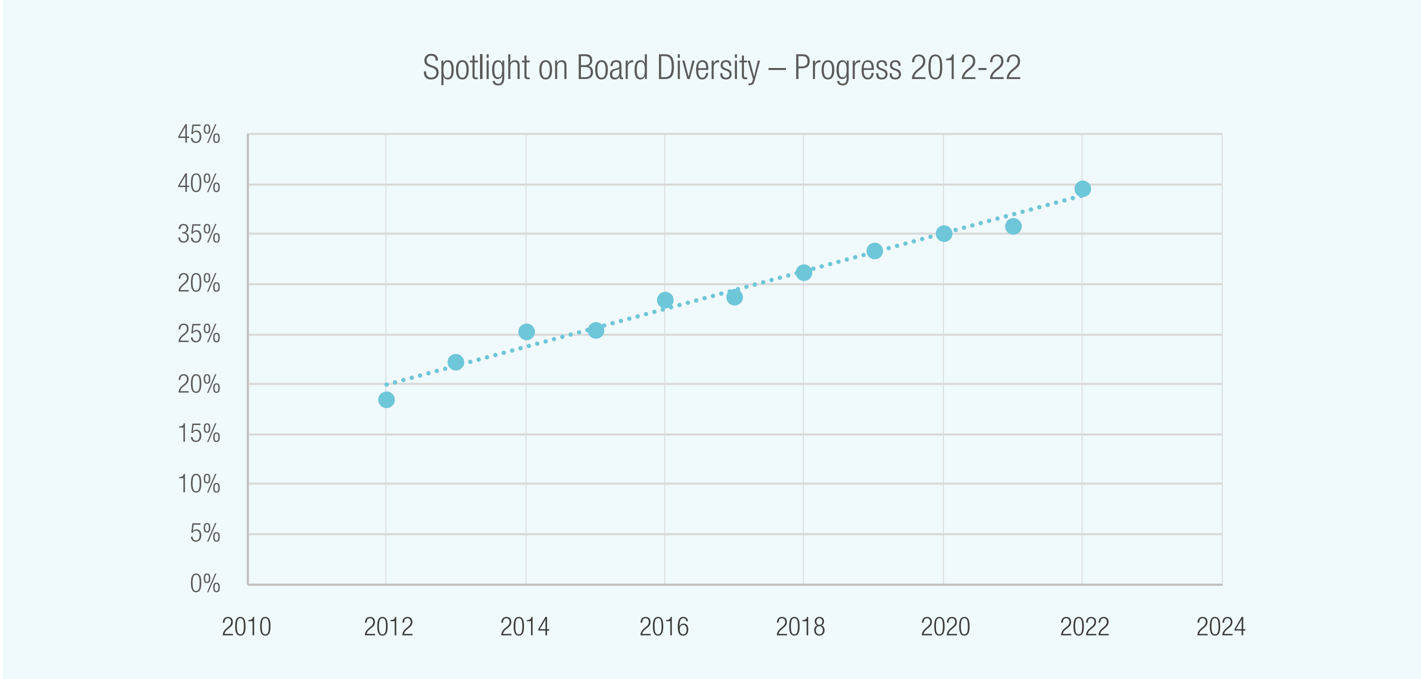
A complete and transparent record of voting action taken is published quarterly in a single Global Corporate Governance Report. This contains UK and overseas voting statistics, details of action taken (oppose/abstain), meetings where all resolutions were supported, diversity records (in the UK), and occasions 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 evolves.

In 2022 we voted at:

Total Number of Meetings Voted at	344
Total Number of Resolutions Voted on	5,128
Total Number of Markets	26
Percentage of Proposals Opposed/Abstained	10%

In the UK, the majority of action taken (54%) was against executive remuneration, followed by Board balance issues (director elections – 23%). We have a detailed framework on executive pay and find it very challenging to support pay packages, where we view the majority to be excessive. In 2022 we supported no remuneration reports associated with our 41 FTSE100 holdings.

Total Number of UK Remuneration Proposals Voted on	180
Total Percentage of Remuneration Proposals Supported (all votes)	47%
Total Percentage of Remuneration Proposals Opposed/Abstained (all votes)	53%
Percentage of FTSE100 Remuneration Proposals Opposed	100%



Diversity is fully integrated into our UK and overseas voting policies; overseas we oppose the Chair of the Nomination Committee (or equivalent) where women form less than 25% of the Board.

