EVENLODE

INVESTMENTS FOR LIFE

Evenlode Investment

Quarterly Stewardship Report

Q2 2022

evenlodeinvestment.com

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

AS OF 30 JUNE 2022

Our 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 **989** resolutions.

Voted on **39** meetings.

In **49%** of meetings, we voted with management on all proposals.

In **51%** of meetings, we voted against management on at least one proposal.

The ability to vote at a company meeting is a fundamental right available to investors which they should use to hold companies accountable and protect their long-term interests. Corporate stewardship principally revolves around the responsibilities associated with part ownership of companies via a shareholding. Shareholdings usually carry voting rights that enable the owners to vote with or against the management of a company on issues of governance and long-term climate and net zero strategies. We consider it our responsibility, as part of the investment process, to decide on behalf of our investors how votes should be cast. We feel context and nuance are crucial in making a voting decision. This is why we do not use any third-party research providers to make our decisions but instead rely on the research which has been carried out by the investment team, over many years.

As an example of our voting policy, we expect directors to allocate sufficient time to fulfil their fiduciary duty to their shareholders. This includes building stronger relationships with their internal stakeholders, obtaining an in-depth understanding of the business and its market dynamics. Our internal policy states that we do not support directors who sit on boards of five or more other listed companies. However, this policy is not a blanket approach across all companies and industries. Whether a director is over-boarding can also depend on the complexity of the role and the size of the company. If a particular director is flagged through our analysis, this would cause us to do a deep dive and potentially engage with the company to understand more about the director's existing role and the future he/she has in the business.

ENGAGEMENT

Engaged with **23** companies.

Engaged on **6** themes.

Engaged the most on Remuneration, Board Structure and Succession Planning.

We engaged with a large online retailer in TB Evenlode Global Income around the themes of emissions, remuneration and board structure, as a result of us voting at their annual general meeting (AGM). The annual report mentioned the inclusion of sustainability, Diversity Equity & Inclusion (DE&I) goals and customer satisfaction in the individual performance measures, but there was no disclosure on the CEO's actual targets and what aspects of 'sustainability' in the business were being measured.

We were also particularly interested whether the company's 2030 emission reduction target for scope 1 and 2 and partial scope 3 featured in the individual objectives and at what weight, or whether an objective to set a net zero target in line with 1.5C was included. We also highlighted a few areas where we feel that the remuneration policy could be improved, including the duplication of FX-neutral revenue and that the holding period for the restricted and performance-based stock units in the long-term incentive plan is only 14 months instead of 2 years.

Our letter was acknowledged with an invite to a group meeting with the General Counsel, Head of Reward, Head of Compliance, Chief Sustainability Officer and Global Head of Diversity and Inclusion. At the meeting we were able to go into detail about the use of customer/employee related metrics for measuring individual performance and also the emphasis on increasing female and underrepresented groups in the business. Secondly, a discussion was had around the complexities of setting long-term net zero targets and the potential drawbacks of purchasing carbon offsets. We learnt the company was focusing more on investing in technology for emission reductions and we welcomed the diverse views of various members representing different areas of the business.

ARE WE GREEN YET?

In 1970 Nobel laureate economist Milton Friedman wrote “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits”[1]. Fast forward to the present day, businesses must think and manage their way around many salient social issues that broadly fall under the Environmental, Social and Governance (ESG) umbrella. Especially pressing is the need for real and transformative climate action from businesses to help tackle the climate and biodiversity crises in which we find ourselves. Whilst Friedman’s view on corporate social responsibility now seems outdated, he was right to point out that many businesses couching their actions in moral rhetoric were being deceptive, so-called ‘greenwashing’ in today’s terms.

Corporate greenwashing can be described as the practice of deliberately or unintentionally disseminating distorted or unsupported claims that promote a positive environmental image around the company’s products, business strategies or actions. Through greenwashing companies could positively differentiate themselves, to boost brand image and increase sales, but at the same time fail to honour their outlined environmental commitments. Greenwashing erodes the trust of investors and consumers, fuels cynicism and creates the false perception that critical problems are being tackled, when they are not, having potentially an adverse effect on the intended outcome.

Investors play a key role in fighting corporate greenwashing. At Evenlode we believe the integration of ESG considerations and risks into our decision-making process can help sustain and improve returns for clients. Through active engagement with our investee companies on climate disclosures and target setting we augment our research, clarify public information, and inform our proxy voting decisions. We believe investor engagement and voting are important aspects in driving more transparent corporate sustainability disclosures and tackling corporate greenwashing.

Cristina Dyer, an analyst in our investment team, goes into more detail in our **Responsible Investment Report**, and looks into what tools investors have at their disposal when evaluating corporate environmental claims.

1. A Friedman doctrine -- The Social Responsibility Of Business Is to Increase Its Profits, The New York Times (nytimes.com)

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:

PRI Principles for Responsible Investment

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

	MORNINGSTAR®		MSCI
TB Evenlode Income, TB Evenlode Global Equity	Morningstar® Sustainability Rating™	Low Carbon	MSCI ESG RATINGS AAA
TB Evenlode Global Income and Evenlode Global Dividend	Morningstar® Sustainability Rating™	Low Carbon	MSCI ESG RATINGS AA
Evenlode Global Opportunities	Morningstar® Sustainability Rating™		MSCI ESG RATINGS AAA

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. All the funds are based on 100.0% of AUM. Data as at 30 April 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. TB Evenlode Income based on 98.9% of AUM; TB Evenlode Global Income based on 98.8% of AUM; Evenlode Global Dividend based on 98.6% of AUM; TB Evenlode Global Equity based on 99.4% of AUM. Data as at 31 March 2022 (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.

TB Evenlode Income based on 98.8% of AUM; TB Evenlode Global Income based on 98.0% of AUM; Evenlode Global Dividend based on 100.0% of AUM;. TB Evenlode Global Equity based on 99.1% of AUM; Ratings as at 31 May 2022. Evenlode Global Opportunities based on 100.0% of AUM. Ratings as at 31 March 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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