EVENLODE

INVESTMENTS FOR LIFE

Evenlode Portfolio Emissions Report 2023

By Lily Postlethwaite, Stewardship Analyst

PCAF Partnership for Carbon Accounting Financials

evenlodeinvestment.com

EXECUTIVE SUMMARY

Planet Earth span through 2023 at more than 1.5°C above pre-industrial temperature levels for 11 out of the year's 12 months. Temperature records are being broken continuously; every month between June and December was the hottest of its kind[1] and global warming is occurring at an ever-accelerated rate.

Sea levels and water temperatures continue to rise, with our oceans bearing 90% of the impacts of excess greenhouse gas (GHG) emissions. For context, the entire global economy uses about a half of a zettajoule (ZJ) of energy per year to run and in 2023 oceans absorbed in the region of 287 ZJ worth of heat, which represents a staggering 15 ZJ more than in 2022[2]. The natural climate warming weather pattern, El Niño, exacerbated the situation in the latter half of the year but it is undeniable that human activity is behind the long-term warming trend which is causing extreme and adverse impacts on people and nature around the globe[3]. Across emerging and developed markets alike there is a desperate need to dramatically reduce our GHG emissions if we are to avoid the most severe and catastrophic impacts of climate change.

It is our view that by assessing the financed emissions of our funds annually and reporting our findings publicly, we stand a better chance of understanding the climate impacts of our companies as well as the transition risks they are likely to face. The analysis enables us to engage with the most emission-intensive businesses in a targeted manner, consequently making progress towards our net-zero emission intensity targets. Evenlode have been publicly disclosing our findings since 2019. This year, we are continuing to align this report with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) regarding climate-related metrics and targets.

METHODOLOGY

We report the financed emissions of our investments across all of the Evenlode funds, based on the portfolios as at 29 December 2023. Our analysis covers scope 1 and scope 2 emissions, and all categories across scope 3 emissions.

For our analysis, we utilise the Full GHG Emissions Dataset provided by the Carbon Disclosure Project (CDP). This dataset collates companies' own reports of their emissions and fills in the gaps with modelled estimates.

RESULTS

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 tCO_2e. 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. The International Energy Agency (IEA) reported that in 2023 the global supply of renewable energy grew by almost 50%, the 22nd consecutive year to set new clean energy capacity records[4]. 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 tCO_2e in 2023. For context, the average UK resident was responsible for 4.7 tCO_2e and the average US resident was responsible for 14.9 tCO_2e in 2022.[5] Mike Berners-Lee advocates for a 'five-tonne lifestyle' as a per capita emissions budget in his book, *How Bad Are Bananas?*[6].

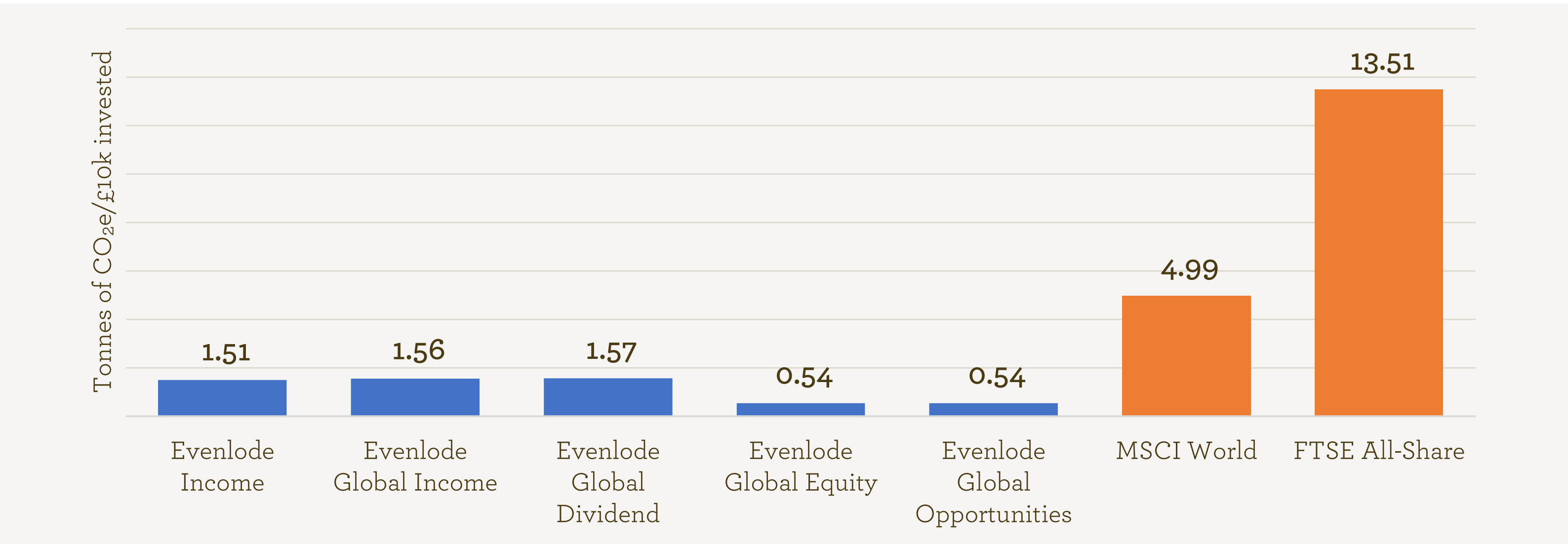
1 EU's Copernicus Climate Change Service. View here.
2 Cheng, L., Abraham, J., Trenberth, K.E. et al. New Record Ocean Temperatures and Related Climate Indicators in 2023. Adv. Atmos. Sci. (2024). View here.
3 Synthesis Report of the Sixth Assessment Report, Synthesis Report of the Sixth Assessment Report A Report of the Intergovernmental Panel on Climate Change. View here.
4 IEA (2024), CO_2 Emissions in 2023, IEA, Paris. View Here.
5 Our World in Data based on the Global Carbon Project, 2023. View here.
6 Berners-Lee, Mike. How Bad Are Bananas?: The Carbon Footprint of Everything. London: Profile, 2010.

Fund	2022	2023	% change	% of AUM
Evenlode Income (EI)	1.75	1.51	*-14.1*	58.9
Evenlode Global Income (EGI)	2.96	1.56	*-47.5*	32.6
Evenlode Global Dividend (EGD)	2.98	1.57	*-47.2*	2.4
Evenlode Global Equity (EGE)	1.00	0.54	*-45.9*	5.9
Evenlode Global Opportunities (EGO)	1.01	0.54	*-46.5*	0.2
Evenlode Total	**2.16**	**1.47**	***-32.2***	**100.0**

Tonnes of CO_2e/£10k invested across scopes 1, 2 and 3. Source: CDP and Evenlode. Evenlode portfolios as at 30 December 2022 and 29 December 2023, using data from the CDP 2022 and 2023 Full GHG Emissions Datasets.

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 represents a more intensive benchmark than the MSCI.

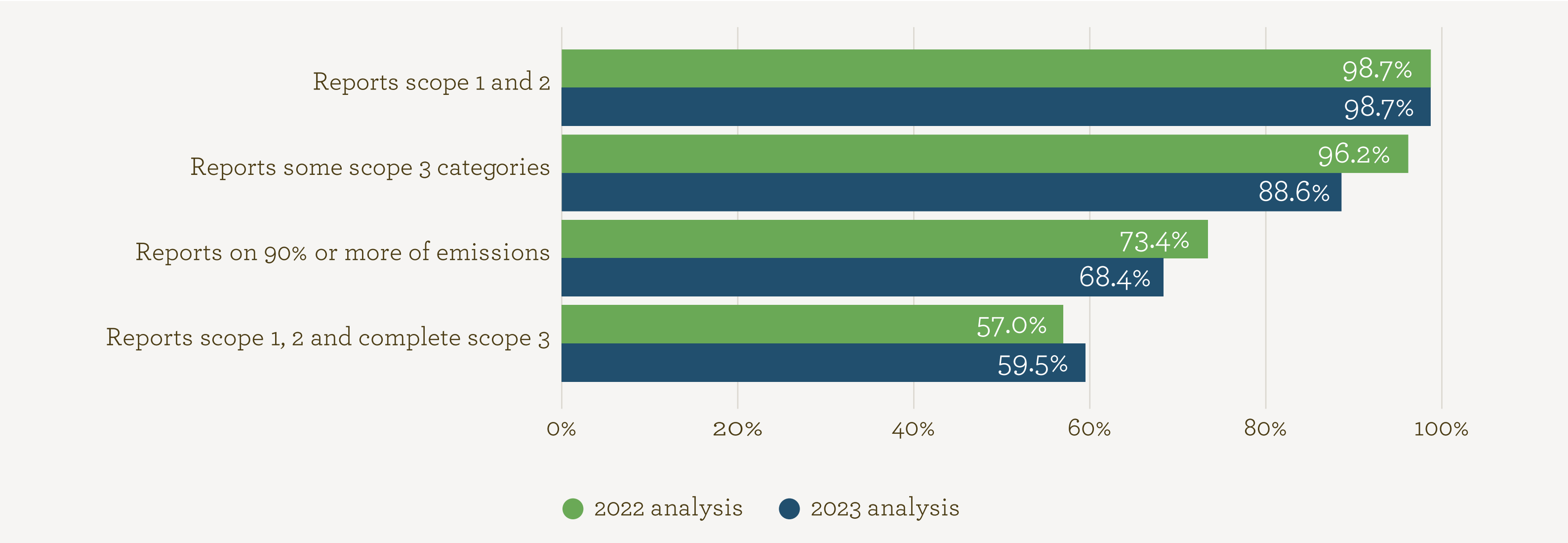
Scope 1, 2 and 3 emissions per £10k invested



Scope 1, 2 and 3 emissions per £10k invested as at 29 December 2023. Source: CDP 2023 Full GHG Emissions Dataset, Evenlode, MSCI and FTSE Russell. Evenlode as at 29 December 2023. MSCI World and FTSE All-Share portfolios as at 29 December 2023. Index data converted from weighted average emission intensity into emissions per £10k invested based on portfolio revenue and asset value as at 29 December 2023.

