

MAY 2022

# IMPACT REPORT 2021

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



UNION BANCAIRE PRIVÉE





# Foreword



Anne Rotman de Picciotto

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

After a long period marked by Covid-19 pandemic restrictions, 2021 saw the re-opening of economies, supported by a full range of economic and fiscal policy tools. 2021 was also a year of consumer-driven recovery, despite unprecedented supply-chain issues. Inflation, post-Covid recovery and sectoral value rotation have led to more challenging market dynamics for sustainability funds. However, impact investing relies on a long-term vision, and while we navigate today's turbulent seas, we continue to focus on all issues on our horizon, including the need for clean mobility and decarbonisation, and a growing, global concern for energy and food security.

Over the last year, UBP has reasserted its commitment to sustainability, both in the way we approach investments and in the way we run our own business. On the Impact side, our offering reached an important milestone as all our impact funds were granted Article 9 classification ("having sustainable investment as an objective") under the EU Sustainable Finance Disclosure Regulation (SFDR). Our Positive Impact strategy celebrated its third anniversary, while our emerging markets (EM) Impact strategy was one of five EM funds – out of 18,000 – to win a CDP Climetrics Award for environmental performance.

I touched upon the crucial subject of biodiversity in last year's report, as we were already convinced that nature-related risks represent the next frontier for sustainable finance. UBP has since developed its biodiversity approach to support and guide its investment decisions, engagement and collaborations. We have enhanced our Impact platform with the launch of a biodiversity restoration strategy and the creation of a Biodiversity Committee, which ensures a multi-stakeholder approach to this topic. Through such developments, we are determined to play a role in protecting natural ecological processes and reversing biodiversity loss, while seizing related investment opportunities, for example in the fields of farming, waste management technologies and the circular economy.

Since we believe that progress towards a sustainable finance industry requires close collaboration, this new Biodiversity fund was launched in partnership with the Cambridge Conservation Initiative and Peace Parks Foundation. Their academic and grass-roots expertise bring a holistic view to our approach, helping us to shape best practice for biodiversity

measurements. UBP also joined the Taskforce on Nature-related Financial Disclosures (TNFD) Forum, the leading global initiative working to develop and deliver a risk-management and disclosure framework for nature-related risks. This complements the work already carried out by the team with CISL (Cambridge Institute of Sustainability Leadership) and the resulting publication "Integrating Nature – The Case for Action".

Addressing climate change remains an important priority for us and in 2021 we increased our efforts to put our commitment into practice. UBP Asset Management (Europe) S.A. joined the Institutional Investors Group on Climate Change (IIGCC) and became a signatory to the Net Zero Asset Managers Initiative, with the aim of reducing the carbon emissions of its portfolios and encouraging investments in climate solutions to reach net zero by 2050 or sooner. Finally, UBP signed the UNPRI "Global Investor Statement to Governments on the Climate Crisis" prior to COP26.

While investments are our main lever for contributing to a sustainable future, we also endeavour to lead the way by managing our own operations sustainably. For example, in pursuit of our target of cutting carbon emissions by 25% by 2025 compared with 2019, we are working tirelessly to improve our energy consumption through renewable energy and energy efficiency measures and to find long-term solutions to lower our travel-related emissions. We also strive to provide a work environment that inspires and motivates our staff and we take pride in ensuring fairness, equal opportunities, and equal rights for all our people.

In this fourth Impact Report, we take stock of what we have achieved with our Impact franchise in 2021. It sets out our rigorous selection process as well as the importance of systematic engagement through real-life case studies. We remain determined to put sustainability at the heart of our investments and actions and to improve our investment approach, building knowledge to help drive fundamental change in the economy. Our purpose is clear: to deliver best-in-class impact investments to our clients.

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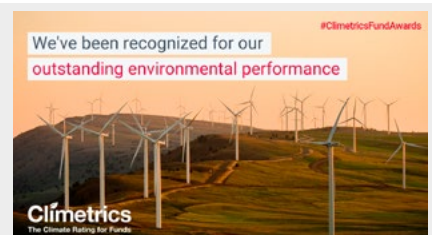
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2022 DISTINCTIONS FOR OUR FUNDS



# Introduction



**Victoria Leggett**

Head of Impact Investing  
& Co-Manager

UBAM - Positive Impact Equity  
UBAM - Biodiversity Restoration

**T**hank you for taking the time to read our 2021 Impact Report. At the time of writing, financial markets continue to be heavily impacted by geopolitical and economic uncertainty. Inflation, food and energy security are dominating press coverage. It's impossible to predict how this will unfold, but we do have confidence that the companies under our coverage will continue to provide the solutions for many of these complex problems. From energy efficiency to improving agricultural practices, impact companies are defined by their innovation and ability to fix the biggest challenges we face – and by doing so they typically demonstrate long-term financial resilience.

This year, we focus on natural capital – more specifically, how we approach climate and biodiversity. Our annual sustainability audit, the 'Impact Engagement Framework' (IEF) (p. 12 & 13) contains some new questions on biodiversity and we have set out our policies on nature and climate on pages 18 & 19. One of the commitments in our climate policy is to be 100% invested in companies with Science-Based Target Initiatives (SBTI) by 2026. We discuss on pages 24 & 25 how we are engaging with the companies we hold in our portfolio, both bilaterally and through

the CDP non-disclosure campaign to ensure that disclosure levels increase.

Our engagement stretches beyond climate and there are several examples of targeted bilateral interactions and the milestones reached on various topics (p. 10 & 11) as well as some highlights of the IEF (P. 13). We continue to search for ways to evidence our influence or 'additionality' with our investee companies and incorporated a question on this into our IEF this year. 86% of respondents believe that investor interaction is helpful for developing their sustainability approach and 21% directly credit the UBAM Impact team.

The launch of our UBAM - Biodiversity Restoration fund in September 2021 was an exciting development for the team. It builds on our work with the Impact Advisory Board and CISL<sup>1</sup> and pulls together our ambitions on engagement and nature. Our innovative approach to this challenging area is outlined on pages 16 & 17 and this fund will have a separate impact report from 2022, detailing the activity of our new Biodiversity Committee and the outcomes of our collective engagement.

<sup>1</sup>see [https://www.cisl.cam.ac.uk/files/cisl\\_nature-related\\_financial\\_risks\\_report\\_2022\\_v5.pdf](https://www.cisl.cam.ac.uk/files/cisl_nature-related_financial_risks_report_2022_v5.pdf)

## WE SUPPORT



The Exodus Road®



# Key milestones in 2021



## January 2021

UBAM – Positive Impact Equity received the Square Mile 3D Investing award



## May 2021

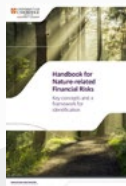
- 4<sup>th</sup> Impact Advisory Board
- UBAM - Positive Impact Emerging Equity (PIEE) 1<sup>st</sup> anniversary
- Publication of UBP's Impact Report 2020

## June 2021

- Broadened the number of non-profit organisations in whose activities we invest through a mechanism related to the size of UBP's impact funds and added 3 organisations: Peace Parks Foundation, BRAC and Forum Asia, bringing the total number to six.
- UBAM - Positive Impact Emerging Equity received the Square Mile 3D Investing award

## March 2021

Contribution to the "Handbook for Nature-related Financial Risks" (The University of Cambridge Institute for Sustainability Leadership)



555



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



## September 2021

- UBAM - Positive Impact Equity (PIE) 3<sup>rd</sup> anniversary
- Launch of UBAM - Biodiversity Restoration Fund
- UBP became a member of "Forum pour l'investissement Responsable" (FIR)\*

**FIR** FORUM POUR  
L'INVESTISSEMENT  
RESPONSABLE



- UBP became a member of the Taskforce on Nature-related Financial Disclosures (TNFD)



Signatory of:  
**STEWARDSHIP  
CODE | 2021**

- Publication of the 2020 UK Stewardship Code report

## November 2021

- 5<sup>th</sup> Impact Advisory Board



**BUILDING BRIDGES**

- UBP hosted an interactive panel discussion on biodiversity as part of Building Bridges

## October 2021

- UBP joined the pledge for the development of impact finance (Finance for Tomorrow by Paris Europlace)



## July 2021

- ISR Label for UBAM - Positive Impact Emerging Equity (PIEE)

Total managed with  
an impact strategy  
in USD millions

\*Multi-stakeholder platform whose purpose is to promote and develop responsible investment and its best practices. It brings together investors, asset managers, consultants, NGOs, unions, academic experts, etc. FIR is a member of Eurosif. Past performance is not a guide to current or future results.

