

# How we screen



**We launched our first screened fund in 1988. This marked the start of a long-term commitment to responsible and sustainable investment.**

Screening is one of EdenTree's core pillars that support our approach to responsible and sustainable investment. 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.

Across our range of Responsible, Sustainable and Impact funds we seek to invest in companies operating as sustainable businesses, as well as those contributing to environmental and social solutions. Screening, at its simplest, entails reviewing the suitability of companies to be included in our funds in accordance with their sustainability practices.

## Our Impact Funds

**Our Impact Funds pursue positive social and / or environmental outcomes across global equities, fixed income, and infrastructure. They invest mainly in solutions to sustainability problems, with an aim to achieve a positive, measurable impact for people or the planet.**

### Green Future Fund

#### Sustainability Goal

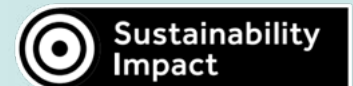
To support a reduction in the level of greenhouse gas emissions, measured in tonnes of CO<sub>2</sub>e avoided on an annual basis, through the Fund's investment in, and engagement with, companies whose products and services provide climate change solutions.

#### Sustainability Approach

We expect the Fund to contribute to a reduction in greenhouse gas emissions through its asset contribution and our investor contribution.

**Asset Contribution:** The Fund will direct capital to companies whose products, services or assets enable a reduction in the level of greenhouse gas emissions across six pre-defined themes.

- **Alternative Energy:** Companies that offer products or services that provide alternative energy that does not rely on the burning of fossil fuels.
- **Energy Efficiency:** Companies that offer products or services that enable reductions in energy use by their customers.
- **Circular Economy:** Companies that offer products or services that extend the life of existing resources and enable the more efficient management of natural resources.
- **Environmental Services:** Companies that provide software and cloud solutions that enable customers to design, test, build and operate more environmentally friendly buildings, products or services.
- **Water Management:** Companies that offer products or services that provide solutions for water conservation and management.
- **Future Mobility:** Companies that offer products or services which enable low carbon transportation.



- **Regenerative Agriculture:** Companies that offer products or services which enable low carbon food production..

**Engagement Contribution:** EdenTree will engage with companies held in the portfolio to increase provision of climate solutions and avoid potentially negative outcomes. Our engagement activities seek to increase the greenhouse gas emissions reductions delivered by a company via two types of engagement:

- 1 Increase positive impacts: This type of engagement activity seeks to increase the company's delivery of positive impact
- 2 Decrease potential negative impacts: This type of engagement activity seeks to decrease the investee company's potential negative impacts

The Fund will provide transparency on the impact it delivers through annual reporting to investors. This will provide both quantitative and qualitative assessments on how the Fund is performing against its sustainability objective - to reduce the level of greenhouse gas emissions.

#### IA Sector Global

Further information on the Fund's Investment Objectives, Policy and Sustainability Approach can be found in the Prospectus, Sustainability Disclosure and Key Investor Information Document.

All are available via our [Literature page](#).

## Green Infrastructure Fund



### Sustainability Goal

To support a reduction in the level of greenhouse gas emissions, measured in tonnes of CO<sub>2</sub>e avoided on an annual basis, through the Fund's investment in, and engagement with companies whose business is based on the ownership, operation, construction, development, or debt funding of real assets and infrastructure projects that mitigate the effects of climate change.

### Sustainability Approach

We expect the Fund to contribute to a reduction in greenhouse gas emissions through its asset contribution and our investor contribution.

**Asset Contribution:** The Fund will direct capital to companies whose products, services or assets enable a reduction in the level of greenhouse gas emissions across six pre-defined themes.

- **Alternative Energy:** Companies that provide or enable infrastructure-related energy solutions that do not rely on the burning of fossil fuels or are designed to reduce the usage of fossil fuels.
- **Energy Storage and Efficiency:** Companies that enable wider reductions in energy use or otherwise enable the energy transition through infrastructure-related assets/products/services.
- **Circular Economy:** Companies that provide or enable solutions for resource stewardship, waste reduction, and pollution control.
- **Water Management:** Companies that have assets involved in efficiently distributing water or have products or services that provide solutions for water conservation and management through infrastructure related assets/products/services.
- **Sustainable Transportation:** Companies that own sustainable vehicles, sustainable transportation infrastructure, or deliver products or services which enable sustainable transportation.
- **Natural Capital:** Companies that own natural capital assets that provide natural carbon sequestration or, if used in industry or construction, lengthens the carbon cycle. The investee company could have products or services that support environmental preservation or restoration.