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.

Holding companies' emission reporting by scope



Percentage of companies in Evenlode portfolios reporting across the different scopes. Source: CDP and Evenlode. 2023 analysis based on Evenlode portfolios as at 29 December 2023, using data from the CDP 2023 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.

OUTCOME

As is the nature of measuring financed emissions, our analysis is far from perfect, but this process provides valuable insights to steer our investment discussions and stewardship efforts toward our net zero targets. Having seen a plateauing out of disclosure at a portfolio level, it is still the case that on an individual level companies continue to increase or maintain their disclosure and the quality of the data being reported continues to improve year-on-year. Our analysis and subsequent engagements with our portfolio companies are becoming more impactful and as a result we can provide a clearer representation of our financed emissions to our clients. Evenlode will continue to engage with our portfolio companies to improve reporting and drive action to cut emissions.

To access the Portfolio Emissions Reports, please use this link:

https://evenlodeinvestment.com/stewardship/assets

INTRODUCTION

Throughout 2023, Planet Earth experienced temperatures of more than 1.5°C above pre-industrial levels every month except January, and each month from June to December was the hottest of its kind on record[1]. While the natural climate phenomenon, El Niño, contributed to the situation in the latter part of the year, 2023 saw the global ocean heat content reach unprecedented levels[2].

We know now that human activity is responsible for global warming, namely through the emission of GHGs resulting from fossil-fuel combustion and industrial processes[3]. If we are to mitigate the most extreme and disastrous consequences of climate change, CO_2e emissions must be drastically reduced across all societies, geographies and markets.

At Evenlode, we believe that by assessing the financed emissions of our strategies each year and reporting our findings publicly, we are more likely to grasp the implications of climate change for our portfolio companies as well as comprehending the environmental impact they themselves are having. The analysis process allows us to allocate our engagement resources more effectively, which in turn will help us to achieve our medium-term net zero emission intensity targets. As an asset manager, financed emissions comprise the vast majority of Evenlode's emissions and if we are to meet our target of becoming net zero by 2050 or sooner across 100% of our investment portfolios we will need to actively engage and consider divesting from emission-intensive holdings that are not reducing their scope 1, 2, and 3 emissions sufficiently, and as a consequence are failing to manage their environmental risks.

Since 2019, Evenlode have been measuring and disclosing financed emissions. In 2020 we became the first UK asset manager to disclose our financed emissions in alignment with the Global GHG Accounting and Reporting Standard for the Financial Industry launched by the Partnership for Carbon Accounting Financials (PCAF).[4] In last year's analysis we began aligning this report with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) regarding climate-related metrics and targets.[5]

This report is intended to provide further details on our financed emissions for interested readers.

For a summary, please see our Responsible Investment Report 2023.

https://evenlodeinvestment.com/resources/stewardship-assets/Evenlode-Investment-Annual-Responsible-Investment-Report-2023.pdf

1 EU's Copernicus Climate Change Service. View here.
2 EU's Copernicus Climate Change Service. View here.
3 Synthesis Report of the Sixth Assessment Report, Synthesis Report of the Sixth Assessment Report A Report of the Intergovernmental Panel on Climate Change. View here.
4 PCAF, December 2022. The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition. View here.
5 TCFD, June 2017. Recommendations of the Task Force on Climate-related Financial Disclosures: Final Report. View here.

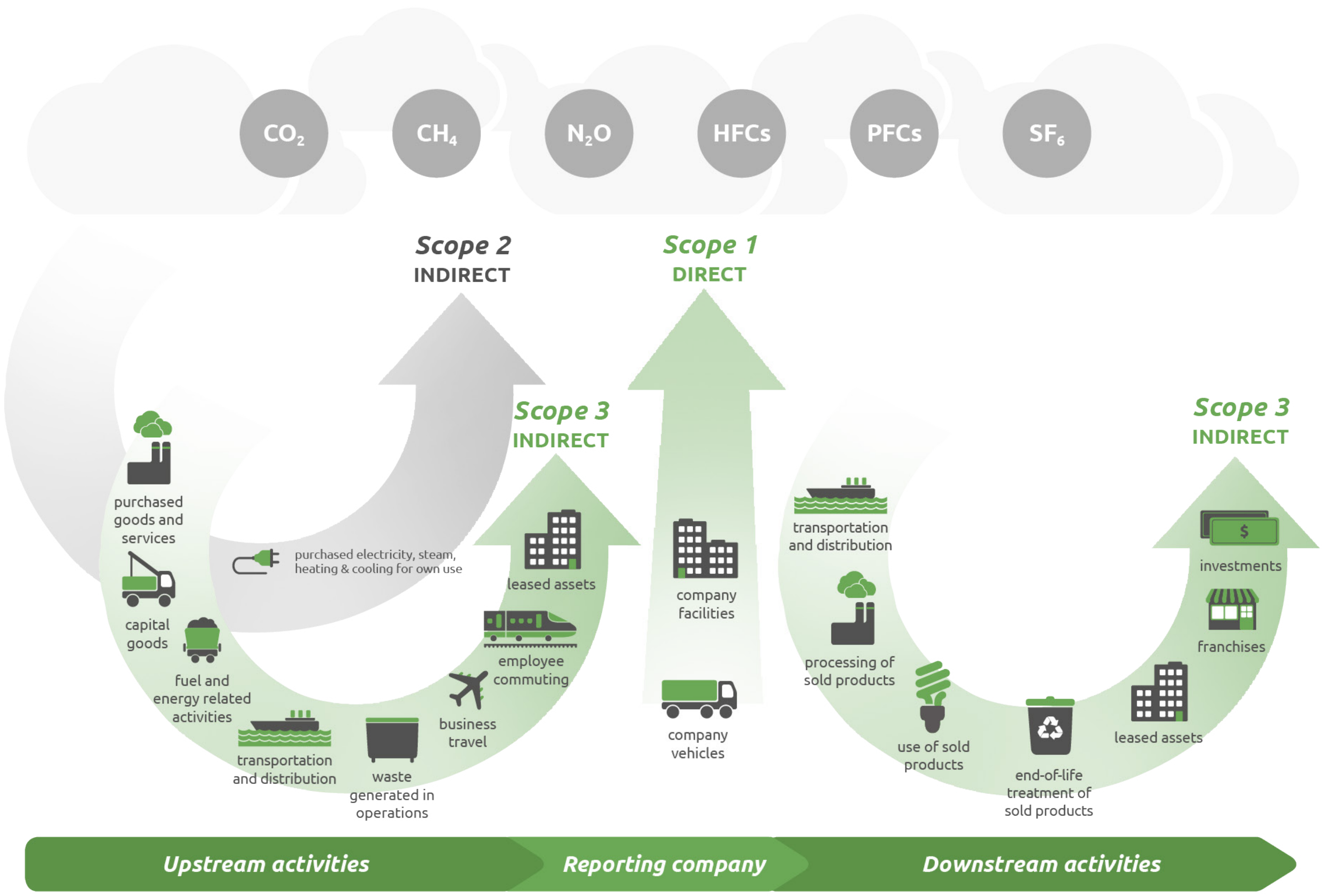
SCOPING OUT THE PROBLEM

Emissions are defined as being from three different 'scopes', depending on where they are actually emitted from. Scope 1 and 2 refer to emissions occurring in companies' operations while scope 3 are indirect emissions occurring in the value chain, both upstream and downstream of its operations (see table below).

Scope 1	Scope 2	Scope 3	
Emissions generated directly in a company's operations from sources owned or controlled by the company. For example, burning gas or coal in a power plant, or diesel or petrol in a company car.	Indirect emissions from electricity, steam, heat or cooling purchased by the company. For example, the emissions associated with the electricity that is running your computer.	Basically everything else, up and down the company's value chain, including: **Upstream** Emissions in the supply chain.	 **Downstream** Emissions that occur as a consequence of using the organisation's products and services.
Our estimates include all greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).			