## ENGAGEMENT

# Bilateral case studies

The IMAP score, so central to our process (and covered in detail in our 2019 report), is, in our view, a robust and objective measure of a company's impact intensity. However, to assess the overall impact created by our investments, we believe both corporate and investor impact play a part. Bilateral engagement has always been a key pillar of our investment approach, but in 2021 we began exploring more precise ways of being able to evidence change as a result of this engagement. The ultimate goal is to produce an engagement score, which, when combined with the company's IMAP score, can give the end investor an overall impact assessment of each position in the fund.

We will be able to report on the scoring in next year's report and this will be delivered alongside more specific targets for each engagement. In the interim, the Impact Engagement Framework (IEF, our annual sustainability audit of our holdings across funds) was an excellent starting place to understand and report on our additionality. In 2021, and for

the first time, we included a question to the corporates (124 companies) about how they view the input of shareholders and UBP specifically. The results are detailed in the IEF pages (12–13).

Complete or "resolved" engagements are rare. Far more frequently, we achieve an initial objective and this gives us the basis for a

new target or area of focus. Here, we share some examples, both good and bad, of our engagement in 2021. The companies are from emerging and developed markets and the severity or ambition of the engagement differs too. What these case studies have in common is that it is clear from the interaction that the UBP Impact Team is asking questions and providing advice that others are not.

## LAUREATE EDUCATION (US)



**LAUREATE**  
EDUCATION INC®

- Basic needs: education
- Engagement objective: to understand a shift in sustainability strategy and associated impact on the investment case
- Engagement status: ongoing

Laureate Education has an illustrious history as far as impact is concerned, with the company communicating extensively on this during its IPO in 2017. Prior to that, it had also embedded impact in its legal status by becoming a Public Benefit Corporation as well as becoming a certified B Corp\*. However, as the company has restructured its business over the last few years, it dropped the B Corp certification in 2021 and failed to communicate an alternative sustainability strategy to the market.

As shareholders since 2019, the team thought we had a role to play. We started engaging with the company in the second quarter of 2021.

- **Q2 2021: E-mail and phone calls.** We asked the company to confirm why it had dropped its B Corp status and what their future sustainability strategy would be. We received no response.

- **Q3 2021: Letter to the Chair of the Board** outlining our concerns. This was acknowledged, but there was no follow-up from the company.

- **Q4 2021: Asked a question at the company's public quarterly earnings call.** The company reacted very constructively this time and organised a conference call between their management team and our team.

We now understand their B Corp decision and the company was very receptive to suggestions regarding best practice. The new sustainability strategy should be published in the next few months, and this will either conclude this particular line of engagement or provide us with more material to revisit the company.

\*<https://www.bcorporation.net/en-us/certification>

## STANDARD FOODS (TAIWAN)

### STANDARD FOODS

- Basic needs: nutrition
- Engagement objective: investigation and initial relationship-building
- Engagement status: failed, divested

We invested in Standard Foods, a Taiwanese food producer and distributor, in late 2020 as we identified it as a solution provider to UN SDG 2 (Zero Hunger) with a healthier product line that promotes a more balanced diet. We anticipated engagement could be challenging, but the change that can be generated with successful engagement is significant with a company at such an early stage of its sustainability journey.

## ALK-ABELLÓ (DENMARK)

ALK-Abelló (ALK) is a leading provider of allergy vaccines. In recent years, this innovative company has successfully focused on bringing its pipeline of allergy tablets to market, including solutions for common allergies, such as grass pollen, house dust mites, and tree pollen, enabling better outcomes for patients, reducing healthcare system costs and driving sustainable profit growth for the company.

We have owned shares in ALK since the launch of UBAM - Positive Impact Equity in September 2018 and always maintained an open and fruitful dialogue with the company, including in our annual Impact Engagement Framework. ALK commented recently that, “[...] it is extraordinarily helpful to have this kind of discussion about sustainability: UBP is one of our shareholders that is engaging very thoroughly.” Strong progress has been made on a number of sustainability topics, such as linking non-financial KPIs to management

- **Q4 2020: E-mail & phone calls.** We could not reach the company in our initial engagement efforts to discuss relevant impact indicators.

- **Q1 2021:**

- We attempted to contact the company again by **e-mail and phone**. This coincided with our annual Impact Engagement Framework; we did not get any response to this or our IEF request e-mails.

- We then sent a **letter to the Chairman of the Board** but did not receive any response.

- **Q2 2021: Phone call.** A Mandarin native-speaker team member contacted the company’s board secretary, who passed us on to investor relations (IR). Unfortunately, IR refused to receive a

call in either English or Mandarin, stating that ESG work is spread across different departments, and that it is hard for them to find a dedicated person who can tell us about all their work. Instead of having a call, they asked us to read their ESG report and if the information was not disclosed in the report, they would not be able to tell us more.

Following an internal discussion, we agreed that our potential for additionality would be limited if the company continued to be unresponsive.

- **Q3 2021: We sent a final e-mail** and requested a meeting informing the company that a lack of engagement with minority investors was a strong signal that would lead to poor financial and impact performance. We received no response.

- **Q4 2021: We divested our position** and informed the Impact Advisory Board.

remuneration and the measurement of carbon emissions and commitment to developing science-based targets.

Our next phase of engagement is to ensure that the commitments made by ALK to move to net zero are accompanied by a commitment to being nature-positive. ALK is vertically integrated, which is unusual for a pharmaceutical company, and produces a high proportion of the allergens required for their vaccine products from their own farmland. This puts them in an excellent position to measure a biodiversity baseline (e.g. chemical usage, current mean species abundance and soil health) and commit to enhancements. Of course, if combined with an assessment of their end products, it enables the company to conduct a thorough life-cycle analysis and ultimately a net-gain target. At the moment, there are no such disclosures, and it is clear this is an area which is very new to ALK. We continue to work with management



- Health and wellbeing: Pharmaceuticals
- Engagement objectives:
  1. Enhancement of company’s sustainability reporting;
  2. Commitment and disclosure on biodiversity
- Engagement status: initial objective achieved, second objective in progress

to guide them on best practice and essential components of an ambitious biodiversity policy, and the company is engaged and appreciates the guidance.



ENGAGEMENT

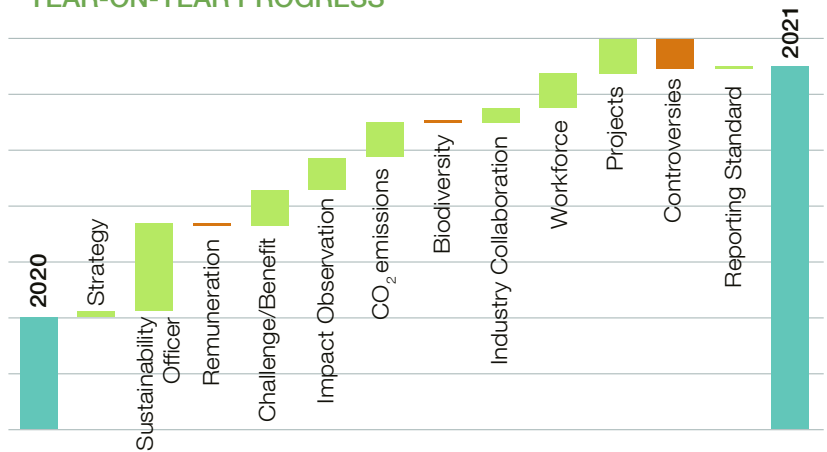
# The Impact Engagement Framework

This represents an annual sustainability audit of our holdings and in 2021, the IEF marked its third year. Each additional year’s data give us a clearer picture of progress, both at corporate and aggregate portfolio level. In addition, the observations outlined in these pages give us an excellent platform for bilateral engagement topics throughout the year.