**Engagement Contribution:** EdenTree will engage with companies held in the portfolio to increase provision of climate solutions and avoid potentially negative outcomes. Our engagement activities seek to increase the greenhouse gas emissions reductions delivered by a company via two types of engagement:

- 1 Increase positive impacts: This type of engagement activity seeks to increase the company's delivery of positive impact
- 2 Decrease potential negative impacts: This type of engagement activity seeks to decrease the investee company's potential negative impacts

The Fund will provide transparency on the impact it delivers through annual reporting to investors. This will provide both quantitative and qualitative assessments on how the Fund is performing against its sustainability objective - to reduce the level of greenhouse gas emissions.

### IA Sector Infrastructure

Further information on the Fund's Investment Objectives, Policy and Sustainability Approach can be found in the Prospectus, Sustainability Disclosure and Key Investor Information Document. All are available via our [Literature page](#).



## Global Impact Bond Fund

### Sustainability Goal

To generate positive environmental and social impacts with the following goals:

- To support a reduction in the level of greenhouse gas (GHG) emissions by investing in bonds that provide sustainable solution and engaging with the companies that issue them.
- To support an increase in access to basic services for underserved communities by investing in bonds that contribute to the following themes - Social Infrastructure, Health & Wellbeing and Education & Financial Inclusion - and engaging with the companies that issue them

### Sustainability Approach

The Fund invests in sustainability labelled bonds (such as Green, Social and Sustainability bonds) whose proceeds will be used support a reduction in greenhouse gas emissions and/or enable greater access to basic services for underserved communities. It also invests in non-labelled bonds issued by entities whose products or services support the same two goals.

We expect the Fund to contribute to these goals through its asset contribution and investor contribution:

**Asset Contribution:** The Fund will direct capital towards projects and companies which reduce greenhouse gas emissions and/or increase access to basic services for underserved communities across four themes, as set out below.

- **Sustainable Solutions:** Products and services that, provide sustainable solutions for reducing greenhouse gas emissions such as renewable energy, energy efficiency, circular economy, and water management.
- **Health & Wellbeing:** Products and services that increase access to medicines, healthcare and critical care for underserved communities.
- **Education & Financial Inclusion:** Products and services that increase access to education, training and human development, and financial and digital inclusion for underserved communities.
- **Social Infrastructure:** Products and services that increase the development of social infrastructure for underserved communities such as social housing, digital services, and urban regeneration.

**Investor Contribution:** EdenTree will engage with companies held in the portfolio to reduce the greenhouse gas emissions and/or increase access to basic services for underserved communities delivered by a bond, through two types of engagement:

- 1 Increase positive impacts: This type of engagement activity seeks to increase the bond's delivery of positive impact
- 2 Decrease potential negative impacts: This type of engagement activity seeks to decrease the investee company's potential negative impacts

The Fund will provide transparency on the impact it delivers through annual reporting to investors. This will provide both quantitative and qualitative assessments on how the Fund is performing against its sustainability objective - to reduce the level of greenhouse gas emissions and increase access to basic services.

### IA Sector Global Corporate Bond

Further information on the Fund's Investment Objectives, Policy and Sustainability Approach can be found in the Prospectus, Sustainability Disclosure and Key Investor Information Document. All are available via our [Literature page](#).



## Global Select Government Bond Fund

### Non-financial goal

To invest in government and government-related green, social, sustainable or impact bonds whose proceeds will be used to finance new or existing projects that:

- support a reduction in the level of carbon emissions caused by human activities (measured in tonnes of carbon dioxide equivalent CO2 avoided), and/or
- enable greater access to services that empower communities (measured in number of beneficiaries).

### Approach

The Fund will invest at least 80% in a portfolio of government and government-related green, social, sustainable or impact bonds where the proceeds will be used specifically to finance new or existing projects that support a reduction in carbon emissions caused by human activities and/or enable greater access to services that empower communities.

To be selected for investment, each bond will be assessed against the below criteria:

- 1 Intentionality:** Each bond should have robust guidelines as to the nature of the green and/or social expenditures included under its allocation programme. The bond's proceeds should be allocated to projects which specifically support the reduction in carbon emissions caused by human activities and/or enable greater access to services that empower communities.
- 2 Label Credibility:** Each bond will be assessed against a respective green, social, impact or sustainable bond qualifying standard, such as the International Capital Market Association (ICMA) Green Bond Principles.
- 3 Reporting Framework:** Issuers need to demonstrate a robust reporting framework, which provides transparency on how proceeds are allocated, residual balances and any changes to the intentionality of the bond, as well as details of social and environmental impacts.
- 4 Responsibility:** The Fund will avoid investments where there is exposure to "Oppressive Regimes." We maintain an annual list of governments on the Oppressive Regimes list, and bonds issued by the government of any country identified as having an oppressive regime are excluded from our investment universe. These are deemed to be fundamentally unethical and/or misaligned with the Fund's objective.

