

IMPACT ADVISORY BOARD

Minutes of the meeting

Date: Tuesday 19 November 2019

Place: Boardroom, UBP St James’s Square.

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

Introduction and role of the Advisory Board

ARP welcomed everyone to the inaugural meeting of the Impact Advisory Board, highlighting that this was the first time UBP had established a board including outside parties. ARP welcomed feedback on the format, which would comprise a review of the Impact credentials of certain portfolio holdings and a broader open discussion on other relevant Impact trends. The Board will meet twice per year.

Overview of UBP’s Impact ambition

VL explained that the Fund was intended to help fill a gap in the finance sector’s work towards the UN Sustainable Development Goals (SDGs). VL highlighted particularly the issue of “Accessibility” (making truly sustainable investments transparent and appealing for individual savers). Whilst there are many Impact funds in the private equity space, this is a niche market and not available to most investors. TJ thought it was timely that the financial world was recognising the important role it could play. VL said that

she was pleased with the industry recognition and awards the Fund has received.

On the back of the existing Fund’s success, UBP is considering launching an Emerging Market Impact strategy, also focusing on listed securities. VL handed out a diagram of from Kate Raworth’s 2017 book “Doughnut Economics” to emphasise that Impact should aim not only to correct the “overshoot” of man’s overexploitation of the planet, but also address the “shortfall” in areas such as basic needs and gender equality. ARP remarked how these targets can vary between the developed and developing world.

Impact Investment Committee Update

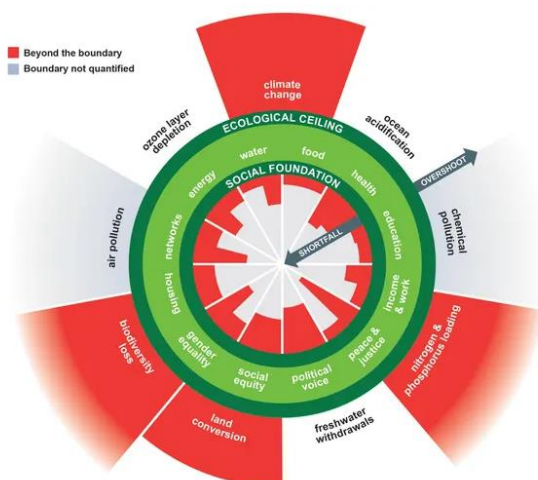
SP explained that the Impact Investment Committee meets on a monthly basis and includes SP and Karine Jesiolowski (UBP’s Head of Sustainability), with other members rotating. Its overriding goal is to ensure the appropriateness of investments from the point of view of Impact, ESG and potential financial returns.

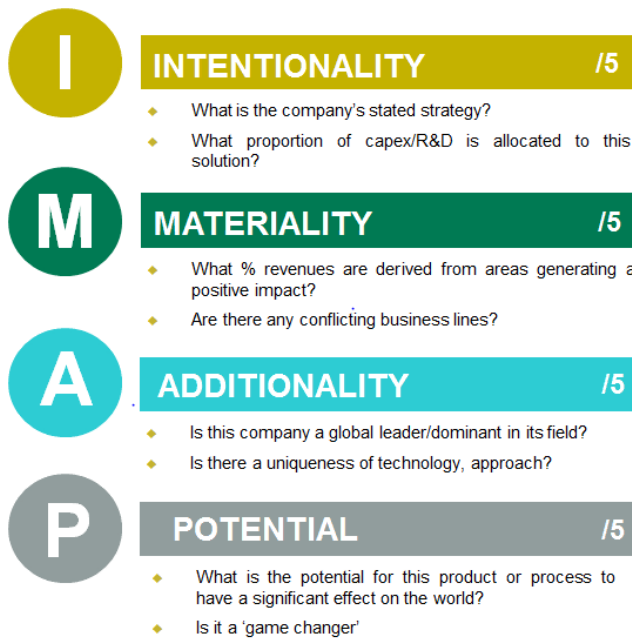
It was pointed out that many of the companies in UBP’s Impact universe were not currently covered by external providers of ESG comparative data: this provides a real opportunity to differentiate but also necessitates increased emphasis on a robust internal process of assessment.

It was agreed that SP provide Investment Committee minutes (from the intervening meetings) to each Advisory Board meeting.

IMAP European Review

RW explained the IMAP internal rating system. This is based on four constituents - Intentionality, Materiality, Additionality and Potential – each worth a maximum score of five making an overall total of 20. He stated his belief that this is a powerful tool to increase consistency and transparency.





There followed a review of three companies currently held in the Positive Impact Equity portfolio and two proposed to be held by the future Emerging Market Impact portfolio (all previously selected independently of the fund managers by SP).

1. Arcadis

RW explained that Arcadis belongs to the “Sustainable Communities” theme. There followed a discussion on KPI measurement in which RW highlighted that the company’s Board remuneration was tied to Sustainability.



It was agreed that RW obtain more details from Arcadis on its KPIs, including carbon emissions.

