

Impact Advisory Board (IAB)

Minutes of the meeting

Summarised version of the official minutes

Date: Wednesday, 25 May 2021

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

Attendees

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

Guests: Victoria Leggett (VL), Eli Koen (EK), Mathieu Nègre (MN) and Rupert Welchman (RW). Tidjan Ciss (TC) joined for the company reviews.

Secretary: Robert Wibberley (RWY)

Introduction

AdP welcomed the Board Members.

The minutes of the November 2020 meeting were approved without amendments.

Review of Annual Impact Report 2020

VL and RW presented the Annual Impact Report 2020 and focused on four areas of special interest:

- Investment themes: process review and development
- Impact Engagement Framework (IEF)
- Carbon emissions reporting
- Biodiversity: touched upon in the Annual Impact Report but VL expanded on the topic as follows:
 - ▶ There will be an overarching biodiversity policy for UBP and a dedicated policy for the Impact Platform.
 - ▶ Biodiversity fund: to focus on both Biodiversity Champions and Supply Chain Leaders, i.e. companies which intend to improve their supply chain practices and where investment and engagement could accelerate the process. Plan to strategically partner with a few NGOs.

Board feedback on the Annual Impact Report 2020

TJ commended the “Thematic Champion” approach which VL and EK confirmed were very different from traditional sector/country analyses.

TJ then wondered whether UBP should share its pioneering approach with like-minded investors. AdP agreed that following further proof-of-concept, this could be an avenue to explore, while VL noted that the impact sphere is more collaborative than competitive and that the licensing of the IMAP system is something to investigate.

JR appreciated the more holistic approach of the 2020 report but felt that UBP could set more aggressive CO₂ targets and use stronger language around climate disclosures in the IEF. JR also believed in the need for more collaborative engagement.

KM was impressed by the clarity of the report and avoidance of greenwashing, as well as by the anecdotal examples given. She felt that the voting section could give further breakdowns. Next year, she would like to see the evolution of IMAP scores and whether engagement has affected them.

BS congratulated the work and detail that went into the report, citing the case studies, humanisation, to-do list and IMAP score as clear positives. In the future, BS would like the thematic champions to analyse a company’s whole supply chain, and for the next report to place a greater

emphasis on what differentiates the Impact Platform's approach.

IEF, controversies and palm oil

The discussion moved to Question 11 of the IEF on controversies. RW clarified that this question's objective is to develop companies' self-awareness of potential controversies as a form of risk mitigation. JR agreed with this approach. BS stated that there were similar issues within the palm oil sector, segueing the conversation onto the merits of platforms such as the RSPO. TJ noted that, although such platforms may not be perfect, they are often all we have; other, more bespoke platforms are equally open to criticism. BS added that it was not enough to be a signatory to such platforms, but one needs to be actively engaged, noting that investors have a lot of leverage to influence change in companies compared with NGOs, for example.

Biodiversity fund

The conversation then turned to biodiversity, with the Board discussing where on the global agenda biodiversity was, compared with climate change, for instance. The general view was that biodiversity was 12–13 years behind, with large variations between countries, but that it was gathering momentum. There is a need to come up with an apex target for biodiversity, equivalent to the net-zero target for climate change. For example, "Net positive on biodiversity with loss bottoming out by 2020, positive by 2030 and recovered by 2050." This is the simplest manifestation, but this is where the complexity starts in terms of measurement and monitoring, which is highly sector-specific.

Concerning the biodiversity fund, KM requested more detail on the proposed strategic partners. VL developed the thesis that there would be several strategic partners, in whom UBP will invest part of the fund's management fee, and on the one hand provide action on the ground in measuring and a net-positive approach to biodiversity, and on the other initiate top-level policy change. BS, JR and TJ all agreed that this seemed a good approach, bringing credibility to engagement with companies and a recognition of the importance of collaboration.

TJ questioned whether the name "biodiversity" fully captured nature, positioning and scope of the fund, whilst also resonating with investors. This led to a discussion of alternative names such as "Nature-positive with zero carbon", "Natural capital" and "Habitats". The conversation concluded on the importance of the name connecting with investors.

