MAY 2021

IMPACT REPORT 2020

UBAM - Positive Impact Equity & UBAM - Positive Impact Emerging Equity

UBP

UNION BANCAIRE PRIVÉE

Foreword

Anne Rotman de Picciotto

Member of UBP's Board of Directors and Chair of UBP Impact Advisory Board

2020 was a year of unprecedented global uncertainty. As people took a step back and reconnected with their environment, we witnessed the acceleration of industrial, technological and social transformation, along with a rise in demand for responsible investments.

As a family-owned business, UBP has a genuine understanding of the meaning of sustainability: for our clients, as future generations are at the heart of our profession, and for our people, as we build a long-term and viable community. We remain mindful of the industry's regulatory framework, as we work towards a transparent, safe and responsible business environment.

This year, UBP's Executive Committee issued a set of strong objectives to implement change, throughout all of the Bank's departments, which will impact our entire organisation. The end of 2021 will see us integrate ESG criteria into our entire recommended investment universe and all our treasury investments. Our ambition is to manage over 10% of our asset base with sustainable strategies by 2022. In parallel, we have developed expertise in non-traditional ESG strategies such as convertibles, emerging market fixed income and Japanese equities. On the Wealth Management side, discretionary portfolio management solutions will include up to 25% of their allocation to sustainable investments by 2022, while the advisory services will offer a wide, bespoke range of sustainable recommendations. Finally, UBP's pension fund has continued growing its exposure to the Impact platform and is making responsible investments its preferred choice.

At the same time, we keep working on our social and environmental footprint – aiming to reduce our carbon emissions by 25% before the end of 2025, while fostering diversity and inclusion among our UBP community and engaging through dedicated training programs such as "Sustainability@UBP" to raise awareness. In the same vein, our talent pool policy has been adapted to include sustainability criteria in compensation formulas.

On the second anniversary of our Impact Advisory Board, we continue our strong collaboration with its members. In 2020, we were honoured to welcome a new member, Bastien Sachet, CEO of Earthworm Foundation. Bastien brings a wealth of experience working with large corporations, helping them adapt their traditional business models to positive impact solutions in healthy forestry or resilient farming, for example.

Together, we have opened discussions on the new challenges brought by the lack of biodiversity. As the carbon measurement debate has progressed, the industry has started addressing the critical topic of biodiversity. Much of the global economy depends on natural systems – climate stability, ocean health and soil quality – working properly. Increasing damage to ecosystems is worrying for environmental reasons, but it also presents significant business risks, potentially hampering activities and value chains and causing raw material price volatility. System disruption creates physical liability, transition risks for businesses left behind in the environmental drive, and litigation uncertainty associated with the finance industry's exposure to sectors that may face legal challenges due to their role in biodiversity loss. Assessing these risks is essential for the sustainability of humanity.

We have come a long way, but there is still much to be done. We believe biodiversity will take centre-stage in the coming years, as the industry finds a way to assess investments for their positive or negative biodiversity impact, and ultimately to establish whether biodiversity restoration presents a challenge or an opportunity to their business models.

I hope you enjoy reading this third Impact Report, which defines the core building blocks of our values, expertise, and collaborative dedication to deepening our commitment on this journey.

Contents

Introduction

Victoria Leggett

Head of Impact Investing
& Co-Manager
UBAM - Positive
Impact Equity

Since our first annual Impact Report, the year-on-year development of this asset class and of our own strategy has been so significant that each year we believe it would be impossible for this pace of change to continue. And then came 2020… a year of extremes – hope and frenzied activity for some, disappointment and enforced rest for others. It was a year in which nature showed us how it can grow back, if given the space to do so. It was also the year in which sustainable investing came of age. Against a backdrop of economic uncertainty, volatile markets and a fragile consumer, investors in sustainable products remained steadfast in their conviction. We saw unprecedented asset growth – as did the industry. Sustainable investing proved itself to be not just resilient, but a potential answer for the social inequality and biodiversity crises thrown into relief by the covid-19 pandemic.

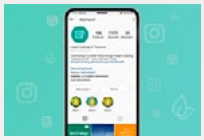
2020 also marked the year in which the UBP Impact team strengthened its global operational platform, extended its capabilities and expanded its activities, launching the UBAM - Positive Impact Emerging Equity (PIEE) fund. This year's report reflects that, with the first section focussing on platform-wide developments and aggregated measurement, followed by a closer look at each fund. Some notable areas of development have been around our thematic approach (pp. 12–15) and, listening to your feedback from last year, we have also dedicated more space to discussing our engagement process and some interesting case studies (pp. 16–19, 36–37, 48–49). This has been a point of particular interest for the team as our Impact Engagement Framework laps its second year for UBAM - Positive Impact Equity (PIE), giving us a real sense of how our companies are developing and tackling their priority areas. For the emerging market fund, our expectations were confirmed that overall, the response rate and data disclosure was less comprehensive, but there were some surprising exceptions. We added a specific line of questioning on biodiversity in our engagement process in 2020. This reflects a deepening focus on this area since the launch of the first fund and provides useful data to support the launch of the Impact platform's Biodiversity Policy in 2021.

The Impact Advisory Board members have been particularly insightful on the topic of biodiversity, particularly with the addition of our fourth member, Bastien Sachet, CEO of Earthworm (pp.10–11). Their guidance has been all the more impressive given that both meetings in 2020 were by video call and we've been unable to meet as a group for over a year.

Video calls have of course been valuable throughout 2020 and enabled us to continue engaging with companies and meeting our investors, but they do not replace the experience of visiting the operations of a business and meeting management face to face. So this report is different in many ways – it's longer (sorry about that!) and it's the first time we discuss two products and draw some comparisons. It was also entirely written and compiled from home. Team members and our investee companies from Geneva to Hong Kong all contributed to this publication from their guest rooms or kitchens, trying to fit work around the pressures of lockdown life. I'm hugely thankful to them and proud of what we've achieved.

I hope you enjoy the report and find it useful. However, even after three reports, we know this isn't a finished product. There's so much more we would like to share (our 2021 to-do list is on page 25) and our process is iterative both by design and out of necessity as the industry continues to develop. Your input is invaluable and we hope the dialogue will continue in 2021.

Key milestones in 2020



February 2020

Launch of Impact Instagram account

FAIRR
A COLLER INITIATIVE

UBP joined Fairr

Label ISR

January 2020

ISR label for UBAM - Positive Impact Equity (PIE)

April 2020

Impact Report 2019

May 2020

Launch of UBAM - Positive Impact Emerging equity (PIEE)

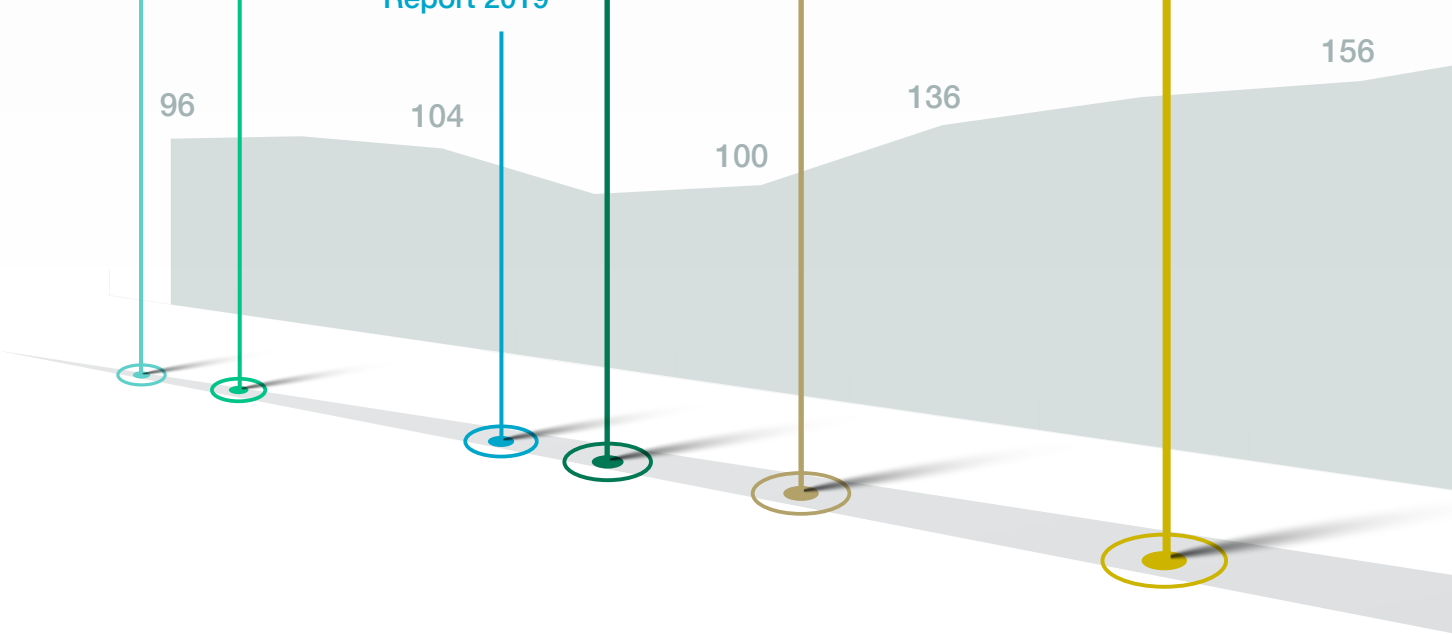
June 2020

Second Impact Advisory Board

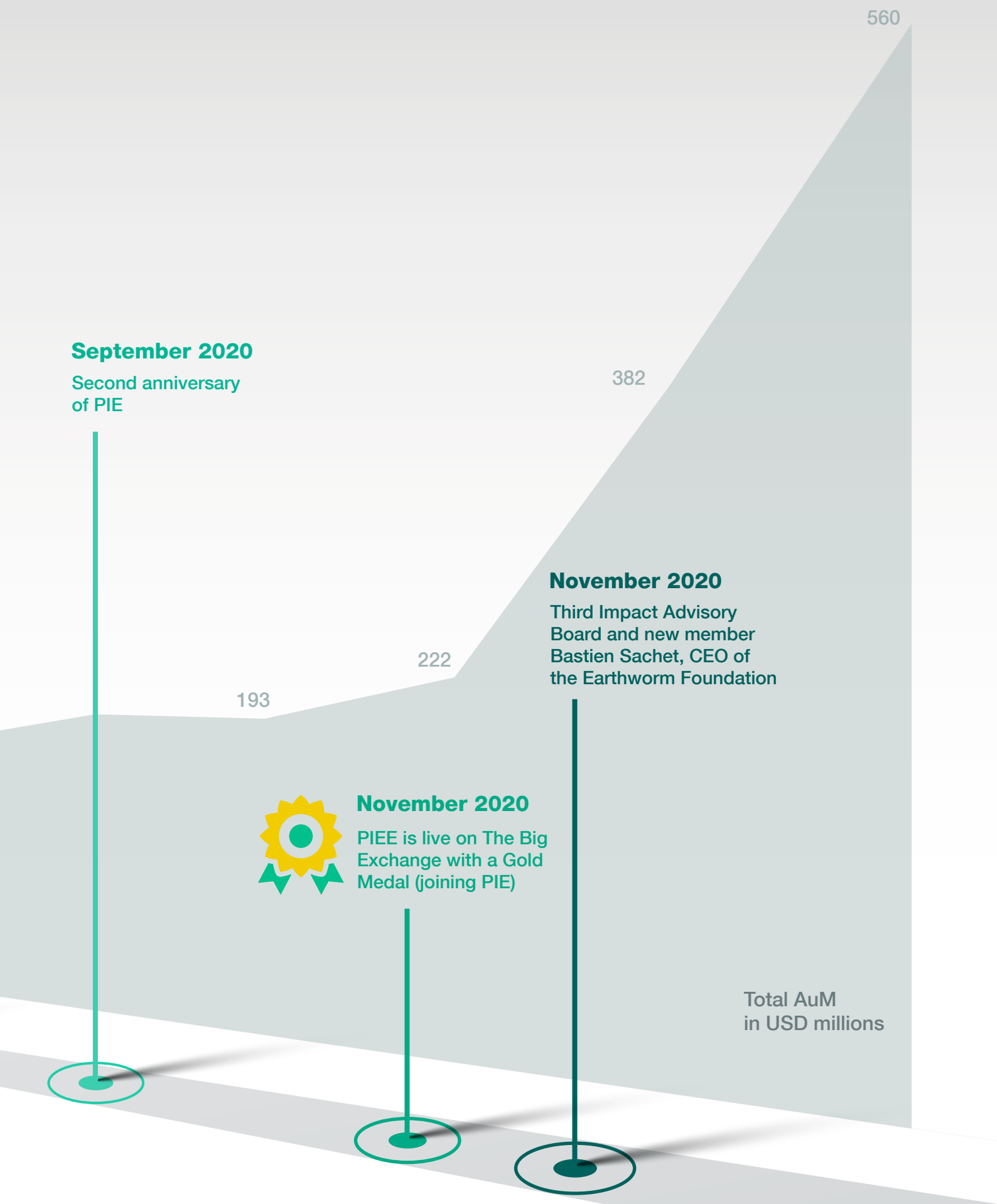
GIIN
MEMBER

August 2020

UBP became a member of the Global Impact Investing Network (GIIN)



Past performance is not a guide to current or future results.



Past performance is not a guide to current or future results.

GOVERNANCE

The UBP Impact Advisory Board

In 2020 the Impact Advisory Board met in June and November, in line with its twice-yearly remit. The June meeting reflected the realities of this Covid-affected year – twice-delayed and eventually taking place remotely but successfully. November's meeting welcomed (again remotely) Bastien Sachet as the fourth external member of the Board.

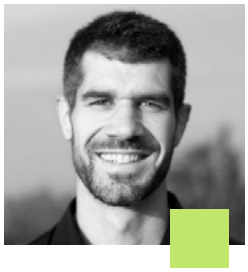
EXTERNAL ADVISORY BOARD MEMBERS

Tony Juniper
Chair, Natural England

Kanini Mutooni
Managing Director (EMEA) for Toniic

Jake Reynolds
Executive Director, Sustainable Economy at the Cambridge Institute for Sustainability Leadership (CISL)

Simon Pickard
Chair, Impact Investment Committee



> "To me, joining the advisory board is a way to contribute to scaling impact by leveraging the power that finance has in that regard. I like the proactivity and the openness with which UBP's leadership is approaching these topics."

Bastien Sachet – Since 2016 Bastien has been the CEO of the Earthworm Foundation, a Swiss non-profit organisation which works with businesses and others to ensure that the global agricultural and food industries produce prosperity for communities and ecosystems. He brings to the Board intimate knowledge of the supply chain challenges facing companies, particularly in emerging markets, naturally complementing the existing expertise within the Board: Kanini Mutooni's in impact finance, private equity and emerging markets; Tony Juniper's in conservation and government; and Jake Reynolds' in academic approaches to impact and thought leadership.

THE ADVISORY BOARD IN ACTION – IMPACT ENGAGEMENT FRAMEWORK

The Board reviewed the 2019 Annual Impact Report before and during its June meeting, and followed up at the November session. The members took particular interest in the process and results of the Impact Engagement Framework, with the unanimous agreement that the Framework represented great progress. The members had several comments as well as recommendations for enhancing its effectiveness, which the fund management team incorporated into their work in 2020:

- Ensure that the substance of sustainability, beyond lip service, is embedded in companies' strategies and processes
- Broaden questions on 'charitable projects' to 'stakeholder engagement' involving the company's social relationships
- Incorporate formal science-based targets within climate disclosure requests
- Increase the emphasis on biodiversity (adding a discrete question within the Framework)
- Increase the emphasis on diversity (adding a discrete question within the Framework)
- Improve the clarity of the aggregate data presented in the Annual Report
- Go beyond reporting aggregate data to use individual company data for illustration purposes

GUIDANCE & REVIEWS

One of the key roles of the Advisory Board is to provide thinking and guidance on broad issues within impact. The following topics, among others, were discussed during the year. *Recommendations (on an advisory basis) and follow-up by the fund managers are noted where applicable.*

June Board Meeting

- The implications of Covid for the sustainability agenda and various governments' recovery packages
- The pros and cons of investing in illiquid companies which may be more impactful but may also reduce the funds' liquidity profiles – *follow-up studies carried out*
- Approaches to the funds' non-financial charitable investments and broadening this beyond SDG 16 – *follow-up studies carried out*
- The recent launch of the emerging market positive impact strategy and the differences of approach when targeting positive impact in this universe – *follow-up recommendations made for engagement and IMAP*
- A presentation by Tony Juniper on methods of approaching biodiversity – *follow-up adjustments made to engagement process and UBP's global biodiversity approach*

November Board Meeting

- Intentionality within IMAP: distinguishing between mission-driven and other companies, particularly in emerging market companies – *follow-up adjustments made to IMAP process*
- Approaches to the funds' non-financial/ charitable investments and broadening this beyond SDG 16 (continuation) – *follow-up adjustments made to process for determining non-financial investments*
- Collaborative approaches to engagement – *follow-up carried out on various papers provided by Jake Reynolds*
- Review of UBP's company-wide sustainability initiatives with Nicolas Faller, co-CEO Asset Management at UBP

COMPANY REVIEWS

Five investment cases and their IMAP scores were reviewed in depth at each meeting. These cases were independently selected by Simon Pickard, Chairman of the Impact Investment Committee, to ensure varied profiles where the Board's insight could prove valuable. The principal topics of discussion and action taken by the fund managers after the Board's advisory are shown for each case examined.

