



# Sustainable Investment Activity Report

Quarter 4 to 31 December 2025

## Welcome to our Sustainable Investment Activity Report for the three months to 31 December 2025.

Earlier this quarter, we were delighted to announce plans to apply sustainability labels to seven more funds in our range as part of the FCA's Sustainability Disclosure Requirements (SDR). With four funds already labelled, this brings our total number of labelled funds to 11 and will make us the only UK fund house with a fully labelled product range once all labels are applied. The adoption of these labels further highlights our commitment to providing clients with clarity, choice and flexibility when looking to meet their sustainability goals.

In this report, we outline our key engagement activity over the quarter against our four priorities: A Just Climate Transition, Water Stress, Social and Financial Inclusion, and Good Governance. A particular focus over the quarter was engaging with our highest emitters as part of our Climate Stewardship Report, as well as continuing our engagement on financial inclusion.

We hope you enjoy reading our report, and we welcome feedback at [sustainability@edentreeim.com](mailto:sustainability@edentreeim.com).

## Research and reporting

Over the quarter, we published our 2024/25 [Climate Stewardship Report](#). This report provides an overview of progress against the targets contained within our Climate Strategy and the actions we have taken over the year to deliver against our aims. Despite pushback in some areas of the market, we remain firm in our stance on climate change and committed to action.

On this topic, we wrote an article for PA Future "[Investors must not back down on climate action](#)" setting out the case for continued action on climate change and the imperative for like-minded investors to step up.

In October, we submitted our [2025 Stewardship Report](#) to the FRC. The report constitutes our annual requirement under the UK Stewardship Code and covers the 12-month period to 31 December 2024. In addition to setting out how we applied the Code's principles over the period, the report also outlines our stewardship approach, including how it is integrated within the wider investment process and relevant case studies.

## 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 our focused work on banks' financing activities by encouraging our holdings to limit their fossil fuel financing activities and scale up their green financing. We also conducted focused engagements with our highest emitters as part of our Climate Stewardship Report.**

## HSBC Climate Risk



**Issue:** Regulators and standard setters are increasingly stressing the need for banks to meaningfully assess, manage and disclose climate financial risks. However, many banks have not taken this advice on board, and prudential authorities are increasingly sounding the alarm bell about inadequate bank preparedness. For example, the UK PRA has recently stated that there is a “substantial gap between current capabilities and the standard required to identify and manage climate-related risks effectively”. Even where banks have assessed climate related risks, the level of assessment is “inadequate”, and it has led many firms to conclude that climate risk is immaterial.

**Action:** Concerned by HSBC’s conclusion of climate immateriality in its latest financial statements, we signed an investor letter to the HSBC Audit Committee Chair in October 2025. Coordinated by Sarasin & Partners, the letter calls on HSBC to review its methodology for assessing the materiality of climate risks, ensure climate risks are incorporated into critical accounting assumptions and estimates, and publish a sensitivity analysis in the financial statements reflecting more severe climate pathways. An engagement meeting was convened to go through the concerns raised in the letter.

**Outcome:** Overall, while the discussion was constructive and informative, HSBC appeared intent on steering the conversation away from its financial statements and toward its sustainability financing initiatives. This likely reflects the bank’s reluctance to provide more detailed disclosures on how climate considerations are incorporated into expected credit loss assumptions or to share greater transparency around the climate models and stress tests used in capital adequacy assessments. HSBC continues to assert that climate risk is immaterial. This stance is disappointing, and as a result, the investor group is planning a series of follow-up actions.

## Yara and Veolia Environnement Net Zero Engagement Initiative



**Issue:** Veolia Environnement and Yara International are two of the heaviest emitters on a scope 1 and 2 basis held across EdenTree’s funds. Both companies have been captured within our Climate Stewardship Plan for the last three years. For Veolia Environnement, we have recently joined the NEZI focus group to increase the impact of our engagement activity. For Yara International, we have been undertaking escalation action for the last two years following the company’s decision to rescind its SBTs. For both companies, we sought further means to emphasise our expectations and push for more ambitious climate action.

