EdenTree Investment Management
24 Monument Street,
London EC3R 8AJ

edentreeim.com

To: All Investors in the EdenTree Green Infrastructure Fund (the "**Fund**")

We are required under the rules of the Financial Conduct Authority (FCA) to give you notice of these changes.

You do not need take any action, however we do recommend that you read this letter.

Dear Investor,

We, EdenTree Investment Management Limited, as Authorised Fund Manager of the Fund, are writing to you as an investor in the Fund, a sub-fund of the EdenTree Investment Funds – Series 2.

The Fund is adopting the '**Sustainability Impact Label**' in line with the new rules under the FCA's Sustainability Disclosure Requirements (SDR).

Funds with a Sustainability Impact label seek to achieve a predefined, positive, measurable environmental and/or social impact. We provide further information about the new labelling framework below.

We have chosen this label for the Fund as it is aligned with the intention behind how the Fund is managed and the positive outcomes we seek to achieve.

What are the Sustainability Disclosure Requirements (SDR)?

In November 2023, the FCA published its Policy Statement (PS23/16), Sustainable Disclosure Requirements and investment labels (known as "SDR"). The Policy Statement set out the final rules on anti-greenwashing, a new labelling regime, naming and marketing rules and product and entity level disclosures.

Currently, SDR is solely applicable to funds domiciled in the UK. SDR presents a package of measures, namely sustainability-related product labels, disclosures at fund and fund manager level, a rule against greenwashing, and additional regulations concerning sustainable investing in the UK.

Under FCA definitions, “greenwashing is when providers, such as banks, fund managers or insurers, claim their products or services are doing more for people or our planet than they actually are.”

The FCA’s objective for SDR is to ensure that “financial products that are marketed as sustainable should do as they claim and have the evidence to back it up”. The sustainability labels aim to clearly differentiate between i) sustainability labelled funds that qualify as sustainable, ii) unlabelled funds that mention environmental, social, and governance (ESG) characteristics in their branding or marketing, and iii) non-ESG funds.

SDR divides each labelled fund into one of four labels, based on their sustainability-related objectives and features. Along with the corresponding disclosures, which are applicable at both the fund and fund manager level, the labels are intended to provide investors with the necessary information to make educated decisions regarding which funds align with their needs and sustainability inclinations.

The four labels are:

- **Sustainability Focus** these funds invest in assets that are environmentally or socially sustainable, determined by a robust, evidence-based standard of sustainability.
- **Sustainability Improvers** these funds invest in assets that have the potential to become more sustainable over time, determined by their potential to meet a robust, evidence-based standard of sustainability over time.
- **Sustainability Impact** these funds seek to achieve a predefined, positive, measurable environmental and/or social impact.
- **Sustainability Mixed Goals** these funds invest in assets that meet or have the potential to meet a robust, evidence-based standard for sustainability, and/or invest with an aim to achieve positive impact.

A fund may only adopt a label if it complies with five general criteria, as well as the specific criteria required for that particular label. The general criteria are:

1. **Sustainability objectives**: every labelled fund must have a sustainability objective (to improve or pursue positive environmental and/or social outcomes) as part of their investment objectives. Fund managers must identify and disclose whether pursuing the positive sustainability outcomes may result in material negative outcomes.
2. **Investment policy and strategy**: Ordinarily, at least 70% of a labelled fund’s assets must be invested in accordance with its sustainability objective, with reference to a robust, evidence-based standard that is an absolute measure of environmental and/or social sustainability. Fund managers must also identify and disclose any other assets the fund holds for other reasons (for example, cash or derivatives), and why they are held.
3. **Key performance indicators (KPIs)**: Fund managers must identify KPIs to measure progress of a labelled fund or its investments against the sustainability objective. Fund managers must also set out an escalation plan to be able to take action when investments within the 70% threshold do not demonstrate sufficient progress towards the sustainability objective and/or KPIs.
4. **Resources and governance**: Fund managers are responsible for appropriate resources, governance and organisational arrangements to support delivery of the sustainability objective.
5. **Stewardship**: Fund managers must disclose their stewardship strategy to support the delivery of the sustainability objective.

In addition to the above criteria, a Sustainability Impact fund must also have a Theory of Change and a summary of the method used to measure and demonstrate that an impact is being achieved.

Please read the “Your questions answered” section which provides additional information on the upcoming change.

Our approach - What changes are being made as a result of SDR?

With this in mind, we have decided to update the disclosures within the Fund's prospectus in order to comply with the final SDR requirements and be eligible for the Sustainability Impact label. Please see the Appendix to this letter for the new prospectus disclosures for this Fund. These changes will take effect on 29th November 2024.

These changes will not affect the way the Fund is currently managed and will not change the risk profile of the Fund.

A new document, the "consumer-facing Sustainability Disclosure" will also be created, providing a summary of the Fund's impact investing approach.

Please contact EdenTree on the number below if you would like to receive a copy of the full prospectus.

What action should you take?

This letter is for information purposes and you are not required to take any action.

If you have any questions regarding this change, including a reminder of your options if you would like to redeem your investment on the basis of this change, please contact EdenTree Investment Management Limited on 0800 358 3010 between 9.00 a.m. and 5.00 p.m. Monday to Friday, but please be aware that we are not authorised to give investment advice. If you are uncertain as to the contents of this letter, you should consult a financial adviser.

Yours sincerely

Andy Clark

Chief Executive Officer, EdenTree Investment Management Limited

Your questions on the Sustainability Disclosure Requirements (SDR) and fund labelling regime answered

- **What is SDR and why was it introduced?**

"SDR" is a shorthand acronym for the Financial Conduct Authority's (FCA) new *Sustainability Disclosure Requirements and fund labelling* regulations.