In the UK we support recommendations that Boards should be diverse and in which women make up at least 33% of the Board. Persistent laggards are targets for engagement, and there is routine opposition of the Nomination Committee Chair. We have been monitoring gender diversity since 2011 and considerable progress has been made across the UK market in promoting more balanced Boards. For instance, across 12 well known FTSE100 companies (including Tesco, Vodafone and GSK) one can see that Board diversity has improved from an average of less than 20% in 2010 to 40% in 2022.

Overseas, we opposed the re-election of Nomination Committee Chairs at 10 companies in the US, Japan and Asia, including **Air Products & Chemicals, DBS Group, AT&T, Cerner Corporation** and **Sumitomo Mitsui**.

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 2023 UK Corporate Governance Policy provides further guidance on our approach to this area of policy.

We opposed the re-appointment of auditors at 42 companies, mostly in the US on length of tenure grounds. We see very long auditor incumbencies at US companies, for instance 84 years at **Walt Disney** and 113 years at **General Electric**. In Europe, audits have to be tendered and the incumbent auditor changed at least every 20 years and so we have taken proportionately less action in Europe, and against just eight in the UK (18 in 2021) including at **Direct Line Insurance, Ashtead** and **Prudential**. Auditors were also opposed at **National Grid** owing to excessive non-audit fees in successive years.

In the UK variable incentive schemes represented 6% of all action taken; 10 schemes were opposed, including at **JD Sports, Halma** and **Berkeley Group**. Whilst the introduction of Restricted Share Plans (post-COVID) has slowed, we opposed three during the year. Restricted Share Plans typically reward executives with grants of shares that are not linked to performance, and which we generally oppose.

At **Ferguson**, we unusually opposed the adoption of the Annual Report & Accounts owing to a deterioration in the company's approach to corporate governance following its re-location to the United States. The company, which is domiciled in the US, registered in Jersey and headquartered in London, is now taking a 'pic-n-mix' approach to governance which we viewed negatively. We also opposed a bundled resolution amending the Group's Articles which included a provision for lower reporting thresholds and the introduction of political donations.

Overseas we voted at 167 meetings in 22 markets in the following regions:

Meeting Region	No.
Europe[1]	77
USA/Canada	63
HK/Singapore	17
Japan	5
Asia – Other[2]	4
Australia/NZ	1
Emerging[3]	0
Total	**167**

1 Ex-UK
2 Malaysia, Thailand, Vietnam, South Korea
3 Latin America/India/Africa/Israel/offshore

Shareholder resolutions are relatively rare in the UK and are most often brought by coalitions of NGOs rather than investors. We analyse each and every proposal with care before deciding how to vote. Among our holdings there were five shareholder resolutions in 2022 including a climate change related resolution at **Standard Chartered**, and one at **J Sainsbury** calling on the company to become an accredited Living Wage employer.

With climate change becoming a dominant issue we have also seen more companies putting their climate transition plans forward for shareholder approval. We welcome this trend and will support company plans where we feel these are appropriately ambitious with clear targets and milestones. In 2022 we supported 10 such company-sponsored proposals including at **Barclays, Coventry Building Society, Aviva, Centrica** and **Pennon Group**.

After careful consideration we abstained from supporting the net zero pathway proposed by **Standard Chartered** as lacking ambition and detail; however, we did support a shareholder proposal requisitioned by Market Forces, which we felt was reasonable and appropriate in asking the Bank to set a clear strategy to manage its fossil fuel exposure. Whilst the shareholder proposal was defeated (88.2% opposed), we noted that the Bank's own strategy saw significant shareholder dissent with 16.9% opposing.

