

# STEWARDSHIP REPORT Q2 2025



THE THOUGHTFUL INVESTOR

## EXECUTIVE SUMMARY

Written by  
Ffion Spencer



### Our stewardship highlights this quarter include:

#### Unilever:

We engaged with Unilever on two separate occasions during the quarter: first, to discuss the company's environmental and social targets; and second, in collaboration with other investors, to address concerns related to its sugar cane supply chain.



#### Zotefoams:

During the quarter, we engaged with Zotefoams to discuss its environmental strategy, encouraging alignment of its carbon targets with the SBTi and greater transparency on animal testing practices.

#### Diaceutics:

We met with Diaceutics, a holding within our Smaller Companies Fund, as part of our ongoing efforts to enhance performance on our Environmental, Social, and Transparency & Governance (E.S.T.) metrics. Specifically, we encouraged the company to strengthen its governance practices by appointing an additional independent Non-Executive Director to its board.



#### SBTi Consultation:

As part of our ongoing commitment to climate action, we were among the 855 stakeholders that contributed to the Science Based Targets initiative (SBTi) consultation on Version 2 of the Corporate Net-Zero Standard.

#### Advisory Committee Meeting:

At the April 2025 Advisory Committee meeting, we reported on our engagement with Unilever regarding historical worker severance in the Democratic Republic of the Congo. The committee discussed whether ethical funds should invest in the defence industry, in light of current geopolitical events. They recommended that we should continue to screen out defence companies from our funds, due to concerns around human suffering as well as the sale of weapons systems to many different governments, including those not democratically elected.



## APRIL 2025 ADVISORY COMMITTEE MEETING SUMMARY

The April 2025 Advisory Committee meeting began with an update on the actions from our September 2024 meeting. We provided an overview of our recent engagement with Unilever, which centred around a historical case relating to the severance of workers in the Democratic Republic of Congo. From our engagement, we learned that Unilever ultimately believes it went above and beyond its legal obligations to ensure the former workers were treated fairly, voluntarily ensuring that full redundancy packages were paid according to DRC labour law, despite having no legal obligation to do so.

A standing item on the committee's agenda is to review significant changes to fund holdings since the last meeting. While divestments over the period were less driven by E.S.T. topics, there had been some changes to the funds due to takeover bids—i.e. another company attempting or succeeding in purchasing one of the companies within our funds. We exited Good Energy, previously held within the UK Smaller Companies Fund, following a takeover bid by a private company. For the same reason, we exited Learning Technologies Group and replaced it with National Grid. The committee also received an overview of a new addition to the Thoughtful Portfolio Fund range, which increases our exposure to global bonds and currencies, consequently improving the risk/reward ratio of the two funds.

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The Stewardship Team presented the findings of an analysis they had undertaken relating to exposure to conflict zones within our fund range. Our screening policy means we exclude companies that operate within the defence and armaments industry, so the discussion centred on the changing nature of the defence industry and the increased use of technology in warfare.

While the Committee was satisfied that our current exposure to the tech industry does not breach our screening policy, they have suggested that we continue to monitor the situation.

 **The committee also discussed whether ethical funds should invest in the defence industry, in light of current geopolitical events. They recommended that we should continue to screen out defence companies from our funds.”**

The committee also discussed whether ethical funds should invest in the defence industry, in light of current geopolitical events. They recommended that we should continue to screen out defence companies from our funds. The reasons given include the civilian suffering associated with the arms trade, as well as the sale of weapons systems by the defence industry to many different governments, including those not democratically elected.

The committee reviews our voting guideline and any proposed changes on an annual basis. As investors, we believe that we have a responsibility to our clients, as well as the companies we hold, to vote on issues such as executive pay, director nominations, and political donations. The guidelines ensure we vote consistently across all our fund holdings; they are made publicly available on our website, as is our full voting history. There were no proposed changes to the voting policy this time around, and the committee was supportive of this.

Finally, the committee shared ideas for the next meeting, including engagement with our investee companies within the healthcare industry on their use of animal testing for medical purposes.

## SBTi CONSULTATION RESPONSE

Written by  
Ffion Spencer



**SUMMARY:** As part of our ongoing commitment to climate action, we contributed to the Science Based Targets initiative (SBTi) consultation on Version 2 of the Corporate Net-Zero Standard.

The SBTi<sup>1</sup> is a globally recognised framework for setting and validating corporate climate targets in line with the latest climate science. We consider SBTi validation to be the ‘gold standard’, and we actively encourage our portfolio companies to pursue this level of ambition and transparency. You can read more about how we speak to companies about this topic on page 7.