June Board Meeting

Holding	Points raised	Action taken
ALK Abello (Denmark, Health & Well-being)	IMAP Additionality; accessibility in lower-income countries	Adjustments to IMAP score
Kingspan (Ireland, Climate Stability)	Catastrophe exposure; product recyclability	Further engagement and possible divestment
Laureate Education (US, Basic Needs)	Pros and cons of private education; scholarship programmes	Further engagement and report back to Board
LONGi Green (China, Climate Stability)	Political risk; IMAP intentionality and disclosure	Adjustments to IMAP score
Safaricom (Kenya, Basic Needs)	Exposure to gambling; affordability	Further engagement and report back to Board

November Board Meeting

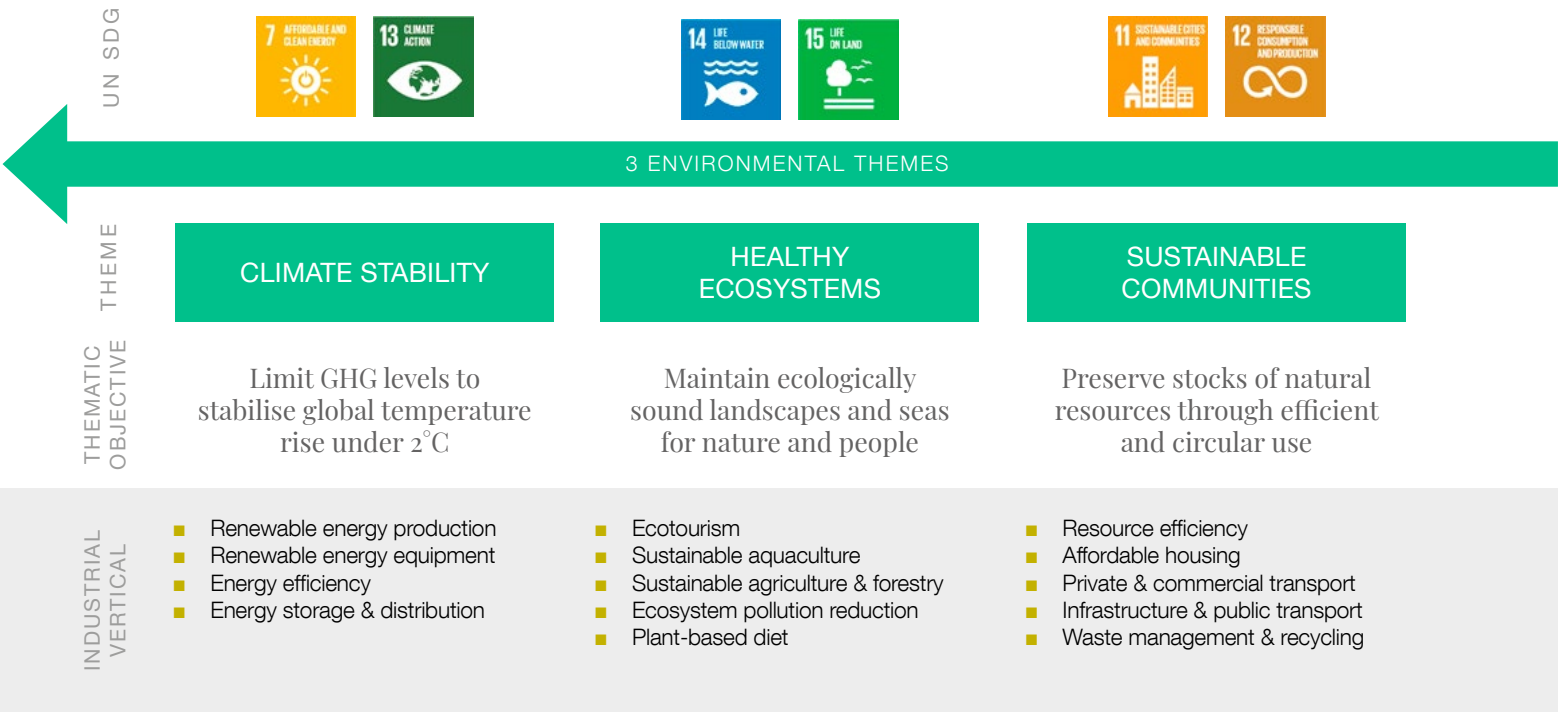
Holding	Points raised	Action taken
DS Smith (UK, Sustainable Communities)	Tobacco packaging exposure; product circularity	Further engagement and report back to Board
Hoffman Green Cement (France, Sustainable Communities)	Additionality; cement alternatives	Further engagement and report back to Board
Nano-X Imaging (Israel, Health & Well-being)	IMAP Intentionality and Materiality; supply chain	Adjustments to IMAP score
Voltronic (Taiwan, Climate Stability)	Product circularity; supply chain	Further engagement and report back to Board
Zhengzhou Yutong Bus (China, Sustainable Communities)	Input sourcing; disclosure	Further engagement and report back to Board

As part of UBP's commitment to transparency, full minutes of each Board meeting are published on the UBP website soon after each meeting.

INVESTMENT THEMES

Process review & development

One of our aims for 2020 was to build on our thematic approach. Our six investment themes are the backbone of our investment process as they support the development of effective idea generation and clear measurement goals. This year we have enhanced the value these themes bring in three ways: introducing dedicated thematic champions, using clearer and more explicit language to link the themes with our theory of change, and finally making the first attempt at impact attribution by theme and IMAP.



THEORY OF CHANGE

The schematic above shows the key pillars of our process from the point of idea generation and associated impact objective, through to how we practically implement this through the companies in our industrial verticals. Each vertical also has its own dedicated objective and associated target KPI. Ultimately the process flows to each investment and a KPI which we feel most closely measures the fulfilment of our overall intention whilst being suitably precise to reflect the specific activity of a business. The aim is always for these KPIs to be derived directly from the company, but in the absence of this, there are instances where we use industry proxies. This is illustrated with the company examples on the following pages.

THEMATIC CHAMPIONS

The concept behind the introduction of Thematic Champions was to add an additional layer of research for our six investment themes. The reason we felt the need to go beyond the traditional sector specialisation model is that the objectives of our themes require global solutions across many different sectors. For example, achieving clean transport is not only a matter of building EVs. It requires many additional solutions such as smart grids, energy storage, batteries, mining, charging infrastructure, composite materials, and alternative fuels which fall under different sectors. Many of these solutions imply financial and environmental trade-offs which require a cross-sector top-down assessment and guidance to decide which of them we want to support the most.

In most cases, the themes have input from both an emerging market and a developed market analyst or fund manager, which is particularly useful for assessing the full value chain of an industry and establishing that both teams are exposed to the best global solution for a given problem.

IMPACT PERFORMANCE ATTRIBUTION

Since the inception of UBAM - Positive Impact Equity, we have been reporting quarterly on financial performance by investment theme. However, this year, with the addition of the emerging market fund, we've gathered

UN SDG

3 SOCIETAL THEMES

HEALTH & WELL-BEING	BASIC NEEDS	INCLUSIVE & FAIR ECONOMIES
Enhanced health and equality of opportunity for all	Nutrition, education, financial inclusion, clean water & sanitation for all	Fair & socially inclusive growth and working conditions for all
▪ Healthcare financing ▪ Pharmaceuticals ▪ Medtech & life sciences ▪ Healthcare infrastructure ▪ Healthcare services ▪ Fitness & safety	▪ Water supply ▪ Education ▪ Nutrition ▪ Financial inclusion ▪ Sanitation	▪ Testing, analysis & certification ▪ Enabling technologies ▪ Financial stewardship ▪ Products & services for women and minorities ▪ Automation

THEME

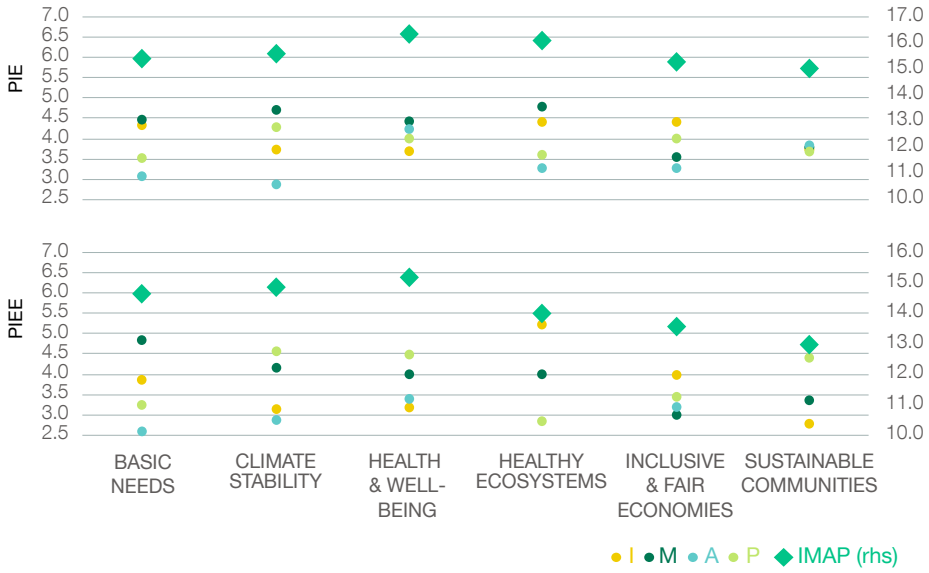
THEMATIC OBJECTIVE

INDUSTRIAL VERTICAL

sufficient data to begin assessing performance according to each aspect of our IMAP score in addition to investigating relationships between IMAP score and theme. Although this is a work in progress, it has been sufficiently revealing to relay some of the initial findings in this report.

- Aggregate IMAP score higher for UBAM - Positive Impact Equity, with additionality being the main point of difference
- Both funds scored highest on materiality
- Sustainable Communities delivered the lowest IMAP for both funds, and Health and Well-being the highest.

IMAP BY THEME



THEMATIC DEEP DIVE

Sustainable Communities

Thematic Objective:
Preserve stocks of natural resources through efficient and circular use

This theme is mainly about companies which provide solutions to the complex challenges created by our growing urban and rural communities as well as our unsustainable consumption and production systems.

Even though rapid urbanisation has been an engine of economic growth, it has brought many challenges, particularly in developing countries. According to the UN, more than 1 billion people live in slums without adequate access to housing, sanitation, waste management, public transport and health-care facilities. 9 in 10 people living in urban areas breathe air that does not meet the WHO's air quality guidelines. Approximately 1.35 million people die each year as a result of road accidents. Air pollution (ambient and household) leads to around 8 million deaths annually. That is 9.35 million deaths a year that clean and safe transport systems and housing could help prevent. Just to put numbers into perspective, cumulative global deaths caused by Covid 19 as of March 2021 was 2.6 million.

While we celebrate the last decades' economic success in pulling hundreds of millions of people out of poverty and transforming them into middle e-income consumers, this has come at a great cost to our planet's natural resources. According to Global Footprint Network, our current consumption requires 1.6 planets. In other words, we consume 60% more every year than what the planet can regenerate. We are living on natural capital credit at the expense of future generations. Our current linear economic model based on "Take, Make, Use, Dispose" needs to be replaced with a "Reduce, Reuse, Renew, Recycle" model in order to be sustainable.

To address these goals, we have defined the impact objective of SC theme as "preserving stocks of natural resources through efficient and circular use". The targeted outcome of this objective is to achieve more efficient and circular resource use, and more sustainable approaches, to the main activities within communities: transportation, production, consumption and construction. We also identify a number of industrial verticals within each theme and associate an objective and KPI with each vertical. This enables us to better reflect their role in achieving our targeted outcomes.

COMPANY EXAMPLE: SAMSUNG SDI

SAMSUNG SDI

- **Industrial vertical:** Private and commercial transport
- **Industrial vertical's impact objective:** Enable the move towards more sustainable methods of private and commercial transport
- **Target KPI for vertical:** Price per unit of power
- **Target KPI for company:** Percentage reduction of battery cost to consumer

The Private and Commercial Transport industrial vertical is an important contributor to the development of a sustainable community and a strong source of fund ideas (68 names in the universe, 6 stocks across 2 portfolios). The companies within this vertical must contribute to the shift towards more sustainable methods of transport. Samsung SDI, a leading name in EV batteries and one of the holdings in UBAM - Positive Impact Emerging Equity, is an excellent example of a business which is directly enabling this transition. Two of the biggest blockers to increased Electric Vehicle adoption are cost and driving distance and Samsung SDI can potentially help to fix both aspects. We identify the cost element more directly with Samsung SDI and therefore this is our chosen company impact indicator. The challenge is extracting this level of information from a company, particularly in Emerging Markets, where engagement on non-financial topics is more rare. It takes time and a lot of interaction. We cannot and don't wish to impose our view, but our hope is that over time we and our companies begin to use a common framework for impact measurement.

For Samsung SDI, our KPI is not supplied by the company but calculated by the team using industry data as a proxy. It represents a powerful tool for future engagement with the company. Below you can see the battery pack cost per kwh for three types of batteries that Samsung SDI is working on.

ESTIMATED BATTERY PACK COST (USD/KWH)

	2018	2019	2020	2021E	2022E
NCM 111	206	182	171	160	
NCM 622	160	152	142	132	129
NCA			109	102	

Sources: UBS, P3 automotive GmbH

THEMATIC DEEP DIVE

Basic Needs

Thematic Objective:
Nutrition, education, financial inclusion, clean water & sanitation for all

One of our three social themes, Basic Needs groups together sectors which provide essential services, particularly for low income households. It is a diverse theme, with industrial verticals which range from financial inclusion to sanitation. The commonality is that all of these products and services in some way contribute to a reduction in the inequality poverty brings, and hopefully in some cases a reduction in the poverty itself. Poverty is not only a blocker to development, but it threatens social cohesion – an issue which is present in both high and low-income countries.

Although Basic Needs is a sector with a higher presence in Emerging Markets (32 names in the UBAM - Positive Impact Emerging Equity watchlist vs 9 names in UBAM - Positive Impact Equity), it doesn't mean that all basic needs are met in developed countries. Wealth – more precisely, the uneven distribution of wealth, brings a unique set of problems and the example below illustrates this.

COMPANY EXAMPLE: KERRY GROUP

KERRY

- **Industrial vertical:** Nutrition
- **Industrial vertical's impact objective:** Contribution to the production and distribution of safe and nutritious food
- **Target KPI for vertical:** Percentage of nutritious food in product offering
- **Target KPI for company:** Average number of potentially harmful ingredients removed as a result of Kerry's technology

Irish listed Kerry group is a global leader in ingredients and nutrition solutions for end customers ranging from multi-national FMCGs to restaurants and artisan brands. This may not at first seem like a company that sits naturally within Basic Needs, but malnutrition is an issue which does not always stem from not enough food. The sad reality is a world where almost 690 million people go hungry, 1.9 billion people are overweight and a third of all food produced is lost or wasted. There is a positive correlation between household income and consumption of fresh, unprocessed food. Kerry Group's technology is focused on enabling their customers to reduce the salt, fat and sugar in their products, without altering the taste profile. They work with customers to 'clean' the labels of their products, replacing many unhealthy ingredients with natural alternatives and overall reducing the number of ingredients used.

We have held a position in Kerry Group in UBAM - Positive Impact Equity since fund inception and it has been our goal to clearly measure the ingredient profile and improvement from Kerry's involvement. This is a strong example of how long the process can take and the depth of engagement involved, it is only after almost 3 years and 5 interactions that we have been able to extract such precise information to match our aspirational KPI.

The example below shows the ingredients for a chicken sandwich filling sold by a fast-service restaurant customer. On average, a packaged product has 20 ingredients. Kerry can typically remove 5–7 and replace them with 1–2 natural alternatives.

EXAMPLE OF INGREDIENTS FOR A CHICKEN SANDWICH

Old Label - Chicken

Chicken breast with rib meat, water, seasoning (corn syrup solids, vinegar powder ***maltodextrin***, modified corn starch and tapioca starch, dried vinegar, brown sugar, ***dextrose***, garlic powder, onion powder***, chicken type flavor***, hydrolyzed corn gluten, ***autolyzed yeast extract***, ***thiamine dydrochloride, disodium inosinate, disodium guanylate***), sodium phosphate.

New Label - Chicken (Kerry)

Chicken Breast with Rib Meat, water, **chicken flavor** *(sea salt, sugar, chicken stock, salt, flavors, canola oil, onion powder, garlic powder, spice, chicken fat, honey)* potato starch, sodium phosphate, carrageenan.

Source: Kerry Group

ENGAGEMENT

Engagement overview

The Impact team's rigorous approach to engagement has become a defining aspect of its company research activities. Thanks to the ongoing nature of these bilateral interactions, which now build on several years of exchanges, the team has established strong relationships with many companies. This allows a deeper understanding of company management's intentions and development roadmaps, which are crucial to the IMAP scoring process, but also enables the investment team to help shape corporate strategies.

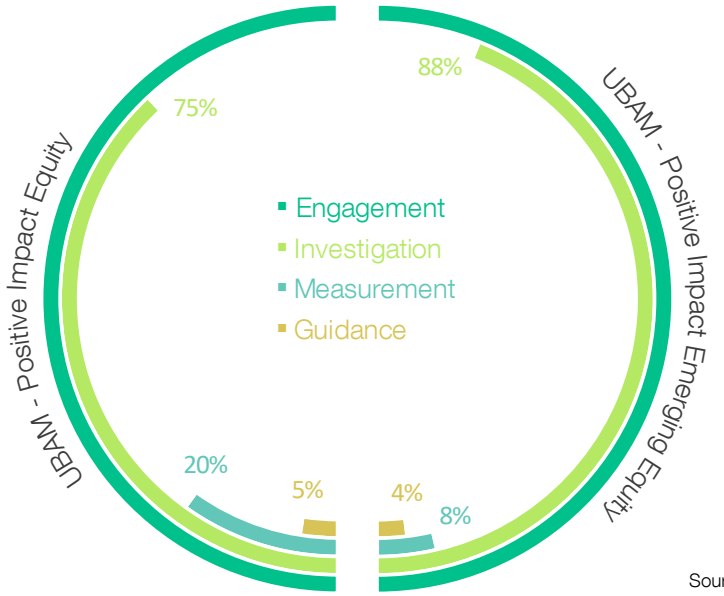
We believe corporate engagement can be divided into our three categories (Investigation, Guidance and Measurement), although interactions will often address more than one at a time. While Investigation covers a broad range of topics, from sustainability initiatives to financials, Measurement focuses on the extraction of relevant non-financial KPIs, which are essential for conveying a company's positive impact and help us to build an aggregated picture. Guidance engagement typically occurs when we have questions over an aspect of strategy or a particular ESG issue. This is accompanied by clear milestones and an escalation process.

Investigation represents the largest engagement topic on both funds as it includes initial engagement carried out with new and watchlist companies – this is essential for completion of an IMAP.

The difference between the funds is largely explained by their respective ages. In emerging markets, where the fund is younger and in the 'building phase', the engagement focus has naturally been investigative, particularly gathering the information needed to IMAP the candidate companies. Measurement becomes more dominant as holdings are established and as companies progress on the sustainability journey. The Impact Engagement Framework was developed as a result of this evolution in interactions – it's a process that could not have happened until a relationship had been built, and the emerging markets fund has been able to leverage on that expertise.

One difference which is geography- rather than time-related is that engagement in any form is not as typical in many emerging markets as it is in the developed world. This can be frustrating and require multiple attempts at interaction, but the rewards are worth it. As is often the case with smaller companies in developed markets, we frequently find that the level of disclosure does not correlate with the quality of the approach. Engagement is the only way to establish this.

THE POSITIVE IMPACT TEAM'S ENGAGEMENT ACTIVITIES FOR THE YEAR 2020 CAN BE REPRESENTED AS FOLLOWS:



Source: UBP

INVESTIGATION

Impact investment requires deep and regular bilateral engagement with all target companies and holdings.

GUIDANCE

The biggest potential for impact can arise when a business chooses to evolve. A constructive and honest relationship is an agent for positive change.

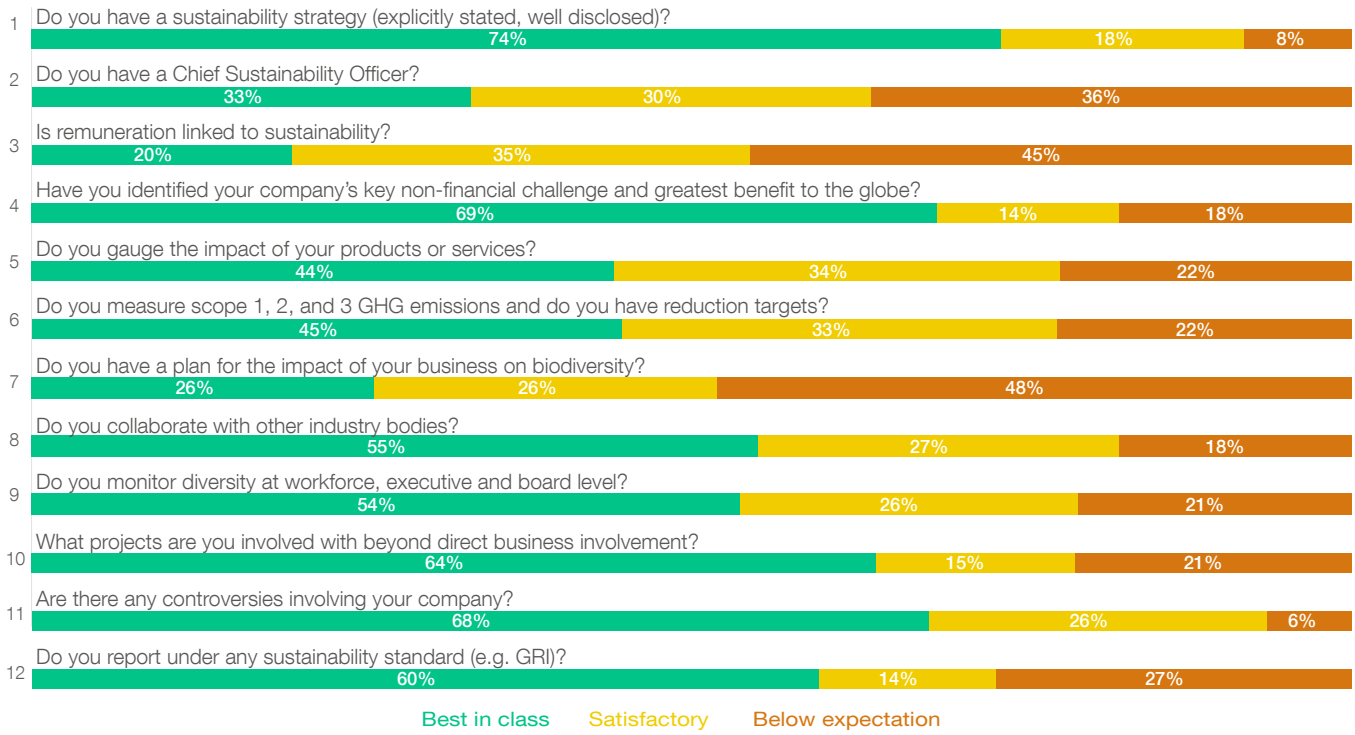
MEASUREMENT

The absence of top-down aggregated non-financial data means bottom-up measurement is essential. Engagement is the most effective way to achieve this.