Sainsbury's

Case Study: Shareholder Resolution – J Sainsbury

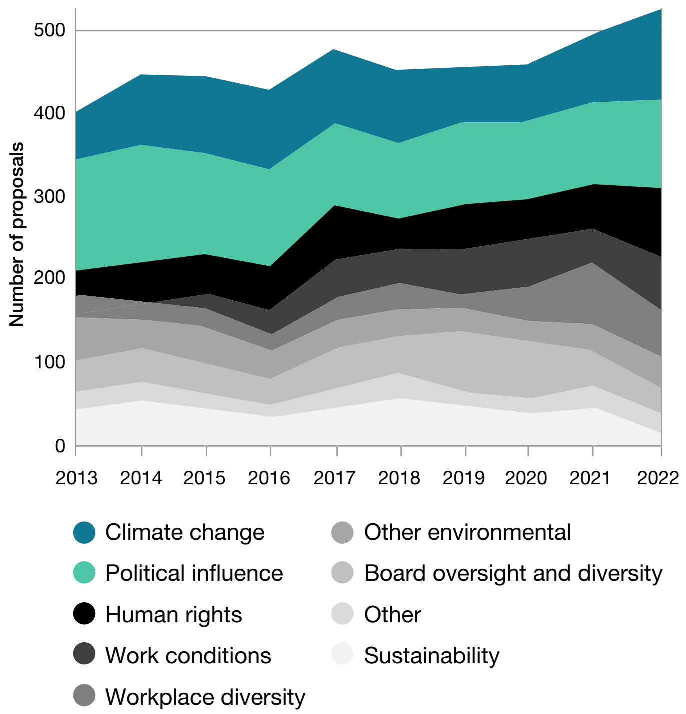
EdenTree has long been an active supporter of the Real Living Wage that is independently calculated and takes into account the cost of living. As a voluntary initiative – supported by 11,000 employers in the UK – it is materially different to the National Living Wage, set by the UK Government. It encompasses two 'living wage rates' – for Greater London and the rest of the UK – both calculated by the Resolution Foundation and overseen by the Living Wage Commission. Accreditation ensures all employees and contractors receive the enhanced rates. At the J Sainsbury AGM in July 2022, a resolution requisitioned by ShareAction called upon the company to become an accredited Real Living Wage employer by July 2023.

Whilst naturally sympathetic to the aims of the resolution, we nevertheless met with the Group Chair to gain the views of the Board. The company held 'constructive and open dialogue' with the proponents but felt strongly that Sainsbury was the wrong target. Sainsbury argued with some conviction that they offer a market leading 'package' to all colleagues, which in the context of the cost-of-living crisis included generous discounts on food purchases, including a 15% discount for five days every pay day – in addition to a usual discount of 10% provided outside of this period. Their base rate of pay, which at the time of the AGM was about to rise to £11.05 per hour, makes them among the highest payers in the food retail sector. The Living Wage is set externally, and accreditation removes discretion from the company; Sainsbury, with a £4bn operational pay-roll cost, argued it could not 'contract out' this significant overhead without retaining some control.

Overall, they argued that Sainsbury was fully compliant with the spirit of the resolution but could not endorse it. We also engaged with ShareAction, with whom we have long worked on the Living Wage, in order to understand their rationale for targeting Sainsbury. After careful consideration, we took the view that Sainsbury was an unfair target given their extensive work around supporting colleagues; to that end we abstained from supporting the resolution and informed the company of our decision. The resolution received 16.69% support, and so was heavily defeated. We have remained in close contact with Sainsbury, and strongly welcomed its announcement in January 2023 of a £205m investment in colleague reward so that over 127,000 hourly paid workers would receive pay of at least £11 per hour – up 10% year on year. We view this as a successful outcome of our engagement.

Overseas, shareholder resolutions are very common in the US, but less so in other markets. The 2022 US proxy voting season yielded a record 607 shareholder proposals on ESG related issues – up 22% on 2021. This, however, masks the total volume of proposals, many of which are withdrawn or not allowed by the SEC (Securities & Exchange Commission). In an average year over 1,000 shareholder proposals are requisitioned in the US.

In total we reviewed 85 overseas shareholder proposals in 2022.



Data accessed 10 March, 2022.
Shows proposals filed as of 24 February, 2022.
Source: Sustainable Investments Institute (Si2)

