EVENLODE

INVESTMENTS FOR LIFE

Evenlode Investment

Taskforce on Climate-related Financial Disclosures (TCFD) Report

June 2024

Introductory Material

About this report

At Evenlode Investment Management Limited ('EIML' or 'Evenlode'), we recognise that climate change poses significant financial challenges and opportunities, in the near term and the future. To preserve and enhance the value of our clients' assets, it is important for us to assess the climate-related risks and opportunities faced by our investee companies, as well as understand their readiness for a low-carbon economy.

Evenlode Investment supports the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and commends the FCA's integration of these recommendations into its listing rules and the ESG Sourcebook's reporting requirements for financial services companies. The following entity-level report is written in accordance with the TCFD framework and from the perspective of Evenlode Investment Management Limited. It is the business' first stand-alone TCFD report of any kind and will be published on our website. The disclosures and calculations in the report cover all our in-scope assets managed or administered by the firm and are based on a calendar year schedule (12 months) ending 31 December 2023, using the most up-to-date information. Where relevant, we have also made disclosures regarding our operations as a firm.

In accordance with the FCA's ESG Sourcebook, EIML has made these disclosures consistent with the TCFD Recommendations and Recommended Disclosures, including Sections C and D of the TCFD 2021 Annex. The disclosures in this report, including any third-party or Group disclosures cross-referenced in it, comply with the requirements under Chapter 2.2. in the FCA's ESG Sourcebook.

Our commitment to regulatory compliance highlights our dedication to operating with transparency and integrity. Should you require further clarification or have any questions regarding the report's contents, please feel free to reach out to us.

Ben Peters
Co-Founder and Fund Manager

June 2024

Our business operations, investment strategy, and products are consistently aligned with our overarching entity-level governance, strategy, and risk management practices, in accordance with the recommendations of the TCFD. This alignment is highlighted by our commitment to invest in companies that possess independent governance structures with a high level of expertise, provide credible transition plans, and actively manage both financial and non-financial risks over the long term. We firmly believe that EIML embodies all the traits we consider essential for running a successful business. Significant efforts have been made (where necessary) to highlight the differences in investment strategy and business operations.

About Evenlode Investment Management

Evenlode Investment is an asset management firm located in Chipping Norton, West Oxfordshire. We are a small and dedicated team committed to serving the best interests of our clients.

The Evenlode Investment philosophy rests upon two fundamental principles:

- Investment is a long-term endeavour, with returns being influenced by the fundamental performance of the underlying portfolio companies.
- Active risk management plays a pivotal role in generating attractive, long-term shareholder returns.

At Evenlode, we view investments in equities as fractional ownership stakes in real companies. Consequently, we adopt a long-term, business-focused approach to investment. We firmly believe that this approach best aligns our investment decisions with a long-term horizon and reduces investor return volatility.

Key Terms

- Climate Change: Long-term changes in temperature, precipitation, wind patterns, and other elements of the Earth's climate system, largely driven by human activities such as burning fossil fuels, deforestation, and industrial processes, leading to global warming and environmental impacts.

- Physical Risk: Risks related to the physical impacts of climate change, including acute risks like extreme weather events (hurricanes, floods, wildfires) and chronic risks like sea-level rise, temperature increases, and changes in precipitation patterns that can affect assets, infrastructure, and operations.

- Transition Risk: Risks associated with the transition to a low-carbon economy, including policy and legal risks, technological changes, market shifts, and reputational risks that can impact businesses as economies shift away from fossil fuels towards sustainable and renewable energy sources.

- Scenario Analysis: A process of analysing potential future events by considering alternative possible outcomes (scenarios). In climate risk management, it involves

assessing how different climate-related scenarios (e.g., various levels of global warming) could impact an organisation's operations and strategy.

- **Greenwashing:** This refers to the misleading practice of a company making its actions appear more environmentally friendly than they are. For example, a company might claim to be "net zero" in its operations. However, they achieve this by paying to offset their emissions, rather than by reducing their actual emissions.

- **Network for Greening the Financial System (NGFS):** A network of central banks and financial supervisors that aims to enhance the role of the financial system in managing risks and mobilising capital for green and low-carbon investments, and to help strengthen global efforts to meet the goals of the Paris Agreement.

- **Scope 1 Greenhouse Gas Emissions:** Direct emissions from owned or controlled sources by an organisation, including on-site fuel combustion, manufacturing processes, and company vehicles.

- **Scope 2 Greenhouse Gas Emissions:** Indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the reporting organisation.

- **Scope 3 Greenhouse Gas Emissions:** All other indirect emissions that occur in a company's value chain, including both upstream and downstream emissions, such as those from purchased goods and services, business travel, waste disposal, and the use of sold products and services.

- **CO_2e:** "CO2e" stands for "carbon dioxide equivalent," a measure used to express the global warming potential of all greenhouse gases in terms of the equivalent amount of carbon dioxide emissions. It's a key metric in assessing and managing greenhouse gas emissions, aiding policymakers, industries, and researchers in efforts to combat climate change.

Governance

Board oversight of climate-related risks and opportunities.

The Evenlode board states explicitly that it is committed to considering the risks and opportunities associated with environmental, social and governance (ESG) matters when setting the firm's risk appetite, when charging executives with developing the business plan, and when approving the plans themselves. The commitment specifically includes the risks and opportunities associated with climate change and the transition to a low-carbon economy.

As a business, the biggest risk that we face is in not managing the risks and opportunities in client portfolios appropriately. Should unmanaged risks translate into lower or negative returns for clients, this could lead to a loss of business. Environmental risks, of which climate change is one element, fall firmly into the category of risks to be managed at a company and portfolio level.