THE IMPACT ENGAGEMENT FRAMEWORK 2020

Unlike leading large-cap companies whose focus on environmental footprint improvement often accords them high ESG scores, impactful companies are not necessarily ESG champions. Our investment typically starts with the identification of a powerful solution and ESG plays an important, but supporting role. The Impact Engagement Framework (IEF) has become an indispensable tool to assess the degree to which a company's approach to its operations is in harmony with its products and revenue streams. Lessons learned from the IEF shape our engagement in the coming year and inform us of sector and industry progress.

For 2020 the IEF scaled up considerably. This deep assessment was conducted over all 85 companies held in UBP's two impact funds. We added new areas on diversity and biodiversity and refined some of the 2019 questions. The end result is a body of valuable and differentiated insights drawn from over 1,000 data points. After a 100% response rate in 2019, the 2020 result has fallen to 81% overall as we expanded the number of companies covered and the countries included. This rate was 97% in developed markets and 63% in emerging markets.



Report highlights

The IEF responses are scored according to three categories: "Best in Class", "Satisfactory", and "Below Expectations", as determined by the Impact team's research into key criteria for each area of assessment. The results are then grouped to give a top-down snapshot of where the portfolio companies are currently placed. For example, in question three, only 20% of portfolio companies currently link executive remuneration to a sustainability factor, and 45% have no link or intention of creating one.

THE IEF IN NUMBERS:

79	948	27	USD 244 bn	1.44 mn
companies	data points	countries by domicile (18 for PIE, 14 for PIEE)	of combined revenues (USD 140 bn for PIE, USD 108 bn for PIEE)	employees (708,000 for PIE, 821,000 for PIEE)*

*NB data absent for 1 holding
Source: Bloomberg Finance L.P. Figures are trailing 12 months. The figures do not always tally due to common holdings in funds.

ENGAGEMENT

Bilateral engagement case studies

Most of our engagement activity involves a combination of investigation, guidance and measurement, but typically one area dominates the conversation and in some cases we interact with a company specifically to gain information on one issue. These case studies are an illustration of the process and the variety of interactions we have.

GUIDANCE CASE STUDY – ANIMAL WELFARE

In February 2020, the Impact Investment Committee flagged a potential animal welfare concern, which was raised by the Committee's systematic MSCI ESG screening of the fund. The MSCI report indicated that several stocks lacked disclosure of comprehensive policies and commitments regarding animal testing.

The team responded to the Committee's request to provide more details of companies with exposure to animal welfare issues, namely Genmab, Thermo Fisher, Kerry, ALK Abello and Croda, which have exposure to either medical or non-medical testing on animals.

Through engagement with the companies, the team was able to establish that in the case of **Croda**, **Genmab** and **Thermo Fisher**, these companies had polices demonstrating 'positive indicators' (either support for alternative testing methods, a robust testing policy, or National Institute of Health certification).

ALK Abello's exposure to animal testing proved to be historic and delineated.

Kerry's policy states that it only undertakes animal testing where it is required to meet legal requirements and carried out in third-party approved labs.

All of the companies engaged willingly and promptly and shared the relevant documentation, meaning no escalation was required and the team were able to provide sufficient feedback to the April Impact Investment Committee to close the issue.

A key observation from this example is that lack of disclosure does not necessarily mean bad practice. In addition, it highlights the danger of relying on third-party data. In a couple of cases, the information provided by MSCI ESG was out of date and inaccurate. External providers are a useful tool, but as illustrated here, must be complemented by bottom-up research and engagement.

ARCADIS

- **Theme**: Sustainable communities
- **Thematic impact objective**: Preserve stocks of natural resources through efficient & circular use
- **Industrial vertical**: Infrastructure & Public Transport
- **Industrial vertical's impact objective**: Enable the transition to more sustainable and accessible public transport and infrastructure
- **Target KPI**: Tonnes of CO_2 avoided

INVESTIGATION CASE STUDY – ARCADIS

The investigation segment of our engagement approach is normally the first interaction we have with a company. The IMAP system (the Impact team's proprietary impact scoring system, see next page) is the first step in our investment process and engagement with a company is an essential part of that. The Intentionality and Potential elements of the score are forward-looking, and although this involves revenue calculations based on current capex allocation, R&D spending etc, the strategy and views of management are a vital insight into the direction of travel.

However, this investigative element does not end when we make our first investment. The IMAP score is reviewed on a systematic basis and this ongoing investigative work is often a revealing early indicator of change in a company.

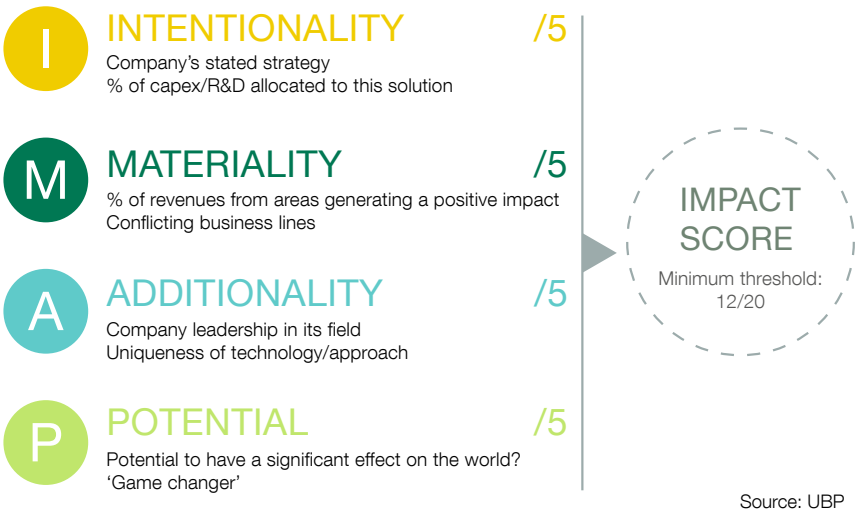
Arcadis is a design, consulting and engineering business with a focus on infrastructure and urban development. It's an interesting example of the importance of the role engagement takes in getting a true understanding of the current state of a company. At the point of our initial investment (2018), Arcadis was a slightly confused business, with some legacy business lines and operational issues which limited the IMAP score to 12 (I4 M3 A2 P3).

Our regular interaction with Arcadis has mapped the company's shift to a company

which prioritises sustainability and focuses on maximising its impact. They have built a new strategy and now estimate their revenue contribution to the UN Sustainable Development Goals. A strong commitment to sustainability is also reflected in Arcadis's plan to grow its Environmental Solutions range and help to create more positive impact on nature. Knowing that it requires robust innovation, Arcadis invests 7% of its sales in R&D.

Our interactions show an incremental improvement in the impactfulness of the business, from the intention through to the materiality aspect as the business has been reshaped, partly due to ongoing investment in target areas. The progress was sufficient in our most recent engagement for the team to revise the IMAP score up to 15 (I5 M4 A3 P3).

THE IMPACT SCORING SYSTEM



Source: UBP

MEASUREMENT CASE STUDY – PAGSEGURO

PagSeguro

- **Theme:** Inclusive & Fair Economies
- **Thematic impact objective:** Fair, socially inclusive growth and working conditions for all
- **Industrial vertical:** Enabling Technologies
- **Industrial vertical's impact objective:** Provision of technologies allowing underserved groups to be reached
- **Target KPI:** Percentage of product going to a particular demographic/sector

This third element of our engagement approach centres on the important task of delivering useful and relevant non-financial data. It is rare that this information is available on a company website or on a third-party data platform. The only successful way of measuring the impact of our holdings has been through repeated engagement and taking the time to ensure we and the company are speaking a common language. Many companies are initially confused as they are not often asked for non-financial information. They often have the data, but not necessarily aggregated and in almost all cases have never considered publishing these particular KPIs. This frequently leads to discussion about sustainability reports and what improvements could be made, what data would be useful for our investing community to see.

In emerging markets, extracting an impactful KPI can be a more challenging process, as not only is the disclosure often poor, but the companies typically are less accustomed to engaging with investors on impact topics. This makes the engagement all the more valuable, as patient interaction and an educative, rather than judgemental approach can sometimes glean exciting results.

Pagseguro (I3 M3 A3 P4) is a pioneer in Brazil's digital payments sector, focusing on micro-merchants and small enterprises. Digital payment solutions in Brazil are not as widely available as in Europe due to the high costs the banks and other incumbent providers put on merchants. Pagseguro's platform gives entrepreneurs access to a whole ecosystem of financial services, including early receivables, payment, and purchase receipt creations. In the past year, Pagseguro has made efforts to improve its sustainability approach and is in the process of developing a sustainability report, expected to be published later this year.

Pagseguro's business signifies a valuable contribution to the development of micro-merchants in Brazil and is directly connected to SDG 8, Decent Work and Economic Growth. It plays an important role in democratising access to financial services, bringing a number of unserved clients into the financial system. Through our engagement in 2020, we learnt that **80% of surveyed merchants[1] can now accept electronic and card payments through the Pagseguro service, which translates into 5.6 million clients that were previously financially excluded**. It is an impactful KPI and we would not have established this without direct contact with the company.

[1]company survey

ENGAGEMENT

Collaborative engagement case studies

Bilateral engagement is key to the Impact team's process, but we recognise that there are limits to what we can achieve alone. Impact in listed equities is still a young asset class and there is much to be gained from working together with our peers, sustainability partners and academia. In fact, if we are to achieve genuine positive change, we would argue collaboration is vital. The following case studies are a few highlights in a busy year for the team's multilateral efforts.

PALM OIL COLLABORATION WITH UN PRI'S WORKING GROUP

The success of palm oil stems from its properties of being a highly versatile, low-cost and efficient crop used in a range of end markets. Today, palm oil is the most widely used vegetable oil in the world, supplying 35% of the world's vegetable oil demand on just 10% of the territory used to produce oil. On average, 1 hectare of palm plantation yields 3.3 tonnes of oil, whereas other major oil crops only yield 0.7 tonnes per hectare.

Palm oil production has grown tenfold since 1990 to above 90 million tonnes annually in 2019, most of which came from Indonesia and Malaysia, which account for more than 80% of production volumes. This has contributed significantly to the economic development of these countries, particularly in rural areas where smallholders account for 40% of palm oil production.

However, weak governance and poor labour standards have led to irresponsible cultivation practices with significant repercussions on the environment and human rights. In Malaysia and Indonesia notably, approximately 50% of palm oil expansion in the last 30 years took place on previously forested land. This matters because forests host 80% of the world's terrestrial biodiversity and support 1.6 billion people through their ecosystems. They also play a crucial role in fighting catastrophic climate change by absorbing and storing massive amounts of CO_2.

Given global population growth and food scarcity constraints, palm oil offers a land-efficient and profitable source of value in commercial agriculture. As of 2019, 17.2 million tonnes or 19% of global palm oil was certified by the Roundtable on Sustainable Palm Oil[1], which can be considered our closest benchmark of sustainability performance internationally.

At UBP, we recognise the importance of palm oil as a commodity in today's economy and have therefore decided to actively engage with stakeholders along the value chain to help improve practices and promote sustainability standards. We started collaborating with the UN PRI's Investor Working Group on Sustainable Palm Oil in 2018. There were 62 signatories as of the end of 2020, representing over USD 10 trillion in assets under management, working together to seek changes in company behaviour, public policies or systemic conditions in the industry. The working group has engaged with companies across the palm oil value chain, with a focus on producers, refiners and traders. More recently the group has started engagement with Asian banks who finance palm oil activities, as well as with the fast-moving consumer goods sector in Asia. This broader spectrum should contribute to creating more uptake of sustainable palm oil in the market through increased awareness.

[1]Established in 2004, the Roundtable on Sustainable Palm Oil (RSPO) is a not-for-profit organisation that aims to unite stakeholders from all sectors of the palm oil industry. The RSPO has established processes to develop, implement, verify, assure and periodically review what are widely considered to be the most relevant standards for the sustainable supply of palm oil. The organisation has developed a set of environmental and social criteria that companies must comply with in order to produce Certified Sustainable Palm Oil (CSPO).

CISL STEERING GROUP: FINANCIAL RISKS OF BIODIVERSITY LOSS AND LAND DEGRADATION

We strongly believe that the success of our economies depends entirely on the health and resilience of nature. Acting upon this awareness is not a departure from our core asset-management activity – it is a fundamental part of it. The Impact team were therefore delighted to join the CISL Steering Group for Nature-Related Financial Risks, whose purpose has been to identify and categorise risk and present their findings as a framework for practitioners. A copy of the handbook can be found here: www.cisl.cam.ac.uk/resources/sustainable-finance-publications/handbook-nature-related-financial-risks.

The World Economic Forum ranks biodiversity loss as one of the top five threats that humanity will face in the coming decade. Biodiversity, the variety of life on earth, is an essential part of natural capital. USD 44 trillion worth of economic value generated each year is moderately or highly dependent on nature – more than 50% of global GDP.

This work of the group and the resulting handbook hopefully signifies an essential first step in the shift from awareness to action. Whilst the measurement and reduction of carbon emissions has become mainstream, the vital role of biodiversity in our economies continues to be underestimated. This is in part because measuring biodiversity changes is complex and an improvement in biodiversity in one place may be more valuable than an equivalent improvement in another. As impact investors we are accustomed to the challenges of measurement and we view the work with CISL as a strong basis for the evolution of our own strategy.

In 2021, UBP and its Impact platform will launch a dedicated biodiversity policy. We have added direct questions on biodiversity to our Impact Engagement Framework and we continue to debate with the Impact Advisory Board members how best to position our funds to both mitigate biodiversity risk and ultimately achieve a biodiversity 'net gain'.

ENTIDADES FINANCIERAS SOSTENIBLES (EFS) TRAINING PROGRAMME THROUGH SOCIAL GOB

EFS, in collaboration with experts from financial markets, curate an online training course to promote the integration of sustainability in financial institutions. Victoria Leggett, the Head of Impact at UBP, led one of the modules which focussed on the challenges and complexities of impact investing in listed markets.

The goal of the programme, which is aimed at board-level executives, is to inspire managers and develop the mindset needed to understand and internalise the importance of sustainable finance in backing the green and digital transformation projects of the real economy. The programme also hopes to disseminate the knowledge and skills necessary to adapt to the obligations arising from the regulatory changes associated with the European Union's Sustainable Finance Action Plan, as well as to integrate sustainability approaches into the corporate policies and processes of banks and financial institutions.

One of EFS's six investment principles is accessibility and they believe that it takes top-down conviction for large institutions to change. Ultimately, that should lead to a shift in corporate behaviour, towards more long-term thinking and decision-making which benefits both the organisation and society.

INTERVIEW

Beyond the Impact team – Sustainability at UBP

As investors, we place importance on whether a company and its stakeholders share our impact vision and intentions. It's understandable that many of our investors have a similar approach and are curious as to whether the values of the Impact team reflect those of UBP as an entity. We had a conversation with Nicolas Faller (Co-CEO Asset Management and Senior Sponsor for UBP at the Investment Leaders Group) to hear his thoughts.

Nicolas Faller

Co-CEO Asset Management & Head of Institutional Clients

There have recently been a lot of developments at UBP regarding sustainability. Which ones are the most significant in your view? Which ones are you personally the most proud of?

The original impetus for the sustainability approach came from the Asset Management division. This is natural as client demand was clear and the implementation was relatively straightforward, compared to other areas of the Bank. The most significant development for me is that these principles and processes are spreading fast to all areas of UBP, and most importantly with top management and the owning family fully on board. UBP has always had a golden rule: whatever we do must be for the good of our clients. It has now become clear to the Bank's decision-makers that responsible investment is a critical part of that – it doesn't conflict with it. This was a longer journey for some than others.

This shift in itself is the part I'm most proud of, because it's a perfect example of the effectiveness of UBP's flat and agile structure. For a small team to be heard, and to be able to drive change at group level, is something that is very rare.

What was the catalyst for these changes?

One catalyst was regulation. I'm more proud of our internal drivers, but it's true that EU regulation has accelerated the pace of change. Another factor has been the realisation that there is a dual benefit – what's good for the environment can also be good for the client. The conviction that sustainability is part of their fiduciary duty was an important tipping point for fund managers and relationship managers.

We've seen a clear pattern with our investments that companies are taking a more joined-up approach to sustainability – 'CSR' is no longer a separate thing from the way companies do business and approach their products.

Does this apply to UBP? Is there more that can be done?

This is absolutely the direction of travel. An important governance milestone has been the merging of the Sustainability Board with the Executive Committee (Exco). This allows sustainability to be central to our strategic decisions. A first step since then has been the introduction of ten sustainability targets, for which

KEY TARGETS

Include sustainability factors in all of UBP's investment decisions

A quarter of UBP's mandates to be fully sustainable investments by 2022

Integrate ESG criteria into UBP's entire recommended investment universe

Offset UBP's carbon footprint in 2021 and reduce it by 25% by 2025

Apply ESG criteria to all new Treasury investments

The Executive Committee's remuneration is dependent on the achievement of the above targets, plus other sustainability-related metrics.

> "What's good for the environment can also be good for the client."

the Exco will ultimately be held accountable. There's a lot left to do, particularly in recruitment where we have a clear policy to hire more people with sustainability expertise.

What are UBP's ambitions regarding sustainability?

To be real, not to make claims we can't uphold. When we do it, we want to be committed and do it well. With our products we started the 'wrong way' round – with listed impact funds. This is normally where you go after launching more traditional sustainability products. But we only want to launch products where we feel we can bring something new and unique – and we certainly have done so with our impact franchise.

We have targets of course, but more importantly, it fits with our corporate identity to be pioneers in areas not traditionally associated with sustainability and to help to create responsible investment options across the whole asset suite, like in emerging market fixed income and convertibles, for example.

In 2020, UBP once again asserted its commitment to responsibility by joining leading industry sustainability initiatives such as the United Nations Global Compact (UNGC). We also showed our determination to address major issues by supporting the Task Force on Climate-related Financial Disclosures (TCFD) and joining Business for Nature, a global coalition bringing together influential organisations for the purpose of asking governments to adopt ambitious policies for the preservation of nature.

What has been the biggest challenge faced by UBP on its sustainability journey?

Our biggest challenge has also been a reflection of our strength. This process – the evolution of sustainability at UBP – was sparked by a few people who climbed a steep learning curve, and did so on top of their 'day job'. This has placed huge demands on them, but it has also allowed UBP to develop its sustainability approach in an authentic way. It has been a grass-roots movement, and as a result the foundations are much stronger than if it had come as an instruction from the top.

How do you see the Impact platform's position and role within UBP?

The Impact team have been among the drivers of UBP's broader transformation. The burden of proof is at its highest with impact investing and the expectations of both the clients and the team are very high. This provides an excellent laboratory for development in the whole organisation. We can explore new ideas and products that will feed into the broader sustainability approach for our clients.

