



EVENLODE

INVESTMENTS FOR LIFE



**Evenlode Portfolio Carbon Emissions –
Continuing our analysis**
Charlie Freitag, April 2021



[evenlodeinvestment.com](https://www.evenlodeinvestment.com)

EVENLODE PORTFOLIO CARBON EMISSIONS EXECUTIVE SUMMARY

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

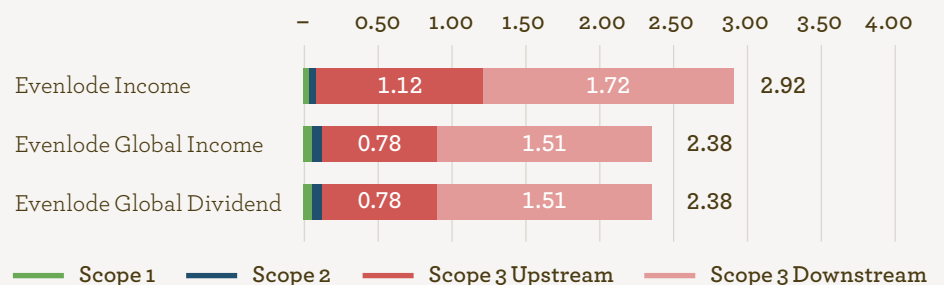
much better picture of the climate risk inherent in our investment portfolios. For our analysis, we used the CDP Full GHG Emissions Dataset, which collates companies' own reports of their emissions and fills in the gaps with modelled estimates.

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 year¹, or 13 tonnes if imports from other countries are included.²

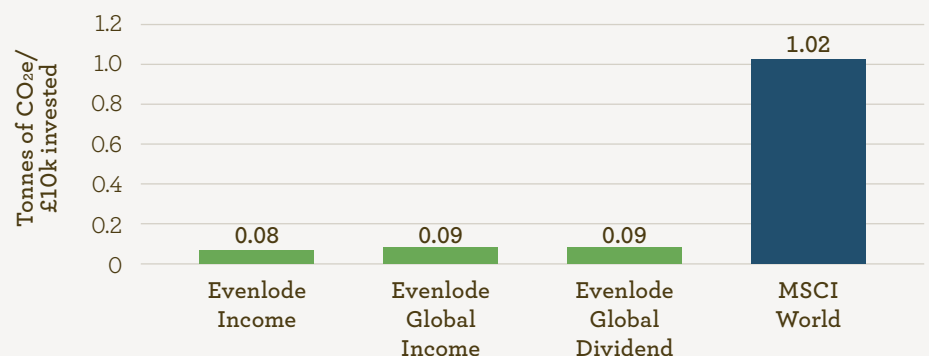
This is more than ten times lower than the emissions associated with an equivalent £10,000 investment in a fund tracking the MSCI World index, Evenlode Global Income's formal benchmark. This is for scope 1 and 2; Scope 3 estimates are still not widely reported for funds and indexes. The difference mostly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

Tonnes of CO₂e per £10k invested



Tonnes of CO₂e/£10k invested as at 31st December 2020. Source: CDP 2019 Full GHG Emissions Dataset, Evenlode Investment.

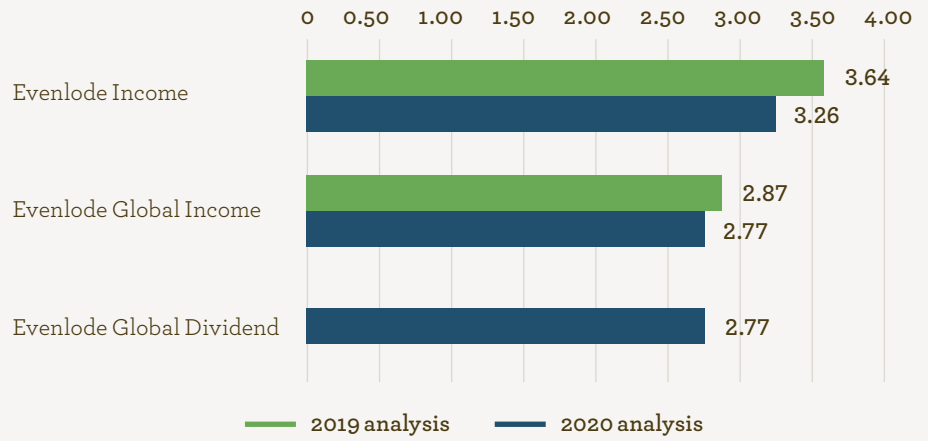
Scope 1 & 2 emissions per £10k invested



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.

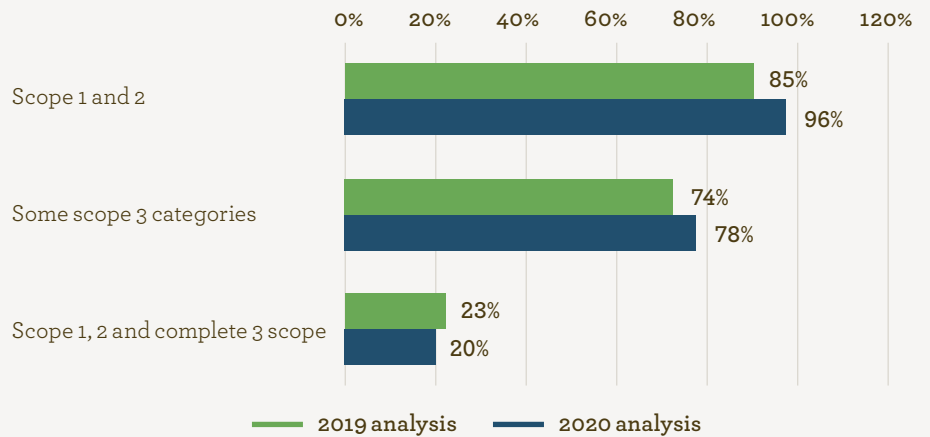
Tonnes of CO₂e per £10k invested in 2019 and 2020



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.

INTRODUCTION

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 the companies we invest in on behalf of our clients.

Global emissions might have seen a dip in 2020 due to the Covid-19 pandemic but we are still a long way off from achieving net zero emissions and thus slowing down the causes of climate change. The most recent estimate by the UN's Emissions Gap Report 2020¹ puts global emissions at 59.1 billion tonnes of CO₂-equivalents in 2019, up from 55.3 billion tonnes in 2018².

In our current high-carbon society, everything we do has a carbon footprint – the amount of greenhouse gas emissions expressed as carbon dioxide equivalents (CO₂e) that were released as a result of an activity or product. So do the companies that we invest in on behalf of our clients. This footprint as a proxy both for a firm's impact on the climate, and its exposure to regulatory and reputational risks from the transition to a low-carbon economy.

In 2020, we built on the carbon analysis we started in 2019 and further refined our methodology by aligning it to guidance by the Partnership for Carbon Accounting Financials (PCAF) in order to better assess the emissions Evenlode finances through its investments. This analysis allows us to get a sense for the climate impact our holdings have and the risks they face from the transition to a low carbon economy. It also plays an important role in our engagement with companies, as it tells us which companies disclose their emissions and where most of their climate impact lies.

The insights from this analysis have allowed us to better target our research and engagements around climate risk, focusing on the biggest emitters. The analysis allows us to identify the top emitters for each fund by emission intensity and absolute contribution to the fund's footprint. We prioritise these companies for our more in-depth climate risk assessment, in which we review their physical and transition risks and their climate risk management, such as setting net zero emission targets, among other things. We started this Climate-Related 'At-Risk' Analysis in 2020 and will continue to extend it to a wider range of companies in 2021.

Companies' emission intensity and the results of our further analysis and engagement feed into companies' ESG risk score, which is integral to the investment process and influences the maximum position size for each holding. The analysis also provide us with data on which companies report their emissions, and across which scopes. In the coming year, we will use this data to engage with companies that do not report scope 3 emissions yet. This will hopefully allow us to get a clearer picture of the emission footprint of our portfolio over time.

This report is intended to provide a detail for the interested readers; for a summary, please see the Evenlode Investment Responsible Investment Report 2020. In the following pages, we will describe the methodology and main findings from our analysis. More detail of how the data was obtained and altered is set out in the appendix.