With the introduction of new sustainability fund labels and increased fund disclosure requirements, the purpose of SDR is to promote greater transparency and consistency in how UK asset managers label and market sustainable investment funds.

In short, SDR will provide investors with a clearer framework for understanding the sustainability intention of a fund, as well as more information about its progress against specific sustainability goals.

It is a rigorous policy, with robust requirements for asset managers to maintain high standards of integrity, which should give investors greater confidence about an asset manager's sustainability claims and the overall progress of a fund towards meeting its goals.

The policy has been introduced as part of a range of FCA consumer protection measures including specific regulations on Consumer Duty and Anti-Greenwashing.

- **When does SDR come into force?**

The policy officially came into effect on the 31st of July 2024. UK fund managers have until the 2nd December 2024 to adopt these labels for pre-existing funds that meet specific criteria for each label.

- **Why are we adopting a label for the Fund I invest in?**

We are adopting the Sustainability Impact label for the Fund as it best reflects our existing approach to selecting holdings based on the positive impact they are having on people and/or planet and our approach to engaging with those companies to effect positive change.

The Fund's Theory of Change, which is a conceptual framework clearly outlines our impact intention and provides a robust framework for our efforts to bring about positive change. Please refer to the prospectus for further information.

- **How will this affect my investment?**

These changes will not affect the way the Fund is currently managed, and we do not expect a change to the Fund's future performance due to the adoption of the new fund label.

- **What information and disclosures should I expect under the new regulation?**

In addition to the prospectus, which provides important details about the Fund's sustainability framework, we will produce an annual fund disclosure document soon after the start of each calendar year. This will show the Fund's progress against its predefined Key Performance Indicators and will provide details about the activities we have undertaken to ensure the Fund has met its Sustainability Objective.

For new investors in the Fund, we will create a new two-page consumer-facing Sustainability Disclosure, which will be available on our website.

- **What action do I need to take?**

You do not need to take any action. However, we do encourage you to refer to the appendix to understand the new Sustainability Objective of the Fund and how we aim to achieve and measure that objective.

Please contact EdenTree Investment Management Limited if you would like to receive a copy of the full prospectus.

- **Is one label better than another?**

The labelling system is not designed to be hierarchical. It is designed to provide clarity and assurance, as well as investor choice.

- **How do the regulations apply to sustainability funds that don't meet the minimum standard or choose not to adopt the label?**

Funds that don't meet the threshold standards required for the labels but continue to pursue a sustainability-like strategy will be required to comply with rules for unlabelled sustainability funds, which include the same requirements for disclosures as labelled funds.

The new regulations restrict the use by unlabelled funds of terms directly included in the SDR labelling regime, but permit the use of other related terms (e.g. Socially Responsible Investing) as long as the fund adheres to the FCA Guiding Principle, as well as Anti-Greenwashing Rules.

APPENDIX

EDENTREE GREEN INFRASTRUCTURE FUND – PRN 984480

SDR Label: Sustainability Impact

“Invests mainly in solutions to sustainability problems, with an aim to achieve a positive impact for people or the planet.”

INVESTMENT OBJECTIVE

Financial Objective

To generate income with the potential for capital growth by investing in infrastructure-related companies around the globe.

Sustainability Objective

To support a reduction in the level of greenhouse gas emissions, measured in tonnes of CO_2e avoided on an annual basis, through the Fund’s investment in, and engagement with (as described below under “Investor Contribution: Investor Stewardship”), 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. This includes products and services that reduce the global economy’s reliance on fossil fuels, increase energy efficiency, offer alternative energy sources, or improve the sustainable use of natural resources.

The Fund holds a portfolio of equities, investment companies, and other securities across a range of impact themes. In most cases, these companies contain diversified portfolios of assets and projects. The investment thesis for holding each company is based on the combination of its impact and potential for long-term financial return. We consider the Fund’s impact and financial goals to be complementary and are not looking to compromise on either or deliver concessionary financial returns.

While diversification helps to create a portfolio that balances a range of risk factors, holdings tend to be focused on green infrastructure companies which can perform differently to the wider listed infrastructure sector at different periods. Investors should note that the Fund’s focus on companies that mitigate the effects of climate change means that its choice of companies for investment is limited to a subset of the stock market and may result in periods of difference in the Fund’s performance compared to its indicative sector.

Investment policy

The Fund will invest at least 80% globally in the shares of companies and investment companies listed on stock markets whose business is based on the ownership, operation, construction, development or debt funding of real assets and infrastructure projects as defined by the investment themes set out below.

Up to 20% can be invested in other listed equities or investment companies, REITs, exchange traded commodities (“ETCs”), money-market instruments, derivatives and forward transactions, deposits, nil and partly paid securities, bonds, convertible bonds, cash and near cash as deemed economically appropriate to meet the Fund’s overall investment objective. These investments will be held for diversification and risk management purposes.

The majority of the companies (and at least 70% of the assets of the Fund at all times) will be selected in accordance with the Sustainability Approach. Up to 30% of the Fund may be invested in other assets that do not meet the Sustainability Approach but will not conflict with the Fund’s sustainability objective, with a preference for assets that are complementary to this objective.