EdenTree will engage with issuers, where necessary, in order to support their contribution to the fund's non-financial objective. This includes engagement and advocacy to support the issuers' contribution to a reduction in carbon emissions caused by human activities and access to basic services.

In addition, the Fund will report annually on progress towards its non-financial objective, as measured by avoided emissions and number of social beneficiaries.

**This product does not have a UK sustainable investment label.**

Further information on the Fund's Investment Objectives, Policy and Sustainability Approach can be found in the Prospectus, Sustainability Disclosure and Key Investor Information Document. All are available via our [Literature page](#).



# Our Responsible & Sustainable Funds

**Our Responsible & Sustainable Fund range seeks to invest in companies which operate as sustainable businesses, and is based on our award-winning Responsible & Sustainable screening process.**

To be considered suitable for inclusion within our Responsible & Sustainable funds, an investment idea is assessed across three pillars.

Firstly, exclusions are applied to sectors and activities which we consider fundamentally misaligned with our sustainability objective. These companies are actively excluded from our portfolios. Then, ideas are assessed across six areas of business

risk to determine the strength of company's approach as a sustainable business. Finally, we assess companies' contribution to several sustainability themes. These are typically areas of the market we are positive on for their strong social utility or their sustainability credentials.

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. Crucially though, the final decision of inclusion rests with the RI team.

## How we assess sustainable business practices



Business ethics



Corporate governance



Community



Employment & labour



Environment & climate change



Human rights

## Themes we invest in



Education



Health & wellbeing



Social infrastructure



Sustainable solutions

## How do you assess sustainable business practices?

Our positive screens evaluate the quality and strength of a company's approach as a sustainable business. We assess investment ideas across six areas of risk with reference to internationally recognised absolute standards of sustainable business conduct. This assessment informs suitability for inclusion in our Responsible & Sustainable Funds:

-  **Business Ethics:** implementation of robust business policies and practices, including business codes of conduct, whistleblowing programmes, product safety, ISO standards, lobbying policies and sector specific standards such as Access to Medicine and farm animal welfare.
-  **Corporate Governance:** strength of corporate governance approach including adherence to market best practice, director independence, board tenure, executive remuneration, political donations, tax policy, and board diversity.
-  **Community:** impact on local community including social license to operate, giving programmes, corporate partnerships, and employee volunteering.
-  **Environment & Climate Change:** environmental management and climate strategy, including greenhouse gas emissions, science-based targets, transition plan, water, waste and recycling, energy use, and biodiversity.
-  **Employment & Labour:** human capital management, including respect for ILO principles, ISO Standards, freedom of association, living wages, health and safety, WDI disclosure and employee wellbeing.
-  **Human Rights:** support for UN Universal Declaration of Human Rights and OECD guidelines, prohibition of bonded, child and forced labour, respect for land rights and indigenous people, regular human rights due diligence and supplier audits.

For each of these six areas, we look at companies' policies, disclosure, targets, as well as any controversies. We assess companies both across their direct operations and supply chains, and apply a 'traffic light' system, assigning a green, red or amber flag to each of these criteria.

Poor disclosure might lead to amber, as might evidence that a key indicator is going in reverse e.g., GHG emissions or accident rates. Red is used when the company shows poor practice or has been involved in a serious controversy.



## What themes do you invest in?

Our Responsible & Sustainable Funds apply a discretionary thematic screen by looking at companies' contribution to several sustainability themes.









These are typically areas of the market we are positive on for their strong social utility or their sustainability credentials:

-  **Education:** Education, training, human development, promoting girls' education, student housing and support.
-  **Health & Wellbeing:** Affordable healthcare, access to medicine, pharmaceuticals R&D, biotechnology, critical care, nutrition & Wellbeing.
-  **Social Infrastructure:** Social housing, affordable housing, community & housing associations, urban regeneration, brownfield development, public facilities.
-  **Sustainable Solutions:** Providing products & solutions which respond to environmental or social challenges, such as renewable energy, circular economy, financial inclusion and sustainable transport.



