

# Responsible Investment Activity Report

Quarter to 30<sup>th</sup> June 2023

Welcome to our Responsible Investment Activity Report for the three months to 30<sup>th</sup> June 2023 with news of our responsible investment research, engagement and governance activities across our managed Funds and strategies. Our RI Activity Reports follow our overarching Responsible and Sustainable Investment pillars:



## Research

**Nuclear energy** continues to be among the most controversial and heavily debated aspects of the low carbon transition. In this new RI Expert Brief, we explore the issues that make it so contentious, and set out our House view on whether there is a case for including nuclear energy as part of the energy mix within a responsible investment strategy. The expert brief is available [here](#).

**Impact investing** has gained traction in recent years, but how is impact defined? Can impact be achieved in public markets, and how is it to be measured? This quarter we published a new RI Expert Brief on Impact investing, which aims to address these questions and sets out our House view. The expert brief is available [here](#).

During the quarter we published an opinion piece '**How To Solve A Problem Like AIM**' looking at our four years' of engagement with our AIM holdings on improving governance. Commencing in 2019, we had asked 14 AIM companies to move to annual director elections and to put remuneration to an annual advisory vote. The engagement has been illuminating, with most companies telling us no other shareholder had raised these issues, and the majority (72%) agreeing to our requests; the engagement will continue as new holdings are added. The opinion piece is available [here](#).

Our [blog](#) on the need for **action on water** was also published, offering an insight into the **UN Water Conference** in New York and how we must use the momentum behind this to drive water higher up the agenda as well as the vital role asset managers can play. This pre-heralds our thinking on a new water strategy at EdenTree, which will be launched later in 2023.

## Social Media



We invite you to get involved with the team by following us on social media. You can 'link-in' with Head of RI, Neville White, where his 1,889 connections follow posts on topical ethical issues, research trends, and corporate governance news.

## Engagement

Engagement lies at the heart of what we do; we exercise an integrated stewardship approach that includes engagement on a range of environmental, social and governance issues. A flavour of activity carried out this quarter is set out below.

### Thematic Engagement – Human Rights & Infrastructure



Over the last quarter, we have met with **TRIG, GCP, Gore Street Energy Fund, Bluefield Solar, Triple Point Energy, Greencoat Renewables, Greencoat UK Wind, Canadian Solar Infrastructure Fund, US Solar Fund** and **SDCL** as part of a thematic engagement with our infrastructure holdings on human rights. We have now completed all our initial meetings with areas discussed ranging from human rights policies and Free, Prior and Informed Consent, through to forced labour in Xinjiang and challenges in cobalt mining. The engagement has proved very constructive and we expect to publish our findings in due course.

### Thematic Engagement – Access to Medicine



We had a meeting with **Roche** as part of the Access to Medicine collaborative engagement, where we are acting as co-lead investors. The meeting was very informative; the company discussed challenges in addressing the improvement opportunities that the Access to Medicine Foundation Identified including addressing infrastructure challenges in low-and-middle-income countries.

### Thematic Engagement – Biodiversity



We met with **Danone** as part of our thematic biodiversity engagement. We discussed how Danone is managing biodiversity, including their three-pillar approach that focuses on local action, regenerative agriculture and water, as the key aspects they believe are fundamental to preventing biodiversity loss. We also spoke about Danone’s deforestation-free target and their collaborative work with local farmers.



We met with **Yara International** as supportive investors in the newly launched FAIRR Biodiversity collaborative engagement. The engagement explores the potential opportunity that may arise from employing a greater share of circular materials in fertilizer production, from both a biodiversity and an economic point of view. Overall it was a positive and interesting first call with the company. The company is early on in its progress on fertilizer circularity with early-stage pilots.