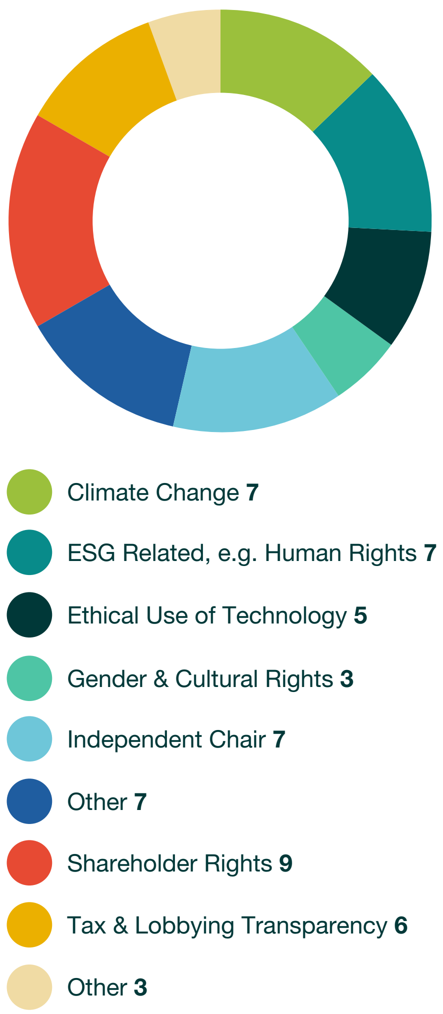
We support global shareholder resolutions where these appear reasonable and proportionate and are in keeping with our general stance on ESG positives. Where they appear to mandate an unreasonable financial charge or represent narrow lobby interests, we may exercise discretion to oppose or abstain. During 2022 we supported 54 resolutions in four territories – the USA, Germany, France and Japan – and opposed or abstained in 31 cases.

We tended to oppose in cases where the proponents had not made a sufficiently good case, where disclosure was already sufficient, where the resolution was too prescriptive, where it mandated the disclosure of commercially sensitive information or where there would be a disproportionate financial cost.

As the chart below shows, these proposals were on a number of issues ranging from diversity and climate change to worker directors, racial equity and human rights, at companies such as **Pfizer, PayPal, Microsoft, Nike, Boston Scientific, Bristol Myers-Squibb, Alphabet, American Express, Gilead Sciences, The Hartford** and **Disney**.

Some companies faced multiple shareholder resolutions; for instance there were 17 shareholder proposals at **Alphabet**, in which we supported 14, opposed two and abstained in one!

Shareholder Resolutions Supported 2022



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

Neville White – Head of Corporate Governance

If 2021 was not quite normal, 2022 saw the global proxy season bounce back to something approaching its pre-COVID form. Meetings in person (and hybrid) replaced purely virtual gatherings, and the range of proposals put forward by shareholders continued to multiply and diversify. Against reports that the SEC would take a tougher line on the filing of non-financial shareholder proposals, 2022 saw a record number of resolutions being requisitioned and voted on. In the UK we began to see the all too familiar 'pay creep' as Remuneration Committees took the opportunity to hike levels of variable pay after a two-year pay hiatus. In many cases we viewed this development dubiously and explains why for the first time we could not support a single FTSE100 Remuneration Policy or Report.

We have maintained our firm conviction that variable pay should reward out-performance, should not reward for 'doing the job' and needs to show restraint. The rush to introduce nil-performance Restricted Share Plans eased, but we still opposed the few that came across the Team's desk. We have always opposed role based pay introduced by UK banks to circumvent the EU's bonus cap, and note, post BREXIT, that the UK Government may remove this bonus cap altogether, which whilst lifting variable pay, would have the effect of restoring normality to the banking sector.

Finally, we welcome the significant increase in climate related proposals at UK and French companies in which management seeks advisory approval for their transition strategies from shareholders; this has provided the opportunity for debate and to challenge, and to support the ambitions of many companies. We expect this to increase and continue in 2023.

> "For the first time we could not support a single FTSE100 Remuneration Policy or Report."

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 Responsibility (CR) 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. In January 2023, to mark five years of our corporate responsibility initiatives, we formalised our strategy into three focus areas of People, Community and Environment. We also refreshed the Committee membership with representation from different departments across the firm. Aaron Cox, Head of Investment Communications, was appointed Committee Chair, with Leonora Rae, Head of Corporate Responsibility as Deputy Chair.

People

Diversity and Inclusion

All EdenTree colleagues are formally employed by our parent company, the Benefact Group, which also provides regulatory information on Gender Pay Gap reporting for the entire Group. At 31 December 2022 our colleague profile was:

		M (%)	F (%)
EdenTree Board	7	5 (71.4%)	2 (28.6%)
Executive Committee	6	5 (83.3%)	1 (16.7%)
All Staff	65	44 (67.7%)	21 (32.3%)

Inclusion has always been important to us, and we are proud of the diverse perspective which every colleague brings to our business. We recognise, however, that we can do more, and last year we worked with a specialist Diversity & Inclusion consultancy – Green Park – to conduct an independent audit of our processes. We expanded the data we collect across our business including ethnicity, disability and socio-economic background.