## What exclusion criteria do you apply?

There are certain sectors and economic activities where we consider the sustainability risks fundamentally misaligned with our sustainable investment approach. We therefore apply baseline exclusions to actively exclude such companies from our investment universe.


Issuers that derive more than 10% of their revenue from the activities listed below are excluded from our universe of investible stocks:

-  **Alcohol production:** Applies to manufacturers of alcoholic beverages, but not to retailers.
-  **Gambling operations:** Includes betting shops, internet sites, bingo and casino, racing venues, lotteries and the supply of gaming machines.
-  **Pornographic & violent materials:** Includes print, digital and broadcast media plus companies operating dedicated licensed sex premises showing live shows.
-  **Conventional weapon production:** The manufacture of weapons and weapon systems or goods and services specifically to support those systems.
-  **Tobacco production:** Applies to producers of tobacco, but not to retailers.
-  **Intensive farming:** Avoid companies directly involved in intensive farming in the beef, dairy, poultry and fish sectors.
-  **Fossil fuel exploration & production:** Oil and gas exploration & production, as well as thermal coal extraction. This exclusion does not include fossil-fuel generation.
-  **High Interest Lending (non-standard sub-prime credit):** Companies operating wholly or mainly in high interest lending (non-standard sub-prime credit) where this is defined as (and limited to) door-stop lending, pay-day loans and/ or pawn-broking sub-prime credit).

We have a 0% tolerance to the following activities. Issuers deriving any revenue from the activities listed below are excluded from our universe of investible stocks:

-  **Unconventional weapons:** We seek to avoid companies with exposure to the manufacture of unconventional weapons, defined as nuclear, biological and chemical weapons, land mines and cluster bombs.
-  **Animal testing:** We will not invest in companies that use animals to test cosmetic or household products. We do allow animal testing where required by law, for example by pharmaceuticals companies or under REACH regulation.

In addition, we apply the following screen on a case-by-case basis based on our proprietary assessment:

-  **Oppressive regimes:** Companies operating in oppressive regimes, as determined by our proprietary methodology are reviewed on a case-by-case basis to determine suitability for our funds. Bonds issues by countries on our oppressive regime list are excluded.

These exclusions are applied across our Responsible & Sustainable, and Impact Funds.

## What information do you use for screening?

The Responsible Investment Team has access to a range of sources to conduct this assessment. This includes company's Sustainability and Annual reports, industry publications and websites, as well as NGO research. Government, academic research, investor databases, and benchmark initiatives also provide useful insights.

In addition, we have access to ESG data provided by ISS and Sustainalytics, and whilst we capture overarching ESG ratings and controversies as part of our assessment, these third-party ratings do not drive our screening decisions.



## What are the outcomes of the screening process?

There are several potential screening outcomes:

- **Suitable:** this means the company passes the exclusion criteria and the sustainable business screens. It is deemed suitable for investment.
- **Suitable with caution:** this means the company passes the exclusion criteria and the sustainable business screens, however due to the nature of the business or sector of operations there is an elevated level of risk which we wish to alert the fund manager to, and may also engage on. It meets our threshold of a sustainable business, and is deemed suitable for investment.
- **Engagement needed prior to investment:** this is reserved for situations where we may need more information before we can make a final decision, or wish to engage with the company on material ESG risk prior to investing. This is a temporary outcome, and once the engagement has been successfully completed we may invest in the company or fail it.
- **Fails:** the fund manager cannot invest, because the company does not meet the exclusion criteria and/or the sustainable business screens and therefore does not meet our threshold for inclusion.

## How do you monitor companies already held in the funds?

Stocks are monitored on an ongoing basis to ensure they continue to meet the Funds' sustainability criteria for inclusion. This includes monitoring of controversies through our two ESG data providers ISS-ESG and Sustainalytics, ongoing engagement with holdings, and a bi-annual risk review based on company performance on key indicators such as performance on ratings, norms and controversy flags, and climate risk metrics.

In the event that a company falls below our expectations, we will engage with the company to understand the reasons, and where necessary, realise our investment in an appropriate timeframe, usually within 90 days.

## Can you give some examples of the different outcomes?

**Suitable:** Companies that pass our screens typically have transparent disclosure and show strong management of key ESG issues. Risks are well understood and they demonstrate leadership in improving practices in their industry. Companies that pass our screens are seeking to reduce their impacts, and metrics tend to show a positive trend.

**Suitable with caution:** these are companies that still pass our screens and are suitable for inclusion in the funds, but have elevated areas of risk or some residual issues. This could be because of controversies a company has been involved in, poor corporate governance, or a lack of disclosure on important ESG issues.