¹ United Nations Environment Programme, December 2020: Emissions Gap Report 2020. [View here](#)
² United Nations Environment Programme, November 2019: Emissions Gap Report 2019. [View here](#)

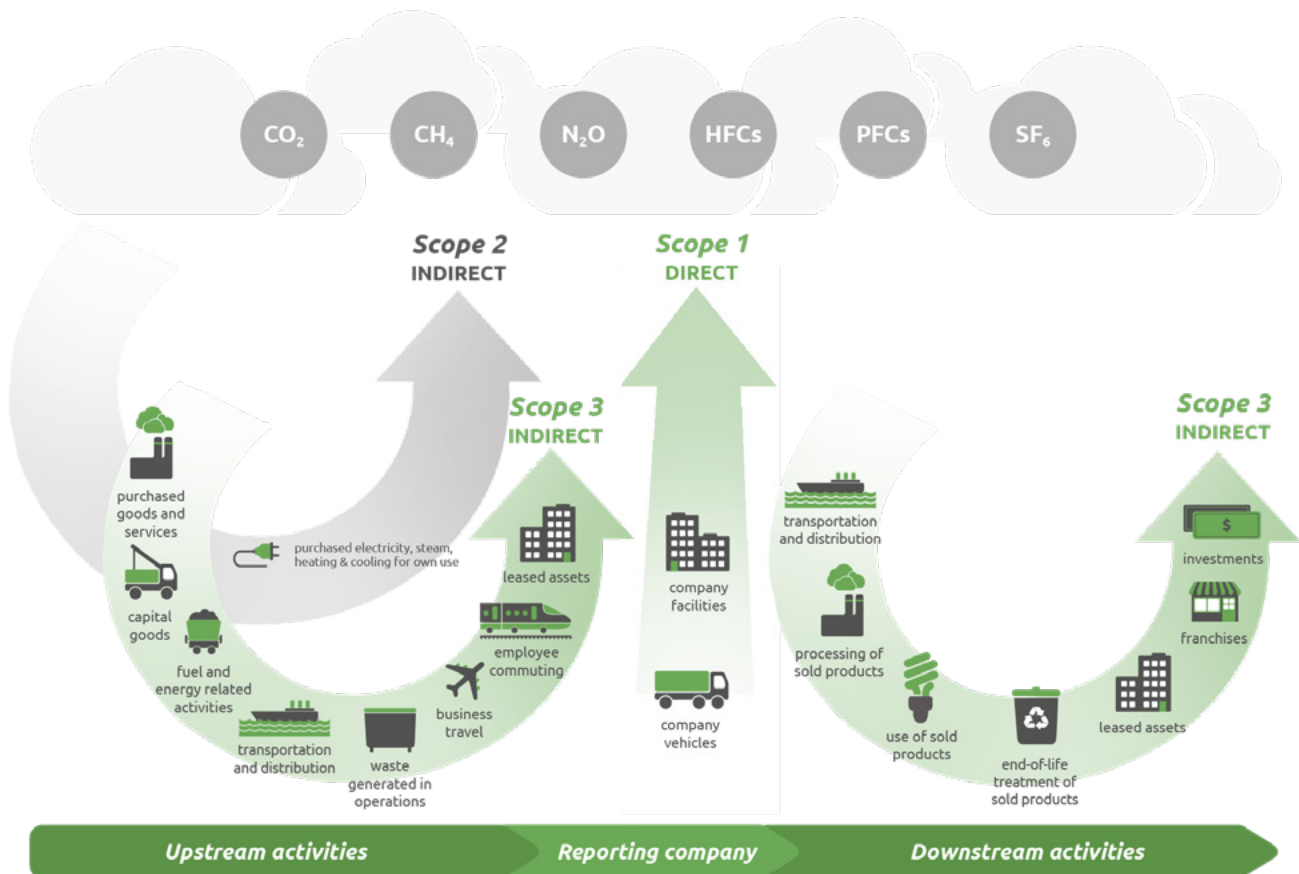
SCOPING OUT THE PROBLEM

Emissions are defined as being from three different ‘scopes’, depending on where they are actually emitted from. Scope 1 and 2 refer to emissions occurring in companies’ operations while scope 3 are indirect emissions occurring in the value chain, both upstream and downstream of its operations (see table below).

SCOPE 1	SCOPE 2	SCOPE 3		
Emissions generated directly in a company’s operations from sources owned or controlled by the company. For example, burning gas or coal in a power plant or diesel or petrol in a company car.	Indirect emissions from electricity, steam, heat or cooling purchased by the company. For example, the emissions associated with the electricity that is running your computer.	Basically everything else, up and down the company’s value chain, including: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> Upstream Emissions in the supply chain. </td> <td style="width: 50%; vertical-align: top;"> Downstream Emissions that occur as a consequence of using the organisation’s products and services. </td> </tr> </table>	Upstream Emissions in the supply chain.	Downstream Emissions that occur as a consequence of using the organisation’s products and services.
Upstream Emissions in the supply chain.	Downstream Emissions that occur as a consequence of using the organisation’s products and services.			
Our estimates include all greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF ₆) and nitrogen trifluoride (NF ₃).				

Source: Greenhouse Gas Protocol³

The Greenhouse Gas Protocol, which defines these scopes, further breaks scope 3 down into 15 categories:



Source: WRI and WBCSD⁴

³ Greenhouse Gas Protocol, 2013: [View here](#)
⁴ [View here](#)

SCOPING OUT THE PROBLEM

Evenlode's Scope 3 Category 15 emissions (emissions from investments) are the proportion of scope 1 and 2 emissions of our investee companies that we hold shares for.⁵ PCAF released a standard for calculating portfolio

emissions in November 2020, in which it requires signatories of the standard to report financed scope 1 and 2 emissions as a minimum – that is the scope 1 and 2 emissions of investee companies. However, in order to understand

companies' climate impact and risk we believe that it is important to include their scope 3 emissions in our financed emissions reporting (see Why scope 3 is important below).

WHY SCOPE 3 IS IMPORTANT

Scope 3 emissions are harder to control and measure for companies but make up the vast majority of Evenlode portfolio companies' emissions. In particular for the low capital intensive companies we tend to invest in, scope 1 and 2 only represent a small proportion of total emissions. If we only looked at scope 1 and 2, we would only see a small part of the real picture. A company might outsource parts of its operations, thereby pushing them outside of the boundaries of its scope 1 and 2 footprint, even though their suppliers might operate in a less environmentally friendly way. The other side of the coin is that companies can make a difference by choosing more climate-friendly products and services, lower-carbon ways to transport supplies to their sites, optimising operations to minimise waste and redesigning their products so they use less energy during their lifetime for example – all of which would impact scope 3 emissions. Understanding one's scope 3 footprint also forms the basis for setting net zero targets where companies pledge to reduce their emission

across scope 1, 2 and 3 emissions as much as possible by a certain date and offset the remaining emissions. Setting such targets can have a snowball effect down the supply chain because it incentivises companies to engage with their suppliers to reduce their emissions, and it means that when a company outsources certain operations, they do not disappear from the carbon picture. For achieving the aims of the Paris Agreement to limit global warming to 1.5°C, it is crucial that businesses tackle their scope 3 emissions. According to The Science-Based Targets initiative (SBTi), companies that want to align themselves with 1.5°C need to set reduction targets that would see emissions decline by 4.2% per year or to net zero by 2050. For companies where scope 3 contributes at least 40% of total emissions, these targets have to include scope 3.⁶ This applies to most companies. By understanding the scope 3 emissions of our holdings, we can meaningfully engage with them to report their scope 3 emissions and set ambitious scope 3 emission reduction targets that are in line with 1.5°C.



⁵ Greenhouse Gas Protocol, 2013. Technical Guidance for Calculating Scope 3 Emissions. Category 15: Investments. [View here](#)
⁶ SBTi, March 2020. Business Ambition for 1.5°C. [View here](#)

SOURCES OF DATA

This year we have again used the Full Greenhouse Gas Dataset provided by the Carbon Disclosure Project (CDP). The CDP is the most comprehensive and practical source of emissions data currently available. The CDP annually requests information from companies in the MSCI All Country World Index (ACWI) as well as the highest emitting companies not included in this index. It provides a standardised framework for consolidating the varied corporate reporting on emissions using the Greenhouse Gas Protocol's definitions of scopes (see above) and fills in any gaps in the company's reporting with its own estimates based on company revenue breakdown by industry activity.

The CDP dataset has several advantages. Firstly, it fills in all the categories that companies have failed to report on. Secondly, it provides crucial detail by requiring companies to report emissions segregated into scope 1, 2 and the 15 different scope 3 categories, rather than in aggregated form. Thirdly, it has the advantage of providing additional quality assurance as its data teams check reported emissions, flagging those that deviate from its own estimates of the company's likely emissions and checking a subset against emissions disclosed in company reports for external consistency.

While we identified the CDP dataset as the most suitable data source available, it is nonetheless incomplete and contains the odd error. This is particularly true of Scope 3 emissions, which require a high degree of judgement from reporting firms, if they report at all. The CDP use models to fill in the gaps where companies do not report. For carbon intensive industries, a bottom up analysis of facilities can be carried out (e.g. power plants, steel mills). However, Evenlode does not naturally invest in such businesses.

For less resource-intensive firms, the CDP uses a set of generalised linear models (GLM), a type of regression model, for each industry activity to estimate emissions, based on revenue breakdown data from Bloomberg for each company. These models are based on emissions reported by other companies in those industry categories, which use a variety of methodologies. Whilst they are a good starting point for filling in the gaps, these models are very generic and cannot take into account the individual company's circumstances, such as the country it operates in (which it only takes into account for scope 1 and 2) or whether it takes actions to reduce its environmental impact. Especially in industry categories where there is a lot of variation in emissions, such as the financial services industry, the CDP-modelled data can lead to vast under- or over-estimates. Our analysis of cases where the CDP made an estimate because a company did not respond to the CDP's data request but the company disclosed (some) emissions on its website suggests that the CDP estimates tend to be higher more often than lower compared to company-reported emissions. That's why it is so critical for companies to do their own analysis and report emissions publicly, such as through the CDP.

This is also the reason why we have undertaken a data validation exercise on the CDP data (see below) in order to assess portfolio emissions in as consistent and accurate a manner as possible, and to understand where weaknesses in the data occur.