We do not currently intend to use derivatives for any purpose other than the efficient portfolio management of the Fund. If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would cause the Net Asset Value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

SUSTAINABILITY APPROACH

Investment themes

The Fund invests in companies whose products, services or assets enable a reduction in the level of greenhouse gas emissions across six pre-defined themes which offer solutions that address aspects of climate change. How assets are selected is described in the "Asset Contribution: How we select assets" section. The Manager will also engage with companies it invests in to enhance the Investors' contribution to the Sustainability Objective. This is described further in the "Investor Contribution: Investor Stewardship" section

The table below illustrates the solutions provided under each theme ("what") and how that solution supports the Sustainable Objective and contributes to a reduction in the level of greenhouse gas emissions ("why"). The Fund may not be invested across all of these themes at all times. The asset KPIs relevant to each theme are also shown (for further detail on KPIs please see below under "Ongoing Monitoring and Sustainability Metrics").

Theme	What	Why	Asset KPI
Alternative Energy	The investee company has assets/products/services 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 (e.g. wind, solar, hydro, but also combined heat and power plants, wind turbine installation vessels etc.)	The burning of fossil fuels emits carbon dioxide (CO_2) into the atmosphere. If fewer fossil fuels are burned, there will be a reduction in carbon dioxide emissions. The contribution of assets aligned with this theme can be measured by avoided emissions (tCO_2e).	Avoided emissions (tCO_2e)
Energy Storage and Efficiency	The investee company enables wider reductions in energy use or otherwise enables the energy transition through infrastructure-related assets/products/services (e.g., energy storage, efficient grids, energy efficiency projects, carbon capture)	Most energy is produced by burning fossil fuels which emits carbon dioxide (CO_2) into the atmosphere. A reduction in energy use will lead to a reduction in carbon dioxide emissions. More efficient, modern grids will enable adding more renewable capacity to the grid. Battery storage reduces energy wastage, reduces energy curtailment (the deliberate reduction in the amount of electricity generated to prevent the grid overloading). By storing excess supply, we can increase the amount of renewable energy generated and reduce energy wastage. Investment in interconnectors (cables that connect the electricity systems of neighbouring countries) increases energy security and efficiency by smoothing peaks in supply and demand, which also contributes to green energy being used rather than curtailed. The contribution of assets aligned with this theme can be measured by avoided emissions (tCO_2e).	Avoided emissions (tCO_2e)
Circular Economy	The investee company provides or enables solutions for resource stewardship, waste reduction, and pollution control (e.g. waste collection/processing/treatment, cleaning and maintenance, efficient laundry/linen rental, circular supply chain solutions). This theme	By increasing the use rates of assets and recycling the materials used to make them, the demand for materials such as virgin steel, aluminium, cement, textiles and plastics is reduced. Such materials are produced by burning fossil fuels, which emit carbon dioxide (CO_2) into the	Avoided emissions (tCO_2e)

	encompasses real asset-based solutions which drive a circular economy, in line with the Fund's definition of infrastructure.	atmosphere. Keeping materials in circulation for longer will lead to a reduction in carbon dioxide emissions. Centralising asset-heavy processes around cleaning, maintenance etc. enables the use of more efficient processes, reducing energy, heat, and water requirements for such processes. The contribution of assets aligned with this theme can be measured by avoided emissions (tCO_2e).	
Water Management	The investee company has assets involved in efficiently distributing water, or has products or services that provide solutions for water conservation and management through infrastructure-related assets/products/services.	The pumping, treating and delivery of water is energy intensive, and therefore releases carbon dioxide (CO_2) into the atmosphere. Conserving water and enhancing water efficiency will lead to a reduction in carbon dioxide emissions. The contribution of assets aligned with this theme can be measured by avoided emissions (tCO_2e).	Avoided emissions (tCO_2e)
Sustainable Transportation	The investee company owns sustainable vehicles, sustainable transportation infrastructure, or it delivers products or services which enable sustainable transportation.	Most vehicles in use today rely on internal combustion engines which use petroleum-based fuels. When these are burned, carbon dioxide (CO_2) and other pollutants are emitted. Electric Vehicles (EVs) emit no direct emissions when driving. Public transport also reduces the individual journeys taken via internal combustion engines which will lead to a reduction in carbon dioxide (CO_2) emissions. The contribution of assets aligned with this theme can be measured by avoided emissions (tCO_2e).	Avoided emissions (tCO_2e)
Natural Capital	The investee company owns natural capital assets that provides 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. This theme encompasses real asset-based solutions, in line with the Fund's definition of infrastructure.	In order to reduce greenhouse gas emissions, society needs sustainable building materials, such as timber, to work effectively. Timber is a significantly less carbon-intensive building material than alternatives like concrete and steel. If sustainably managed, timber forestry represents real asset investment that can lead to net gains in forest cover and reduction in carbon dioxide emissions. If these resources are not managed properly, they will not absorb carbon (e.g. if the habitat is destroyed) and may release carbon dioxide into the atmosphere (e.g. wildfires).	Avoided emissions (tCO_2e)

Theory of Change

The Fund has a Theory of Change which explains the link between the Fund's investment activity and the reduction in greenhouse gas emissions that it is seeking.

There is scientific consensus that the Earth's climate is becoming warmer. The chief causes of this climate change are greenhouse gases in Earth's atmosphere, such as carbon dioxide. Human activities currently release more greenhouse gases into the atmosphere than natural processes (like trees) can remove. At the current rate of climate change, experts expect far-reaching and highly damaging environmental and social impacts. A reduction in man-made greenhouse gas emissions will slow the rate of climate change and prevent these damaging effects.

Unsustainable business practices are currently contributing to this problem (such as products/services that rely on the burning of fossil fuels as an energy source). Addressing climate change requires rapid changes to the world's energy, transport, agriculture, build environment and industrial systems through large-scale and targeted investment in infrastructure-related products, services and technologies that provide either alternative, sustainable solutions, or help to mitigate and reverse the harmful effects that have already occurred.

