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Responsible Investment

Activity Review 2024

Foreword

Andy Clark, Chief Executive Officer

I am pleased to introduce our seventh Annual Responsible Investment Activity Report, produced to summarise and highlight our learnings, achievements and progress from the last year of responsible investment at EdenTree.

The period covered by this report was one of both change and challenge for the UK sustainable investment industry. The FCA's Sustainability Disclosure Requirements (SDR) and labelling rules came into force, designed to bring greater clarity and transparency to the sustainable investment market, while, against a turbulent global geopolitical backdrop, the very nature and definition of "ESG" investment continued to face challenge and criticism in equal measure.

Transparency is at the heart of our investment ethos, and our work on SDR has not only helped enhance how we articulate our strategy, philosophy and investment approach with the consumer at front of mind, but also truly crystalised for all of us at EdenTree who we are as a company, what we do, and why we do it.

With over 35 years of experience in this area, responsible and sustainable investment is not an add-on – it's all we do. Amid growing levels of "greenhushing" across the corporate world - with companies increasingly loath to discuss their sustainability efforts for fear of political backlash - we are proud to continue to "bang the drum" for responsible investment, believing that responsibly run companies provide better returns for investors and the planet.

Over the last year we have been pleased to see this commitment to sustainable investment recognised by the industry. In 2024 we were proud to be awarded Sustainable Investment Fund Management Group of the Year (AUM under £50m) at the Investment Week 2024 Sustainable Investment Awards, and Investment Life & Pensions Moneyfacts Best Ethical Investment Provider for the 16th year running.

The following report shares our progress over the last year across our core responsible investment pillars. We hope you enjoy reading through our updates, and as always, we welcome any comments and feedback you may have.

2024 Highlights

Won Investment Week's **Sustainable Investment Fund Group of the Year** (AUM under £50 million)

Won **Best Ethical Investment Provider** at the Moneyfacts Awards for the **16th** successive year

5* Rating achieved in all PRI modules

Adopted 4 SDR Labels across our funds

139 company engagements conducted

100% of funds on track to meet their short, medium and long-term climate targets

Voted on **5,106 resolutions** at 328 meetings

Voted on **80 shareholder proposals**

Launched the EdenTree **Global Sustainable Government Bond Fund**

Retained signatory status to **FRC UK Stewardship Code**

About EdenTree

EdenTree are dedicated to responsible and sustainable investing, having launched our first ethical fund in March 1988. We have an over 35-year track record in this space; it is all we do.

Our purpose – **to transform the way people invest for a better tomorrow** – underscores our dedication to sustainable investment, and the positive impact we seek to achieve through our investment activities and our business.

Across our range of funds, we seek to invest in companies operating as responsible & sustainable businesses, as well as those contributing to environmental and social solutions. We believe consistent, long-term returns are more likely to be achieved by investing responsibly in sustainable businesses, and we integrate environmental, social and governance factors throughout our investment process.

We manage a range of strategies and mandates across the wholesale, advisor, and institutional markets, comprising general listed and unlisted equities, fixed income instruments, and direct real estate. While each fund has its own philosophy and approach, each share sustainability as one of their core characteristics.

EdenTree is proudly part of the Benefact Group, an international group of financial services businesses, that gives all distributable profits to charities and good causes via the Group's ultimate parent, The Benefact Trust. EdenTree's distributable profits are given in the form of a dividend to Benefact Group, which in turn makes grants to our ultimate parent, the Benefact Trust. Benefact Group first set a target to donate £50m to our charitable parent by 2015, and having achieved that, achieved a further stretching target of donating £150m by 2022. As a Group, we are now inspired by a target to donate £250m in total by 2025.

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Award winning investment management, with a 35 year heritage in responsible and sustainable investment.

BENEFACT GROUP

An international Group of financial services business, that gives all available profits to charities and good causes. Ultimately owned by the Benefact Trust.

BENEFACT TRUST

One of the UK's largest grant-making charities.

Spotlight: Holding Ourselves to Higher Standards

In addition to our activities as investors, we are acutely aware of the need to hold ourselves to the same high standards we expect of investee companies, and to report on our own corporate responsibility initiatives. Our colleague-led Corporate Responsibility (CR) Committee has oversight of the key impacts that make up our own corporate impact, as well as oversight of the EdenTree Community Fund. Our Corporate Responsibility Report, which details how we measure and impact and approach to charity partnerships can be read on our website.

Responsible Investment at EdenTree

Since launching our first dedicated screened equity fund in 1988, we have integrated environmental, social and governance into our investment philosophy and approach.

Responsible investment is fully integrated into the way we work, think and deliver, and our award-winning approach covers three areas: Selection, Stewardship and Supporting Clients.

This report sets out our progress and highlights from 2024 across these three pillars.

Selection

Investing in organisations driving a better tomorrow across our range of funds.

Stewardship

Effecting positive change across our portfolios via voting and engagement efforts.

Supporting Clients

Supporting clients in meeting their investment needs and enabling their sustainability journey.

Selection

Our Investment Approach

Our active investment process starts with individual ideas, which are debated and scrutinised by Fund Managers, Responsible Investment and Impact analysts in accordance with the objective of each fund. While each fund has its own philosophy and approach, EdenTree's investment team shares four common beliefs:

We invest for a better tomorrow

We are active, long-term investors and focus on businesses making a positive contribution to people and the planet.

While cognisant of short-term market and economic cycles, our activities are primarily focused on investing in businesses and organisations offering products and services that are supporting positive, long-term structural change.

We invest in quality

Our combined investment and sustainability analysis typically tilts our investment focus toward quality, whether that be in traditional factors, such as financial and management strength, or the contribution underlying investments are making towards a sustainable tomorrow.

We invest at sustainable valuations

Our approach looks at the long-term value an investment can make for our clients and society more broadly. For us, risk is absolute and is not linked to a benchmark.

Our wider investment approach seeks to avoid the material loss of capital, which runs in parallel with our aim to invest in a way that helps to alleviate social and environmental degradation.

We engage for change

We maintain an active programme of engagement and voting to ensure businesses are acting responsibly and supporting a more sustainable economy.

Our engagement and voting approach assess material risk factors and targets thematic areas where we can make a difference.

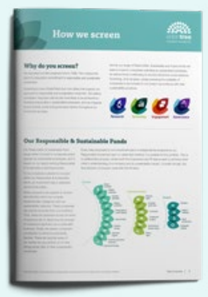
Our investment strategy is underpinned by the understanding that achieving key global social and environmental goals requires significant and targeted investment capital, and that integrating environmental, social and governance factors into our investment approach will yield better returns.

Integrating sustainability into our funds

As bottom up, active managers the investment and ESG cases are run in parallel. The Responsible Investment team has oversight of investment suitability from a sustainability point of view, with the Investment and RI Team working side-by-side to generate ideas, analyse opportunities, create meaningful and diversified portfolios.

This depth of integration can be seen 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.

Further information on the key areas of focus when assessing the sustainability characteristics of companies and issuers, and how this differs by mandate, can be found in The EdenTree How we screen document.



Spotlight: Investing for Impact

Sustainability Impact™

The breadth of our public market impact proposition is unique in the UK asset management industry, with our impact range aiming to deliver positive outcomes across three asset classes.

Fund	Asset Class	Impact	Measurable KPI
Green Future	Equities	Climate mitigation	Avoided emissions
Green Infrastructure	Listed Infrastructure	Climate mitigation	Avoided emissions
Global Impact Bond	Fixed Income	Climate mitigation & social development	Avoided emissions & number of underserved beneficiaries with increased access to basic services

Our impact investment approach starts with an assessment of an asset and how its product, service or project supports the Thematic Impact Framework of each fund. A company's contribution must be **intentional** and **material.** For example, for a company offering climate mitigation solutions this means that the climate solutions much be a credible long-term part of the company's strategy, and this contribution must represent at least 50% of the company's revenue.

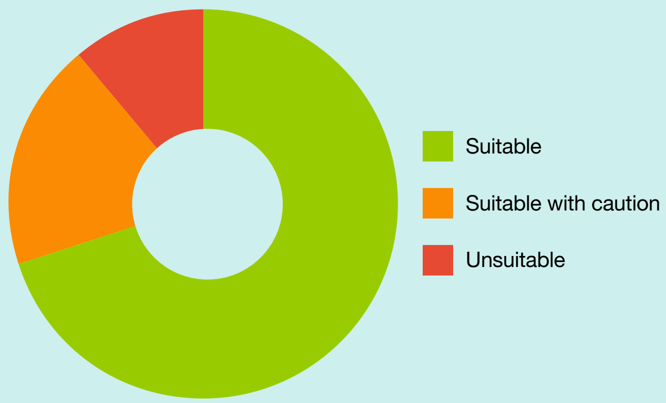
After investment, we seek to enhance the asset's impact through our stewardship activities, where our engagement and voting seek to increase positive impacts and decrease potential negative impacts. Our industry-leading impact offering has been recognised by the FCA, with each Fund achieving the "Sustainability Impact" label.

Spotlight: Investing in Sustainable Companies

Our Funds with sustainable characteristics seek to invest in companies which operate as sustainable businesses. Every idea proposed by our investment team is independently analysed by our Responsible Investment team to determine whether it is suitable for the portfolio. This is a collaborative process, where both the investment and RI teams seek to enhance each other's understanding of a company and its sustainability impact. Uniquely, the final decision of a company's inclusion in these Funds rests with the RI team.

In 2024 we conducted 54 screenings of new stock ideas. The outcomes of this assessment, alongside company examples, are reported below.

Screening Outcomes



Case Study

Unsuitable for inclusion

Central American Bank for Economic Integration

The Central American Bank for Economic Integration provides financing to reduce poverty and increase regional integration in Central America. These aims are positively aligned with our objectives to support social development.

However, on conducting a deeper analysis, we became concerned about the bank's involvement in controversies over its financing of oppressive regimes in Nicaragua and El Salvador. Despite having policies in place, there seemed to be a significant gap between these policies and their implementation, and lending was occurring without sufficient due diligence. Whilst new leadership has been put in place to address these issues, we felt that the organisation's governance controls remained too weak to provide the necessary level of oversight. Therefore, despite the Bank's positive developmental objectives, it was rated 'unsuitable' for inclusion in our Funds and the investment did not progress.

Case Study

Suitable for inclusion

Pirelli & C SpA

Pirelli markets and manufacturers tyres for the consumer market. Its products positively contribute to a more sustainable future by lowering tyres rolling resistance and improving fuel efficiency.