### Thematic Engagement – River pollution



As part of our ongoing engagement with water utilities on the condition of English rivers, we met with **Anglian**

**Water**. The company was downgraded by the Environment Agency in its most recent assessment, from 3 stars to 2 stars. However, we remain comfortable with the company’s strategy and progress, and believe they are investing in the correct areas to drive improvement; The company updated us on progress on technology roll out (event duration monitors and sewer monitors), significant legislative changes through the flood and water management act and plans to build resilience through new reservoirs. They also spoke about their partnership with **Severn Trent** through the Get River Positive, which is yielding positive results.



We were hosted by **Thames Water** at their Mogden Sewage Works in South-West London. Mogden was built in the 1930s and is now the third largest waste-water treatment works in the UK

– treating water from a catchment of over 2 million people, with this one plant having a throughput of water akin to the whole of Wales. The site has 16 storm water tanks, (by comparison the treatment works serving Central Norwich that we visited with Anglian Water had three). This was a fascinating insight into the water treatment cycle at scale, however, we are continuing to monitor the situation at Thames intently and evaluating our position and exposure to Thames Water on an ongoing basis.



Engaging with other stakeholders has been a key part of our work on river quality, and we were delighted to have a meeting with policy makers at the **RSPB**. As part of the conversation, the charity is looking for ways to conserve habitat at

scale and are scoping how they might access capital markets. As a result of the conversation, and harnessing our fixed interest team’s expertise, we have been able to facilitate introductions between RSPB and the charity bond market.

### Thematic Engagement – Climate Change

For the seventh successive year, EdenTree is participating as a lead investor in the CDP Non-Disclosure Campaign. On climate change, we are leading the engagement with three companies, including **Mears Group**, **Indus Holding** and **4Imprint Group**. On water, we are leading the engagement with **Avient**. We have sent each company a letter on behalf of 740+ investors globally representing US\$27.8tn in assets, requesting them to disclose through the CDP questionnaire.

### Company Engagement Round-Up



We had an update call with **Bank of Ireland**. Post the regulatory penalty of €90m coming through, the Bank reassured us that all legacy proceedings and investigations are now complete. We focused the call on the ‘revolving door’ of executive and senior management

talent owing to remuneration constraints imposed by the Irish Government. They admitted this has been a headwind, and they can now pay up to 20% salary in variable pay, whilst the cap on base salaries has been lifted. Elsewhere the Bank is championing the green transition and supporting the Irish Government’s targets. We have built a strong relationship with Bank of Ireland, and we commend their sustainability progress so far.



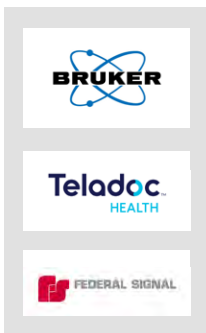
**Keller** operates globally and is often the first contractor on large construction sites. Our deep dive with their sustainability specialist showed they are committed

to pursuing a more sustainable agenda and see this as a commercial advantage. However, they are finding it a challenge to collate aggregated data, especially on areas such as waste, and we also questioned their ability to operate in accordance with their business standards in very challenging markets such as in the Gulf.



We met with **JTC Group** which has made significant progress on ESG in recent years, including improved disclosure and sustainability governance structures,

and a new ESG services line. The benefits of shared ownership on culture came across very strongly. In terms of the Parker Review (our initial reason for contacting the company), JTC is aware of expectations and will soon be recruiting a new non-executive which they hope to fill with a candidate that satisfies the requirements.



We held a call with **Bruker Corp** to discuss their ESG disclosures and areas for improvement. We were pleased to learn that Bruker will be publishing their first ESG report later in 2023, including their scope 1 & 2 emissions and health and safety. We held similar disclosure-focused calls with **Teladoc** and **Federal Signal Corp**, with a particular focus on improving disclosure on emissions.



We met with **Adidas** to discuss the risks of forced labour from Xinjiang in their supply chain. The company conceded in 2019 that their supply chain was likely to include cotton from Xinjiang through their sourcing partnership with the Better Cotton Initiative (BCI). Since then they have made significant progress, including working with the BCI to ensure no suppliers from the region are present in the supply chain, and improving the traceability they have on key raw materials. Overall, they feel they have done all they can to avoid forced labour, but admitted it remains a hugely challenging area.