For our 2020 financed emissions, we used the CDP 2019 Full GHG Emissions Dataset dataset, the most recent dataset available at the time of the analysis at the end of 2020, which covers reporting years ending between 30/06/2018 and 30/06/2019. The dataset contains over 5,400 companies, including emissions reported by companies themselves when they respond to the CDP climate survey and emissions modelled by the CDP based on revenue data. This covered 90% of our portfolio companies. For the five portfolio companies which were not included in the CDP dataset, we modelled emissions based on peers for which there was data available, using revenue data for the emission reporting period to scale emissions. For two companies, EssilorLuxxotica and Siemens Healthineers, we were able to use CDP data pre-merger from Essilor and pre-demerger from Siemens AG, respectively. Where companies did not respond to the CDP survey but reported emissions on their own website, we substituted in these estimates after checking them.



METHODOLOGY

DATA SOURCE

The CDP Full GHG Emissions 2019 Dataset covering company emissions for reporting years ending between 30/06/2018 and 30/06/2019 is used. 5402 companies

DATA EXTRACTION

VBA is used to extract emissions data and explanatory notes for the investable universes for three Evenlode funds: 176 companies

Evenlode Income **Evenlode Global Income** **Evenlode Global Dividend**

DATA SELECTION

Company-reported emissions are used in preference to CDP estimates, because they are assumed to be more tailored, unless the CDP provided good reasons for using their alternative estimates, and market-based scope 2 in preference to location-based scope 2, because they take into account the energy source (e.g. renewable energy certificates). 176 companies

COMPANY EMISSIONS

Absolute company emissions from Scope 1, 2, upstream 3, downstream 3 and total scope 3 are calculated.

EMISSION INTENSITY

Total company emissions are divided by total revenue for the same time period as the emission reporting year. This normalises emissions for companies of different sizes.

VALIDATION

For companies in the investment portfolios at the end of 2020, more detailed validation checks are carried out. 63 companies

Where scope 1 and 2 emissions were not reported to the CDP but the company reports these on their own website, any available data points for scope 1, 2 and 3 are manually checked and substituted in. 11 companies (17%)

For companies that were not included in the CDP dataset, company-reported emissions are used where available and the rest is modelled based on peers, scaled by revenue. 5 companies (8%)

For the top and bottom 20 companies by emission intensity across the three funds, in-depth manual checks of each data point are carried out to identify potential anomalies or outliers. 40 companies

DOUBLE COUNTING

The portfolio is examined at a high level for potential overlaps in the value chain that might result in double counting of emissions in scope 3.

METHODOLOGY

ATTRIBUTION

The size and weighting of each fund is taken as of 31/12/2020.

The attribution factor for each holding company is calculated based on shares held in the fund for a company multiplied by the share price and divided by enterprise value including cash:

$$\frac{\text{Nominal shares} \times \text{share price}}{\text{enterprise value including cash (EVIC)}}$$

The attribution factor is multiplied by the total emissions of the investee company to arrive at the fund's allocation of that company's footprint.

ABSOLUTE FINANCED EMISSIONS

These allocated emissions are summed to arrive at the total emission financed by each fund. They are weighted by ownership in each investee company.

EMISSIONS PER £10,000 INVESTED

£10,000 are divided by the net asset value of the fund and multiplied by total fund emissions. This allows us to put financed emissions in a more meaningful context for clients. Emissions per \$1M invested are also calculated to aid comparison with benchmarking indexes and other funds.

WEIGHTED AVERAGE EMISSION INTENSITY

The proportion of each holding of the fund's portfolio value is multiplied by the holding company's emission intensity.

RANKING

Companies are ranked by their emission intensity and also by their relative contribution to total fund emissions to help with prioritisation of engagement.

BENCHMARKING

Weighted emission intensity (emissions per £1M revenue) is compared to the MSCI World Index, by converting MSCI World's emission intensity from USD to GBP. Emissions per £10,000 invested are calculated for MSCI World based on total revenue and index portfolio value.

DATA QUALITY CHECK

Emissions are broken down by data source and the percentage of fund emissions that are reported by companies vs modelled is calculated. The number of companies reporting 1) no emissions, 2) scope 1 and 2 only, 3) some scope 3 emissions, and 4) all emissions, is calculated.

CHANGES TO THE METHODOLOGY

For last year's analysis, we followed the guidance set out by the Task Force on Climate-related Financial Disclosures (TCFD⁷). Since then, PCAF, an industry-led initiative that aims to standardise the way financial institutions measure and disclose GHG emissions from their loans and

investment, has released a standard for calculating portfolio emissions.⁸ This has been endorsed by the UN-convened Net Asset Owner Alliance, the UK's Financial Conduct Authority, the CDP and the Science-Based Targets Initiative, among others. It provides an additional level of granularity to enable

consistent implementation of the TCFD framework. Evenlode became a PCAF member in February 2021. To align ourselves with the PCAF standard, we have made a few changes to our methodology. These include the way the attribution factor is calculated.

In general, financed emissions are allocated based on an attribution factor which defines how much of a company's total emissions an investment portfolio is responsible for:

$$\text{Financed emissions} = \sum \text{attribution factor} \times \text{company emissions}$$

Last year, we followed the TCFD's recommendation to use market capitalisation as the denominator of the attribution factor:

$$\text{Financed emissions} = \sum \frac{\text{current value of investment}}{\text{market capitalisation}} \times \text{company emissions}$$

PCAF instead recommend calculating the attribution factor based on total equity and debt to include other providers of capital.

$$\text{Financed emissions} = \sum \frac{\text{outstanding amount}}{\text{total equity + debt}} \times \text{company emissions}$$

For listed equity, PCAF recommend using enterprise value including cash, including non-traded shares, which aligns with recommendations by the EU Technical Expert Group on Sustainable Finance (EU TEG) and allows comparison with other asset classes, such as business loans. This means that the share of company emissions is slightly smaller than with the previous methodology, but since Evenlode tend to not invest in companies with high debt ratios, the difference is not large.

$$\text{Attribution factor for listed equity} = \sum \frac{\text{nominal shares} \times \text{share price}}{\text{enterprise value including cash (EVIC)}}$$

We have also aligned the reporting period for emissions and revenue data and used revenue instead of market capitalisation to calculate emission intensity, in line with PCAF guidance.

However, it is worth noting that there is a time lag between financial portfolio data (end of 2020) and emissions data (mid-2018 to mid-2019, the most recent CDP emissions data available at the

time of the analysis). We made the decision to use the most recent financial data rather than end of 2019 data as we felt that this would be most relevant to our clients.

⁷ TCFD, June 2017. Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, pp 43-44. [View here](#)
⁸ PCAF, November 2020. The Global GHG Accounting & Reporting Standard for the Financial Industry. [View here](#)

DATA VALIDATION EXERCISE

The step that includes the most judgment is the validation exercise. The aim of this step is to extend the CDP dataset with as much company-reported data as possible and to detect any errors that might have happened during data entry and through unrealistic assumptions in the model. As part of this, we manually checked for emission disclosures outside of the CDP survey (such as on sustainability websites and in annual reports) where the company did not respond to the CDP survey, comparing these with estimates modelled by the CDP and substituting in reported emissions that passed the sense check.

For companies that were not covered in the CDP dataset at all, we first checked for disclosures in corporate reports, and in the absence of any reported data, modelled emissions based on peers who did report to the CDP survey.

For the top and bottom 20 companies by emission intensity across the three funds, we carried out more in-depth manual checks, since we expected anomalies and outliers to be most likely in these two groups. We looked at each individual data point, comparing it against the explanations companies provide as part of the CDP survey and weighing it against our understanding of the company and the associated industry.

Where data points seemed to vastly under- or over-estimate emissions, we altered individual data points. In 10 cases where the company made a convincing case, this led us to remove CDP-modelled data and use company-reported figures instead; in one case (Adecco Group), we used CDP-modelled data instead of company-reported figures for purchased goods and services, as the company only included paper and IT and the percentage of total emissions from this category was unexpectedly low. For one company (Heineken), the notes revealed that the company had deducted what they calculated as carbon credits or negative emissions for End of life from another category, Purchased goods and services, because they were not able to input a negative number into the CDP form for End of life. As carbon removals should always be reported separately from emissions, we added that amount back into Purchased goods and services. More detailed methodological notes, including the changes made to data points, are included in the appendix.

“For the top and bottom 20 companies by emission intensity across the three funds, we carried out more in-depth manual checks, since we expected anomalies and outliers to be most likely in these two groups.”