UBP is a member of:

University of Cambridge Institute for Sustainability Leadership

Investment Leaders Group

Sustainable Finance Geneva – where finance meets impact

Swiss Sustainable Finance

GIIN – Global Impact Investing Network

FAIRR – A Coller Initiative

The Big Exchange

Pensions for Purpose

Signatory of:

PRI – Principles for Responsible Investment

UBP supports:

WE SUPPORT – UN Global Compact

TCFD – Task Force on Climate-Related Financial Disclosures

Nature Is Everyone's Business – Call to Action Signatory

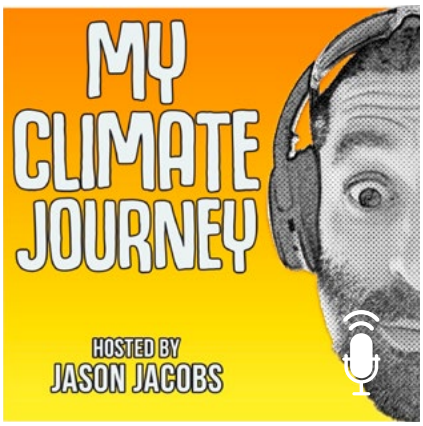
SOURCES OF INSPIRATION

OUR WORLD IN DATA

www.ourworldindata.org

FACTFULNESS: TEN REASONS WHY WE'RE WRONG ABOUT THE WORLD

By Hans Rosling



ALL WE CAN SAVE: TRUTH, COURAGE AND SOLUTIONS FOR THE CLIMATE CRISIS

By Ayana E. Johnson & Katharine Wilkinson

SKINT ESTATE; NOTES FROM THE POVERTY LINE

By Cash Carraway

HOW TO AVOID A CLIMATE DISASTER

By Bill Gates

THE STUBBORN LIGHT OF THINGS

By Melissa Harrison

REGENERATIVE AGRICULTURE PODCAST

By John Kempf

NO BANK

By Hugues le Bret

AMERICAN FACTORY

By Netflix

2021 to-do list

The annual report is an excellent opportunity for the Impact team to communicate with our investors and update them on our activities. However, invariably at the point of publication we are on the brink of many exciting new developments and so this year we decided it might be a good idea to share some of the agenda items for 2021.

IMPACT ATTRIBUTION

We have been able to share with you some initial findings from our attribution work, but we hope to build significantly on this in 2021. Being able to marry our traditional financial attribution with the IMAP system and thematic splits of the fund will be an exciting development to support the dual mandate of the funds.

DEVELOPMENT OF OUR THEORY OF CHANGE

The work in 2020 has delivered a clear line of sight from our impact objective to the performance indicators for our industrial verticals and companies. However, there are still data gaps and as we fill these it will be possible to measure year-on-year improvement more clearly. The most exciting consequence of this is that, in conjunction with the refined engagement process, it will enable us to have more accurate targets for improvement.

NEGATIVE IMPACT AND CONTROVERSIAL INDUSTRIES

Regardless of our good intentions and the significant positive impact generated by our holding companies, every investment we make has the potential to deliver some accompanying negative impact. In 2021 we will continue to work with our portfolio companies to identify negative impacts throughout the whole value chain and aim to report on them with more clarity. More broadly, we hope to engage with our investors on a number of controversial industries to build a roadmap for the more complex areas of impact.

ENGAGEMENT

2021 marks the introduction of our Engagement Tracker, a tool we have built to record and classify our engagement activity. For our guidance engagement, the tool will also help to make the escalation process more systematic and straightforward to implement. Crucially, the data generated by this tracker supports our ambition to demonstrate the causal link between engagement and corporate change. Engagement is critical to us being able, as a platform investing in secondary markets, to credibly deliver impact. However, it is immensely complex to attribute change to our specific engagement. This is an industry-wide challenge and will require a collective solution.

BIODIVERSITY POLICY

Our Impact Engagement Framework, coupled with guidance from the Impact Advisory Board, has emphasised the need for greater commitment on the specific issue of biodiversity. A healthy and diverse natural world underpins the success of all the UN SDGs and a commitment to this generates both risks and opportunities for the financial sector. In 2021 we will launch a dedicated Biodiversity Policy – both for the impact platform and at UBP level.

UBP IMPACT INSTAGRAM

Our Instagram account has been quietly building momentum, with some innovative content and an engaged base of followers. This year we hope to broaden our reach as we continue to explore impact ideas, interesting companies and new technologies.

INVESTMENTS WITH NON-FINANCIAL RETURNS

Since the launch of UBAM - Positive Impact Equity, we have committed to an annual donation to a cluster of charities which represent aspects of the UN SDGs we cannot access through listed investments. To date, this has focussed on SDG 16 – Peace, Justice and Strong Institutions. This year, with the launch of UBAM - Positive Impact Emerging Equity, we are broadening the scope to encompass areas which are more challenging to address in emerging markets. Rather than a charitable donation, we increasingly see this activity as an important part of our investment approach, simply one with exclusively non-financial returns. The entities below will be joined by others in the coming year.

ENGLISH PEN

REPRIEVE

The UBP Impact team

VICTORIA LEGGETT
Head of Impact & Portfolio Manager
Positive Impact Equity
BASIC NEEDS CHAMPION

RUPERT WELCHMAN
Portfolio Manager
Positive Impact Equity
INCLUSIVE & FAIR ECONOMIES CHAMPION

MATHIEU NÈGRE
Portfolio Manager, Positive Impact Emerging Equity
CLIMATE STABILITY CHAMPION

SIMON PICKARD
Chair, Impact Investment Committee

ELI KOEN
Portfolio Manager, Positive Impact Emerging Equity
SUSTAINABLE COMMUNITIES CHAMPION

TIDJAN CISS
Portfolio Manager
HEALTH & WELL-BEING CHAMPION

ADRIEN CAMBONIE
Analyst
HEALTHY ECOSYSTEMS CHAMPION

ÖZGÜR GÖKER
Analyst
ENGAGEMENT CHAMPION

SCOTT MEECH
Portfolio Manager
CONTRIBUTOR - EUROPE

CHARLIE ANNISS
Portfolio Manager
CONTRIBUTOR - SMID

EKATERINA NAUMOVA
Intern

YVAN DELAPLACE
Investment Specialist

EVE GLATT
Portfolio Manager
CONTRIBUTOR - US

MAURICE ONYUKA
Portfolio Manager
CONTRIBUTOR - US

YIPING DU
Portfolio Manager
CONTRIBUTOR - ASIA

CHOONSHIK YI
Portfolio Manager
CONTRIBUTOR - ASIA

UBAM - POSITIVE IMPACT EQUITY

UBAM - POSITIVE IMPACT EQUITY'S DISTINCTIONS

UBAM - POSITIVE IMPACT EQUITY

Annual review

Rupert Welchman

Co-Manager
UBAM - Positive
Impact Equity

Victoria Leggett

Head of Impact Investing
& Co-Manager
UBAM - Positive
Impact Equity

The volatility of 2020 has been widely reported. The pressure to rapidly adapt was just as much of a challenge for us as it was for everyone else, and the necessary adjustments were made with the minimum of fuss. At times, particularly from February to April, uncertainty was so high that there was not much to be gained by contacting our portfolio companies for a clearer picture. Few years in recent history have ended up with an index total return of -3.1% (MSCI Europe) having gone through a peak-to-trough fall of -35.6% and a trough-to-year-end return of 40%. The dangers of poorly timed portfolio changes and disproportionate reactions to headlines were ever present. Against this backdrop, UBAM - Positive Impact Equity delivered a return of 21.7% (on the EUR Institutional class net of fees). The tribulations of 2020 prompted us to further develop our risk control discipline and the art of optimal position sizing, which helped us deliver a smoother return for our investors.

That positive return was driven by some eye-catching share price rises led by the Climate Stability theme; notably Ceres Power (+330%), Tianneng Power (+134%) and Siemens Gamesa (+112%). Companies held in other themes of the portfolio also made material contributions. Also noteworthy were companies in which we had not invested, most obviously within the materials, energy and banking industries. These sectors facing the most significant transition challenges will be forced to continue the heavy investment of today's cashflow away from their traditional focus. 2020 showed strong signs of them being valued accordingly.

Our investment universe has become much richer over time and our new thematic structure has proved efficient at idea-generation. Consequently, our portfolio holdings expanded from 35 to 41 positions in 2020. Of the seven names we sold, one was for governance concerns, two were for liquidity risk management reasons, and four were to make room for better ideas. We added 13 new names with a diverse industrial and geographical spread, from fuel cell technology in Surrey, to telemedicine in Shanghai and accessible banking in Kolkata. Although the majority of companies we hold have an EU listing, the breadth of themes and their associated UN SDGs are truly global.

We continue to be in awe of the sheer diversity and scale of environmental and social benefits associated with the companies in the portfolio. For example, over and above their industry leadership in online grocery, Ocado diverts 3,000 tonnes of food from landfill in the UK annually. Through its industrial waste treatment solutions, each year Befesa re-processes 1.5 million tonnes of steel and aluminium residue that would otherwise end up polluting the ground and water table. There are now 25 million users of M-Pesa, Safaricom's accessible banking product in sub-Saharan Africa, 2.5 million having been added in 2020. Finally, through its customer proposition of 'environmental return on investment', Ecolab saves the equivalent amount of drinking water needed for 712 million people annually. More details on bottom-up non-financial outcomes can be found on page 40.

Whilst we know there is still much to do, we have made considerable progress in effectively measuring these non-financial benefits. Engagement has played a key role in this, examples of which can be found throughout the report. We will continue to encourage our companies to better measure and disclose their unique attributes as we believe such self-awareness is an undeniable factor in the generation of both impact and financial returns.

Fund holdings as at year end

Basic Needs	IMAP Score	%
KERRY GROUP PLC	15	2.9
CHEGG INC	16	2.8
XYLEM INC	15	2.7
COUNTRYSIDE PROP PLC	14	2.6
CHRISTIAN HANSEN HOLDING	14	2.3
LAUREATE EDUCATION	15	2.0
SAFARICOM	16	1.1
BANDHAN BANK LTD	17	0.9

Health & Well-being	IMAP Score	%
THERMO FISHER SCIENTIFIC INC	14	3.8
GENMAB	18	3.8
THULE GROUP	14	3.4
ALK-ABELLO CLASS B	18	2.9
ORPEA SA	15	2.2
BASIC-FIT NV	17	1.7
PING AN HEALTHCARE AND TECHNOLOGY	17	0.9
NANO X IMAGING LTD	17	0.6

Inclusive & Fair Economies	IMAP Score	%
SIKA AG	15	3.4
PARTNERS GROUP HOLDING AG	14	3.3
INTERTEK GROUP PLC	17	3.2

Healthy Ecosystem	IMAP Score	%
CORTICEIRA AMORIM SA	16	1.7
NORWAY ROYAL SALMON	15	1.3
RAISIO	17	0.5

Climate Stability	IMAP Score	%
SIEMENS GAMESA RENEWABLE ENERGY SA	16	3.3
TPI COMPOSITES INC	16	2.8
CERES POWER HOLDINGS PLC	18	2.3
VALEO SA	14	2.3
RED ELECTRICA SA	14	2.2
SOLTEC POWER HOLDINGS SA	14	1.9

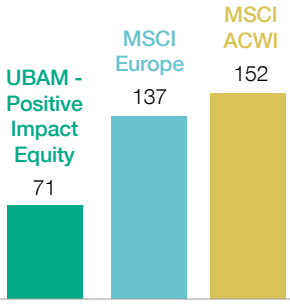
Sustainable Communities	IMAP Score	%
ARCADIS NV	12	3.7
TOMRA SYSTEMS	16	3.6
CRODA INTERNATIONAL PLC	13	3.6
BEFESA SA	16	3.2
TREX INC	16	3.1
ECOLAB INC	17	3.1
SIGNIFY NV	16	3.0
SMITH (DS) PLC	15	2.6
HEXAGON COMPOSITES	15	2.2
OCADO GROUP PLC	15	1.7
HOFFMANN GREEN CEMENT TECHNOLOGIES	18	0.6
HEXAGON PURUS	15	0.3

Average portfolio IMAP score: 15.5

UBAM - Positive Impact Equity's footprint in 2020

Performance* of UBAM - Positive Impact Equity versus the MSCI Europe and MSCI ACWI, per EUR 1 million of sales

EMISSIONS (TONNES/ USD 1 MN SALES, 2019)

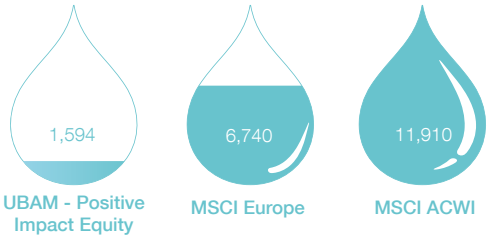


55%

lower emissions than the MSCI ACWI index which represents

Source: MSCI. Factor: Carbon emissions time series – Scope 1+2 intensity

WATER WITHDRAWAL (CUBIC METRES/USD 1 MN SALES, 2019)



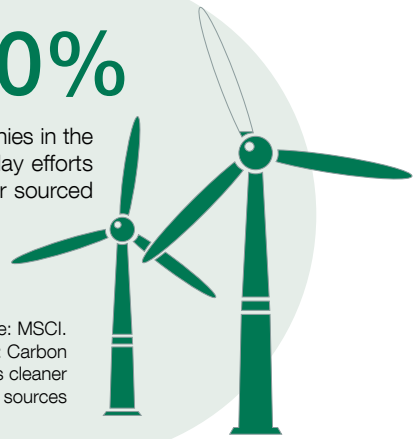
4x less water

than the MSCI ACWI index

Source: MSCI. Factor: Water stress withdrawal intensity

70%

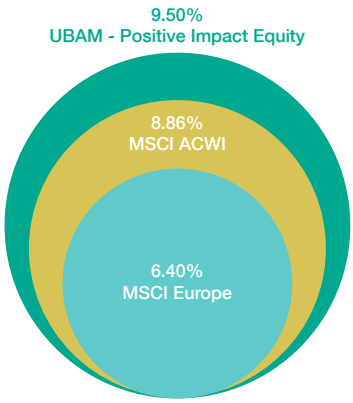
of the companies in the portfolio display efforts to use cleaner sourced energy



Source: MSCI. Factor: Carbon emissions cleaner energy sources

AVERAGE R&D SPENDING (% OF SALES)

Each EUR 1 million of sales contributes EUR 95,000 towards research & development, reflecting the holdings' superior efforts at finding innovative solutions to address social and environmental issues



Source: Bloomberg Finance L.P. Factor: R&D to sales

EXPOSURE TO FOSSIL FUEL RESERVES

UBAM - Positive Impact Equity	0.0%
MSCI AC World Net TR Index	5.2%
MSCI Europe Equity Net Return EUR	9.0%

Source: MSCI. Factor: Fossil fuel reserves

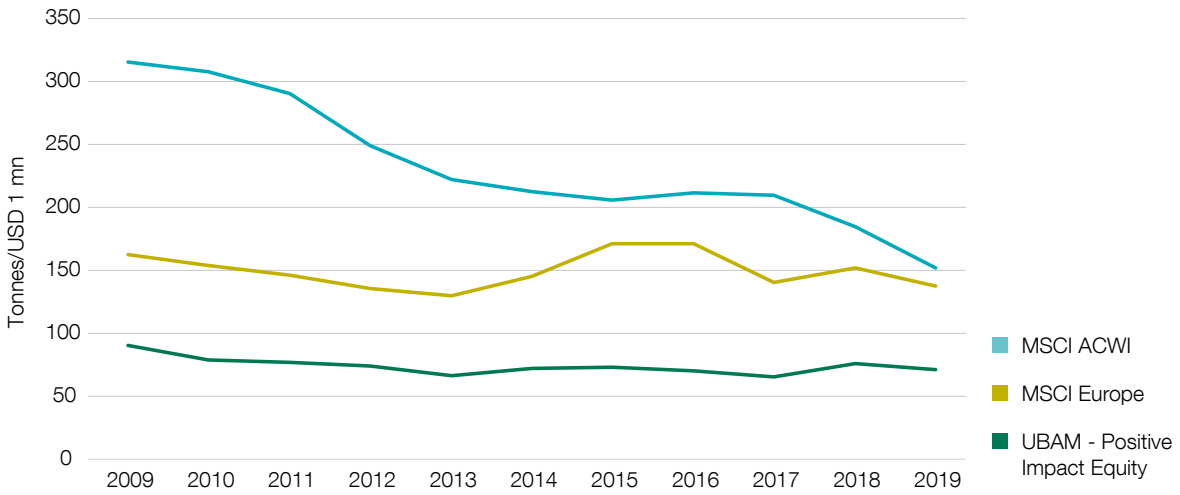
*Metrics calculated using relevant MSCI and Bloomberg data points (water withdrawal per USD 1 mn of sales, emissions per USD 1 mn of sales, clean energy sourcing efforts and R&D spending as % of sales). Data was adjusted to represent the entire sample when disclosure was missing for some constituents.

Disclosure levels:
Water withdrawal: Fund: 20%; MSCI Europe 53%; MSCI ACWI 33%, Emissions: Fund: 90%; MSCI Europe: 99%; MSCI ACWI: 98%, Clean energy efforts: Fund: 85%, R&D spending: Fund: 85%; MSCI Europe 77%; MSCI ACWI 79%, Fossil fuel reserves: Fund: 90%; MSCI Europe 99%; MSCI ACWI 99%.
Past performance is not a guide to current or future results.

Footprint over time

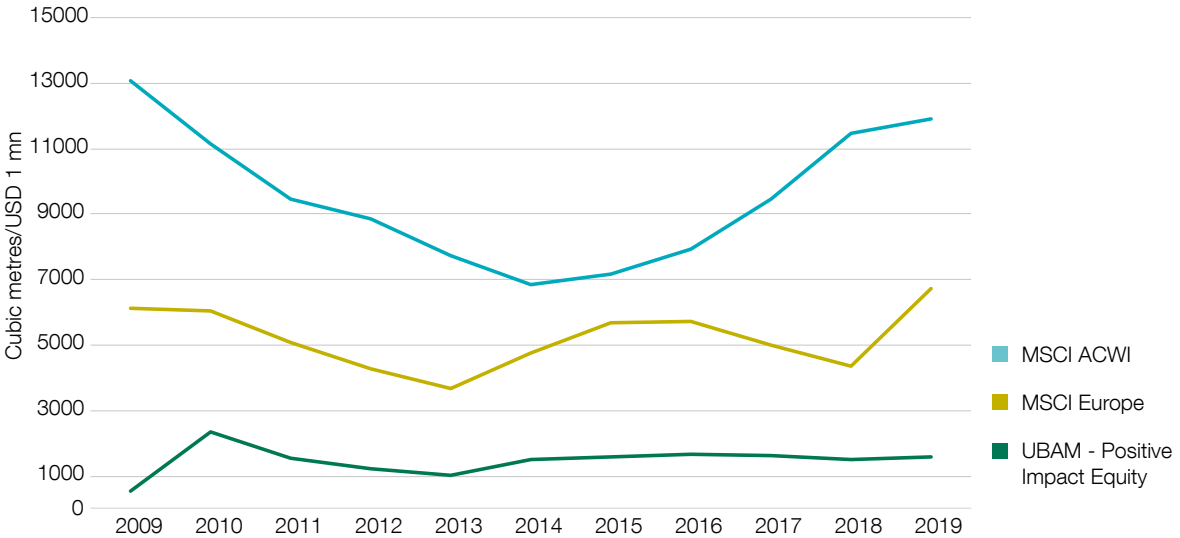
Time-series data* offer valuable insights into how an investment's footprint changes over time and how it compares to others. Current data availability means we are in the foothills of what we can potentially show. In time, we intend to broaden the kinds of data we can illustrate in time-series format. Some illustrations of the target measurements we are building can be found in snapshot form overleaf.