In addition, the company manages its environmental and social impacts well with commendable levels of transparency on key impact areas. For example, environmental topics such as deforestation and biodiversity – key risks for the sector – are very well managed. Social topics are also well managed, with strong oversight of human rights. Thematically, the company is aligned to our sustainable solutions theme, with revenue contributions across the energy efficiency, safety & security, and circular economy pillars. Overall, the company was deemed suitable for inclusion.

Selection

Integrating Climate Change into our funds

The science of climate change is unequivocal; we are already living in a climate emergency and must rapidly reduce greenhouse gas emissions. To achieve the goal of the Paris Agreement of liming global warming to 1.5C, CO2 emissions must fall by 45% by 2030, reaching net zero by 2050.

Building on a long-standing commitment to climate action and eight years of carbon footprinting, we launched our Climate Change Strategy in 2023. It is based on four pillars where we believe there is both a need for action and where we can make a difference. For more information on our climate strategy, read our Climate Stewardship Report.

Decarbonise our Funds

- We aim to decarbonise our Funds in line with the goals of the Paris Agreement.
- We have set two climate-targets for each of our Funds, designed to position our Funds onto a 1.5C-aligned pathway.

Accelerate the transition

- We aim to increase the amount of capital being directed towards climate mitigation and adaptation solutions.
- We intend to grow our range of Responsible, Sustainable, and Impact Funds.

Collaborate to drive change

- We plan to promote climate action through collaboration with other investors.
- We will use collaborative initiatives to drive greater change at the corporate level and encourage policymakers to establish comprehensive and robust frameworks.

Embody our standards

- We are acutely aware of the need to hold ourselves to the same high standards we expect of investee companies.
- We will continue to champion environmental initiatives and promote awareness and action within our local communities.

Ongoing Monitoring

Once a company is included within EdenTree's funds, the RI and Investment team continually monitor holdings to ensure the stock remains aligned with the objectives of the Fund. This includes monitoring for controversies, a bi-annual fund review, and ongoing oversight via our engagement work.

Retaining the ability to promptly respond to emerging issues within our portfolio, and take the action necessary, as part of our engagement approach, is an important factor in the integration of stewardship within our investment process.

Controversies

Ongoing controversy monitoring serves as a key indicator in our reactive engagements and company outreach.

It enables us to take quick and decisive action in response to emerging issues where required.

Fund Reviews

We conduct a bi-annual review of portfolio holdings to assess their performance on key environmental, social and governance topics.

Where concerns are identified, engagements are scheduled to get a better understanding of the issue.

Engagement Progress

We use engagement as a tool to assess how companies are considering and managing sustainability issues, which feeds into our investment case.

We track engagements using a proprietary system to assess progress against engagement objectives and identify where escalation or further action is required.

Case Study
Escalating engagement efforts

UNITEDHEALTH GROUP®

UnitedHealth Group

Issue: In early 2024, UnitedHealth Group experienced a cyberattack, which exfiltrated personally identifiable patient healthcare data belonging to up to a third of Americans. The application breached by the cyber-attackers lacked multi-factor authentication, a basic cybersecurity control. The company paid a $22 million ransom and currently estimate costs to recover from the incident will reach up to $1.6 billion this year alone.

Action: We were particularly concerned with the failure to implement adequate cybersecurity measures to protect patient data ahead of this incident. The company delegated oversight to the audit and finance committee of the board of directors. Upon review, we found that neither the board or the committee had relevant cybersecurity skills or experience. We therefore chose to vote against all directors on the audit committee for insufficient oversight. We also chose to signal our dissatisfaction by voting against the chair of the Nomination Committee, who we felt needed to be held accountable for the lack of relevant skills on the board.

Outcome: We shared our voting intentions with the investment team, who agreed with our position on the audit committee and nomination committee chair. This incident, in addition to existing concerns, led to a decision to exit our position in UnitedHealth Group. There was notable shareholder dissent in the re-election of the Directors serving on the Audit Committee, ranging between 6% to 9%.

Case Study
Engagement at the investment monitoring stage

PHILIPS

Koninklijke Philips N.V. e

Issue: Philips has faced controversies over its sleep apnoea Dreamstation devices for several years. Since 2021, millions of breathing devices and ventilators have been recalled due to concerns that noise reduction foam used within them could potentially degrade and become toxic.

Action: We have engaged with Philips several times since the initial product recall, previously focusing on the recalls themselves and what internal failures had occurred to lead to issues with the Dreamstation device. In 2024 we sought a call with the company to determine how internal remediation has progressed and understand their key learnings to prevent future failings.

Outcome: The call gave us a clearer understanding of the root causes of the recalls. Philips shared details on their remediation of programme which is focused on employee training and embedding accountability and safety into all business lines.

We view the company to have made improvements and are content with the direction of travel but will continue to look for further improvements. As a result of this progress, and the updates we have received at our engagement calls over the past few years, we chose to abstain the ratification of the Management Board and will look for further improvement to support this proposal at next year's AGM.

Stewardship

Stewardship is a central component of our investment approach, through which we use the entire strength of our voice to be a catalyst for positive societal and environmental change. As sustainable investors, we recognise our responsibility to all stakeholders, whether that be our colleagues, clients, industry, the wider markets, or future generations to come. We see first-hand how our stewardship efforts with companies, issuers, regulators, and other investors can be a catalyst for positive change.

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**.

Engagement

As active managers, engaging with investee companies is fundamental to understanding the risks and challenges they face from an environmental, social and governance perspective. We use engagement as a tool to assess how companies are considering and managing their ESG impacts, 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.

Voting

Proxy voting is a core responsibility of asset managers. 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, 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.

Stewardship Activities in 2024	
Number of AGMs voted at	328
Number of Engagements	139

We have included case studies throughout this chapter that demonstrate what EdenTree's stewardship approach looks like in action. These include voting examples, as well as direct ("EdenTree"), collaborative, fact finding, and thematic engagement examples. We have chosen to represent a full range of outcomes, in line with our commitment to transparency.

Our Approach to Engagement

Key highlights

We enhanced the way in which we categorise and track our engagement activity, with a focus on clear objectives, timelines, and outcomes

We formalised our escalation pathway, using voting more thoughtfully as a form of escalation

We strengthened collaboration between the investment and RI team by increasing touchpoints and rolling out a proprietary research database, through which teams can better share information

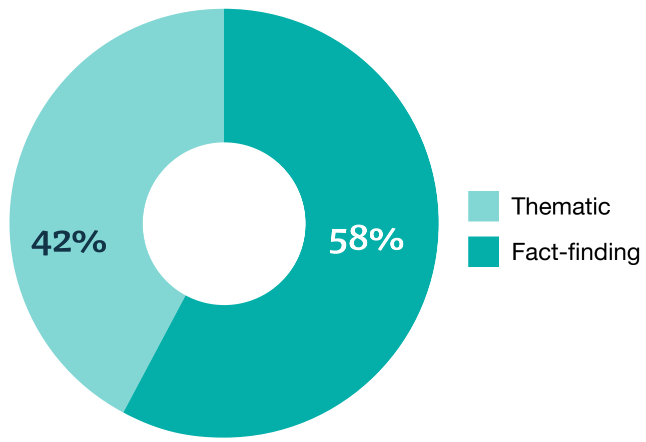
In the past three decades of engaging with companies in our portfolios, it has proved a powerful way of improving investee companies' performance on a range of topics. To achieve the best outcomes for our clients, we look to focus our time and attention on issues that are most material to our investments, and where engagement can have the greatest impact on company behaviour. We seek to form constructive long-term relationships with the companies in which we invest – across both equity and bond holdings.

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:

- **Thematic:** long-term engagement with a specific objective(s) to drive change on topics which we deem material to the long-term value of our investments
- **Fact-Finding:** Ad-hoc and reactive engagement often with an aim to gain information on a specific topic, which is most commonly used for emerging controversies, voting related issues and screening clarifications