We had a call with **Barclays** to discuss fossil fuel financing. The company has made some positive progress since our last meeting, including a new restriction on oil sands, tightening up of their coal policy, and increased coverage of sectoral targets. Nevertheless, some weaknesses remain including the need for restrictions around fracking and new O&G infrastructure, and unclear requirements for client transition plans. Our conversation pressed them on these topics.



Following a roadshow in which we met the executive team, we were invited for a deep dive with the Head of Sustainability at **Johnson Service Group**. The company has an interesting profile in which they are impacted by multiple key issues – energy use, water, textiles sourcing and disposal etc. As well as pressing them on improving disclosure, the call provided a comprehensive insight into the challenges of progressing a strong circular economy model against a backdrop of waiting for the right technology to emerge. The company is however at the forefront of a great deal of thinking around water management, energy efficiency, textiles recycling and fleet transition.



We had a call with **Microlise**, a leading provider of transport management solutions. Since 2021, the company has progressed some of its internal processes such as installing solar panels and taking more of their energy needs off-grid. The company is also conducting more supply chain due diligence. The company is a strong sustainability play but has still to develop a compelling narrative for its own ESG impacts.



We had a call with **Waitrose** as part of the Access to Nutrition Retailer Index, where we are leading the engagement with the company. Since our last call they have published targets for the sale of healthy products and product reformulation. The company spoke about the challenges in changing consumer behaviour and their plans to set more health-based targets.



We had a meeting with **SolarEdge Technologies** for an ESG catchup following the screening of the company. Topics discussed included emission reduction targets, product circularity, health & safety and modern slavery. The company is a strong proxy for our sustainability themes as it makes vital products for a transition to a low-carbon economy.



Following a review of **Rentokil Initial** we had an update call with them to discuss their strategy and improvements since we last spoke in 2019. They emphasised concerns over disclosing information that might confuse stakeholders or may result in Rentokil Initial being viewed more negatively, which we challenged. They updated us on their non-toxic lethal product suite, and their progress in decarbonising fumigation. We felt that disclosure has stalled and we will continue to monitor and challenge.



Following The Secretary of State for Levelling Up, Housing and Communities ask that investors lobby cladding companies to participate in the UK cladding fund – introduced in the wake of the Grenfell Tower tragedy - we reached out to **Compagnie de Saint Gobain** for an update and to gauge their views on contributing to the Fund. The company has made an out of court settlement to survivor families without admitting fault and is contributing to education projects in the Royal Borough of Kensington & Chelsea, which we welcome. Our moratorium on the stock will continue pending the outcome of the public inquiry and any decision around criminal proceedings.



We had a post-screening call with **Spie SA** after the RI Advisory Panel requested further information regarding the company's operations in Myanmar and their vigilance planning. We were encouraged that they no longer operate in Myanmar, which posed significant human rights risks, whilst the company has published its first vigilance plan. The call touched on accident management given there has been an increase in fatalities, which remains a concern.

## Investor Statements & Collaborations

We signed an **investor statement** calling for a reduction in plastic packaging and waste. The statement was drafted by a group of institutional investors, coordinated by VBDO (Dutch Association of Investors for Sustainable Development). The statement targets companies that intensively use plastic packaging and asks them to take the following steps; publicly support ambitious policy, commit to an absolute reduction of single-use plastic packaging, and identify and eliminate the use of hazardous substances in products and packaging and publicly report progress in doing so.



We have joined the **PRI's Circular Economy Reference Group**. The purpose of the group is to support investor capacity to address the circular economy across relevant value chains. It aims to provide a forum for investors to share relevant developments on the circular economy, learn from experts and share tools and experiences. The reference group will also provide input into the PRI's circular economy strategy, and future guidance to support signatory action.