CO_2 EMISSION INTENSITY (TONNES/USD 1 MN SALES) OVER TIME



Source: MSCI. Factor: Carbon emissions time series – Scope 1+2 intensity

WATER WITHDRAWAL



Source: MSCI. Factor: Water stress withdrawal intensity

*Metrics calculated using relevant MSCI data points (water withdrawal per USD 1 mn of sales, emissions per USD 1 mn of sales) over time.
Data was normalised to represent the entire portfolio or index when disclosure was missing for some constituents.
Historical performance of indices uses constituents as of January 2020 which are then backtested.
Despite being normalised, the index performance values change over time as disclosure of constituents increases.
Time frame subject to company disclosure date and MSCI data point availability, causing representation lag of most recent years.
Past performance is not a guide to current or future results.

Carbon emissions: The whole picture

Reporting of Scope 1 and 2 carbon emissions at portfolio level is one area where data disclosure by companies is relatively good. However, this represents only a fraction of the complete picture. To generate a more comprehensive assessment of our current emissions profile and highlight areas of improvement, we have partnered with Urgentem to leverage their industry-leading expertise in this area.

Scope 1, 2 or 3?

Scope 1

Emissions from sources owned or controlled by a company

Scope 2

Emissions associated with purchased energy

Scope 3

Emissions from sources neither owned nor controlled by the company but related to that company's business, e.g. the supply chain. Scope 3 emissions cover fifteen categories throughout the value chain, both upstream and downstream

To generate a comprehensive emissions picture for a fund, all three scopes need to be considered, particularly Scope 3, where typically 85% of company emissions are contained. However, comprehensive company-disclosed data remains challenging and consequently emissions data analyses rely heavily on modelling. The quality of this modelling is why we have chosen to work with Urgentem, an industry-leading data provider with a heritage in Scope 3 emissions analysis.

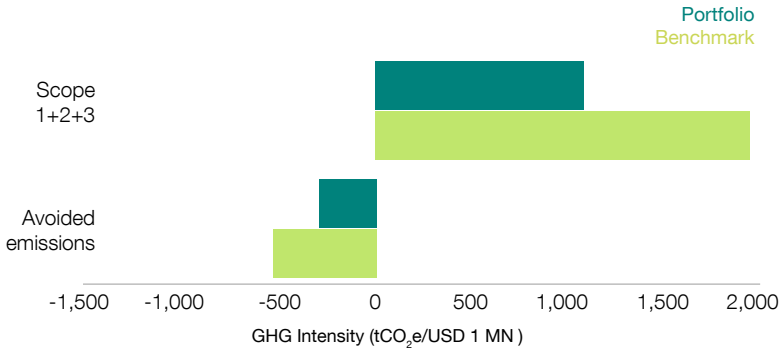
Avoided emissions

Avoided emissions is an area of some debate. We're highlighting these as an issue, as it attempts to assess the external benefits companies in our portfolio create through their value chains. Whilst acknowledging its complexity, it is a crucial element of systems thinking within impact investment.

Avoided emissions are broadly defined as those created by a product or service using lower carbon-intensive energy, or the emissions saved during the use of that product/service compared with industry averages or BAU economic activity. Urgentem's analyses use 38 sector-specific models, incorporating factors such as lifetime characteristics of materials used and energy sources, which generate a thorough analysis of avoided emissions relative to a peer group company or an alternative material. The chart to the right shows where those avoided emissions are created by a traditional industrial sector.

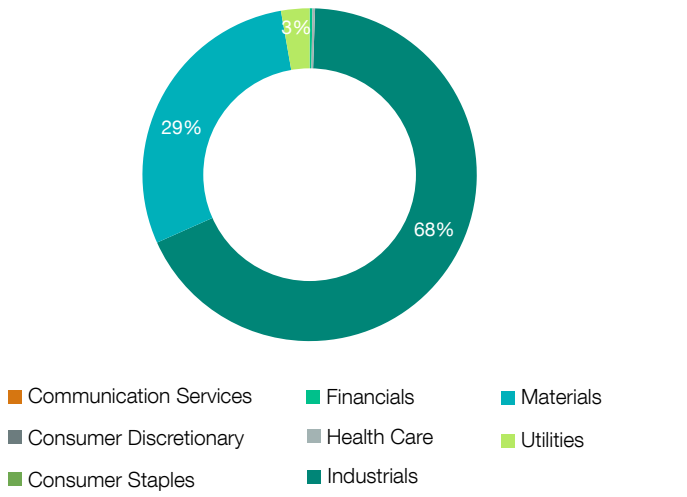
We do not attempt to net off avoided emissions due to the lack of agreed standards and the potential distraction this could create from the more important focus of cutting absolute emissions.

PORTFOLIO CARBON FOOTPRINT – AVG GHG INTENSITY (REVENUE) IN TCO_2E/USD 1 MN



Source: Urgentem

EMISSIONS AVOIDED (CONTRIBUTION TCO_2E/USD 1 MN)

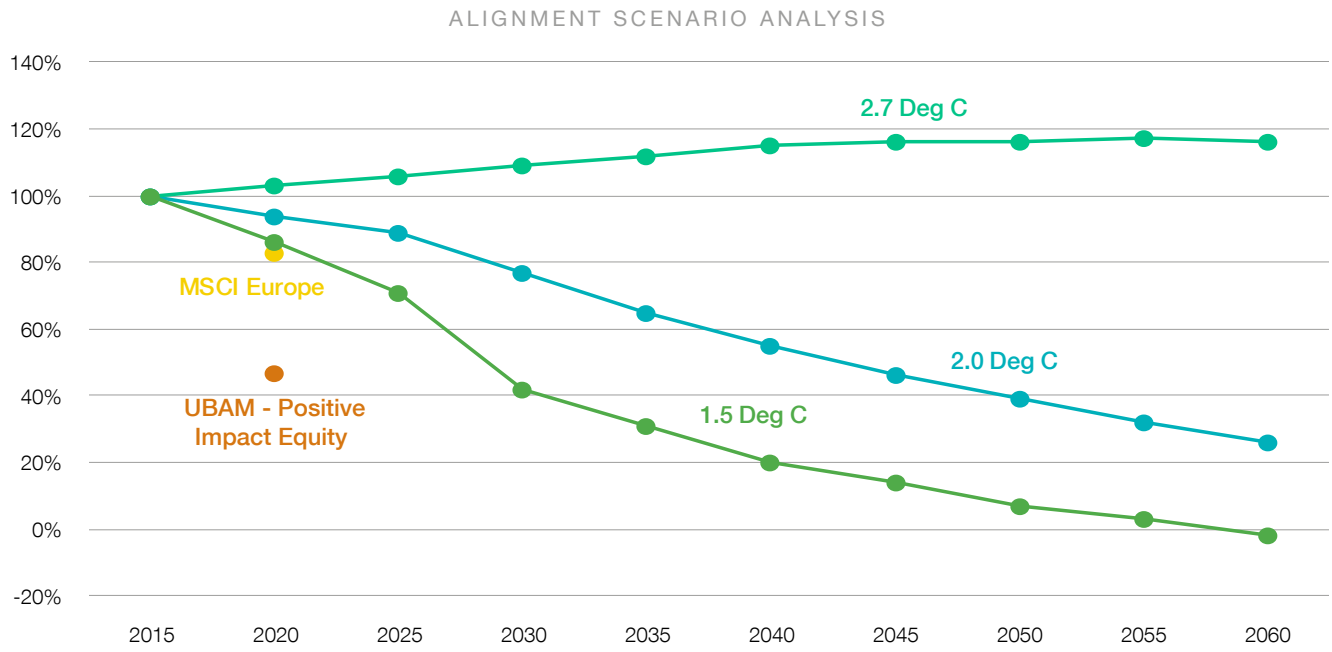


Source: Urgentem

Portfolio observations

On a Scope 1+2+3 basis, the portfolio is substantially better positioned than the MSCI Europe. According to this analysis, Scope 3 emissions make up 93% of portfolio emissions. Or, to put it another way, emissions generated outside of the portfolio companies' direct control, but as a result of their commercial operations, are 13x greater than those the company directly controls. This is a key consideration for all investment funds but one that is not yet widely disclosed.

Within overall portfolio emissions, the largest contribution to emissions comes from the materials, financials and transportation sectors (using traditional GICS sector classifications). Drilling down further, we can see that these high exposures are caused by companies in industries that have high energy intensity, e.g. a materials company like Sika, whose products create significant resource efficiencies for their customers.



Source: Urgentem

Portfolio alignment
47%
Current percentage alignment (lower % shows stronger alignment)

Target setting
5.6%
Annual average decarbonisation rate (%) required to achieve target climate scenario: LED 2050*

Portfolio alignment to climate-warming scenarios

The scope data highlighted in the chart above enables UBP to estimate portfolio alignment to various climate warming scenarios over time (1.5°C, 2.0°C and 2.7°C) using global average temperature curves produced by the International Energy Agency and the IPCC. The chart gives us a picture of the required decarbonisation path to levels of global warming as if the global economy were to have the same composition as the PIE portfolio. The analysis above shows that UBAM - Positive Impact Equity is currently well aligned to the 1.5°C Low Energy Demand pathway of warming until 2030. Whilst good, this analysis suggests that further decarbonisation at a rate of 5.6% per annum will be required for the portfolio to remain on a 1.5°C trajectory to 2050. At present, only companies representing 35.2% of the portfolio's companies have provided targets based on the SBTi methodology (Scopes 1 & 2), indicating to us that this level of reduction is achievable as companies become better equipped to implement climate change mitigation strategies.

A final word on disclosure

This important analysis still relies very heavily on modelling assumptions, as listed companies continue to struggle with non-financial disclosure. Within this report, 30% of the portfolio's companies disclose complete, third-party assured Scope 1 and 2 data. For Scope 3, 53% of the portfolio's companies do not disclose any data but 28% disclose data for all fifteen categories.

*LED 2050: Low Energy Demand scenario endorsed by the Intergovernmental Panel on Climate Change (IPCC)

HEALTHY ECOSYSTEMS

Q&A with Corticeira Amorim

Corticeira Amorim is the world's largest cork products company. Cork is a highly attractive sustainable material and with a growing focus on the circular economy, the demand for Amorim's products looks strong. A cork tree will live up to 200 years and provide 15–20 harvests. Cork forests also provide a natural barrier against forest fires (unlike some other cultivated forests such as eucalyptus).

AMORIM

- **Company interview:** Corticeira Amorim
- **Theme:** Healthy Ecosystems
- **Impact objective:** Maintain ecologically sound landscapes and seas for nature and people
- **Industrial vertical:** Sustainable agriculture and forestry
- **Industrial vertical's impact objective:** Farming and exploiting forests sustainably and improving soils and biodiversity
- **Target KPI:** Total area farmed sustainably & growth of this area

Although listed, Corticeira Amorim remains a positive example of a family business – with long-term time horizons and consistent, strong investment in its product. We interviewed Chairman António Rios de Amorim to learn more about how the company views their role as a 'fixer' company in the world's battle against climate change.

When you began your research into the environmental footprint of cork products ten years ago, was it difficult to persuade your stakeholders of the merits of this? How has the attitude evolved?

Since we commissioned the first studies into cork oak forests (Montado) in 2008, the perception of the importance of sustainability has changed dramatically. Rather than seeing these studies as "mere theoretical exercises", our stakeholders today understand the importance of having a powerful tool of communication at their disposal and of having information on the environmental impacts of different products to make informed decisions. We also believe that these studies are of the utmost importance for the decarbonisation of the wine industry. For example, our Neutrocork, a stopper that only weighs 6 grams, has a carbon balance of -392g CO_2eq (taking into account the sequestration of carbon by cork oak forests). No employee, customer, supplier or shareholder is indifferent to the conclusions of these studies or of their importance to the cork industry.

Have the sustainability and negative carbon footprint characteristics of cork helped you to compete against alternative materials? Do you expect this to increase in the future?

Low-impact renewable materials have unquestionable competitive advantages and, in my view, their importance will grow as we move towards a more sustainable world. Having a greener planet implies not consuming products that damage the environment and investing in resources that sequester carbon – cork guarantees both. Why would you choose a plastic closure if

you can use a cork stopper, which is natural, renewable, recyclable and produced with 10 times less CO_2 emissions[1]? Why wouldn't you consider Amorim's Top Layer NRT®94, a high-density cork component for the flooring industry, which has a negative carbon balance and uses up to 25 times less resources than average PET materials? Growing awareness among companies and customers of the importance of consuming, producing and selling products that help mitigate the impacts of climate change and foster an industrial transition to a low-carbon economy should support further gains in cork's market share compared with alternative materials.

To what extent do you try to influence your suppliers (tree growers in particular) and customers (vineyard owners or winemakers in particular) on matters like biodiversity?

Being the world's largest cork producer, Amorim assumes the responsibility of playing an important role in promoting sustainable forest management and creating a set of interconnections between the Montado, the business and people. Profitable and diverse bio-ecosystems can be enhanced by creating more sustainable production systems, fostering the services provided, combating biodiversity losses, contributing to carbon-neutrality and pursuing the SDGs. We believe that our commitment is the most effective way to influence our suppliers and customers. Corticeira Amorim is strongly committed to increasing knowledge about the ecosystems of the Montado and the environmental impact of cork products and to promoting the best forest management practices (namely forest certification in areas of direct intervention and value chain certification of cork preparation and processing plants).

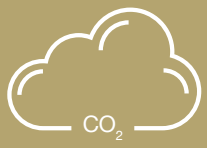
Are your impact and sustainability initiatives well understood within the international investor community? Do you feel that the growing focus on sustainability among institutional investors has helped align the priorities of the investment community with those of corporates?

The number of institutional investors that monitor and scrutinise our unique sustainability story has increased significantly since we published our first Sustainability Report on our full-year performance in 2006 and, although it's difficult to generalise, I believe most of them have a good understanding of our initiatives and ESG strategy. Regardless of their investment approach, sustainability should encourage asset management companies to make investment decisions based on a long-term vision that takes the well-being of future generations into account. Rather than considerations of short-term profits, sustainability should encompass a larger framework that will unquestionably align the interests of all our shareholders.

Has engagement with the investment team at UBP or other like-minded investors helped to shape company strategy?

Direct engagement with stakeholders, as is the case with UBP's investment team, is absolutely critical for us. I believe this not only contributes greatly to increasing investors' understanding of our culture and strategy, but also helps us to understand how we are perceived by our stakeholders and what their concerns and expectations are. Having constructive discussions with institutional investors is also, in my view, a unique opportunity for identifying potential areas for improvement and for increasing transparency and engagement. Finally, their insights, knowledge and skills can be of great help in anticipating and detecting new ESG trends and ensuring that we respond to them faster.

> 971,000 native trees have been planted in partnership since 2008



4.6 bn tonnes of CO_2 sequestered by cork oak forests per annum is linked to Corticeira Amorim's activities (representing 17x the emissions generated by the company and its value chain's activity)

≈ 95% of all the terrestrial mammals present in Portugal exist in the cork oak forest

100,000 people depend on the cork oak forest

[1]According to a PWC study comparing cork stoppers with alternative materials.

UBAM - POSITIVE IMPACT EQUITY

The Impact Engagement Framework

The Impact Engagement Framework (IEF), as outlined on page 17, has quickly become a valuable central resource. We can also extract useful and informative fund-level data, some of which we share with you below. Further information about the IEF can be found on our website.

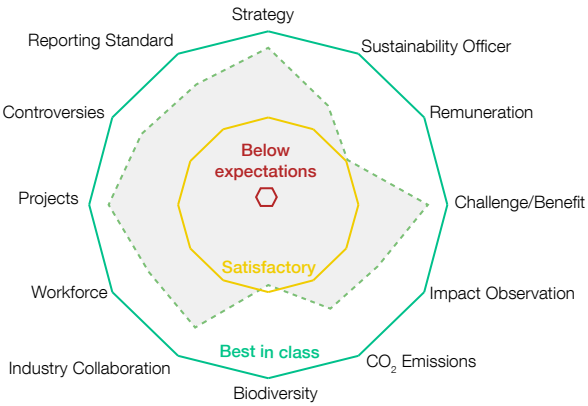
The fund shows its strongest performance in a number of areas which are characteristic of companies incorporating sustainability into their commercial strategy. Identifying the benefits for people or the planet will usually be the first step, followed by an associated strategy.

Most of the portfolio's companies engage in local community projects and industry collaborations, but areas such as biodiversity and sustainability-linked remuneration display greater disparities, and there is a lag in societal themes.

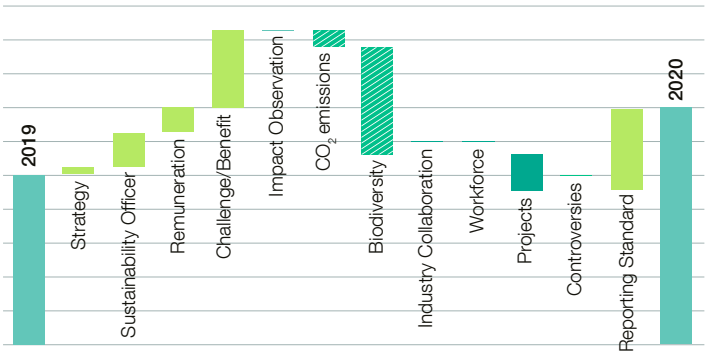
This is the second year we have conducted the IEF for the UBAM - Positive Impact Equity portfolio, allowing us to produce a year-on-year comparison. The waterfall chart below shows the most significant changes; for example, there has been an improvement in attitudes towards the role of Chief Sustainability Officer and non-financial reporting standards (e.g. GRI). There has been some deterioration in terms of responses related to projects undertaken outside of direct business exposures.

The IEF is not intended as a static assessment but evolves as industry standards adapt and change. For 2020 we added two new areas of assessment and re-interpreted four others. However, this has created some understandable difficulties in presenting a like-for-like picture (for example, in emissions, biodiversity, collaboration and workforce), so we have shaded those areas that are not entirely comparable with the previous year.

THE IMPACT ENGAGEMENT FRAMEWORK



YEAR-ON-YEAR PROGRESS



Source: UBP

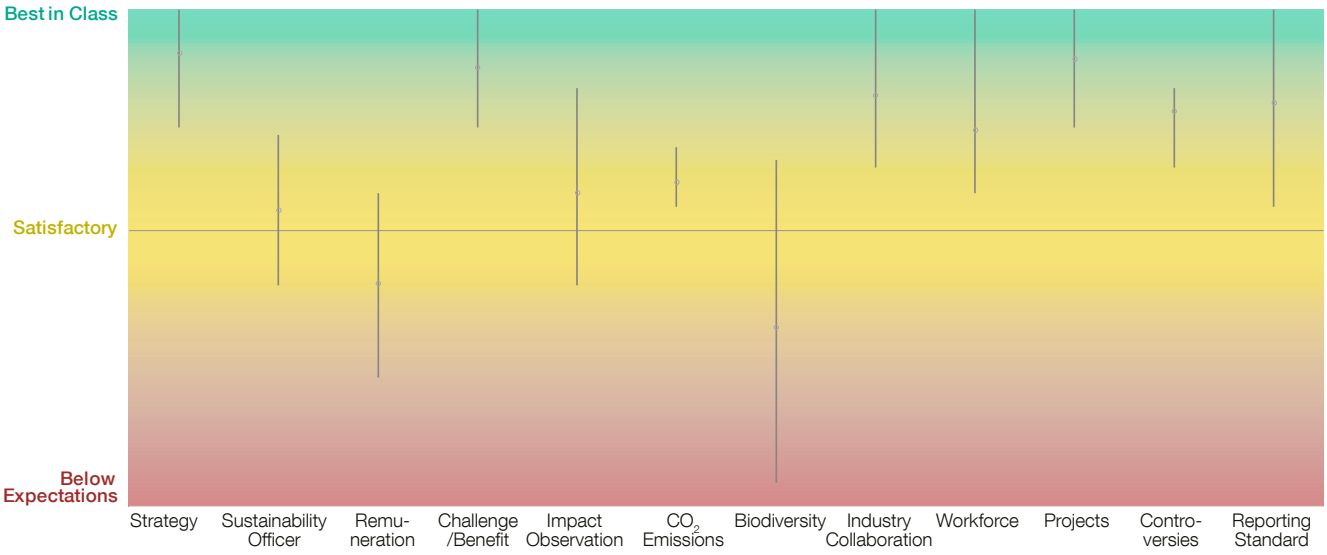
NOTABLE OBSERVATIONS

- Signify's new five-year sustainability strategy has quarterly and annual targets which will be published on their website
- The board of Christian Hansen has a 50/50 gender split
- Kerry Group aims to reach two billion people with "position nutritioning" by 2030
- Through life-cycle analysis, Trex has shown its composite decking boards create 42% fewer GHG emissions, 48% less air pollution and 86% less soil acidification than treated timber
- 1,500 top managers at Valeo have part of their variable compensation linked to sustainability
- Countryside Properties deliver net biodiversity gains on all new housing projects
- Sika is one of 30 companies on the World Business Council working group creating a common set of "circular transition indicators" fit for businesses of all shapes and sizes
- Tomra sponsored female-only sailing research expeditions to collect empirical data on plastic pollution

Observations are sourced directly from the relevant company

The chart below reflects the spread of responses for each topic and highlights the areas where the industry as a whole still has significant room for improvement, along with the ones with the widest disparities; this indicates where our engagement efforts should be concentrated. Whilst most companies have defined sustainability goals, they tend to be less advanced in embedding these goals within remuneration. As most portfolio companies are committed to one non-financial reporting standard, overall we would hope that they will become better able to define and disclose both their societal contribution and their environmental footprint.