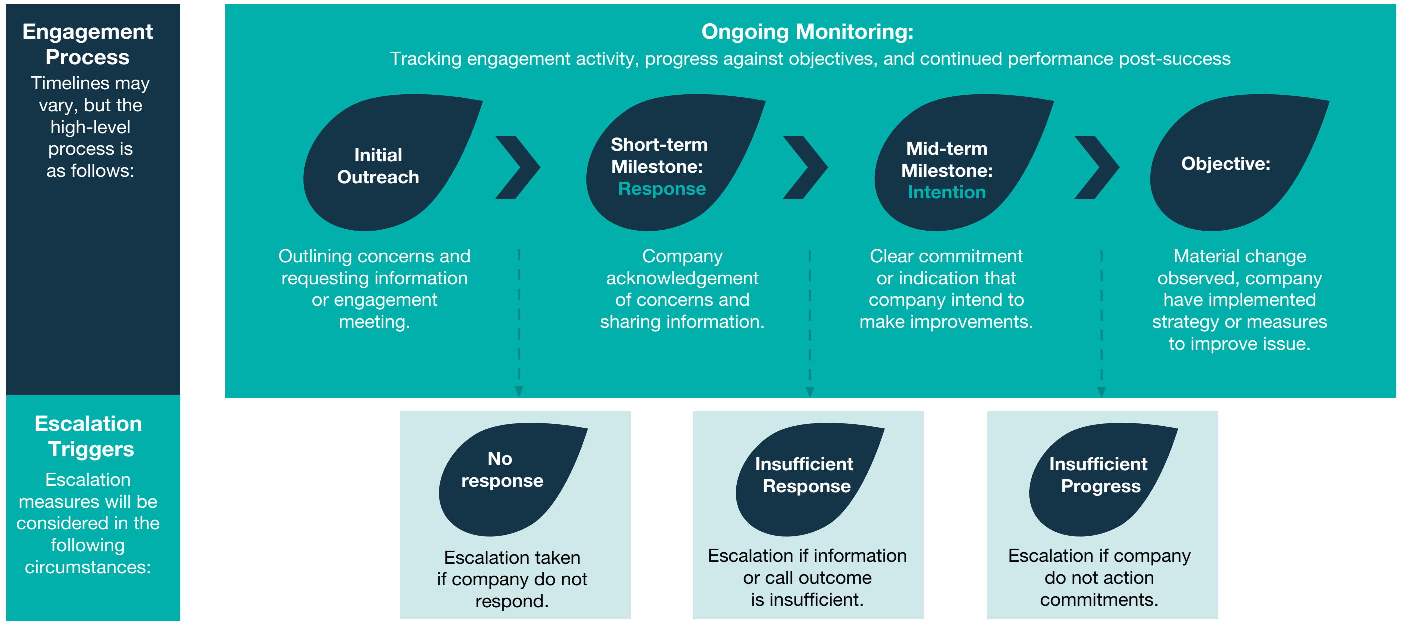
2024 Engagement - Type Breakdown



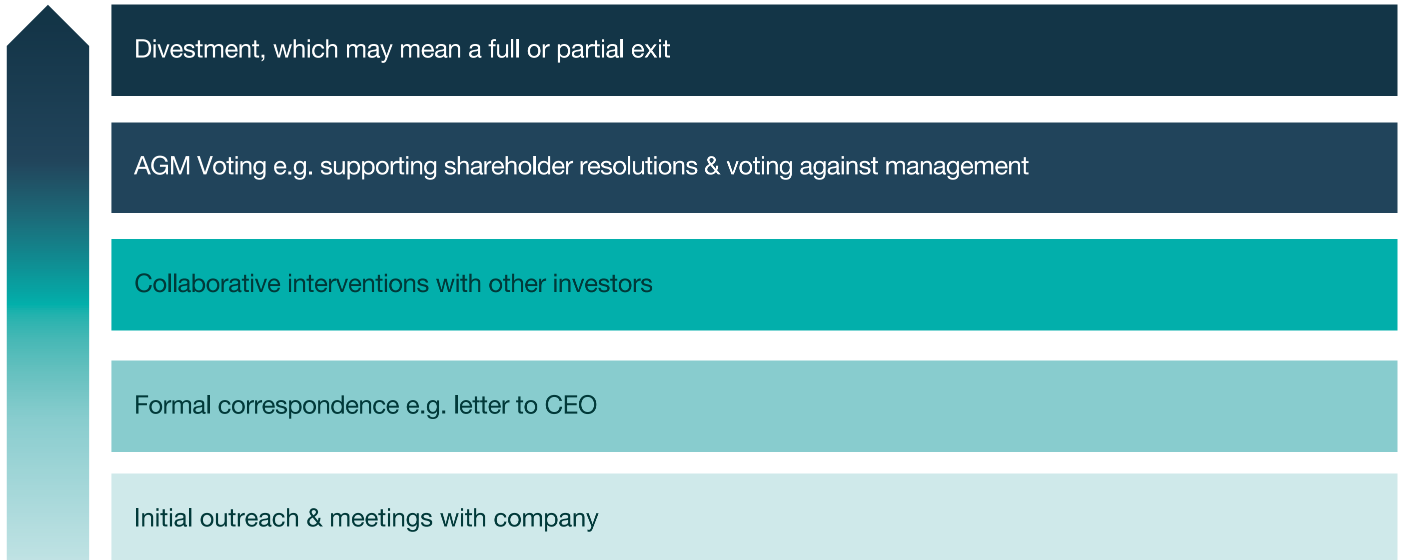
As an active manager, many of our company engagement meetings are conducted on a one-to-basis. However, given that many topics we engage on are systemic global issues, we recognise that many of the issues we engage on cannot be solved alone. Therefore, we seek to collaborate with other investors and organisations where partnering will help us exert greater influence.

Engagement Process

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 longtime horizon. With this in mind, we retain flexibility in the engagement methods we choose and our response to progress, or lack thereof. At a high-level, our engagement journey would generally take the form on the right.



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 seen no meaningful progress, or where we have received an inadequate response, we may employ a combination of the steps outlined to escalate our concerns.



Measuring Progress

In order to drive meaningful change, for each engagement we undertake we set a specific engagement objective. This objective is time-bound and addresses a targeted topic, and we use the five milestones outlined below to track progress against our engagement objectives for our thematic engagements. Fact-finding engagements, given the objective is to gain information on a specific topic rather than drive change, are not tracked against these milestones.

We believe it is important to track progress in this way however, we recognise that companies can make changes for a number of reasons and determining a direct relationship between our engagement and the outcome is rarely possible. Despite this, we believe our activity does have an impact and seek to provide investors with transparency on progress throughout this report.

Milestone	Status
1. Company has not acknowledged the concern	
2. Company has acknowledged the concern	
3. Company has shared information on the concern	
4. Company has committed to address the concern	
5. Company has implemented a strategy to address the concern	

Engaging on our thematic priorities

Our thematic engagement priorities are focused on four areas where we seek to drive change: A Just Climate Transition, Water Stress, Social & Financial Inclusion, and Good Governance. These thematic priorities are those which we deem to be material to the long-term value of our investments, and where we believe we can drive real-world change. They tend to run for several years, recognising that engagement is long-term, and change takes time.

A Just Climate Transition

Priority Engagements:

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

Water Stress

Priority Engagements:

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

Social & Financial Inclusion

Priority Engagements:

- Financial Inclusion within the UK
- Responsible use of technology

Good Governance

Priority Engagements

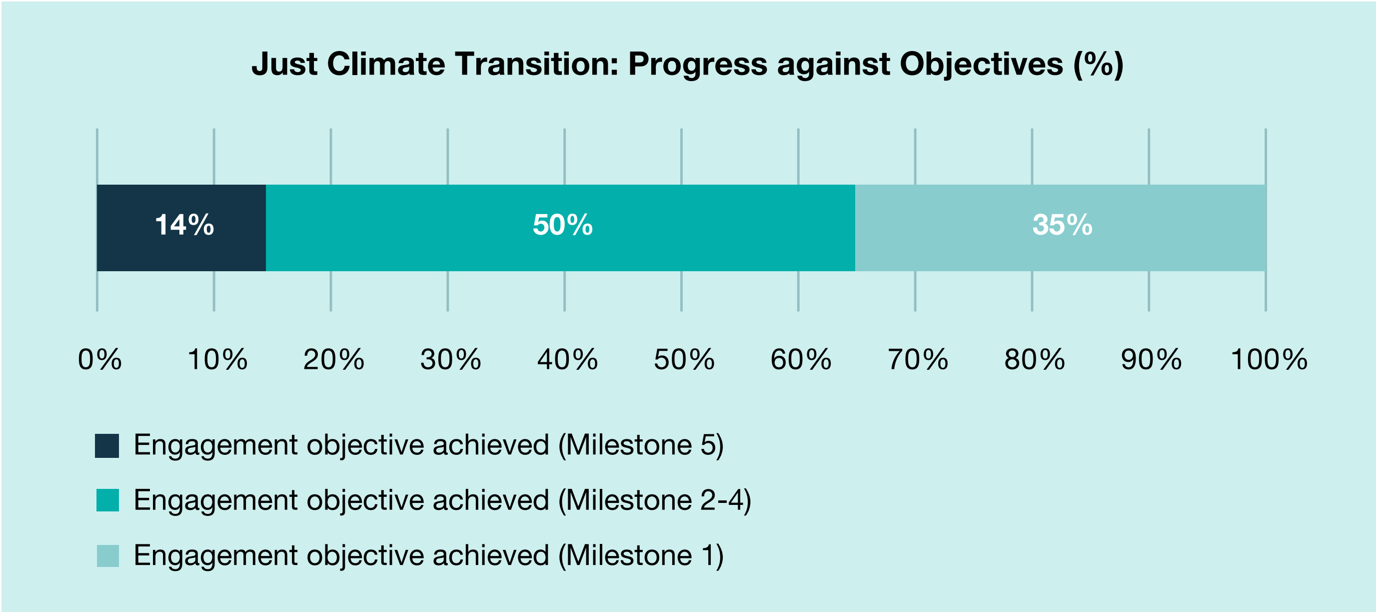
- AIM governance
- Board composition
- Oversight of material risk areas

A Just Climate Transition

Amid record-breaking heat, and equally troubling diminishing political ambition, it was a year for climate-focused investors, such as ourselves, to stand firm. We continue to believe we have a crucial role to play in driving the net zero transition, and in 2024, we used our influence as long-term investors to engage with our investee companies and push for strengthened decarbonisation plans and accelerated provision of climate solutions. In 2024, 61% of our thematic engagements were on the just climate transition. For more information on our Climate Stewardship Activities, please read our climate stewardship report on our website.

In 2024, our climate engagement focused on:

- **Heaviest emitters via our Climate Stewardship Plan.** 2024 saw the second year of engagements under our proprietary Climate Stewardship Plan. The plan contains the companies which are responsible for the majority of EdenTree's scope 1&2 financed emissions, recognising that successful decarbonisation of these high-emitting companies will have the biggest impact on both our own portfolio decarbonisation and real-world emissions reductions. On a company-by-company basis, the Plan tracks performance against a series of 'best-practice indicators', allowing us to identify areas for improvement, which are used to inform our engagement activity.
- **Just Transition in Infrastructure.** We believe that climate is not simply an 'environmental' topic; it will also have profound social impacts. As such, in 2024 we continued to focus on 'transitioning in' assets – i.e., our renewable energy infrastructure holdings – and how they can maintain a high standard of human rights whilst continuing to provide the low-carbon energy we need for a successful transition. We continued to target disclosure of a standalone human rights policy, and commitment to implement the principles of 'Free, Prior and Informed Consent'.
- **Banks' Fossil Fuel Financing.** As a house with a fossil fuel exclusion screen, our primary indirect exposure to coal, oil and gas comes from our investment in Banks. Therefore, an engagement priority for us is encouraging our Banks' holdings to withdraw from financing projects that are misaligned with the goals of the Paris Agreement. We formalised this engagement in 2024, setting clear and measurable targets for each of the Banks we engage in. We anticipate that this engagement will run over several years.
- **Policy Engagement.** We firmly believe that we cannot drive the low carbon transition alone. The level of change required to meet the goals of the Paris Agreement requires action from all parts of society including governments and policymakers. In 2024, we sought to engage with policymakers to encourage ambitious national and international climate policies.



Case Study
Climate Stewardship Plan

Ashtead

Start Date: January 2023

Last Activity Date: September 2024

Expected Timeframe: 3 years

Issue: Ashtead is an international equipment rental company with national networks in the US, UK and Canada. It is captured within our Climate Stewardship Plan as it contributes materially to the financed emissions of several of our Funds. When it was first added to the Stewardship Plan in 2023, it was one of the weaker performing companies, lacking concrete emissions reduction targets, a defined net zero goal, or published scope 3 emissions.

Action: We engaged with the company for the first time in 2023 and had a second follow-up meeting in 2024. In both meetings we were clear about our expectations for the company and used the latter as a chance to discuss progress made over the preceding 12 months.

Outcome: We were pleased that the company made progress against two of our engagement objectives in 2024. In particular, they set a net zero by 2050 target and disclosed their scope 3 emissions for the first time. This subsequently improved their performance against several areas within our Stewardship Plan. Moving forward, the focus will be on their near-term targets, which remain weaker than peers. The company is hesitant to set absolute emissions reduction targets, preferring instead to stick with intensity targets. In tandem, they are yet to fully commit to set science based targets, despite not ruling it out entirely. We intend to meet with the company again in 2025, and will focus heavily on the area of near-term target-setting.