**Action:** With this in mind, we chose to sign a collaborative investor statement to each company. Coordinated by the IIGCC as part of the NZEI initiative, the statement calls on each company to develop a net zero transition plan that includes the following elements: a comprehensive commitment to net zero by 2050; short, medium, and long-term targets aligned with the relevant emissions pathway; clear disclosure of current and historic emissions; a quantified decarbonisation strategy; and capital expenditures that are consistent with achieving net zero by 2050.

**Outcome:** Depending on the companies’ response to the letter, engagement calls will be organised as needed.

## Cleanaway Waste Management Climate Stewardship Plan



**Issue:** Cleanaway is one of the companies captured in our Climate Stewardship Plan. The company has significant scope 1 and 2 emissions, and its climate strategy remains weak in places, with little focus on scope 3 emissions, lack of alignment with the SBTi and absence of a formal transition plan. The company has always been receptive to our engagements, but has indicated its pace of change is likely to be slow.

**Action:** We sought a meeting with Cleanaway to discuss our expectations under the Climate Stewardship Plan. This follows on from several meetings with the company over the last few years. We also wanted to discuss the company’s oversight of health and safety, following a stream of fatalities in 2025.

**Outcome:** We are pleased that the company has met one of our key engagement objectives, having disclosed their scope 3 emissions for the first time in 2025. Whilst this is a welcome step, integration of scope 3 emissions into the broader climate strategy is still underdeveloped, with no scope 3 targets or emissions reduction levers. The company’s focus remains its scope 1 and 2 emissions, particularly those which stem from methane. The company’s strategy in this area is more developed than scope 3, with an intensity-based target, and several decarbonisation levers. However, we would still like to see this translated into a formal climate transition plan and for alignment with the SBTi to be pursued.

## Vattenfall



### Climate Stewardship Plan

**Issue:** Vattenfall is one of the companies captured in our Climate Stewardship Plan. It contributes significantly to the financed emissions of the Global Impact Bond Fund and was responsible for 45% of all the Fund's financed emissions in 2025. As such, the company's successful decarbonisation is pivotal to achieving the Fund's overall decarbonisation objectives. Vattenfall is an electric utility, and therefore our core asks include the total phase out of its fossil-fuel based generation assets and the expansion of its renewable energy generation assets.

**Action:** Following on from our last meeting with the company in November 2023, we met with them again to ask for a progress update against the core asks of our engagement.

**Outcome:** Vattenfall continues to have one of the best climate transition plans out of the companies covered within the Climate Stewardship Plan. It has been making positive progress for over a decade but some key wins have occurred within the last two years, including the complete phase-out of all its coal assets, and full alignment of its targets with the SBTi – meeting both of our engagement asks. The company also remains fully committed to its 2040 net zero target, with its remaining oil and gas assets on track for phase-out by this date.

## Cadeler

### Human rights in renewable infrastructure

**Issue:** The climate crisis demands a rapid expansion of renewable energy infrastructure. However, it is essential that this transition does not come at the expense of workers, communities or human rights. As an offshore wind farm construction company, Cadeler faces elevated health and safety and human rights risks that require robust management.

**Action:** In 2024, we engaged with Cadeler on its social risk management, urging the establishment of an independent whistleblowing mechanism and the undertaking of a Human Rights Impact Assessment. In 2025, we continued this dialogue, receiving updates on their HRIA, health and safety initiatives, and domiciliation plans.

**Outcome:** This second year of engagement was productive. We were encouraged to learn that Cadeler had completed a HRIA, identifying salient risks across key stakeholder groups and aligning its assessment with the Universal Declaration of Human Rights. The company shared a three-year implementation roadmap that reflects our shared priorities: strengthening frameworks, monitoring effectiveness, improving governance structures and revising policies. We are particularly pleased with the company's progress on social issues, which has advanced several of our engagement objectives.

## Water Stress

**Over the course of the year, we conducted several engagements with our chemical and technology sector holdings on the topic of water stress. This quarter, we focused on policy advocacy.**

### DEFRA

#### Microfibre Pollution



**Issue:** Microfibre and microplastic pollution is a significant driver of nature degradation, with far-reaching consequences for ecological health and financial stability. Microplastics disrupt ecosystems, impair species reproduction and interfere with nutrient cycles. According to the UN Environment Programme, marine plastic pollution cost the global economy between USD \$6 billion and \$19 billion in 2018, impacting sectors such as tourism, fisheries, aquaculture and clean-up operations. If current trends continue, businesses could face up to USD \$100 billion annually by 2040 in waste management liabilities. This escalating risk underscores the urgent need for systemic interventions to reduce plastic leakage into natural systems.

