EVENLODE
INVESTMENTS FOR LIFE

Evenlode Portfolio Carbon Emissions – Continuing our analysis

Charlie Freitag, April 2021

Summary Report

PCAF Partnership for Carbon Accounting Financials

evenlodeinvestment.com

Climate change is one of the most important systemic risks we face. It has the potential to affect livelihoods everywhere, and it will also change the risk profile of companies we invest in on behalf of our clients. High-emission companies can expect to be impacted more heavily by carbon pricing and other forms of climate regulation in the near future.

In order to better understand this risk, Evenlode started measuring and reporting on the greenhouse emissions embedded in our portfolio in 2019. Building on our first portfolio emissions report from January 2020, for this second report we have further refined our methodology by aligning it to the Partnership for Carbon Accounting Financials (PCAF).

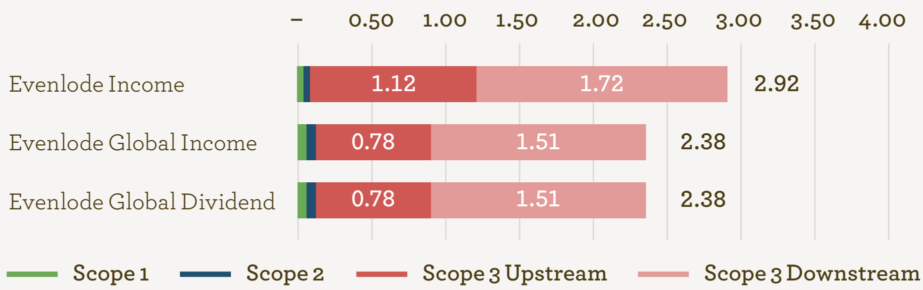
METHODOLOGY

Our analysis covers the scope 1, 2 and 3 emissions of our holding companies, proportional to our stake in these companies. Scope 1 and 2 are emissions from the fuel and electricity used directly by our investee companies, for example to heat and light offices and run machines and company-owned vehicles. However, the vast majority if most companies' carbon footprint lies in their supply chain and their products and services. That is covered in scope 3. By including scope 3 in our emissions analysis, we can get a much better picture of the climate risk inherent in our investment portfolios. For our analysis, we used the CDP Full GHG Emissions Dataset, which collates companies' own reports of their emissions and fills in the gaps with modelled estimates.

RESULTS

The emissions associated with investing £10,000 in one of our funds is between 2.4 and 2.9 tonnes of CO2-equivalents. For context, average per-capita emissions for UK residents are 5.5 tonnes per year[1], or 13 tonnes if imports from other countries are included.[2]

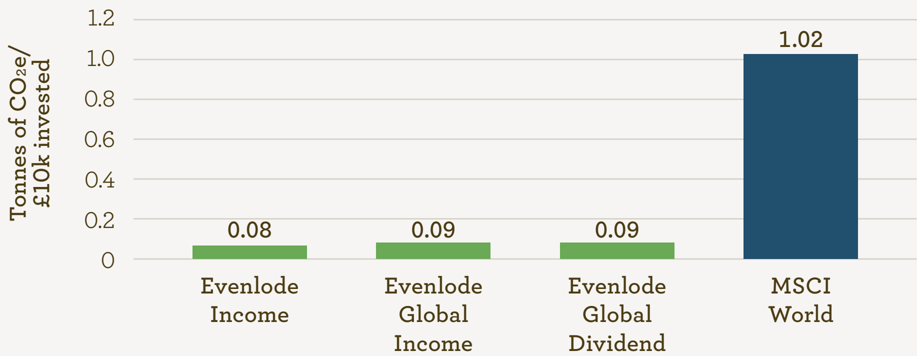
Tonnes of CO_2e per £10k invested



Tonnes of CO_2e/£10k invested as at 31st December 2020. Source: CDP 2019 Full GHG Emissions Dataset, Evenlode Investment.

This is more than ten times lower than the emissions associated with an equivalent £10,000 investment in a fund tracking the MSCI World index, Evenlode Global Income's formal benchmark. This is for scope 1 and 2; Scope 3 estimates are still not widely reported for funds and indexes. The difference mostly comes from Evenlode funds' low exposure to energy-intensive industries, such as the energy industry itself, utilities, materials and real estate.