Objective	Milestone Reached	Progress
Independently verify scope 1&2 emissions	Company has acknowledged the concern	
Disclose scope 3 emissions	Company has implemented a strategy or measures to address the concern	
Commit to setting a near-term SBT	Company has acknowledged the concern	
Set net zero by 2050 target	Company has implemented a strategy or measures to address the concern	

Our Approach to Engagement

Case Study
Climate Stewardship Plan

Yara International

Start Date: January 2023

Last Activity Date: May 2024

Expected Timeframe: 3 years

Issue: Yara International is a Norwegian chemical company. Due to its carbon intensive business model, the company faces significant transition risks, particularly if it fails to decarbonise at a rate consistent with the broader economy. The company is captured within our Climate Stewardship Plan, whereby we noted several weaknesses within the company's climate risk management – including their lack of substantial Climate Transition Plan, and failure to set approved SBTs despite committing to do so back in 2021.

Action: We met with the company in May 2024 to discuss their performance against these two objectives. During the call we were disappointed to learn that Yara have regressed against our second objective, having removed their commitment to set a near-term SBT. We also observed deteriorating performance against several other indictors within our Climate Stewardship Plan, and therefore decided to take escalation action.

To do so, we supported a shareholder resolution at Yara's 2024 AGM, calling on the company to commit to publishing a science-based target to reduce its scope 3 emissions over the short-, medium-, and long-term. We also escalated our voting action by publicly pre-declaring our voting intentions through the PRI's Shareholder Resolution Database.

Outcome: The shareholder resolution received reasonable support at the AGM, with 8% of shareholders voting in favour. As the company are yet to reaffirm their commitment to set science-based targets, we intend to take further escalation action in 2025.

Objective	Milestone Reached	Progress
Decrease scope 3 emissions	Company has acknowledged the concern	
Set approved near-term SBT	Company has not acknowledged the concern	
Commit to a long-term/ net zero SBT	Company has not acknowledged the concern	

Case Study
Banks Fossil Fuel Financing

BBVA

Start Date: January 2024

Last Activity Date: September 2024

Expected Timeframe: 3 years

Issue: Our engagement with BBVA centres on the topic of fossil fuel financing. In 2023, BBVA provided $75bn to fossil fuel companies which serves to obstruct global climate goals. However, we also recognise that Banks can play an important role in enabling the transition, through financing climate solutions. As such, it is important that Banks implement credible transition plans.

Action: We met with the Bank in 2024 and discussed several aspects of their climate change risk management. We focused heavily on their fossil fuel financing policies and their client engagement and escalation processes, as we view these to be fundamentally important to ensuring overall alignment with the Paris Agreement.

Outcome: BBVA's sectoral decarbonisation approach has significantly improved over the past few years. The Bank now has targets across all of their high-risk sectors and disclose progress transparently in their reports. We were also pleased to learn that despite short-term target underperformance within a few sectors, BBVA view this as a temporary fluctuation only, and remain confident in their ability to meet their targets in the medium-term. The Bank have also made progress on their client engagement work, which now appears to link relatively robustly into their transaction decision-making process. An area of weakness remains their lending policies. Despite encouraging them to set more stringent restrictions around financing companies with fossil fuel expansion plans, the Bank were reluctant to do so. This is something we intend to push further in future meetings.

Objective	Milestone Reached	Progress
Disclose more information on the Bank's lobbying position	Company has acknowledged the concern	
Disclose facilitated emissions	Company has committed to address the concern	
Set a restriction on client finance for coal, oil and gas exploration	Company has acknowledged the concern	
Enhance the client engagement process	Company has shared information on the concern	

Case Study
Policy Engagement

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

Prudential Regulation Authority

Start Date: January 2024

Last Activity Date: January 2025

Expected Timeframe: 2 years

Issue: Climate change poses risks to financial stability, something made clear by the Financial Stability Board and member banks. In response, central banks are increasingly conducting climate stress tests but bank-specific results are rarely shared with investors. We believe improved climate risk disclosures would benefit both investors and financial stability.

Action: Along with 21 other investors, we signed a letter to the Prudential Regulation Authority (PRA), coordinated by Sarasin & Partners. The letter seeks the support of the PRA in delivering better climate disclosures. In particular, it seeks improved disclosure around how material climate risks have been factored into banks' financial statements, auditor reports and capital adequacy reporting.

Outcome: We were pleased that the PRA acted on our request. In a recent letter, they stated *"in 2025, we plan to focus on disclosures to help users understand the effect of climate risk on firms' exposure to credit risk, how the effect of climate risk has been considered in ECL measurement, and underlying assumptions and judgements"*. This demonstrates clear progress, and the investor group intend to follow-up with the PRA on their intentions in 2025.

Objective	Milestone Reached	Progress
For the PRA to introduce disclosures that will enhance Banks' climate risk management.	Company has shared information on the concern	

Case Study
Just Transition in Infrastructure

CADELER

Cadeler

Start Date: May 2024
Last Activity Date: July 2024
Expected Timeframe: 3 years

Issue: The climate crisis requires the rapid expansion of renewable energy capabilities. Yet it is crucial that the energy transition does not harm people, workers or communities. As an offshore wind farm construction company, Cadeler faces specific elevated health & safety and human rights risks, which must be managed appropriately.

Action: Over the past few years, we have met with several of our renewable energy holdings on the topic of human rights. In 2024 we added Cadeler to our thematic engagement as a key player in the offshore wind farm market.

Outcome: We had a constructive first conversation with Cadeler. The company has areas of elevated risk – in particular its offshore employees and Asian shipbuilding activities – but they were able to point to strong processes to uphold health & safety and human rights. We were pleased to hear that nearly all of their offshore employees are now directly employed, and of their plans to carry out a human rights impact assessment to better determine where to focus their efforts. We also discussed governance best practice, providing feedback on areas where Cadeler could improve, something they are looking to enhance going forward. We will continue engaging with Cadeler in 2025 and look forward to updates on their human rights impact assessments and improvements to corporate governance.

Objective	Milestone Reached	Progress
Set up an independent whistleblowing line	The company has implemented a strategy or measures to address the concern	
Conduct a Human Rights Impact Assessment	Company has acknowledged the concern	

"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."

Tommy Kristoffersen
Fund Manager

Our Approach to Engagement

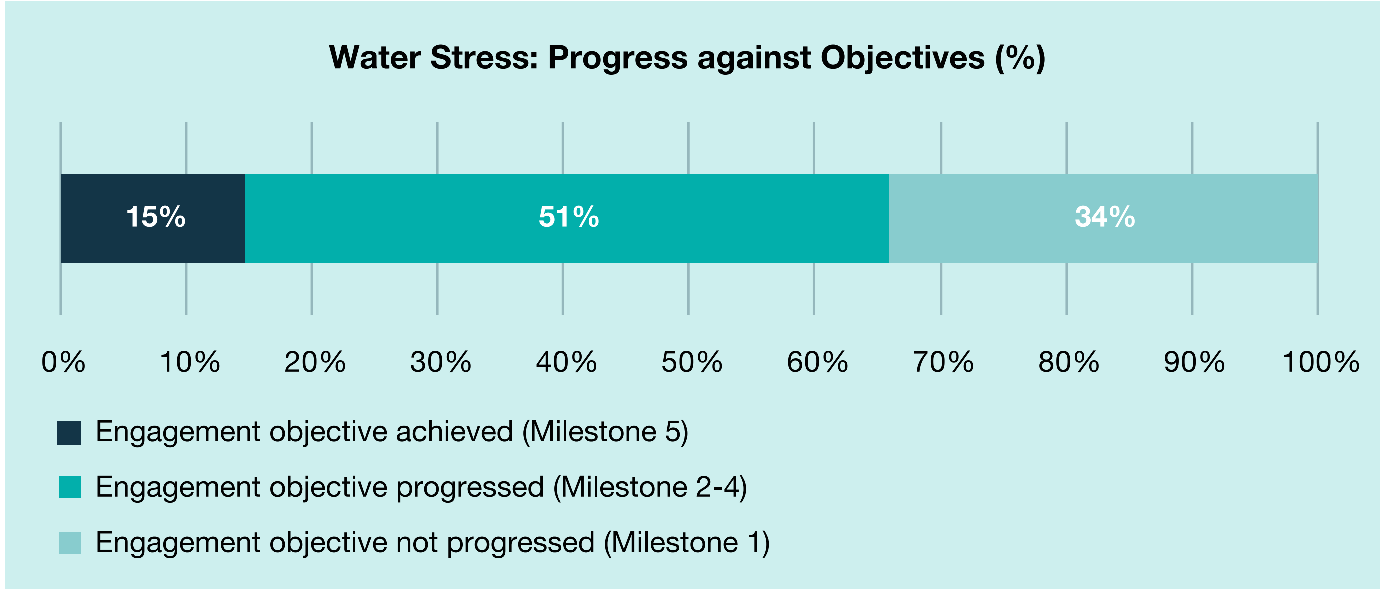
Water Stress

Billions of people around the world already face some form of water stress, and by 2025, half the world's population could be living in areas facing water scarcity. The global economy depends heavily on water, and its growing scarcity may lead to lower production capacity, stranded assets, and increased credit and insurance risk constituting 8-15% of global GDP at risk by 2050.

As investors become increasingly cognizant of nature-related risks, water remains an under-engaged and an undervalued risk by investors and companies alike. We have been engaging in the topic, looking to drive up standards on water quality and push for increased ambitions on water solutions. In 2024, 25% of our thematic engagements were on water stress.

In 2024, our water stress engagements focused on:

- **Water stress & hazardous chemicals:** 2024 saw the kick off of our thematic engagement with our chemical company holdings on water and chemical stewardship. This engagement targets ten chemical manufacturing companies, aiming to increase ambition on water targets, disclosure and governance on water stewardship. In addition, on hazardous chemicals we are calling for the phase out of persistent and hazardous chemicals, increased disclosure and increased R&D for safer alternatives.
- **Biodiversity loss:** The prevention of biodiversity loss is crucial, over half the world's GDP is dependent on ecosystem services, and land use change is a key driver of water stress globally. We are engaging as part of the N100+ collaborative initiative, which focuses on increasing corporate ambition and action to reverse nature and biodiversity loss. The collaborative engagement calls on 100 high impact companies to align to six investor expectations.
- **Technology sector:** As digital connectivity is ever growing, so too is the demand for water to cool data centres and power the AI revolution. In addition, the manufacturing of semiconductors is incredibly water intensive, meaning the water footprint of the sector is vast. With this in mind, we are co-leading the Valuing Water Finance Initiative engagement with Alphabet, asking them to align to six asks under the corporate expectations for valuing water.
- **Policy Engagement:** Collective action is required to achieve global water security; this cannot be realised without governments and policymakers being ambitious and recognising access to water as a fundamental human right. Therefore, in 2024 we engaged policy makers on plastic & microfibre pollution, deforestation, anti-microbial resistance and hazardous chemicals, pushing for enhanced policy protections across key areas which exacerbate water stress.



