

A Just Transition in Renewable Energy: Our engagement with renewable energy companies



Last year, we reported the [findings](#) from our first year of thematic engagement on human rights with the investment companies held in our [Green Infrastructure Fund](#). A cornerstone of our Just Climate Transition [engagement strategy](#), this programme aims to ensure that the companies in which we invest respect human rights while continuing to offer impactful decarbonisation solutions.

We continued our focus on this topic over the course of 2024, meeting with representatives from ten renewable energy companies. Some of these meetings were an opportunity to continue conversations initiated in our first year, while a number provided a chance to kick off engagement on this topic with companies including [Cadeler](#), [NextEnergy Solar](#) and [Atlantica Sustainable Infrastructure](#).

Our objective in year two of this engagement remained unchanged - to improve human rights practices and disclosures in the renewable energy investment trust sector, as well as the broader related market, with a focus on two key deliverables:

1. The publication of a human rights policy;
2. A commitment to Free, Prior and Informed consent (FPIC), where relevant to the business

In this report we share our findings across our second year of the engagement.

The role of regulation in driving up standards

We have been pleased to see significant progress on human rights across the renewable energy industry. Many of the organisations we spoke to attributed this progress in no small part to the increase in regulation seen over the last few years, which has served to drive greater transparency, accountability and traceability – including on human rights.¹

This has ensured that human rights are integrated more explicitly into investment and asset management decisions. Indeed, in a number of our conversations – including those with [Cadeler](#), [Atlantica Sustainable Infrastructure](#), [Greencoat UK Wind](#) and [TRIG](#) – regulatory compliance was highlighted as a key focus for sustainability teams over the period. We also heard from [Bluefield Solar](#) the impact that the import restriction on Xinjiang products has had in significantly improving solar traceability in a short period of time.

It is important to note, however, that while we welcome the positive impact that regulation has had on improving human rights risk management, we would caution against action on human rights becoming a purely compliance-driven pursuit.

¹ Corporate Sustainability Reporting Directive (CSRD), which enforces companies to report on their environmental and social impact
 o Sustainable Finance Disclosure Regulation (SFDR) which requires certain financial institutions to report on how they consider sustainability risks
 o US Uyghur Forced Labour Prevention Act & EU Forced Labour Act, legislation prohibiting the importation of goods from the Xinjiang region in China



Continued improvements in resourcing and governance

Another area in which we saw continued growth was Board oversight of sustainability topics. As companies continue to integrate human rights and just transition considerations into their operations, robust oversight is essential and requires the appropriate governance structures, resourcing and expertise. We were pleased therefore to hear of expanding sustainability teams at several organisations including **Atlantica Sustainable Infrastructure, Greencoat UK Wind and Greencoat Renewables**. We also welcomed the formalisation of sustainability governance at several companies, for example the introduction of an ESG Committee at **TRIG**.

An area in which we would welcome further progress is the implementation of independent whistleblowing lines. While the majority of organisations we spoke with had whistleblowing arrangements in place, few of these lines were independent. In our view, whistleblowing lines should be independent, as they allow individuals to raise concerns without fear of retaliation or confidentiality being broken, thereby strengthening channels for remedy. We have therefore been calling for the introduction of independent lines, and will continue this ask in the new year.

The need for a holistic view on human rights

The well-documented human rights violations in the solar polysilicon supply chain dominated our engagements in the first year. This is clearly a fundamental topic to address, but it has been encouraging to hear several times of the need to take a broader view on human rights. There was a risk, some felt, that by putting the focus solely on “Xinjiang-free” products (as has been done by the media, for example), the full spectrum of potential human rights risks was not being properly evaluated.

As one company said, “Xinjiang-free does not mean labour-free”. We welcome this holistic approach, and were pleased to see companies monitoring all high-risk regions and undertaking robust due diligence, rather than just focusing solely on traceability in one region to the detriment of wider risks.

Using contracts to drive change

We heard multiple times that one of the most effective levers organisations can use to operationalise their human rights commitments was to include them in supplier contracts. Contracts were described to us as “where the rubber hits the road” - ensuring that human rights commitments and expectations of suppliers were legally binding. They also provide clear red lines and lay out the remediation processes which must be followed, with the ultimate sanction of termination if human rights concerns are not resolved.

In terms of making these a reality, the larger organisations we spoke to with higher procurement volumes naturally found it easier to integrate these considerations into their contracts. However, all organisations we spoke with had had constructive conversations with suppliers on the topic and have had success in integrating these considerations into contracts. Rolling these commitments out further will remain a key focus over the next few years.



Concluding remarks

We have been encouraged by how engaged the holdings within our Green Infrastructure Fund have been on the topic of human rights, and the role they play in enabling a just transition. We are also pleased to have seen improvements in line with our key ask to strengthen disclosures, with several organisations publishing a human rights policy and/or making a commitment to FPIC for the first time. Perhaps most importantly, this improved disclosure has been coupled with continued progress on human rights due diligence, traceability and overall risk management.

Throughout our conversations, a number of organisations commented on the value of these in-depth conversations with investors, and how rare it was for investors to focus on social issues such as human rights. We value this positive two-way dialogue, and it once again highlights the importance of engagement by investors. We will continue to engage constructively with our renewable energy holdings on the topic of human rights, in line with our commitment to a just climate transition.



Tommy Kristoffersen
 Fund Manager

“ The just transition is not an afterthought for us at EdenTree. Although we report on the outcomes of our engagements as distinct achievements from year to year, we also see our engagement work as an ongoing, integral part of the investment process. As a fund manager, I feel privileged to be able to work with a Responsible Investment Team that goes the extra mile to assess the companies we invest in, and that joins me in supporting – and sometimes challenging – management teams to do what they can to achieve a just transition.

Having already laid the groundwork last year, it came as no surprise that many of our holdings in the EdenTree Green Infrastructure Fund already have strong policies in place, but it was good to see some of our feedback taken onboard. Sometimes this may be grounded in regulatory compliance, but other times it seems rooted in genuine concern for doing the right thing. As long-term investors, we believe this focus supports both environmental and economic sustainability, leading to investing for a better tomorrow. ”

Our Responsible Investment Team

We have a specialist in-house Responsible Investment (RI) team who carry out thematic and stock specific research on environmental, social and governance issues.

The team is also responsible for creating an on-going dialogue with companies, allowing us to engage on a wide variety of sustainability topics. For investors, it's an added layer of assurance that our clients' money is being invested in companies that are operating in a responsible and sustainable way.

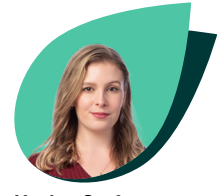
Our responsible and sustainable investment process is overseen by an independent Advisory Panel that meets three times a year, and comprises industry and business experts, appointed for their specialist knowledge.



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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.

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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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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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