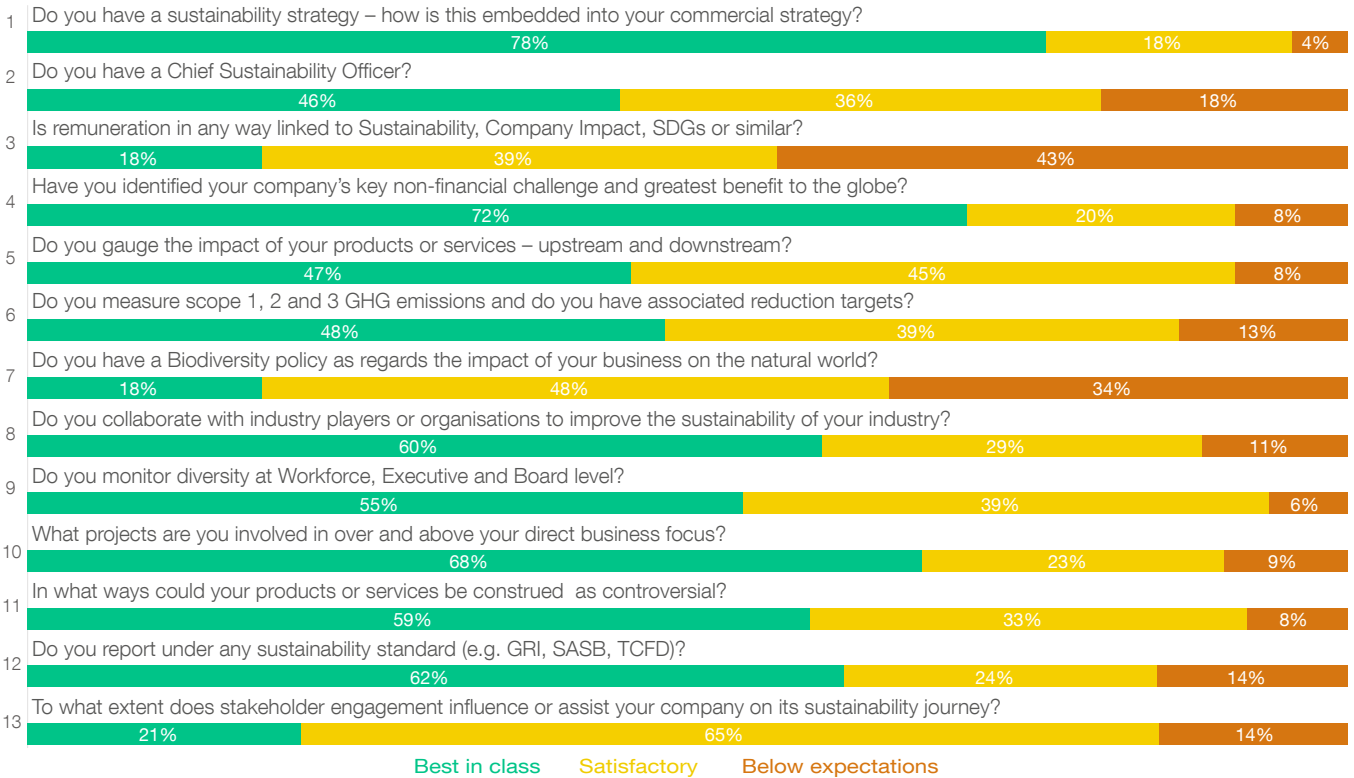
THE IEF IN NUMBERS

3 funds  
124 companies  
1,810 data points  
1.95 mn employees  
USD 4,563 bn of combined revenues

YEAR-ON-YEAR PROGRESS



THE IMPACT ENGAGEMENT FRAMEWORK 2021



Source: Bloomberg Finance L.P. Figures are trailing 12 months. The figures do not always tally due to common holdings in funds.

## NOTABLE OBSERVATIONS

Below are a few highlights from the 2021 consultation. Please contact the team for more information.

Delivering on its promises from last year, Pageseguro Digital is the best year-on-year improver	Mondi aims to have 100% of products reusable, recyclable or compostable by 2025	Klabin, a pioneer in the adoption of the mosaic forest management system, preserves 43% of total forestry areas as native woodlands	Visible progress around KPI measurement and disclosure to communicate positive impact
Trane Technologies seeing 'behavioural change and focus' after integrating sustainability objectives for all employees	Many more companies working on workforce diversity policies	Croda disclosed that coating seeds with their active ingredients can avoid 80% subsequently sprayed pesticides	Only 12 companies show no progress year on year*
Weyerhaeuser is involved in 30 research projects and contributed to 40 peer-reviewed publications on biodiversity	Successful interactions with 85% of DM companies and 70% of EM companies	Rapid roll-out of Chief Sustainability Officer roles, from 63% to 77% of the sample**	Arcadis' sustainability team grew to 25+ people and is split between own journey to net zero and client-facing solutions
Significantly higher awareness around biodiversity	Safaricom aspires to become a net-zero carbon company by 2050 and introduced Science-Based Targets initiative (SBTi) aligned targets	Thanks to its demand-driven model, HelloFresh can reduce food waste by up to 30%	Incorporation of sustainability in remuneration remains the lowest scoring area

Observations are sourced directly from the relevant company.

\* no progress in terms of observable deliverables, but progress on development and implementation

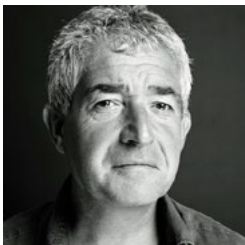
\*\* combines best in class and satisfactory answers

## GOVERNANCE

# The UBP Impact Advisory Board

In 2021 the Impact Advisory Board met in May and November, in line with its twice-yearly remit. Both meetings were again subject to Covid restrictions and took place remotely. We thank our Board members for their commitment and support and look forward to seeing them in person in 2022: the Board has agreed to our request to increase the frequency of its meetings to three times per year so that we can derive even more benefit from its insights.

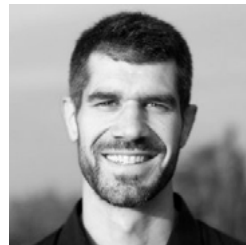
### EXTERNAL ADVISORY BOARD MEMBERS



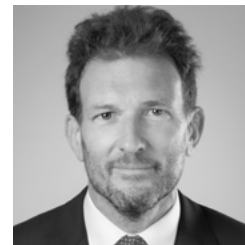
**Tony Juniper**  
Chair, Natural England



**Kanini Mutooni**  
Managing Director, Draper  
Richards Kaplan Foundation



**Bastien Sachet**  
CEO of the Earthworm  
Foundation



**Simon Pickard**  
Chair, Impact Investment  
Committee



“This is a moment in time when sustainable investing is ubiquitous, but the vision and methods behind it vary from robust to dangerously superficial. The care taken by the UBP team to identify companies with the potential to contribute to sustainability is impressive, including in ‘difficult’ areas like biodiversity where good practices are only just being formulated.”

**Jake Reynolds** – Since 2011 Jake Reynolds has been Executive Director, Sustainable Economy, at the Cambridge Institute for Sustainability Leadership (CISL), where he currently leads the Prince of Wales Fellowship Programme. He is the architect of CISL’s ten-year vision and plan, *Rewiring the Economy*, which provides an intellectual foundation for CISL’s work, influencing hundreds of companies and students. Previously Jake was Head of Wellbeing at the UK Sustainable Development Commission, leading policy on future education, health and transport.

### THE ADVISORY BOARD IN ACTION – A NEW WAY OF MEASURING ENGAGEMENT

One of the investment team’s prime targets in 2021 was to improve the way it measures its own impact as an investor (as opposed to the impact of underlying investee companies). This necessitates an understanding of the additional positive change brought about by UBP’s ownership and engagement, which is particularly difficult to isolate and measure in public markets. The Board welcomed this initiative and provided several recommendations for measuring engagement and investor impact, which the investment

team incorporated into their work in 2021:

- Incorporate into the Impact Engagement Framework (IEF) the concept of investee companies evaluating UBP’s additionality and that of the wider investment community
- Introduce the concept of a common hurdle rate to the IEF to ensure constant adjustment of the benchmark in order to facilitate successful engagement
- Predetermine engagement and impact objectives as part of the investment case for a company
- Incorporate the concept of ‘Do No Harm’ into engagement (ensuring that adverse impacts are considered as part of the engagement measurement as well as the main positive impact objectives of an investment)
- Link the engagement score to trends in IMAP scores over time to illustrate whether engagement is working or not
- Accentuate the importance of helping companies devise non-financial KPIs that are useful both to them and to investors.



## 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.*

### May Board Meeting

- Review of the Annual Impact Report 2020 – *recommendations on collaboration within the investment community and sharing of best practice; tightening up of objectives and language in the IEF*

- Review of the voting policy – *recommendations on increasing the granularity of voting policy reporting*
- Approaches to investing in “controversial” companies – *recommendations on using industry bodies and analysis of supply chains*
- Approaches to investing for positive impact on biodiversity – *recommendations on measurement methodologies and concept of “net gain”*
- Review of potential conservation partners – *follow-up adjustments made to the engagement process and UBP’s global biodiversity approach*

### November Board Meeting

- Engagement: objectives and changes to the team’s approach – *various recommendations (see above)*
- Review of team climate policy and commitments – *recommendations on governance, roadmaps etc.*
- Introduction to UBAM - Biodiversity Restoration – *recommendations on the role and aims of the Biodiversity Committee; authenticity and measurement of impact; controversial companies etc.*
- Review of changes made to Impact funds in light of the changing macroeconomic environment

## 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 a variety of profiles in which 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.