The results of Green Park's diversity survey, which received an 85% engagement rate, has improved our understanding of the makeup of our workforce. A total of 80% of survey respondents identified as white, 13% as Asian-Indian, 2.2% as Black African, 2.2% as white and Asian, and 2.2% as 'any other mixed background'.

The results of the survey have revealed much to be proud of, and we are particularly encouraged that 98% of survey respondents state that they feel included in the workplace at EdenTree. Alongside the significant areas of good practice, several areas of improvement were identified which the Corporate Responsibility Committee will be exploring in the coming year.

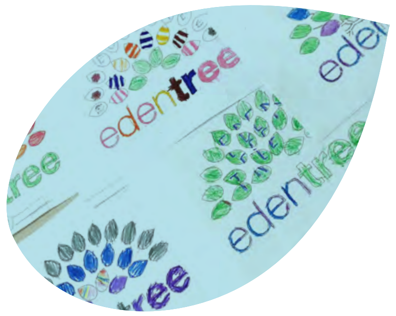
Some impacts are managed at Group level by our parent Benefact Group, such as procurement. The Group is also responsible for publishing an annual Modern Slavery Statement under the Modern Slavery Act 2015. This can be found at **www.benefactgroup.com** together with the Group's Impact Report.

Culture and Values

We recently published our refreshed Culture and Values Statement, which includes EdenTree's vision to 'make all investment responsible', our shared objective with the Benefact Group, 'to be a beacon of responsible and sustainable practice'. This can be found on our website.

EdenTree Family Day

In December 2022, we were pleased to host our first EdenTree Family Day in the office. It was a great opportunity for colleagues to introduce their families and partners to one another



and for the children to see where their parents work. There was much excitement about the face painting, electronic whiteboards and office chairs. We very much look forward to repeating the event in 2023.

Community

A Different Kind of Company

Our charitable ownership and commitment to our customers and communities mean we have a unique opportunity to create a positive impact in the world. Since 2016 Benefact Group has surpassed its giving target of £150m in grants and donations to good causes, making us the fourth largest corporate donor in the UK. In June 2022 we celebrated this milestone with colleagues, charities and clients, hosting a Service of Thanksgiving at Westminster Abbey. We were honoured to have been joined by a number of special guests including representatives from charities we have supported and His Majesty, King Charles III (then HRH the Prince of Wales). The Group is now aiming to reach an aggregated giving target of £250m by 2025.

As well as our core giving, explored below, 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, which is matched if you volunteer for the same cause.

Volunteering

Our Corporate Responsibility Committee has sought to increase staff volunteering, and for our winter volunteering we spent the 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. Going forward, we will have quarterly opportunities that align with our Responsible Investment engagement themes. This will include partnering with charities in important areas such as Financial Inclusion, Climate Change and Water Safety.

In June, following the release of our report 'The Condition of Our Rivers', several members of the EdenTree team spent an afternoon clearing waste from the riverbanks of the Thames in Battersea. Colleagues were joined by EdenTree's partner and Olympic open water swimmer Alice Dearing and used the opportunity to not only clear a section of the riverbank, but also raise the profile of river pollution. Many of the volunteering team feature along with Alice in a short video about why clean water is not only important to her sport, but to communities as a whole, which is available **online**.

City Giving Day

In September we were pleased to champion City Giving Day, the Lord Mayor's Appeal which celebrates how businesses in the square mile can make a difference, as part of our bid to create a fair society. Firms across the City choose to celebrate the day and fundraise for charities in a variety of ways. At EdenTree we took the opportunity to support and promote the work of our three charity partners and beneficiaries of our Community Fund. This included hosting mock interviews with Blind in Business, hosting a bake sale fundraiser for the Drop-in Bereavement Centre and showing a series of films made by the Walworth Community Gardening Network to raise awareness of their work in the communities.

Work Experience

One of the candidates who attended our mock interviews with Blind in Business was Haleemat Rasheed, who we were delighted to host for two weeks' work experience in December. During her time with us, Haleemat shadowed and supported teams across EdenTree and Ecclesiastical Insurance. Haleemat made a great impact, presenting her project 'For the Vision' to EdenTree CEO, Andy Clark, on accessibility improvements we will make to our office environment going forward. We look forward to welcoming more candidates introduced by Blind in Business in the future.