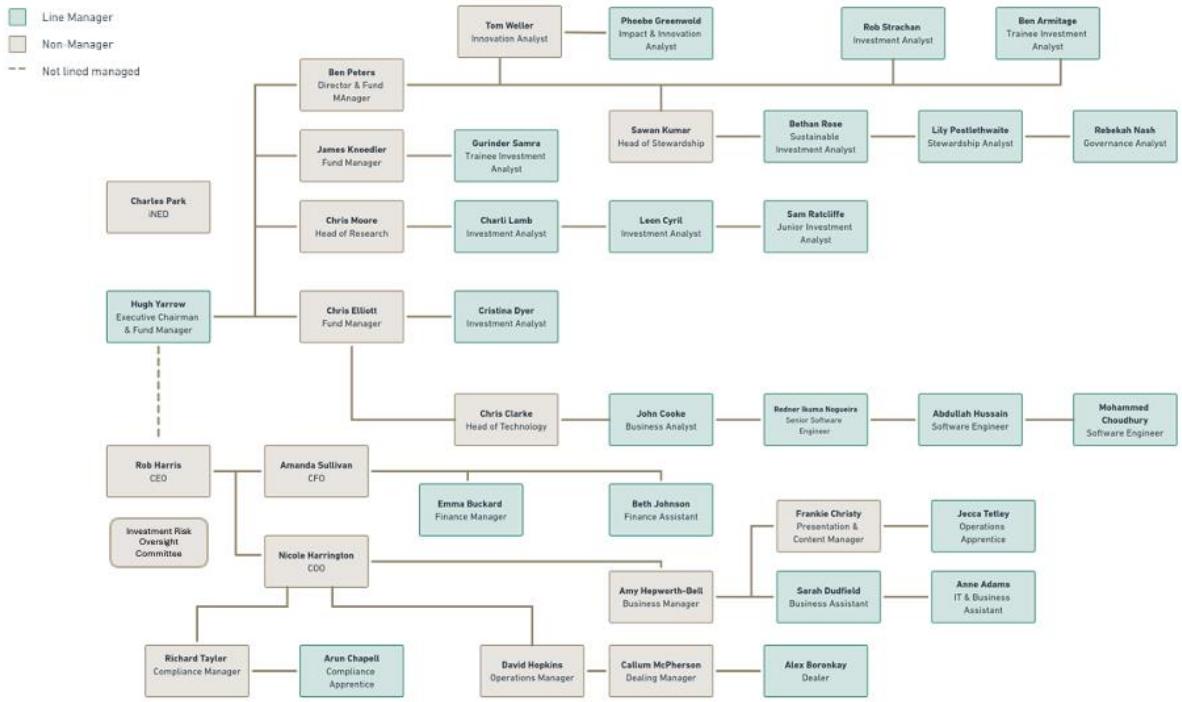
The Evenlode Board recognises climate change as one of the most critical environmental issues facing societies globally. They maintain oversight of global policy changes relevant to climate change. The Board believes the firm has an active role in addressing the challenge of reducing greenhouse gas emissions to net zero by 2050. To ensure effective climate risk management, the Board leverages the expertise of certain individuals (ESG Director and Head of Stewardship) when making decisions on business plans and setting performance objectives, maintaining close working relationships with both. These positions have more direct responsibility for integrating climate considerations.

This close collaboration ensures the Board is frequently informed about climate-related issues. These factors are then integrated into board discussions on strategy and major capital expenditures. An example of this integration can be seen in the capital expenditures for the new office space, discussed below.

Additionally, the Enterprise Risk Committee (ERC) is tasked with identifying climate-related risks at the operational level. This includes the risk of greenwashing, which may result from inadequate communication in our marketing materials, websites, and regulatory reports. This focus on climate-related risks represents a new component of our operational risk management strategy and will be reported to the board quarterly. Moreover, Evenlode's Strategy Team plays a crucial role in monitoring the emission intensity of funds as part of the 'Impact' strategic pillar. This assessment is done in conjunction with the evaluation of other key indicators such as staff engagement, investor concentration, and client complaints. A report is submitted to the board every quarter; this includes assessment of climate change-related risks.

Management's role in assessing and managing climate-related risks and opportunities.

Evenlode's organisational structure can be depicted as follows:



Assessing and managing climate-related risks and opportunities form a part of the responsibilities for many different management roles. These are detailed below.

ESG Director (Ben Peters)

All ESG and stewardship activities are led by the ESG Director who sits on the Evenlode board. He is supported in these tasks by the investment team, the operations team, and the technology team. This approach ensures that all teams remain vigilant in identifying and managing climate-related issues, reflecting its impact on the group's operations and strategic planning.

The ESG Director is responsible for ensuring that climate-related risks and opportunities are considered by the board and addressed within the firm's business plan. As climate change present risks and opportunities, the ESG director ensures that material climate-related matters are reflected in business planning, risk management, and ultimately, business activities.

Head of Stewardship (Sawan Wadhwa)

The Stewardship business plan is created annually and over a rolling 3-year period with the ultimate responsibility of its execution lying within the stewardship specialism. The business plan provides detailed information about the department's focus areas for the next 12 months. The team conducts monthly key performance indicator (KPI)

assessments and quarterly reviews to ensure the team remains focused on its short, medium, and long-term goals. The strategic direction of the team is aligned with the overall business strategy. To ensure transparency, once finalised, the business plans are shared among the investment and Evenlode teams. They are then presented for board approval on an annual basis and are regularly monitored by the Head of Stewardship.

The Head of Stewardship and the Chief Executive Officer meet semi-annually to discuss the overall implementation of the stewardship strategy. This ensures there is an open line of communication between senior level management and the executive team as well as providing an opportunity for the Head of Stewardship to voice any concerns. Most of the discussions over the last 12 months have centred around the firm's overall net zero strategy, as well as team development.

Enterprise Risk Committee (ERC)

The ERC is tasked with discussing and monitoring operational risks and reports directly to the board. This committee comprises Nicole Harrington (Chief Compliance Officer), David Hopkins (Operations Manager), and Richard Taylor (Compliance Manager).

On a quarterly basis, the committee reviews all identified risks, evaluating their severity (high, medium, or low) and the appropriateness of existing mitigation strategies. They assess whether any incidents have occurred and identify any new emerging risks that require attention. A report is then submitted to the board every quarter, focusing primarily on operational risks to the business however more recently a considerable amount of time is being spent addressing climate-related risks including greenwashing, understanding the ever-evolving climate-related regulation and industry developments.

Strategy

Climate-related risks and opportunities

We use the following time-horizons in our considerations of climate-related risks and opportunities:

- Short-term: Up to 3 years
- Medium-term: Between 3 to 10 years
- Long-term: Greater than 10 years

Given the nature of climate-related risks and opportunities, they cannot be granularly separated into time-horizons. This is because the materialisation of risks and opportunities will depend largely on government policy changes and environmental tipping points, both of which have considerable amounts of inherent uncertainty. However, the specific climate-related issues that may have a material impact on the firm can be broadly classified as follows:

Climate-related risks

Short term:

Among the most significant short-term risks identified are 'greenwashing' and keeping up with the ever-evolving climate-related regulations and industry developments.

Medium and long term:

The medium and long-term risks that manifest will depend on government and corporate action taken in the near term. These risks include:

- regulatory risks (changes in climate-related regulations that may affect investments in carbon-intensive industries),
- physical risks (for example an increase in the frequency and severity of extreme weather events), market risks (changes in consumer preferences affecting the profitability of companies), and
- reputational risks (negative public perception due to unsustainable practices).