Source: Greenhouse Gas Protocol

The Greenhouse Gas Protocol, which defines these scopes, further breaks scope 3 down into 15 categories:

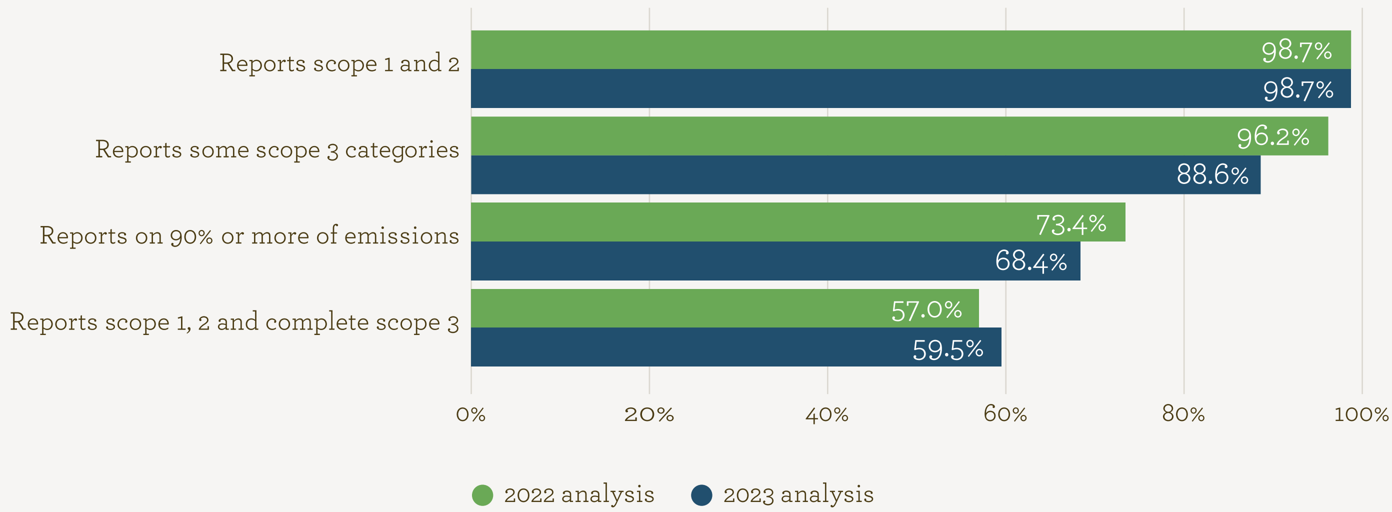


Source: World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD)

RESULTS – EMISSIONS DISCLOSURE OF OUR PORTFOLIO COMPANIES

Having seen a steady increase in emissions disclosure at a portfolio level in recent years, name changes within the funds over the course of 2023 have meant that the total number of companies reporting >90% of their scope 1, 2 and 3 emissions has dropped from 58 to 54 out of 79 holdings (68.4%). Clorox, Estée Lauder, Money Supermarket, AstraZeneca and eBay were all reporting their CO_2e emissions in full and these companies have been sold in favour of better value elsewhere. We see this as an engagement opportunity with companies reporting <5% of their emissions, such as Clarkson, Spirax and Snap-on over the course of 2024.

Holding companies' emission reporting by scope



Percentage of companies in Evenlode portfolios reporting across the different scopes. Source: CDP and Evenlode. 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.

Despite seeing a slight increase from 45 to 47 companies reporting 100% of their emissions for 2023, overall, 89.9% of Evenlode's total financed emissions are now reported by our portfolio companies, which represents a slight decline since last year where 91.6% of the invested universe's emissions were reported. We rely primarily on figures calculated and reported by our portfolio companies alongside CDP estimations to measure our financed emissions.

RESULTS – EMISSIONS DISCLOSURE OF OUR PORTFOLIO COMPANIES

Percentage of 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 (%)	100.0	97.5	97.5	100.0	100.0	99.1
Scope 2 (%)	100.0	96.3	96.3	100.0	100.0	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**

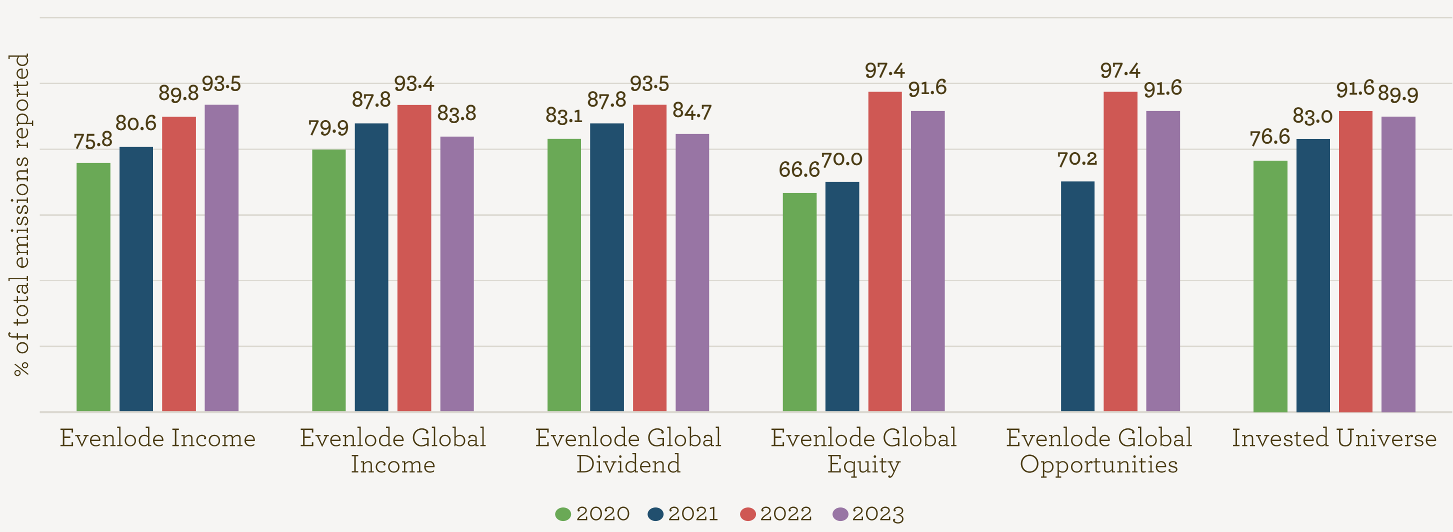
Note: The difference between EGI and EGD's scope 3 emissions is a result of rounding and scaling; EGI represents 33% of Evenlode's total AUM where EGD represents 2%.

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



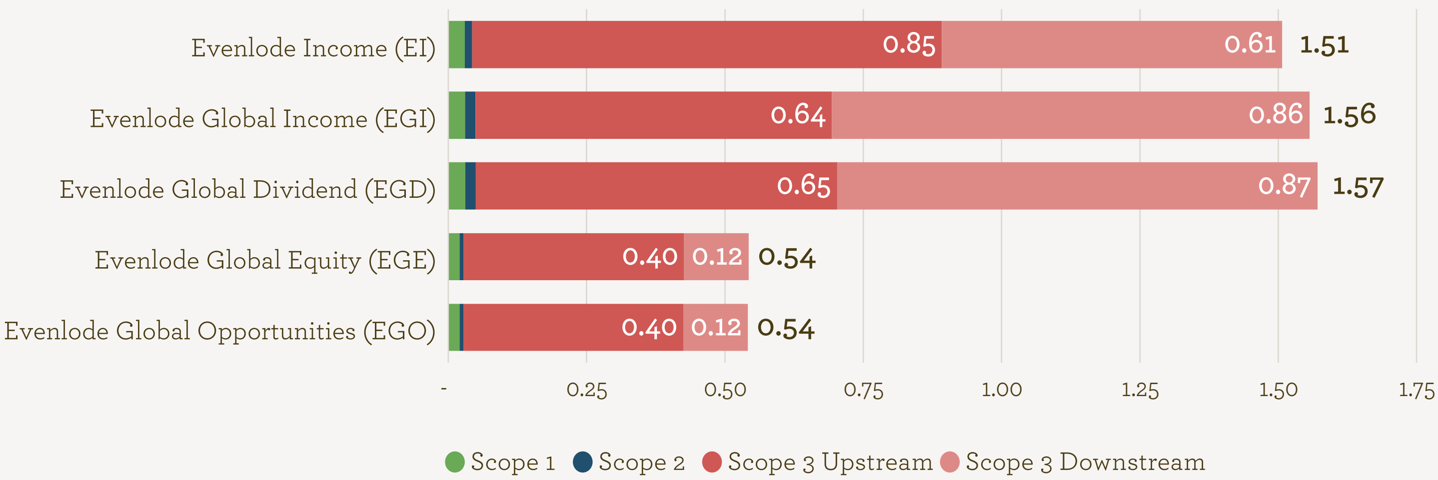
Note: Evenlode Global Opportunities launched in 2021.