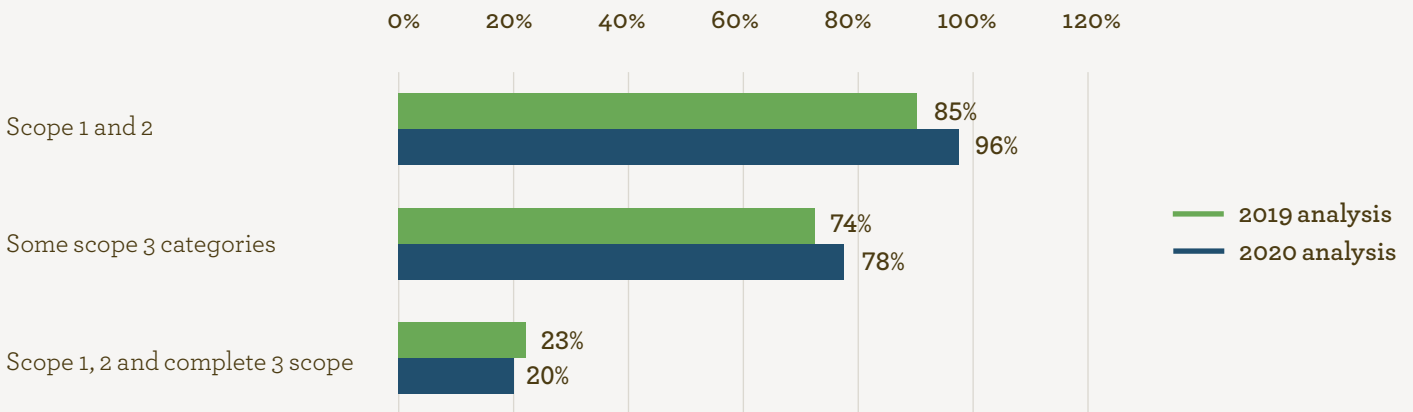
DATA QUALITY

Our emission analysis has become somewhat easier, as more companies report on their emissions and more of their scope 3 emissions. For this year's analysis, 64% of emissions were reported by the companies themselves, compared to 47% last year. That makes our analysis more robust, as emission

estimates reported by the company are much more tailored than modelled emissions and therefore carry less uncertainty. However, there is still some way to go before all companies report their full emissions. Most companies now report their scope 1 and 2 emissions but only a fifth report their complete

emissions. In 2021, we will continue to engage with companies on their climate action, including public reporting of their emissions. This will hopefully allow us to get a clearer picture of the emission footprint of our portfolio over time.

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.

Percentage of emissions modelled rather than reported by the company

Fund	Scope 1	Scope 2	Scope 3	Total emissions
Evenlode Income	0.0%	0.3%	38.6%	37.5%
Evenlode Global Income	10.2%	10.6%	30.6%	29.9%
Evenlode Global Dividend	10.2%	10.6%	30.6%	29.9%
Weighted average*	1.8%	2.1%	37.2%	36.1%

Percentage of emissions modelled by the CDP or Evenlode rather than reported by the company, by scope and fund.
*Calculated based on percentage of total emissions. Source: CDP and Evenlode Investment.

DATA QUALITY

The Evenlode Global Income and Evenlode Global Dividend portfolio figures are 30% comprised of modelled estimates, whilst the UK-focused Evenlode Income portfolio has a slightly larger 38% of the total from modelled estimates. This is explained by the larger weighting to smaller firms in the Evenlode Income fund, which tend to report less scope 3 data.

This is probably a good point to stress that emission footprints are only estimates which try to approximate the

‘true’ emissions. They are never perfect but provide a good-enough indicator that we can work with. We can be fairly confident in scope 1 and 2 estimates.

Upstream scope 3 is more difficult to estimate, but uncertainty is biggest for downstream scope 3; in particular use phase estimates as they rely on many assumptions about exactly how products are used (see box below). To acknowledge this variation in the uncertainty of estimates and to make comparison with other funds possible,

we have broken emissions down by scope and segregated scope 3 into upstream and downstream throughout this report. Despite the uncertainty about the exact figure, these estimates still give us an important indication of where the hotspots are for any given company. A company for which the majority of emissions lies in the use phase of their products (i.e. downstream scope 3) could for example focus on designing detergents that work at lower temperatures or making machines more energy efficient.

WHY SCOPE 3 ESTIMATES ARE MORE UNCERTAIN

Scope 3 has substantially more uncertainty attached to it than scope 1 and 2, meaning we should think of these estimates as ballpark figures rather than precise information, for two reasons:

- While the number of companies reporting emissions is increasing, few report across all scope 3 categories at present. We therefore frequently have to rely on modelling for scope 3 emissions, which has a larger uncertainty associated with it.
- Estimating scope 3 emissions is more complex than for scope 1 and 2 as it requires collecting data on activities in the supply chain, which often crosses borders and can, depending on the company, be very long. Only some companies can and want to afford collecting data directly from suppliers, and often this reaches only tier 1 suppliers. Others resort to environmentally-extended input-output models which make estimates based on the amount of money spent and the broad sector that each supplier falls into or the amount of material acquired. This approach covers the entirety of the supply chain but is very generic. Looking downstream of the company’s own operations, estimating the emissions occurring during the use of companies’ products and services requires many assumptions to be made. For example, regarding the useful life of a product, how frequently it is used, using which countries electricity grid, and how it is disposed of, rotting in a landfill or being refurbished or recycled. Therefore, downstream scope 3 emissions are even less certain than upstream emissions.

Another point to note is that when we include scope 3 emissions there can be overlaps between the different companies in our investment portfolios. If we add up all of the scope 1 emissions then there shouldn’t be any double counting, as there is no overlap of one company’s direct operations with another’s. Providing we ignore electricity producers (we don’t invest in any at Evenlode), then adding up a portfolio’s scope 2 emissions shouldn’t have any overlap either. But from a scope 3 perspective things get tricky.

If one company is a supplier to another, say Microsoft supplying Henkel’s software infrastructure, then the carbon associated with Henkel using the software would be included in Henkel’s scope 2 (using electricity), and also in Microsoft’s scope 3 (use of sold products).

This kind of double counting cannot be avoided but it can be made transparent by reporting scope 1, 2 and 3 emissions separately. Our analysis also suggests that Evenlode’s portfolios are

sufficiently small that there is minimal overlap in the emissions between portfolio companies. Whilst some undoubtedly supply others (like the Microsoft/Henkel example above), the overlap and therefore overestimation due to double counting is likely to be immaterial.



RESULTS — THE IMPACT OF YOUR INVESTMENT

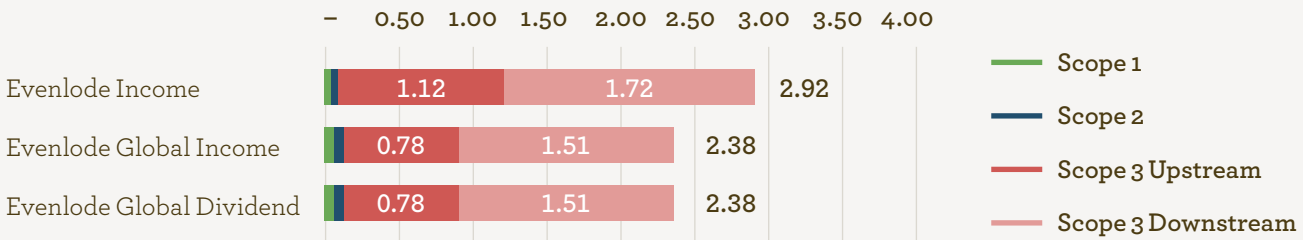
The chart and table opposite summarise the emissions associated with an investment of £10,000 in each of the Evenlode funds. For context, according to Our World In Data, the average UK resident was responsible for 5.5 tonnes of CO₂e in 2019.⁹ This is based on emissions produced in the UK; if you take into account imported and exported goods, the per-capita emissions are ca. 13 tonnes.¹⁰

The Evenlode Income fund has slightly higher emission per £10,000 invested than the other two funds, but overall the figures are remarkably similar. This is partly because there is an overlap of fifteen companies between Evenlode Income and Evenlode Global Income/ Evenlode Global Dividend.

The Evenlode Global Dividend fund is a mirror of the Evenlode Global Income

fund, so although it is smaller overall, it has the same proportions of scopes and the same emissions per £10,000 invested.

Tonnes of CO₂e per £10k invested



Fund	Scope 1	Scope 2	Scope 3 Upstream	Scope 3 Downstream	Total
Evenlode Income	0.04	0.04	1.12	1.72	2.92
Evenlode Global Income	0.04	0.05	0.78	1.51	2.38
Evenlode Global Dividend	0.04	0.05	0.78	1.51	2.38

Tonnes of CO₂e/£10k invested as at 31st December 2020. Source: CDP 2019 Full GHG Emissions Dataset, Evenlode Investment.