We expect the fund to contribute to a reduction in greenhouse gas emissions through our asset contribution and investor contribution, as detailed below:

Asset contribution: The Fund, as shareholder, will have an ownership stake in 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 in line with one or more of the six themes set out above. We believe companies whose business is based on infrastructure projects that reduce the causes of climate change will enable a reduction in the level of greenhouse gas emissions. For a description of how the assets in each theme will contribute towards the Fund's sustainability objective, please refer to the "Why" column in the "Investment Themes" section above. How we select assets is detailed further in the "Asset Contribution: How we Select Assets" section.

Investor Contribution: The Investor Contribution will be realised through our engagement activities. The Manager has an active engagement approach, delivered with the intention of enhancing the investee companies' contribution to the Sustainability Objective. The Manager seeks to establish positive, collaborative and long-term relationships with companies, which facilitates constructive engagement. Our engagement activities are categorised by the following two broad objectives, both of which support the overall Fund's sustainability objective of reducing greenhouse gas emissions. As described below, our engagement activities seek to: 1) accelerate an asset's positive impact by increasing the company's contribution to avoided emissions through its products and services and, 2) reduce an asset's potential negative impact by improving the company's management of ESG risks, which if left unmanaged could lessen the overall quantum of greenhouse gas emissions reductions delivered.

Engagement activities:

1. **Increase Positive Impacts:** This type of engagement activity seeks to increase the investee company's delivery of positive impact. It will increase the greenhouse gas emissions reductions delivered by a company by encouraging them to increase the rate of avoided emissions generated via their climate solutions. This type of engagement will seek to influence a business's strategy in regard to increasing the delivery of a reduction in greenhouse gas emissions, for example encouraging a Utility to hasten plans to phase out fossil fuel power and increasing the percentage of renewable power in its energy mix. It will also seek to influence the company's reinvestment decisions (including capital raising and allocation) to increase the reduction in greenhouse gas emissions, such as through the development of new renewable energy capacity or encouraging growth in a part of the business that is supporting industrial efficiency. These activities support an increase in the quantum of avoided emissions and hence support the Fund's overall Theory of Change.

2. **Reduce Potential Negative Impacts:** This type of engagement activity seeks to decrease the investee company's potential negative impacts. It will increase the greenhouse gas emissions reductions delivered by a company by reducing the scope 1, 2 & 3 emissions that are a consequence of solutions production, and via ensuring a company maintains its licence to operate (which can be affected by a variety of E, S and G factors) and can therefore continue to generate avoided emissions.

- An example of this type of engagement activity could be encouraging companies to set science-based targets to reduce their emissions. By setting a Science-Based Target (SBT), a company commits to reducing its greenhouse gas emissions in line with a 1.5C pathway. This pathway is aligned with net zero scenarios, making it steeper than the pathway would be if the target was not science-based. As such, the quantum of reduction in emissions increases when a company sets an SBT.

- Under this second category of engagement, we will also engage on issues which pose a risk to an asset delivering its positive impact. While the impact of these engagements in relation to the Fund meeting its Sustainability Objective is difficult to quantify, we will pursue these sorts of engagement where there is evidence that the risk we seek to address poses a material risk to the achievement of this Objective. An example of this type of engagement activity could be encouraging a company to put in place human rights policies and due diligence processes. The consequences of not managing human rights effectively are significant, and have caused renewable energy projects across the world to pause or shut down entirely, reducing a company's ability to generate avoided emissions. By effectively managing human rights risks, the company will strengthen its social licence to operate and reduce the risk of an interruption in the delivery of its products or services. This will enable it to continue delivering a reduction in greenhouse gas emissions through its products or services, increasing the quantum of greenhouse gas emissions reduced compared to the amount that would be achieved if the company had to limit, or entirely shut down, its production due to having insufficient human rights processes in place. This type of engagement will be measured by bespoke engagement KPIs (as described below), and also indirectly via the asset level KPI of avoided emissions.

For each engagement we undertake we will set a specific engagement objective, bespoke to the company and topic in question. This objective will be aligned to the Theory of Change, with a clear and relevant link back to the Fund's overarching Sustainability Objective. As we utilise bespoke objectives, we will also utilise bespoke KPIs to measure the outcomes of our engagement activities. We will define this KPI along with the objective at the start of the engagement. As we engage with the company, we will track progress towards the objective (and therefore delivery of the KPI) via a five-milestone approach. Our approach to investor engagement is detailed further in the "Investor Contribution: Investor Stewardship" section below, and our approach to measuring outcomes is detailed further in the "Ongoing Monitoring and Sustainability Metrics" section below.

Asset Contribution: How we select assets

To determine whether a company is focused on the increased provision of solutions that mitigate the effects of climate change, the Fund assess companies against its proprietary Green Infrastructure Framework, which involves two levels of sustainability assessments.

1 **An assessment of the intentionality and materiality of a company's business activities**

This assessment asks whether the company is **intentional** about the climate impact of its products and services. Intentionality refers to the company's commitment to providing climate solutions, i.e., whether those solutions are part of the company's long-term strategy and growth plans. To demonstrate intentionality, a company is expected to set out how that climate solution will feature as a core part of the company's business model over the next 5-10 years, and how these plans are credible. This demonstrates whether or not the impact is likely to be sustained.

A second test is whether a **material** part of the company's business is focussed on solutions to climate change. This will be the case if the company's activities, that align with at least one of the six themes set out above, are expected to represent 50% or more of the company's total revenue, capital expenditure, or asset base. In practice, most holdings in the Fund will have revenue alignments of much higher than 50%. By setting the threshold at 50%, we consider, in line with the UN PRI framework, that climate change solutions are such companies' "main reason for being". This also ensures that there can be no greater revenue source for the company in question. The 50% threshold is also recognised in other industry standard frameworks, such as the London Stock Exchange's Green Economy Mark framework. Given this, we believe a 50% minimum threshold provides assurance that the majority of a holding's activities support the Fund's sustainability objective to support a reduction in greenhouse gas emissions, in line with the Theory of Change.