### May Board Meeting

Holding	Points raised	Action taken
<b>Ceres Power (UK, Climate Stability)</b>	Life-cycle analysis; Science-based targets	Further engagement and report back to Board
<b>Cipla (India, Health &amp; Wellbeing)</b>	IMAP Materiality; Disclosure	Adjustments to IMAP score; Further engagement
<b>Kerry Group (Ireland, Basic Needs)</b>	IMAP Materiality; Sustainability of product offering	Adjustments to IMAP score; Further engagement
<b>Intertek (UK, Inclusive &amp; Fair Economies)</b>	IMAP Intentionality; Appropriateness of KPIs	Adjustments to IMAP score; Adjustments to KPIs
<b>Transaction Capital (South Africa, Basic Needs)</b>	IMAP Intentionality & Potential; Impact on climate / pollution	Adjustments to IMAP score; Further engagement and report back to Board

### November Board Meeting

Holding	Points raised	Action taken
<b>Befesa (Luxembourg, Sustainable Communities)</b>	Targets around circularity and emissions	Further engagement and report back to Board
<b>Fastned (Netherlands, Climate Stability)</b>	Provenance of electricity supply; Potential regulatory changes	Further engagement and report back to Board
<b>Partners Group (Switzerland, Inclusive &amp; Fair Economies)</b>	IMAP Intentionality; Authenticity of impact	Adjustments to IMAP score; Further engagement and report back to Board
<b>Shandong Weigao (China, Health &amp; Wellbeing)</b>	IMAP materiality; Product circularity; Supply chain	Adjustments to IMAP score; Further engagement and report back to Board
<b>United Plantations (Malaysia, Healthy Ecosystems)</b>	Sustainability of palm oil; Impact on biodiversity	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.

FUND LAUNCH

# UBAM – Biodiversity Restoration

Since the Paris Agreement came into effect in 2016, climate change has been the dominant subject for sustainable investors. Much progress has been made in terms of reporting, disclosure and visible commitments. We believe a net zero economy must also be a nature-positive one – we cannot achieve one without the other. The launch of this fund is part of our commitment to this goal.

**Fund characteristics**

- Listed equities
- All-cap style
- Ca. 50 names
- Global (MSCI ACWI) reference benchmark
- Target 6 UN SDGS through 2 themes
  - Protect: circular economy, planet-compatible utilities, green cities & urban spaces, sustainable management of natural resources
  - Restore: enablers of change, planet-friendly diets, sustainable food production

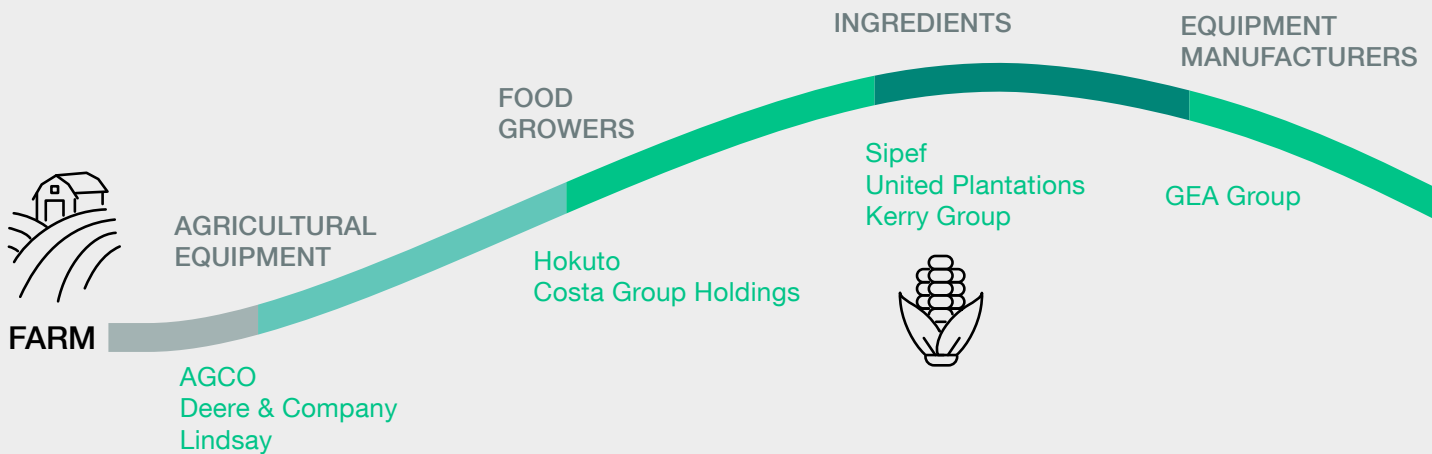
### INVESTMENT OPPORTUNITY

We have identified seven areas where listed companies create solutions to either protect or restore biodiversity through their products and approach to their value chains and operations. Where possible, we invest along the value-chain, as, for many sectors, this is the key to creating positive change for biodiversity.

Although our process incorporates the circular economy and the built environment, this “value-chain approach” is particularly relevant for the food system, the transformation of which is integral the restoration of biodiversity. **The current agricultural system is the primary driver of biodiversity loss and has been identified as a threat to 86% of endangered species.** The infographic below illustrates the complexities of the food value chain and some of the investable opportunities in the listed equity space.

### A MULTI-STAKEHOLDER APPROACH

Awareness and action around biodiversity is very new to most of the investment and corporate community, which is quite understandable – even agreeing on a definition of biodiversity net gain is a challenge and the pathway to success is arguably more complex than for carbon. We leverage on a foundation of a strong and experienced team of investors, who have been building up their knowledge around biodiversity for several years (the "Healthy Ecosystems" thematic champions are co-managers of this fund). However, even with this expertise and the input from our advisory board, **we do not feel that a unilateral approach to this crisis is either credible or useful.** We have set up a fee-sharing arrangement with two leading conservation organisations (the Peace Parks Foundation and Cambridge Conservation Initiative) to enable us to work closely with experts in this



field and provide genuine practical solutions for companies, as well as to make progress with the measurement debate.

#### THE BIODIVERSITY COMMITTEE



#### THE BIODIVERSITY COMMITTEE – AN ENGAGEMENT HUB

Our relationship with our partners goes far beyond a donation to conservation work. They, along with UBP, make up our Biodiversity Committee (co-chaired by Tony Juniper and Simon Pickard) and bring practical, academic and policy-making insight. This triangulation of expertise has begun its work in engaging with investee companies through a series of workshops (e.g. soil health, water stress, chemical use, and deforestation) to generate real change at corporate level – both with specific technical solutions and ultimately more ambitious shifts in business models.



#### Q&A WITH TONY JUNIPER

Biodiversity Committee Co-Chair,  
Impact Advisory Board Member

##### What role can the investment community play in reversing the biodiversity crisis?

The role of investors is critical. We need to shift to a nature-positive economy, and that will happen more quickly if capital is allocated in ways that recognise the differences between the business models of the past and those of the near future.

##### Does the choice of NGOs matter for this committee?

I believe we have made excellent choices in forging a partnership with the Cambridge Conservation Initiative and the Peace Parks Foundation. The former is a globally significant, practical, academic and technical hub; the latter is grounded in the real-world situation in southern Africa. Between them they bring a wealth of insight and perspective into what we are seeking to do with the fund.

##### For you, what would mark this fund's success?

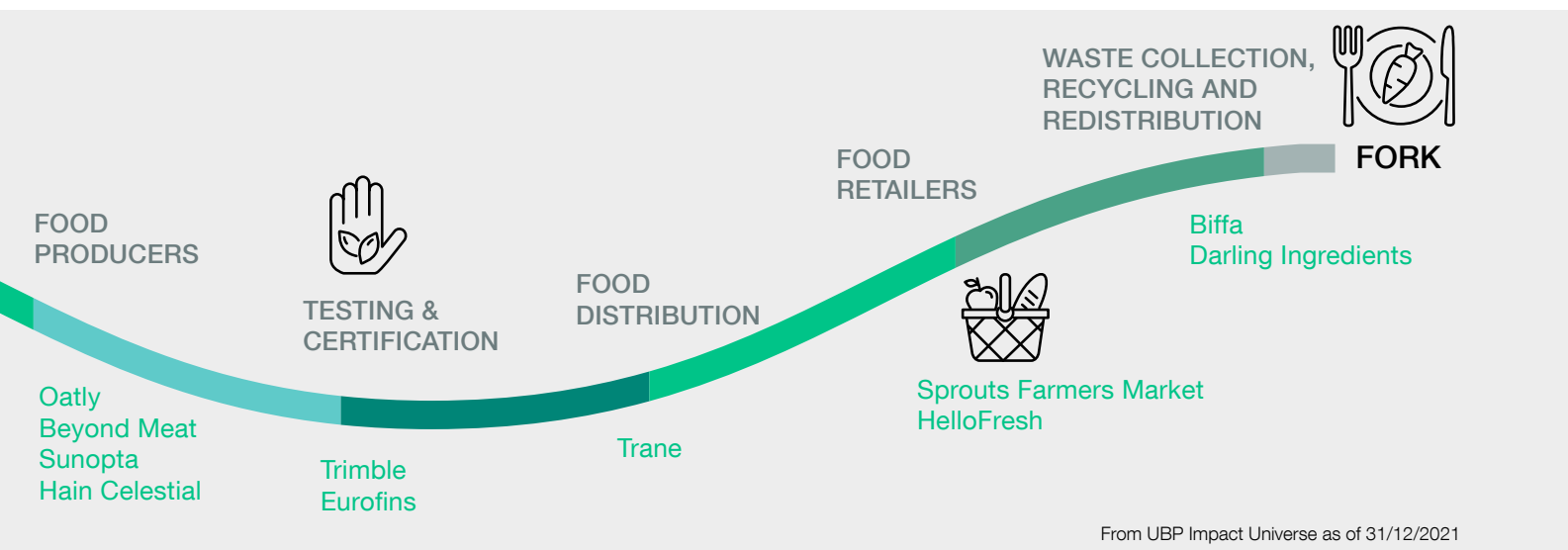
Like so many things, evidence of success is often seen through imitation and that is the case for this fund. The more we see other investors adopting the kinds of approaches we are pioneering, the more positive impact there will be.

