



EVENLODE

INVESTMENTS FOR LIFE



Evenlode Investment
Quarterly Stewardship Report
Q2 2023

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

AS AT 30 JUNE 2023

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
48 meetings

In **65%** of meetings,
we voted with
management on all
proposals

In **35%** of meetings,
we voted against
management on at
least one proposal

During the quarter, we observed a significant increase in the number of shareholder resolutions being put up for a vote in the season. These resolutions covered a wide range of topics, including board independence, reporting on animal welfare standards, performance reviews of Audit and Compliance committees, and climate lobbying. From a shareholder's perspective, the ideal scenario would be to see 50% or more of the votes in favour of a proposal. However, we believe that even if a proposal receives 20-30% of the votes or more, this can lead to companies taking action or having to engage with investors.

In our Global Equity fund, we voted against management on a shareholder proposal that requested a report on the company's use of packaging materials. This multinational technology company does not disclose the extent of its plastic packaging usage. This is a problem as it is believed to be one of the largest corporate consumers of flexible plastic packaging. The resolution asked for more information on the weight of total plastic packaging used, evaluation of the potential benefits of significantly reducing plastic usage, assessment of the short, medium, and long-term risks associated with the current practices, and strategies for reducing plastic usage or redesigning packaging materials.

The company claimed that plastic use is primarily relevant for product manufacturers and highlighted their various partnerships and initiatives aimed at plastic reduction. However, they did not have any specific targets in place to limit plastic usage, and their disclosure on plastic use was inadequate. Approximately 27% of the shareholders agreed with us at the AGM and voted against management.

Reducing plastic packaging is an essential and necessary step in addressing the pollution crisis, particularly for a company of this size. By taking concrete measures to reduce their plastic footprint, companies can play a significant role in promoting environmental sustainability and protecting our planet. We hope that increased engagement and escalation through shareholder resolutions will have a positive impact on our investee companies and the corporate world more generally.



ENGAGEMENT

Engaged with
6 companies

Engaged across
11 themes

Engaged the most on
Carbon Emissions,
Remuneration, Net Zero
and Board Structure

We initiated a dialogue with a holding in the Evenlode Global Income Fund, which specialises in laboratory and pathology testing services. The company's core Diagnostic Information Services division operates a network of over 1000 clinic locations, processing millions of tests. Additionally, the Diagnostic Services division provides IT solutions and leverages the testing data to offer services to insurers and payers. Our initial analysis revealed that the holding was one of the most emission-intensive holdings in the Evenlode Global Income portfolio. The emission intensity per revenue amounted to approximately 3,160 tCO₂e/£m revenue, which was notably 25 times higher than its peer. This high intensity was mainly attributed to emissions associated with purchased goods and services, as well as upstream transportation and distribution which significantly exceeded those of its peer companies. We firmly believe that climate change presents a crucial systemic risk that can impact the risk profile of the companies we invest in on behalf of our clients. To effectively address and manage this risk, we think it is important for companies to measure and disclose their full greenhouse gas (GHG) emissions.

In light of the identified risk, we engaged in discussion with the company during the annual general meeting (AGM) vote on issues relating to net zero target setting and the potential for an emissions reporting error. We had productive conversations with several members of the company's team, including the Company Secretary, General Counsel, and Investor Relations. They acknowledged that the company had set targets in the past but had not yet adopted new ones. They indicated that they were actively considering their approach, but no specific timeline for target setting was provided. Additionally, we stressed the need to set science-based targets, as these are essential in having

a credible emissions reductions plan. We emphasised the importance of implementing a recalculation policy, especially when emissions errors arise and significant changes occur in the company's structure or inventory methodology. As a result of our concerns, we had voted against management on the shareholder resolution requesting a report on the company's GHG emissions reduction and transition plan.

Unfortunately, because of the company's lack of expertise in emissions accounting on the call, we were unable to understand the rationale surrounding the outlier in their emission reporting. We are continuing the dialogue with the company and the outcome of this engagement will be reported in our upcoming reports.



STEWARDSHIP TEAM AND ESG RATINGS



Sawan Kumar
Head of
Stewardship



Bethan Rose
Sustainable Investment
Analyst



Rebekah Nash
Governance Analyst



Zikri Jafaar
Stewardship 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:



Investment & Stewardship Policy





Direct - Listed Equity Active
fundamental - Incorporation



Direct - Listed Equity Active
fundamental - Voting



	MORNINGSTAR®	MSCI
TB Evenlode Income, TB Evenlode Global Income, TB Evenlode Global Equity, Evenlode Global Dividend and Evenlode Global Opportunities	 Morningstar® Sustainability Rating™	 MSCI ESG RATINGS AA CCC B BB BBB A AA 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 five funds are based on 100% of AUM. Data as at 31 May 2023.

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 98.8% of AUM; TB Evenlode Global Income based on 98.1% of AUM; TB Evenlode Global Equity based on 97.3% of AUM; TB Evenlode Global Dividend based on 97.8% of AUM; TB Evenlode Global Opportunities based on 99.3% of AUM. Data as at 31 May 2023.

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 99.5% of AUM as at 31 May 2023; TB Evenlode Global Income based on 99.4% of AUM as at 31 May 2023; TB Evenlode Global Equity based on 98.9% of AUM as at 31 March 2023; Evenlode Global Dividend based on 100.0% of AUM as at 31 December 2022; Evenlode Global Opportunities based on 99.9% of AUM as at 31 March 2023.

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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