2 An assessment of the company's own operations

We consider the environmental, social and governance impact of the company's own business and the potential for negative environmental and social outcomes such as human rights issues, high carbon emissions, high water use and other environmental and social factors.

Based on this assessment, only a company which is deemed to not breach environmental and social norms (and therefore not have any material negative environmental or social outcomes or conflict with the Fund's Sustainability Objective) will be suitable for investment. In addition to our own assessment, we utilise the ISS Norms Based Flag and the Sustainalytics Controversy Category Level. Companies with a red ISS flag or a category 5 Sustainalytics rating are deemed to have material negative outcomes and would prompt escalation measures. Both scores are derived with reference to international standards around environmental and social norms, thus are deemed appropriate to use for this assessment.

Only a company which is deemed to not have any material negative environmental or social outcomes will be suitable for investment. This assessment is in addition to the baseline exclusions applied (see "Exclusions" below), which impose additional restrictions on specific sectors and activities which are considered to be misaligned with the sustainability objective.

EdenTree's Product Governance Committee and the EdenTree Investment Management Limited Board assess the stock selection process to ensure it is suitable for choosing assets that meet the sustainability objective. They have data analysis skills, know the regulatory criteria for asset selection standards, and are independent from the investment process, providing an objective view to the assessment.

Exclusions

There are certain sectors and economic activities that we consider fundamentally unethical or misaligned with our sustainability objective, and we apply baseline exclusions to remove such companies from the pool of potential investments.

The Fund will avoid investments where there is a material involvement (10% or more) in alcohol and tobacco production, conventional weapon production, gambling, the publication of violent or explicit materials, intensive farming, fossil fuel exploration and production and high-interest (sub-prime) lending. The Fund will also avoid investment where there is material involvement (10% or more) in alcohol and tobacco production, conventional weapon production, gambling, publication of violent or explicit materials, intensive farming, fossil fuel exploration and production and high interest (sub-prime) lending.

The Fund will avoid companies with material operations in oppressive regimes. It will also seek to avoid companies that have exposure to the manufacture of unconventional weapons where these are defined as nuclear, biological and chemical weapons, land mines and cluster bombs. Finally, the Fund will seek to avoid companies using animals to test cosmetic, beauty or household products.

Investor Contribution: Investor Stewardship

We will engage with companies held in the Fund, as set out the Theory of Change above ("Engagement Contribution"), to support, accelerate or enhance their delivery of infrastructure-related climate solutions, and to fulfil our investor contribution.

We will engage directly with companies and will also seek to collaborate with other investors and organisations where appropriate, for example with policy makers or other asset managers where supportive of our engagement goals.

Our engagement is carried out across all seven themes. Successful engagement can take time to be realised, potentially stretching over several years and we seek to invest for long holding periods to create successful engagement partnerships with investee businesses. With this in mind, we will engage with at least 70% of the portfolio (i.e. all holdings that meet the Fund's minimum Sustainability Impact threshold) over the average holding period.

Our engagement activities seek to increase the greenhouse gas emissions reductions delivered by a company. To deliver this contribution, we engage via two broad categories:

1. **Increase Positive Impacts.** This type of engagement will increase the greenhouse gas emissions reductions delivered by a company by encouraging them to increase the rate of avoided emissions generated via their climate solutions.

2. **Reduce Potential Negative Impacts.** This type of engagement will increase the greenhouse gas emissions reductions delivered by a company by reducing their scope 1, 2 & 3 emissions that are a consequence of solutions production, and via ensuring a company maintains its licence to operate (which can be affected by a variety of E, S and G factors) and can therefore continue to generate avoided emissions.

For each engagement we undertake we will set a specific engagement objective, bespoke to the company and topic in question. This objective is time-bound and addresses a targeted concern. The objective under both categories will be aligned to the Fund's Theory of Change, with a clear and relevant link back to the Fund's overarching Sustainability Objective. In some cases, we may utilise an initial engagement prior to investing to gain a better understanding of a company's strategy and where our engagement activities should focus in order to deliver greenhouse gas emissions reductions. Our engagement path with a company is likely to evolve through time, and it is common to identify additional areas where our engagement could contribute to greenhouse gas emissions reductions during the holding period.

We use five milestones to represent the investor contribution process. These milestones track the completion of our engagement objective, starting at no response (i.e. "1. Company has not acknowledged") through to the company fully enacting the changes we have engaged on (i.e. "5. Company has implemented a strategy to address"). This allows us to identify the positive relationship between our engagement and the direction of progress made by the company towards the engagement objective being achieved.

1. Company has not acknowledged (i.e., the company has not responded to our request for dialogue/ information)
2. Company has acknowledged (i.e., the company has responded to our request for dialogue/ information, acknowledging the topic, but not sharing information on steps they are taking to address it).
3. Company has shared information (i.e., through a two-way dialogue the company has shared information on the steps they will take to address the topic).
4. Company has committed to address (i.e., the company has pledged to improve its existing approach and make specific changes to address the concern/topic).
5. Company has implemented a strategy to address (i.e., the company has followed through and made specific changes to address the concern/topic).

As the engagement progresses (i.e., as we enter into dialogue with a company), we record progress towards our engagement objective and update the status of the engagement milestone accordingly. Once a company has reached the fifth and final milestone, we expect this to result in an outcome which supports a reduction in GHG emissions. The KPIs we use to track these outcomes are further detailed in the “Ongoing Monitoring and Sustainability Metrics” section.

