

Responsible Investment Activity Report

Quarter to 31st December 2023



Welcome to our Responsible Investment Activity Report for the three months to 31st December 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

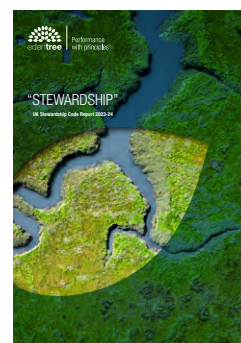
Our latest opinion piece – The House of the Future – follows a site visit to **Taylor Wimpey’s** prototype ‘house of the future’ site at Sudbury, where the company is trialling various technologies in a range of bedroom dwellings to assess their optimum and cost efficiency as new regulations come through. Available [here](#).

In the run up to COP28, we wrote an opinion piece on **climate adaptation** – an important, but often missing, part of the conversation on climate. Whilst mitigation remains essential, the urgency of enhancing adaptation should not be downplayed given that physical climate impacts are only set to intensify. This is available [here](#).

We recorded a webinar following the publication of our **‘Nature Under Threat’** Insight. The webinar provides an introduction to the subject of biodiversity, including what it is, and why it’s important, as well as our key takeaways from the engagement we completed with our food and agricultural companies.

Following several months of engagement with our renewable energy holdings on the topic of human rights and the importance of a **just transition**, we share our findings from these discussions – available [here](#). Our objective at the outset of this engagement was for our investment trust holdings to publish a stand-alone human rights policy outlining their approach to tackling salient issues, and we are pleased that all except one have signalled their commitment to developing and publicly disclosing a human rights policy.

Reporting



Our first House **Impact Report** has been published linked to the Global Impact Bond Fund, and is available [here](#).

We have published the 2023 **‘Stewardship Report’** which is our submission for accreditation under the 2020 UK Stewardship Code. This has been submitted to the Regulator, the FRC, (Financial Reporting Council) to ensure our continued accreditation. ‘Stewardship’ is one of our core reports published annually for clients, and is available [here](#).

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 – Water Pollution



We met with the CEO and CFO of **Dŵr Cymru – Welsh Water** as part of our ongoing engagement with water utilities. Welsh Water has gone from being rated four stars by Natural Resources Wales

to two stars as a result of a sharp uptick in serious pollution incidents. We talked through these challenges at length with the CEO, and challenged their investment plans for remediation to a number of treatment plants.

Thematic Engagement – Climate Change

We held our first round of engagement meetings as part of our Climate Stewardship Plan (CSP). Our financed emissions are highly concentrated in a handful of companies, so this is where our company engagement efforts are focused. Over the last quarter, we met with **DS Smith, Ashted, Mohawk Industries,** and **Tennet**, among others.



DS Smith are one of the best performers in our CSP – they have ambitious science-based targets (SBT) with a clear and detailed plan underlying them. Their current focus is on scope 3, and we

challenged them to publish a detailed action plan on how they will work with suppliers and customers to meet their goals in this area.



Tennet meanwhile are in the middle of developing their Climate Transition Plan, and as a result their current strategy lacks detail on how they will achieve their SBT.

They were however receptive to requests for further disclosure in line with CDP, and we plan to re-engage next year once their transition plan is finalised.



Mohawk Industries have emissions reductions targets, but they are yet to get them verified by the SBTi or to develop a credible climate transition plan. Positively, Mohawk were able to point to several

advancements in their strategy including a baseline of scope 3, and plans to set an SBT in the next 1-2 years. Overall, we are encouraged by the direction of travel and will continue to monitor.

Company Engagement Round-Up



We are leading the engagement with **Enel** as part of the PRI's collaborative initiative on human rights. Following an initial call in July, we have had several exchanges

with the company over email to better understand their risk assessment and due diligence processes when doing business in high-risk locations. Our focus has been on 'transitioning in assets' (i.e. renewables), where they have faced a string of controversies related to local community relations, and we will be continuing the engagement with a follow up call planned for Q1.



We had a general ESG catch-up call with **Schneider Electric** following a review of the company. We discussed several topics including human rights, biodiversity, climate change, water, and

business ethics. The call was excellent; Schneider Electric is a truly impressive ESG play, providing consistently detailed and rich responses to all of our questions. They remain well-ahead of peers in the areas of climate and biodiversity, and are conducting some equally thorough research into their supply chain, with the aim of reducing their exposure to human rights risks.



The Valuing Water Finance Initiative has kicked off, and we are co-leading the engagement with **Alphabet** alongside Addenda Capital. The engagement targets 72 companies with a high water footprint,

and is asking them to align to the 'Corporate Expectations for Valuing Water'. Dialogue with the company will begin in January, with two meetings expected as part of Phase I in 2024.