Climate change is a priority topic for us. We also want to ensure that the standards we encourage our investee companies to follow are both ambitious and practical. By contributing our perspective, we can help shape a framework that sets a high bar for climate ambition while remaining accessible to companies of all sizes.

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This is the first major revision of the Corporate Net-Zero standard.<sup>2</sup> The consultation, which ran from March to June, received input from more than 855 stakeholders across business, academia, civil society, and other stakeholder groups.

A major proposed change in Version 2 is the introduction of a new categorisation model, with tailored requirements for companies based on size and geography. This addresses a barrier we commonly hear of from smaller companies, who often find the SBTi process resource intensive. By introducing differentiated requirements, the SBTi aims to make target-setting more accessible and proportionate, encouraging broader

participation across company types. For us, this change is particularly welcome, as it means we can more confidently encourage our smaller investee companies to engage with SBTi, knowing that the process will be better tailored to their capacities.

The draft also introduces more ambitious requirements for near- and long-term targets, clarifies the scope (including all material Scope 1, 2, and 3 emissions), and tightens its perspective on the role of offsetting. As climate science evolves and the urgency of action increases, it is vital that companies set targets that reflect the latest science and cover their full value chain. This will drive more meaningful decarbonisation and ensure companies are not simply shifting emissions elsewhere. Tighter timeframes will also prevent companies from deferring action and promote real, near-term progress.

Even though the world is now likely to overshoot the 1.5 degrees Celsius target, the new draft version of the SBTi Corporate Net Zero Standard maintains this as the benchmark for corporate climate action. We were pleased to see this because staying as close to 1.5°C as possible is crucial: the scientific consensus is clear that every fraction of a degree matters when it comes to limiting the most severe impacts of climate change.<sup>3</sup>

**Outcome:** As investors, we rely on credible, science-based standards to evaluate companies’ climate commitments. Our involvement in the consultation allows us to push for clear, robust guidance on target-setting, progress tracking, and public claims, helping to prevent greenwashing and maintain trust in the market.

1. [Ambitious corporate climate action - Science Based Targets Initiative](#)

2. [Developing the Corporate Net-Zero Standard - Science Based Targets Initiative](#)

3. [1.5°C: what it means and why it matters | United Nations](#)

# UNILEVER

Written by  
Ita McMahon



**UNILEVER:** We engaged with Unilever on two separate occasions during the quarter: first, to discuss the company's environmental and social targets; and second, in collaboration with other investors, to address concerns related to its sugar cane supply chain.

## Unilever's updated sustainability strategy

Our first meeting with Unilever was to discuss the company's revised sustainability strategy which had received criticism from Non-Governmental Organizations for having fewer targets and a lower level of ambition<sup>1</sup>. We wanted to talk to the company to understand the rationale for the changes.

### When Unilever launched its Sustainable Living Plan in 2010, it was widely regarded as ground-breaking."

When Unilever launched its Sustainable Living Plan in 2010, it was widely regarded as ground-breaking. The scale of ambition – to reduce its environmental impact by half and improve health and wellbeing for 1 billion people – had not been seen before in a corporate responsibility programme<sup>2</sup>. Even the idea of growing revenue while reducing emissions was fairly new. The company has revisited these targets over the years adding new targets where necessary, for example on the Living Wage.

In our meeting, Unilever's representative stated that in the intervening years since the original Plan was launched it has become apparent that not all the targets that they'd set originally were achievable. For example, they cited a lack of plastic recycling infrastructure as a hindrance to achieving their goals around reducing plastic waste. In addition, they have faced obstacles in trying to meet their target to ensure that everyone involved directly in supplying Unilever globally would receive the living wage. This is due to a lack of consensus in some markets on what constitutes the living wage.

### They assert that the new programme with its revised targets is focused on the issues that matter most to stakeholders."

They assert that the new programme with its revised targets is focused on the issues that matter most to stakeholders. As well as providing more achievable (but less ambitious) deadlines for some targets, they were also able to point to other goals that had been revised to be more, not less, challenging to achieve. One example is on scope 3 emissions reductions.


**Outcome:** As a result of the engagement, we are of the view that Unilever's goals have been weakened and have narrowed in scope. That said, we do acknowledge that the ambitions in the company's original strategy were truly ground-breaking, and that it was unlikely that all the goals would be achieved. To us, the new programme remains at the forefront of the consumer goods sector but lacks many of the trail-blazing qualities of the previous iteration.