OVERALL THEME SPREAD



Source: UBP

ANONYMISED EXAMPLES OF HIGH- AND LOW-SCORING RESPONSES

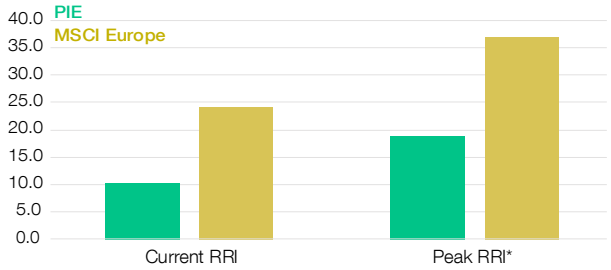
	Company Y, Netherlands, Sustainable Communities	Company Z, Netherlands, Health & Well-being
Q1	Complete and integrated sustainability strategy	Sustainability mentioned but targets/timeline undefined
Q2	CSO reports to management board and has regular interaction with leadership team/employees	No CSO and no intention of creating the role
Q3	25% of executive LTIPs linked to sustainability & relevant operational individuals; Full targets and thresholds	Small part only for CEO STIP but no threshold or precise disclosure
Q4	Benefits and challenges clearly identified and addressed	Uncertain about main challenge; Benefit identified but unclearly tracked
Q5	Established way of measuring impact through entire life cycle	Impact is somewhat measured but efforts to improve disclosure is limited
Q6	Scopes 1, 2, and part of 3 are measured; Clear series of reduction targets on which company over-delivers	No disclosure of carbon emissions and no reduction target
Q7	Clear message and facts to communicate impact on the natural world	No policy but working on improving footprint and disclosing
Q8	Regular audits and many frameworks but focus on governance; Little relating to social or environmental	Supplier code of conduct and looking for sustainable practices; Little relating to social or environmental
Q9	Monitors and displays strong diversity levels with HR policy to achieve optimal level	Monitors and displays strong diversity levels with HR policy to achieve target level
Q10	Numerous projects covering the local community and communicates these achievements	Three projects covering the local community and communicates these achievements
Q11	No controversy and has a strong process in place to prevent any from happening	No controversy but no clear prevention mechanism
Q12	Comprehensive GRI reporting for many years	No current and no target timeframe

ESG monitoring 2020

We focus on the products and services of a business and the impact of the associated revenues. However, we don't want to support businesses with impactful revenue streams if they are not taking care to minimise their own environmental footprint, or maximise their social contribution. The Impact Engagement Framework in part bridges this gap between revenues and operations, but we also monitor certain ESG data points systematically, to provide an overall ESG health check of the portfolio.

Since the beginning of 2021, we have partnered with RepRisk. The RepRisk ESG Risk Platform is the world's largest database on ESG and business conduct risks. It analyses sources in 20 languages and scans 500,000 documents daily to identify key ESG risks and controversies for most listed companies. The RepRisk Index (RRI) is a quantitative measure (0 to 100) of a company's or project's reputational risk exposure to ESG issues.

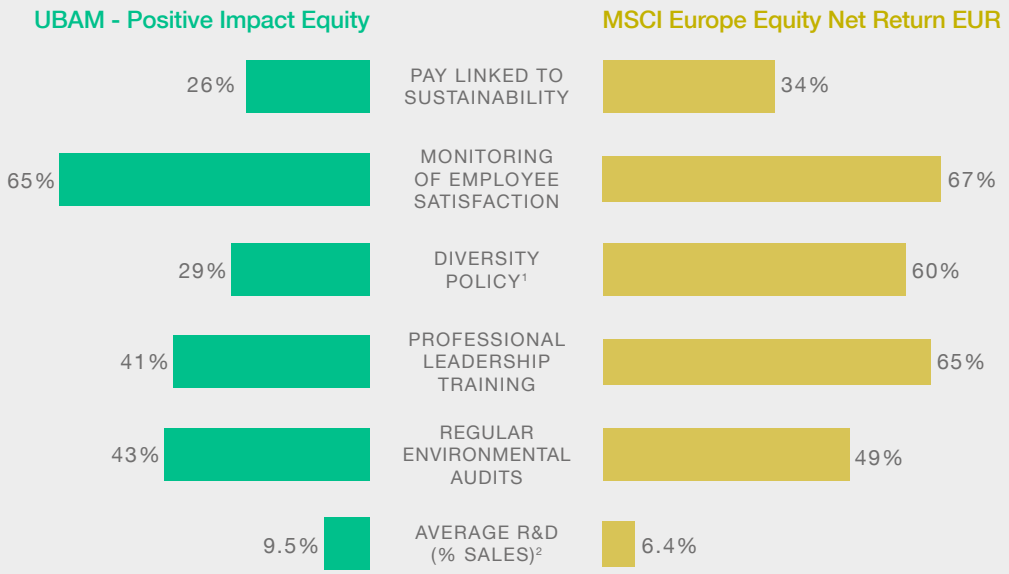
REPUTATION RISK INDEX



Source: RepRisk
*Maximum level of risk reached over the last 2 years

	UN GLOBAL COMPACT			HUMAN RIGHTS COMPLIANCE		
	Pass	Watch	Fail	Pass	Watch	Fail
PIE	35	1	0	35	1	0
MSCI EU	393	34	7	407	26	1
PIE	97%	3%	0%	97%	3%	0%
MSCI EU	91%	8%	2%	94%	6%	0%

	LABOUR COMPLIANCE - CORE			LABOUR COMPLIANCE - BROAD		
	Pass	Watch	Fail	Pass	Watch	Fail
PIE	36	0	0	36	0	0
MSCI EU	426	8	0	421	13	0
PIE	100%	0%	0%	100%	0%	0%
MSCI EU	98%	2%	0%	97%	3%	0%



[1]**Comment:** Reflective of the relatively lower disclosure of smaller companies. Our IEF efforts demonstrate that 59% of fund companies actively measure and address workforce diversity.

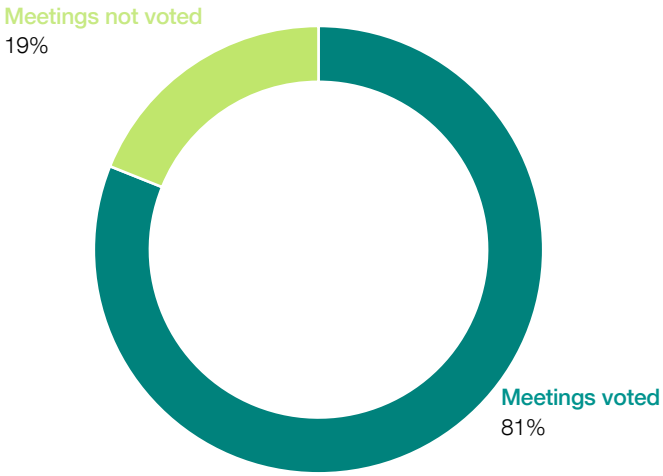
[2]**Comment:** Every EUR 1 million of sales contributes EUR 95,000 towards research & development, reflecting the fund's superior efforts at finding innovative solutions to address social and environmental issues.

Source: MSCI. Factor: Pay linked to sustainability, Disclosure: Fund: 87.5%; MSCI Europe Equity Net Return EUR: 100%. Factor: Monitor employee satisfaction, Disclosure: Fund: 85%; MSCI Europe Equity Net Return EUR: 100%. Factor: Diversity policy for workforce, Disclosure: Fund: 85%; MSCI Europe Equity Net Return EUR: 99%. Factor: Provides professional leadership development program, Disclosure: Fund: 85%; MSCI Europe Equity Net Return EUR: 99%. Factor: Company conducts regular environmental audits of its operations, Disclosure: Fund: 87.5%; MSCI Europe Equity Net Return EUR: 99%.
Source: Bloomberg Finance L.P., Factor: R&D to sales, Disclosure: Fund: 85%; MSCI Europe Equity Net Return EUR: 77%

Fund voting record 2020

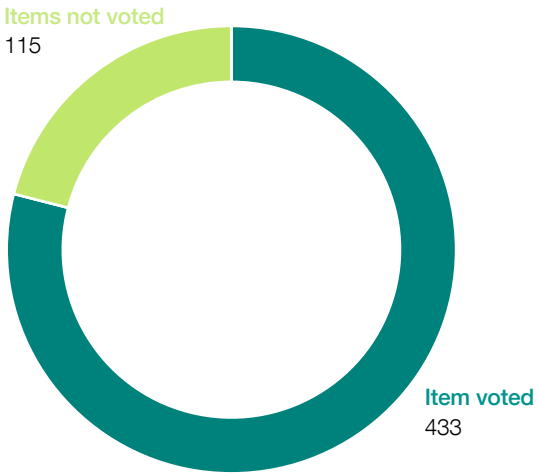
Below is a snapshot of our voting activity in 2020. Comprehensive disclosure for all managed funds at UBP can be found on the UBP website.

VOTABLE MEETINGS



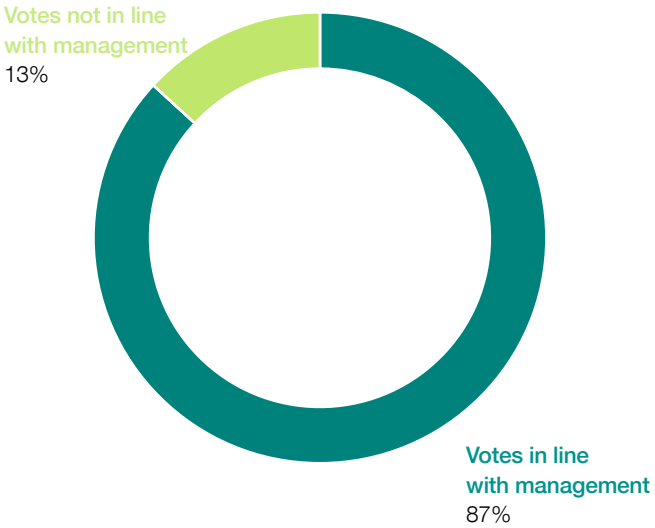
Source: UBP

VOTABLE ITEMS



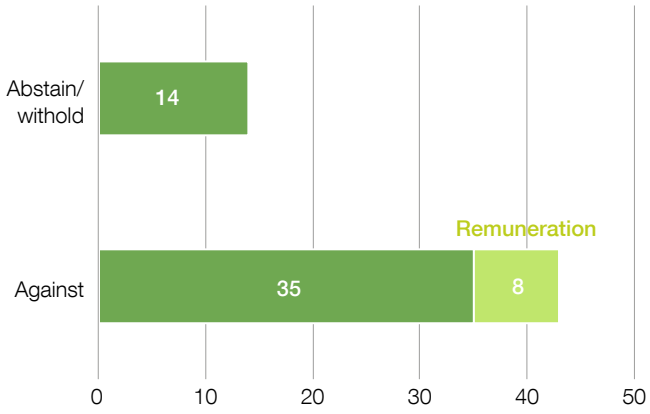
Source: UBP

ITEMS VOTED



Source: UBP

BREAKDOWN OF VOTES NOT IN LINE WITH MANAGEMENT



Source: UBP

Stock-specific KPIs

The companies in our portfolio represent a big variety of technologies, end markets and product types, each one hopefully addressing a particular UN SDG. Although with secondary markets it is not possible to credit a particular KPI directly to our shareholding, we think it is fascinating to quantify the activity of a company linked to a given investment (in this case EUR 1 million).

30 tonnes of fibre collected and recycled

366 tonnes of CO_2 saved from use of LEDs

50 tonnes of CO_2 sequestered by cork oak forest through activities

551,595 litres of water saved

263,427 beverage containers captured by reverse vending machines

582 kg polyethylene film diverted from oceans and landfills

49 active users benefiting from online healthcare services

0.84 tonnes of green cement produced

136 kW capacity installed

24 active M-Pesa users (easier finance access + credit history)

Annual figures based on disclosure by 8 companies held in the fund and only considering relevant business lines.
Metrics calculated using company-disclosed non-financial key performance indicators. Investment in the company from a EUR 1 mn investment is derived using the fund weight/total market capitalisation x KPI to obtain a fund-attributable figure.
Example: This year, ASA International provided 2,300,000 loans to financially challenged female entrepreneurs. At current weight, every EUR 1 mn investment allocates EUR 9,400 to ASA which has a EUR 320 mn market cap. Therefore, (0.0094/320) x 2,300,000 = 68 loans.

UBAM - POSITIVE IMPACT EMERGING EQUITY

UBAM - POSITIVE
IMPACT EMERGING
EQUITY'S DISTINCTIONS

UBAM - POSITIVE IMPACT EMERGING EQUITY

Annual review

Mathieu Nègre

Co-Manager
UBAM - Positive
Impact Emerging Equity

Eli Koen

Co-Manager
UBAM - Positive
Impact Emerging Equity

One of the most exciting developments for our impact platform in 2020 was the launch of our emerging markets equity fund: UBAM - Positive Impact Emerging Equity. This followed a preparation period of more than two years, during which time the EM Equity team began to lay the groundwork for engagement with companies that are typically not used to such extensive dialogue with investors. The team was also trained on our IMAP process and individually "IMAPed" a list of over 140 names, out of which around 40 were picked to create the initial portfolio. Our portfolio construction process was specifically designed to balance our dual mandate of delivering positive impact and financial returns by including a mix of IMAP scores and financial metrics in our decision-making.

This dual mandate was tested immediately with the launch of the portfolio in May, as it coincided with the peak of uncertainty related to covid-19. The main challenge was to balance our goal of investing in impactful companies while making sure that our investors' capital was protected during a very volatile period. We believe we have achieved this goal and the fund successfully passed a very challenging test of balancing impact and financial returns at a very early stage of its life.

The EM equity universe is interesting from a positive impact point of view. It includes some of the global leaders in solution providers in areas such as clean transport, renewable energy, energy storage, efficiency and industrial automation. In these areas we have a lot of choice that fits our investment themes of Climate Stability and Sustainable Communities, which roughly account for half of the portfolio. In general, these companies score high on the M and P metrics of our IMAP score, and lower on the I metric compared with the rest of our universe. Therefore, much of our engagement with them was on Intentionality-related issues.

In addition, the EM universe includes many companies that offer solutions for local problems, such as sanitation, waste management, affordable, quality healthcare & education, microfinance and financial inclusion. These names mostly fall into our themes of Health & Well-being, Inclusive & Fair Economies, and Basic Needs, which make up roughly the other half of the portfolio. While these companies generally score high on Intentionality, they are more likely to be domiciled in economically fragile countries which was a big source of risk during the covid-19 crisis in 2020.

As we finally begin to see the light at the end of the covid-19 tunnel, we are thinking about the challenges ahead. According to the World Bank, the crisis has led to an increase of more than 20% in the number of people living in extreme poverty. In many places, it has negated the progress made for gender equality in the recent past. There have been warnings that the fall in carbon emissions that it has produced will turn out to be a long-term blip if we do not put the right policies and solutions in place. These are daunting problems that the private sector alone cannot tackle, but we hope the companies in our portfolio will play their part and be the "fixers" of tomorrow.

Fund holdings as at year end

Basic Needs	IMAP Score	%
BANDHAN BANK LTD	17	2.58
LAUREATE EDUCATION INC-A	15	2.38
AGUAS ANDINAS SA-A	16	1.98
CHINA EDUCATION GROUP	13	1.96
SAFARICOM PLC	16	1.76
STANDARD FOODS CORP	12	1.17
CIA SANEAMENTO DO PARANA-PRF	14	1.17
YDUQS PARTICIPACOES SA	14	1.06
GENTERA SAB DE CV	14	0.62

Healthy Ecosystem	IMAP Score	%
OCEANA GROUP LTD	14	0.70

Climate Stability	IMAP Score	%
XINYI SOLAR HOLDINGS LTD	16	4.91
TPI COMPOSITES INC	16	4.35
SUNGROW POWER SUPPLY CO LT-A	16	4.02
VOLTRONIC POWER TECHNOLOGY	16	3.77
LONGI GREEN ENERGY TECHNOLOGY - A	17	3.68
XINJIANG GOLDWIND SCI&TEC-H	15	3.58
NARI TECHNOLOGY CO LTD-A	16	3.54
ZHEJIANG CHINT ELECTRICS-A	12	2.13
CIMIG PREF.	13	1.90
ENERGY ABSOLUTE PCL	13	1.74

Average portfolio IMAP score: 14.4

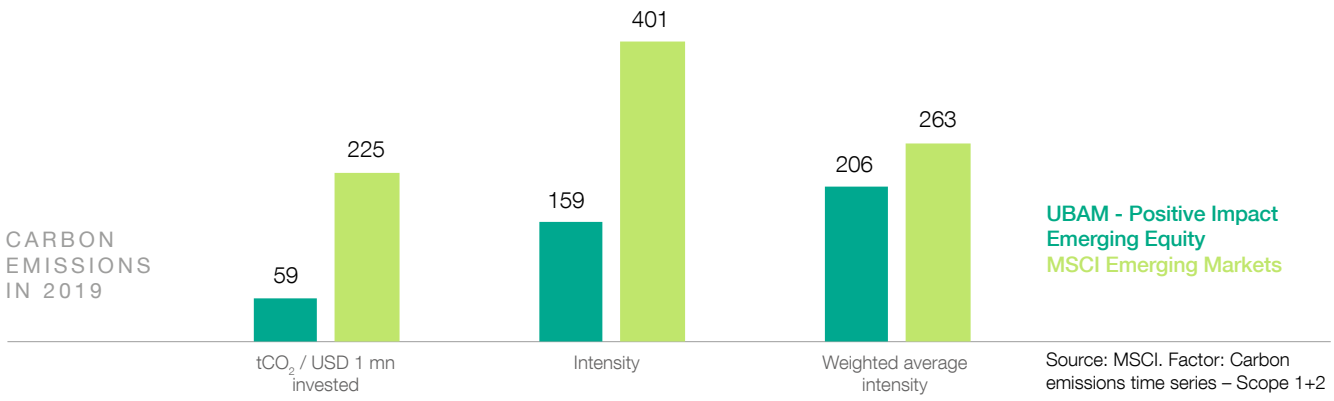
Health & Well-being	IMAP Score	%
CIPLA LTD	14	1.99
SINO BIOPHARMACEUTICAL	13	1.60
SHANDONG WEIGAO GP MEDICAL-H	15	1.47
ALIBABA HEALTH INFORMATION T	16	1.02
PING AN HEALTHCARE AND TECHNOLOGY	17	0.90
BUMRUNGRAD HOSPITAL PCL	15	0.83