**Action:** The investor coalition has identified domestic washing machines as a strategic intervention point. Synthetic textiles shed microfibres during laundering, which then enter wastewater systems and ultimately the environment. Research supported by DEFRA and the University of Plymouth shows that microfibre filters fitted to washing machines can capture up to 78% of these particles before they reach wastewater treatment plants. The coalition has written a letter formally calling on the UK Government, via DEFRA, to introduce legislation mandating the installation of microfibre filters in all new domestic and commercial washing machines. This proposal aligns with the UK's commitments under the Kunming-Montreal Global Biodiversity Framework and the forthcoming Global Plastics Treaty, both of which aim to halt biodiversity loss and address plastic pollution across its lifecycle.

**Outcome:** We await a formal response from the UK Government. However, this initial engagement marks a constructive step toward dialogue on the role of regulation in safeguarding nature and enhancing long-term economic resilience. The coalition remains committed to supporting policy development that advances the UK's environmental leadership and delivers tangible outcomes for biodiversity and society.

## Social and Financial Inclusion

Over the quarter, we continued our thematic engagement exercise focused on financial inclusion with our building society holdings. We also engaged with a selection of holdings on the topics of ethical AI.

### Newcastle Building Society Financial inclusion in the UK



**Issue:** We concluded the pilot phase of engagements with our building society engagements, as part of our wider thematic engagement on financial inclusion in the UK. The overarching goal is to understand how these building societies are addressing systemic barriers to financial access and supporting underserved or financially vulnerable communities by leveraging their unique position in the financial ecosystem.

**Actions:** On the call, we learnt more about Newcastle’s commitment to serving local communities through regional partnerships, member engagement and a focus on place-based initiatives. We discussed the Society’s product offerings, the role of manual underwriting and the provision of accessible financial advice in every branch. The Society piloted a 98% LTV mortgage over 2025 for first-time buyers who have saved their own deposit, excluding parental gifts, with positive uptake and expansion to a wider broker network, while maintaining a limited tranche to manage risk. We were also pleased to learn of the Society’s advocacy efforts, including engagement with government and the BSA on issues like ISA allowance changes and the production of reports to represent member interests at policy level.

**Outcome:** A key theme emerging from our meetings so far has been the importance of building societies’ physical presence in their local communities and place-based initiatives. This was no different for Newcastle, who show a genuine commitment to using their position and influence in a meaningful way on behalf of their local communities and members. We intend to follow up with the building societies in 2026, as we enter the next stage of this engagement exercise.



## Good Governance

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

### Keystone Law Group AIM Governance



**Issue:** In line with our Corporate Governance and Voting Policy, we voted against the re-election of the Chair of the Board and the Remuneration Policy at Keystone’s AGM. The vote against the Chair’s re-election was driven by our guidelines on director commitment. Regarding remuneration, although we viewed the decision to seek shareholder approval of the remuneration policy as a positive one (due to the company’s AIM status), we voted against the policy due to poor disclosures and practices.

**Action:** Following the AGM, we shared our rationale for both votes and provided further detail on our guidelines relating to commitment levels for directors serving as Chairs – we will vote against Board Chairs holding external positions as an executive or as a Board Chair at another publicly listed company. We then met with Keystone Law Group’s Chair to discuss these elements further and to get a better understanding of Keystone’s board composition, assessment of effectiveness and remuneration practices.

**Outcome:** The engagement provided insights with dual benefits. Primarily, we were able to gain assurance around the company’s approach to remuneration setting and assessing board effectiveness. However, these insights also supported a review of the guidelines set out in our Corporate Governance and Voting Policy, particularly around AIM-specific expectations and assessing Director availability. When probed about the Board’s agility in response to unforeseen events (such as the protest action at their offices earlier this year), we learned that the Board have limited involvement in these cases. Considering Keystone represents clients operating in sensitive business areas with elevated reputation risk, we believe the company may benefit from strengthened oversight of this at the Board-level.