1. [Unilever to scale back environmental and social pledges | Unilever | The Guardian](#)

2. [Unilever Sustainable Living Plan 2010 to 2020](#)


## Human rights abuses in Indian sugar cane industry

Our second engagement with Unilever was a group engagement facilitated by the Interfaith Center on Corporate Responsibility (ICCR), a US-based investor coalition. We have recently become members of ICCR. The engagement was prompted by a New York Times investigation into the working conditions in sugar-cane fields in Maharashtra, India. In particular, the investigations alleged that female workers are pressurised into having

 **Unilever has stopped sourcing from local mills and has completed an investigation into the allegations.”**

hysterectomies<sup>3</sup>.

In the meeting, the company was keen to stress that only 0.2% of Unilever’s sugar sourcing comes from Maharashtra, so the company does not have a great deal of direct influence in the region. Nevertheless, Unilever has stopped sourcing from local mills and has completed an investigation into the allegations. Their intention at this stage is to take the findings to a local committee of larger sugar buyers in the region. The committee has signalled its intention to take high-level action, although no specific plans or timeline has been specified at this stage. Local Unilever representatives have asked to join the committee’s steering group so as to a) share its findings from the investigation and b) influence the speed and direction of the remedial action that is required.

 **The aim is to educate workers on their employment rights and to demonstrate to employers the business benefits that accrue when workers are treated fairly.”**

As part of the meeting, investors also met with a member of Unilever’s procurement team that deals with supplier due diligence and human rights. They provided an overview of a development programme that is underway with 75 suppliers. The aim is to educate workers on their employment rights and to demonstrate to employers the business benefits that accrue when workers are treated fairly.

**Outcome:** This engagement is likely to continue for some time, as the issues raised will take time to resolve and will require the co-operation of a wide set of stakeholders, including farm owners, sugar buyers and local doctors as well as the employees themselves. It is important that this coalition of investors continues to apply pressure on Unilever by requesting periodic updates on how they are pressing for improvements to the working conditions of female sugar cane labourers.

3. [5 Takeaways From an Investigation Into Hysterectomies in India’s Sugar Industry - The New York Times](#)

# ZOTEFOAMS

Written by  
Ffion Spencer



**SUMMARY:** Our recent engagement with Zotefoams, held in the Thoughtful UK Smaller Companies fund, covered everything from emissions target validation to animal welfare.

Zotefoams manufactures and supplies specialised, lightweight, high-performance foams.<sup>1</sup> Thanks to their durability and integrity, these materials often deliver the same or better performance while using less material. The lightweight nature of Zotefoams' products also helps reduce resource consumption and associated emissions in their end applications.

We frequently hear from investee companies about the challenges associated with measuring carbon emissions. Although we have been encouraged by the recent disclosure improvements from Zotefoams, we wanted to get a better understanding of the company's Scope 3 emissions, particularly because this is the most challenging aspect. We were pleased to hear that Zotefoams has begun working on carbon calculations across all sites and that the company's targets will be aligned with both the SBTi framework<sup>2</sup> and the Green House Gas Protocol by the end of this process. We often encourage investee companies to align their carbon emissions targets with the SBTi Corporate Net Zero Standard.<sup>3</sup> Therefore, we reinforced support for Zotefoams in pursuing approval for these targets once calculated.

The company has completed a full, audited Life Cycle Analysis (LCA) for its 'Rezource' product line and conducts ad-hoc assessments as requested by customers. Recognising the complexity of assessing products with multiple end uses, Zotefoams is shifting focus towards Product Carbon Footprints, which are more carbon centric. A life cycle assessment (LCA) provides an analysis of all environmental impacts associated with a product, while a product carbon footprint (PCF) focuses specifically on the greenhouse gas emissions throughout a product's life cycle<sup>4</sup>. We commended their progress on PCFs and appreciated their transparency regarding the challenges involved.

We noted that although Zotefoams supplies some products to the medical market, the company has not published an animal testing policy on its website. Zotefoams was able to assure us that it actively seeks to minimise the amount of animal testing it conducts, and that the company will use alternative methods for approval where possible. Animal testing was most recently used in 2022 as requested by the customer, and before that was last conducted in 2005. The company was able to share an internal policy relating to the topic which outlined the information above. We were able to see that Zotefoams has clear animal welfare principles and recommended that it publishes this policy on its website.

Sometimes, our engagements coincide with an investee company's strategic rethink, and this was one such occasion. We were encouraged by Zotefoams' openness to our ideas and their request for a follow-up call, positioning us as a valued sounding board going forward. We look forward to supporting Zotefoams as it continues to strengthen its strategy and reporting of E.S.T. metrics.

**Outcome:** We are encouraged by Zotefoams' improved disclosures, progress toward SBTi-aligned carbon targets, and willingness to incorporate our feedback, and we look forward to supporting their continued journey.