Inclusive & Fair Economies	IMAP Score	%
DELTA ELECTRONICS INC	15	3.82
ADVANTECH CO LTD	14	3.26
BANK RAKYAT INDONESIA PERSERO	14	2.95
TRANSACTION CAPITAL	14	2.10
PAGSEGURO DIGITAL LTD-CL A	13	1.75
TURKIYE SINAI KALKINMA BANK	14	0.49

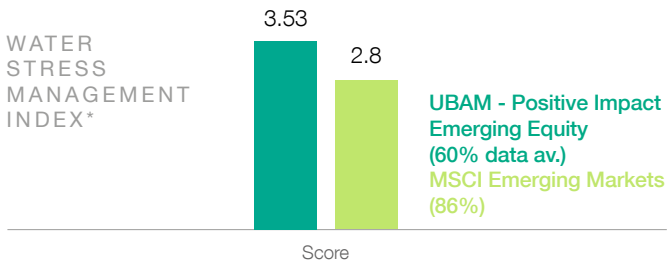
Sustainable Communities	IMAP Score	%
WUXI LEAD INTELLIGENT EQUIPMENT - A	15	4.31
SAMSUNG SDI CO LTD	13	3.97
ILJIN MATERIALS CO LTD	13	2.66
MONDI PLC	13	2.62
ZHENGZHOU YUTONG BUS CO -A	12	2.21
CLEANAWAY CO LTD	13	2.16
SWIRE PROPERTIES LTD	15	1.50
GIANT MANUFACTURING	12	1.42
MTR CORP	14	1.40
BYD CO LTD-H	12	1.11
DIRECIONAL ENGENHARIA SA	15	0.92

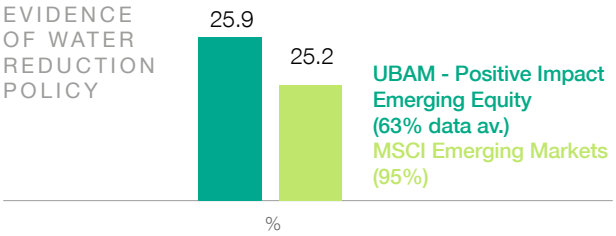
UBAM - Positive Impact Emerging Equity's footprint in 2020

Performance* of UBAM - Positive Impact Emerging Equity versus the MSCI Emerging Markets, per USD 1 million of sales



Source: MSCI. Factor: Carbon emissions time series – Scope 1+2





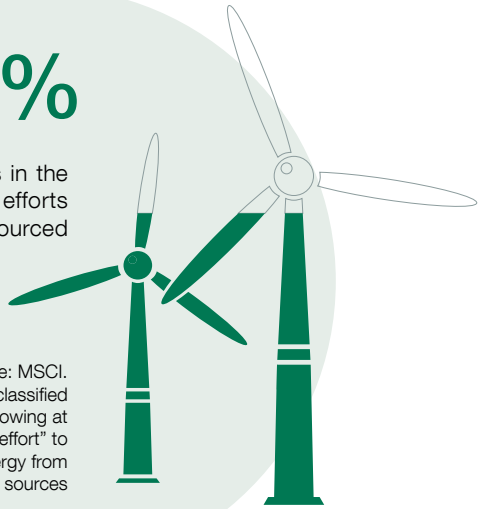
Source: MSCI.
*This score is calculated by MSCI and represents the company's water intensity relative to its peers on a 0–10 scale. A score of 10 represents best-in-class performance, meaning the company has among the very lowest water intensity figures in the industry. A score of 5 represents water intensity in line with industry peers. A score of 0 represents worst-in-class performance, meaning the company has among the very highest water intensity figures in the industry.

% OF COMPANIES WITH FOSSIL FUEL RESERVES

UBAM - Positive Impact Emerging Equity	0.0%
MSCI Emerging Markets	6.5%

60%

of the companies in the portfolio display efforts to use cleaner sourced energy



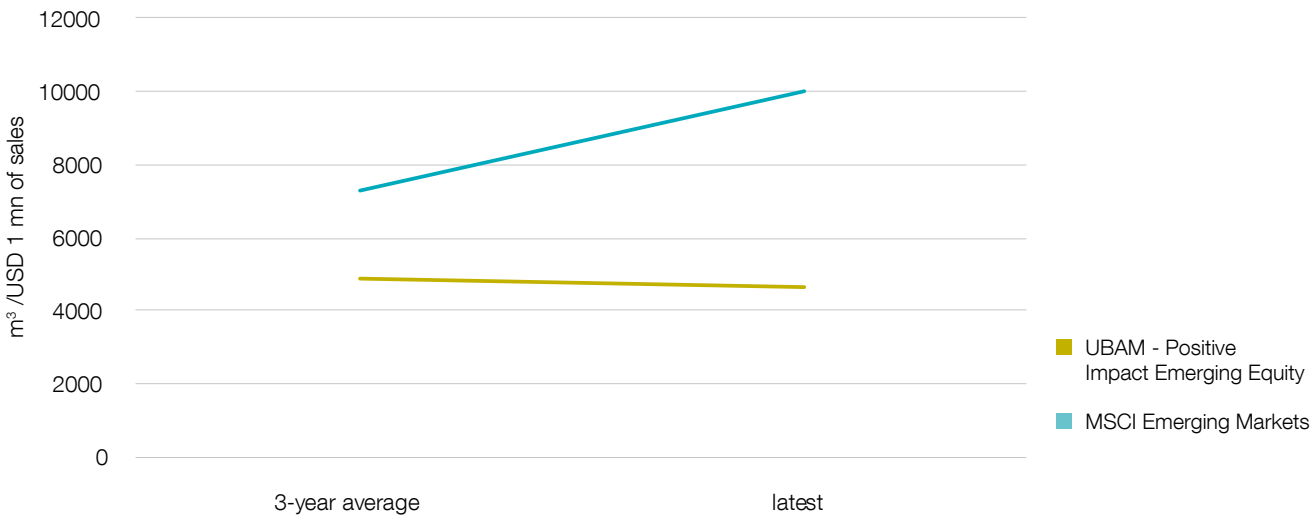
Source: MSCI.
% of companies classified by MSCI as showing at least "some effort" to source their energy from renewable sources

Disclosure levels:
Water stress management Index: Fund: 60%; MSCI EM 86% – Emissions: Fund: 98.2%; MSCI EM: 99.9% – Clean energy efforts: Fund: 61%; MSCI EM: 81%
Past performance is not a guide to current or future results.

Footprint over time

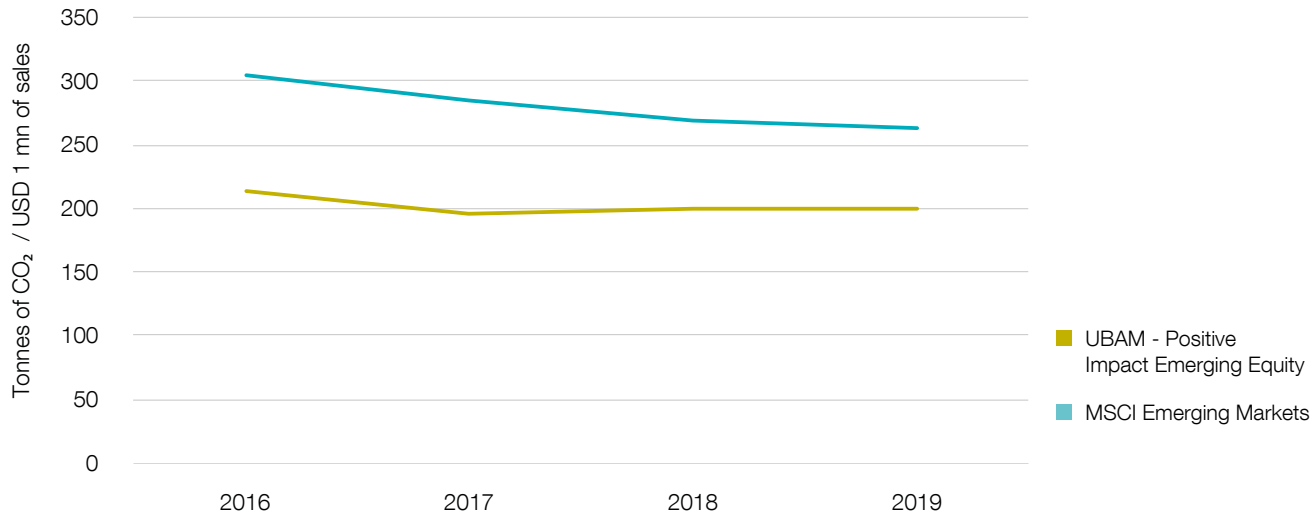
Time-series data* offer valuable insights into how an investment's footprint changes over time and how it compares to others. Current data availability means we are in the foothills of what we can potentially show. In time, we intend to broaden the kinds of data we can illustrate in time-series format. Some illustrations of the target measurements we are building can be found in snapshot form overleaf.

WATER INTENSITY EX HYDROELECTRICITY*



Source: MSCI

CARBON INTENSITY



Source: MSCI

Metrics calculated using relevant MSCI data points (water withdrawal per USD 1 mn of sales, emissions per USD 1 mn of sales) over time.
Please note: this is a simulation based on the holdings of the portfolio as of 31/12/2020. We have assumed the holdings fixed and calculated the water and carbon intensity through time.

*Companies that had more than 5% of their revenues coming from hydroelectricity were excluded from this calculation both for the fund and for the benchmark.

Past performance is not a guide to current or future results.

Carbon emissions: The whole picture

Reporting of Scope 1 and 2 carbon emissions at portfolio level is one area where data disclosure by companies is relatively good. However, this represents only a fraction of the complete picture. To generate a more comprehensive assessment of our current emissions profile and highlight areas of improvement, we have partnered with Urgentem to leverage their industry-leading expertise in this area.

Avoided emissions for UBAM - Positive Impact Emerging Equity are substantial. The main source of these emissions is generated by the portfolio's holdings in industrial and IT companies (the methodology used is explained on page 32).

Portfolio observations

On a Scope 1+2+3 basis, the portfolio is 40% less emissions-intense than the MSCI EM. Scope 3 emissions make up 91.5% of portfolio emissions using this analysis.

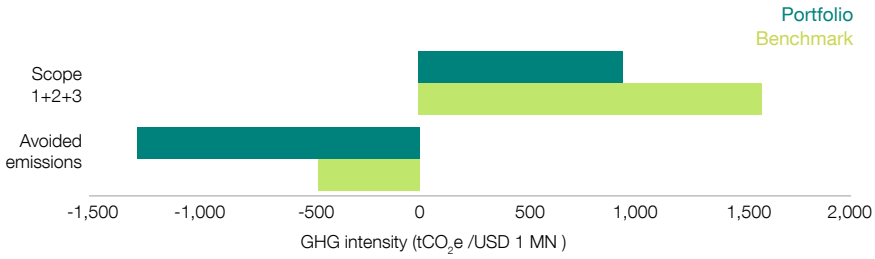
Within emissions, the largest contributors come from industrials, IT and financials (traditional GICS sectors). Many of the names here use intensive industrial processes to create products that improve overall global energy consumption, e.g. Wuxi Lead, Mondi and Voltronic Power Technology.

UBAM - Positive Impact Emerging Equity is currently aligned to the IPCC's 1.5°C pathway and is well below the MSCI EM. For the portfolio to remain on track for the 2050 target, further emissions reductions of -5.4% per annum are required. Currently, only 19% of companies report a temperature target using the SBTi methodology, slightly above the overall MSCI EM. As this number increases, we would expect to see an improvement in the path of emissions reduction.

Portfolio alignment
49%
Current percentage alignment (lower % shows stronger alignment)

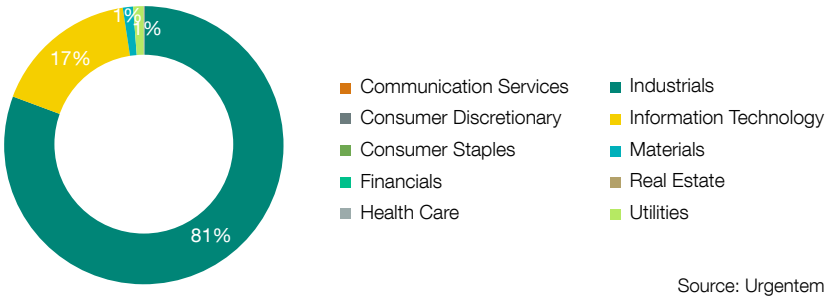
Target setting
5.4%
Annual average decarbonisation rate (%) required to achieve target climate scenario: LED 2050

PORTFOLIO CARBON FOOTPRINT – AVG GHG INTENSITY (REVENUE) IN TCO_2E/USD 1 MN



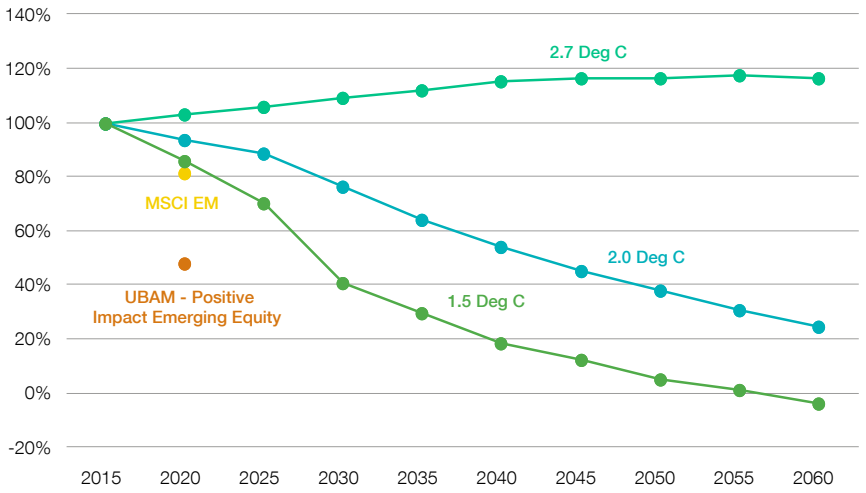
Source: Urgentem

EMISSIONS AVOIDED (CONTRIBUTION TCO_2E/USD 1 MN)



Source: Urgentem

ALIGNMENT SCENARIO ANALYSIS



Source: Urgentem

24% of the portfolio holdings disclose complete, verified Scope 1 & 2 data. 80% of holdings produce no Scope 3 data, in line with the MSCI EM benchmark.
*LED 2050: Low Energy Demand scenario endorsed by the Intergovernmental Panel on Climate Change (IPCC)

Stock-specific KPIs

The companies in our portfolio represent a big variety of technologies, end markets and product types, each one hopefully addressing a particular UN SDG. Although with secondary markets it is not possible to credit a particular KPI directly to our shareholding, we think it is fascinating to quantify the activity of a company linked to a given investment (in this case USD 1 million).

213
online consultations on average in China

USD 15,601
gross loans and advances for Black entrepeneurs in public transports in South Africa

3,845 kWh
solar and wind electricity produced in Thailand

USD 16,227
gross loans and advances for microcredit in Mexico, Peru and Guatemala

Drinking water clients served in Chile
22

776
global rail and bus passengers transported

52,305
tablets and capsules capacity dedicated to emerging markets

6.6 tonnes
of waste processed in Taiwan

16
bikes sold

5 previously financially excluded customers and merchants supported through a mobile payment-based platform in Brazil

Annual figures based on disclosure by 8 companies held in the fund and only considering relevant business lines.
Metrics calculated using company-disclosed non-financial key performance indicators. Investment in the company from a USD 1 mn investment is derived using the fund weight/total market capitalisation x KPI to obtain a fund-attributable figure.
Example: This year, Bank Rakyat Indonesia had a total gross loans and advances book of (USD) 25,228,010,000 for microcredit. At current weight, every USD 1 mn investment allocates USD 29,517 to Bank Rakyat which has a USD 36,643 mn market cap. Therefore, (0.029517/36,643) x 25,228,010,000 = USD 20,322 gross loans and advances as microcredit.

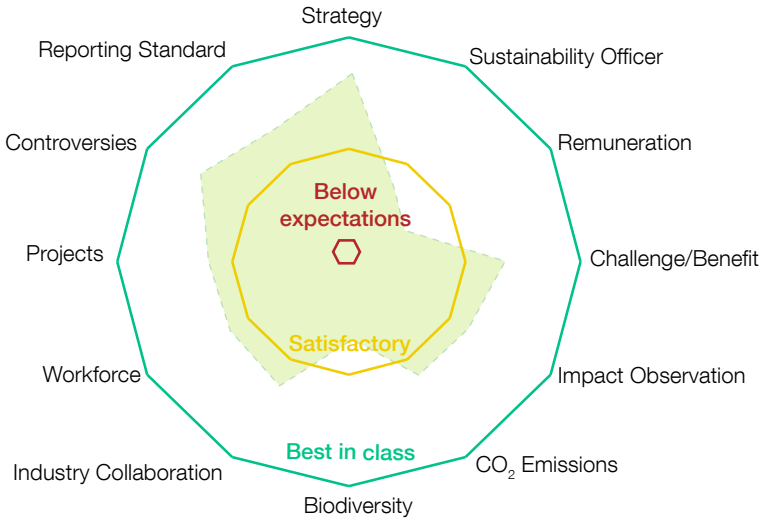
UBAM - POSITIVE IMPACT EMERGING EQUITY

The Impact Engagement Framework

The Impact Engagement Framework, as outlined on page 17, has quickly become a valuable central resource. We can also extract useful and informative fund-level data, some of which we share with you below. Further information about the IEF can be found on our website

This was the first year we completed the IEF after the fund's launch in May 2020. We engaged with 43 companies to discuss their IEF assessments in English, Chinese and Turkish, thanks to the team's strong global network. 63% of portfolio companies responded to our assessment, either accepting our teleconferencing invitations or replying to our e-mails in detail. The average scores are above satisfactory for eight of the twelve questions, which is a good overall performance. Companies scored best on the implementation of sustainability within corporate strategies, illustrating the increasing awareness of sustainability issues within emerging markets. Those companies that we found were willing to engage with the IEF also scored particularly well on strategy, reflecting an appetite to share long-term sustainability planning once it is in place. Thanks to the integration of ESG monitoring within our process, there were few stocks with controversies, which explains the high score in the spider graph shown. On the negative side, EM stocks performed the worst on the remuneration question, similar to DM, showing that companies have typically not yet linked pay to sustainability. Similarly, although many companies have some awareness of biodiversity, few have created a separate detailed biodiversity policy, explaining the low IEF score for this topic.