Not every engagement activity will necessarily proceed sequentially through each milestone. There may be times when steps 3, 4 and 5 overlap with new information or strategic planning requiring further dialogue and engagement where we believe our support could further increase the quantum of greenhouse gas emissions reductions (as per the Fund’s Sustainability Objective). Where progress through the milestones is deemed to be insufficient, we will employ a combination of the steps outlined below to escalate our concerns. There are several indicators that typically raise concerns that an engagement may not succeed, including poor levels of responsiveness from companies (steps 1 and 2), a lack of progress towards previously stated targets despite assurances (between steps 4 and 5 above), or notably slower progress than peers. If the concern is severe and requires immediate action, we will move immediately to step 5 and sell the investment within an appropriate timeframe, usually within 90 days.

1. Initial outreach and conversations with company - The engagement approach usually begins with an initial outreach via email or letter, followed by meetings with management and/or subject matter experts.
2. Formal correspondence - If a company does not respond to multiple attempts of contact, or if it demonstrates insufficient progress and the topic is of a severity that necessitates further action, we will initially escalate via a formal letter to the CEO or Board. This will set out our expectations, and potential means of escalation.
3. Collaborative intervention with other investors - Failing this, we will actively collaborate with other investors to escalate the engagement. This will include joining or leading collaborative engagement efforts or signing onto joint letters.
4. AGM Voting - Where necessary, and where there is further need for escalation, we will exercise its voting power at company meetings.
5. Divestment - If following a period of engagement, we fail to achieve adequate progress, the position may be sold within an appropriate timeframe.

Our in-house Responsible Investment Team oversees engagement and stewardship activities. Engagement is an internal function and is not outsourced to third parties. In addition, the stewardship approach is overseen by the EdenTree Responsible Investment Advisory Panel. We are a signatory of the UK Stewardship Code 2020, published by the Financial Reporting Council, demonstrating its commitment to appropriately resourcing and conducting stewardship.

Example: Alternative energy company

Investment Theme: Alternative Energy

Problem: The Earth's climate is becoming warmer. The chief causes of this climate change are greenhouse gases in the Earth's atmosphere, such as carbon dioxide.

Cause: Unsustainable business practices are contributing to this problem. One such practice is burning fossil fuels to create energy as it releases carbon dioxide into the atmosphere.

Solution: The company operates and manages a portfolio of renewable energy generation assets. The process of generating renewable energy does not release carbon dioxide into the atmosphere. More renewable energy assets also reduce global reliance on fossil fuel derived energy sources, thus reducing their use, and in turn reducing carbon dioxide emitted.

Asset contribution: The company's only activities are owning, developing, constructing, and operating wind farms, and it states within its investment policy that it will own and operate a portfolio of (only) renewable energy generation assets. It therefore passes our assessment of *materiality* and *intentionality* and is aligned with the Fund's Sustainability Objective, with all (100%) of attributable revenues aligned with the Fund's "Alternative Energy" theme. As of March 2024, the company has interests in 39 operating assets with net installed capacity in excess of 1.5GW, with another 90MW contracted to acquire under the group's forward sale model.

Engagement contribution: We sought to enhance the company's contribution to the Sustainability objective via our engagement activities. We identified that the company cannot provide climate solutions and generate carbon avoidance without maintaining its social licence to operate. Renewable energy companies face several risks which threaten their licence to operate, in particular the protection of indigenous and community land rights in wind farm installations. The consequences of not managing community relations effectively are significant and can inhibit a company's ability to generate renewable energy (and thus avoided emissions). For example, there have been several instances where community disruption has led renewable energy projects to shut down or pause. As such, we engaged with the company under our second broad engagement category to influence targets and strategies for reducing/ preventing this negative impact. Under this broad aim, we set the specific objective for the Company to disclose a human rights policy and make a commitment to Free, Prior, and Informed Consent. We have engaged with the company since 2023 against this objective.

Outcome: The outcome sought in our Sustainability Objective is a reduction in greenhouse gas emissions.

Our KPI for monitoring asset contribution to the sustainability objective is avoided emissions. In 2023, the company generated 1,300,000 tonnes of avoided emissions. This represents carbon that would otherwise have been emitted. By generating avoided emissions, the company delivers against the asset-level KPI and thus contributes to the Sustainability Objective. The company also supplied 3,422 GWh of renewable energy.

Our KPIs for monitoring the investor contribution are the disclosure of a human rights policy and inclusion of Free, Prior, and Informed Consent principles into the company's existing policies and disclosures. Both of these KPIs reflect the specific engagement objective sought. When we first started engaging with the company, they acknowledged our concern, reaching engagement milestone 2. Following our conversations, the company moved through the milestones and reached the fifth milestone: 'company has implemented a strategy to address the concern'. The outcome (as measured against our KPIs) was the update of the company's Modern Slavery and Human Trafficking Statement to include a section on "indigenous peoples", outlining its policy to ensure that land rights are respected and a commitment to free, prior and informed consent. This mitigates the risk of the company losing its social licence to operate, enabling the continued generation of renewable energy, and thus reduction of greenhouse gas emissions. Whilst we don't claim to have been the sole driving force behind these outcomes, we believe our investor activities were a contributing factor.

As such, via both our assets activities and our investor activities we contributed to the Fund's Sustainability Objective of reducing greenhouse gas emissions.

Ongoing Monitoring and Sustainability Metrics

We will monitor performance against the Fund's Sustainability Objective on an ongoing basis, against a range of KPIs. All KPIs will be reported on an annual basis.

