

# IMPACT ADVISORY BOARD (IAB)

## Minutes of the meeting

Summarised version of the official minutes

**Date:** Monday, 8 November 2022

**Place:** Seymour House and via Webex

### Attendees

**Board Members:** Anne Rotman de Picciotto (AdP) – Chair, Tony Juniper CBE (TJ), Kanini Mutooni (KM), Simon Pickard (SP), Dr Jake Reynolds (JR), Bastien Sachet (BS)

**Guests:** Charlie Annis (CA), Adrien Cambonie (AC), Tidjan Ciss (TC), Yiping Du (YD), Eli Koen (EK), Victoria Leggett (VL), Mathieu Nègre (MN), Rupert Welchman (RW)

**Secretary:** Robert Wibberley (RWY)

### Introduction

AdP welcomed the Board members.

The minutes of the June 2022 meeting were approved without amendments.

Follow-up points had been circulated prior to the meeting and were approved.

### Open discussion: thoughts on COPs 15 and 27

Coinciding with COP 27, the Board members were invited to share their thoughts on COPs 15 and 27.

The Board members formulated their opinions across global viewpoints: Europe, Asia, Africa and North America. Starting with COP 27, key points included:

- A shift to an emphasis of “loss and damage” on the agenda.
  - ▶ Countries that are most affected by temperature change have historically contributed least to GHG levels.
  - ▶ Measurement and compensation face political ramifications given the current cost-of-living crisis.
- ▶ The last year has seen a series of droughts and climate disturbances, including in Europe, which constitute a real wake-up call.
- The credibility of a commitment to 1.5°C is ebbing and the narrative is changing – how will this influence a ramping-up of action?
  - ▶ Reports from McKinsey and Swiss Re highlight the very high financial cost of achieving net zero by 2050.
  - ▶ There are fears of possible backsliding in North America and Sweden, while the election of Lula as president to Brazil is a positive.
  - ▶ The focus should be on the immediate next steps and the main trajectory changes that can concretely be implemented.
- Although fossil fuel usage has increased as a result of the war in Ukraine, this is a short-term pressure. Conversely, there has been an acceleration in investment in alternative energy sources, e.g. hydrogen, particularly from the private sector.
  - ▶ The private sector was also more present at COP 27.

- ▶ Bottom-up solutions are the way forward, as the political space is currently compromised.
- COP 15
  - ▶ The progress report for COP 15 shows that the Aichi targets have not been achieved. This is a transparent starting point and highlights the huge task ahead.

## Company reviews

Prior to the meeting, each member of the Board had been provided with a detailed description, investment case, ESG profile and IMAP score for five companies.

### 1. Weyerhaeuser SR IMAP 13 (I = 3, M = 4, A = 3, P = 3)

Weyerhaeuser is the largest private owner of land used to produce timber in North America and is structured around three business streams: land for timber; real estate, energy & natural resources; and wood products.

The Board discussed:

- The business footprint outside of the US.
- The “S” of ESG: good reporting on D&I, but lacking in focus on the impact on local communities.
- Climate: the company should also report on CO<sub>2</sub> sequestration by forests.
- Biodiversity: little reference is made to the impact on biodiversity; this needs to be improved.
- Potential vulnerabilities to the business model include loss of wood pellet subsidies and invasive species.

The Board recommended keeping the score at 13.

### 2. Corticeira Amorim (IMAP: 4, 5, 4, 3 = 16)

Corticeira Amorim is the world’s largest cork products company. The firm owns a broad portfolio of products grouped into five divisions, all with sustainability at their core.

The Board was generally very positive, and enquired about:

- Biodiversity reporting: it could be improved, as the company has a strong narrative to share.
- The “G” of ESG: whether there are enough independent board members:
  - ▶ Corticeira has recently adopted the “Anglo-Saxon” board model, appointing independent directors.
- There is a potential vulnerability for the company if wine bottles are replaced by wine boxes for sustainability reasons.

The Board recommended keeping the score at 16.

### 3. JD Health (IMAP: 4, 5, 4, 3 = 16)

JD Health is China’s largest online pharmacy. The company helps improve transparency of healthcare-drug delivery and access to healthcare in general, thus alleviating pressure on overcrowded hospitals in China.

The Board were generally positive about the company but noted:

- KPIs should focus on outcomes rather than output.
  - ▶ As such, the Board recommended reducing “I” to 3 until this has been addressed.
- The “E” of ESG appeared to be being neglected in the report, with more information on DSH required.
  - ▶ The investment team clarified that JD Health followed its group’s environmental agenda, had joined the SBTi initiative and reported alignment with TCFD.