1. [Zotefoams | Advancing Sustainability in Foam Manufacturing](#)

2. [How it works - Science Based Targets Initiative](#)

3. [The Corporate Net-Zero Standard - Science Based Targets Initiative](#)

4. [iema-product-carbon-footprint-final-56-1.pdf](#)

## DIACEUTICS

Written by  
Ffion Spencer



**SUMMARY:** During the quarter, we met with Diaceutics, to discuss its board independence, as part of our efforts to increase scores on our E.S.T. metrics.

As part of our investment framework, we assess companies using a platform called 'Impact Cubed,' which benchmarks performance across fourteen E.S.T. metrics. These metrics help us evaluate how a company is performing in key areas compared to industry peers, so that we can ensure that our investee companies align with our commitments.

We aim for at least 70% of our equity funds to be invested in companies scoring seven or higher, meaning they outperform their peer group (as defined by Impact Cubed) in at least seven of these E.S.T. categories.

**We reached out to Diaceutics regarding its board composition after seeing that Diaceutics fell below the benchmark in its board independence.”**

We reached out to Diaceutics regarding its board composition after seeing that Diaceutics fell below the benchmark in its board independence. We noted that the board currently consists of six members, three of whom are non-independent and three considered independent. We recognise that Diaceutics is a new publicly listed company and a small-cap business, and we understand that governance structures often develop and mature over time. We view this as part of a broader journey, and we appreciate the progress that has already been made.

At the same time, we see board independence as a key factor in strong corporate governance. Independent directors can bring objective perspectives, provide effective oversight, and contribute to more balanced decision-making. These qualities help promote transparency and accountability, which are essential to long-term value creation.

During our recent discussion with the company, Diaceutics provided encouraging updates regarding plans to strengthen its board. The company shared that it intends to recruit an additional Non-Executive Director (NED) soon. They offered a timeline for the appointment and outlined the desired qualifications and expertise for the new director. This includes a focus on skills that would add strategic value to the board and complement existing competencies.

Although our engagement will not have an immediate impact, we are encouraged by Diaceutics' acknowledgement of the importance of board independence and its willingness to take proactive steps toward improving governance standards. We see this as a positive indication of the company's alignment with best practices in governance and its commitment to continuous improvement.

**Outcome:** We were encouraged by Diaceutics' acknowledgement of board independence as a critical element of effective corporate governance and by its clear commitment to strengthening its board structure. We view these intentions as constructive and consistent with our expectations for continued governance enhancement. We encourage the company to move forward with the appointment of an additional independent Non-Executive Director and will continue to monitor its progress in this area.

# VOTING ACTIVITY: Q2 2025

Written by  
Ffion Spencer



As investors, we believe that we have a responsibility to our clients, as well as the companies we hold, to vote on issues such as executive pay, director nominations and political donations. We aim to vote on all the stocks held in the collective funds we manage. We consider each resolution carefully and often engage with companies where we disagree with their stance. We have an in-house set of voting guidelines that we update annually. The guidelines ensure we vote consistently across all our fund holdings; they are made publicly available on our website, as is our full voting history.