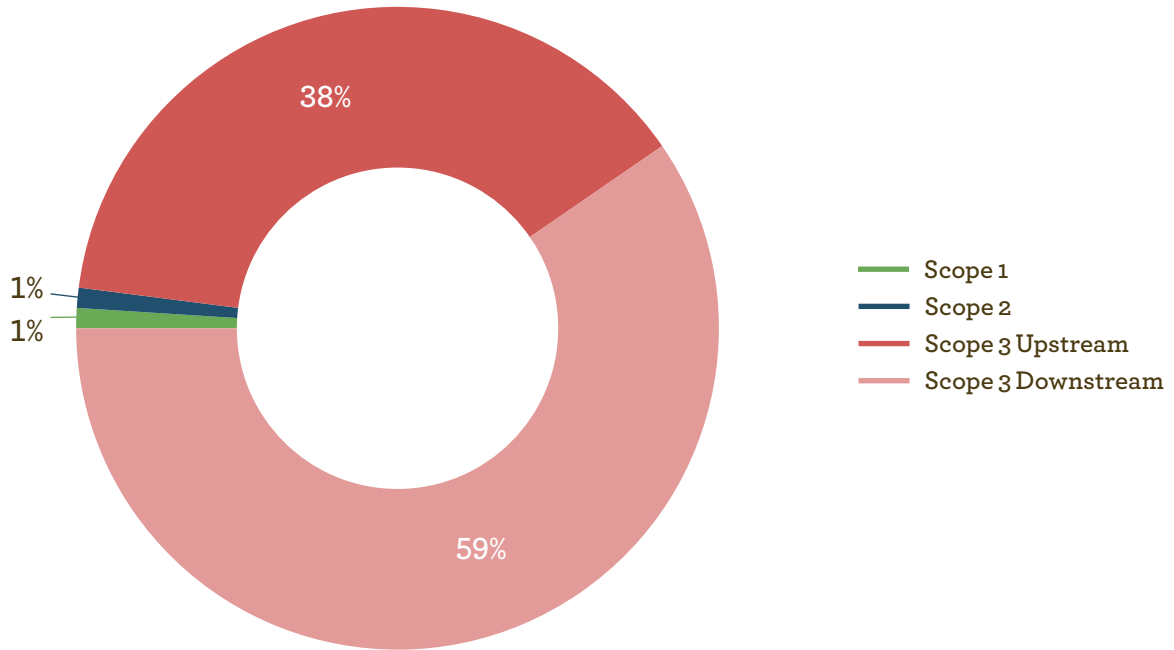


⁹ Our World In Data, January 2021: [View here](#)
¹⁰ Mike Berners-Lee, 2020. How Bad Are Bananas. Profile Books.

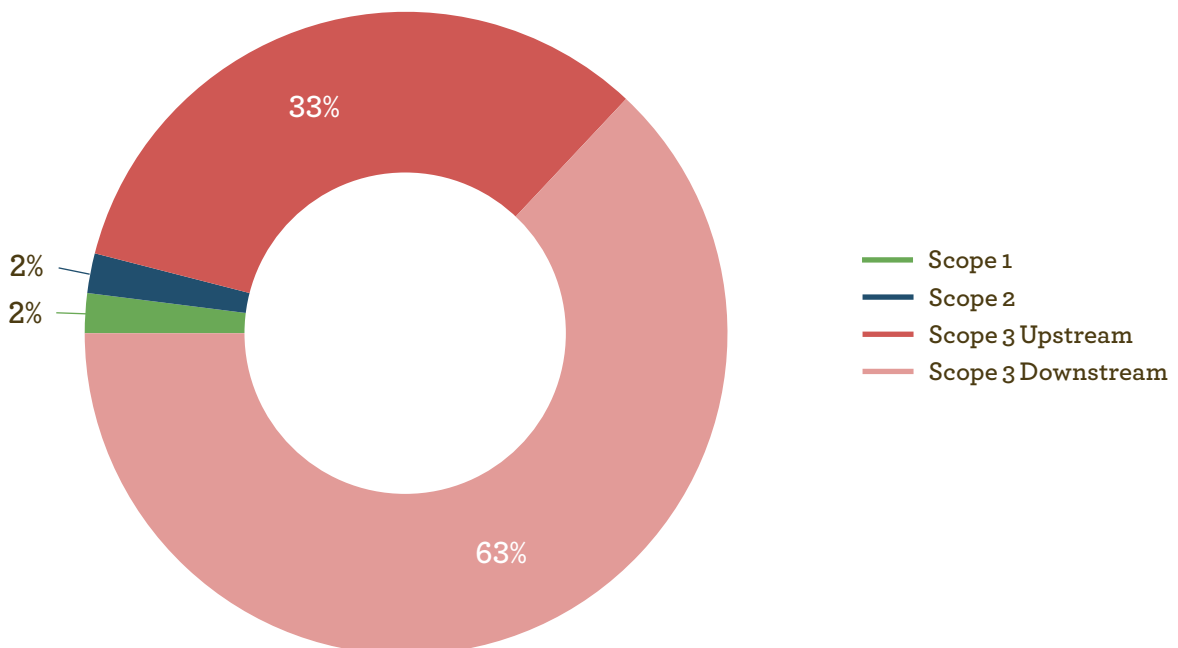
RESULTS — THE IMPACT OF YOUR INVESTMENT

For all three funds, the emissions from scope 3 vastly outstrip emissions from scope 1 and 2, reflecting the low exposure to industrial firms within the funds.

Evenlode Income



Global Income/Global Dividend

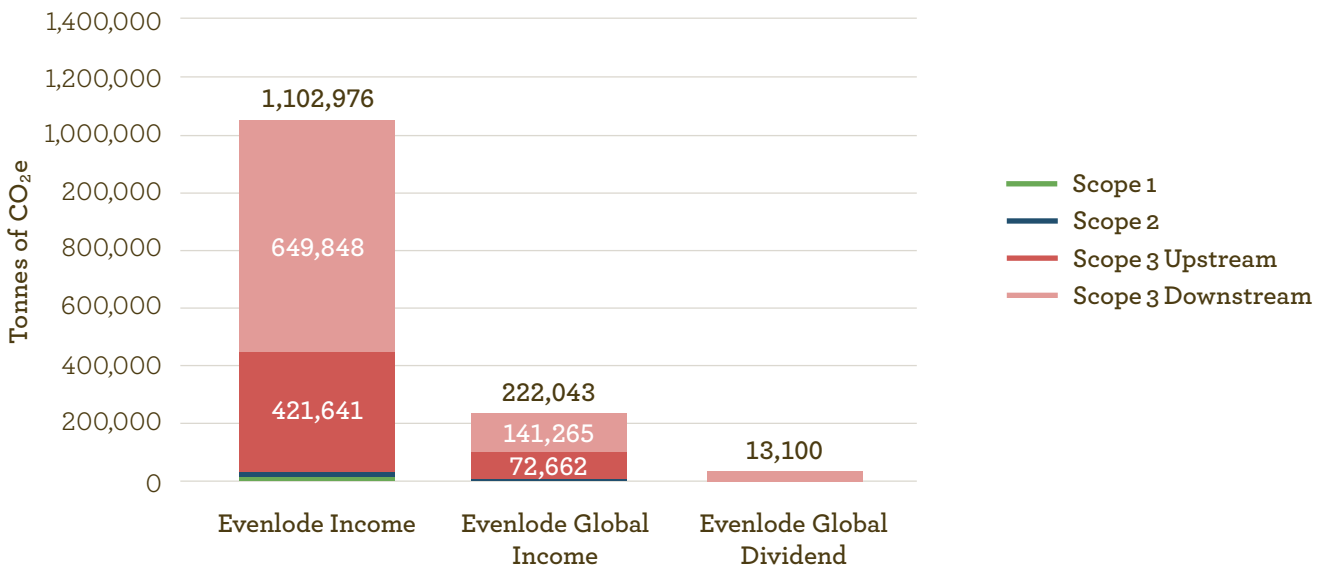


RESULTS — THE IMPACT OF EVENLODE'S FUNDS

We now turn to the bigger picture; the total emissions financed through Evenlode's funds. They are summarised in the figure and table below. The Evenlode Income fund contributes

the most because of its bigger size and slightly higher emission intensity per invested amount. Again, the disproportionate contribution of scope 3 emissions is visible.

Total financed emissions per fund



Tonnes of CO_{2e}

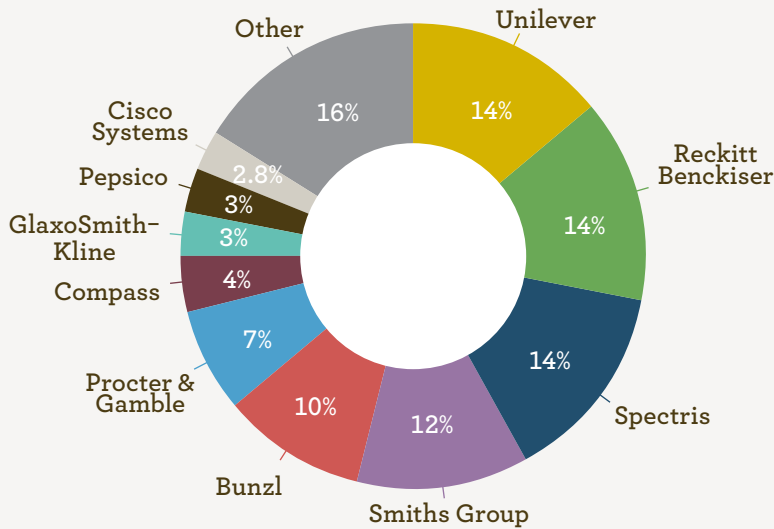
Fund	Scope 1	Scope 2	Scope 3 Upstream	Scope 3 Downstream	Total
Evenlode Income	15,773	15,715	421,641	649,848	1,102,976
Evenlode Global Income	3,603	4,513	72,662	141,265	222,043
Evenlode Global Dividend	213	266	4,287	8,334	13,100
Total	19,596	20,501	498,740	799,583	1,338,420

Total financed emissions per fund. Source: CDP and Evenlode Investment. Evenlode portfolios as at 31st December 2020.

