Sustainable Investment Activity Report

Quarter to 30 June 2026

Welcome to our Sustainable Investment Activity Report for the three months to 30 June 2026.

The end of June marked the close of another dynamic proxy season, which was characterised by a continuing shift in the power balance between shareholders and companies. While this has been building for a few years now, a more permissive regulatory backdrop in the US has accelerated the trend. In our voting activity this quarter, which is summarised in this report, the core questions for EdenTree remain the same: are boards delivering on credible strategies, are directors being properly held to account, and are shareholder rights being protected?

We hope you enjoy reading our report, and welcome feedback at sustainability@edentreeim.com.

Source: EdenTree

Research and reporting

We are pleased to have published our 2025 Sustainable Investment Annual Activity Report, bringing together our Annual Activity Report and Stewardship Report for the first time. The report reflects the integrated role these disciplines play in our investment approach and provides case studies of our activity over the year.

We also published our first of three fund-level Impact Reports, for our Green Impact Infrastructure Fund, which outlines the impact of the Fund's holdings and our stewardship activity over the period.

We recently welcomed journalists to an afternoon press event at our London office to mark CIO Charlie Thomas's 25-year anniversary as a sustainable fund manager. Charlie, CEO Andy Clark and Head of Sustainable Investment Carlota Esguevillas led a fireside discussion reflecting on the past 25 years of sustainable investing – what has changed, how they see the current market environment and where the next phase of development might take us.

Engagement

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

A Just Climate Transition

During this quarter, we continued engaging with our highest-emitting holdings through our Climate Stewardship Plan. We also engaged with banks on their financing activities, encouraging them to limit their fossil fuel financing activities and scale up their green financing.

Imerys

Climate Stewardship Plan

Issue: Imerys is a European mining and materials processing company that is captured within our Climate Stewardship Plan due to its carbon intensity. The company demonstrates a credible decarbonisation roadmap and strong progress against its science-based targets, which we welcome. However, it has yet to establish a long-term net zero commitment. This remains a key gap, as such a commitment underpins the ambition, direction and overall credibility of a transition strategy.

Action: In June, we engaged with Imerys to discuss its climate strategy more broadly and to encourage the company to demonstrate greater ambition by setting a long-term net zero commitment. We reiterated that this represents a core expectation within investor frameworks, such as the Net Zero Investor Framework, when assessing net zero alignment. While acknowledging the robustness of its current roadmap and progress to date, we emphasised that the absence of a clear long-term commitment limits the credibility of its transition strategy and increases its transition risk.

Outcome: Positively, management was receptive to our engagement and indicated a willingness to further explore how a long-term commitment could be implemented. The company noted it was reviewing its ambition beyond 2030 and highlighted that evolving flexibility under emerging Science Based Targets Initiative (SBTi) 2.0 guidance may support enhanced ambition. While this signals constructive intent, no formal commitment has yet been made. We have since followed up with the company to maintain momentum and will continue to monitor progress closely through ongoing engagement.

Yara

Climate Stewardship Plan

Issue: Yara International is a Norwegian fertiliser and chemicals company captured within our Climate Stewardship Plan due to its carbon-intensive business model and associated transition risks. While the company maintains confidence in delivering its 2030 targets, progress against our long-term engagement objectives remains limited. In particular, Yara has yet to commit to setting a science-based target (SBT) despite committing to doing so in 2021. More recently, the company has repeatedly cited the absence of SBTi guidance for the chemicals sector as a key barrier. However, guidance was published in December 2025. In addition, Yara continues to lack a clear upstream Scope 3 reduction target despite a material increase in these emissions raising concerns around the credibility and completeness of its transition strategy.

Action: We re-opened our engagement with Yara in April 2026 by signing an investor-backed annual general meeting (AGM) question coordinated by ShareAction, calling on the company to commit to setting comprehensive Scope 3 reduction targets. Additionally, at Yara's inaugural ESG Investor Call in May, we reiterated our expectation around the setting of SBTs, reflecting a progression in our engagement following the release of SBTi guidance and continued gaps in target-setting.

Outcome: While Yara indicated it was assessing the applicability of the new SBTi sectoral guidance, it stopped short of committing to target submission and did not provide a clear response on whether it might consider setting an upstream Scope 3 target. While Yara has not ruled out setting a SBT, disappointingly, its position has remained unchanged for several years and the company continues to adopt a cautious and non-committal stance. We will continue to prioritise this engagement given Yara's material carbon footprint and will consider further escalation if progress remains limited.

Santander

Fossil Fuel Financing

Issue: Santander has materially increased its fossil fuel financing in recent years, including substantial financing of expansion projects. Disappointingly, the bank has also backtracked on its fossil fuel financing policies, removing key coal and oil and gas restrictions and weakening its sector decarbonisation targets. Taken together, these developments represent a deterioration in the bank's climate strategy and climate risk management.

