

# Stewardship: A shared responsibility

## About us

EdenTree is an active investment management house dedicated to sustainable and impact investing – it's all we do. We have a 35+ year track record in this space, having launched our first ethical fund in 1988.

## Introduction: Stewardship at EdenTree

As sustainable investors, we recognise our responsibility to all stakeholders, whether that be our clients, colleagues, industry, the wider markets or future generations to come. It is for that reason that stewardship is positioned as a central component of our investment approach.

Stewardship is an effective tool at all stages of the investment process, from idea generation, through analysis, decision, portfolio construction, and ultimately forming a central part of our ongoing monitoring and review. The primary stewardship tools available to us as investors are engagement and voting.

### Engaging for change

Fact-finding and thematic engagement to leverage our influence as investors and contribute towards a more sustainable future.



### Making proxy votes count

Voting is one of the most visible means of influencing corporate behaviour and signalling areas of concern to management.



We believe effective stewardship relies on consistency. Applying the same approach across all funds ensures our voice is clear and unified, rather than fragmented by employing different strategies that could result in conflicting objectives. This consistency strengthens our

influence with companies, enabling us to leverage the full expertise of our Sustainable Investment Team to promote long-term value creation and positive change for our clients.

# Engaging for change

## Overview

As active managers, engaging with investee companies is fundamental to understanding the risks and challenges they face from a sustainability perspective. We use engagement as a tool to assess how companies are considering and managing sustainability issues, which feeds into our investment case. Engagement is also a core way in which we can leverage our influence as investors to drive real-world, positive change and contribute towards a more sustainable future.

In addition to engaging with our portfolio holdings, we believe engagement with regulators and policymakers is fundamental to driving change and addressing systemic sustainability challenges. We categorise our engagement as two types:

## Types

### Thematic

Thematic priorities are those that we deem to be material to the long-term value of our investments, and where we view our engagement as being able to drive real-world, positive change.

Effective engagement is time intensive, and focusing on these issues will allow us to concentrate our resources more effectively. Our priority areas are covered in further detail below.

### Fact-finding

While our thematic priorities enable focus and alignment with our clients' priorities, we must remain adaptable.

Fact-finding engagements enable us to respond promptly to emerging issues within our portfolios, and take the action necessary. These issues generally stem from instances such as negative news flow, corporate announcements, emerging controversies or other issues identified in our ongoing monitoring and screening of companies.

## Spotlight: EdenTree's thematic priorities

Our thematic engagement priorities are focused on four areas where we seek to drive change: A Just Climate Transition, Water Stress, Social and Financial Inclusion and Good Governance.

### A Just Climate Transition

Priority Engagements:

- Decarbonisation of high emitters
- Paris Alignment of Banks
- A just transition in renewable energy



### Water Stress

Priority Engagements:

- River pollution in the UK
- Water stewardship of chemical companies



### Social and Financial Inclusion

Priority Engagements:

- Financial inclusion within the UK
- Responsible use of technology



### Good Governance

Priority Engagements:

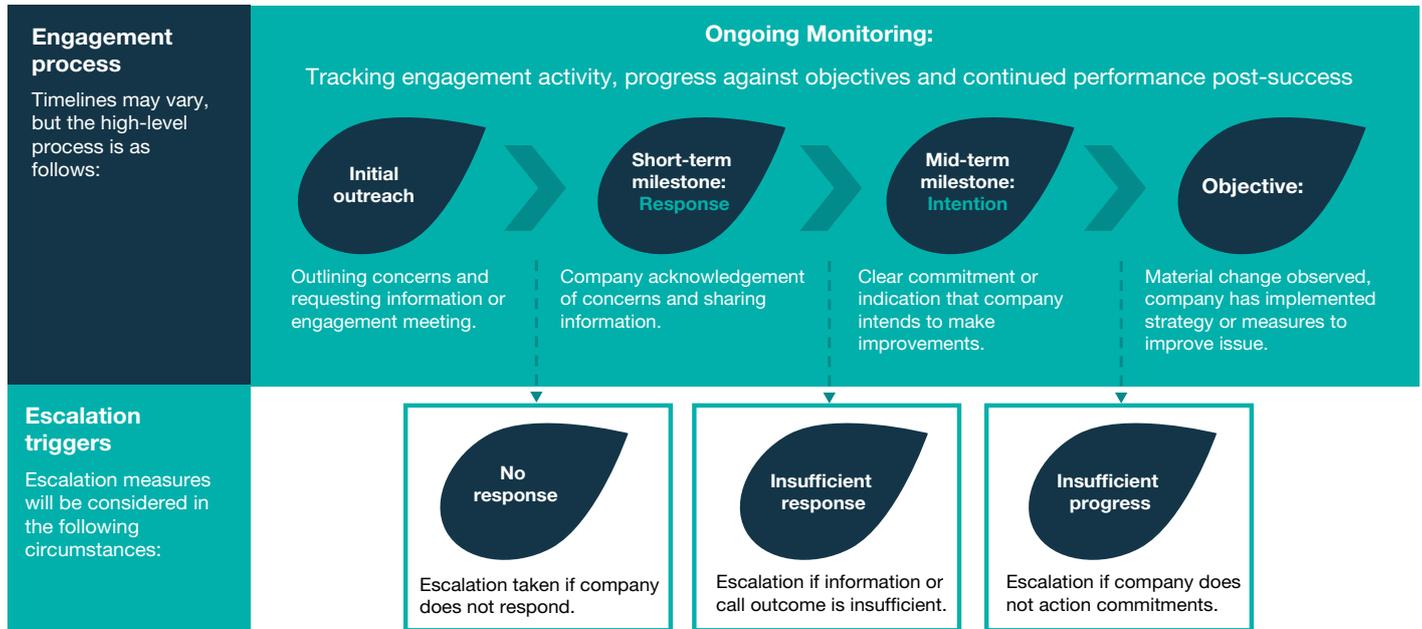
- AIM governance
- Board composition
- Oversight of material risk areas



## Engagement journey

We engage with company management in an open and constructive manner in order to understand the issues and to raise concerns. We recognise that the topics on which we engage are complex and many progress over

a long-term horizon. With this in mind, we retain flexibility in the engagement methods we chose and our response to progress, or lack thereof. At a high level, a typical engagement would follow the process illustrated below.



## Escalation

There is no one-size-fits-all escalation pathway that is suitable for all issuers, sectors or asset classes. However, where we have engaged repeatedly and have seen no meaningful progress, or where we have received an inadequate response, we may employ a combination of the steps, outlined to the right, to escalate our concerns.



## Measuring progress

We set specific, targeted and time-bound objectives for all engagements. For thematic engagements, we use the five milestones, outlined to the right, to track progress against these objectives.

Milestone	Status
1 Company has not acknowledged the concern	<div style="width: 0%;"></div>
2 Company has acknowledged the concern	<div style="width: 20%;"></div>
3 Company has shared information on the concern	<div style="width: 40%;"></div>
4 Company has committed to address the concern	<div style="width: 60%;"></div>
5 Company has implemented a strategy to address the concern	<div style="width: 80%;"></div>

We seek to provide investors with transparency on progress via our reporting. Although we have seen first-hand the impact our efforts can have, we recognise that companies can make changes for a number of reasons, including those beyond our influence. Despite

this, all objectives are designed to enhance the positive contribution companies are making to people and the planet. Therefore, when a company fulfils an engagement objective, we view this as a success regardless of causality.

## Spotlight: Engagement in our impact funds

Engagement is a primary source of additionality for investors in impact funds. We have, therefore, developed fund-specific programmes, which leverage our robust firm-wide stewardship process and are structured on bespoke impact logic chains.

Through these programmes, we conduct dedicated impact-focused engagements that link back to each fund's overarching goals. At a high-level,

these engagements are all driven by a long-term dual objective of enhancing positive impacts while reducing potential negative impacts.