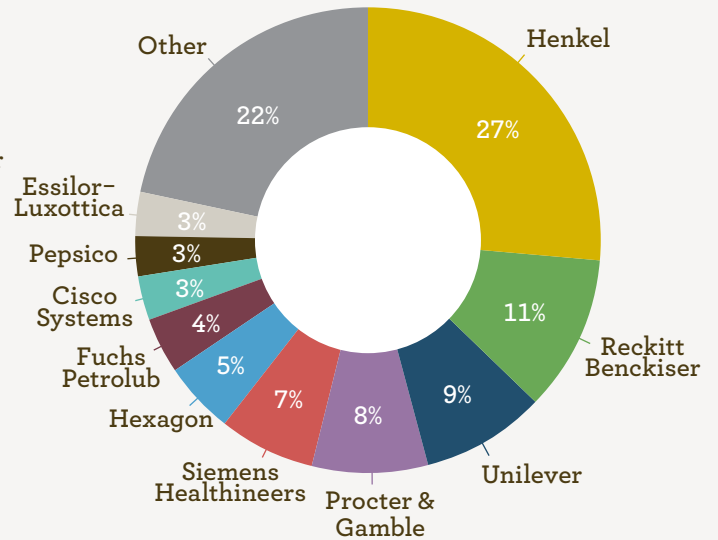
RESULTS – TOP EMITTERS

A few companies contribute disproportionately to each fund’s emissions because of their position size in the portfolio and their relatively higher emission intensity. The graph shows the percentage breakdown of total fund emissions by company showing the top ten contributors.

Evenlode Income



Evenlode Global Income/Global Dividend



Total fund emissions across scopes 1, 2 and 3 broken down by each company’s emission contributions as at 31st December 2020. Source: CDP and Evenlode Investment.

However, a better way to target our engagement is possibly to look at the companies with the highest emission intensity in terms of emissions per revenue, as this indicates how climate-friendly companies are operating independently of their overall size and position size in the portfolio. Due to data licensing restrictions, we are not able to show individual companies’ emission intensities.

The top ten most emission intensive companies across scopes 1, 2 and 3

Rank	Evenlode Income	Evenlode Global Income/Global Dividend
1	Procter & Gamble	Procter & Gamble
2	Reckitt Benckiser	Reckitt Benckiser
3	Spectris	Hexagon
4	Smiths Group	Siemens Healthineers
5	Pepsico	Henkel
6	Unilever	Nestle
7	Victrix	Pepsico
8	Cisco System	Unilever
9	Anheuser-Busch InBev	Fuchs Petrolub
10	Compass Group	Cisco Systems

The ten companies with the highest tonnes of CO₂e/£M revenue per fund. Portfolio as at 31st December 2020. Source: CDP and Evenlode Investment.

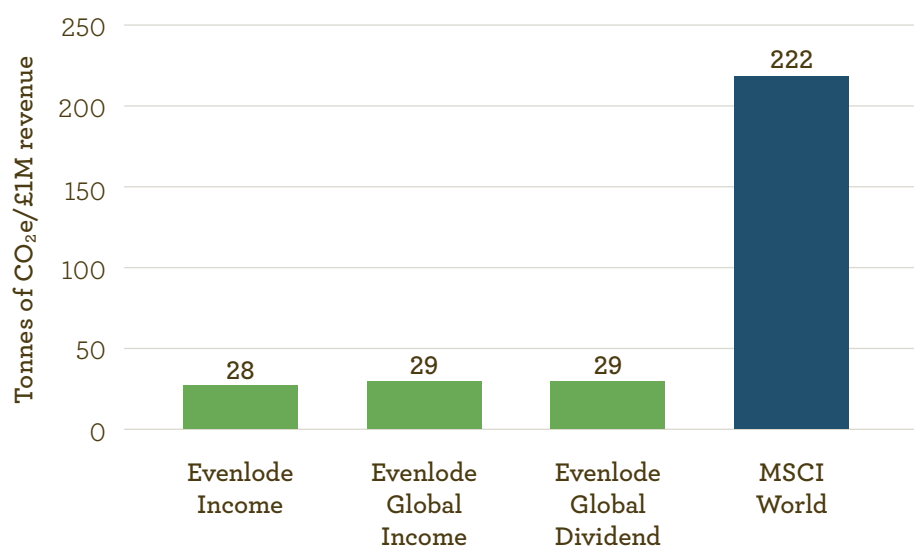
RESULTS —

HOW EVENLODE FUNDS COMPARE TO OUR BENCHMARK

Due to the nature of our investment process, the funds naturally have low exposure to energy-intensive industries such as the energy industry itself, utilities, materials and real estate. This explains why the funds have a lower weighted emission intensity across scope 1 and 2 compared to the MSCI World index, Evenlode Global Income's formal benchmark, which contains a much broad coverage of sectors.

Ca. 24% of the MSCI World index was comprised of energy, materials, industrials, utilities and real estate at the end of 2020, sectors that have high scope 1 and 2 emissions. In contrast, only 1.4% of the Evenlode funds investments are in these sectors as at end of 2020. Instead, the majority of holdings are consumer goods, media, technology, healthcare and services, which have lower scope 1 and 2 emissions relative to their revenue.

Scope 1 & 2 emissions per £1M of revenue



Source: CDP, Evenlode Investment, MSCI¹¹. MSCI World portfolio as at 30th April 2020 and converted to GBP, Evenlode data as above. Emissions in tonnes of CO₂e per £1M equal grammes of CO₂e per \$1 revenue.

To make comparison with other funds easier, we summarise the emissions per million dollars revenue.

Fund	Tonnes of CO ₂ e per £1M revenue		Tonnes of CO ₂ e per \$1M revenue	
	Scope 1 & 2	Scope 1, 2 & 3	Scope 1 & 2	Scope 1, 2 & 3
Evenlode Income	28.2	891.6	20.6	652.2
Evenlode Global Income	29.0	834.5	21.2	610.5
Evenlode Global Dividend	29.0	834.5	21.2	610.5
MSCI World	222.0	n/a	162.4	n/a

Tonnes of CO₂e per 1M in revenue in GBP and USD as at 31st December 2020. Data sources as above, converted at the exchange rate as at 31st December 2020.

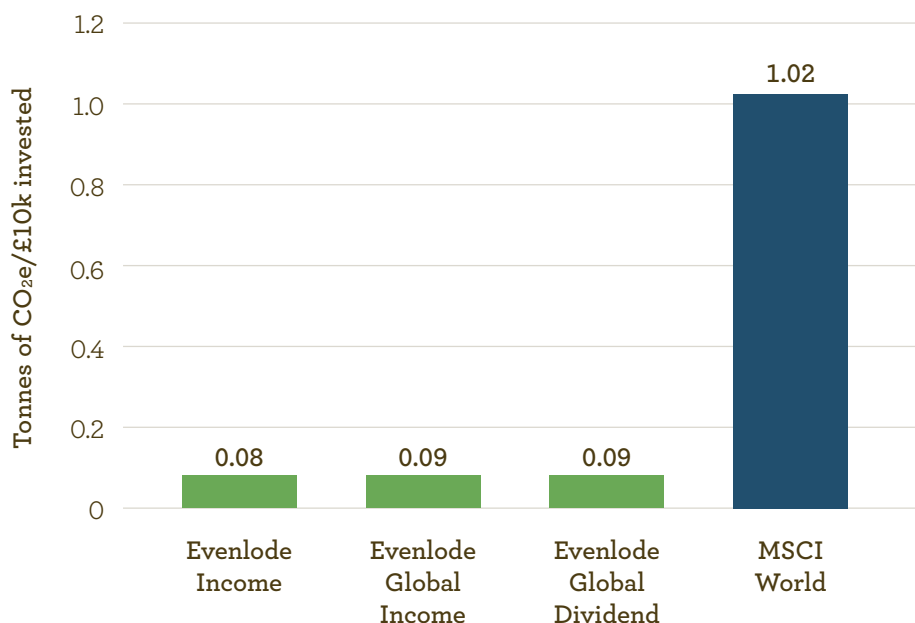
¹¹ MSCI, 2020. [View here](#)

RESULTS — HOW EVENLODE FUNDS COMPARE TO OUR BENCHMARK

In addition to emissions per unit of revenue, which is often reported by fund managers, we also show emissions per £10,000 invested for a better sense of the footprint your investments might have if invested in a fund tracking the MSCI world compared to an investment in one of the Evenlode funds.



Scope 1 & 2 emissions per £10k invested



Scope 1 and 2 emissions per £10k invested. Source: CDP, Evenlode Investment, MSCI¹². 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.

Tonnes of CO₂e per \$1M invested

This can also be converted to emissions per million dollars invested to aid comparison with international funds.

Fund	Scope 1	Scope 2	Scope 3 Upstream	Scope 3 Downstream	Total
Evenlode Income	3.1	3.0	81.6	125.8	213.6
Evenlode Global Income	2.8	3.5	57.0	110.8	174.1
Evenlode Global Dividend	2.8	3.5	57.0	110.8	174.1
MSCI World	74.5		-	-	-

Data as above, converted into USD based on the exchange rate on 31st December 2020.