##### You are a conservationist with a background in campaigning. Why are you working with an asset manager?

Over many years of being active in conservation I have learned that we need action at all levels. Indeed, this particular area has become more significant as public awareness has grown and policies have begun to follow. Consequently, the need for investments to flow in the right direction for the solutions to take hold has become more obvious. Working with this UBP fund presents an opportunity to pioneer some new thinking.

##### You've been working in conservation for many years, but the threat to species and habitats continues to build. Are you able to stay positive?

The data are terrifying and the timescales for action are now very short. On the other hand, we know all we need to know to be able to turn things in a different direction. It's all about the choices we make; these can be good – and sometimes are – and it's that which gives a sense of optimism. There are also an increasing number of success stories, alongside the more negative ones, and that helps maintain a sense of possibility.



From UBP Impact Universe as of 31/12/2021



## PROCESS DEVELOPMENT

# Impact Team's policies on natural capital

One of the priorities on our 2021 to-do list was to build on the UBP-wide commitments to natural capital, with a specific set of pledges for the listed-equity impact funds. The interlinking nature of the United Nations Sustainable Development Goals means that success in one area is often dependent on progress with at least one other. We would argue that climate and biodiversity form the foundations for change across all our themes, whether social and environmental, and a dedicated policy is an important marker of this.

## BIODIVERSITY POLICY COMMITMENTS

### EDUCATE

- Further training and education for the team on this topic.
- A knowledge-sharing approach: learning from others and doing our best to disseminate what we have learned through our reporting, publications, and interactions with internal and external stakeholders, e.g. learnings from the TNFD forum and the PRI Sustainable Commodities Practitioner Group.
- Contribute to CISL's Integrating Nature: The Case For Action (<https://www.cisl.cam.ac.uk/resources/publications/integrating-nature-case-action-nature-related-financial-risks>).

### ENGAGE

- Place biodiversity restoration on the agenda for all company meetings and encourage early adoption of emerging reporting recommendations, e.g. from the TNFD.
- Include biodiversity questions in the Impact Engagement Framework for all funds.
- Use the Biodiversity Committee as a platform for multi-lateral engagement between NGOs and investee companies.

### DISCLOSE

- Publish the minutes and outcomes of the Biodiversity Committee's quarterly meetings.
- An annual impact report dedicated to UBAM - Biodiversity Restoration will disclose progress and targets.

### INVEST

- Allocate an explicit weighting to a biodiversity variable in our position-sizing model.
- Exclude the laggards on UBP's group-wide biodiversity policy watch list from the impact investment universe.
- Launch a dedicated biodiversity restoration fund with a long-term aim to create a nature-positive portfolio.

## BIODIVERSITY LEADERS AND LAGGARDS\*

	Company Name	Geography	Key SDG Theme	Impact Industrial Vertical	Biodiversity Water Intensity	Biodiversity Waste Intensity	Explicit Biodiversity Policy	Biodiversity IEF Score (Q7) Bonus
LEADERS	CEMIG	Brazil	Climate Stability	Renewable Energy Production	Q1	Q3	Yes	Yes
	Countryside Properties	UK	Basic Needs	Affordable Housing	Q1	Q4	Yes	Yes
	Stantec	USA	Sustainable Communities	Infrastructure & Public Transport	Q3	Q3	Yes	Yes
	Arcadis	Netherlands	Sustainable Communities	Infrastructure & Public Transport	Q3	Q3	Yes	Yes
LAGGARDS	Befesa	Germany	Sustainable Communities	Resource-Efficient Industry & Construction	Q3	Q5	No	No
	Salmar	Norway	Healthy Ecosystems	Sustainable Aquaculture	Q5	Q3	No	No
	Yutong Bus	China	Sustainable Communities	Private & Commercial Transport	Q5	Q3	No	No
	China Education	China	Basic Needs	Education	Q5	Q3	No	No

## CLIMATE POLICY COMMITMENTS

### EDUCATE

- Further training and education for the team on this topic.
- A knowledge-sharing approach: learning from others and doing our best to disseminate what we have learned through our reporting, publications, and interactions with internal and external stakeholders.

### INVEST

- **Allocate an explicit weighting to a climate variable in our position-sizing model.**
- Target a reduction of the carbon footprint of our portfolio by 2030 in line with UBP Asset Management (Europe) S.A.'s commitment to the Net Zero Asset Managers Initiative.
- Continue to invest in climate solutions (with a 10% minimum allocation to climate stability, and **30% minimum direct allocation to our environmental themes in our core impact strategies**, not including other investments that might be relevant in other themes, for example in Inclusive and Fair Economies).
- Develop new investment products that could also contribute positively and provide competitive differentiation.
- Help the companies in those sectors to raise capital and develop new markets.

### ENGAGE

- Systematically consider the impact of the climate crisis when evaluating companies' sustainability strategies.
- Push companies to publish Scope 3 emissions more widely, and, for those companies who already have some disclosure in that area, that they disclose the maximum number of categories.
- Encourage companies to adopt the highest standards of disclosure:
  - disclosure via the Carbon Disclosure Project (CDP) where possible, and
  - adopt science-based targets (with an aim of having **100% of our portfolios' companies with a science-based target by 2026**).

### DISCLOSE

- Disclose Scopes 1, 2 & 3 across our entire impact product range.
- Disclose temperature scores calculated using various methodologies (e.g. CISEL, Urgentem and ISS), bearing in mind that, despite the simplistic nature of this type of calculation, it will help us understand the long-term consequences of our companies' emissions.
- Disclose the proportion of companies in our portfolio with a science-based target and our progress over time.
- **Disclose the carbon footprint of our team** (including for business travel) with the aim of reducing it by 50% per capita compared with our 2019 baseline.

## CLIMATE LEADERS AND LAGGARDS\*

LEADERS

Company Name	Geography	GICS	Key SDG Theme	Impact Industrial Vertical	GHG Mitigation Score	CDP Integrated Performance Score	Science-Based Targets Bonus	TCFD's weighted average carbon intensity (ISS) Score
Stantec	USA	Industrials	Sustainable Communities	Infrastructure & Public Transport	Q1	Q1	Yes	Q1
Delta Electronics	Thailand	Information Technology	Inclusive and Fair Economies	Hardware Enabling Technologies	Q1	Q1	Yes	Q2
Croda	UK	Materials	Sustainable Communities	Resource-Efficient Industry & Construction	Q1	Q2	Yes	Q3
Thule	Sweden	Consumer Discretionary	Health & Wellbeing	Health Promotion & Prevention	Q1	Q1	Yes	Q1

LAGGARDS

Company Name	Geography	GICS	Key SDG Theme	Impact Industrial Vertical	GHG Mitigation Score	CDP Integrated Performance Score	Science-Based Targets Bonus	TCFD's weighted average carbon intensity (ISS) Score
Hokuto Corp	Japan	Consumer Staples	Sustainable Communities	Infrastructure & Public Transport	Q5	Q2	No	Q5
Befesa	Germany	Industrials	Sustainable Communities	Resource-Efficient Industry & Construction	Q2	Q2	No	Q5
Cleanaway	Taiwan	Industrials	Sustainable Communities	Waste Management & Recycling	Q3	Q2	No	Q5
Laureate Education	USA	Consumer Discretionary	Basic Needs	Education	Q5	Q2	No	Q5

\* from portfolio holdings across UBAM - Positive Impact Equity, UBAM - Positive Impact Emerging Equity, UBAM - Biodiversity Restoration  
All companies have been ranked against a universe of more than 1000 companies. Data availability is around 49% for biodiversity and 90% for the climate

# Banking on emissions – the crucial role of lenders in decarbonising the economy and ensuring a fair transition

Inclusive & Fair Economies: Financial Stewardship

Basic Needs: Financial Inclusion

## THE ROLE OF BANKS IN THE ECONOMY AND WHY THEY ARE CRITICAL TO DELIVERING NET ZERO AT A GLOBAL LEVEL

2021, culminating in COP26, was a massive step forward for net zero adoption. However, evidence shows that it is far easier to set Nationally Determined Contributions (NDCs) than to deliver them at the corporate level. The number of companies meeting “minimum standards” for net zero targets almost doubled, but remains small at only 207. The Science Based Targets initiative has identified a pathway for corporates to adopt a credible plan for achieving net zero, but it is early days and incentives are uneven. This is where banks hold the key. **Banks’**

**role in the transition process is sometimes described as that of a policeman: they have relationships with every sector of the economy** and this privileged position allows them to bring about change at scale.