Action: To voice our concerns, we chose to pre-declare our voting intentions to Santander, which included a vote against the Chair and two relevant members of the Responsible Banking, Sustainability and Culture Committee who are responsible for overseeing the bank's climate strategy. Following our pre-declaration and request for engagement, Santander agreed to meet with us in May 2026 to discuss changes to the bank's climate strategy.

Outcome: The meeting provided useful context on the rationale for recent fossil fuel policy and target changes. However, it did not fully address our concerns around the bank's overall direction of travel. Santander framed recent policy changes as a recalibration to a changing external environment, and changes to its targets as methodological refinements rather than a reduction in ambition. We challenged Santander on the removal of Scope 3 from its oil and gas target and the switch from absolute to intensity-based targets, but these changes were insufficiently justified. Positively, the bank highlighted its use of client transition plan assessments and tiering – potentially an important safeguard given increased flexibility to finance fossil clients – but it remains unclear how this framework influences its financing decisions. We agreed to follow up with a further call to better understand Santander's client engagement framework, and we will continue to monitor how this translates into its long-term climate trajectory.

Banks and Regulators, Policy Engagement
Climate Risk

Issue: Despite exacerbating physical climate risks, banks continue to inadequately reflect climate risks in their financial accounts. Expected credit loss (ECL) assumptions, which determine how risky loans are and how much loss the bank recognises today, remain largely backward-looking and do not meaningfully capture future risks such as floods, wildfires and rising sea levels. This has created a disconnect between the risks the investors note and those reflected in accounts, limiting incentives for banks to adjust lending or more carefully consider risk exposure.

Action: In April, in a letter coordinated by Sarasin & Partners, we wrote to major banks and regulators (including the FRC, PRA and ICAEW) to challenge the exclusion of climate risk from ECL assumptions. Principally, we called for improved disclosure of methodologies, assumptions and scenario analyses across banks' disclosures. We also called on banks to publish their climate ECL frameworks and methodologies, and where adjustments were deemed negligible, to prove exactly how this had been calculated through disclosures.

Outcome: The letter quickly gained traction among UK banks and was featured in several articles covering the topic. At the time of writing, major banks and regulators (led by ICAEW) are meeting to review the issue. We intend to remain active participants in the working group and push for improved disclosure around climate risk methodologies.

Water Stress

Over the quarter, we continued our work on water management and targets.

Imerys
Water Stress

Issue: Imerys has material exposure to water risk, including sites in areas of extremely high-water stress and some operational disruption where emergency water supplies have been required. While the company recognises water as a resilience issue, its approach remains relatively early-stage: site-specific, time-bound water targets are not yet defined, water stress is not systematically priced across the business, and water quality management remains largely shaped by local regulatory requirements, which can be inconsistent.

Action: We encouraged Imerys to strengthen its water strategy by developing more robust, site-based and time-bound targets, potentially aligned with science-based approaches such as Science Based Targets Network (SBTN). We also pressed the company on how water stress is being incorporated into site-level adaptation planning, capital expenditure decisions and, where relevant, site selection. In addition, we asked whether Imerys could move beyond minimum local compliance towards a more harmonised approach to water-quality monitoring and management across its global operations

Outcome: Imerys was receptive to the discussion and acknowledged the need to improve its approach. The company confirmed it is using improved water flow data to assess what quantitative, site-specific targets may be feasible, beginning with priority sites. It is also developing stronger site-level adaptation plans in water-stressed areas, including water recycling, reuse, harvesting and alternative sourcing where needed. On water quality, Imerys recognised the limitations of inconsistent regulatory standards and is building continuous monitoring capability, although it remains cautious about adopting a single global standard given site and geographic variability. Overall, this remains a developing area, but management signalled a clear direction of travel towards stronger water risk management.

Social and Financial Inclusion

Over the quarter, we continued our thematic engagement exercise focused on ethical AI and engaged on the topic of responsible product use and human rights due diligence.

Vodafone

Ethical AI

Issue: As co-leads of the World Benchmarking Alliance Digital Collective Impact Coalition on Ethical AI, we have engaged Vodafone for three consecutive years on its Responsible AI governance. Given the growing use of AI across customer services, internal operations and telecommunications infrastructure, our focus was on how Vodafone embeds oversight, risk management and accountability into AI deployment. Vodafone continues to demonstrate a relatively mature approach, including Board-level oversight, an AI Portfolio Board, formal risk assessment processes and employee training. Our discussion focused on how the company can build on this foundation through refreshed public disclosure and clearer communication of outcomes.

