

IMPACT ADVISORY BOARD (IAB)

Minutes of the meeting

Summarised version of the official minutes

Date: Tuesday, 23 November 2021

Place: Seymour House and via Webex

Attendees

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

Guests: Victoria Leggett (VL), Eli Koen (EK), Mathieu Nègre (MN) and Rupert Welchman (RW). Özgür Göker (OG), Adrien Cambonie (AC) joined for the company reviews.

Secretary: Robert Wibberley (RWY)

Introduction

AdP welcomed the Board Members.

The Board agreed to the proposal to meet three times per year.

The minutes of the May 2021 meeting were approved without amendments.

Engagement strategy

RW provided an overview of the Impact Investment team's engagement strategy, viewed as key for Additionality:

- Impact Engagement Framework (IEF) to cover 120 companies in 2022
 - ▶ Consultation period to be extended
 - ▶ Hurdle rate introduced to scoring i.e. the criteria for achieving top score will evolve over time
 - ▶ UBAM - Biodiversity Restoration fund to have dedicated questions in the IEF's Annex
- The effectiveness of different engagement channels was discussed: email v. phone; public v. private; individual v. collaborative

- The Board recommended that engagement, both successful and unsuccessful, become a standing agenda item

Climate policy

MN laid out the team's climate policy, which is in development and due to complement the Group's Climate Policy. It is divided into four categories:

- Educate: To clearly understand then educate investors
- Engage on:
 - ▶ Scope 3 emissions
 - ▶ Higher standards of disclosure
- Invest
- Disclose:
 - ▶ Fund's Scope 3, temperature score, science-based targets
 - ▶ Team's carbon footprint

The Board was generally positive about the policy.

Discussions revolved around:

- Whether the funds should simply aim to have a low GHG footprint (e.g. by investing in digital economy) or invest in the real economy and use engagement to change firms' behaviour, potentially collaboratively
- Getting firms to develop Net-Zero roadmaps
- Engagement to ensure the correct governance
- The need to move beyond disclosure
- Whether to divest if targets are not met
- Temperature scores as the most meaningful indicator
- How to capture the imagination of investors to best educate them

UBAM - Biodiversity Restoration

VL presented UBAM - Biodiversity Restoration, the concept of which had been discussed in the May 2021 IAB meeting, and which was launched on 29 September 2021 and stood at USD 80 million AUM at the time of this meeting.

Key features include:

- Uses same IMAP and IEF (with additional annex) process as used for the other funds
- Thematic focusing on two themes – Protect and Restore
- Process underpinned by engagement; each investee company has been advised of this in an initial shareholder's letter
- Multi-stakeholder approach partnering with two NGOs to generate change at scale
- Biodiversity Committee established – will help channel engagement

The Board remarked that it was critical that from the outside investors could see the link to biodiversity; and that the Biodiversity Committee drive the NGOs' roles, ensuring that the partners provide additionality.

The Board agreed that TJ and SP be the Co-Chairs of the dedicated Biodiversity Committee.

Fund review: UBAM - Positive Impact Equity (PIE)

RW presented PIE to the Board noting that the fund had recently celebrated its third anniversary and was comfortably outperforming its benchmark since inception. That said, for 2021, although in absolute terms its performance was positive YTD, it lagged behind its benchmark.

He pointed out that the fund had been refocused on Europe in 2021, having previously been neither squarely European nor global. This explained much of the name turnover within the portfolio.

His final point highlighted the fund's high exposure to the "industrials" sector (according to the Global Industrial

Classification Standard – GICS), noting that this sector had suffered particularly throughout 2021.

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

EK presented PIEE to the Board. 2021 was another strong year for the fund, which outperformed the MSCI EM as well as the MSCI EM SMID and MSCI EM SRI indices. Basic Needs was a theme that helped performance as PIEE avoided those companies most affected by Chinese regulatory change (tech) while also capitalising on the market dislocation related to home tutoring. Renewable energy, electric vehicles, and batteries were also strong drivers of performance.

The 40% exposure to China was questioned by the Board, firstly due to diversification concerns and secondly given the perceived potential risk of ongoing governance issues with China. EK and MN recognised the legitimacy of both points but given the current status quo felt the exposure was merited.

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. United Plantations (UP) (IMAP: 4, 5, 2, 2 = 13)

UP is a Malaysian company focusing on responsible cultivation of oil palm and coconuts.

The Board noted that although oil palm was a controversial sector, given its vastly superior yield per hectare to alternatives it was an essential product, providing sustenance and livelihoods in the emerging markets.

The Board appreciated UP's responsible approach to land management and its limited exposure to labour controversies. They also noted that, where issues have arisen, UP's management have transparently remediated them.

Engagement should focus on taking UP from good to great, covering topics such as biodiversity, smallholder certification and greenhouse gases.

The Board recommended keeping the score at 13.

2. Partners Group (PG) (IMAP: 4, 3, 3, 4 = 14)

PG is a leading asset management company focused on private markets (equity, debt, real estate and infrastructure).

The Board initially questioned the impact case for PG and found some of PG's commitments too high-level. The investment team clarified that PG could offer private impact investing on scale, a step up from traditional micro-finance. In addition, although the language of the parent company may not fully reflect the sustainability credentials of PG's investment teams, PG were nevertheless a leader within the industry.

The Board recommended reducing the Intentionality score to 3 and embarking on an active engagement process.

3. Befesa SA (IMAP: 3, 5, 4, 4 = 16)

Befesa is a services company which specialises in the collection and recycling of steel dust, salt slags and aluminium residue.

The Board's remarks centred around the fact that although Befesa was evidently an impactful company addressing the circular economy, it needed better disclosure and transparency, particularly on targets and GHG emissions, as well as linking remuneration with sustainability. Such practices could make Befesa a market leader while erecting significant barriers to entry.

The investment team noted that engagement had already influenced Befesa's disclosures such as the publishing of a sustainability report. This evidenced the Additionality of engagement, with the idea mooted of adding an engagement progress score to the IMAP.

The Board recommended keeping the score at 16.

4. Shadong Weigao (SW) (IMAP: 3, 5, 3, 4 = 15)

SW is the largest single-use medical consumables manufacturer in China (infusion sets, syringes, medical needles, blood bags, pre-filled syringes, blood sampling products among others).

The Board flagged that although SW was certainly addressing Health and Wellbeing, impact and materiality had to be holistically applied across the SDGs, highlighting SW's waste streams. This developed into a discussion of how to best incorporate the "Do-no-harm" principle into the IMAP, whether this required a separate score or should be captured as part of the ESG research.

It was noted that SW was also a relatively new company and still developing its sustainability strategy. Nevertheless, the investment team feel that given the governance structure, engagement could be constructive.

The Board suggested that the Materiality score could be reduced to 4.

5. Fastned (IMAP: 5, 5, 2, 3 = 15)

Fastned currently operates 132 fast-charging stations (460 charge points) with a firm pipeline of 156 which will be added over the next 3 years.

The Board discussed the growth projections which are constrained by regulation, the need for sites, and capex requirements.

The Board also focused on the risk of taxation on profits as governments compensate for the loss of oil tax revenues. The investment team recognised this risk, but foresees it as being many years in the future as governments currently require private investment to develop the infrastructure.

The Board recommended keeping the score at 15.

Miscellaneous and conclusion

Dates for all the IAB meetings in 2022 were provisionally agreed.

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

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