



EVENLODE

INVESTMENTS FOR LIFE



Evenlode Investment
Quarterly Stewardship Report
Q1 2022

Our purpose is to preserve and enhance the value of our clients' assets through long-term engagement and analysis.

AS AT 31 MARCH 2022

Our new quarterly Stewardship Report aims to provide investors with information on our voting and engagement activity, as well as highlighting some key focus areas for the stewardship team for the year.

VOTING

Voted on
10 meetings.

In **60%** of meetings, we voted with management on all proposals.

In **40%** of meetings, we voted against management on at least one proposal.

On all boards, regardless of which governance code companies are complying with, we expect a sufficient level of independence to ensure that all stakeholders' views are represented, in particular the minority shareholders. We expect at least half of the board to be independent and certain committees, especially audit, to be fully independent. We recognise the importance of a well-functioning, independent board which can exercise objective judgement and challenge the status quo.

As an example, we voted against management on the re-election of a particular director who sits on the board and the remuneration committee of a holding which is in our UK Income and Global Equity funds. He was one of the controlling shareholders on the board, holding a large percentage of voting rights through a holding company. We wanted to see more independent oversight on the remuneration committee and therefore preferred him to not stand for re-election.

ENGAGEMENT

Engaged with
84 companies.

Engaged on
12 themes.

Engaged the most on
Company Strategy,
Supply Chain and
Human Rights.

As a follow-up to our emissions analysis from 2021, we wrote to a holding in our UK Income and Global Income funds, congratulating them on adding several scope 3 categories to their emission disclosure as well as reporting on scope 3 in a detailed and structured way in their recent Annual Report. Along with engaging with companies regarding non-disclosures, we feel it is important to also acknowledge the companies that have improved their reporting.

We also asked the company why they didn't think it was necessary to report to the Carbon Disclosure Project (CDP). The Investor Relations team replied that they will be assessing all 15 scope 3 categories in the future as part of their work with the Science-Based Targets Initiative (SBTi).

They also highlighted that they stopped responding to the CDP in 2019 following an increase in the reporting requirements. We noted that we find it important that our holding companies report to the CDP survey as it is emerging as the global reporting platform for environmental data and provides standardised data that allows us and other investors to assess companies' alignment with net zero. However, if they do not want to report to the CDP we urged the company to still report on the most material climate change questions covered in the CDP survey, on an annual basis.

The engagement was positive, allowing us to update our emissions analysis and increase the accuracy of our financed emission modelling.

ENGAGEMENT CASE STUDY

We experienced a spike in engagement numbers during the quarter. Given the outbreak of hostilities in the region we felt it important to measure the Evenlode portfolios' exposure to Russia and Ukraine. Therefore, we wrote a letter to all investee companies asking for the percentage of group sales from both regions, to what extent the supply chain is exposed, future operating plans and finally the business impact of the financial and other sanctions announced by Western countries. Companies unsurprisingly were very responsive to our concerns. Over 95% of our investee companies acknowledged our query with a response. Out of the companies that responded, we identified minimal revenue exposure (approx. 1.5%) to the Russia-Ukraine region for the Evenlode funds overall. This was heavily skewed towards companies operating in the consumer staples, fashion, and the payments industry, known for their global sales reach and supply chains.

From a portfolio-level perspective, the Evenlode funds are well insulated from the conflict. We do believe, however, that this conflict is likely to have a knock-on effect at a climate policy level, specifically on international climate pledges. Cancelling the largest exporter of natural gas, the second largest exporter of crude oil and approximately 146 million people from the global economy, has the potential to slow us down in our transition to a more sustainable economy. A reallocation of capital will be needed in the medium to long-term, as the focus is pivoted away from fossil fuels and into renewables. Whilst there is short-term pressure on the current carbon-powered global economy, we are not losing sight of the longer-run direction of travel.

NET ZERO ASSET MANAGERS INITIATIVE

The investment community has a vital role to play in supporting and encouraging the transition to a low-carbon economy, which we feel can be best achieved by engaging collaboratively with other like-minded investors. Therefore, in July 2021, we joined the Net Zero Asset Managers Initiative (NZAMI). This comprises an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or earlier, in line with global efforts to limit warming to +1.5 degrees Celsius. The Evenlode Stewardship team have had a busy start to the year as we have started assessing our investee companies' current commitments, setting baseline and interim targets, and finalising a detailed climate transition plan which includes an engagement and voting policy.