¹² MSCI, 2020. [View here](#)

RESULTS —

HOW EVENLODE FUNDS COMPARE TO OUR BENCHMARK

Despite the focus on lower-carbon sectors, some of Evenlode's holding companies have substantial emissions from the inputs from their supply chains and, especially in the case of consumer goods and technology, high downstream emissions from products with a significant contribution from the energy consumed when the products are used ('use phase emissions'). These lead to substantially larger scope 3 than scope 1 and 2 emissions. Both Unilever, the top contributor to Evenlode Income's emissions, and Henkel, top contributor

for Evenlode Global Income's and Evenlode Global Dividend's footprint, for example make products such as shampoos and laundry detergents that require heating water and running washing machines, with the associated emissions. Other high emitters like Siemens Healthineers manufacture MRI, CT and X-Ray scanners which require a huge amount of electricity to run in hospitals, explaining their high downstream scope 3 footprint. MSCI does not provide scope 3 emission intensities for their indices,

so we are not able to make a meaningful comparison for Evenlode's scope 3 emission intensities. However, it is clear that scope 3 accounts for the vast majority of the emissions in our portfolios (see the figures above). The companies in the Evenlode portfolios need to grapple with their supply chains if total carbon emissions are to be reduced, which in many ways is harder than reducing operational emissions over which companies have more direct influence (see box below).

WHY SCOPE 3 IS IMPORTANT

Scope 3 emissions are harder to control and measure for companies but make up the vast majority of Evenlode portfolio companies' emissions. They do not technically form part of Evenlode's investment emissions according to the Greenhouse Gas Protocol, which form part of Evenlode's downstream scope 3 emissions, but we include them here because we feel that it is important to be aware of the full climate impact of our holdings. That is because companies can make a difference by choosing more climate-friendly products and services, lower-carbon ways to transport supplies to their sites, optimising operations to minimise waste and redesigning their products so they use less energy during their lifetime for example. Understanding one's scope 3 footprint also forms the basis for setting emission reduction targets, which cover companies' full footprint, including scopes 1, 2 and 3. Setting such targets can have a snowball effect down the supply chain because it incentivises companies to engage with their suppliers to reduce their emissions, and it means that when a company outsources certain operations, they do not disappear from the carbon picture. By understanding the scope 3 emissions of our holdings, we can meaningfully engage with them to report their scope 3 emissions and set ambitious scope 3 emission reduction targets.



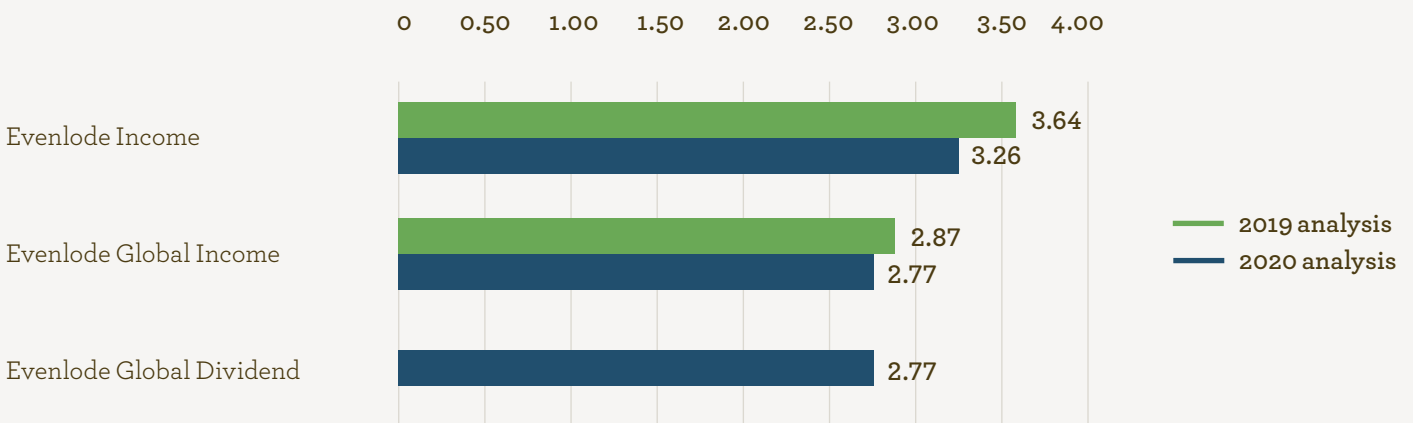
RESULTS — COMPARISON WITH LAST YEAR

Due to the changes in the way the attribution factor is calculated, financed emissions for 2020 are ca. 10% lower than if we had used last year's methodology. To facilitate a comparison with last year, we have calculated this year's emissions both with last

year's methodology and the updated methodology. The below figures are based on last year's methodology, using an attribution factor that is calculated based on market capitalisation rather than enterprise value including cash.



Tonnes of CO₂e 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.

Compared to last year, emissions associated with an investment of £10,000 have decreased by 10% for investments in the Evenlode Income fund and by 3% for investments in 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. For example, investment in real estate has gone from 1.6% in 2019 to 1.3% in 2020 for Evenlode Income and investment in industrials has dropped from 2.5% in 2019 to 1.8% in 2020 for Evenlode Global Income.

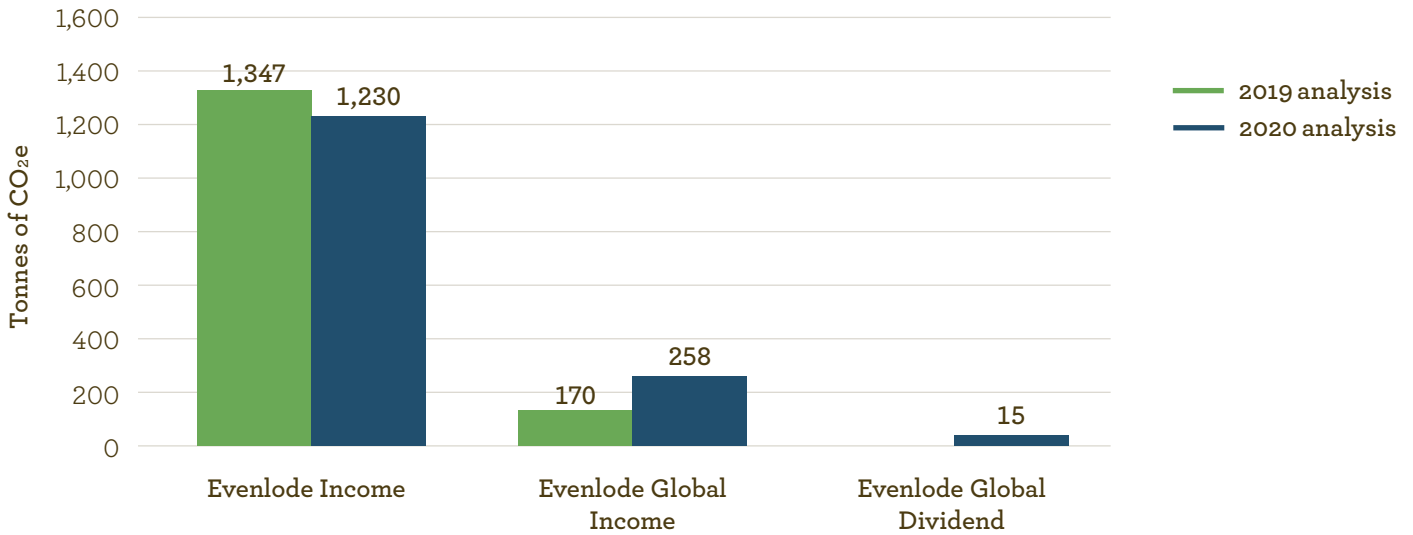
Total emissions from the Evenlode Income fund have decreased by 9%, driven by a decrease in emission intensity as companies are starting to take action to reduce their emissions and market capitalisation of our investee companies continues to grow. Emissions from the Evenlode Global Income fund have increased by 52%, mostly due to an increase in the fund size by 57%. At the same time, both funds have slightly shifted away from high carbon sectors like real estate and industrials (see above).

Total emissions from the Evenlode Income fund have decreased by

9%

RESULTS — COMPARISON WITH LAST YEAR

Total fund emissions in 2019 and 2020



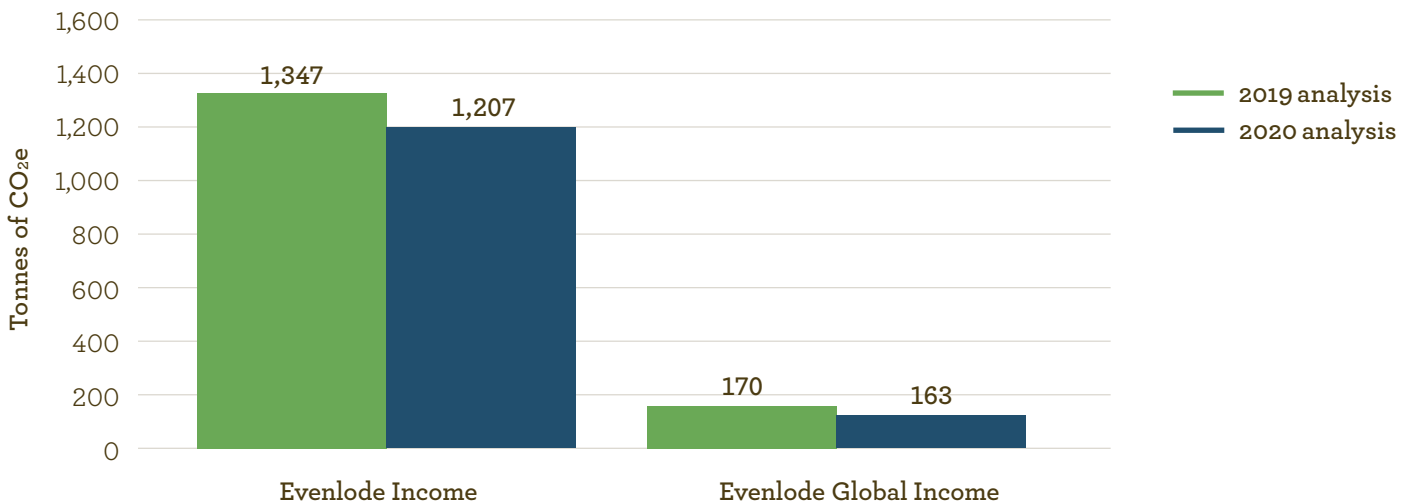
Fund emissions for portfolios as at 31st December 2019 and 2020, respectively. Source: CDP 2018 and 2019 Full GHG Emissions Datasets, Evenlode Investment, using last year's attribution methodology. Note: The Evenlode Global Dividend fund was not included in the 2019 analysis.