The session was wrapped up with an agreement on the concept of the biodiversity fund and that UBP's Impact Platform would come back with a proposal to the Board with an investment process including a biodiversity measurement system. A separate committee might also be appointed to cover the topic.

Company reviews

Prior to the meeting, each member of the Board had been provided with a detailed description, investment case, ESG profile and IMAP scores for five companies. Conscious of time, the introduction to each company was minimal with a focus on scoring.

1. Transaction Capital (IMAP: 4, 3, 4, 3 = 14)

Transaction Capital is a South African company with a main business stream offering credit and integrated services for black entrepreneurs, in particular for minibus taxis.

The Board discussed the difficulty of framing sustainably with the company due to the trade-off between positively serving a social need against environmental factors, i.e. fossil fuels, air pollution and citing "do no harm". Further questions revolved around the pertinence of the KPIs and the need to engage with the company over sustainable credentials. BS advised reducing [Intentionality from 4 to 3](#), as they appear to be opportunistically serving a need which has a positive impact.

2. CIPLA (IMAP: 3, 5, 3, 3 = 14)

CIPLA, an EM healthcare company, was chosen for review due to it potentially having too high a Materiality score and the difficulty in obtaining replies for the IEF.

JR commented that [5 for Materiality](#) may be a bit high, stating that targets for human health need to be balanced against the pollution of pharmaceuticals. TJ agreed with JR. KM felt that CIPLA's response to COVID-19 needed to be investigated and then the Materiality score reviewed. BS was disappointed by the lack of engagement by CIPLA.

3. Kerry Group (IMAP: 4, 4, 3, 4 = 15)

Kerry Group, a market leader in Taste & Nutrition, was selected as the Board had not yet reviewed a Basic Needs stock, particularly as regards nutrition in developed markets. The question arose as to whether the Materiality score is too high, the KPI is of interest, while the IEF is one of the best.

Given the legacy exposure to dairy, both BS and KM advised that [Materiality could be reduced](#). JR felt that the company was doing a good job of selling itself as sustainable, but felt that they were not being radical enough; that said, the Board [would maintain the Materiality score](#).

VL agreed that dairy sat uncomfortably yet believes that in a year's time the business would seem cleaner in this aspect. She also highlighted the difficulties with engagement at the beginning but that the KPIs they have been able to extract are a testament to the approach via dialogue.

4. Intertek (IMAP: 4, 4, 3, 3 = 14)

Intertek, a company auditing sustainability, populates the difficult-to-fill Inclusive and Fair Economy. Assurance can be controversial with the potential for greenwashing, while the IEF raises questions on Intentionality and the KPI not being that impactful.

BS and JR suggested a [downgrade on Intentionality and Materiality to 3 and 3](#), respectively, citing in particular the incongruence of Intertek's business, i.e. sustainability auditing, seemingly not matching its own sustainability practices. KM [did not feel need for a downgrade](#) but questioned the pertinence of the KPI and advised on more engagement to understand how the sustainable audit affected the end customer. TJ noted that more ambition was required.

In defence of the Intentionality score, RW noted that Intertek is the first company to introduce sustainability certification along the value chain.

5. Ceres Power (IMAP: 5, 5, 4, 4 = 18)

Ceres Power, a fuel cell company, is allocated to Climate Change. It was queried whether its Additionality score was too high given the solutions and competition in the area, while the KPI and IEF are interesting.

JR noted its Additionality score depends on the frame of comparison: if this is with other fuel cell producers, then maybe it is accurate, but if it is compared with the rest of the energy industry, this should be rewarded. Therefore, he advised [keeping it at 4, but questioned the Intentionality score](#) as it does not have science-based targets for emissions, nor full insight into life-cycle and manufacturing

issues. BS and TJ concurred with this feeling that Ceres Power were shirking their responsibility a bit as regards the supply chain. KM and BS [saw no need to change the score either](#), with KM appreciating the IEF focus on the S in ESG.

Miscellaneous and conclusion

KM flagged that, per the last Impact Advisory Board, there was a need to engage with Nano X as regards Hon Hai as a contract manufacturer.

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

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