



CASE STUDY

EdenTree Investment Management

Global Impact Bond Fund

Year established	2022
Fund domicile	United Kingdom
Strategy-level AUM (GBP)⁶⁸	£27.20M (approx. USD \$34.3M)
Target market	Global
Primary investments	Labeled corporate bonds (green, social, sustainability)
Management team	2 fund managers, 1 fund analyst, 1 impact strategist, 4 responsible investment analysts
Aligned standard(s) & regulation	UK SDR ("Sustainability Impact")

Strategy overview

EdenTree's Global Impact Bond Fund seeks to deliver competitive risk-adjusted returns while advancing impact principally through investment in GSS bonds—holding the philosophy that “labelled bonds issued by companies at the forefront of addressing social challenges are a fundamental way for investors to generate positive impact” in fixed income. Accordingly,

EdenTree's impact approach is grounded in UoP analysis. However, it also invests modestly in general-purpose bonds issued by impact-focused institutions (e.g., charities, development institutions), as well as some securities that do not pass its impact assessment, but which nonetheless pass its responsible and ethical screening process and do not contradict the impact aims of the Fund.

68. As of January 31, 2025

As one of the first fixed income products to receive the “Sustainability Impact” label under the UK’s SDR regime—which seeks to mitigate greenwashing by establishing clear criteria on sustainability and impact practices—EdenTree targets securities that meet its proprietary impact themes of Sustainable Solutions, Health & Wellbeing, Social Infrastructure, and Education. To meet the requirements of the “Sustainability Impact” label, EdenTree has also established fund-level environmental and social KPIs: “Avoided emissions (tCO₂e)” and “Number of underserved beneficiaries,” respectively.

EdenTree pursues a multi-layered impact assessment process for its investment universe of largely labeled corporate bonds, which entails categorical values-based screening, assessment of issuer institutions’ responsible business practices and ethical footprints, and assessment of a security’s alignment and contribution to pre-defined impact themes and objectives. All investments are expected to advance at least one of EdenTree’s two fund-level KPIs: “Avoided emissions (tCO₂e)” and “Number of underserved beneficiaries.”

Core characteristics

Focus

The investor selects securities based on their stated UoPs’ or revenues’ contribution to specific impact themes.

Underpinning EdenTree’s approach to security selection is the identification of two fund-level goals: to support a reduction in greenhouse gas emissions and to support an increase in access to basic services for underserved communities globally. The Fund has an overarching theory of change that delineates what types of securities contribute to these goals and the investment universes for each of its four underlying impact themes. All securities are assessed for alignment with these impact themes and have an impact thesis relating back to the fund-level theory of change. Moreover, EdenTree examines the bond’s additionality—or whether it addresses an impact need that would not otherwise have been met.

Responsibility

The investor assesses an issuer’s ESG performance and ethical footprint (e.g., reputational checks, thematic exclusions).

While EdenTree principally invests in labeled bonds that ringfence UoPs to impact, it also subjects issuers to responsible and ethical screening. The ethical screen excludes entire sectors or activities considered to be misaligned with firm-level sustainability objectives, such as alcohol and fossil fuel exploration and production. It also includes assessment of issuers across six areas, including business ethics and human rights. Issuers must pass both screens prior to progressing to deeper impact diligence.

Completeness

The investor takes a holistic approach to impact assessment—considering UoPs/revenue, the issuer’s practices, and securities’ structure, while also calibrating assessment to the theme and sub-asset class at hand.

EdenTree assesses UoPs’ alignment to its impact themes and impact objectives; conducts responsible and ethical screening on issuers; and ensures that issuers can clearly monitor, measure, and report on allocations to impact and impact generated. EdenTree also assesses’ lookback periods, preferring those that are shorter than average, as well as securities that demonstrate impact additionality. For bonds linked to the provision of basic services, EdenTree seeks additional assurance that bond activities will provide measurable support to underserved communities and be clear about which community groups will benefit from the bond.

Engagement

The investor leverages impact data to optimize their portfolio and engages with issuers to improve their impact.

EdenTree grounds its engagement in a two-pronged approach: increasing positive impacts and decreasing potential negative impacts. To improve impact outcomes, EdenTree engages actively and systematically with issuers to improve the ambition and effectiveness of UoPs, impact monitoring and reporting, refinancing plans and lookback periods, and targets for managing environmental and social externalities—typically with other managers.

Transparency

The investor collects, aggregates, and transparently reports on the impact of its investments.

Prior to investment, EdenTree ensures that a bond’s impact framework is credible, measurable, and includes a robust reporting framework that covers impact allocations and impact generated. Per SDR requirements, EdenTree itself measures and reports against two core fund-level and three theme-specific KPIs. It publishes an annual impact report for the Fund, which also includes quantitative disclosures and case studies of real-world impact under each theme. The report also includes allocation data and discloses methodologies used. Separately, EdenTree measures and annually reports on the contribution of its climate-focused securities against two climate targets related to its firm-level climate strategy on decarbonization and contributing to climate transition.

Featured practice: *Investor contribution*

EdenTree regards active engagement as a fundamental component of its platform-level approach to drive additional impact for investors. It engages with issuers to increase positive and decrease potential negative impacts. To increase positive impacts, EdenTree's engagements may focus on improving UoPs' effectiveness, reducing bonds' lookback periods, and increasing alignment of strategic goals and management incentives towards positive impacts. To reduce negative impacts, EdenTree may focus on addressing operational emissions or supply chain risks—with engagements often aligning with EdenTree's broader firm-level engagement themes: Climate Transition, Water Stress, and Social and Environmental Inclusion. EdenTree leverages collaborative engagements with other investors and organizations (e.g., the Institutional Investors Group on Climate Change and World Benchmarking Alliance) to maximize its influence, while also engaging with regulators and policymakers. It also has an escalation framework for situations where long-term issuer engagement does not yield meaningful progress, with a last resort being divestment.

EdenTree's approach to engagement has historically been thematically focused, with the firm focusing on areas such as “fossil fuel financing” under its Just Climate Transition theme and “river pollution in the UK” under its Water Stress theme. The latter included an engagement with Severn Trent, a UK-based water company, regarding UoPs for its sustainable

bond, which aims to improve environmental quality while supporting water service affordability. Concerned about the potential trade-off these aims, EdenTree engaged with the company to hold it accountable to keeping bills low, as the company operates in one of the most underserved areas of the UK. Severn Trent maintains the lowest bill rate in the industry.

Highlighted transaction: *NatWest Group, Social Bond*

In 2024, EdenTree acquired a newly issued labeled social bond by the UK bank NatWest Group, a leading UK bank with a robust credit profile. Backed by NatWest's independently verified Green, Social, and Sustainability Framework, the proceeds from this bond will be directed towards affordable housing initiatives. Eligible assets include UK-accredited or registered Housing Associations, which are nonprofit organizations dedicated to providing affordable housing in the UK and to enhancing access for low-income residents and marginalized communities. EdenTree purchased the bond for its potential to contribute to the Fund's dual aims of delivering financial returns and capacity to contribute to the UK's need to build a minimum of 90,000 affordable homes a year to clear social housing waitlists and address homelessness in the country.⁶⁹ EdenTree was also encouraged by the alignment of the positive social outcomes sought by the bond with the bank's overall sustainable profile.

69. UK Parliament Levelling Up, Housing and Communities Committee, “Government must invest in building new social homes to tackle chronic housing shortage, say MPs” (2024)