Medium and long-term risks also include environmental tipping points, with second order effects on companies that are difficult to forecast. For example, the manifestation of physical risks past certain environmental tipping points could disrupt supply chains in myriad ways. Evenlode may be impacted by these risks both operationally and through our investee companies.

Over the medium to long term, the most significant climate-related risk we have identified is the failure to achieve our net-zero emission intensity targets. Our medium-term goal is to achieve a 51.6% reduction in emissions per £10,000 invested across scopes 1, 2, and 3 by 2030 (baseline of 31st December 2020). Our long-term ambition is to fully decarbonise our portfolios by 2050, if not earlier. We anticipate considerable reductions in companies' emissions over the next 2-3 years. This expectation is based on improvements in reporting methodologies, reduced reliance on third-party data—which can sometimes overestimate scope 3 emissions—and operational efficiencies driven by stakeholder pressure. Our analysis of portfolio emissions over the past two years supports this outlook. At the end of 2022, Evenlode portfolios saw a reduction of just over 7% compared to the previous year. A small proportion of the change was due to an increasing number of companies reporting 90% or more of their emissions. By the end of 2023, the reduction was approximately 32%, year-on-year. Again, the analysis suggests that a big reason for those reductions were companies improving the quality of their reporting. Nevertheless, these figures are incredibly encouraging.

Climate-related opportunities

Climate change has also created opportunities for Evenlode as an investment management firm. These include investing in climate 'winners' including climate solutions companies and companies with strong climate governance practices. Furthermore, Evenlode will look to companies improving their supply chain efficiencies. This is because companies with lower emissions in their supply chains will likely incur lower costs of capital, improving their profitability. As we assess companies through

time and in increasing depth, we will be able to develop a view as to who is making the most of these opportunities.

Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Business operations

Regarding our business operations and supply chains, we have set the ambitious target of being net zero carbon across all scopes, excluding financed emissions, by the end of 2030. This has impacted our business planning in many ways, most clearly seen in the plans surrounding the construction of our new office as described below.

We are conscious that our operations target will inevitably need to involve the use of offsets, as certain categories of transport, notably air travel, will certainly not be decarbonised by that time. However, we are committed to ensuring that offsets do not exceed 5% of our overall emissions, focusing instead on direct emission reduction strategies. Additionally, we are actively exploring long-term opportunities to address these challenging areas. For instance, we are currently in the design phase of constructing a new long-term home for Evenlode Investment near Moreton-in-Marsh in Oxfordshire. This new site, which is under construction, will prioritise sustainability. The architects and designers have been instructed to utilize existing steel, recyclable materials, and the current framework to minimise the impact on the existing ecosystem. The project is expected to be completed by the summer of 2025.

Evenlode works with several service providers to enable business activities. This allows us to make a more informed investment decision, providing us with a more nuanced understanding of materiality, as it relates to ESG risks. For example, the company relies on external research from Sustainalytics to highlight controversies within company supply chains and Carbon Disclosure Project's carbon emissions data for the portfolio's emissions analysis.

Strategy and financial planning

Our investment process limits us to investing in asset-light models, excluding certain emission-intensive industries, often excluded from sustainability funds. We undertake an extensive process of assessing companies against 36 ESG-related metrics which we use to inform our investment decisions. Our strategy applies to all products with no material differences in its application to any individual product.

Much of the stewardship team's work has traditionally been retrospective in nature therefore we welcome the forward-looking nature of the requirements under the TCFD. Analysing historical emissions reductions, controversies within the investee companies' supply chains, and assessing remuneration policies have all been valuable indicators. However, these analyses typically focus on the past and do not inherently require us to project 5, 10, or 20 years into the future. The TCFD's emphasis on forward-looking practices has compelled us to adopt a broader, long-term perspective, prompting a thoughtful consideration of the bigger picture.

Our strategy prioritises climate risks and opportunities through our annual net zero assessments, emissions analysis, and our internal ESG risk score matrix. The matrix evaluates companies in our investable universe through environmental, social and governance considerations. Using an A to E scoring system for each risk factor, discussions within our investment team ensure a comprehensive decision-making process. This score acts as a key input into the maximum position size of a stock in our invested and investable universe.

This is quite an important point when thinking about the impact climate-related risks have on our strategy. Companies with lower scores on ESG, Economic Moat, and Diversification for example will have lower maximum position sizes. Companies with low scores (i.e. an E), especially in ESG, risk exclusion. This approach emphasises nuanced decision-making, steering away from a mechanical process. The matrix is monitored on an annual basis, evolving over time.

The engagement strategy varies between investee companies categorised as not aligned and those aligned with the NZIF. We prioritise engagement efforts towards portfolio companies deemed material under the framework and not aligned (see **Appendix B**). This pertains to companies yet to commit to a net-zero, science-based target, particularly those with significant emissions. Our voting policy aligns with this strategy, allowing us to vote against board members responsible for the companies' climate strategy. We perceive a serious risk in companies unprepared for the net-zero transition, and we actively manage this through our approach to active ownership and engagement.

Climate-related issues have factored into our financial planning of our new office spaces, one of our major assets. Consideration of climate issues has informed our decision to prioritise the most sustainable construction and practices for our new headquarters.

Scenario analysis, targets, and transition plan

This is our first year of performing a scenario analysis for the business. As such, it has not yet informed our firm strategy, but we will take the results from this year's scenario analysis forward in internal discussions.

Evenlode has developed a Net Zero Roadmap that can be found on our website. As a UK-based firm, we also note the UK's Climate Change Act, which commits the UK Government by law to reducing greenhouse gas (GHG) emissions by at least 100 per cent of 1990 levels (net zero) by 2050. We have developed our own net-zero ambitions and action plan to be in line with this target.

For all our investment funds, which are invested solely in listed equity, we target:

- 100% of financed emissions in material sectors to be aligned, achieving net zero or under direct or collective engagement by the end of 2022.
- 50% of our assets under management (AUM) in material sectors to be aligning, aligned or achieving net zero by 2025, and 100% by 2030.
- 100% of AUM in material sectors to be net zero or aligned by 2040.

- 51.6% reduction in emissions per £10k invested across scopes 1, 2 and 3 by 2030, using a baseline of 31 December 2020.

As a reminder, 'financed emissions' refers to the total Greenhouse Gas (GHG) emissions financed by the portfolio, expressed in metric tonnes of carbon dioxide equivalent (tCO_2e). This provides a broader view of the portfolio's impact by considering the total emissions associated, rather than normalising to a specific investment size. We use the definition provided in the NZIF for *companies in material sectors and high impact companies*, which are a subgroup of companies in material sectors. At the end of 2023, 64 companies or 73% of our portfolio companies across funds were considered material, and 17 companies or 27% of portfolio companies were considered high impact. Definitions of *aligning, aligned or achieving net zero* as well as the alignment criteria underlying these classifications are provided in **Appendix B**.