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.

RESULTS – THE IMPACT OF YOUR INVESTMENT

Mike Berners-Lee advocates for a 'five-tonne lifestyle' as a per capita emissions budget in his book, *How Bad Are Bananas?*[1], the average UK resident is responsible for 4.7 tCO_2e where the average US resident emits 14.9 tCO_2e annually[2]. The emissions associated with investing £10k in one of our funds was between 0.54 and 1.57 tCO_2e per year.

Emissions per £10k invested



Tonnes of CO_2e/£10k invested across scopes 1, 2 and 3 as at 29 December 2023. Source: CDP and Evenlode. Evenlode portfolios as at 29 December 2023, using data from the CDP 2023 Full GHG Emissions Dataset, which collates annual corporate emission data for emission accounting years ending between June 2022 and June 2023.

EGE and EGO had the lowest emissions per £10k invested when compared with the other Evenlode funds. This can be partly explained by sector bias; EI, EGI and EGD, have a higher exposure to more emissions intensive sectors such as Consumer Staples and Industrials, and EGE and EGO have a higher allocation to Financials and Communication Services, which are less intensive.

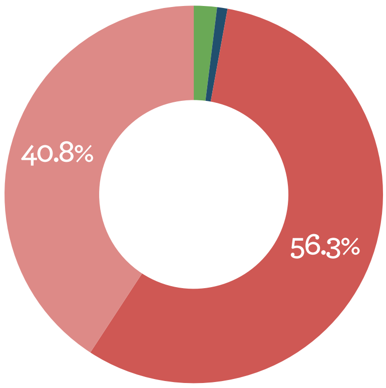
EGI and EGD have seen the most dramatic reduction in their emissions per £10k invested; last year the fund's top three emitters were Henkel, C. H. Robinson, and Quest Diagnostics at 18.5, 16.0, and 13.4 tCO_2e per £10k invested respectively. For comparison, the average emissions footprint per investment across all our portfolio companies in 2023 was 1.3 tCO_2e per £10k invested. Henkel has been sold from the portfolio, and after engaging with Quest Diagnostics last year it was discovered that they mistakenly reported a hugely inflated figure for their 'Purchased Goods and Services' scope 3 category. This year we have continued to engage with the company and have used CDP's estimated figure for the category, thus bringing down Quest's emissions intensity figure to 1.06 tCO_2e (from 13.4 tCO_2e) per £10k invested. C. H. Robinson remains the most emissions intensive holding for EGI and EGD by some margin at 22.7 tCO_2e per £10k invested. This is due to a 17% increase in their reported figure for 'Downstream Transportation and Distribution'. As a global leader in freight and logistics, this category is very difficult to decarbonise. Hexagon saw a dramatic drop in their financed emissions, and this was a result of improved disclosure. In the absence of a reported figure for 'Use of Sold Products' in 2022 we elected to accept the CDP's estimate for the category, this year however, Hexagon have reported the data, and the figure is significantly lower than the estimate calculated by CDP.

1 Berners-Lee, Mike. How Bad Are Bananas? : The Carbon Footprint of Everything. London: Profile, 2010.
2 Our World In Data based on the Global Carbon Project, 2023. View here.

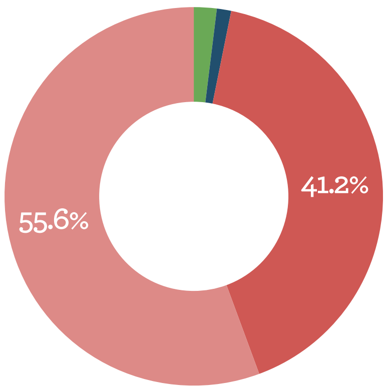
RESULTS – THE IMPACT OF YOUR INVESTMENT

Across all Evenlode's funds, scope 3 emissions vastly outstripped scope 1 and scope 2 emissions. This highlights the importance of disclosing value chain emissions across the life cycle of a product or service.

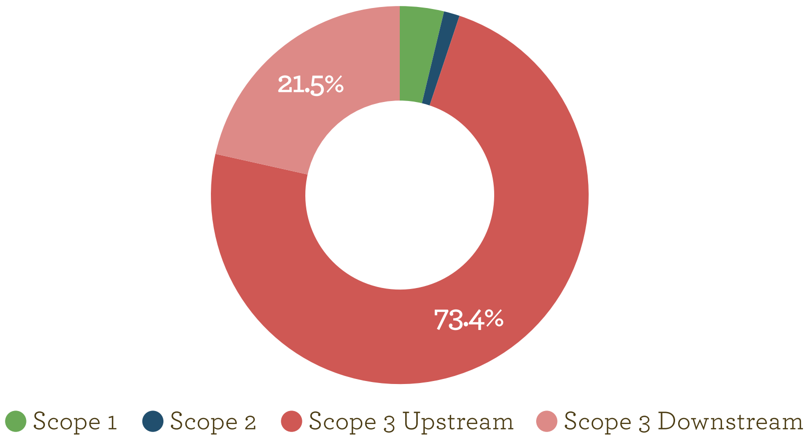
Evenlode Income



Evenlode Global Income/Global Dividend



Evenlode Global Equity/Global Opportunities

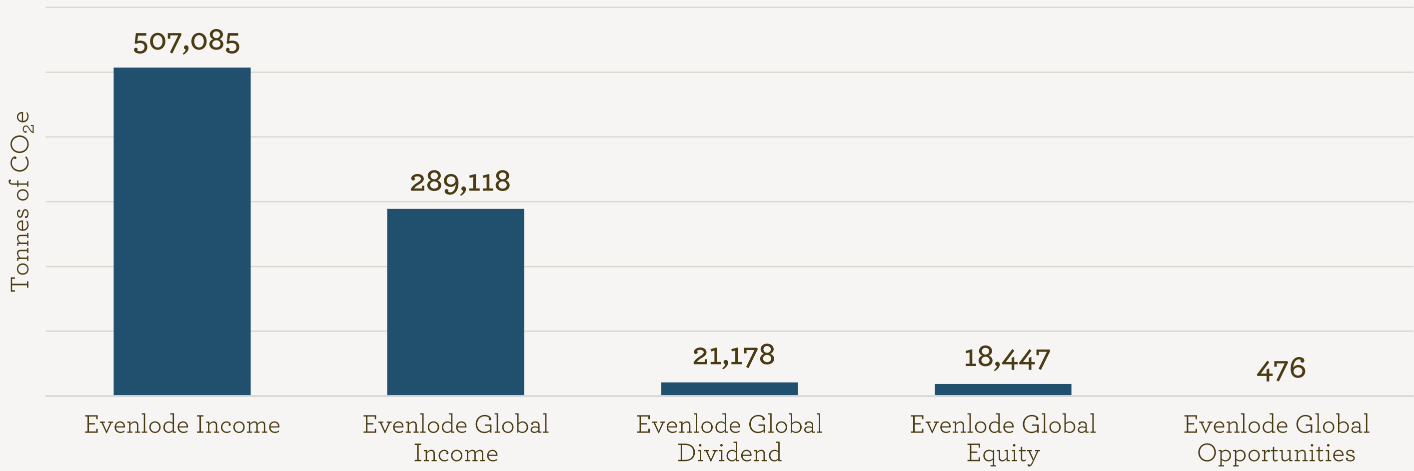


Breakdown of fund emissions by scope. Source: CDP 2023 Full GHG Emissions Dataset, Evenlode. Evenlode portfolios as at 29 December 2023.

RESULTS – THE IMPACT OF OUR FUNDS

The chart and table below summarise the total financed emissions of Evenlode's strategies. As is to be expected, across all funds, scope 3 comprises the vast majority of tCO_2e emitted. EI and EGI make up 58.9% and 32.6% of our AUM respectively and as such they represent a combined 95.2% of Evenlode's total financed emissions. EGD, EGE and EGO collectively contributed 4.8% to the total.