The Board recommended reducing the Intentionality score to 3, reducing its IMAP score to 15.

### 4. Advanced Drainage Systems (IMAP: 3, 3, 4, 4 = 14)

ADS provides drainage products and services that deliver solutions to water-management problems. They are a leading manufacturer of high-performance thermoplastic corrugated piping and ancillary products for use in the construction and infrastructure marketplaces.

Again, the Board was generally positive, noting that, as flood risks rose, so would the need for such solutions. However, the Board questioned:

- Whether the company was a water-management company or a plastic-recycling company, believing that the water-management side could be improved.
- The proportion of recycled plastic used in the plastic produced: long-lasting plastics (>100 years) require a certain structural integrity and cannot be fully composed of recycled material.
- There is a lack of sustainability incentives in executive remuneration.

The Board recommended keeping the score at 14.

### 5. Cathay Financial (IMAP: 5, 5, 3, 2 = 15)

Cathay Financial offers a comprehensive range of financial services, including insurance, banking, and securities. Cathay Financial is a strong candidate to be a climate leader in Asia: it has developed sustainability reports, joined climate-related initiatives, it is engaged, and has a group CIO passionate about sustainability.

The Board commented on:

- Joining initiatives is not the same as delivering outcomes – it needs to tighten up its narrative.

- Its impact comes in particular from providing insurance to underserved communities.
- Biodiversity aspects are lacking.

The Board recommended downgrading Intentionality to 4 as Biodiversity was lacking and Materiality to 4 as not all life insurance is necessarily impactful, reducing its IMAP score to 13.

### Review of the Biodiversity Committee meeting and emerging market healthy ecosystems.

TJ gave the Board a brief summary of the Biodiversity Committee's meeting held on 16 September 2022. Topics covered included:

- This year's stresses and strains and how they are having an impact on biodiversity ambitions; however, this is also making agriculture more innovative.
- Analysis of Mean Species Abundance (MSA) data: MSA data now available from external providers. Measuring biodiversity is very complex and, given the limited coverage, MSA is deemed to be too reductive to be useful at the moment.
- Workshops: First on "Food Value Chain" planned for the end of the year.

Responding to a point raised at the previous Board meeting (27 June 2022), the investment team commented on EM companies that could be mapped to Healthy Ecosystems theme:

- Healthy Ecosystems often include companies linked to ecosystem pollution reduction, such as specialist chemical companies; these are not well represented in the EM.
- The investment team have identified a number of additional companies under Sustainable Agriculture and Food Production themes to add to the Healthy Ecosystem universe.
- Some companies in the Forestry, Paper and Packaging industry are currently classified under the Sustainable Community theme, but could be reclassified as Healthy Ecosystems.

### NGO relationship structure

The Board discussed the current relationship between the UBAM - Positive Impact Equity and UBAM - Positive Impact Emerging Equity funds and their "investment with non-financial returns" to a select group of NGOs. The Board explored the idea of a more meaningful relationship where a stronger dialogue existed between the funds, the NGOs and

the investee corporates, as is the case with UBAM - Biodiversity Restoration.

The Board was generally positive towards this initiative, seeing it as conducive to system change and the breaking down of silos.

### Fund review: UBAM - Biodiversity Restoration (BRF)

BRF was presented to the Board. Thematically, the fund has become more defensive with the Sustainable Food Production and Planet-Compatible Utilities themes being increased in weight at the expense of the Sustainable Management of Natural Resources. Additionally, exposure to the US relative to Europe has increased.

Its performance compared with its peers remains strong, with defensive changes being positive. Its overall size remains static, although it is a young fund, so it is currently educating investors.

### Fund review: UBAM - Positive Impact Equity (PIE)

PIE was presented to the Board. There were no significant thematic changes since the last Board meeting.

Industry and geographic exposures compared with the benchmark have been flattened out.

Performance is still being penalised as oil & gas has been the strongest-performing sector this year, while the fund was also not defensive enough at the start of the rotation.

Engagement is the biggest headline with the fund, along with how the approach has evolved.

### Fund review: UBAM - Positive Impact Emerging Equity (PIEE)

PIEE was presented to the Board. Exposure to Climate Stability theme has been replaced by Basic Needs, Health & Well-Being, and Inclusive & Fair Economies, driven mainly by valuation considerations. Financial Inclusion is now the greatest industry exposure.

Geographically, exposure to China is now less than 30%. The Brazilian election results were seen as a positive.

Relative performance remains good. The fund's size remains stable as a result of inflows with a strong pipeline.

### Conclusion

There being no other business, AdP thanked everyone present for their time and insights.

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