Asset Activities

This KPI monitors asset-level activities. It demonstrates the positive outcomes that arise as a result of directing capital towards companies that, through their assets and operations, address the causes of climate change.

- **Avoided emissions (tCO_2e) –** emissions reductions that occur as a result of the use of the product/service, or operation of the asset. Avoided emissions represent CO_2e emissions that have not been released into the atmosphere, thus reducing global warming, and so mitigating the harmful consequences of climate change. CO_2e stands for carbon dioxide equivalent and includes other greenhouse gases with the same global warming potential. This KPI applies across all six investment themes as they all have the potential to generate avoided emissions.

At a minimum, we expect each of the Fund's assets to contribute positively towards a reduction in greenhouse gas emissions every year, measured by avoided emissions. If an asset fails to make a positive contribution to avoided emissions within a year, this would be addressed through the escalation plans (as detailed under the "Escalation Plans" section).

In addition, over a 5-year rolling period we would expect to see an increase in the rate of avoided emissions delivered through the Fund's activities as a result of the growth in output of the underlying assets, the growth of the fund and our investor contribution, and our engagement activity to increase the contribution of companies in the fund. However, we recognise that the rate of avoided emissions delivered by the Fund may fluctuate year-on-year due to external factors such as changes to broader economic conditions.

Please refer to the "Methodology for monitoring and KPI data collection" below for further information about how we calculate the Fund's impact.

Additional Metrics

The following additional metrics are measured and apply only to certain investment themes, as only certain types of product and service have the potential to generate these outcomes. They both contribute to the Fund's sustainability objective to support a reduction in the level of greenhouse gas emissions, as described below. These metrics will be converted into avoided emissions (measured in tCO_2e) for the purpose of reporting progress towards the Fund's sustainability objective (the data from which will be incorporated into the Fund's KPIs for asset activities outlined above). However, they are also disclosed, where relevant, to provide additional information on the positive outcomes the Fund seeks to generate.

- **Renewable energy installed capacity (MW)** - the amount of electricity a generator can produce when running at full operation. High renewable energy installed capacity helps to reduce the reliance of the global energy system on fossil fuels as there is less need for fossil-fuel derived power to fulfil capacity requirements. The lower the need to burn fossil fuels, the fewer greenhouse gas emissions that are released, supporting the Fund's sustainability objective. Each MW of installed capacity is therefore directly linked to a level of CO_2 emissions avoided. The level of CO_2 emissions avoided will depend on the technology and displaced fuel.
- **Renewable energy generated (MWh)** - the amount of electricity generated by a power plant. Renewable energy is a form of low-carbon energy, thus the more that is generated, the less need there is to burn fossil fuels to create energy, which reduces the amount of greenhouse gas emissions released into the atmosphere, supporting the Fund's sustainability objective. Each MWh of renewable energy generated is therefore directly linked to a level of CO_2 emissions avoided. The level of CO_2 emissions avoided will depend on the technology and displaced fuel.

Investor Activities

This KPI monitors the success of our engagement activities and our investor contribution in line with the Fund's theory of change.

As described above, our engagement activities seek to increase the greenhouse gas emissions reductions delivered by a company. To deliver this contribution, we engage via two broad categories:

1. **Increase Positive Impacts.** This type of engagement seeks to increase the greenhouse gas emissions reductions delivered by a company by encouraging them to increase the rate of avoided emissions generated via their climate solutions.

2. **Reduce Potential Negative Impacts.** This type of engagement seeks to increase the greenhouse gas emissions reductions delivered by a company by reducing their scope 1, 2 & 3 emissions that are a consequence of solutions production, and via ensuring a company maintains its licence to operate (which can be affected by a variety of E, S and G factors) and can therefore continue to generate avoided emissions.

For each engagement we undertake, we will set a specific engagement objective, bespoke to the topic and company in question. This objective will be aligned to the Theory of Change with a clear and relevant link back to the Fund's overarching Sustainability Objective, meaning all objectives will ultimately seek to generate a reduction in greenhouse gas emissions. However, the method by which this is sought may vary, reflecting the need for bespoke objectives. All objectives will be time-bound and address a targeted concern or topic.

As set out in the “Investor Contribution: Investment Stewardship” section, progress towards these is measured through five milestones. These milestones feed through to an escalation framework, which we will utilise if progress is deemed to be insufficient.

Due to the use of bespoke engagement objectives, the KPIs for measuring the success of our investor contribution are also bespoke and linked specifically to the stated objective. The KPI for measuring success will be identified at the outset of the engagement, alongside the bespoke objective. This makes the KPI unique to the topic and company in question.

It should be noted that companies can make changes for a number of reasons and that determining a direct causal relationship between the engagement and outcome may not be possible. Despite this, we believe our activities do contribute towards certain outcomes, and setting a bespoke KPI for each engagement enables us to appraise this link between our activities and the outcomes each seeks to achieve to support the Fund’s theory of change. Bespoke KPI are therefore used to demonstrate the outcomes of our investor contribution. We provide investors with details of the Fund’s engagement activities, including KPIs, the number of engagements carried out, the progress made and their outcomes as part of the Fund’s annual disclosure.

For example, we will report on the number of companies that have adopted Science Based Targets, or are in the process of doing so, following our engagements throughout a given reporting year. A list of commonly used KPIs that would be used for reporting the outcomes of our engagement is provided below to illustrate the link between an engagement objective and the engagement KPI. This a non-exhaustive list of examples, but in all cases these KPIs will be relevant to the Fund’s overall Sustainability Objective and will be reported annually in the Fund’s Sustainability disclosures.

