

IMPACT ADVISORY BOARD

Minutes of the meeting

Date: Tuesday, 16 June 2020

Place: Seymour House and via Webex due to COVID-19

Attendees: Anne Rotman de Picciotto (ARP) Chair, Simon Pickard (SP), Dr Jake Reynolds (JR), Tony Juniper CBE (TJ), Kanini Mutooni (KM), Rupert Welchman (RW), Mathieu Negre (MN), Eli Koen (EK), Rupert Cecil (RC), Secretary, and Victoria Leggett (VL) (guest).

Apologies: None

Introduction

ARP welcomed the board members to the meeting and commented on the current situation with regard to COVID-19. TJ underlined the opportunity of embracing a “Green Recovery”, unlike after the previous crisis, when the environment was deprioritised. KM observed that her network of investors had upped some of their exposure themes, such as racial justice, women’s issues, education and health. JR felt that recent events had brought people together and that that virtual meetings were proving effective and often provided more thoughtful responses.

The minutes from the November 2019 meeting were approved without amendments.

Update on UBAM Positive Impact Equity

RW and other members of the investment team joined the meeting for an update on the impact franchise. RW pointed out the long- and short-term outperformances of sustainability-themed investment funds. He also mentioned that the UBP Impact team continued to focus on making its products available to retail investors, with the Positive Impact fund launching soon on The Big Exchange platform.

The fund has performed well relative to European markets and has not suffered outflows despite recent market fluctuations; its AUM currently stand at around EUR 100 million. The managers had sold three positions and added four.

TJ opened a discussion on SDG 16, “Peace and Justice”, which the fund addresses through charitable donations,

since this SDG underpins the whole fabric of its other investments. TJ suggested that these donations should rather be seen as an investment with non-financial returns and suggested a change of wording.

Update on UBAM Positive Impact Emerging Equity

MN updated the board on the successful launch of the EM fund, which has assets under management of USD 36 million. There is a large and differentiated potential universe with more opportunities in social SDGs (such as education, poverty and clean water). KM queried the 30% allocation to China. MN replied that many environmental solutions (e.g. renewables) were to be found in China and that China provided a safer macro environment during the COVID-19 crisis, but that it was definitely a focus to diversify to other markets in future.

JR said it was especially important for the board to be reassured that potential controversies were being closely followed in the EM world; MN explained the team’s process, both through external providers and internal engagement.

Engagement

RW drew the Board’s attention to the team’s multi-strand approach – investigation, guidance, measurement and development – and highlighted the tracking and measurement of non-financial KPIs for all portfolio companies.

RW introduced the Impact Engagement Framework, explaining the twelve measures the team used and the simple, three-colour scoring structure to aid readability and

subsequent action. The data-gathering process had been modified through experience to prompt a 100% response rate, which is significantly above the industry average. RW highlighted some of the data showing encouraging intentionality: currently 24% of portfolio companies have a Chief Sustainability Officer and 58% intend to appoint one, whilst 67% of companies have carbon targets. RW explained that there was crossover with UBP's IMAP scoring system, especially on "intentionality".

KM congratulated the team on its progress on the framework but mentioned that it covered climate better than it did social measures, such as gender equality and inclusiveness. RW agreed to investigate balancing out this issue in the framework. JR requested further quantification of elements, such as emissions targets.

ARP suggested that at the next meeting the Board should be taken through one company to demonstrate the whole process, including all the other engagement filters (e.g. ESG).

IMAP

The meeting moved on to look at the five companies for discussion. Each member of the board had been provided with a detailed description, investment case, ESG profile and the IMAP scores. RW, MN and EK went through these in detail.

1. Kingspan

RW explained the investment case for Kingspan, which manufactures insulation and building products. KM asked whether the sector was subject to closer scrutiny in the wake of the Grenfell Tower tragedy, to which RW replied that the company had provided information on Grenfell and that their products were not involved.

Whilst recognising the benefits of the materials used by Kingspan (including recycled PET), JR requested more information on its approach to the recyclability of its products. TJ highlighted that PET recycling was problematic and high standards were required due to discolouration. RW agreed to investigate and report back to the Board.

The Board agreed with the IMAP score of 14.

2. ALK-Abelló

RW set out the investment case for ALK-Abelló, which develops and produces allergy products. TJ asked about the extracts in ALK's products and whether they were grown internally, as well as the company's approach to recycling composite packaging. JR was concerned about waste chemicals potentially entering the environment as well as product accessibility in lower-income countries. The Board questioned the IMAP scores for additionality and materiality, to which RW explained the company's focus on the key markets for allergy sufferers. The Board agreed with the current IMAP score of 18, on condition that this may need to be reduced depending on the answers provided to the issues raised; RW agreed to report back on these issues.

3. Laureate Education

MN put forward the investment case for Laureate, which provides private education throughout the Americas and elsewhere. JR commented that the company seemed to be doing a good job in the sensitive area of private education

but would like more information on their approach to providing services to the bottom of the income pyramid. KM expressed the opinion that private education can be highly beneficial in the developing world and the key is to be a low-cost provider, something that Laureate seems to be achieving. TJ enquired as to whether the company is partnering with official bodies, such as governments, to spread educational opportunities, adding that this could tie in well with SDG 17.

In response, MN said the company has an extensive scholarship programme. It already has several partnerships with local authorities and governments, but he would follow up on this and provide more details about this and the other points raised.

The Board was happy with the IMAP score of 15.

4. LONGi Green

EK explained the investment case for LONGi Green, which produces electronics for the solar industry. TJ was concerned about the deterioration of the West's relations with China, although EK replied that much of the company's revenues are domestic. TJ further enquired as to the sustainability of the company's approach to plant construction and the recycling of panels at the end of their life.

KM questioned whether the IMAP intentionality score of 3 was justified. Whilst EK replied that this was due to good recent disclosures, the Board recommended that a longer track record of disclosure would be needed to warrant such a score.

The IMAP score for the company of 17 was agreed upon on the proviso that intentionality was closely monitored.

5. Safaricom

EK set out the investment case for Safaricom, which provides mobile telephony and payment services in Kenya and other parts of Africa. TJ raised the issue of gambling over wireless networks, which causes social damage in developing countries. There was an opportunity for companies such as Safaricom to show leadership when it comes to social responsibility. EK replied that betting on sporting events has been made illegal in Kenya, but JR asked for assurances on other countries in which Safaricom operates, such as Ethiopia. KM also raised the issue of the indebtedness of the customer base.

The IMAP score of 16 was agreed, provided reassurance is given on the issue of gambling.

This concluded the review of the five companies.

Biodiversity

TJ pointed out that that biodiversity is a different issue to climate change. The impact of protecting the earth's 12 million species (of which only 2 million have been named) is notoriously difficult to measure; however, TJ believed it to be a key issue which few are focussing on. He elaborated further on the mining and commodity agriculture sector, and the importance of sustainable supply chains in timber and aquaculture.

ARP asked whether it would be possible to include biodiversity in the Impact Engagement Framework, but TJ believed that this would be difficult, as there is no consensus on touchpoints. KM cautioned against creating another framework but acknowledged that this is a significant issue. TJ said he was happy to arrange a follow-up call to explore this further, as UBP could be a pioneer on this issue if some way of measuring it could be found.

The UBP Impact team, through Özgür Göker, is currently participating in a steering group created by the University of Cambridge Institute for Sustainability Leadership focusing

on the financial risks of biodiversity loss and land use degradation.

Conclusion

There being no other business, ARP thanked all the attendees (the Board and the investment team) for their valuable input over the course of the meeting.

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