Progress

Engagement Target:

We achieved our short-term engagement target by engaging with 63 companies, representing 100% of our financed emissions in material sectors, by the end of 2022. We categorised these businesses based on their net-zero journey status and provided personalised feedback to each one, outlining the necessary steps for advancement. Throughout the year, we focused on engaging with companies that were lagging in their transition plans, specifically those classified as 'not aligned,' 'committed to align,' or 'material/high impact' and not progressing at a reasonable rate. As a result, we engaged with 43 companies on their net zero transition plans in 2022.

Short-term AUM Alignment Target:

We set a target to ensure that 50% of our assets under management (AUM) in material sectors were either 'aligning', 'aligned', or 'achieving net zero' by 2025. We have seen considerable progress year-on-year, with 49% of our invested AUM in material sectors meeting these criteria as of our latest assessment. This improvement was partly attributed to a re-classification of our 2025 target methodology, as we chose not to adopt an overly stringent stance towards companies in the process of engaging with the Science Based Targets initiative (SBTi) for short-term emissions reduction targets or those that had set 2025 targets involving supplier engagements.

Emissions Intensity Target:

Since 2019, we have been reporting our emissions intensity. Since we submitted our targets, we have been aiming for a reduction of 7% per annum (using the end of 2020 baseline) in line with the SBTi Net Zero standard. In 2022, we achieved a 7.2% overall reduction in emissions per £10,000 invested across our investment portfolios, primarily driven by a 25.2% decrease in our largest fund, Evenlode Income (EI). In 2023, we achieved a significant 32.2% reduction in emissions per £10,000 invested, attributed to improved data quality, strong engagement programs from our investee companies with their suppliers, and changes in our fund composition. We believe that a science-based

climate strategy is necessary to drive sustained emission reductions and plan to focus on engagement with our portfolio companies to align them with a 1.5°C scenario.

For more detail on how we plan to meet our Net Zero ambitions, please see the Net Zero Roadmap on our website.

Resilience of the organisation's strategy taking into consideration different climate-related scenarios

Scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver precise outcomes or forecasts. The purpose of scenario planning is not to offer a comprehensive view of the future but rather to emphasise key elements of a potential future and draw attention to the essential factors that will influence further developments.

We have conducted scenario analysis using the models built by the Network for Greening the Financial System (NGFS.) This allows us to benefit from the considerable work that has gone into building plausible models for future economic performance and better allows for comparability across the financial sector.

The NGFS scenarios explore a set of seven scenarios which are consistent with the framework published in the first NGFS Comprehensive Report covering the following dimensions:

- Orderly scenarios assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
- Disorderly scenarios explore higher transition risks due to policies being delayed or divergent across countries and sectors. For example, (shadow) carbon prices are typically higher for a given temperature outcome.
- Hot house world scenarios assume that some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts like sea-level rise.
- Too-little-too-late scenarios assume that a late and uncoordinated transition fails to limit physical risks. This quadrant has been assessed for the first time.

Evenlode decided to look at these set of scenarios with the aim of covering all bases, ranging from best-case to worst-case scenarios:

1. Net Zero 2050 (Orderly Transition): Global warming is limited to 2°C compared to pre-industrial averages through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050. Global CO2 emissions reach or approach net zero in 2050. Countries with a political commitment to a net zero target meet this target before or after 2050. Some jurisdictions such as the US, EU, UK, Canada, Australia, and Japan reach net zero for all GHGs. While physical risks remain low, transition risks will be material.

2. **Delayed Transition (Disorderly Transition):** Annual emissions do not decrease until 2030 and strong policies are needed to limit warming to below 2°C compared to pre-industrial averages. This scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies, leading to a "fossil recovery" out of the economic crisis brought about by COVID-19. This recovery in 2030 is unanticipated and therefore disruptive. Countries with net-zero policy target commitments are assumed to follow-through on 80% of them. As a result, emissions exceed the carbon budget temporarily and then decline more rapidly after 2030 to ensure a 67 % chance of limiting global warming to below 2 °C. This leads to both higher transition and physical risks than the Net Zero 2050 and below 2 °C scenarios.

3. **Hot House World (Current Policies):** Only currently implemented policies are preserved, current commitments are not met and emissions continue to rise, leading to high physical risks and severe social and economic disruption and failure to limit temperature rise.

Our reference years for scenario analysis align with our short-, medium-, and long-term horizons, and are 2030, 2040, 2050.

The results of the quantitative scenario analysis indicate that our current portfolios are best suited to a 'Current Policies' scenario, as each portfolio was projected to experience a positive impact in this scenario at each of our three time-horizons (identified above). However, our portfolios are less suited to Net Zero 2050 and Delayed Transition scenarios, experiencing a relatively strong negative impact in both scenarios in the medium and long-term time horizons. As such, our portfolios are currently less resilient to lower-warming scenarios. We will take the results of the scenario analysis performed forward in internal strategy discussions.

Risk Management

Climate change and the transition to a low carbon economy represent one of the biggest systemic risks facing the global economy and our portfolio companies. We have developed clear systems and processes to identify, assess and manage the climate-related risks we face, applying the same process to each investment portfolio.

Processes for identifying and assessing climate-related risks.

We assess companies in our investible universe on a range of financial and non-financial factors, including ESG risks. We assign a score of between A to E for each risk factor for each company we follow and analyse. We want to ensure that we have clear systems in place to eliminate any preconceived notions and biases and to that end, we have created a checklist which asks climate-related questions of each company. Example questions include:

- Is there board-level oversight of climate-related issues?

- Does the company publish its total greenhouse gas emissions (scope 1, 2 & 3)?
- Does the company have emissions reduction targets?
- Does the company assess executives on sustainability-related incentives in their remuneration policies?

We prioritise environmental and governance-related themes in determining the ESG risk score due to the value we have attributed to climate-related risks and consequently the governance needed from portfolio companies to achieve emissions reduction targets. Once the score is calculated, an independent judgement and discretion is applied by the stewardship department as a common-sense overlay. The resulting ESG risk score is presented and discussed at our weekly investment meeting. This process benefits from independent discussion, discretion, and calibration, allowing for a nuanced consideration of each potential issue and avoiding a purely mechanical approach to decision- making. Our process is collaborative and incorporate the perspectives of the entire team.