To support this, we establish bespoke key performance indicators (KPIs) for each engagement centred on the unique circumstances faced by the company or issuer in question. These KPIs are specific and targeted in nature, seeking to address opportunities across three core pillars:



### Enhance positive impacts

- Avoided emissions targets (absolute, ratio, revenue, product development)
- Management incentive alignment
- Ex-ante/ex-post use of proceeds
- Refinancing and look-back periods
- Disclosures



### Reduce negative impacts

- Climate Stewardship Plan with focus on reduction in scope 1, 2 and 3 emissions
- Management of environmental and social externalities
- Material ESG risks (including controversies alerted by ISS and Sustainalytics) to avoid operational outage or reputational risks



### Investor contribution

- Five milestone approach to successful engagements measures investor contribution
- Escalation strategy where engagement objectives not met
- Voting supports engagement goals
- Integrity and transparency about attribution limitations

Further information on our impact approach can be read on our website



# Making proxy votes count

## Overview

Proxy voting is a core responsibility of asset managers and a powerful tool in how we hold companies accountable. We believe that shareholders have a vital role to play in encouraging high standards of corporate governance from the perspective of being long-term

investors, and we therefore seek to vote at all meetings in which we are eligible to. We will also seek to engage pro-actively with companies where either existing corporate governance arrangements or management proposals cause concern.

## Types

### Routine items

Voting is conducted in accordance with our Corporate Governance and Voting Policy. To implement our bespoke voting policy for routine matters, we use Glass Lewis's ViewPoint platform.

EdenTree's Sustainability Specialists, in collaboration with our fund managers, are responsible for reviewing all recommendations and ultimately making a final decision based on our policies and in-house research, as well as any engagements with the relevant company.

### Non-routine items

We believe that a case-by-case approach is essential for non-routine matters and certain resolution-types, such as shareholder proposals, M&A decisions and investment trust continuation matters.

Decisions are made following deep research, discussions within the investment team and engagement with other parties prior to voting, such as the proponents of shareholder proposals, other investors and the company themselves.

## Spotlight: Corporate Governance and Voting Policy

Our Corporate Governance and Voting Policy outlines our key expectations of portfolio companies and serves to provide transparency around our assessment of corporate governance practices alongside the corresponding stewardship actions we may take where companies do not meet our expectations across the four areas to the right.



## Proxy advisory services

We use Glass Lewis's Viewpoint platform for voting execution, which enables consistency in our voting by applying EdenTree's bespoke voting template to make recommendations on routine items. Importantly, the EdenTree Sustainability Team are responsible for reviewing these recommendations, and ultimately making a final decision based on our policies and in-house

research, as well as any engagements with the relevant company.

This process means our voting approach does not differ across funds – ensuring our voice is not diluted. Voting is monitored on a daily basis by the Sustainability Team in collaboration with the Operations team and Glass Lewis.

## Responsibility to our clients

### Stock lending

We do not stock-lend, as we believe this to be an inappropriate use of client assets as well as an unnecessary distraction from our core stewardship responsibilities. Stock lending requires a process of 'recall' so that we do not miss our entitlement to vote the stock. Given our policy is to vote at all meetings in all markets, stock lending adds a layer of risk in terms of potentially missing ballots due to recall failure, in addition to its being, in our view, an inappropriate use of client assets.

### Client consultation

We consult with clients where they have stewardship-related interest or queries relating to specific cases. We welcome such dialogues as they present an opportunity to reflect and consider different viewpoints.

### Transparency

A complete and transparent record of voting action taken is published in our quarterly Proxy Voting reports. These are a breakdown of voting statistics over the quarter as well as voting rationales for all oppose and abstain voting decisions. Voting reports tailored to specific client mandates are provided as routine or on request. Further detail on non-routine voting action, including engagement escalations, support for shareholder proposals and other matters are also included in both our quarterly and annual sustainable investment reports.



# Our Team

## 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.



**Carlota Esguevillas**  
Head of SI



**Hayley Grafton**  
Senior SI Analyst



**Cordelia Dower-Tylee**  
Senior SI Analyst



**Will Oulton**  
EdenTree Panel Chair



**Julian Parrott**  
Client Member,  
Ethical Futures



**Paul Simpson OBE**  
Strategic Advisor



**Aaron Cox**  
Impact Strategist



**Ross Albany-Ward**  
SI Analyst



**Sue Round**  
Chair, EdenTree  
Investment  
Management



**Mike Barry**  
Former Director of  
Sustainable Business



**Verity Mitchell**  
Former Director of  
Utilities Research

For further information on any of our products, get in touch with us at:



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**[clientservice@edentree.com](mailto:clientservice@edentree.com)**



**[edentreeim.com](http://edentreeim.com)**



**Annette Fergusson**  
Director, Threefold

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.

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