Total financed emissions per fund



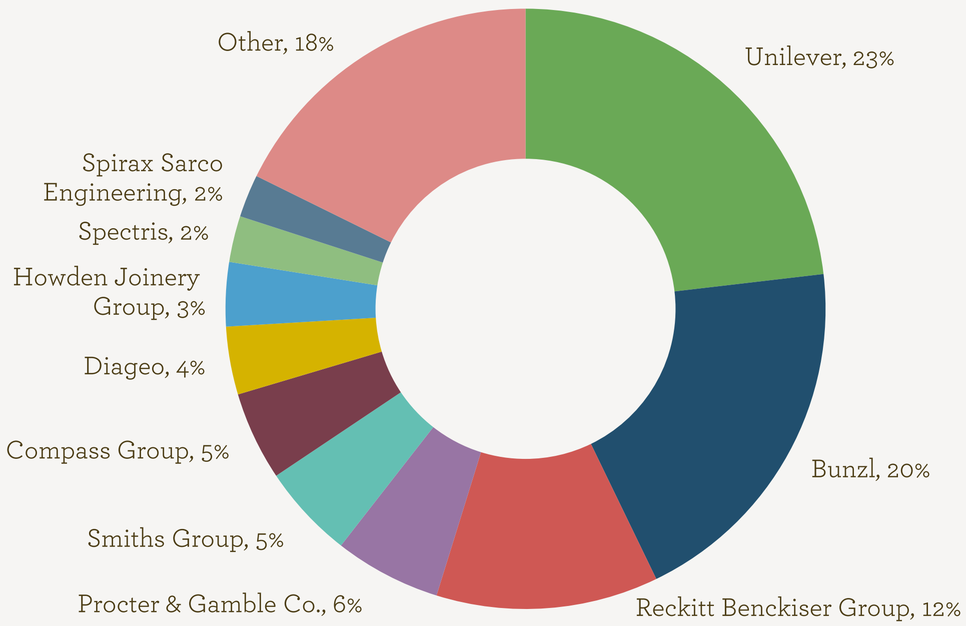
Fund	Scope 1	Scope 2	Scope 3 Upstream	Scope 3 Downstream	Total
Evenlode Income (EI)	10,000	4,500	285,716	206,869	*507,085*
Evenlode Global Income (EGI)	5,639	3,539	119,126	160,813	*289,118*
Evenlode Global Dividend (EGD)	416	262	8,685	11,816	*21,178*
Evenlode Global Equity (EGE)	696	250	13,535	3,967	*18,447*
Evenlode Global Opportunities (EGO)	18	7	349	102	*476*
Evenlode Total	**16,768**	**8,558**	**427,411**	**383,567**	**836,303**

Total financed emissions by scope in tonnes of CO_2e. Source: CDP 2023 Full GHG Emissions Dataset, Evenlode. Evenlode portfolios as at 29 December 2023.

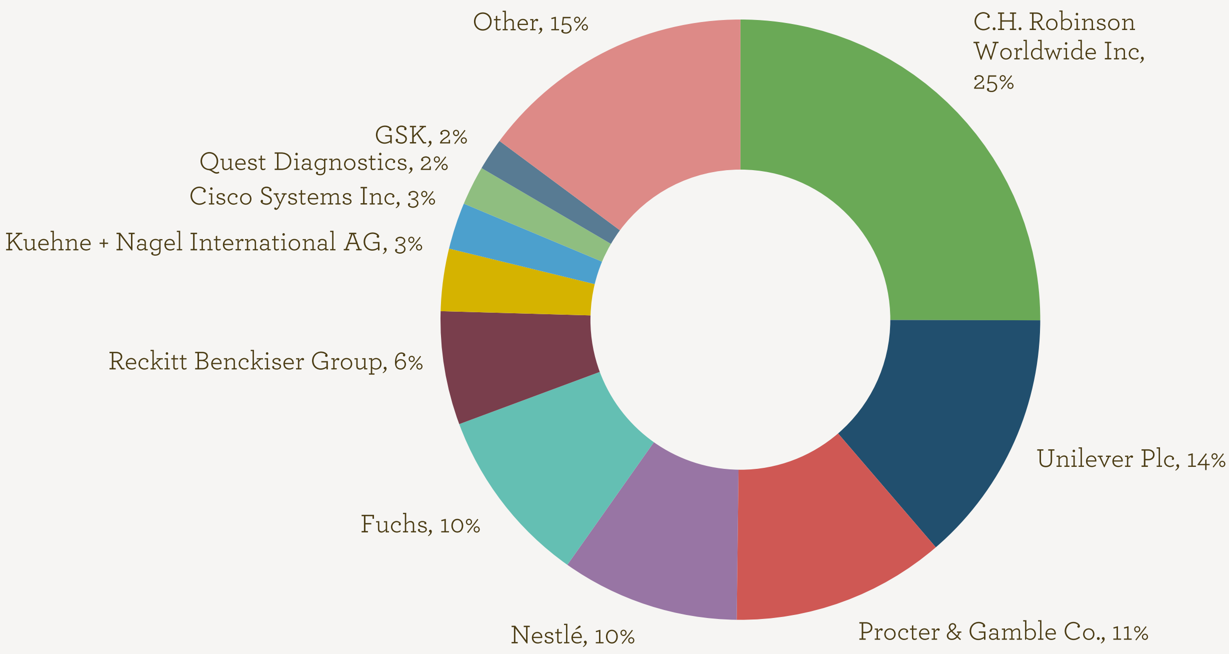
RESULTS – OUR TOP EMITTERS

In each of our portfolios there are a number of companies which impact a fund's financed emissions disproportionately; this is a result of their emission intensity and their position size within the portfolio. The top 10 contributors by percentage in each strategy are named in the below pie charts:

Top contributors to EI financed emissions

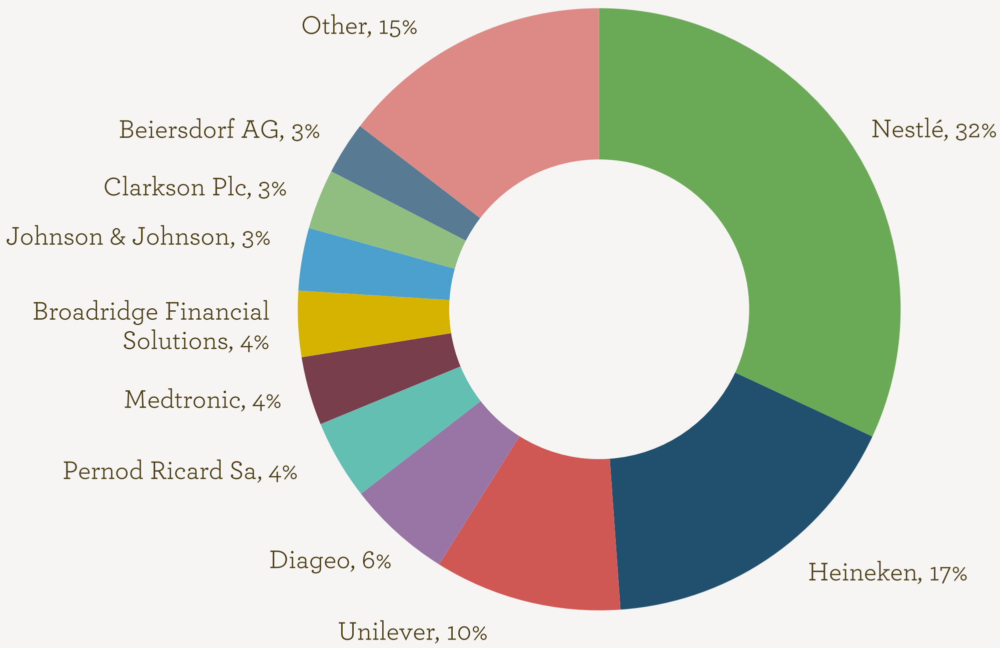


Top contributors to EGI/EGD financed emissions



RESULTS – OUR TOP EMITTERS

Top contributors to EGE/EGO financed emissions



Total fund emissions across scopes 1,2 and 3 broken down by each company's contribution. Source: CDP 2023 Full GHG Emissions Dataset, Evenlode. Evenlode portfolios as at 29 December 2023.

RESULTS – OUR TOP EMITTERS

We focus our engagement efforts on the most-emissions intensive companies, measured by emissions per £m of revenue. This indicator highlights how emission intensive and/or operationally efficient companies are, independent of their overall market capitalisation or portfolio position size. The top ten most emissions intensive companies for each fund are listed below.

Due to data licensing restrictions, we are not able to disclose individual companies' emission intensities in this report.

Rank	Evenlode Income	Evenlode Global Income/ Global Dividend	Evenlode Global Equity/ Global Opportunities
1	Procter & Gamble	Procter & Gamble	Nestlé
2	Spirax-Sarco Engineering	Nestlé	Unilever
3	Unilever	Unilever	Heineken
4	Reckitt Benckiser Group	Fuchs	Pernod Ricard
5	PepsiCo	Reckitt Benckiser Group	Diageo
6	Bunzl	Snap-on	L'Oréal
7	Halma	Cisco Systems	Nintendo
8	Rotork	Kuehne + Nagel	Broadridge
9	Smiths Group	Diageo	Johnson & Johnson
10	Howden Joinery Group	L'Oréal	Clarkson

The ten companies with the highest tonnes of CO_2e/£m revenue across scopes 1, 2 and 3 per portfolio. Source: CDP 2023 Full GHG Emissions Dataset, Evenlode. Evenlode portfolios as at 29 December 2023.

Proctor and Gamble has retained its position this year as the most emissions intensive company in the Evenlode cohort of 79 companies. They have, however, managed to reduce their scopes 1, 2 and 3 emissions by 20%, 17% and 19% respectively. In a similar vein, we have seen Nestlé's emissions intensity come down by 21% since last year as a result of improved supplier engagement. We welcome these reductions from our large consumer goods companies but note that there is still a long way to go if the companies' net zero targets are to be met.

