



EVENLODE

INVESTMENTS FOR LIFE



Evenlode Investment
Quarterly Stewardship Report
Q3 2023

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

AS AT 30 SEPTEMBER 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
5 meetings

In **80%** of meetings,
we voted with
management on all
proposals

In **20%** of meetings,
we voted against
management on at
least one proposal

Evenlode's approach to voting is driven by our investment perspective and serves as the initial step in our engagement strategy, forming an integral part of our escalation strategy. Historically, our voting policy has revolved around four key corporate themes: board composition, the alignment of sustainability-related incentives with the long-term climate and net-zero strategy, minority shareholder rights, and overall disclosure. We firmly believe that incentives should align closely with the business's long-term strategic direction, particularly in the context of its climate strategy. This year, our voting policy placed even greater emphasis on sustainability and our commitments to achieving net-zero goals.

In this context, we engaged with one of the holdings in the Evenlode Income fund prior to casting our vote at the annual general meeting (AGM). Our objective was to gain a deeper understanding of the rationale behind the company's decision not to establish a long-term incentive plan (LTIP). While their annual bonus included a discretionary element, the policy lacked a performance based LTIP, a mechanism we view as highly effective in aligning managers and shareholders toward a shared objective of enhancing the business's value.

Regrettably, we found the response to our inquiry unsatisfactory. The justification provided rested on three main points: first, a need to trust in the management team's judicious use of discretion; second, the relatively modest quantum of the incentives in question; and third, the assertion that the current management team was already steering the business with a long-term perspective.

The company was not interested in a forward-looking remuneration structure due to concerns that it might foster the wrong behaviour. The focus, therefore, remained on the discretionary bonus. In summary, the call left us somewhat unsatisfied. It was evident that they were unwilling to enhance transparency, or to entertain the idea of a long-term incentive approach. Consequently, we decided to cast a vote against their proposal at the AGM.



ENGAGEMENT

Engaged with
56 companies

Engaged across
8 themes

Engaged the
most on Net Zero,
Climate Change and
Remuneration

Last quarter, we initiated a dialogue with a holding in the Global Income Fund, which specialises in laboratory and pathology testing services. Our initial analysis revealed that the emission intensity per revenue was 25 times higher than its peer. Considering the identified risk, we engaged in discussion with the company during the annual general meeting vote on issues relating to net zero target setting and the potential for an emissions reporting error. 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 continued our dialogue with the company over the last quarter and learned that they have indeed identified some discrepancies, which they are currently working to address. Additionally, they mentioned that their Corporate Responsibility report is expected to be released very soon; however, they are still finalising the assurance process. They intend to issue a supplement containing all the information later in 2023. This showcases an extremely positive outcome from our engagement, underscoring the effectiveness of our emissions analysis and the subsequent follow-up discussions.



STEWARDSHIP TEAM AND ESG RATINGS



Sawan Kumar
Head of
Stewardship



Bethan Rose
Sustainable Investment
Analyst



Rebekah Nash
Governance 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™	 Low Carbon
		 MSCI ESG RATINGS AA

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 July 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 98.7% of AUM; TB Evenlode Global Income based on 98.2% of AUM; TB Evenlode Global Equity based on 98.9% of AUM; Evenlode Global Dividend based on 97.5% of AUM; Evenlode Global Opportunities based on 99.0% of AUM. Data as at 31 July 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 99.4% of AUM; TB Evenlode Global Income based on 98.8% of AUM. Ratings as at 31 August 2023. TB Evenlode Global Equity based on 99.2% of AUM; Evenlode Global Dividend based on 100.0% of AUM; Evenlode Global Opportunities based on 99.9% of AUM. Ratings as at 31 July 2023.

Important Change to the Authorised Corporate Director (ACD)

Effective from 2 October 2023, the ACD of this fund, T. Bailey Fund Services Limited, changed its name to Waystone Fund Services (UK) Limited. The prefix for each fund therefore changed from TB to WS.

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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