For banks to take on this mantle in a credible way, they need to be capable of measuring their full carbon footprints and show where they are on the pathway to 1.5°C. With as much as 99% of the banking sector’s climate impact stemming from their Scope 3 portfolio emissions, they will need to create comprehensive strategies for targeting customer carbon footprints.

## EMERGING AND DEVELOPED MARKETS: WHAT DOES POSITIVE IMPACT LOOK LIKE FOR BANKS?

It is unlikely that net zero can be delivered without proactive support from financial institutions. The exciting news is that we have been able to identify a handful of leading banks in high-income countries with clear and credible plans to reduce emissions in their loan books. These banks can deliver impact at scale by influencing their customers, which we regard as strong financial stewardship.

In brief, we have created a simple but demanding framework that leverages a range of sources including the Net Zero Banking Alliance and ShareAction. The two overriding requirements are:

1. Commitment to reach net zero emissions (own and portfolio) by 2050 or before;

2. Commitment to interim targets consistent with a 1.5°C path using robust, science-based guidelines.

ShareAction published Countdown to COP26 in September 2021, focusing on Europe’s largest 25 banks. The report highlighted just three banks that have so far committed to halving their financed emissions by 2030. One of those three is UK bank NatWest, which has subsequently become our first portfolio investment among developed-market banks.

Although NatWest only achieves the threshold IMAP score of 12, there are three impact features we really like about this bank:

1. It has a target of reducing portfolio emissions by 50%.
2. It shows significant intentionality behind its GHG strategy by developing deep value-chain work streams in areas like food production, retailing and housing. NatWest has also submitted emissions estimates to the Science-Based Target Initiative (SBTi), one of the first banks to do so. It has also created industry emissions baselines for nine sectors, a key step in delivering reductions at the portfolio level.
3. The CEO’s pay is linked directly to the bank’s performance on climate.

Our approach in emerging markets is slightly different as the banking sector’s role is primarily one of financial inclusion and economic development. Distinct from the largely higher-income banks focused on above, EM financial institutions can be



國泰金控  
Cathay Financial Holdings



NatWest  
Group



GENTERA



CREDICORP



BRI



impactful when they channel liquidity to SMEs and individuals in regions where access to finance is limited. Many of our investments in EM financial institutions – such as Bandhan Bank (India), Genera (Mexico), Bank Rakyat (Indonesia) and Credicorp (Peru) – fall into this category.

While our primary impact objective for these banks is financial inclusion, we also want to encourage them to achieve this in an environmentally conscious way. One of **our main challenges in assessing their emissions performance is that they do not disclose loan portfolio emissions**, which means we have to rely on third-party data. Many data providers estimate emissions based on models built on corporate banking data, which may include funding for large energy projects including ones relying on fossil fuels.

In our view, these models could significantly overestimate the loan portfolio emissions of micro finance institutions. Their loan books primarily consist of small-ticket loans to microbusinesses in rural communities, which are likely to be associated with much lower emissions. Therefore, **a significant part of our engagement with microfinance companies is about encouraging them to disclose lending emissions so that their climate impact is correctly accounted for**. We have seen encouraging progress: for example, Credicorp published its first sustainability report in 2021 and Genera has published Scope 1-3 emission data for its own operations for the first time in 2022. We see these as positive steps towards our goal of seeing lending and portfolio emissions data that give us a better understanding regarding the environmental impact of the various lending institutions in our portfolio.

### CAN THE BROADER FINANCIAL SERVICES SECTOR CONTRIBUTE?

Asset managers have an important role to play and there is evidence that the sector is taking its responsibilities seriously. The Net Zero Asset Managers initiative is the largest



of the seven Net-Zero Alliances by number of signatories, and UBP is one of them. There are a handful of asset managers that we identify as leaders in this area, such as Impax.

One industry that we regard as a laggard is insurance. Insurers tend to have influence in two ways: through their sizeable asset ownership (estimated at 26% of global financial assets) and also through their role as risk underwriters for the global economy. So far, examples of strong leadership at the underwriting level are thin on the ground. However, there are some good proponents of best practice in terms of asset ownership.

For example, one of our investments – Cathay Financial Holding in Taiwan – is one of the first financial holding companies to link the assessment of its chairman’s performance to its carbon-reduction results. Besides integrating climate risks into its core risk management framework, the company has

set a net zero goal for its own operations by 2050. It is participating in the Climate Action 100+ initiative by engaging with its investee companies to get them to commit to net zero targets. It is also a participant – alongside UBP – in the CDP’s “Non-Disclosure Campaign”, which involves asking investees to disclose environmental information. Cathay discloses the carbon emission intensity of assets in its portfolio, and assigns goals for low-carbon investments.

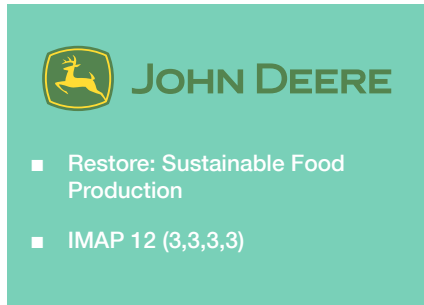
As we generally find across all of our themes, low- and high-income countries are often equally significant parts of the solution, even if their starting points look quite different.

Who’s in Race to Zero? Learn more: <https://unfccc.int/climate-action/race-to-zero/who-s-in-race-to-zero#eq-23>

THEMATIC DEEP DIVE

# Thematic case studies

Across the impact funds, we aim to invest in the first 15 of the 17 United Nations development goals, through our three environmental and three social themes (plus an additional two themes for UBAM - Biodiversity Restoration: Protect and Restore). The following case studies are examples from two of our themes.



**JOHN DEERE**

- Restore: Sustainable Food Production
- IMAP 12 (3,3,3,3)

## DEERE & COMPANY (USA)

Deere & Company is part of the UBAM - Biodiversity Restoration fund portfolio. The company manufactures a range of agricultural, forestry and construction machines and is a prime example of how well-established, historically conventional companies can assist in reforming our traditional agricultural system and benefit from tightening regulations around chemical inputs.

Technologies such as vertical farming, robotics and algaculture will undoubtedly play critical roles in the food system of tomorrow. However,

significant investments and improvements are still required for most of them to reach a commercially viable scale. Even then, to deal with the sheer size of our food production system, they will require transition and transformation technologies that leverage existing applications and infrastructure.

This is where Deere’s smart farming technologies come into play, since its precision methods and applications have a material impact on food producers’ use of inputs and lifetime footprint. For example, in the context of field farming, GPS guidance steering avoids overlaps during planting, spraying and harvesting, which in turn reduces the amount of time, fuel and materials required. Similarly, variable rate technology and targeted spraying solutions allow different application rates for the various inputs depending on the crop, resulting in major savings in terms of chemical use. Deere quantifies the customer outcome as a 20% reduction in input and crop protection use, and a 15% reduction of CO<sub>2</sub>-equivalent emissions. More specifically, Deere has developed weed control products such as the See & Spray system, which can be used

on unplanted ground (referred to as “green on brown technology”). The system detects soil and only activates the nozzles when needed: this can reduce contact-herbicide usage by up to 77% while still covering 98% of the weeds in the field.

**This can reduce contact-herbicide usage by up to 77%.**

Industry research found that precision farming can lead to a 40% reduction in pesticide use whilst maintaining yields: a crucial point considering the devastating impact these chemicals can have on biodiversity. While pesticides allow farmers to grow food in a more intensive way, they also cause the death of many wildlife species and accumulate in the soil, leading to contamination of water sources and the destruction of essential organisms. It is therefore vital to develop farming techniques that reduce reliance on these products.

To quantify its impact, Deere refers to sustainably engaged acres, i.e. the area of land on which customers use either two sustainable technologies, two sustainable practices, or a combination of both. This helps increase awareness of such practices, measures the use of Deere’s solutions and provides the company with a deeper understanding of farmers’ behaviours and needs. As a result, the company can select innovation priorities in high-impact areas.