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 support 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, which commenced in January 2022. The chosen themes were Education, Mental Health & Wellbeing and Environment.

The charities we are 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.

We are delighted with the impact these grants have made in just one year.

BLIND IN BUSINESS

Theme: Education

Grant amount: £30,000 per year for three years

Grant purpose: Towards core office costs over the next three years to support 360 blind and sight-impaired young people with education to employment.

Beneficiaries: 138 beneficiaries from the grant so far.

Impact of funding so far: Blind in Business have delivered their planned events and expanded upon their online offering to give clients a mix of remote and face-to-face working, as well as face-to-face interviews with employers and work experience placements, which have increased by 31 compared to last year.

For more information about Blind in Business: **www.blindinbusiness.org.uk**

DROP-IN
Bereavement centre

Theme: Mental Health & Wellbeing

Grant amount: £10,000 per year for three years

Grant purpose: Support the salaries of professional bereavement counsellors to deliver bereavement counselling and grief counsellors to deliver COVID-19 peer group counselling workshops.

Beneficiaries: 60 beneficiaries from the grant so far.

Impact of funding so far: The grant has enabled the Drop-in Bereavement Centre to continue delivering face-to-face, telephone and video bereavement counselling and Peer Support Group Workshops. The grant assisted them in working collaboratively with mental health carers and local community organisations in signposting clients presenting as at risk and in need of additional support, including advocacy support. The funding also covered the cost of engaging their existing team of professional bereavement counsellors, volunteer trainee placement counsellors and host lead clinical supervising counsellors in the delivery of telephone and video grief counselling.

For more information about the Drop-in Bereavement Centre: **www.thedropinbereavementcentre.co.uk**

WALWORTH COMMUNITY wcgn GARDENING NETWORK

Theme: Environment

Grant amount: £10,000 per year for three years

Grant purpose: Towards core running costs of the community garden network over three years.

Beneficiaries: 102 beneficiaries from the grant so far.

Impact of funding so far: Walworth Community Gardening Network's grant was used to support the core costs of engaging a Project Manager and Project Coordinator. Since the acceptance of the grant the Project Officer has progressed to a Coordinator role. These roles allow the network to run a variety of activities and meetings across the area of north and central Southwark under the postcodes of SE1, SE5 and SE17. The Project Manager's focus is on governance, compliance, reporting and funding management, whereas the Project Coordinator is focused on outreach, the ground activities and linking the gardens. COVID has impacted the network and reduced attendance at meetings, whilst one of the founding members has left the area.

For more information about Walworth Community Gardening Network: **www.walworthcgn.co.uk**

Environment

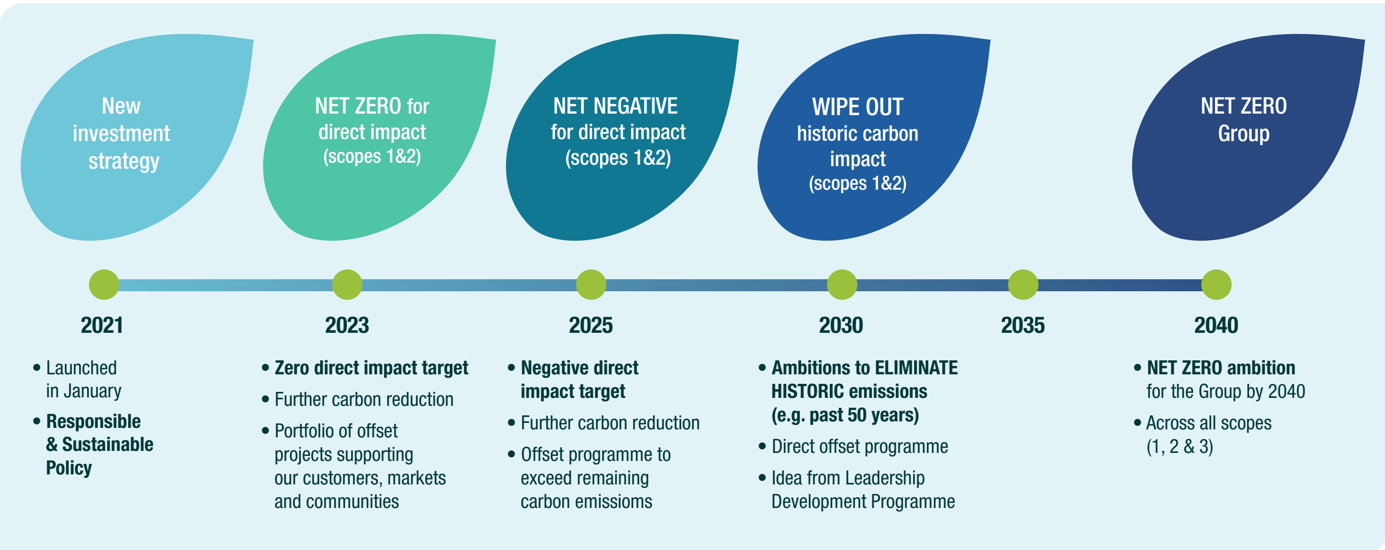
EdenTree occupies a single floor in a modern multi-let office development near Monument; our direct environmental impacts are modest and relate in the main to energy use and resources such as paper and equipment. The CR Committee undertakes several initiatives to manage reductions in our impacts such 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 our 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.