THE IMPACT ENGAGEMENT FRAMEWORK



Source: UBP

NOTABLE OBSERVATIONS

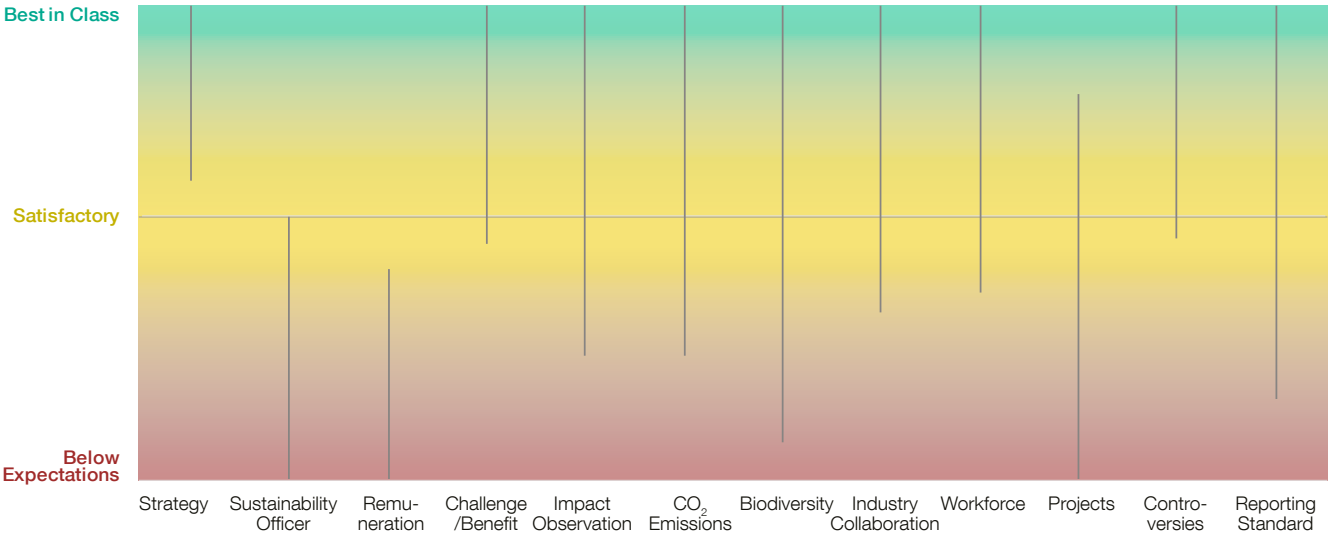
- TSKB (Turkey) and Transaction Capital (South Africa) are noteworthy for scoring well overall, as the countries of their listings place few requirements on them to disclose non-financial data
- Cleanaway offers a "Full Waste Flow Tracking System" to help manufacturers design a green supply chain
- 49% of management positions are held by women at TSKB, while Safaricom has set itself the target of increasing this from 35% to 50% by 2025
- Sungrow's green electricity is reducing CO_2 emissions by 175 million tons, which is equivalent to planting 200 million trees
- Voltronic Power calculates that its products have saved its customers 516,602 tonnes of CO_2e in 2019
- Swire Properties is the first real-estate developer in Hong Kong and mainland China to establish long-term decarbonisation goals for its entire portfolio
- Yduqs created a digital platform free of charge to help more than 1 million students from state schools to prepare for their high school exams and access university

Observations are sourced directly from the relevant companies.

We see a high variance in our portfolio for most questions, underlining the fact that EM is not a monolithic structure. In part, this comes from where companies are listed, given the considerable difference in regulations; for example, listings in Hong Kong require detailed and comprehensive disclosures.

Remuneration policy and the presence of a CSO were the lowest-scoring questions for our themes. Often, we encountered difficulties in understanding the remuneration policy of some companies, and some are reluctant to share this information. Most of the companies in our portfolio have some form of committee in charge of sustainability, yet this topic is still considered secondary and not prioritised as seriously as financial considerations. These two areas will continue to be the key topics of engagement for the team.

OVERALL THEME SPREAD



Source: UBP

ANONYMISED EXAMPLES OF HIGH AND LOW SCORING RESPONSES

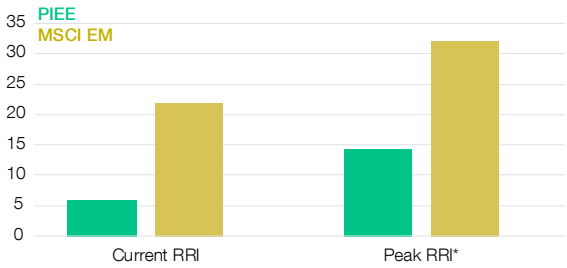
	Example of a high-scoring company Africa, Inclusive & Fair Economies	Example of a low-scoring company East Asia, Basic Needs
Q1	Strategy to provide meaningful social value with related targets and KPIs	Strategy mentions the products' benefit and the necessity to protect the environment but lacks full sustainability policy
Q2	CEO and CFO positions drive the initiative at the top, assisted by committees	No CSO and no plan to appoint one
Q3	Introduced sustainability targets for key executives in FY2020 into their Short-Term Incentive scheme	Disclosure on remuneration is unclear
Q4	Materiality mapping which covers ESG aspects of the business	No SDG mapping but clear environmental policy (ISO 14001)
Q5	Business model is about life cycle analysis, plenty of related impact KPIs	No KPIs disclosed
Q6	Discloses Scope 1 and 2 and also discloses estimated emissions abatement through several mitigation strategies	There is a very clear policy to reduce GHG emissions, but no disclosure of targets
Q7	An environmental policy and climate change statement is being presented to the board for approval in FY2021	No separate policy on biodiversity
Q8	Governmental body took 25% stake confirming their position in socioeconomical transformational changes in the country	Commitment, but not linked to any industry-wide initiative, and more info needed
Q9	Diversity policy in place to address gender and race with clear targets	Diversity policy at the board level. 14% of board is female but no disclosure regarding the wider organisation
Q10	Involved with numerous projects, organisations and charities covering the local community	Limited information related to collaboration with communities
Q11	No known controversies	Minor controversies (product recall by supplier but no known adverse effects)
Q12	Prepared in compliance with the International Integrated Reporting Framework	Local reporting standards

ESG monitoring 2020

We focus on the products and services of a business and the impact of the associated revenues. However, we don't want to support businesses with impactful revenue streams if they are not taking care to minimise their own environmental footprint, or maximise their social contribution. The Impact Engagement Framework in part bridges this gap between revenues and operations, but we also monitor certain ESG data points systematically, to provide an overall ESG health check of the portfolio.

Since the beginning of 2021, we have partnered with RepRisk. The RepRisk ESG Risk Platform is the world's largest database on ESG and business conduct risks. It analyses sources in 20 languages and scans 500,000 documents daily to identify key ESG risks and controversies for most listed companies. The RepRisk Index (RRI) is a quantitative measure (0 to 100) of a company's or project's reputational risk exposure to ESG issues

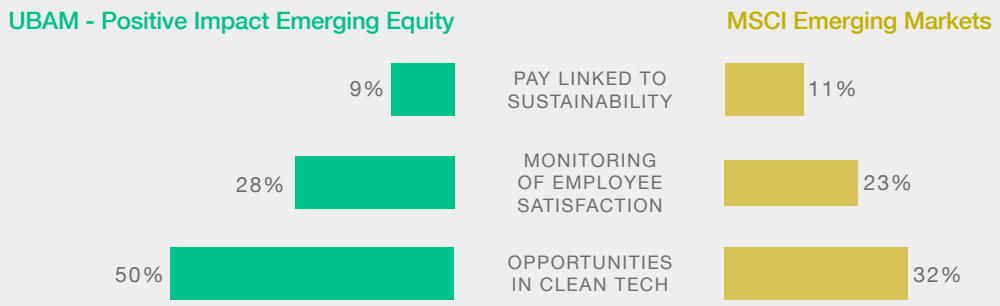
REPUTATION RISK INDEX



Source: RepRisk
*Maximum level of risk reached over the last 2 years

	UN GLOBAL COMPACT			HUMAN RIGHTS COMPLIANCE		
	Pass	Watch	Fail	Pass	Watch	Fail
PIEE	41	0	0	41	0	0
MSCI EM	1342	26	9	1349	21	7
PIEE	100%	0%	0%	100%	0%	0%
MSCI EM	97.5%	1.9%	0.7%	98.0%	1.5%	0.5%

	LABOUR COMPLIANCE - CORE			LABOUR COMPLIANCE - BROAD		
	Pass	Watch	Fail	Pass	Watch	Fail
PIEE	41	0	0	41	0	0
MSCI EM	1372	3	2	1365	7	5
PIEE	100%	0%	0%	100%	0%	0%
MSCI EM	99.6%	0.2%	0.1%	99.1%	0.5%	0.4%

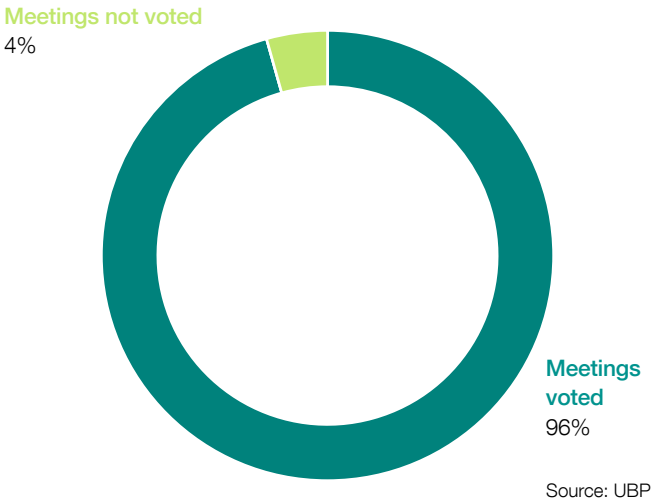


Source: MSCI. Factor: Pay linked to sustainability, Disclosure: Fund: 77%; MSCI EM: 98%. Factor: Monitoring of employee satisfaction, Disclosure: Fund: 93%; MSCI EM: 98.6%. Factor: Opportunities in clean tech, Disclosure: Fund: 60%; MSCI EM: 80%. Factor: UNGC compliance, Disclosure: Fund: 95%; MSCI EM: 98.7%.
Source: RepRisk, Factor: RRI / Peak RRI Index, Disclosure: Fund: 100%; MSCI EM: 95%

Fund voting record 2020

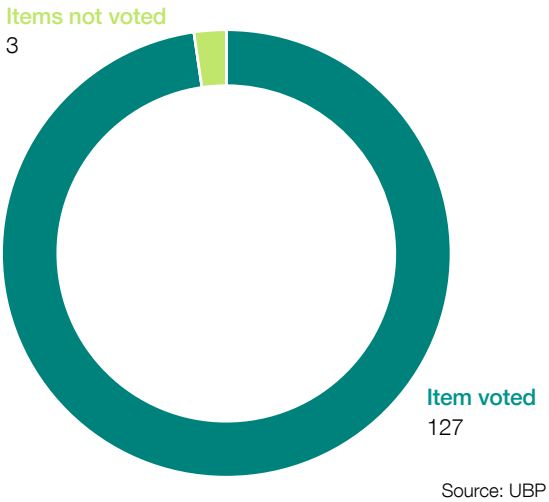
Below is a snapshot of our voting activity in 2020. Comprehensive disclosure for all managed funds at UBP can be found on the UBP website.

VOTABLE MEETINGS



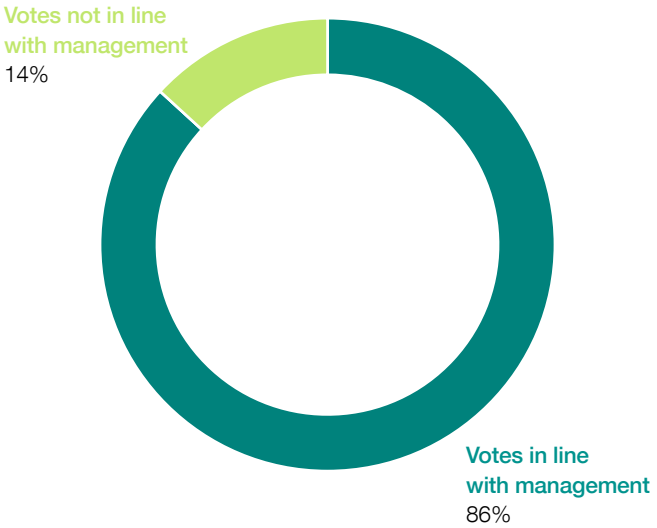
Source: UBP

VOTABLE ITEMS



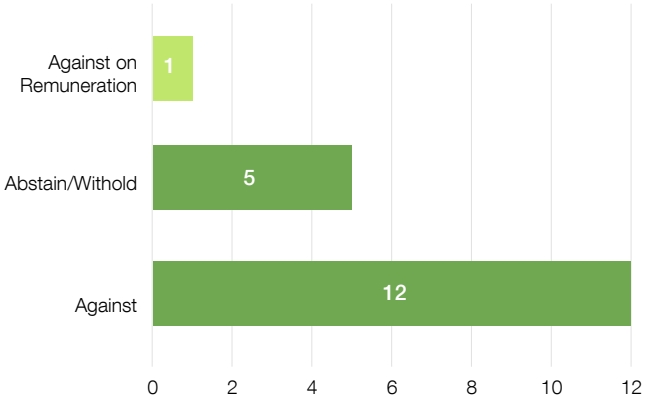
Source: UBP

ITEMS VOTED



Source: UBP

BREAKDOWN OF VOTES NOT IN LINE WITH MANAGEMENT



Source: UBP

BASIC NEEDS

Q&A with Gentera

Started in 1990, Gentera was originally an NGO, but became a listed company in 2007. The company is a pioneer of microlending in Mexico, with a focus on giving women the financial tools they need to establish and grow their own business. We talked to the company's CFO, Mario Ignacio Langarica Avila, about the transition of the business to a for-profit group and the unique challenges presented by Covid-19.

Can you tell us a bit about Gentera's history and its transformation from an NGO into a for-profit?

Gentera's roots go back to a movement called "Gente Nueva" started by a group of young people in Mexico with the purpose of improving conditions in the country. The NGOs they started back then are among the most important ones in the country today.

Promotora Social, which is our main shareholder, started as one of those with the purpose of supporting nutrition and distributing food packages. When visiting communities, a common point of feedback from women was, "We don't need food, what we need is money to start a business." Based on this feedback and the group-lending model they had discovered in Bangladesh and India, they decided to implement a similar model in Mexico. Eventually they came to the realisation that altruism was not going to be sufficient for the huge demand they were seeing in the country. Furthermore, the NGO was limited in terms of funding and signing commercial contracts. Conversations with several parties including the IMF and individual investors led to the idea of converting into a finance company. This would allow it to reach a much wider population but of course it would require part of the returns to be given to capital providers.

- **Theme:** Basic Needs
- **Thematic impact objective:** Nutrition, education, financial inclusion, clean water & sanitation for all
- **Industrial vertical:** Financial inclusion
- **Industrial vertical's impact objective:** Provide the local underbanked population with financial services at affordable prices
- **Target KPI:** Percentage of clients defined as underbanked

After this conversion, Gentera immediately started to grow very quickly, due to Mexico being a very underbanked country. Banking penetration in the low-income segment is one of the lowest in the world, even compared with peers like Brazil and Peru.

The biggest advantage was to be able to reach the communities we wanted to reach. Today, we have a presence all over the country, as well as in Guatemala and Peru. Our approach of "women first" empowered women who face big challenges. Historically, women have been the pillars of these communities, while husbands have not been present for different reasons, including emigration.

Why is Mexico underbanked relative to its peers?

Historically, Mexico has been a cash-based economy with a large informal part consisting of lots of micro-businesses. The government has not done much to bring them into the formal economy. Also, there's a lack of interest from a small number of large banks to provide services for the low-income segments of society. The cost of serving these clients is very large, so the big banks didn't pay attention to them.

Did you modify the original group-lending model?

We wanted to strike a good balance between purpose and profitability; the original model was closer to altruism. This difference meant we needed to focus more on technical aspects of banking and having an efficient process in place. We didn't just start a bank but a new industry in Mexico. Our common practice was to focus on women and later the women told us, "You should also allow men, but we will tell you which ones, not all men!"

> "We don't need food, what we need is money to start a business."

What about your professional history? Why did you join Gentera?

I started working for Citibank to cover non-bank financial institutions. Later, I joined HSBC and started covering Compartamos (Gentera's predecessor) when they became a for-profit. I worked closely with them and got to know the management. When I left HSBC years later, I thought that if I ever went back to the financial sector, I would want to work for Compartamos. When the opportunity came up, I told them it was my dream job because of the social work they were doing. For me it was a no-brainer to join them. I joined four years ago and it has been the best job of my life. I believe people do not need altruism, rather they need the tools to make their dreams come true. When you hear our clients' stories, it's impossible not to be touched by them.

How did you deal with the challenges that covid-19 created for your dual mandate?

At the start of the pandemic our priority was to understand the economic impact on our clients. In a crisis, liquidity is key: we need liquidity so that we can support our clients. So, we made sure that we had enough liquidity

by using our credit lines. We reviewed and stress-tested our capital position. We've been carrying out weekly surveys of our clients on a national scale, which give us a lot of data about the economic situation of this segment. We gave some deferrals of interest and repayments to our clients for two months, although more than 40% of them never used this option. We ended the year with a loss which was absorbed by the capital position. We would have liked not to have lost anything, but we are happy with how we managed the situation. Our capital structure is strong, and we are in a comfortable position to fund all the growth we plan. For us, generating value is about first generating social value for people and the consequence of that is economic value for the company. We had to make very tough decisions, but our philosophy has always been to put people first, and our actions were in line with that.

Do you think covid-19 has changed anything permanently in your industry?

When we stabilised the situation in the last quarter, we reviewed our 2021 strategy to see if any changes were required. The three pillars of our strategy were: 1) continue expanding our traditional, small, working capital lending; 2) introduce new products; and, 3) use technology and data more efficiently. The biggest change covid brought was to accelerate the third pillar. The success of remote working both at our headquarters and in the field was beyond our wildest dreams. We introduced new products; we used the phone channel more effectively by introducing new apps which did not use clients' data allowance or memory. Our current loan portfolio has been 90% managed without seeing clients in person. Process improvement and an increase in efficiency are the most important permanent changes that have resulted from covid.

Some have criticised microfinance for high lending rates and encouraging excessive leverage. What do you think about this?

We are very focused on avoiding over-indebtedness. Most of our loans finance working capital requirements, not consumption. The amount is limited by the needs of the business. The group lending strategy also serves as a check on excessive leverage of individuals. The clients self-regulate. The high level of lending rates is a result of high operating costs. Every peso we gain in efficiency, we split with the client. We have a long way to go to reduce rates, but this will be a function of increased efficiency. If we were to cap rates, we wouldn't be able to reach the people in the most remote regions which are also the ones who need our help the most.

You said the beauty of the job is the client stories that touch you.

Can you share one with us?

One of our very first clients was able to put her daughter through veterinary school with our help. The daughter graduated and became a client straight out of school when she needed capital to buy veterinary medical equipment. Ten years later she had the largest veterinary hospital in Chiapas which is the main cattle state in Mexico. We invited her to the inauguration or our new offices recently, and she showed up in a car that I certainly cannot afford!

88%

of loans are made to women

28,000

clients received financial education in 2019

APPENDIX

A note on standardisation

The Impact Management Project provides a forum for building global consensus on how to measure, manage and report impact. The organisation has built noteworthy authority as a convenor of best practice within the impact practitioner community and standard-setting organisations. The table below illustrates how UBP's IMAP process aligns with the Impact Management Project's (IMP) "5 dimensions of impact".

IMP's 5 dimensions of impact

What	The outcome the enterprise is contributing to
Who	Who is benefiting, how great the need is
How much	How many lives are affected, size of output
Contribution	How key the enterprise is to the delivery
Risk	The danger the outcome will be different from expected

UBP's IMAP Impact Assessment

Initial Impact Identification – what is the candidate's impact objective and how can you quantify it?

Intentionality	The enterprise's commitment to a positive outcome – today's investment choices will deliver tomorrow's outcome – identification of checks and balances
Materiality	How impactful is the enterprise today? Size of output, purity of focus today, negative impacts
Additionality	How key is the enterprise to the delivery of a targeted outcome? What is the risk to the planet/people of the enterprise's failure?
Potential	How great is the need? Size of the market the enterprise can serve when it reaches scale – lives impacted, change delivered

UBAM - Positive Impact Equity and UBAM - Positive Impact Emerging Equity have been classified on the IMP+ACT alliance website. The aim of the initiative is to provide a service for asset owners and allocators, looking to understand how multi-manager portfolios meet impact goals. Fund details can be found here https://classify.impactalliance.co.uk/directory and more about the initiative https://www.impactalliance.co.uk

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