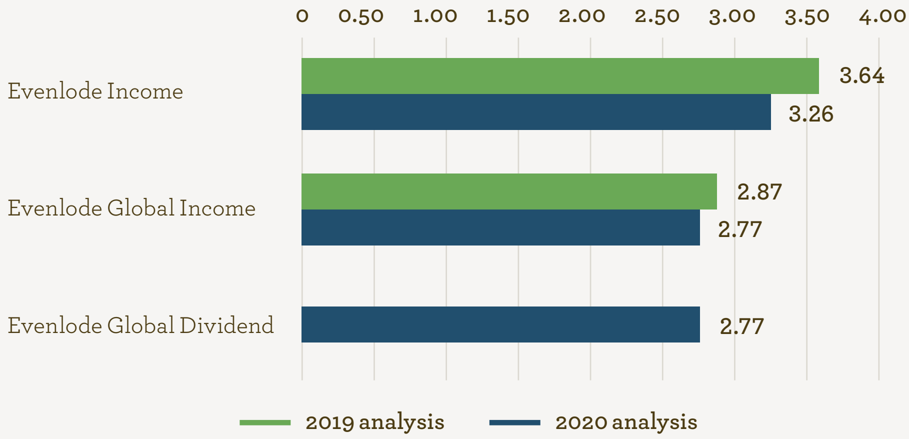
Scope 1 & 2 emissions per £10k invested



Scope 1 and 2 emissions per £10k invested. Source: CDP, Evenlode Investment, MSCI. MSCI World portfolio as at 30th April 2020, converted into emissions per £10k invested based on portfolio revenue and asset value as at 31st December 2020. Evenlode data as above.

Compared to last year's analysis, emissions per £10,000 invested have decreased by 10% for the Evenlode Income fund and by 3% for the Evenlode Global Income fund. This is partly because companies are starting to take action to reduce their emissions, because market capitalisation of our investee companies continues to grow, and because the funds have shifted slightly towards lower-carbon sectors.

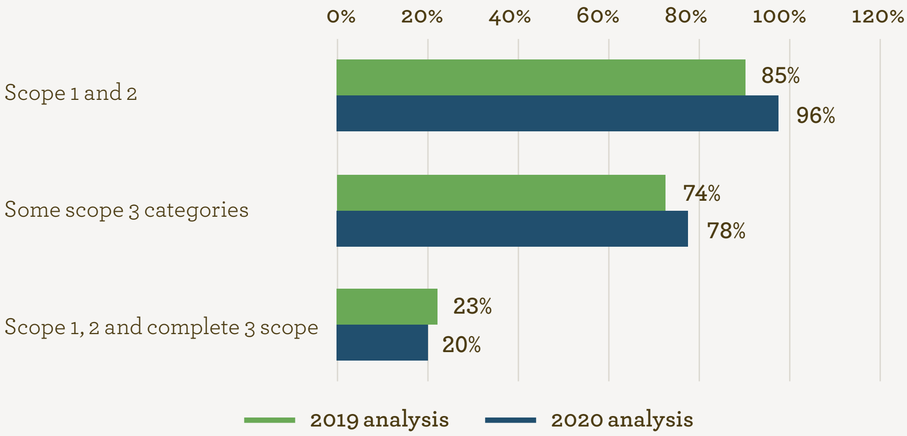
Tonnes of CO_2e per £10k invested in 2019 and 2020



Emissions per £10k invested across scopes 1, 2 and 3 comparing 2019 and 2020. Source: CDP 2018 and 2019 Full GHG Emissions Datasets, Evenlode Investment, using last year's methodology. Evenlode portfolios as at 31st December 2019 and 2020, respectively. Note: The Evenlode Global Dividend fund was not included in the 2019 analysis.

Data quality has improved too, with 96% of companies now reporting their scope 1 and 2 emission. However, only a minority of company reports on all relevant scope 3 emissions.

Holding companies' emission reporting by scope



Percentage of companies in Evenlode portfolios reporting across the different scopes.
Source: CDP 2019 Full GHG Emissions Dataset, Evenlode portfolios as at 31st December 2020.

OUTCOME

Companies' climate risk is integrated into our investment risk framework through the ESG risk score. The insights from our emissions analysis allow us to better target our research and engagements around climate risk, focusing on the biggest emitters and those companies that fail to report their full emissions. We will continue to engage companies to set ambitious net zero targets in line with 1.5 degrees and deliver on them. We believe that this will make our portfolios more resilient while contributing to tackling climate change.

You can find our detailed Portfolio Carbon Emissions Report 2021 here.

1 Our World In Data, January 2021: View here
2 Mike Berners-Lee, 2020. How Bad Are Bananas. Profile Books.