We assess companies in our investable universe on a range of financial and non-financial factors, divided into three different categories:

- **Business:** Economic Moat, Pricing Power, Long-term Industry Outlook, Economic Sensitivity, Diversification, Management and Cultural Quality, and ESG.
- **Financial:** Balance Sheet Strength, and Cash Generation.
- **Investment:** Liquidity Risk and Valuation Risk.

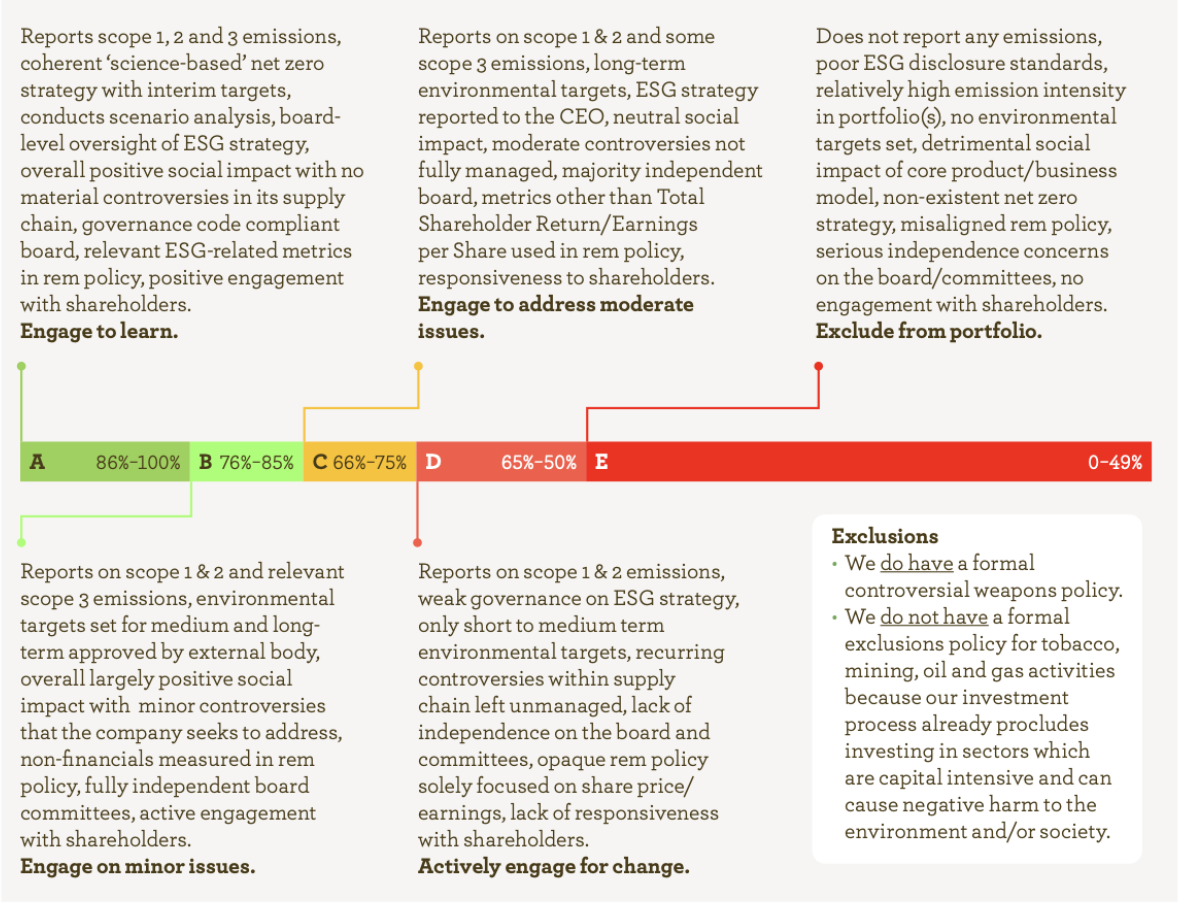
We assign a score of between A to E for each risk factor for each company we follow and analyse. This kind of scoring methodology induces conversation within the investment team at our regular risk scoring meetings and when an investment case is reviewed, ensuring a collegiate decision is made considering a range of viewpoints. Companies that score badly on certain issues, or certain combinations of issues, are less likely to be included in our investable universe. If a company scores an E on ESG risk because there are severe ESG concerns that the company is not managing adequately, it will be excluded from the portfolio/universe. Where a company does not meet minimum ESG standards and consequently scores a D, this leads to active engagement on the identified issues that, if necessary, is escalated from direct engagement with the company to collective engagement through one of the investor initiatives we are members of.

We also use several checklists to determine the materiality of risks, helping us to focus our attention on the most significant and/or value-adding matters on behalf of our clients. Over the course of the year, to create more structure around how we score companies on ESG risks, we highlighted market wide ESG issues that present long-term risks if not addressed:

- **Environmental risks:** Net zero transition plan, emission intensity, oversight of climate strategy.
- **Social risks:** Lack of transparency within the supply chain, labour violations, material controversies, pay parity.
- **Governance risks:** Arising from a poor governance framework: misalignment between pay and performance, inadequate independence of board members, disproportionate voting rights.

Our process for identifying and assessing risks allows us to judge each business on its own merits when deciding on its ESG risk score. It is our belief that every company faces both climate-related risks and opportunities, and we should critically assess those as part of our analysis of the company's ESG risk score before drawing conclusions.

An explanation of the risk classifications with regards to climate are in the below graphic:



Processes for managing climate-related risks

The processes described above enable us to have a comprehensive understanding of the risks associated with a company when we decide to invest. If we decide to invest in a company that scores poorly on one of the indicators, they will form part of our engagement strategy with the company. If a company scores an E on ESG risk because there are severe ESG concerns that the company is not managing adequately, it will be excluded from the portfolio/investible universe. This is fundamentally a risk control mechanism; it is our belief that companies that do not adequately manage their own business risks, including climate-related risks, face potential liabilities through fines and regulatory censure, reputational damage, and subsequent lost revenues. Such companies present heightened risks. We therefore look elsewhere to achieve good risk-adjusted returns for our clients.

Our risk identification process includes prioritisation ensuring that material risks are identified. We classify ESG risk as material for a significant portion of the companies in

which we invest. Given the nature of our investment process and time horizon, environmental risk will continue to gain significance as we move towards a net-zero economy. The risk management process defined above applies to all our investment strategies.

How processes for identifying, assessing and managing climate-related risks are integrated into overall risk management.