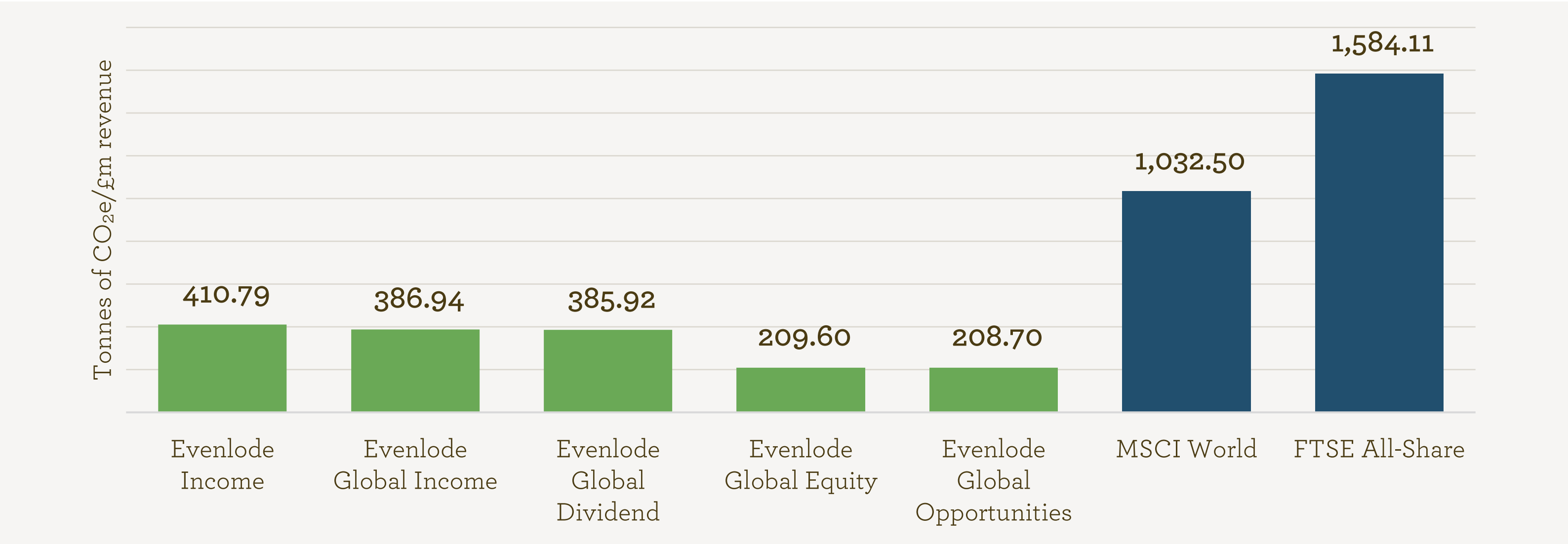
RESULTS – HOW OUR FUNDS COMPARE TO THE BENCHMARKS

Evenlode's significantly lower emissions intensity across all three scopes when compared with the MSCI World and FTSE All-Share indices can by and large be explained by our investment approach, which has a bias towards asset light businesses. As a result of favouring cash generative, capital light business models, our sector exposure is skewed away from emissions intensive, heavy industrial sectors such as Energy, Materials and Utilities.

The FTSE All-Share Index is significantly more carbon intensive than the MSCI World Index for two main reasons; the FTSE All-Share Index has a higher weighting to the Energy, Materials and Consumer Staples sectors, where the MSCI World Index heavily favours Information Technology and in addition, the FTSE comprises fewer, smaller businesses than the MSCI.

The Energy, Materials, Real Estate, and Utilities sectors collectively accounted for 14% and 26% of the MSCI World Index and the FTSE All-Share Index respectively. None of our funds have any direct exposure to the Energy or Utilities sectors, and Materials and Real Estate comprise just 4% of EI and 2% of EGI and EGD. Instead, the majority of holdings in our investment portfolios were from the Consumer Staples, Information Technology, Health Care and Industrials sectors, which have lower scope 1, 2 and 3 emissions intensity.[1] Because of these reasons, Evenlode's funds also had lower scope 1, 2 and scope 3 emissions per £10k invested and per £m of revenue when compared to the MSCI World and the FTSE All-Share indices.

Weighted average emission intensity across scope 1, 2 and 3



Weighted average emission intensity across scopes 1, 2 and 3 as at 29 December 2023. Source: CDP 2023 Full GHG Emissions Dataset, Evenlode, MSCI, and FTSE Russell. MSCI World and FTSE All-Share portfolios as at 29 December 2023 and converted to GBP using that day's exchange rate.

1 Based on GICS sector classification for MSCI World and Evenlode portfolios as at 29 December 2023.

RESULTS – HOW WE ARE PROGRESSING AGAINST OUR NET ZERO TARGETS

In June 2021, Evenlode joined the Net Zero Asset Managers (NZAM) Initiative, and we have committed to reaching net zero by 2050 or sooner across 100% of our investment portfolios. As part of our net zero commitment, we have chosen an emissions per £10k invested reduction target of 7% per annum in line with the SBTi Net Zero Standard, leading to a 51.6% reduction from 2020 to 2030. This aligns with the standard's requirement to halve emissions before 2030 and achieve 90% reduction by 2050.

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 tCO_2e. This significant reduction in our funds' financed emissions has been driven by several different factors. The International Energy Agency (IEA) reported that in 2023 the global supply of renewable energy grew by almost 50%, the 22nd consecutive year to set new clean energy capacity records[1]. This structural improvement in the energy mix, alongside growth in global prosperity has enabled companies to record lower emissions figures for their energy usage. It is also true that the quality of reported data has improved as measuring methodologies get better and engagement with suppliers along companies' value chains increases. Companies are best placed to report their emissions as they are most familiar with the nuances of the business model.

For the EI fund, the decrease can be attributed to strong reductions and improved reporting by the likes of RELX, Diploma and GlaxoSmithKline (GSK). Notably, GSK, a pharmaceutical company held by both EI and EGI, engaged extensively with its suppliers for the first time, leading to the collection of more accurate information on their scope 3 emissions. Thanks to this improved data gathering, they were able to lower their overall CO2e emissions intensity by 24%, which equates to a reduction of nearly 5m tonnes. The EGI emission intensity has reduced due to the fund rotating out one of the most emission intensive holdings, Henkel. Quest Diagnostics, a portfolio company of EGI, mistakenly reported an inflated figure for 'Purchased Goods and Services' last year. This year, the company was unable to calculate a more accurate figure, as a result, an estimate calculated by the CDP has been used. The Stewardship team are continuing the dialogue with Quest. EGE's AUM has increased five-fold since last year's analysis was undertaken, and while the total emissions have increased, the fund's emissions intensity has come down by almost half. This is a result of large emissions reductions made by RELX, Verisk, Experian and Broadridge, in conjunction with the sale of C. H. Robinson, EGE's top contributor in 2022. Experian, a company held in all of our funds, changed their calculation methodology for their 'Purchased Goods and Services' category last year to include more data from their suppliers. This resulted in a 68% decrease in their emissions for this category.

Scope 1, 2 and 3 emissions per £10k invested

Fund	2022	2023	% change
Evenlode Income (EI)	1.75	1.51	*-14.1*
Evenlode Global Income (EGI)	2.96	1.56	*-47.5*
Evenlode Global Dividend (EGD)	2.98	1.57	*-47.2*
Evenlode Global Equity (EGE)	1.00	0.54	*-45.9*
Evenlode Global Opportunities (EGO)	1.01	0.54	*-46.5*
Evenlode Total	**2.16**	**1.47**	***-32.2***

