



EVENLODE

INVESTMENTS FOR LIFE



Evenlode Investment
Quarterly Stewardship Report
Q4 2022

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

AS AT 31 DECEMBER 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 in the year.

VOTING

Voted on
15 meetings

In **60%** of meetings,
we voted with
management on all
proposals

In **40%** of meetings,
we voted against
management on at
least one proposal

ENGAGEMENT

Engaged with
16 companies

Engaged on
10 themes

Engaged the most on
Net Zero, Remuneration
and Board Structure

As highlighted in our last quarterly report, we prioritised a set of portfolio companies for engagement and had set ourselves a target to engage with 100% of financed emissions in material sectors to be aligned, achieving net zero or under direct or collective engagement by the end of 2022. As part of that engagement push, we spoke to a holding in our UK income fund regarding their net zero targets. We had initially reached out to the company to communicate that they are currently only 'Committed to Aligning' according to our baseline assessment, and to request that they set science-based short-term targets in line with 1.5°C, covering at least 95% of scope 1 and 2 and 67% of scope 3 emissions within the next 12 months, and further work towards full alignment with 1.5°C. We received a positive response.

Since our engagement, the company submitted a carbon reduction target for validation with the Science Based Target Initiative (SBTi), aligning to a pathway to limit global warming to 1.5°C. They expect the validation process to complete by early 2023. This will cover over 95% of their emissions, and offsets will not be used beyond a minimal percentage of hard-to-abate emissions in line with SBTi/Net Zero standard guidance. Furthermore, they were proposing to incorporate ESG priorities in their remuneration policy through their long-term incentive plan (LTIP). Beyond their own path to net zero they are committing to supporting small and medium-sized businesses

(SMBs) to help them reach their net zero targets. In line with this, they recently acquired a carbon accounting software solution that enables SMBs to estimate their carbon footprint using data from their accounting solution, and to identify emission hotspots in their activities and supply chains.

This is a perfect engagement. We were able to engage with the company deemed to be material, and clearly articulated what was expected of them to qualify for the next category of net zero alignment. A positive outcome from the letter with some significant changes and improvements suggest they will move up a category to 'Aligning to Net Zero' at the time of the next assessment period.



ENGAGING ON BIODIVERSITY

Engagement with companies on biodiversity-related risks should be considered as an opportunity for both parties rather than a tick-box or an exhaustive exercise. Biodiversity loss is causing substantial risks for businesses globally, more so for some sectors than others. Many economic activities and supply chains directly or indirectly depend on various commodities that are either becoming too economically unviable or are exposed to human rights controversies in their production. Investors play an important role in addressing this information gap by engaging with companies, but how should companies be approached and what should be demanded from them? When deciding upon initiating the engagement, there are some important things to consider:

1. How material is biodiversity loss to the sectors in the portfolios?
2. What is the investment time horizon?
3. Is the data sufficient and/or reliable enough to meaningfully begin an engagement on the topic with the company?



More importantly, a clear distinction will need to be made when considering the outcome of the engagement. Should the conversation be framed around nature loss or on nature positive solutions? Most analysis suggest the former should be prioritised. Once the engagement method is chosen, there are certain requests investors can make from management teams, to become comfortable with the management of natural capital related risks:

1. Encourage the integration of biodiversity-related themes into group-level KPIs and/or remuneration policies of executives.
2. If data is unclear or insufficient, address the lack of transparency within reporting.
3. Encourage specific related expertise on the board especially for a company most exposed.
4. Promote the adoption of industry-wide reporting initiatives and evidence-based frameworks.

A principle which should be applied to all engagements, regardless of the theme, is to set time-bound company-level objectives. Ultimately investors are seeking to create long-term value for clients through improving the sustainability characteristics of a company. However, driving systemic change takes time and a measured approach. Therefore setting specific objectives for each engagement will allow investors to stay focused on the end goal. These are just some of the questions ESG teams should be thinking about, however this list is only indicative and should be integrated into existing engagement frameworks, depending on the mandate of the manager and the client.

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 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. Evenlode Income, Evenlode Global Income, Evenlode Global Equity, Evenlode Global Opportunities and Evenlode Global Dividend are based on 100% of AUM. Data as at 31 October 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. Evenlode Income based on 96.6% of AUM; Evenlode Global Income based on 98.3% of AUM; Evenlode Global Equity based on 99.1% of AUM; Evenlode Global Dividend based on 98.5% of AUM; Evenlode Global Opportunities based on 99.1% of AUM. Data as at 30 September 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.

Evenlode Income based on 99.0% of AUM (31 October 2022); Evenlode Global Income based on 99.3% of AUM (31 October 2022); Evenlode Global Equity based on 98.8% of AUM (31 July 2022); Evenlode Global Dividend based on 99.9% of AUM (31 July 2022); Evenlode Global Opportunities based on 99.9% of AUM (30 September 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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