The Evenlode Investment Risk Oversight Committee (IROC) supervises this risk management process and ensures that fund managers are acting consistently with the stated Evenlode Investment approach. The IROC is independent of the investment team. The IROC ensures that we undertake active risk management, considering the following kinds of risk:

1. Fundamental business risk

Fundamental risk management relates to the idiosyncratic risks faced by each company. Evenlode has a defined investment risk framework, focused on 10 risk factors that affect a company's ability to withstand uncertainty. These risk factors include ESG risk, which is owned independently by the Stewardship team. The ESG risk score from our analysis ultimately acts as one of the key inputs into the maximum position size of the company. Companies that have lower scores will, all other things being equal, have lower maximum position sizes.

Our risk management process encourages independent discussion, discretion and calibration to allow for a consideration of the nuances of each potential issue and eliminates a mechanical approach to decision-making. The process is collegiate and seeks to bring in the views of the whole investment team.

2. Liquidity risk

Liquidity risk management relates to the liquidity of the shares in the company. Illiquidity affects fund managers' ability to enter and exit positions without significantly disturbing the share price and ensures that any client redemptions can be met. Liquidity risk is included in the 10 risk factors and is set independently by the dealing team.

3. Valuation risk

Valuation risk management is used alongside the framework above to set position sizes. Evenlode has a proprietary reverse discounted cash flow model that is applied consistently across all companies. This allows Evenlode to bias the portfolio to companies which are deemed better value. Traditional valuation spot metrics are used as a sense check for internal valuations.

Metrics and Targets

Metrics and targets used to assess and manage relevant climate-related risks and opportunities.

We have reference to the metrics summarised in the below graphic when assessing climate-related risks and opportunities within our portfolios. Emissions are calculated in line with the GHG Protocol methodology, and the metrics we have reference to have remained consistent over the last several years. We have reference to the same metrics when considering each product.

Metric	What does it mean?	How do we measure it?
Absolute financed emissions	The absolute emissions associated with our share of our portfolio companies' emissions. This helps us understand the overall climate impact of our investments.	$\sum \frac{\text{outstanding amount}}{\text{EVIC}} \times \text{company emissions}$
Emissions per £10k invested	The emissions footprint resulting from investing £10k in our fund. This allows us to put our financed emissions in a more meaningful context for clients and comparisons with other funds and benchmark indices.	$\sum \frac{\text{outstanding amount}}{\text{total portfolio value}} \times \frac{\text{£10k}}{\text{EVIC}} \times \text{company emissions}$
Weighted average emissions intensity	The emissions intensity of our funds based on the revenue composition of our portfolio. This helps us understand the fund's exposure to emissions-intensive companies.	$\sum \frac{\text{outstanding amount}}{\text{total portfolio value}} \times \frac{\text{company emissions}}{\text{company revenue}}$

Remuneration

We do not have prescriptive performance metrics tied to remuneration. As an organisation, we believe that such performance metrics can lead to unintended consequences and may not effectively drive the desired behaviours and outcomes. Instead, we prefer to foster a culture of accountability and shared responsibility, where our employees are empowered to make decisions that align with our overall strategic objectives, including our approach to managing climate-related risks and opportunities.

Carbon prices

As part of our assessment of climate related risk, we project the impact of carbon taxes on investee companies. We project the impact of a carbon tax set at three levels - £50, £75, £100 – and model this as a percentage of company revenue. We use this to determine the margins and profitability of the most emission-intensive companies when different carbon prices are applied.

Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks

	2022	2023
Total Financed Emissions (tCO_2e)	1,156,640	836,303
Weighted Average Emissions per investment (tCO_2e / £10k invested)	2.16	1.47
Weighted Average Emissions Intensity (tCO_2e / £m revenue)	672.1	390

In 2023, we achieved an overall reduction of 32.2% in our emissions per £10k invested across our investment portfolios – a decrease from 2.16 to 1.47 tCO2e. This substantial reduction in our funds' financed emissions has been in part driven by the structural improvement of the global energy mix and the ever-increasing quality and availability of data. Companies are more effectively engaging with suppliers, both up and down their value chains, ensuring that they are best placed to report their own emissions.

The emissions associated with investing £10k in any one of our funds was between 0.54 and 1.57 tCO2e in 2023.

The emissions footprint associated with investing £10k in any of the Evenlode funds is substantially lower than an equivalent allocation to a strategy which tracks the MSCI World or the FTSE All-Share indices. The difference can be largely explained by looking at sector allocation; the Evenlode funds have low exposure to energy-intensive industries, such as the Oil & Gas, Materials, Real Estate, and Utilities sectors. Evenlode favours investments in asset light businesses and our approach has a bias towards quality, these factors also play a role in the difference in intensity between our funds and the indices. The FTSE All-Share Index comprises fewer, smaller businesses than the MSCI World Index and it also has a much higher weighting towards the Energy, Materials and Consumer Staples sectors. For these reasons the FTSE All-Share Index represents a more intensive benchmark than the MSCI World Index.

Targets used to manage climate-related risks and opportunities and performance against targets.

To support global decarbonisation efforts, we have committed to reaching net zero by 2050 or sooner across 100% of our investment portfolios. As an asset manager, our financed emissions constitute the majority of our emissions. By measuring our financed emissions annually, we can better understand the climate impacts of our portfolio companies as well as the climate-related risks they face. This, in turn, allows us to proactively engage with the top emitters in our investment portfolios and better manage climate risks in our investment processes.

For all our investments funds which are invested solely in listed equity, we target:

- 100% of financed emissions in material sectors to be aligned, achieving net zero or under direct or collective engagement by the end of 2022.

- 50% of our assets under management (AUM) in material sectors to be aligning, aligned or achieving net zero by 2025, and 100% by 2030.
- 100% of AUM in material sectors to be net zero or aligned by 2040.
- 51.6% reduction* in emissions per £10k invested across scopes 1,2 and 3 by 2030.
- The baselines for our targets are as follows:
    - Portfolio coverage baseline: The reference year is 2021; 24.4% of AUM in material sectors were aligning (14.5%), aligned (9.8%) or achieving net zero (0.0%).
    - Portfolio decarbonisation reference baseline: The reference year is 2020; 5.27 tCO2e/$m invested for financed scope 1 & 2 emissions, 163.14 tCO2e/$m invested for financed scope 3 emissions, and 168.41 tCO2e/$m invested for total financed emissions.

* We want to be able to anticipate risks and opportunities from the companies that are well- positioned to create value from the transition to net zero. This is why we have chosen an emission intensity target rather than an absolute target for our financed emissions. Especially as we are also expecting AUM to increase in the coming years. To balance this with the potential for absolute emission increases, we have chosen a more stringent reduction target of 7% per annum in line with the SBTi Net Zero Standard as opposed to a minimum 4.2% reduction per annum for scope 1 and 2 and 2.5% for scope 3 in the near-term for absolute emission reduction targets. This leads to a 51.6% reduction overall from 2020 to 2030. This is in line with the Standard's requirement to halve emissions before 2030 and 90% reduction by 2050.