We have been engaging with **Salesforce** for the past year on the topic of ethical AI, with a focus on improving their disclosures and red-lines around sale of their technology. Since we last spoke,

we are pleased that Salesforce have met a number of our asks: they have updated their externally-facing [Ethical and Humane Use website](#) to better reflect their commitment to ethical AI, and they have published a new externally-facing [AI Acceptable Use Policy](#) document that governs how customers can use their AI technologies. We are pleased that these new disclosures address our initial engagement objectives.



We had a screening-related call with **Bunzl** to discuss their key areas of ESG risk. The company has leading work on human rights, and they have robust controls over their supply chain which was encouraging.

On product circularity, the business is largely regulation driven, however, they are making progress on removing plastic, yet it is in a relatively nascent stage of this work.



We had an excellent meeting with **GSK** catching up on their ESG strategy. Their ambitions for sustainability are far reaching with clear pathways on how all targets set will be reached. This included on climate,

anti-microbial resistance (AMR), and biodiversity. We challenged them on the increase of employee misconduct issues in recent years, and were reassured this uptick was primarily due to more comprehensive reporting.

Nature Action 100+ has officially launched. The first phase of the engagement involved sending letters to the 100 targeted companies, introducing the initiative and setting out the investor expectations. EdenTree signed the letters to the 15 companies we hold, including: **Abbvie, ABF, AstraZeneca, BASF, Bayer, Carrefour, Danone, Merck, Nestle, Novartis, Pfizer, Roche, Smurfit Kappa, Solvay and Unilever.**

We have signed letters as part of the FAIRR Protein Diversification Engagement to **Carrefour, Danone, Nestle, J Sainsbury, Tesco and Unilever.** The letters are calling on these companies to quantify the climate and financial opportunity presented by protein diversification, and to set targets to grow the share of alternative proteins in their portfolios.

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 final quarter of 2023 saw us vote on 355 resolutions at 26 UK meetings, opposing or abstaining in 7% of cases. Executive pay accounted for the majority of all action taken, with our opposing 23 reports.

We opposed a number of remuneration reports where we viewed executive pay to be excessive or poorly structured, including at **Smiths Group, Hotel Chocolat Group and Genus.** At Genus we also opposed a vote on amending the performance share plan and the re-election of the Chair of the Remuneration Committee. This opposition was due to the scheme maximum increasing drastically whilst the incoming CEO has high buyout awards and a guaranteed bonus.

2023 is a remuneration policy year for many companies, with policy votes opposed at **Hargreaves Lansdown** and **Dechra Pharmaceuticals** and abstained at **Dunelm Group** and **Volution Group.**



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 December quarter Glass Lewis voted at 13 meetings comprising 140 resolutions in five markets. They opposed 22% of resolutions, with 40% of oppose votes regarding executive compensation. We find few US pay packages that we can easily support, and during the quarter we opposed compensation packages at several companies including **Paychex, Medtronic** and **Automatic Data Processing Inc.**

Internationally we supposed shareholder resolutions at **Cisco Systems Inc** and **Microsoft Corporation.** This included proposals asking for increasing tax transparency and for climate risk to be taken into account in employee pensions plans.

Following the government's lifting of the bonus cap on bankers, we wrote to **Barclays, Lloyds, HSBC** and **Standard Chartered** in anticipation of the 2024 AGM season. Specifically, we stated that we would not support the continuing use of role-based pay where the Remuneration Committee proposed combined scheme maxima over the current EU cap of 200%.



We have continued to engage with our AIM holdings in order to improve governance transparency and accountability. We received a response

from the Chief Financial Officer at **Diaceutics** that the company is minded to move to annual director elections, which we welcome.



In addition, after significant engagement the Board Chair of **Keystone Law** informed us they are considering moving to annual director elections. We have

welcomed the change of policy, which brings the number AIM companies that have agreed to make this change following our engagement to over ten.

Recognition



As signatories of the **PRI**, we are required to take part in an annual assessment covering all aspects of RI including policy, governance, strategy, stewardship, ESG integration and voting. We are delighted to share we scored 5* in all five modules. Our results are available [here](#).

We were delighted to be recognised by ESG Clarity in winning the Best Thought Leadership/Research category for our Insight on the **Condition of our Rivers**. A supporting article we wrote can be seen [here](#).



CONTACT US

We welcome client feedback, and you can contact us direct at information@edentreeim.com

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.



Carlota Esguevillas
Head of RI



Amelia Gaston
Senior RI Analyst



Cordelia Dower-Tylee
RI 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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 [edentreeim.com](https://www.edentreeim.com)

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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