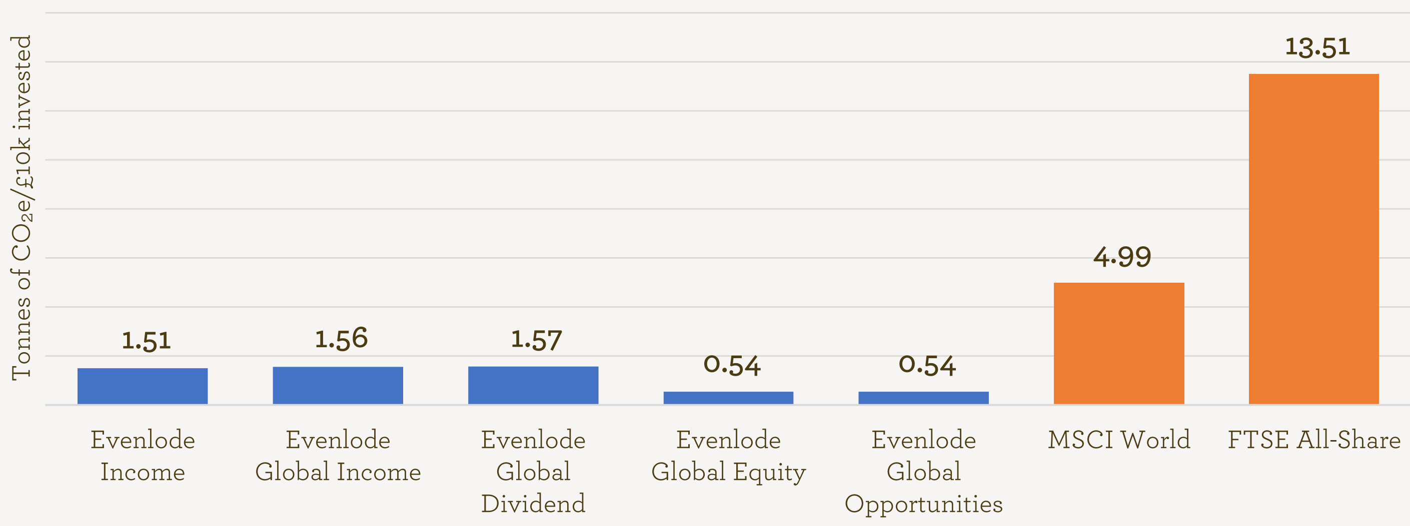
Tonnes of CO_2e/£10k invested across scopes 1, 2 and 3 as at 30 December 2022 and 29 December 2023. Source: CDP and Evenlode. Evenlode portfolios as at 30 December 2022 and 29 December 2023, using data from the CDP 2022 and 2023 Full GHG Emissions Datasets.

Our emissions footprints were significantly lower than the emissions associated with an equivalent £10k investment in a fund tracking the MSCI World and FTSE All-Share indices. The difference mostly came from the Evenlode funds' 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.

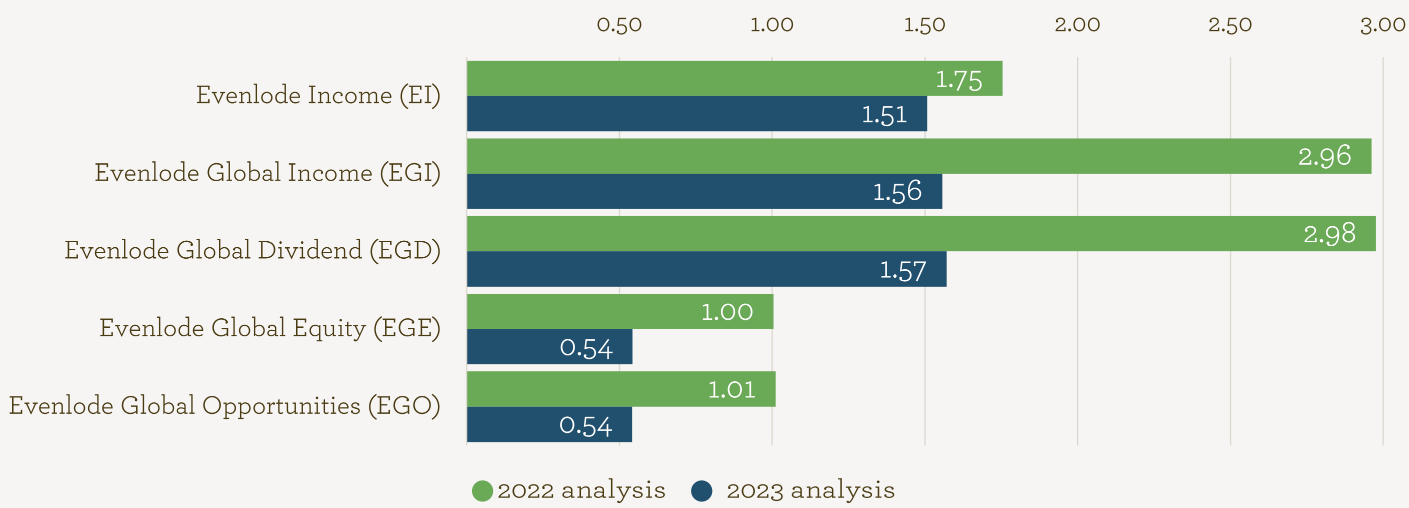
1 IEA (2024), CO_2 Emissions in 2023, IEA, Paris. View Here.

RESULTS – HOW WE ARE PROGRESSING AGAINST OUR NET ZERO TARGETS

Scope 1, 2 and 3 emissions per £10k invested



Tonnes of CO_2e per £10k invested in 2022 and 2023

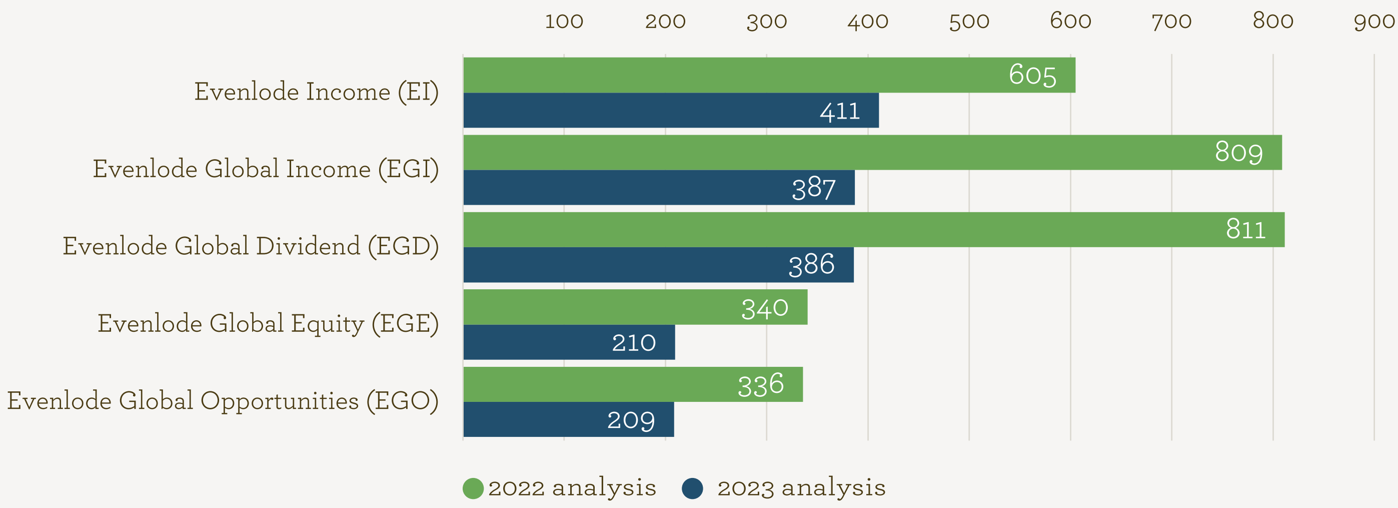


Tonnes of CO_2e/£10k invested across scopes 1, 2 and 3 as at 30 December 2022 and 29 December 2023. Source: CDP and Evenlode. Evenlode portfolios as at 30 December 2022 and 29 December, using data from the CDP 2022 and 2023 Full GHG Emissions Dataset.

Since 2022, for completeness and transparency, we have elected to report the progress against our net zero targets in both sterling and dollar terms. In 2022, our emissions per $10k invested across our investment portfolios increased by 4.4% from 1.72 to 1.80 tCO_2e but in 2023, our emissions per $10k invested across our funds decreased by 36% from 1.80 to 1.15 tCO_2e. In 2022 the dollar strengthened against the pound by 12.6% however, last year this trend reversed somewhat, and we saw sterling rally 6% against the dollar.

RESULTS – HOW WE ARE PROGRESSING AGAINST OUR NET ZERO TARGETS

Tonnes of CO_2e per £m revenue in 2022 and 2023



OUR DATA SOURCES

To measure our financed emissions, we rely on the Full GHG Emissions Dataset provided by the Carbon Disclosure Project (CDP) as well as publicly reported emissions data by our portfolio companies.

We prefer the CDP dataset for several reasons. First, it requires companies to report emissions segregated into scope 1, scope 2, and the 15 scope 3 categories, rather than in aggregated form. This gives us a better understanding of the sources of emissions. Second, it provides data quality assurance. The CDP data teams check reported emissions, flagging those that deviate from their own estimates of the company's likely emissions, and comparing reported emissions against emissions disclosed in company reports. Third, it provides emissions estimates for all the categories that companies have failed to report on.

Nevertheless, our analysis suggests that the estimates provided by the CDP tend to be higher more often than lower compared to emissions disclosed by the company. It is critical for companies to measure and report their emissions as they have a better understanding of their operations and supply chains.

This is also the reason we validate the CDP dataset to ensure the consistency and accuracy of our analysis and to understand where weaknesses in the data occur. We complement the CDP dataset with the emissions data reported by our portfolio companies on their websites or in their annual or sustainability reports.

We prefer reported emissions over the emissions estimates provided by the CDP. However, we acknowledge that, in some cases, reported emissions are often estimated by companies and, therefore, may contain errors. We minimise data errors by implementing systematic cross-validation of the emissions data from the CDP dataset and our portfolio companies' reported sources.