As a subsidiary, in the past we have reported the Benefact Group's carbon footprint. This year, as the data quality has increased, we are able to report EdenTree's carbon footprint, shown in the table below. Our scope 3 emissions have increased in the last year due to an increased scope of reporting which now covers all material scope 3 categories.

	tCO$_2$e		
	2020	2021	2022
Scope 1	**0.65**	**0.00**	**0.00**
Scope 2 (market-based)	**0.00**	**0.00**	**0.00**
Scope 3 (other indirect emissions)	**0.14**	**0.40**	**27.72**
Air Travel	0.12	0.34	2.19
Rail Travel	0.02	0.05	0.47
Business Mileage (Own Car Travel)	0.00	0.00	23.14
Car Rental	0.00	0.01	1.19
Waste	0.00	0.00	0.57
Water supplied	0.00	0.00	0.14

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



To support the Group's ambitions, we have several initiatives in place to reduce our operational emissions. In addition, as described on page 12, we have a strong strategy in place to reduce our financed emissions (which fall under the Group's scope 3).

The Group is also a voluntary member of ClimateWise, a group of organisations ambitious about climate action, and it reports annually to the ClimateWise framework which is in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The Group scored 75% in 2021, a 23% increase on 2020.

Recognition and Partnerships

We were delighted to have been named 'Best Ethical Investment Provider' in the Moneyfacts Investment Life & Pensions Awards 2022 for the 14th successive year in a highly competitive field. This is a huge vote of confidence from all our supporters who nominated and voted for us.

We were also pleased to be recognised in the ESG Clarity Awards where the Responsible & Sustainable Managed Income Fund won the award for best fund in the multi-asset class, and at the Portfolio Adviser Wealth Partnership Awards where we won the award for ESG Advocate!

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, the PRI made significant changes to their reporting methodology, and as a result our final scores are rated on a different scale to previous years. We were pleased to achieve a four-star rating for our Investment & Stewardship Policy. 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 have been long-standing signatory supporters to the European SRI Transparency Code, making our first submission in 2011. Following Eurosif's decision to withdraw the SRI European Transparency Code given the advent of the European Union's SFDR taxonomy regime, we took the decision not to re-accredit in 2022.

We are delighted to have been accredited under the 2020 UK Stewardship Code by the Financial Reporting Council. We first became a signatory to the Code on its launch in 2012 and have been accredited Tier I. The 2020 Stewardship Code has expanded the previous seven principles in the 2012 Code to 12 and our written Stewardship Report is published at **edentreeim.com**. We submitted our 2022 Code assessment in September and were re-accredited by the FRC in February 2023.

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**
- **Institutional Investors Group on Climate Change (IIGCC)**
- **LSE Financing a Just Transition Alliance**
- **World Benchmarking Alliance**
- **Global Impact Investing Network**

Service Providers

ISS-ESG is our main provider of ESG data research and controversies updates. The 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 31 December 2022 the Panel comprised six persons.