Action: We met with Vodafone to discuss how Responsible AI is embedded across procurement, product development and deployment. Vodafone outlined how AI use cases are reviewed by its AI Portfolio Board, with higher-risk cases escalated to privacy, cybersecurity, legal and other relevant functions. We encouraged the company to refresh its 2019 public AI Framework, which predates the EU AI Act and recent developments in generative and agentic AI. We also discussed potential metrics that could help investors better understand implementation, including training coverage, higher-risk use cases, fairness testing, red teaming outcomes and AI-related complaints.

Outcome: Vodafone acknowledged that its public AI Framework would benefit from being updated and noted that internal standards have continued to evolve. The company provided evidence that governance processes are operating in practice, including a recruitment-related AI use case that was stopped due to concerns around bias and accuracy. Vodafone was receptive to investor feedback and asked for examples of best practice, which we will provide as part of ongoing engagement.

Nokia

Human Rights Due Diligence

Issue: As part of our ongoing monitoring, we reached out to Nokia to gain further information on its sales to defence end markets, as it had been cited as a growth area. We also used the opportunity to gain further information on its human rights due diligence (with a particular focus on downstream) and its response to recent fatalities at sub-contractors.

Action: We met with Nokia's Head of Human Rights, Head of Sustainability, and Investor Relations in May to discuss their downstream human rights due diligence and defence exposure. It was a very constructive conversation, with a significant amount of detail shared on their human rights due diligence and Nokia's red-lines around defence. They also clarified that all defence exposure was dual-use communications technology rather than military-specific sales. On health and safety, they were able to share significant detail on recent incidents and provided clear responses on actions that have been taken to strengthen safety culture at sub-contractors.

Outcome: We gained assurance that Nokia's defence exposure remains within our tolerance, with no direct weapons exposure and clear parameters around end use (with a focus on NATO and communications technology). In addition, we were impressed by the depth and robustness of Nokia's human rights due diligence, which remains best-in-class.

Governance

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

During the quarter, we voted against management's recommendation on 15% of proposals. Our voting activity over the last quarter is summarised below:

Q2 2026 Voting Summary:	
No. proposals eligible to vote on	3,436
Proposals voted on	100%
Proposals supported	84%
Proposals opposed	15%
Proposals abstained	1%
Proposals voted against management's recommendation	15%
Proposals voted against Glass Lewis' recommendation	12%
No. meetings voted at	207

Remuneration

Over the period, we voted against 56% of remuneration-related proposals. On 10 occasions, we also escalated these measures by voting against the re-election of directors chairing or sitting on the Remuneration Committee or its equivalent.

Akzo Nobel

Workforce Considerations in Remuneration

Issue: Akzo Nobel reported strong performance against its remuneration-linked "people" and organisational efficiency targets in 2025, largely driven by workforce reductions and site closures that materially exceeded management's original plans. While these actions contributed to short-term operational targets, the company provided limited disclosure on how the scale and pace of job reductions were managed responsibly, including how employee outcomes, internal pay considerations and broader social acceptance were addressed. This is of particular concern given the increasing prevalence of restructuring across the market and the growing expectation for boards to demonstrate sustainable workforce management alongside transformation initiatives.

How we voted: We voted against the re-election of the Chair of the Remuneration Committee. We were concerned that the remuneration framework placed significant weight on non-financial targets that directly incentivised headcount reductions and site closures, which were substantially over-delivered relative to plan, without sufficient transparency on long-term value creation or workforce impacts. In our view, the committee did not adequately demonstrate how executive incentives were aligned with sustainable people management, stakeholder experience, and the spirit of Dutch remuneration requirements around social acceptance, particularly in the context of large-scale organisational change and deferred financial benefits.

Alfa Laval:

Remuneration Structure

Issue: The company's incentive framework includes performance metrics that appear to overlap, creating the potential for executives to be rewarded more than once for delivering the same, or very similar, outcomes. We were also concerned that the remuneration structure is entirely cash-based, with no equity component, no deferral requirements and no executive share ownership guidelines. In our view, this weakens alignment between executive management and long-term shareholders, as executives are not required or incentivised to build a meaningful shareholding in the company. These concerns were compounded by a pay mix that appeared overly weighted towards fixed and short-term elements, with limited rationale provided for the balance between base salary, annual bonus and long-term incentives.

How we voted: At the AGM, we escalated our concerns by voting against the Remuneration Committee Chair, who also serves as Board Chair, reflecting our view that the remuneration structure was not sufficiently aligned with long-term shareholder interests. We also voted against the Board Chair due to the company not publishing vote results, and against both the Board Chair and another Director due to concerns around sub-committee independence and the structure of the Nomination Committee.

Board and oversight

Over the period, we voted against the re-election of one or more directors at 73 companies. These votes captured a wide variety of factors, with the most common including board composition, director classification, shareholder experience and the oversight of material areas (particularly climate and cybersecurity).