We monitor and report on the outcomes of these bespoke KPIs separately to the Fund’s overall KPI (avoided emissions). Whilst the bespoke engagement KPIs are more granular and specific to the objective set for engagement (as shown in the table below), the overall objective of these engagement activities is to support a reduction in the level of greenhouse gas emissions and this reduction will be measured and captured via the asset level KPIs.

Broad engagement objective	Example of bespoke engagement objective	Example of bespoke KPI used to track engagement outcomes	How outcome supports Fund Sustainability Objective
Enhance the delivery of the company's impact contribution as measured by a reduction in greenhouse gas emissions	For a Utility company to successfully phase out its fossil fuel power plants by a certain date.	Number of fossil fuel power plants (#)	By decreasing the number of fossil fuel plants, the company prevents a greater amount of greenhouse gas emissions from being released into the atmosphere. This will be captured in the asset-level KPI (avoided emissions).
	For a Utility company to transition its energy mix to a greater percentage of renewable power.	Renewable energy installed capacity (MW)	By increasing its renewable capacity, the company reduces reliance on thermal power (which is more carbon intensive) thus prevents a greater amount of greenhouse gas emissions from being released into the atmosphere. This will be captured in the asset-level KPI (avoided emissions).
Reduce an asset's potential negative impact by improving the company's management of ESG risks, which if left unmanaged could lessen the overall quantum of greenhouse gas emissions reductions delivered.	For an industrials company providing products that enable customers to improve their energy efficiency, to set a science-based target and reduce its scope 1&2 emissions that arise when manufacturing its products.	Presence of a Science Based Target (Y/N) Quantum of scope 1&2 emissions reductions (tCO2e)	By setting a science-based target, the company commits to reducing its greenhouse gas emissions in line with a 1.5C pathway, which reduces its GHG emissions over time. By reducing its scope 1&2 emissions, the company releases less greenhouse gas emissions into the atmosphere when manufacturing its solution-oriented products. This will be captured in the asset-level KPI (avoided emissions).
	For a renewable energy installation company, to improve its management of human rights and indigenous rights in order to maintain its social licence to operate.	Presence of a human rights policy (Y/N) Commitment to Free, Prior and Informed Consent (which is a framework for supporting Indigenous Rights) (Y/N)	By effectively managing human rights risks, the company will maintain its social licence to operate. The consequences of not managing community relations effectively are significant and can cause renewable energy projects to shut down or pause, inhibiting the company's ability to generate carbon avoidance. By managing it effectively, its projects will not be forced to shut down and it will be able to expand its operations and continue to deliver avoided emissions. This will be captured in the asset-level KPI (avoided emissions)

Methodology for asset-level KPI measurement

When calculating avoided emissions, we seek to source data where possible from the investee companies' themselves. This data is sourced directly by our in-house team and with assistance from third-party vendors.

For each holding, we adopt an enterprise value approach to calculating the Fund's share of the asset's impact in terms of avoided emissions (and relevant additional metrics). This approach divides the value of the Fund's holding in the business by the entire value of the company (combining stock and debt valuations) to determine the Fund's share of the overall enterprise. This is then multiplied by the asset's reported impact (their avoided emissions, and any other relevant additional metrics) to calculate the Fund's share of the impact. We are conscious of the risk of double counting and will seek to adjust for cases where other funding sources are contributing to the impact sought by the Fund. This process provides the basis for the Fund's aggregate impact.

As the Fund's absolute impact will change according to general fund flows, we will also present the impact in terms of its intensity per £1m invested, a figure which should increase in line with the Fund's broader KPI.

If companies do not report avoided emissions but do report an alternative impact measure (for example renewable energy generated) we will convert this measure into avoided emissions using industry standard carbon conversion factors, for the purpose of reporting against our core asset KPI.

Data quality of impact reporting can vary across companies. In cases where a company provides insufficient data, with the help of third-party vendors, we employ models based on scientific literature and methods produced by leading bodies such as the Global Impact Investing Network (GIIN), to estimate the data required to calculate the Fund's asset-level KPI. We will also seek to engage with companies to improve the quality of reporting where appropriate.

We are also cognisant that improvements to company reporting and to calculating ESG data can lead to what might be considered "technical" changes (increases or decreases) in the data associated with the Fund's KPIs which we will disclose as part of the Fund's Annual Disclosure. We will also look to evolve our processes, adopting improvements that are aligned with industry best practices, and challenging our own approach.

OTHER INFORMATION

This Fund is marketable to all retail investors.

The Fund will be managed in line with the requirements for inclusion in an Individual Savings Account (ISA).

As the Fund will invest in companies involved in the ownership, operation or maintenance of infrastructure assets, investors may compare the Fund's performance to the Investment Association Infrastructure Sector. Funds in this sector must have at least 80% of their assets (directly or indirectly) in companies involved in the ownership, operation or maintenance of infrastructure assets (including but not limited to: utilities, energy, transport, health, education, security and communications). However, we are not bound or influenced by the Sector category when making investment decisions.

Investors should note that our investment focus on companies that mitigate the effects of climate change will mean the exclusion of investments which may lead to underperformance by the Fund versus the sector. Over the long term, however, we believe that environmental sustainability is fully aligned with economic sustainability, and that this should translate to a combination of positive impact and financial return.

Shares Offered	Initial Charge	Annual Charge
Class B net income (£1m or more invested)	0% actual	0.75% actual
Class D net income	0% actual	0.00% actual
Class I net income (£100m or more invested)	0% actual	0.45% actual
Class I net accumulation (£100m or more invested)	0% actual	0.45% actual
Class S accumulation (£250m or more invested)	0% actual	0.30% actual