Rt Rev. Dr Nigel Peyton, Panel Chair

Assistant Bishop in the Diocese of Lincoln since 2017, the Rt Rev. Dr Nigel Peyton was previously the Diocesan Bishop of Brechin in Dundee, Scotland, following service as Archdeacon of Newark and Canon of Southwell Minster. He was a member of the Church of England's General Synod from 1995 to 2010. Bishop Nigel was a Non-Executive Director of the Ecclesiastical Insurance Group from 2005 to 2012 and is an experienced member of the Advisory Panel. Bishop Nigel is a Member of Council, Bishop Grosseteste University Lincoln, and Honorary Scholar at the University of Liverpool Management School, as well as being a researcher and writer.

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 and 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 having other consultancy roles. Julian is a fellow of the RSA.

Mike Barry, Former Director of Sustainable Business

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.

Sue Round, Deputy Chair, EdenTree Investment Management Ltd

Sue joined what was then Ecclesiastical Investment Management in 1984 as an investment analyst, becoming the lead Fund Manager of the Amity UK Fund and ultimately Chief Executive and Director of Investments for EdenTree. Upon retirement in an executive capacity, Sue became non-executive Deputy Chair of EdenTree Investment Management as well as a member of the Advisory Panel.

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 10 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. Julie chairs a social housing association in Scotland and is a member of the Sustainability for Housing Board, which oversees the Sustainability Reporting Standard for Social Housing.

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 a Trustee Director of the Leech Foundation, a Director of the Methodist Church Lay Employees' Pension Scheme and a member of the Church of England Ethical Investment Advisory Committee's Nomination Committee.

"It's been another great year sitting on the Panel. The key thing for us as panelists is the 'chemistry' with the EdenTree team, by which I mean does our input feel valued and valuable? The answer to both questions is an unequivocable yes.

This year we engaged on issues of great relevance and significance. We deep dived into the world of forestry, green infrastructure and care homes – yes, there is life beyond net zero and it was heartening to explore social sustainability. We also gave our perspectives on companies that EdenTree funds were proposing to invest in, particularly where the ESG case for investment was nuanced.

We shared our views on EdenTree's governance and reporting, for example, its PRI report and its own Climate Report. The latter drilled deeply into each Fund's key constituents and the rigor of their approach to climate action. This is enabling EdenTree to both model and act upon their Funds' trajectories towards a 1.5°C Paris-aligned world.

These important discussions are only possible because of the quality of the pre-reads we received from the RI Team. The quality of debate at the Panel and EdenTree's transparency demonstrate that what we do is valuable and valued by them."

Mike Barry
Former Director of Sustainable Business and Advisory Panel Member

Looking Ahead

The investment appetite for ESG labelled products grew to new heights in 2022, with strong interest in sustainability and ESG named products.

At the same time, we have seen increased push-back against ESG as a methodology in some parts of the world – particularly the United States. At EdenTree, we are deeply concerned about the shift in rhetoric from sectors of the government and the media. We are in the midst of a cost-of-living crisis, and climate change remains as pressing as ever. In our view, these times require heightened ESG scrutiny, not less, and we remain committed to our robust approach to responsible and sustainable investing.

The FCA's highly anticipated UK Sustainability Disclosure Requirements (SDR) and Investment Labels are due to be put in place in the second half of the year, and we welcome proposals that will bolster integrity in this fast-growing area of the market. We contend, however, that this should not be at the expense of product innovation and flexibility, and believe that meeting this challenge will be core to introducing a successful SDR labelling system in the UK. Unsurprisingly, given our heritage, we tend to agree with the Investment Association, which recently published its own response to these proposals. Our approach and process have evolved strongly in recent years, and we are in good shape to respond to these demands with our 35 years of experience in responsible and sustainable investing and our deep knowledge of the sector; it is after all, all we do.

Disclosures under SRD II

The Shareholder Rights Directive (SRD II) places certain disclosure obligations on us as asset managers. We have declared that this Activity Report, together with our other public disclosures, constitutes our disclosure under SRD II as regards:

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.

Our disclosures include the following:

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

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.

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 Activity Report. The Engagement Policy is published at **www.edentreeim.com** and 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 as to how we exercise stewardship as asset managers on behalf of all clients equally. Our disclosure under the UK Stewardship Code (2019) provisions is published each September and forms part of our reporting suite that includes this RI Annual Review (March) and our Climate Stewardship Report (June).

MRS J NOLAN
Compliance Manager

EdenTree Investment Management Ltd
Monument Place
24 Monument Street
London EC3R 8AJ

March 2023