Case Study
Water Stress & Hazardous Chemicals

Johnson Matthey

Start Date: April 2024
Last Activity Date: October 2024
Expected Timeframe: 3 years

Issue: Johnson Matthey's manufacturing can be very water intensive, and their production can affect water quality through emissions to water and increased temperature of water discharged. In addition, manufactured chemicals can pollute waterways and damage both human and environmental health, particularly persistent chemicals (PFAS) and substances of high concern.

Action: In 2024, we met with Johnson Matthey to discuss their approach to water stewardship in the context of our three engagement objectives. The call was positive, with the company receptive to all of our suggestions. To follow-up our engagement, we also signed a letter coordinated by the Investor Initiative on Hazardous Chemicals. The letter specifically addressed our third engagement objective, requesting several actions that would help the company to reduce their hazardous chemical portfolio.

Outcome: We were pleased to learn that the company are in the process of creating a more robust nature strategy and were keen for our input. Regarding our first objective, the company revealed they intend to create site-level water action plans and would consider whether time-bound water withdrawal targets could be included as part of this work. Under the second objective, the company highlighted that they have already started to educate the board on water-related risks, which helps to ensure more accountability at an executive level. Finally, regarding hazardous chemicals, this is an area they intend to do more work on in the future.

Objective	Milestone Reached	Progress
Set time bound site-specific water withdrawal targets	Company has committed to address the concern	
Have the appropriate board level expertise on water stewardship	Company has implemented a strategy or measures to address the concern	
Reduce hazardous chemical portfolio, increase disclosure and publish a reduction roadmap	Company has committed to address the concern	

Our Approach to Engagement

Case Study
Biodiversity Loss

Novartis

Start Date: January 2023
Last Activity Date: September 2024
Expected Timeframe: 3 years

Issue: As a pharmaceutical company, Novartis has a potentially significant impact on nature in its supply chain. As such it is captured in the NA100+ engagement list, calling on companies to help protect and restore ecosystems. The results of the first NA100+ benchmark were published in November, and we identified several areas where Novartis could improve its score.

Action: We have engaged Novartis a number of times over the past few years, and building on this relationship we joined the NA100+ collaborative engagement with the company in 2023. We have met with them twice in this time, setting out our expectations with regards to nature and discussing progress made.

Outcome: The relationship between Novartis and the NA100+ investor focus group continues to be very strong. We had a good discussion around their performance against the NA100+ benchmark, with the company sharing some valid frustration around the relevance of some indicators to their sector and that the benchmark timing meant their recent progress had not been considered. The benchmark aside, Novartis have made progress on biodiversity in the last six months, with the introduction of a 'nature' pillar into their strategy, and work being done around site-specific impact assessments and nature-related targets. We will continue to follow the company's progress over the next year.

Objective	Milestone Reached	Progress
Improve the company's management of biodiversity risk as measured via progress against NA100+ indicators	Company has acknowledged the concern	

Case Study
Water Stress in the Technology Sector

Alphabet

Alphabet

Start Date: January 2024
Last Activity Date: December 2024
Expected Timeframe: 3 years

Issue: Technology companies have a significant water footprint, from manufacturing semiconductors in their supply chain, through to cooling data centres. As Alphabet has ramped up its AI capabilities, its water usage has ballooned. As such Alphabet is a target company for the Valuing Water Finance Initiative, which calls on companies with a significant water footprint to adhere to its expectations for valuing water.

Action: We are co-leading the Valuing Water Finance Initiative engagement with Alphabet and have been emailing them throughout the year requesting a meeting to discuss their water management practices. We particularly wanted to discuss Alphabet's approach to water in its data centres and supply chain.

Outcome: We were pleased to receive a response from Alphabet over email, through which we were able to commence a dialogue with the business. Over the course of the year we have provided feedback on their disclosures, calling on them to disclose water usage within their supply chain and report more detail on how they intend to meet their water replenishment targets. In 2024, Alphabet did choose to increase their water disclosures in a new water stewardship report, which we welcomed. We will continue to engage with Alphabet on the topic, in particular aiming to move our dialogue from email to an investor meeting.

Objective	Milestone Reached	Progress
Improved water stewardship in data centres and throughout the supply chain	Company has acknowledged the concern	

Our Approach to Engagement

Case Study
Water Stress & Hazardous Chemicals

Borregaard

Borregaard

Start Date: February 2024
Last Activity Date: April 2024
Expected Timeframe: 3 years

Issue: As a chemical company Borregaard is exposed to water risk through its withdrawal of water for use in its operations and emissions to water of chemicals at its manufacturing sites. As such it is captured within our thematic engagement on water stress and hazardous chemicals.

Actions: We met with Borregaard as part of our water stress thematic engagement, and we intend to keep engaging with the company for the next few years.

Outcome: The company demonstrates excellent management of water quality, one of the most challenging areas for the sector. They have targets to reach COD emissions (a measure of all organic and non-organic substances emitted to water), and a comprehensive implementation plan accompanies these targets. We intend to reference Borregaard as an example of best practice on water quality management with the other targeted companies. Other aspects of the call focused on water quantity and water stewardship; both of which could be strengthened through more ambitious targets and the disclosure of a separate water stewardship strategy. We will follow up on these asks in our next engagement meeting with the company.

Objective	Milestone Reached	Progress
Increase ambition of water withdrawal reduction target	Company has shared information on the concern	
Disclose a water stewardship strategy	Company has acknowledged the concern	

Case Study
Water Quality

United Nations General Assembly

Start Date: April 2024
Last Activity Date: April 2024
Expected Timeframe: 3 years

Issue: Anti-microbial resistance (AMR) poses a global threat to human health; by 2050, it is estimated to cause 10 million deaths and lead to a 3.8% GDP loss due to an unhealthy workforce. The United Nations held a high-level meeting in 2024 to discuss the threat AMR poses, and how the international community should collaborate to combat the risks.

Action: We signed an AMR statement letter on behalf of the Investor Action on AMR (IAAMR), aimed at Global Policy Makers in the lead-up to the United Nations General Assembly. It called on policy makers to take a One Health approach to combatting AMR, and align to the key asks of the Investor Statement on AMR.

Outcome: In line with the primary ask in the statement, the UN Declaration committed to creating an independent panel to provide scientific data and policy recommendations to governments, ensuring evidence based and coordinated approaches on AMR, much like the IPCC for climate change. In addition, by committing to achieving a meaningful reduction of antimicrobial use in food systems, the Declaration has taken a One Health approach, although we would encourage them to monitor progress and accountability on this. While not all asks were met, addressing some of the investor coalition's key concerns is a positive step and will help to combat global AMR risks and mobilise the international community to push AMR higher up the political agenda.

Objective	Milestone Reached	Progress
Call on global leaders take a One Health approach to combatting AMR, and align to the key asks of the Investor Statement on AMR.	Company has implemented a strategy or measures to address the concern	

"Water is fundamental to life on earth, and this is threatened by its over abstraction and pollution. As sustainable investors we have been engaging on water to ensure our companies are stewards of this vital resource. As water related risks become increasingly material, we expect our investee companies to increase their disclosure, targets and progress on water; and we will be on hand to support them in their ambitions."

Cordelia Dower-Tylee
Responsible Investment Analyst

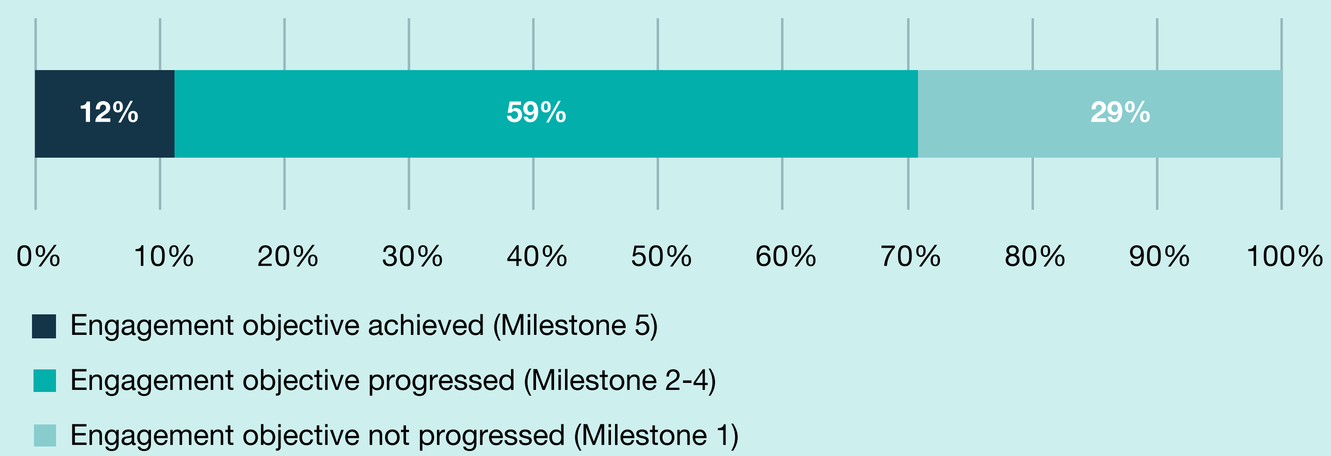
Social & Financial Inclusion

Inequality in income and wealth has been increasing for the past 40 years. Inequality is a systemic risk: it undermines social cohesion, erodes trust in institutions and fuels unrest. When we reduce inequality, everyone – including the companies we invest in – are better off. EdenTree play an active role in promoting inclusion including through our work on the responsible use of technology, modern slavery and income inequality. In 2024, 14% of our thematic engagements were on social and financial inclusion.