As part of the ensuing general discussion, TJ emphasised the importance of biodiversity goals for all companies. He pointed out that in the UK companies will soon be legally required to compensate negative biodiversity, and that the UK government has asked Natural England (of which TJ is the Chair) to look at how to measure biodiversity.

TJ also warned against trying to focus too narrowly on individual sub-themes within the SDGs at the expense of others. RW agreed and said that, in practical terms, the team took great care to ensure that the fund gives a diversified exposure to the SDGs at a portfolio level.

2. Thule

RW said that Thule belongs to the “Health and Wellbeing” Impact theme. Though it operates in the personal goods space, it is the



focus on exercise and the outdoors that is most relevant. RW highlighted Thule’s “activity with kids” business line as a particular area of growth.

The Board took a particular interest in the potential for Thule to contribute to the circular economy, prioritising the reuse of plastic and metal waste.

It was agreed that RW report back to the Board on the recycling opportunities within Thule’s sustainability plan.

JR then initiated a general discussion on the issue regarding the frequent lack of standard data, which makes comparisons between companies difficult. RW acknowledged the issue and it was agreed that data gaps are as important as the disclosure.

3. Marine Harvest

Marine Harvest falls under the “Healthy Ecosystems” theme. As the largest producer of Atlantic salmon, it inevitably attracts controversy. RW explained that the rationale for holding it included the company’s leadership in minimising the use of antibiotics, lower mortality rate (10% vs 50% with wild catch) and high protein content.



TJ agreed that the basic investment was “sound”, although he also pointed out some of the trade-offs of moving away from wild to farmed salmon, including the issues of escaping fish and the impact on the nutrient mix of dung from captive fish. He confirmed that the use of ‘cleaner fish’ (wrasse) is preferable to chemicals in lice eradication. KM compared the business to one of the private companies she knows and agreed that it was

important to have as much information as possible on the feedstock chain.

It was agreed that RW ask Marine Harvest for more detail on the above concerns.

JR expressed a general wish to be able to quantify the impact of engagement with portfolio companies.

It was agreed that SP ensure a summary of engagement with portfolio companies is available to the Board.

IMAP Emerging Markets Review

At 11.30 the Board was joined by Eli Koen (EK) and Mathieu Negre (MN).

4. ASA International

MN explained the background to the company, which was listed 18 months ago and was originally supported by the Gates Foundation. Its aim is to lend to women, groups and entrepreneurs to facilitate income-generating projects. KM asked about the deposit base and it was suggested that the plan was to ramp this up and create a bank-like institution.



TJ enquired as to whether ASA's loans were ultimately aiding the environment. He would like to see evidence of micro-lending to solar and renewable energy projects. KM stressed that KPIs should be "outward" (community/women) in preference to "inward" (company success), notwithstanding the difficulties of measurement. JR questioned the size of the opportunity as there are many other institutions in the market, many of which have sprung out of NGOs.

It was agreed that MN would further investigate ASA's sustainability policy on the above points.

TJ suggested that it would be useful in general to have more detail on a company's policy and KPIs with regards to renewables, water, agriculture and packaging/plastics. JR suggested it might be helpful to reference Unilever's checklist of 200 metrics. ARP agreed that this could help monitor consistency going forward.

5. Samsung SDI

EK explained that SDI makes lithium batteries for electric vehicles and renewable energy storage. Much progress has been made by Samsung towards improving its ESG profile.



KM and TP had concerns about the impact profile of cobalt and other inputs such as copper and nickel.

There followed a discussion about electric vehicles initiated by TJ's scepticism, making a comparison with the euphoria surrounding biofuels a few years ago. It was agreed that one must consider the footprint of an EV battery's entire production lifecycle. There followed a discussion on battery recycling and the potential for this to reduce the need for inputs eventually. This prompted TJ to explain some of the KPIs that could be looked at when monitoring battery companies (circular, renewable and sustainable).

It was agreed that EK report back to the Board with a specific focus on Samsung SDI's recycling opportunities.

Board Discussion

ARP asked the members what they thought of the past couple of hours. The feedback was positive, with members saying it had been both interesting and helpful for a first meeting. The Board agreed that five companies was about the right number to discuss.

TJ said it would be useful to have a summary document to explain the role of the Board – **it was agreed that** this would be looked at in the next meeting.

JR also requested that the next meeting include an overall presentation on the Funds.

JR initiated a discussion as to how much difference engagement with listed companies can make. ARP reflected that there is an important role for active investors in the education of clients and in providing a sustainable solution for others to copy. The message must be both consistent and long term.

There was then a brief discussion about the five companies and some metrics for measurement:

- What is the company's sustainability strategy, is it integrated rather than cosmetic, and how are its leaders incentivised?
- What is the impact on nature – i.e. carbon footprint, soil, water, biodiversity and land – and is there a target of a net gain? Does the company use science-based targets?
- What is the circularity of the product?

The meeting concluded with a plan for the Board to meet again in April.

It was agreed that RC ensure that minutes from IC are sent out in advance of the next Board meeting and that they include written responses to the above action points.

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