EdenTree has joined the **Valuing Water Finance Initiative**, an investor coalition run by Ceres engaging 72 companies with a high-water footprint, asking them

to act on water as a financial risk and drive large-scale change to protect water systems. We also attended the **Alliance for Water Stewardship Conference** which saw corporates, NGOs, data providers and EdenTree (as the sole financial institution) in attendance to discuss how stakeholders can leverage collective action to build water security.

## Governance

**We vote at all meetings in all territories unless these are share-blocked. Our Governance work also includes public policy and remuneration consultations, as well as engaging with companies on governance issues.**

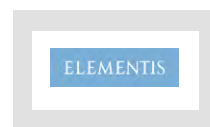
The June quarter represents the height of the global proxy season and saw us vote on 1,564 resolutions at 85 UK meetings, opposing or abstaining in 7% of cases. Executive pay accounted for 60% of all action taken, with our opposing 60 pay reports and policies, and four long-term incentive plans. Of 115 remuneration proposals, we opposed 60%.

2023 is for many companies a Remuneration Policy year, and we opposed Policies at a number of UK companies including **Smith & Nephew, RELX, Haleon, Pearson, Barclays, IHG, Phoenix Group, Lloyds Banking Group and Direct Line Insurance**.

We also opposed a significant number of Remuneration Reports where we viewed executive packages to be excessive or poorly structured. New long-term incentive Plans were opposed at **RELX, Lloyds Banking Group and Prudential**. As the core proxy voting season progresses, we are seeing a considerable ratcheting of executive pay.



At **Pearson** where we have had regular disagreements over pay, the company proposed hiking overall remuneration by 200% of salary with total opportunity hitting 700%. In the event a sizeable minority – 46% opposed these proposals.



We were approached by **Elementis** regarding our views on corporate governance ahead of the AGM. We have exercised our proxies to oppose the

Remuneration Report on grounds of CEO base pay being much higher than the market norm for the size of company, and we communicated this to the company.

We have continued to engage with our AIM holdings in order to improve governance transparency and accountability. Our requests were met favourably at **Instem** and we are currently in dialogue with **Keystone Law Group** asking them to consider moving to annual director elections and to put their remuneration to an annual advisory vote.

Finally, **Kier Group**, with whom we have had a long-running dialogue over excessive remuneration invited us to a consultation with the Chair of the Remuneration Committee. At our last meeting with the Board Chair we stated we had no confidence in the Chair of the Remuneration Committee conducting a new policy review, and she has stepped down and been replaced by a new Chair.



Our strategic partner **Glass Lewis & Co.** votes all proxies in markets other than the UK, voting against poor corporate governance board structures or where unlimited powers are ascribed to the

Board to the detriment of shareholders. In the June quarter Glass Lewis voted at 131 meetings comprising 1,917 resolutions in 17 markets. They opposed 16% of resolutions, with executive compensation comprising 43% of action taken. We find few US pay packages that we can easily support, and during the quarter we opposed compensation packages at a number of companies including **Adobe, Pfizer, Valmont Industries, Disney, American Express** and **AT&T**.

In European markets, we opposed remuneration at **Danone, Nestlé, Nokia, Swiss RE** and **Carrefour**.

### Shareholder and Climate Resolutions

We noted our decision not to support highly politicised debates in the US in our last quarterly report. As a result we opposed or abstained a number of shareholder proposals which we viewed as being promoted by narrow interest groups.

However, we supported reasonable governance proposals, as usual, such as separating the Chair and CEO roles, reporting on diversity & inclusion and placing a limit on Board memberships. Company climate resolutions were supported at **Covivio** and **Schneider Electric**.

In the UK we supported the Climate Transition Plan at **Legal & General**.

## 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.



**Neville White**  
Head of RI Policy  
and Research



**Rita Wyshesky**  
Senior RI Analyst



**Carlota Esguevillas**  
Senior RI Analyst



**Amelia Gaston**  
RI Analyst



**Cordelia Dower-Tylee**  
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We hope you find this Responsible Investment Activity Report useful and informative. For any further information please contact us on:

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