In 2024, our social and financial engagements focused on:

- **Responsible use of Technology:** Artificial Intelligence has the potential to bring significant positive developments, however, it also increases the risk of social harms, such as bias, discrimination and unsafe outcomes. If digital technology companies fail to adopt, implement, and disclose robust governance policies and controls, backed by strong ethical principles, they may face reputational risks as well as revenue losses, and society faces tremendous risk. As such we have been engaging companies collaboratively with the World Benchmarking Alliance's Digital CIC on Ethical AI, calling on companies to implement ethical AI principles, robust governance, oversight and implementation.
- **Modern Slavery:** Modern slavery is thought to affect more than 50 million people worldwide and, by its very nature, can be difficult to uncover. It includes the exploitation or enslavement of individuals in a variety of coercive or deceptive practices such as bonded and forced labour. Modern slavery has been a continuous focus of our engagement work for several years, and in 2024 we continued to support Votes Against Slavery (VAS) which focuses on adherence with the reporting requirements of the Modern Slavery Act 2015.
- **Income Inequality:** In recent years executive pay has steadily increased in the UK, influenced by the American market's pay packages. EdenTree have always taken a firm stance on executive pay, understanding while pay must be sufficient to recruit, retain and motivate executives it should also be decided with explicit consideration of what is available to the wider workforce. Our stewardship efforts on this have continued and been particularly pertinent in the face of the cost-of-living crisis.

Progress against Objectives (%)



Case Study
Responsible use of Technology

Vodafone Group PLC

Start Date: May 2024

Last Activity Date: September 2024

Expected Timeframe: 1 years

Issue: As a telecommunications company Vodafone utilises artificial intelligence technology in its operations and in some customer facing functions. Given the potential risks this poses, it requires robust governance and controls to be in place.

Action: As part of the World Benchmarking Alliance's Collective Impact Coalition on Digital Inclusion, we are co-leading the engagement with Vodafone. In 2024, we spoke to Vodafone to discuss their AI implementation and disclosures.

Outcome: We had a positive first engagement with the company, in which they described their governance structures and how ethical AI considerations are embedded at the inception of any new technology. A key ask of the coalition is for companies to conduct human rights impact assessments and on the call Vodafone confirmed that this was something they already do. However, their disclosures around this are limited and we asked that they strengthened their disclosures on AI to help investors ascertain how they manage this risk. Vodafone were receptive to our suggestions for improvements and were keen to continue a dialogue on AI.

Objective	Milestone Reached	Progress
Publish an ethical AI policy which more adequately reflects their AI risk management processes	Company has committed to address the concern	
Disclose findings of their human rights impact assessment on AI	Company has implemented a strategy or measures to address the concern	

Our Approach to Engagement

Case Study
Responsible use of Technology

NXP Semiconductors

Start Date: August 2024

Last Activity Date: November 2024

Expected Timeframe: 3 years

Issue: The wide range of products that semiconductors are required for provides a significant investment opportunity, however, it also increases the risk of product misuse. There have been a limited number of reports of NXP's semiconductors being found in weapons systems, and as such we wanted to better understand the company's process around responsible sale. We were also keen to better understand the make-up of the customer base and the proportion categorised as a "sustainable solution".

Action: We met with NXP to discuss their approach to product misuse, as well as the positive contribution they make to decarbonisation through the use of their products by customers.

Outcome: It was a constructive and open conversation in which we gained significant reassurance on the company's due diligence around customers. In order to further strengthen their approach we encouraged them disclose a Responsible Use Policy.
On product use, we were pleased to hear that they are currently mapping their revenue derived from sustainable solutions - something which we encouraged them to disclose publicly. They were keen to highlight that they don't want to overstate their impact so are being conservative in their approach, something which we support.

Objective	Milestone Reached	Progress
Development of a Responsible Use Policy	Company has shared information on the concern	
Disclose % of revenue from products which positively impact the planet	Company has committed to address the concern	

Case Study
Income inequality

AstraZeneca

Start Date: April 2024

Last Activity Date: April 2024

Expected Timeframe: 3 years

Issue: For a number of years, we have opposed the remuneration report and policy at Astrazeneca, viewing their overall quantum to be very high and the structure to waiver from our view of best practice. AstraZeneca's 2024 remuneration policy proposed to increase remuneration for the CEO by 29.7%. In addition, a significant portion of both the long- and short-term incentive plans were based on similar performance criteria, known as 'double dipping' which rewards executives twice for the same achievement.

Action: We reached out to AstraZeneca prior to voting at the AGM to understand their rationale for the significant imposed increases in their remuneration policy and understand their broader attitude towards transatlantic pay packages.

Outcome: AstraZeneca responded with detailed answers on why they deemed the increases to be appropriate, particularly in the face of TSR +436% from 2013 to 2024. Whilst we acknowledge the success of the business in recent years, we still viewed the overall increases in compensation to be excessive particularly amidst a cost of living crisis. As such we opposed the remuneration policy, report and the associated performance share plan. We will continue to engage with AstraZeneca on executive remuneration going forward.

Objective	Milestone Reached	Progress
Improved remuneration practices	Company has shared information on the concern	

Good Governance

Good governance is rooted in transparency, accountability, and trust, which fosters a culture of integrity and financial stability. Companies without appropriate governance controls can exhibit poor management, a lack of oversight, and in some cases business failure. Due to the structural, operational, and cultural implications for organisations, governance-related engagements are generally long term in nature, with AGMs serving as an opportunity to review progress annually.

In 2024, good governance underpinned all our engagement efforts, given that the appropriate governance and oversight systems are required to support key decision makers to progress against our thematic priorities. Our engagements on corporate governance and related developments over the year and into 2025 will be focused on three key areas:

- **Duty to shareholders and providers of capital:** It is the duty of executives to manage, and for the Board to oversee management, but the Board is ultimately accountable to shareholders. Where we identify concerns around alignment (or a lack thereof) with shareholders, we seek to push companies for better practices, such as the continuation of our engagement with AIM-listed holdings over 2024. Building on this, our thematic engagements seek improved disclosures and better practice regarding board independence and director classifications.
- **Duty to workforce:** A clear articulation of purpose, and the corporate culture needed to deliver that purpose, is essential to operational success. It is for that reason we believe Boards should be mindful of the wider workforce experience, particularly with regards to remuneration and human capital management. In 2024, we identified a significant gap in the consideration of the wider workforce at the Board-level. As such, our thematic engagements include discussions around remuneration process and organisations' approaches to labour-related issues.
- **Duty to societies impacted by operations:** Over 2024, we commenced reviews on the representation of skills and experience on Boards, particularly in relation to the material risk areas faced by different companies. A key finding was the underrepresentation of Board-level IT and cybersecurity-related skills and oversight in the healthcare sector. Companies operating in the sector are responsible for particularly sensitive data, and as such should have robust oversight structures in place to ensure gold standard data privacy and protection. Skills and oversight structures therefore forms a key component of our thematic engagements.

In 2024 governance engagements often began as fact-finding, before moving to thematic engagements with specific objectives to drive change. As such we will be able to report on progress against the overarching milestones for our thematic governance engagements in next year's report.

Case Study
Remuneration

Hollywood Bowl Group

Start Date: February 2024

Last Activity Date: January 2025

Expected Timeframe: 3 years

Issue: We voted against Hollywood Bowl Group's 2023 Remuneration Report at their AGM, due to high vesting at threshold. Under their proposals 30% of overall pay would be awarded for threshold level performance, i.e. simply doing the job, which we are not in support of.

Action: Following our vote against their remuneration report, the management team reached out to consult on the drafting of their 2025 remuneration policy. We shared our concerns around the overreliance on absolute performance measures in the LTIP, as well as the considerable vesting opportunity for threshold performance. We also used this opportunity to share our feedback on other notable vote decisions from the meeting. We provided further information on why we abstained from voting on the election of the Chair in light of excessive tenure and shared the rationale behind voting against the chair of the nomination committee due to concerns around independence.

Outcome: We were pleased to see that Hollywood Bowl's new remuneration policy met our keys asks by improving the vesting levels and adding a relative performance measure. As such we chose to support their 2025 remuneration policy.

Objective	Milestone Reached	Progress
Reduce % for vesting for threshold performance in the 2025 remuneration policy	Company has implemented a strategy or measures to address the concern	
Reduce overreliance on absolute performance measures in the LTIP by introducing a relative measure	Company has implemented a strategy or measures to address the concern	

Our Approach to Engagement

Case Study
AIM Governance

Bioventix

Start Date: November 2024

Last Activity Date: December 2024

Expected Timeframe: 3 years

Issue: The Alternative Investment Market (AIM) was established as a place where smaller companies could access capital, offering greater regulatory flexibility than the UK's main stock market. As an AIM listed company Bioventix has several areas where its governance could be strengthened across remuneration, independence and board composition.

Action: We initially reached out to request more information on matters relating to excessive remuneration, director tenure and audit expertise on the audit committee. Once we had received this information, we highlighted potential areas for improvement in their disclosures and directly pre-declared our voting intentions regarding the independence classification of one director and their remuneration reporting.

Outcome: We were pleased to receive a detailed response from Bioventix and subsequently amended our voting action regarding the re-election of the Audit Committee chair. The company agreed to consider our comments in their next disclosures, which we will follow up on ahead of the next AGM.

Objective	Milestone Reached	Progress
Improve audit financial expertise on the Audit Committee	Company has shared information on the concern	
Improve remuneration disclosures	Company has acknowledged the concern	
Company to review independence classification of Director	Company has acknowledged the concern	

"Throughout 2024 we have collaborated more closely with the RI team, ensuring we are aligned on the voting actions taken. Enhancing the link between financial inclusion and pay for performance, for example, has been a key piece of work to implement in our voting actions throughout the year. I look forward to another busy proxy season in 2025 and to see how companies' management of material risk translates into investor votes at AGMs."

Greg Herbert

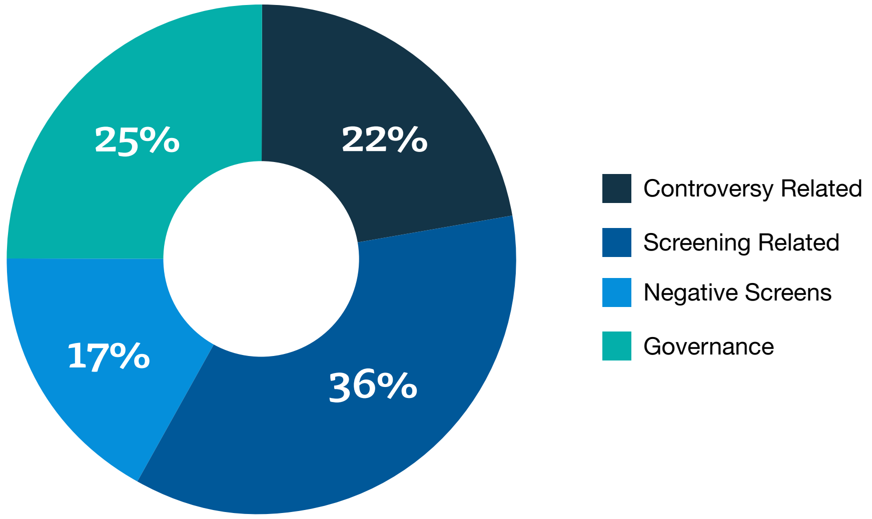
UK Lead Fund Manager

Fact-finding engagement

We utilise fact finding engagement in the case of negative news flow, corporate announcements, emerging controversies, or other issues identified in our ongoing monitoring and screening of companies.