These efforts are formalised in Deere’s sustainability strategy, which is based around the four pillars of product efficiency benefits, product circularity, its own environmental footprint and safety, each supported by performance indicators and targets with horizons up to 2030. This means that Deere is playing a leading role not only in terms of soil health and biodiversity, but also in relation to its own operations.

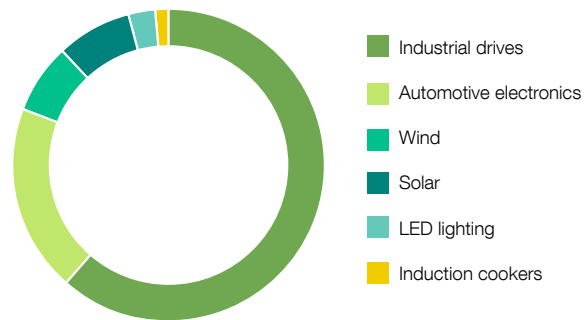




**infineon**

- Inclusive & Fair Economies: Hardware Enabling Technologies
- IMAP 14 (3,4,3,4)

INFINEON CO<sub>2</sub> SAVINGS BY END USE (2020)



**INFINEON (GERMANY)**

Semiconductor manufacturers represent a complex topic when it comes to emissions. The ongoing pursuit of smaller chips capable of higher power output brings a multitude of sustainable benefits to the planet, for example energy efficiency, renewable power and electrification. However, more powerful chips have created an explosion of end uses, potentially leading to more power consumption per capita, as exemplified by the electric scooters we see around our cities. But the path to net zero cannot really require individuals to revert to pre-industrial levels of energy consumption. Instead, the entire ecosystem must work together, with all the tools at its disposal, to stay within a 1.5°C trajectory.

The responsibility of a semiconductor manufacturer like Infineon is to be aware of how its products are used and whether those uses are beneficial or harmful in terms of meeting the climate challenge. Infineon claims that for every 1 tonne of CO<sub>2</sub> equivalent that is emitted within its scope, 33 tonnes are saved via the end uses of its chips. To give some context, Infineon states that the 72.5 million tonnes of CO<sub>2</sub> equivalent saved by using its chips equates to the annual electricity consumption of 119 million Europeans. We engaged with Martin Hachenburg, Director of Sustainability, to better understand how the company had approached this calculation.

The CO<sub>2</sub> burden is calculated using definitions in the GRI Standards and the Greenhouse Gas Protocol. This covers Scope 1 (82% of which relates to compounds used in manufacturing), Scope 2 emissions (95% of which relates to electricity), and Scope 3, i.e. the company's own upstream emissions (outsourced manufacturing, raw materials etc.) and downstream emissions (directly derived from Infineon products as well as travel and transportation). As regards the CO<sub>2</sub> burden, it is worth noting that Infineon claims to be 44% more efficient than the average semiconductor producer and is aiming to be carbon-neutral on Scopes 1 and 2 by 2030.

**For every 1 tonne of CO<sub>2</sub> equivalent that is emitted within its scope, 33 tonnes are saved via the end uses of its chips.**

The 33 tonnes of CO<sub>2</sub> "saved" are calculated using an assessment of Infineon's various end-markets. The methodology considers 1) Infineon's market for a given product, 2) the

value of semiconductors as a percentage of the given product's overall price tag and 3) the net CO<sub>2</sub> gain that a product offers versus a baseline. We find these disclosures very constructive in terms of framing a real-world discussion regarding what is an immensely complex industry.

The analysis is not without flaws and there are several areas in which we are focusing our engagement.

1. At this stage the company is reluctant to share a more detailed explanation of its calculation.
2. This simple burden vs. saving analysis is skewed, as the full life cycle emissions arising from Infineon's end-products are not captured within the company's Scope 3 calculation. Although this is understandable, we believe the company should be more explicit about the fact that it is recognising its share of the whole benefit but not the whole burden.
3. From a macro perspective, there is another, more contentious issue regarding the proliferation of energy-intensive devices versus genuine energy savings in an ever more power-hungry world.

# Carbon emissions: From disclosure to action

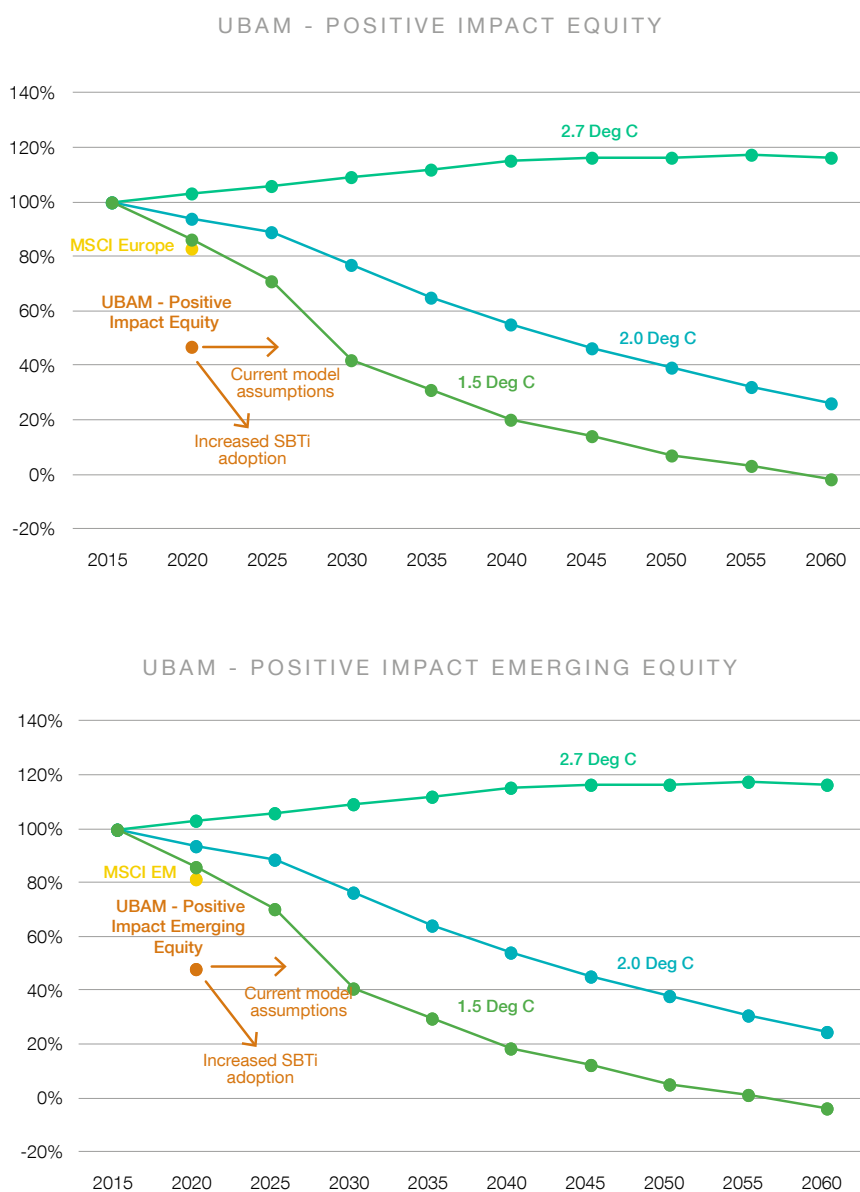
Our current footprint is significantly lower than that of our reference benchmarks, but the use of temperature scores has highlighted the fact that we need to get our companies to commit to better disclosure and further emissions reduction targets. Our future engagements on climate will focus on this area.

Since the launch of UBAM - Positive Impact Equity more than three years ago, our use of climate data has changed. We were initially very concerned by our carbon footprint; thanks to our investment approach, it had always been easy to avoid oil & gas companies, carbon-heavy utilities and other extractive companies. This is why our funds have always compared favourably to their respective benchmarks in this area. Using our preferred measure<sup>1</sup>, as at 31 December 2021, UBAM - Positive Impact Equity had a carbon footprint 36% below that of its benchmark and our emerging market fund's was 46% below its benchmark.

The problem is that, from a long-term perspective, this is far from enough if we want to address the climate emergency. The Paris Agreement demands that emissions fall drastically; therefore we need to compare our portfolio – and its projected emissions – to the potential decarbonisation pathways. This is where the so-called “temperature scores” come in. These scores use companies’ projected emissions and compare them to publicly available climate scenarios.

For instance, a company that discloses emissions levels and reduction targets consistent with the data presented in the UN Intergovernmental Panel on Climate Change (IPCC) 1.5°C report and the Integrated Assessment Modelling Consortium (IAMC) database of climate scenarios will receive a low temperature score; in contrast, a high emitter with no reduction target will get a very high score. However – and more interestingly in our case – **a company which currently has a small carbon footprint, but which has no explicit reduction target, will also get a high temperature score.** This is easy to see at portfolio level in Chart 1. If emission levels are not expected to fall, they will soon conflict with the sustainable scenarios.