IQVIA:

Cybersecurity Oversight

Issue: IQVIA faces elevated cybersecurity risk given the scale and sensitivity of the healthcare data it handles and its reliance on technology-enabled services. Although the Audit Committee has formal responsibility for oversight of cybersecurity risk and receives regular updates from the Chief Information Security Officer, the company does not appear to disclose clear cybersecurity expertise at board level or evidence of board-specific cyber training or upskilling. In our view, this represents a governance gap for a company with IQVIA's risk profile.

How we voted: We voted against the Chair of the Nominating and Governance Committee due to the absence of clearly disclosed board-level cybersecurity expertise. Given IQVIA's elevated cyber risk exposure and the Audit Committee's oversight responsibilities in this area, we believe the board should demonstrate stronger relevant expertise and preparedness.

Bruker Corporation

Non-Financial Reporting

Issue: High-quality non-financial reporting is important for shareholders and other stakeholders to assess how companies are managing material sustainability risks and opportunities. We had concerns that Bruker Corporation's reporting remains limited, particularly given that its 2023 Sustainability Report set out ESG strategy, initiatives and performance, but more recent disclosures do not appear to provide the same level of detail across key areas. This includes limited current disclosure on emissions reduction targets, climate-related progress, workforce and diversity indicators and other sustainability KPIs. We also noted that prior engagement had not provided a clear timeline for adopting science-based emissions targets.

How we voted: At the 2026 AGM, we escalated our voting action to signal our concern that the company should strengthen its sustainability and non-financial reporting so that shareholders can better assess the management of material ESG risks and progress over time. In the absence of a more directly accountable director standing for election, we considered a vote against an Audit Committee member to be the most appropriate escalation route, reflecting the Audit Committee's role in supporting robust reporting, internal controls and oversight of material risks.

Shareholder proposals

Over the 2026 proxy season, we saw shareholder proposal submissions decline significantly. This drop was driven primarily by fewer environmental and social submissions. By contrast, corporate governance topics remained a key focus area, accounting for nearly 49% of all proposals, driven by the SEC's shift to a decentralised "no-objection" exclusion process.

Q2 2026 Shareholder Proposals	
No. shareholder proposals voted on	32
Environmental voted on	3
Social voted on	10
Governance voted on	16
Compensation voted on	3

Climate votes and escalation

Over the 2026 proxy season, climate-related voting remained focused on the credibility of transition plans and the strength of board oversight. Although fewer environmental proposals reached ballots, climate risk continued to be an important stewardship priority. As such, we used both management climate strategy votes and director elections to distinguish between companies making credible progress and those weakening their approach.

Schneider Electric

Voting on Climate Strategy

Issue: Schneider Electric offered shareholders the opportunity to vote on their "opinions on the Company's climate strategy", providing investors with a formal mechanism to signal support or concern regarding the company's transition planning and decarbonisation approach.

How we voted: We voted in favour of the resolution. We considered Schneider Electric's climate strategy to be sufficiently robust, supported by science-based targets covering operational and value-chain emissions, and underpinned by evidence of implementation. In particular, the company reported a 40% reduction in operational CO_2 emissions from its top 1,000 suppliers by end-2024, against a 2025 ambition of 50%, indicating positive progress on a material Scope 3 decarbonisation lever.

Commerzbank

Escalation on Climate Grounds

Issue: In November 2025, Commerzbank updated its ESG Framework, which despite strengthening its strategy in certain areas, overall weakened key components of the bank's coal and oil and gas policies. This included removing specific requirements for coal clients to meet defined revenue thresholds or phase-out commitments, alongside allowing greater flexibility to finance midstream gas and LNG infrastructure and introducing exceptions for certain sustainability-labelled transactions. These changes have occurred alongside a sustained increase in oil and gas expansion financing and an upward trend in overall fossil fuel exposure. Taken together, these developments indicate a weakening of the bank's climate risk management and raises credibility concerns around the climate targets the bank has committed to achieve.

How we voted: At the bank's 2026 AGM, we chose to vote against the Chair of the ESG Committee who holds responsibility for oversight of the bank's climate strategy and fossil fuel policies

Our Sustainability Specialists

We have an in-house team of sustainability and impact specialists who carry out thematic and stock-specific research on sustainability topics.

The team is also responsible for creating an ongoing dialogue with companies, allowing us to engage on a wide variety of issues.

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

Carlota Esguevillas
Head of SI

Hayley Grafton
Senior SI Analyst

Cordelia Dower-Tylee
Senior SI Analyst

Aaron Cox
Impact Strategist

Ross Albany-Ward
SI Analyst

Why EdenTree?

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

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

Further information and support

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

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

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