These usually prompt us to conduct a short engagement to seek information and the company's position or response, and determine the appropriate means of escalation. For fact finding engagement we do not utilise milestones, as the engagement is completed when a company has provided the necessary information requested.

Fact-Finding Breakdown



Case Study
Engagement at the investment monitoring stage

Kreditanstalt für Wiederaufbau (KFW)

Issue: As a bank, KfW funds many projects which drive decarbonisation. However, they recently faced criticism from Bankwatch over the funding of a biomass project in Serbia, due to concerns surrounding associated carbon emissions and deforestation.

Action: We engaged with the bank asking them to share more detail on their sustainable forestry practices, due diligence and how they avoid illegal logging, in order to better understand their sourcing strategy and ensure that biomass is sourced sustainably.

Outcome: KfW provided us with detailed answers on the management of their biomass projects in Serbia, which provided us with comfort on their sourcing approach. Prior to the projects starting, each municipality is required to complete a biomass procurement plan. This stipulates that no wood from primary, old forests, habitats with a high biological diversity or areas with high CO2 storage rates can be used. In addition, they regulate the use of wood chips and feedstocks, and municipalities must comply with FSC standards, ensuring that wood harvesting does not exceed the natural regrowth rates. They also audit the supply chain to ensure biomass is not sourced illegally.

Case Study
Engagement at the investment idea stage

Bentley Systems UK

Issue: We conducted research on Bentley Systems as part of pre-investment due diligence. The company went public in 2020 with very weak corporate governance structures, as well as provisions in their governing documents that significantly limit shareholder rights. While they have retained the provisions, the Board decided to separate the CEO and Chair positions in 2023.

Action: We sought engagement as part of assessing whether Bentley Systems was suitable for inclusion in our Funds. We viewed this engagement as an opportunity for the company to speak to how their corporate governance has improved since the IPO, and how they've ensured decision delegation is clear to the wider organisation.

We were also keen to ascertain that no one director has undue influence on the board-making process, especially the former CEO/ Chair and current Chair, Greg Bentley.

Outcome: We were ultimately unconvinced by the call, most notably due to continued uncertainty around the CEO succession process. In combination with our initial concerns around independence, the Chair's retention of operational authority that would usually sit with the CEO suggests limited reduction of his influence, exposing the board to potential vulnerability down the line given the lack of clarity around decision delegation and risk management. Due to these outstanding concerns, we did not progress the investment.

Our Approach to Voting

Key highlights

We brought all vote execution onto one platform, Glass Lewis, enabling greater oversight and consistency in making voting decisions.

We developed our strategy for pre-declaring our voting intentions and started to do this publicly, utilising the PRI's Resolution Database.

We strengthened our voting approach by bringing the investment team closer to voting decisions, particularly where voting was being used as an escalation tool.

Proxy voting is a core responsibility of asset managers. 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 eligible to. We will also seek to engage pro-actively with companies where either existing corporate governance arrangements or management proposals cause concern.

Against a backdrop of unprecedented legislative action, election uncertainty and global corporate governance reforms, we voted at 328 meetings across 24 markets over 2024, opposing management at 13% of voting opportunities.

Proxy Voting

Over the period we voted across all areas of corporate governance, taking a thoughtful and considered view on each resolution. Issues we focused on particularly, included remuneration, auditor re-appointment, and shareholder proposals.

For our voting execution, we use the platform provided by Glass Lewis. Their Viewpoint platform enables consistency in our voting by applying EdenTree's bespoke voting template to make recommendations. The EdenTree RI team are responsible for reviewing these recommendations, and ultimately making the final vote decision based on our bespoke policies and in-house research. This active approach ensures our voting does not differ across funds, and our voice is not diluted.

2024 Voting summary	
No. proposals eligible to vote on	5,106
Proposals voted on (%)	99.8%
Proposals supported (%)	87%
Proposals opposed (%)	11%
Proposals abstained (%)	2%
Proposals voted against mgt's recommendation (%)	13%
Proposals voted against GL's recommendation (%)	9%
No. meetings voted at	328
No. meetings with at least one vote against management	249
No. markets voted in	24

Shareholder Proposals

The vast majority of proposals tabled at company meetings are routine, re-electing directors, appointing auditors and approving remuneration. Shareholder proposals, however, are filed by shareholders and ask the board to take action on a specific issue.

We support shareholder resolutions where they appear reasonable and proportionate and are in keeping with our Corporate Governance & Voting Policy and our sustainable investment objectives. Over the last few years, shareholder proposals have increased in both number and in the range of topics they seek to address, with filings from both sides of the political spectrum targeting aspects of business that would be best left to company management or are considered irrelevant to shareholders. For resolutions where we view this to be the case, we are unlikely to vote in favour.

2024 Voting summary	
No shareholder proposals voted on*	80
Environmental Voted	5
Social Voted	35
Governance Voted	23
Compensation Voted	12
Miscellaneous Voted	5

Spotlight: Looking ahead to 2025

Over the course of 2024 we have carefully reviewed our voting approach, including our guiding principles and link to engagement work. As a result, a new Corporate Governance and Voting policy will be in place for 2025, which will serve to guide our activity and provide further transparency to clients, holding companies, and other stakeholders around our corporate governance expectations and voting decisions.

"For many years, our policies have played an essential role in guiding our voting activity and approach to corporate governance. Our bespoke UK and International Policies provided excellent foundations, with strong stances on areas such as remuneration and board composition. In 2024 we reviewed our approach and identified opportunities to build on the strong principles contained in our policies. This included the refinement of our expectations and providing additional transparency around the actions we may take where companies do not meet our expectations."

Hayley Grafton
Senior Responsible Investment Analyst

Our Approach to Voting

Alphabet

Case Study
Shareholder Rights

Alphabet Inc

AGM Date: June 2024

Shareholder Proposal: Shareholders request that the board take all practical steps in its control to initiate and adopt a recapitalisation plan

EdenTree Voting Action: Against Management

Issue: A shareholder proposal regarding the recapitalization of Alphabet's share structure has been repeatedly tabled at their AGM for the last 8 years, each time gaining more support than the previous year. The proposal has sought to equalise the voting rights afforded by shares, by requesting that the Board take all practicable steps in its control to initiate and adopt a recapitalization plan for all outstanding stock to have one vote per share.

How we voted: We believe that Alphabet's multi class structure, whereby common shareholders carry less than half of the voting rights while baring significantly more of the economic risk, has been destructive to the shareholder experience in recent years. After 20 years and no sunset-clause, we believe the benefits of this structure have long since expired. As such, we voted in favour of recapitalisation and escalated our voting action by voting against the re-election of several directors as well as publicly pre-declaring our voting intentions through the PRI's Shareholder Resolution Database.

Outcome: The shareholder proposal received 30% support, however when removing the impact of the multi-class share structure, we identified the proposal received over 80% support from unaffiliated shareholders.

mobico group

Case Study
Employee Safety

Mobico Group

AGM Date: June 2024

EdenTree Voting Action: For Management

Issue: Mobico Group suffered two fatalities in their business in 2023. Often companies which operate in high-risk sectors set fatality and injury targets within their executive remuneration, which we are supportive of. Within the company's short-term incentive plan, they have a safety metric worth 15% of the overall bonus based on fatalities and weighted injuries. As is best practice, these targets are not for 0 fatalities in the business, as that is deemed to be unrealistic.

How we voted: Despite Mobico meeting its target which would pay out the 15% portion of the bonus, in light of the fatalities paired with poor financial performance over the quarter the remuneration committee exercised downward discretion to reduce the bonus to nil. We are most supportive of committees who critically examine executive remuneration in the face of workforce safety concerns, as such we ultimately chose to support the remuneration report.

Outcome: The remuneration report received a 99% support rate, and we will continue to be supportive of management who exercise constraint where fatalities have been experienced in the business.

Microsoft Alphabet

Case Study
Responsible use of Technology

Apple, Alphabet Inc & Microsoft

AGM Dates: February, June & December 2024

EdenTree Voting Action: In favour of three shareholder proposals filed on AI

Issue: The number of AI-related shareholder proposals doubled in 2024, primarily due to new proposals relating to: 1) transparency around AI usage and ethical guidelines, and 2) attribution of board responsibilities. As expected, technology companies were the most targeted, however 2024 marked the first year where other industries were targeted, including entertainment, restaurant chains, and healthcare.

How we voted: We voted on AI-related shareholder proposals at three meetings over 2024, including Apple, Alphabet, and Microsoft. This included proposals that requested the formalisation of responsibility for AI oversight at the Board-level, requests for an independent third-party assessment examining the human rights impacts of AI-driven targeted advertising practices, and requests for reports on the use of AI in business operations and on AI misinformation and disinformation. We supported almost all AI proposals tabled over 2024, with the exception of one at Microsoft, regarding a report on the risks of providing AI to facilitate new oil and gas development and production. We elected to abstain this proposal as we did not believe the level of detail requested was required given the completeness and availability of Microsoft's existing AI disclosures.

Outcome: While no AI related shareholder proposals we voted on ultimately passed, a number of them did receive reasonable support rates, such as the one tabled at Apple, which received 37.5% support. The growth in popularity of AI-related shareholder proposals is a clear illustration that AI and effective management of AI-related risks is a top priority for investors. We expect further growth over 2025 and will continue to monitor developments alongside our thematic engagements.

Case Study
Board Independence

CME Group

AGM Date: June 2024

EdenTree Voting Action: Against Management

Issue: CME Group are incorporated and headquartered in the US, as such we would expect US governance standards to be applied more meticulously. The Company states 83% independent representation, however, this would include the former Vice Chair, the former Company Secretary and several Directors who have either paid or received financial benefits from the company through their clearing firms. In addition, the company has listed 5 directors with tenures of over 20 years as independent.

How we voted: We view CME Group's board structure to be misaligned with best practice across several areas of corporate governance, particularly independence, audit, and remuneration. As such, we voted against several routine items at the meeting, as well as escalating our voting measures to vote against all sub-committee chairs, and the CEO who also serves as the Board Chair.