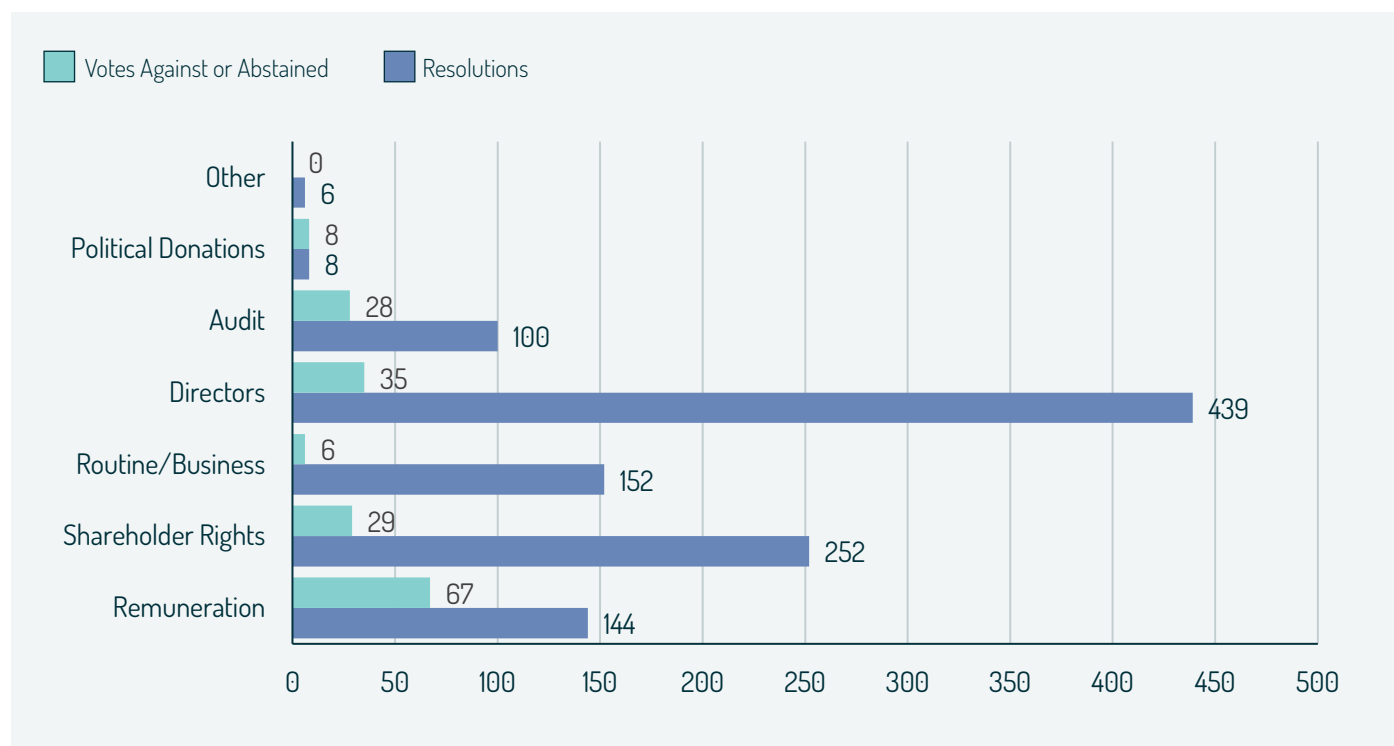
## RESOLUTIONS

Number of resolutions where votes were cast For	928	84.3%
Number of resolutions where votes were cast Against	157	14.3%
Number of resolutions where votes were Abstained	16	1.5%

During the quarter, we voted at 86 meetings hosted by our investee companies, with a total of 1101 resolutions.

- REMUNERATION:** We vote against excessive pay awards and awards that are not attached to sufficiently stretching performance targets. Particularly in light of the impact of coronavirus, we believe it is important that executive pay is reflective of the experiences and outcomes of all stakeholders.
- DIRECTOR INDEPENDENCE & EFFECTIVENESS:** Non-Executive Directors (NEDs) who sit on the boards of listed companies should be independent in order to be effective. The UK Corporate Governance Code sets limits on tenure which we apply across all geographies as a factor to determine independence. We have also long taken the view that directors should not hold a lot of other external positions. This is because, at a time of crisis, we expect directors to have enough additional time to dedicate to the company and the issues that it is facing.
- SHAREHOLDER RIGHTS:** This topic includes votes on issues such as share placings that a company might undertake to raise capital, as well as requests a company might make to repurchase its own shares. These requests have the potential to be detrimental to existing shareholders. One topic which falls under this heading, which we will always vote against, is the request to hold meetings with just 14 days' notice, as we do not believe this is sufficient time for shareholders to prepare to exercise their voting rights.
- POLITICAL DONATIONS:** We do not think it is appropriate for companies to make political donations and consequently will always vote against a resolution seeking permission to do so.
- THE AUDIT PROCESS:** Auditor independence may be compromised if the auditor has been in place for a long time and no tendering process has been undertaken, or if fees paid are for services other than their primary audit function.
- ROUTINE/BUSINESS:** Items in this category include resolutions that are often uncontentious, such as accepting a company's Financial Report & Accounts for the previous year. It also includes resolutions to approve dividends.
- OTHER:** This category may include certain resolutions proposed by shareholders and votes on topics such as Environmental, Social or Transparency & Governance (E.S.T.) issues and reporting.

Resolutions during the quarter by category and how frequently we voted against or abstained:



# MEET THE TEAM



**Barney Timson**  
BSc (Hons), MSc, IMC  
Assistant Investment Analyst



**Callum Wells**  
Chartered FCSI, Chartered  
Wealth Manager  
Investment Manager



**David Elton**  
BSc (Hons), IMC,  
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**Ffion Spencer**  
BSc (Hons)  
Stewardship Assistant



**James Buckley**  
MSc, MBA  
Investment Manager



**John Eckersley**  
BA (Hons), MBA,  
Chartered FCSI,  
Chartered Wealth Manager  
Chair



**Liam Blackshaw**  
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Portfolio Implementation  
Specialist



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**Bronwyn Riley**  
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**Ita McMahon**  
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