Operational emissions

Since we are an asset management firm, our environmental impact is arguably mostly through our financed emissions. However, due to our operational emissions targets and commitment to being a leader in sustainability, we also present our operational emissions for 2023 below.

The emissions under operational control have been calculated under the three GHG emissions assessment scopes. Scope 1 includes the direct emissions from owned or controlled sources. Scope 2 accounts for the indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the company. Finally, scope 3 describes all other indirect emissions that occur in our value chain, both upstream and downstream.

Scope	Name	Emissions (tCO_2e)	Comments
Scope 1			
Scope 1.1	Stationary Combustion	1.2	
Scope 1.2	Mobile Combustion	0.6	
Scope 1.3	Physical or chemical processing	0.0	
Scope 1.4	Fugitive Emissions	0.1	
Scope 2			
Scope 2.1	Electricity related indirect emissions	1.7	
Scope 2.2	Steam, heat and cooling related indirect emissions	0.0	
Scope 3			
Scope 3.1	Purchased Goods and services	713.6	
Scope 3.2	Capital Goods	5.6	
Scope 3.3	Fuel and energy related activities	1.3	
Scope 3.4	Upstream transportation & distribution	0.0	
Scope 3.5	Waste generated in operations	4.3	
Scope 3.6	Business travel	34.3	
Scope 3.7	Commuting	9.5	
Scope 3.8	Upstream leased assets	-	Not relevant
Scope 3.9	Downstream transport & distribution	-	Not relevant
Scope 3.10	Processing sold products	-	Not relevant
Scope 3.11	Use of sold products	-	Not relevant
Scope 3.12	End-of-life treatment of sold products	-	Not relevant
Scope 3.13	Downstream leased assets	-	Not relevant
Scope 3.14	Franchises	-	Not relevant
Scope 3.15	Investments	-	Excluded

Source: Evenlode, Greenly

The GHG emission assessment results are as follows: Scope 1 and 2 emissions total 3.6 tCO2e, with an intensity of less than 0.1 tCO2e per employee. Scope 3 emissions are significantly higher at 769 tCO2e, with an intensity of 21 tCO2e per employee. Overall, our total emissions amount to 788 tCO2e, with an intensity of 21 tCO2e per employee. For context, the sector benchmark for asset and fund management indicates an average of 20 tCO2e per employee, covering Scope 1, 2, and 3 emissions.

We report the financed emissions of our investments across all the Evenlode portfolios. Our analysis covers scope 1, scope 2 and scope 3 emissions. For our analysis, we utilise the Full GHG Emissions Dataset provided by the Carbon Disclosure Project (CDP). All our portfolio emissions reports can be found on the Stewardship section of our website which can be found here. The percentage of emissions reported are summarised in the graphic below.

Percentage emissions reported

Fund	Evenlode Income (EI)	Evenlode Global Income (EGI)	Evenlode Global Dividend (EGD)	Evenlode Global Equity (EGE)	Evenlode Global Opportunities (EGO)	Invested Universe
Scope 1 (%)	100	97.5	97.5	100	100	99.1
Scope 2 (%)	100	96.3	96.3	100	100	98.6
Scope 3 (%)	93.4	83.4	84.2	91.1	91.1	89.6
Total (%)	**93.5**	**83.8**	**84.7**	**91.6**	**91.6**	**89.9**

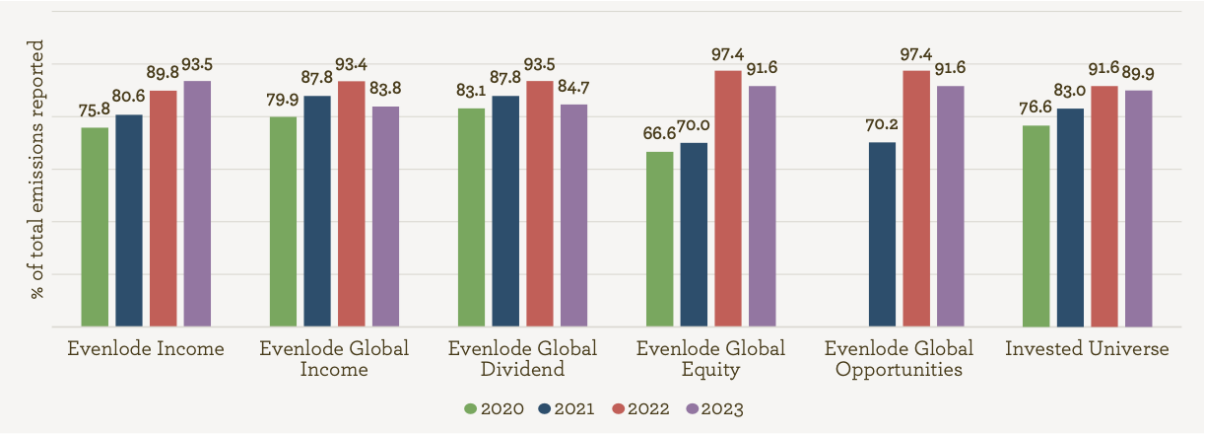
Note: The difference between EGI and EGD's scope 3 emissions is a result of rounding and scaling; EGI represents 33% of Evenlode's total AUM where EGD represents 2%.

Percentage of emissions reported by the company to the CDP or in their own reports rather than modelled by the CDP or Evenlode, by scope and fund. Calculated based on each fund's percentage of Evenlode's total financed emissions. Source: CDP 2023 Full GHG Emissions Dataset, Evenlode. Evenlode portfolios as at 29 December 2023.

Due to enhanced reporting, six companies no longer require one or more of their scope 3 categories to be modelled up. Those businesses are Compass Group, Howden Joinery, Marsh & McLennan, Smith & Nephew, Sonic Healthcare and Victrex. This year, we modelled nine companies, representing a 25% decrease compared with the previous year's analysis. We welcome this improvement and hope to see this trend continue.

We acknowledge that our financed emissions are only estimates which attempt to approximate the 'true' emissions of our investments. With continuous improvement in the availability and quality of emissions data from our portfolio companies, our analysis will continue to improve and provide a more representative view of our financed emissions.