Outcome: We communicated our voting intentions and overall governance concerns to the company prior to their AGM. We welcomed the detailed response received from CME Group, which provided further clarity on the structures in place and rationale behind certain practices. However, we still remain concerned about certain elements, as such we intend to re-engage with the company ahead of their 2025 AGM.

Industry Involvement

We are members or signatories to several industry partnerships involving the sustainable investment community. We work collaboratively with coalitions of investors to further our stewardship objectives and to promote well-functioning of markets.

Detailed below is a list of the initiatives we are involved in, and in what capacity, over the year. Further detail and updates on our involvement in these collaborations are shared in our quarterly reporting.

Collaborative Engagement	Theme	Capacity
PRI Advance- Human Rights	Just Climate Transition	Leading role
IIGCC- Banks Working Group	Just Climate Transition	Supporting role
Climate Action 100+	Just Climate Transition	Supporting role
Nature Action 100+	Water Stress	Supporting role
IAAMR Investor Action on AMR	Water Stress	Supporting role
Valuing Water Finance Initiative	Water Stress	Leading role
Investor Initiative on Hazardous Chemicals	Water Stress	Supporting role
Microfibre Pollution Initiative	Water Stress	Supporting role
VDBO Group on Plastic Pollution	Water Stress	Supporting role
30% Club Investor Group	Social & Financial Inclusion	Supporting role
WBA- Digital CIC on Ethical AI	Social & Financial Inclusion	Leading role
Good Work Coalition	Social & Financial Inclusion	Supporting role
Votes Against Slavery	Social & Financial Inclusion	Supporting role

In addition, over the year we sought to increase our contributions to public and media forums, by providing views across a range of topics at press interviews, industry panels, conferences and roundtables.

Supporting Clients

As active managers we seek to support our clients in meeting their investment needs and enabling their sustainability journey. We recognise the importance of our relationship with our clients and engage with them on an ongoing basis. We welcome such dialogues as they present an opportunity to reflect and consider different viewpoints.

To support our clients, we have a varied fund offering supported by an award-winning team and underpinned by transparency in our reporting.

"Our clients are at the centre of our business, guiding everything we do. Across the business we strive to ensure they understand our products and how they will support achieving their objectives. We also support our clients as they navigate the detailed and rapidly evolving sustainable investing landscape, simplifying the complexity and embracing the changes regulation, macro, and social forces drive. We are most passionate when collaborating with clients, be that to bring new and innovative products to market, tailored to our clients' needs, or jointly setting investment strategies to achieve positive change. Our experts regularly directly engage with our clients, this really matters to us and it is in these forums we learn and achieve the most together."

Philip Baker
Head of Distribution

Our Fund Range

We are a purpose-driven, active fund management business, and our entire product range seeks to align the goal of delivering superior investment performance over the long-term with positive outcomes for people and planet.

Equity	Listed Infrastructure	Fixed Income	Multi- Asset
Global Equity Fund	Green Infrastructure Fund	Short Dated Bond Fund	Managed Income Fund
European Equity Fund		Global Sustainable Government Bond Fund	Multi-Asset Balanced Fund
UK Equity Fund		Global Impact Bond Fund	Multi-Asset Cautious Fund
UK Equity Opportunities Fund		Sterling Bond Fund	Multi-Asset Growth Fund
Green Future Fund			

Our funds offer clients a rare breadth of responsible, sustainable and impact investment solutions, providing investors with potential to diversify across fixed income, equities, multi-asset and listed green infrastructure.

Over the course of 2024, with the FCA's Sustainability Disclosure Requirements (SDR) and labelling rules coming into force, we were pleased to adopt labels across four of our funds.

"Following several months of engagement with the FCA, we were delighted to be one of the first fund houses to receive approval to adopt the "Sustainability Impact" label on three of our funds: the EdenTree Green Future Fund, the EdenTree Green Infrastructure Fund, and the EdenTree Global Impact Bond Fund, as well as the "Sustainability Focus" label on our recently launched EdenTree Global Sustainable Government Bond Fund.

As part of this process, we have enhanced how we articulate our strategy, philosophy and investment approach with the consumer at the front of mind. This has included the addition of sustainability objectives to our labelled funds, better reflecting our dual mandate of generating financial returns alongside positive outcomes on behalf of our clients."

Charlie Thomas
Chief Investment Officer

Supporting Clients

Fund Spotlight: Global Sustainable Government Bond Fund

The EdenTree Global Sustainable Government Bond Fund was launched in 2024, and is managed by Head of Fixed Income David Katimbo-Mugwanya CFA.

David Katimbo-Mugwanya
Head of Fixed Income

Q. Why launch the fund now?

A. Launched in response to client-led demand for a sustainable Fund solution within the government bond sector, the Global Sustainable Government Bond Fund allows investors to credibly allocate to the sector and diversify portfolio risks at a time when risk premia in corporate debt are particularly tight. With yields on sovereign bonds considerably higher as compared to levels seen over the last decade, government bonds once again present attractive investment opportunities.

It has also become apparent that governments have a key role to play in funding the transition to a net-zero global economy. The issuance of sovereign and supra-national ESG-labelled debt, which now accounts for just under half of the outstanding green, social or sustainable bonds, is a significant means through which they are financing the necessary sustainable projects and facilitating decarbonisation initiatives.

Q. What sets the Global Sustainable Government Bond Fund apart?

A. A key differentiator is the Fund's sustainable objective of reducing carbon emissions and enabling greater access to services that empower communities globally through government and government-related use-of-proceeds green, social and sustainable debt. A minimum of 80% of the Fund's exposures are ESG-labelled, thereby enabling governments that pass EdenTree's proprietary screening process to mobilise capital to fund the transition to a low-carbon economy and other urgent sustainable objectives.

The EdenTree Global Sustainable Government Bond Fund also adopted the FCA's Sustainable Focus label in line with the new Sustainability Disclosure Requirements. The Fund also draws on EdenTree's long-standing expertise in responsible & sustainable investment over which time we have developed in-depth understanding of material ESG risks, encouraged best practices via issuer engagement and ultimately catalysing positive change.

Q. How do we screen government bonds, and how does our approach effect the investment universe?

A. For the EdenTree Global Sustainable Government Bond Fund specifically, a major component of the screening process is our "negative screen" based on the Oppressive Regimes pillar. As the Fund focuses on sovereign debt, it is paramount that we avoid investments in any national governments or sub-sovereign organisations which are involved in human rights abuses.

The oppressive regimes screen is a comprehensive lens, and we consider sovereign issuers with oppressive characteristics as fundamentally misaligned with the Fund's Sustainability objective. To read more about how we define an oppressive regime, please find our more detail available here.

Our Responsible Investment Team

We have a specialist in-house Responsible Investment (RI) team who carry out thematic and stock-specific research to identify responsible and sustainable investment ideas for our range of Funds. The team is also responsible for creating an on-going dialogue with companies, allowing us to engage on a wide variety of environmental, social and governance topics. Further information on the expertise of our RI team is available on our website.

Carlota Esguevillas
Head of RI

Amelia Gaston
Senior RI Analyst

Hayley Grafton
Senior RI Analyst

Cordelia Dower-Tylee
RI Analyst

Aaron Cox
Impact Strategist

Our Responsible Investment Advisory Panel

Our 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. 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. Further information on the expertise of our advisory panel is available on our website.

Will Oulton
EdenTree Panel Chair

Paul Simpson OBE
Strategic Advisor

Mike Barry
Former Director of Sustainable Business

Annette Fergusson
Director, Threefold

Julian Parrott
Client Member, Ethical Futures

Sue Round
Deputy Chair, EdenTree Investment Management

Verity Mitchell
Former Director of Utilities Research

Transparency & Reporting

We recognise the importance of our relationship with our clients, and engage with them on an ongoing basis. In addition to systemising our existing reporting to meet clients' needs and continuously developing our capabilities to support their own reporting requirements, we also actively seek client feedback on our approach and activities via our Client Distribution Team.

We publish quarterly and annual reporting relating to our work on our website. While we have a long history of publishing this information, and it has been evolved over the years to ensure clients have the information they need. Below are the key reports published over the period covered by this report:

- Quarterly RI Activity Reports
- Quarterly Corporate Governance Reports
- Climate Stewardship Report

Spotlight: Supporting clients with the implementation of SDR

Beyond reporting, another example of how EdenTree supports clients is our nuts-and-bolts guide for professional advisers, to assist in navigating the FCA's Sustainability Disclosure Requirements and fund labelling regime. Through this, we sought to provide key information about how it will impact different areas of the funds industry and inform careful application of the new policy framework.

Disclosures under SRDII

The Shareholder Rights Directive (SRDII) places certain disclosure obligations on us as asset managers. We declare that this Annual Review, together with our other public disclosures, constitutes our disclosure under SRDII as regards:

- Engagement Policy
- Corporate Governance Policies
- RI Activity Reports
- Proxy Voting Reports
- Stewardship Code

Disclosure of Engagement Policy

SRD II requires all institutional investors and asset managers to develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement into their investment strategy.

Annual Disclosure of Implementation

Institutional investors and asset managers have to annually disclose how they have implemented their policy, including how they have cast votes in general meetings of investee companies. Firms must give explanations of the most "significant" votes and may exclude "insignificant" votes from this disclosure.

Our engagement policy is generic to all clients, strategies and mandates and is based on priorities set each year and then executed. Engagement expectations (high-level) are set as part of each thematic strand of engagement. We do not believe all engagement has a linear outcome, although we track responses, progress of the engagement and any follow-up. Engagement is reported in detail in our quarterly RI Activity Reports and in this Annual Review. The engagement policy is published at edentreeim.com which sets out how we conduct, escalate and integrate engagement into investment strategy.

Our quarterly corporate governance voting reports serve as our disclosure under SRD II in terms of how votes are cast, significant votes and outcomes. We state as a matter of course every quarter the proxy advisors we use, and their function in executing ballot stewardship. We detail all votes where we have opposed and abstained which we declare to be 'significant votes' under SRD II. Meetings where all resolutions are supported are also listed (by meeting); we view these as 'insignificant votes' for the purposes of SRD II.

We are signatories to the UK Stewardship Code which dovetails in its intentions on how we exercise stewardship as asset managers on behalf of all clients equally. Our disclosure under the UK Stewardship Code (2020) provisions is published each September and forms part of our reporting suite that includes this RI Annual Review and our Climate Stewardship Report.

EdenTree, 2024

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Contact Us

For additional information on EdenTree and to find out more about what our range of funds can deliver for you and your clients, please get in touch with us at:

0800 011 3821

clientservice@edentreeim.com

edentreeim.com

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BENEFACT GROUP

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Our office address is 24 Monument Place, London EC3R 8AJ United Kingdom.