**Engage before Invest:** these are companies where more information is required to ensure they are suitable for inclusion in our funds. Further information may be needed to ensure they do not breach our exclusions, or it may be needed on specific areas of the business operations such as its environmental or human rights impact.

**Fails:** these companies show significant failings and do not meet our sustainable investment criteria. This could be due to involvement in one of our excluded activities, or as a result of poor management of ESG risks such as a high level of environmental incidents, a poor climate transition plan, or high risk of human rights abuses.

## Can you ensure only screened companies are allowed?

All new investment ideas need to be approved by the RI Team before any trading can take place. To ensure that a fund manager cannot trade an unscreened stock, we have integrated our screening process into Charles River. This places automatic tags on all stocks (including excluded ones), and prevents fund managers from dealing unless a stock has been approved by the RI Team.





## Is there any oversight of the sustainable investment process?

Our approach is overseen by our Independent Responsible Investment Advisory Panel. The Advisory Panel meets three times a year and oversees the RI Team’s engagement, research, screening, and governance work. They also serve as a sounding board for key ethical dilemmas and challenges.

As of December 2024, the Panel comprised of seven non-executive members:



**Will Oulton**  
Panel Chair



**Paul Simpson**  
**OBE**  
Strategic Advisor



**Mike Barry**  
Former Director  
of Sustainable  
Business



**Annette Fergusson**  
Director, Threefold



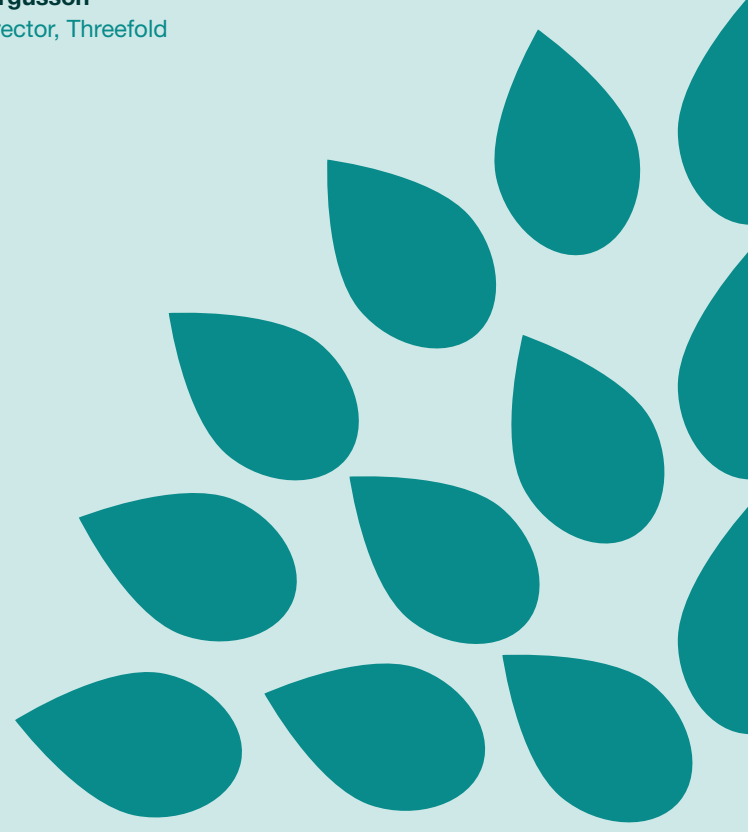
**Julian Parrott**  
Client Member,  
Ethical Futures



**Sue Round**  
Deputy Chair,  
EdenTree  
Investment  
Management



**Verity Mitchell**  
Former Director of  
Utilities Research



## Our Responsible Investment Team

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

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

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



**Carlota Esguevillas**  
Head of Responsible Investment



**Amelia Gaston**  
Senior Responsible Investment Analyst



**Hayley Grafton**  
Senior Responsible Investment Analyst



**Cordelia Dower-Tylee**  
RI Analyst



**Aaron Cox**  
Impact Strategist

## Why EdenTree?

Partnering with us can empower your clients with a suite of investment strategies designed to help address pressing environmental and social challenges, while seeking to deliver competitive rates of return.

Contact us today to explore our innovative investment solutions and discover how we can support your clients' sustainable investment objectives.

The value of an investment and the income from it may go down as well as up and the investor may not get back the amount invested.

Proudly part of the **BENEFACT GROUP**

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