Emission reporting trends



Note: Evenlode Global Opportunities launched in 2021.
Percentage of companies in Evenlode portfolios reporting across the different scopes. Source: CDP and Evenlode. 2020 analysis based on Evenlode portfolios as at 31 December 2020, using data from the CDP 2020 Full GHG Emissions Dataset. 2021 analysis based on Evenlode portfolios as at 31 December 2021, using data from the CDP 2021 Full GHG Emissions Dataset. 2022 analysis based on Evenlode portfolios as at 30 December 2022, using data from the CDP 2022 Full GHG Emissions Dataset. 2023 analysis based on Evenlode portfolios as at 29 December 2023, using data from the CDP 2023 Full GHG Emissions Dataset.

a) Gaps in the underlying data

Since we began conducting this analysis, we have witnessed a gradual increase in total emissions disclosure at the portfolio level; this year however we note a slight decline in the percentage of companies reporting on scope 3 emissions. There has been a rotation away from companies such as Clorox, Estée Lauder, Money Supermarket, AstraZeneca and eBay, into the likes of Clarkson, Spirax Sarco and Snap-on, principally as a result of our valuation discipline. However, where the former set of businesses were reporting 100% of their total emissions, the latter cohort calculate and disclose just 5% or less. The Stewardship team view this shift as an opportunity to engage in a meaningful way with companies who have not yet developed their emissions reduction strategies sufficiently.

b) How the firm has addressed those gaps – i.e. via proxy data or assumptions

Over the past 12-18 months, the Evenlode technology team has further developed our proprietary shared research and portfolio management platform, EDDIE. In response to requests from the stewardship team, two significant upgrades have been made to the existing platform to enable better data clarity:

1. At the company level, there is now a 'Net Zero Alignment' section in the Company Overview. This section provides detailed information about an investee company's climate transition plan and its classification under the Net Zero Investment Framework.
2. At the portfolio level, we have integrated the net zero assessment classifications of all investee companies as well as the data from the portfolio's emissions analysis into our modelling tool. We can now track the change in the fund's emission intensity after each investment decision, down to the basis point.

These upgrades raise awareness among the team and enable fund managers to monitor the fund's emission intensity, ensuring that its trajectory aligns with our medium and long-term net zero targets.

c) *Any metrics or scenario analysis that the firm has not been able to disclose, why proxies / assumptions were not suitable, and what steps the firm will take in the future to address this.*

We have disclosed all mandatory metrics and scenario analysis given the specifics of our portfolios.

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 illustrative purposes only and should not be relied upon as a recommendation to buy or sell securities. Every effort is taken to ensure the accuracy of the data in this document, but no warranties are given.

IFSL Evenlode Income, IFSL Evenlode Global Income and IFSL Evenlode Global Equity are sub funds of the IFSL Evenlode Investment Funds OEIC. Investment Fund Services Limited is authorised and regulated by the Financial Conduct Authority, No 464193. The Evenlode Global Dividend Fund and Evenlode Global Opportunities Fund are sub-funds of the Evenlode ICAV. The Evenlode Global Dividend Fund and Evenlode Global Opportunities Fund are authorised and regulated in the Republic of Ireland by the Central Bank of Ireland.

Full details of the funds including risk warnings and costs and charges are published in the fund prospectuses, and the Key Investor Information Documents (KIID) which are available on request and at www.evenlodeinvestment.com. Past performance is not a guide to future returns. The funds are subject to normal stock market fluctuations and other risks inherent in such investments. The value of investments and any income derived can go down as well as up, and investors may not get back the full amount invested. You should therefore regard your investment as medium to long term. The Evenlode funds are concentrated with typically 30-50 investments, therefore the funds carry more risk than a fund that is spread over a larger number of stocks. The funds have the ability to invest in derivatives for the purposes of efficient portfolio management, which may restrict gains in a rising market. Investment in overseas equities may be affected by exchange rates, which could cause the value of your investment to increase or diminish.

Issued by Evenlode Investment Management Limited, authorised and regulated by the Financial Conduct Authority, No 767844.

Appendix

Appendix A – TCFD requirement references

TCFD Recommendation	Reference
Governance: Disclose the organization's governance around climate-related risks and opportunities	
Describe the board's oversight of climate-related risks and opportunities.	Page 5
Describe management's role in assessing and managing climate-related risks and opportunities.	Page 6
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.	
Describe the climate-related risks and opportunities the organization has identified over the short-, medium- and long-term.	Page 7
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	Page 9
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 12
Describe how risks and opportunities are factored into relevant products or investment strategies and describe related transition impact.	See Product Level Reports
Risk management: Disclose how the organization identifies, assesses and manages climate-related risks	
Describe the organization's processes for identifying and assessing climate-related risk.	Page 13
Describe the organization's processes for managing climate-related risks.	Page 15
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	Page 16
Describe how material climate-related risks are identified, assessed and managed for each product or investment strategy.	Page 16
Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 17
Describe metrics used to assess climate-related risks and opportunities in each product or investment strategy.	Page 17
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risk.	Page 18 and Product Level Reports
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Page 18

Appendix B – Net Zero Alignment classifications

We define alignment levels following the NZIF:

Alignment classification	Meeting criteria	Description
Not aligned	-	No target set
Preparing to align*	-	Have set a target that is not in line with 1.5°C.
Committed to aligning	1	Have set a net zero target for 2050 or earlier that covers at least 95% of scope 1 and 2 and at least 90% of scope 3 in line with 1.5°C.
Aligning	1, 2, 4 and partial 5	Additionally: have set a short- (up to 2025) and medium-term target (up to 2035, covering at least 67% of scope 3), disclose at least 90% of scope 1, 2 and scope 3 emissions, and for high impact companies, have a plan relating to how the company will achieve these targets.
Aligned	1-4 (and 5-6 for high impact companies)	Additionally: have adequate emission performance over time in line with the targets set, and for high impact companies, have a decarbonisation strategy that sets out how they will achieve their targets and allocate capital in alignment with their long-term climate target. Also have emissions audited, disclose % of green revenues and details of offsets used.
Achieving net zero		Additionally: have reached or are close to net zero and have an investment plan or business model expected to continue to achieve that goal over time.

**Alignment classification created by Evenlode Investment to differentiate between companies who haven't set a climate - related to those who have, even if not in line with 1.5°C.*

Alignment criteria	Description
1 Ambition	A long-term 2050 goal consistent with global net zero.
2 Targets	Short- and medium-term emissions reduction targets (scope 1, 2, and material scope 3).
3 Emission performance	Current emissions intensity performance (scope 1, 2, and material scope 3) relative to targets.
4 Disclosure	Disclosure of scope 1, 2 and material scope 3 emissions.
5 Decarbonisation strategy	A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and where relevant increases in green revenues.
6 Capital allocation alignment	A clear demonstration that the capital expenditures of the company are consistent with achieving net zero emissions by 2050.