### Tatton Asset Management Remuneration



**Issue:** At Tatton’s 2025 AGM, we voted against the remuneration report, primarily due to concerns around the scale of fixed pay increases without clear justification being disclosed. While we recognised Tatton’s strong operational performance and growth, we felt the report did not provide sufficient transparency or rationale to support the magnitude of executive salary uplifts or demonstrate clear alignment with pay and performance. Ultimately, we believe better disclosures allow for a better assessment of how aligned remuneration decisions are with shareholder interests.

**Action:** We engaged with the Board Chair and Chair of the Remuneration Committee to discuss the remuneration setting process in greater depth and to understand how the Board intends to respond to shareholder feedback following a moderate level of dissent at the AGM. We provided a number of feedback points for consideration ahead of the next AGM. An example of this was on the benchmarking process – we shared that we would generally expect to see disclosure of the peers used and the relative level of remuneration targeted.

**Outcome:** We took away from the meeting that the remuneration processes in place are reasonable and the company had taken on board shareholder feedback following the AGM results. Although we recognise Tatton’s need to align salaries with fair market rates in light of there being no changes since the IPO, we felt the supporting disclosure around the base salary, benefits arrangements and benchmarking exercise could have been stronger given the size of the increase. We will follow-up with the company next year to see how shareholder feedback has been implemented.



### Proxy Voting

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 14% of all proposals voted. These voting actions most commonly reflected concerns relating to oversight of material areas and remuneration. Our voting activity over the last quarter is summarised below:

Q4 2025 Voting Summary	
No. proposals eligible to vote on	539
Proposals voted on	100%
Proposals supported	84%
Proposals opposed	14%
Proposals abstained	1%
Proposals voted against management’s recommendation	14%
Proposals voted against GlassLewis’ recommendation	11%
No. meetings voted at	44

### Compensation

Over the period, we continued to oppose poor pay practices and compensation disclosures, voting against 33% of all remuneration-related items tabled. Key drivers of these votes included pay for performance misalignment, structural concerns and poor response to shareholder dissent.

### Cleanaway Waste Management

#### Safety Outcomes in Executive Compensation

**Issue:** Cleanaway has faced a troubling decline in health and safety performance, with its serious injury rate rising and three fatalities reported in FY25. Despite the board’s decision to reduce executive pay outcomes by 30% under the short-term incentive plan, we remained concerned about the adequacy of board oversight and the effectiveness of management’s response to these incidents.

**How we voted:** We voted against the company’s remuneration report, signalling that incremental adjustments to pay were insufficient in the face of persistent safety challenges. Our vote was intended to escalate engagement and reinforce the expectation that robust health and safety management is fundamental to sustainable value.

**Paychex**



**Board Composition and Remuneration**

**Issue:** Paychex is a company on our Good Governance watchlist, most notably due to concerns around board composition and remuneration. Regarding board composition, we have significant concerns relating to independence, such as several directors being classified as independent despite deep ties to company management and long tenures. Regarding remuneration, the company has continuously exhibited poor structures and practices, with overlapping performance conditions, excessive opportunity, poor disclosure and one-off awards being granted.

**How we voted:** In addition to voting against management on the executive compensation advisory vote, we also used our voting rights to signal our remuneration and broader governance concerns by voting against the re-election of directors. This included voting against the Chair of the Nomination Committee due to poor board diversity and an insufficient level of independence on the board. We also voted against the re-election of the Lead Independent Director, citing his excessive tenure potentially eroding independence and alignment with independent shareholders. In line with our Corporate Governance and Voting Policy, we also voted against the Board Chair due to the company not being a signatory to the UN Global Compact or adopting an equivalent framework.

**Board and oversight**

**Over the period, we opposed the re-election of directors serving at 18 companies, predominantly due to concerns around board composition and effectiveness.**



**Novo Nordisk**

**Leadership Transition**

**Issue:** At a special meeting in November 2025, Novo Nordisk shareholders were asked to approve significant changes to board leadership, including the election of a new Chair and Vice Chair. This followed a period of heightened scrutiny of governance standards at the company, as Novo Nordisk’s rapid global expansion and leadership in diabetes and obesity treatments placed it at the centre of debates on pharmaceutical pricing, access and responsible innovation.