OUR METHODOLOGY

DATA SOURCE

The 2023 Full GHG Emissions Dataset, covering company emissions for reporting years ending between 30 June 2022 and 30 June 2023 is obtained from the CDP. Company financial data for the emissions reporting period is obtained using FactSet.

DATA EXTRACTION

Emissions data for Evenlode's portfolio companies are extracted from the CDP dataset.

DATA SELECTION

Company reported emissions are preferred over CDP estimates unless the CDP provided good reasons for using its estimates. For scope 2 emissions, market-based emissions are preferred over location-based emissions because they consider a company's energy sources.

VALIDATION

Systematic cross-validation of the emissions data from the CDP dataset and our portfolio companies' reported sources is conducted.

- Where emissions data is not reported to the CDP, but the company publicly reports its emissions, available data points are used.
- Where emissions data is not available from both sources, emissions are modelled based on peers or last year's estimates, scaled by revenue. This assumes that the emissions intensity remains constant.

DOUBLE COUNTING

Potential overlaps in the value chain that might result in double counting of emissions, particularly scope 3 emissions, are examined and removed if necessary.

OUR METHODOLOGY

DATA QUALITY CHECK

Emissions are broken down by data source and quality, and the percentage of emissions reported by portfolio companies is calculated.

ANALYSIS

Evenlode's outstanding ownership of a company and the company's enterprise value including cash (EVIC) as at 29 December 2023 is obtained using FactSet to calculate the attribution factor. The attribution factor along with company emissions and financial data are used to calculate financed emissions metrics, which include absolute financed emissions, emissions per £10k invested, and weighted average emissions intensity.

BENCHMARKING

The Evenlode funds' emissions per £10k invested and weighted average emission intensity (WACI) are compared to those of the MSCI World Index and the FTSE All-Share Index.

FTSE All-Share:
London Stock Exchange Group (LSEG) state that their methodology prioritises publicly reported documents for all data across scopes 1, 2 and 3. They cite the below as sources for their data:

1. Non-Financial Reports
2. Sustainability Report
3. Corporate Social Responsibility
4. Environmental Report
5. Annual Report
6. Company Website
7. Integrated Report
8. Registration report
9. Annual General Meeting
10. DEF-14
11. Subsidiary Report
12. Guidelines Reports (Business Responsibility and Sustainability Reporting, SASB, TCFD, GRI, CDP (Questionnaire-CC14.1), SDG, Climate Action 100+, etc.)

MSCI World:
As stated in our methodology we collect carbon emissions data for the companies in the coverage universe. Data is collected once per year from most recent corporate sources, including annual reports, Corporate Social Responsibility reports or websites. In addition, we use the carbon emissions data reported through CDP (formerly the Carbon Disclosure Project) or government databases when reported data is not available through direct corporate disclosure.

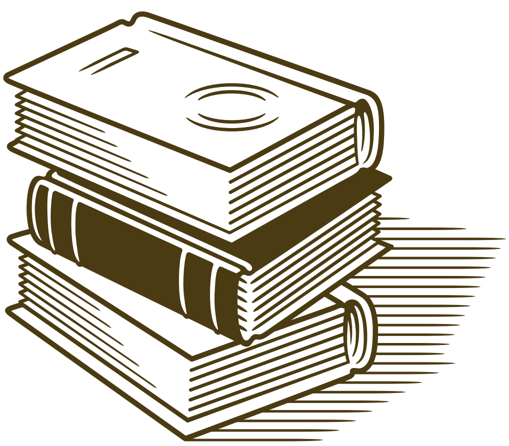
When companies do not disclose data, MSCI ESG Research uses proprietary methodologies to estimate Scope 1, Scope 2, Upstream Scope 3, and Downstream Scope 3 carbon emissions.

CHANGES TO THE METHODOLOGY

We are committed to improving the way we measure and report our financed emissions. The 2023 analysis remained very similar to the 2022 analysis with the addition of scope 3 data for our comparisons with the MSCI World and the FTSE All-Share indices. For our portfolio companies, there was minimal overlap in their emissions. Therefore, overestimation due to double counting is likely to be immaterial. We will not be recalculating our baseline based on this year's changes, but we will continue to monitor the changing best practice guidance regarding this issue. We have established a baseline recalculation policy to set out clearly under what conditions we will recalculate our baseline (see below).

EVENLODE'S RECALCULATION POLICY

Evenlode will recalculate our baseline emissions when we identify significant opportunities to improve our methodology, such as closing the time lag between financial and emissions data (as we did in our 2022 analysis), or if the changing best practice guidance requires methodological changes to the way we calculate financed emissions, such as a change to the recommended attribution factor (as in our 2021 analysis). The threshold for this shall be a potential change of at least 5% to our reported financed emissions or wherever we identify serious inconsistencies or errors.



ATTRIBUTING THE EMISSIONS OF OUR PORTFOLIO COMPANIES TO OUR FINANCED EMISSIONS

The PCAF standard requires financial institutions to account for the emissions from their investments. This is based on the proportional share of their ownership in portfolio companies, allocated based on an attribution factor. The allocation factor defines the portion of a company's total emissions for which an investment portfolio is responsible.[1]

For listed equity, PCAF recommends calculating the attribution factor determined by the ratio between the outstanding amount of ownership in a portfolio company and the enterprise value including cash (EVIC) of the company.

$$\text{Attribution factor for listed equity} = \frac{\text{nominal shares*share price}}{\text{enterprise value including cash (EVIC)}}$$

PCAF defines EVIC as follows:

The sum of the market capitalisation of ordinary shares at fiscal year-end, the market capitalisation of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests.

Financed emissions are then derived from multiplying the attribution factor by the emissions of the portfolio company.

1 PCAF, December 2022. The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition. View here.

OUR FINANCED EMISSIONS METRICS AND TARGETS

The TCFD recommends organisations to provide the key metrics they use to measure and manage climate-related risks and opportunities. To effectively assess and track the climate impacts of our portfolio companies as well as the climate-related physical and transition risks they face over time, we rely on the following metrics:

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 funds. This allows us to put our financed emissions in a more meaningful context for clients and aids comparison with other funds and benchmark indexes.	$\sum \frac{\text{outstanding amount}}{\text{total portfolio value}} \times \frac{\text{£10k}}{\text{EVIC}} \times \text{company emissions}$
Weighted average emissions intensity	The emissions intensity of our funds based on our portfolio composition and our portfolio companies' emissions intensity. This helps us understand the fund's exposure to emissions-intensive companies.	$\sum \frac{\text{outstanding amount}}{\text{total portfolio value}} \times \frac{\text{company emissions}}{\text{company revenue}}$

In June 2021, Evenlode joined the Net Zero Asset Managers (NZAM) Initiative, and we have committed to reaching net zero by 2050 or sooner across 100% of our investment portfolios. As part of our net zero commitment, we have chosen an emissions per £10k invested reduction target of 7% per annum in line with the SBTi Net Zero Standard, leading to a 51.6% reduction from 2020 to 2030. This aligns with the standard's requirement to halve emissions before 2030 and achieve 90% reduction by 2050.[1]

1 Science Based Targets Initiative, August 2022. Financial Sector Science-Based Targets Guidance. View here.

CONCLUSION

If we at Evenlode are to continue to achieve attractive risk-adjusted financial returns through time for our clients, then it is imperative for us to actively engage with our portfolio companies on their emissions intensity and their progress towards net zero targets.

Through measuring and publicly reporting our financed emissions, it is our view that we will be able to make more informed investment decisions. Our 'best efforts' estimate of the emissions footprint for the Evenlode funds in 2023 is 1.47 tCO_2e per £10k invested for scope 1, scope 2, and scope 3, which represents a decrease of 32% from 2.16 tCO_2e per £10k invested in 2022.

Due to some portfolio name changes, increased disclosure by certain companies and good progress from our holdings we have seen a larger than expected decrease in our emissions per £10k invested this year. It is important to note that while we are pleased to see the analysis going in this direction, we don't expect progress towards our net zero targets to be linear or indeed easy. We still have work to do if we are to meet these targets, but Evenlode remains committed to actively engaging with our portfolio companies to enhance reporting practices and improve sustainability measures.

DISCLAIMER

Please note, these views represent the opinions of the Evenlode Team as of December 2023 and do not constitute investment advice. Where opinions are expressed, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice. 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 FRN 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.

London Stock Exchange Group plc and its group undertakings (collectively, the “LSE Group”). © LSE Group 2024. FTSE Russell is a trading name of certain of the LSE Group companies. FTSE® is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company’s express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).

EVENLODE

INVESTMENTS FOR LIFE

Interested in investing in the Evenlode funds? Get in touch:

Tel +44(0)1608 695200
Email evenlode@evenlodeinvestment.com
Visit evenlodeinvestment.com/funds/how-to-invest

Printed on FSC-certified, 100% post-consumer waste paper produced using wind-generated energy.