If we scale down total fund emissions to last year's fund size, that is, if we pretend that the overall size of the funds had remained at the 2019 level but the mix of companies was exactly what it was

in 2020, the total emissions would have decreased for both the Evenlode Income and the Evenlode Global Income fund. So while total emissions from the fund have increased for Evenlode Global

Income, the emissions associated with your investment have decreased, whichever fund you invested in.

Fund emissions in 2019 and 2020 if fund size had remained the same

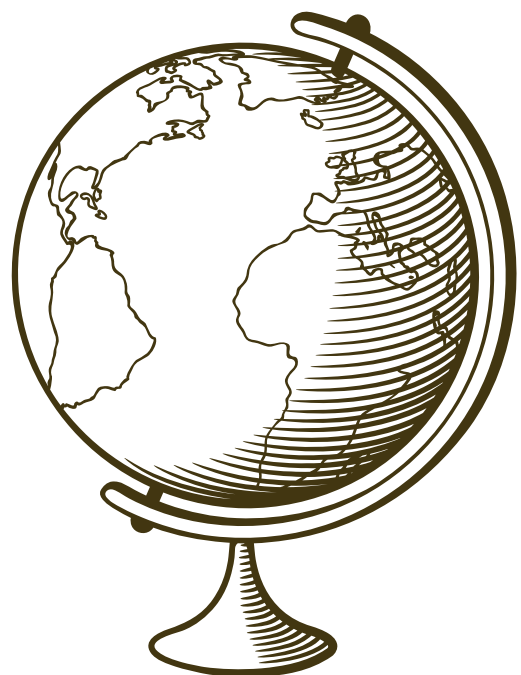


Fund emissions in 2019 and 2020 if 2020 fund size had remained at the 2019 level. Source: CDP 2018 and 2019 Full GHG Emissions Datasets, Evenlode Investment. *Fund emissions for 2020 were scaled down to 2019 fund size, but using the portfolio mix as at 31st December 2020.

We calculated total emissions for the Global Dividend fund for the first time this year, so we can't make a comparison to last year.

CONCLUSION

In 2020, we started measuring and reporting our financed emissions for the first time. Since then, the guidance on how to do this in the most robust way has evolved, and so we have continued to refine our methodology. Data quality has improved too, with more companies now reporting their emissions. Our best estimate of the portfolio footprint is at around 3 tonnes of CO₂e per £10k invested for scope 1, 2 and 3, or around 100 kilogrammes for scope 1 and 2 alone – lower than the MSCI World benchmark at ca. 1 tonne per £10k invested. Going forward, we believe that these emissions will decrease as companies set and realise ambitious emission reduction targets.



APPENDIX: DATA VALIDATION NOTES

In the process of validating the CDP data, we made several alterations to individual data points from 23 companies. We outline these alterations below.

Evenlode Income	Evenlode Global Income/ Evenlode Global Dividend	Company	Alterations				Short notes
			Emissions reported by company outside of CDP substituted in	CDP estimate removed	CDP estimate substituted in	Data points modelled	
	✓	Accenture					
	✓	Adecco Group		✓	✓		CDP estimate for Purchased goods and services substituted in as company estimate only covered paper and IT and was very low at 0.7% of total. CDP estimate for Upstream transport removed as not deemed relevant for industry (HR) and very high at 67% of total.
✓	✓	Anheuser-Busch InBev		✓			CDP estimate for Upstream transportation and distribution removed because company states that these are included on Purchased goods and services.
✓		Ashmore	✓				Scope 1 and 2, Business travel and Waste reported on company website substituted in to replace CDP estimate.
✓		AstraZeneca					
✓		Bunzl	✓				Scope 1 and 2 reported on company website substituted in to replace CDP estimate.
✓		Burberry Group					
	✓	Bureau Veritas					
	✓	C.H. Robinson					

APPENDIX: DATA VALIDATION NOTES

	✓	Capgemini					
✓	✓	Cisco Systems					
✓		Compass Group					
	✓	CTS Eventim					
✓		Daily Mail & General Trust	✓				Scope 1 and 2, Upstream transport and Business travel reported on company website substituted in to replace CDP estimate.
✓		Diageo					
	✓	eBay					
✓		EMIS				✓	No data reported publicly and not included in CDP dataset. All data points modelled based on Sage which was deemed most similar peer with available data.
✓		Euromoney					
	✓	Fuchs Petrolub					
✓	✓	GlaxoSmithKline					
✓		Hays				✓	Company responded to 2019 survey but was not included in dataset. Scope 1 and 2 and Business travel taken from online CDP submission. Scope 3 modelled based on PageGroup.
✓		Hargreaves Lansdown					
	✓	Henkel					
	✓	Hexagon	✓				Scope 1 and 2 reported on company website substituted in to replace CDP estimate.
✓		Howden Joinery	✓	✓			Scope 1 and 2 reported on company website substituted in to replace CDP estimate. CDP estimate for Processing of sold products removed as quite high at 52% and company manufactures kitchen which likely need little processing.

APPENDIX: DATA VALIDATION NOTES

✓		IMI		✓			CDP estimate for Use of sold products removed as it represented 91% of total emissions but company reports that energy use from using its products is quite small.
✓		Informa					
✓	✓	International Business Machines Corporation					
✓	✓	Intel					
✓		Intertek					
	✓	John Wiley & Sons				✓	No data reported publicly and not included in CDP dataset. Modelled based on Informa and Relx using a non-weighted average.
	✓	EssilorLuxottica	✓			✓	Company not included in CDP dataset due to recent merger. Scope 1 and 2 and scope 3 Downstream product transport and distribution taken from company website. Rest of scope 3 modelled based on CDP estimates for Luxottica (pre-merger).
	✓	Medtronic					
✓	✓	Microsoft					
✓		Moneysupermarket.com	✓				Scope 1 and 2 reported on company website substituted in to replace CDP estimate.
	✓	Nestle					
	✓	Omnicom					
	✓	Oracle					

APPENDIX: DATA VALIDATION NOTES

✓	✓	PageGroup	✓	✓			Scope 1 and 2 reported on company website substituted in to replace CDP estimate CDP estimate for Upstream transportation removed as it constituted 27% of total and seems quite high for a recruitment company. Company is in the same industry category as travel agents (e.g. Tui) and steel producer (e.g. ThyssenKrupp) which might have led to overestimate.
	✓	Paychex	✓				Scope 1 and 2 reported on company website substituted in to replace CDP estimate.
✓		PayPoint	✓				Scope 1 and 2, Business travel and Waste reported on company website substituted in to replace CDP estimate.
✓	✓	PepsiCo					
✓	✓	Procter & Gamble		✓			CDP estimate for Upstream transportation removed as company states that these emissions are included in Purchased goods and services.
	✓	Publicis Groupe		✓			CDP estimates for Capital goods and Upstream transportation removed as deemed too high (13% and 15% of total respectively) for media and marketing company and company argues categories do not apply and items such as computers are included in Upstream leased assets.
	✓	Quest Diagnostics					
✓	✓	Reckitt Benckiser Group					
✓	✓	RELX					

APPENDIX: DATA VALIDATION NOTES

✓	✓	Roche Holding	✓				Scope 1 and 2 reported on company website substituted in to replace CDP estimate.
✓		Rotork		✓			CDP estimate for Use of sold products removed as it represented 92% of total but company reports that use phase energy use is quite small.
✓	✓	Sage					
	✓	Sanofi					
✓		Savills	✓				Scope 1 and 2 reported on company website substituted in to replace CDP estimate.
✓		Schroders					
	✓	Siemens Healthineers				✓	No data reported publicly and not included in CDP dataset. Modelled based on Siemens AG from which company demerged recently.
✓		Smith & Nephew					
✓		Smiths Group					
	✓	Sonic Healthcare	✓				Scope 1 and 2 reported on company website substituted in to replace CDP estimate.
✓		Spectris					
✓	✓	Unilever					
✓		Victrex					
	✓	Western Union					
	✓	Wolters Kluwer					
✓	✓	WPP					



FURTHER INFORMATION



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