Under the Institutional Investors Group on Climate Change's (IIGCC) guidelines there are five different assessment classifications for assessing alignment with net zero, ranging from not aligned (no target set) to aligned (have a robust

climate strategy with detailed targets and are on track to achieve them) and achieving net zero. Unsurprisingly, none of the companies in our portfolios have achieved the net zero status at this time. However, Microsoft is currently 'aligned' to net zero and is a good example of a company that has robust reporting on its climate transition plan and has set ambitious interim and long-term emissions targets (across all scopes). Lucas Joppa, Chief Environmental Officer at Microsoft said, 'With so many organizations now committing to net zero, one key piece is still missing: a transparent and interoperable system to track, report and compare GHG emissions and removals'. Due to the concentration of Evenlode's portfolios, this is less of an issue for us as we conduct our own emissions analysis (see the Long Carbon Report on our website) and have a policy to engage with the companies who do not disclose emissions estimates.

We will submit our complete net zero plan in July 2022 and update you on our climate targets in our next report.

STEWARDSHIP TEAM AND ESG RATINGS



Sawan Kumar
Head of
Stewardship



Charlie Freitag
Stewardship
Analyst



Bethan Rose
Sustainable Inv.
Analyst




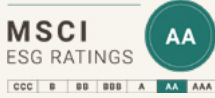
Our ongoing commitment

Evenlode Investment Management became a signatory to the United Nations Principles for Responsible Investment (UNPRI) in 2018. By becoming signatories, we commit to implementing these principles and incorporating environmental, social and governance factors into our investment process to help enhance returns and better manage risk for our clients.

Signatory of:



- ✓ Strategy & Governance: A+
- ✓ Integration: A+
- ✓ Engagement: A
- ✓ Proxy Voting: A

	MORNINGSTAR®		MSCI
Evenlode Income, Evenlode Global Income and Evenlode Global Dividend	 Morningstar® Sustainability Rating™		
Evenlode Global Equity and Evenlode Global Opportunities	 Morningstar® Sustainability Rating™		

The Morningstar® Sustainability Rating™ is intended to measure how well the issuing companies of the securities within a fund's portfolio holdings are managing their environmental, social, and governance risks relative to the fund's Morningstar Global Category peers, with 5 globes being the highest rating. Evenlode Income, Evenlode Global Equity and Evenlode Global Opportunities are based on 100% of AUM; Evenlode Global Income and Evenlode Global Dividend are based on 97.5% of AUM. Data as at 31 January 2022.

The Morningstar® Low Carbon Designation™ is intended to allow investors to easily identify low-carbon funds across the global universe. The designation is an indicator that the companies held in a portfolio are in general alignment with the transition to a low-carbon economy. Evenlode Income based on 96.9% of AUM; Evenlode Global Income based on 98.6% of AUM; Evenlode Global Dividend based on 98.9% of AUM. Data as at 31 December 2021 (updated quarterly).

MSCI ESG Fund Ratings aim to measure the resilience of funds to long-term risks and opportunities arising from environmental, social and governance (ESG) issues. Each fund scores a rating on a scale from CCC (laggard) to AAA (leader). The rating is based first on the weighted average score of the underlying holdings of the fund. ESG momentum is then assessed to gain insight into the fund's ESG track record, which is designed to indicate a fund's exposure to holdings with a positive rating trend or worsening trend year over year. For more information on the methodology please visit our website.

Evenlode Income based on 98.8% of AUM; Evenlode Global Income based on 98.2% of AUM. Ratings as at 31 January 2022. Evenlode Global Dividend based on 100.0% of AUM; Evenlode Global Equity based on 95.8% of AUM; Evenlode Global Opportunities based on 97.1% of AUM. Data as at 28 February 2022.

Important Information

This document is not intended as a recommendation to invest in any particular asset class, security or strategy. The information provided is for information purposes only and should not be relied upon as a recommendation to buy or sell securities.

For full information on the Evenlode funds, including risks and costs, please refer to the Key Investor Information Documents, Annual & Interim Reports and the Prospectuses, which are available on the Evenlode Investment Management website (www.evenlodeinvestment.com). Recent performance information is shown on monthly factsheets, also available on the website.

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ESG ratings

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