**How we voted:** We supported all board composition proposals, voting in favour of the new Chair and Vice Chair. Our decision reflected confidence in the company’s efforts to strengthen independent oversight and ensure that governance keeps pace with Novo Nordisk’s growing societal impact. We will continue to monitor how these changes support long-term value creation and responsible business conduct.



**Nike**



**Shareholder Experience**

**Issue:** Nike’s multi-class share structure provides Class A shareholders the right to elect 75% of the board, despite the Class A common stock representing only around 20% of the Company’s outstanding common stock. We believe multi-class structures like these are not aligned with the best interest of shareholders, and therefore support the one share, one vote standard, in which all voting rights are equal across shareholders. We also identified that one Director was opposed by approximately 40% of votes cast at last year’s annual meeting, likely serving as a reflection of shareholder concern regarding the share class structure.

**Outcome:** Given our concerns around the unequal voting rights combined with the absence of a reasonable time-bound sunset provision, we chose to vote against the most senior Class B Director serving on the corporate responsibility, sustainability and governance committee. We will review the status of this matter ahead of the next AGM and will consider escalating our voting measures to include additional directors if required.

**Shareholder proposals**

Q4 2025 Shareholder Proposals	
No. shareholder proposals voted on	15
Compensation voted on	1
Environmental voted on	2
Governance voted on	6
Social voted on	6

Early in the year, the US Securities and Exchange Commission (SEC) issued new guidance that made it easier for companies to exclude shareholder proposals deemed economically irrelevant or overly prescriptive. This led to a sharp increase in the number of shareholder proposals omitted from ballots, with companies filing a record number of no-action requests to the SEC. However, the regulatory environment shifted again in the latter part of the year, when the SEC announced it would temporarily pause its no-action review process for shareholder proposals. This unexpected move created significant uncertainty for both issuers and investors.

Against this backdrop, the volume and character of shareholder proposals changed notably. While the overall number of proposals declined, “anti-ESG” proposals (aimed at rolling back or challenging corporate environmental, social and governance initiatives) continued to increase. These submissions often focused on topics such as climate policy, diversity and social impact reporting, but from a perspective critical of such efforts. The proliferation of these proposals has contributed to a perceived decline in the overall quality and materiality of shareholder submissions, as many were viewed as politically motivated or lacking in substantive engagement with company-specific risks.

For investors, these developments raise serious concerns about the potential erosion of shareholder rights. The combination of shifting SEC guidance and the flood of divisive proposals threatens to dilute the effectiveness of the shareholder proposal process as a tool for meaningful engagement and oversight. As the regulatory pendulum continues to swing, investors are left navigating an environment where their ability to hold companies accountable through the proxy process is increasingly uncertain.

## Microsoft

### Shareholder Proposals on Human Rights and Responsible AI



**Issue:** At Microsoft's 2025 annual meeting, shareholders brought forward proposals calling for greater transparency and accountability in two critical areas: the company's operations in countries with significant human rights concerns, and the sourcing and use of data for artificial intelligence (AI) development. These proposals reflected growing investor and public scrutiny of how global technology leaders manage the ethical risks associated with their expanding digital footprint. The first proposal urged Microsoft to publish a report detailing the risks and safeguards related to operating in jurisdictions with poor human rights records. The second proposal focused on the responsible development of AI, requesting a comprehensive assessment of how Microsoft sources data for AI training, with particular attention to privacy, bias and ethical considerations.

**How we voted:** We supported both shareholder proposals, recognising that robust governance and transparency are essential for maintaining trust and long-term value in the technology sector. By voting in favour, we signalled our expectation that Microsoft should lead on responsible innovation – demonstrating not only technical excellence but also a clear commitment to upholding human rights and ethical standards in all markets and in the development of transformative technologies like AI.



## 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



**Amelia Gaston**  
Senior SI Analyst



**Hayley Grafton**  
Senior SI Analyst



**Cordelia Dower-Tylee**  
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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MKT001154