CHART 1: PORTFOLIO FOOTPRINT AND DECARBONISATION PATHWAYS



Source: Urgentem

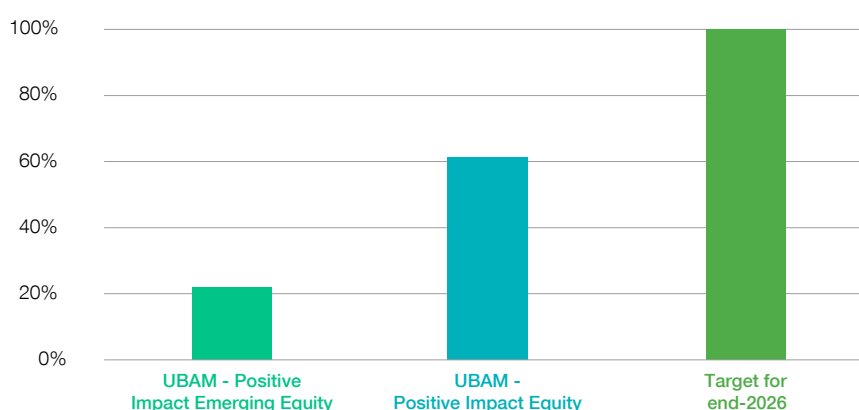


Most of our companies are conscious of the climate emergency and have excellent sustainability policies in place, but not all of them have submitted an official science-based target, or publicly committed to an intermediate target. Because of this, the various data providers will have to guess as to what their future emissions pathways will look like. In most cases, they will attribute to them an estimate that will rise from current levels, in a similar way to what happens to global emissions under the Current Policies Scenario<sup>2</sup>.

As a result, the temperature score of our portfolio is not consistent with a 2°C scenario, let alone a 1.5°C one. The range of estimates is quite wide and can vary significantly over time. For example, Urgentem estimates the temperature score of UBAM - Positive Impact Equity to be 2.5°C on a medium-term horizon, while that same score would be 3.09°C for UBAM - Positive Impact Emerging Equity; their benchmarks are given scores of 2.8°C and 3.12°C, respectively.

From this we can conclude that our low-carbon portfolios are not sustainable if the portfolio companies do not commit to reducing carbon emissions further and this situation is one in which we (and most of the rest of the industry) find ourselves. To make progress, we have drawn up a roadmap for our climate policy. First, we are going to continue to disclose the temperature scores of our portfolios so that investors can monitor our progress. Second, we are going to step up our efforts to encourage companies to make disclosures according to the CDP framework. 2022 will mark the first time that we take part in CDP's Non-Disclosure Campaign<sup>3</sup>. This campaign is a collective effort by dozens

CHART 2: PERCENTAGE OF COMPANIES HAVING COMMITTED TO THE SCIENCE-BASED TARGET INITIATIVE (SBTI)



Source: UBP

of financial institutions who engage with an increasing number of companies (over 1,000 as at 2021) and encourage them to respond to CDP's disclosure requests about climate change, deforestation and water security.

A very satisfying fact about the Non-Disclosure Campaign is that its impact has been measured in the most rigorous way and has been found to be positive. Companies that are targeted for increased disclosure are 2.5 times more likely to disclose for the first time than the ones which are not targeted by the campaign.

Moreover, disclosing under the CDP framework naturally leads companies to think about a science-based target. First, because the Science-Based Target Initiative (SBTi) is itself a collaboration between CDP and other

bodies (such as the UN Global Compact and WWF), and second, because the CDP questionnaire on climate contains questions about ongoing targets that can constitute a starting point for an SBTi commitment.

We think this engagement effort will, in addition to our individual efforts during the rest of the year (see section on our Impact Engagement Framework, p. 12–13), lead to more of our companies adopting science-based targets (see Chart 2), which in turn will improve the temperature scores of our portfolios. This approach requires more patience and tenacity rather than just selling off positions in the highest emitters every year, but we think this is ultimately more meaningful, as **real-world emissions are generated by the companies themselves, not the portfolios that invest in them.**

<sup>1</sup> Weighted average carbon intensity, including Scope 3 emissions, expressed in tonnes of CO<sub>2</sub> equivalent per USD million of revenues.

<sup>2</sup> The IEA defines the Current Policies Scenario as only considering, "[...] the impact of those policies and measures that are firmly enshrined in legislation as of mid-2017. It provides a cautious assessment of where momentum from existing policies might lead the energy sector in the absence of any other impetus from government." [https://ieefa.org/wp-content/uploads/2018/11/IEEFA\\_Reviewing-global-energy-scenarios-13-Nov-2018.pdf](https://ieefa.org/wp-content/uploads/2018/11/IEEFA_Reviewing-global-energy-scenarios-13-Nov-2018.pdf)

<sup>3</sup> <https://www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaign>

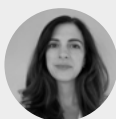
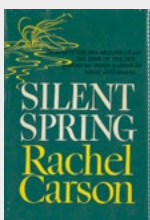
# The Impact Investment Team

Please meet the analysts and portfolio managers in the Impact Team and their 2021 top recommendations for impact-related inspiration!



## SILENT SPRING BY RACHEL CARSON

A classic reference text, *Silent Spring* is viewed as the inspiration for the modern environmental movement. Although it's been over 60 years since its first publication, sadly the message of this book is still relevant and urgent.



Recommended by **Victoria Leggett**, Head of Impact & Portfolio Manager Positive Impact Equity, UBAM - Biodiversity Restoration



## THE MONEY MAZE BY SIMON BREWER & WILL CAMPION

Recommended by **Rupert Welchman**, Portfolio Manager, Positive Impact Equity, Inclusive & Fair Economies Champion



## ACCESSTOMEDICINEFOUNDATION. ORG

An excellent resource to research the progress of the pharmaceuticals industry in providing access to medicines for people in low and middle income countries. The resource includes the Access to Medicines Index, a ranking of the world's 20 largest pharmaceutical companies based on their progress towards improving access and by definition increasing the positive impact of their medicines.

Recommended by **Scott Meech**, Portfolio Manager, Contributor - Europe & US



## THE YEAR THE EARTH CHANGED, DOCUMENTARY NARRATED BY DAVID ATTENBOROUGH

Recommended by **Yiping Du**, Portfolio Manager, Contributor - Asia



## THE WASTE-FREE WORLD: HOW THE CIRCULAR ECONOMY WILL TAKE LESS, MAKE MORE, AND SAVE THE PLANET BY RON GONEN

This is a great primer for those who are new to the idea of circular economy with plenty of examples of innovators with new solutions as well as traditional companies integrating some of those solutions into their business models.

Recommended by **Eli Koen** Portfolio Manager, Positive Impact Emerging Equity, Sustainable Communities Champion



## WHEN THERE WERE BIRDS BY ROY ADKINS



Recommended by **Simon Pickard**, Chair, Impact Investment Committee



## ELOGE DU VER DE TERRE BY CHRISTOPHE GATINEAU

Recommended by **Adrien Cambonie**, Portfolio Manager, UBAM - Biodiversity Restoration, Healthy Ecosystems Champion





### CATALYST BY SHAYLE KANN



Recommended by **Mathieu Nègre**, Portfolio Manager, Positive Impact Emerging Equity, Climate Stability Champion



### SILENT EARTH: AVERTING THE INSECT APOCALYPSE BY DAVE GOULSON



Recommended by **Charlie Annis**, Portfolio Manager, Contributor - SMID UBAM - Biodiversity Restoration, Healthy Ecosystems Champion



### REDEFINING ENERGY BY LAURENT SEGALEN & GERARD REID



Recommended by **Seraina Stiner**, UBP Responsible Investment Analyst



### SPEED & SCALE BY JOHN DOERR



Recommended by **Tidjan Ciss**, Portfolio Manager, Health & Well-being Champion



### EBRU BAYBARA DEMIR: EBRUBAYBARADEMIR.COM

Mrs. Ebru Baybara Demir is a renowned chef in Turkey who is supporting the use of local seeds while improving soil health by using biodegradable waste. Her projects also target the social integration of Syrian refugee women by teaching new skills.

Recommended by **Özgür Göker**, Impact Analyst, Engagement Champion



### IG.FT.COM/CLIMATE-GAME

It is inspiring because it gives you the rare opportunity to take action and to assess the impact of your choices.



Recommended by **Yvan Delaplace**, Investment Specialist



### BUSINESS OF BIODIVERSITY BY GROW LOVE MEDIA






Eight-episode podcast series focusing on the business opportunities in supporting biodiversity

Recommended by **Crystal Wong**, Impact Analyst



# 2022 to-do list

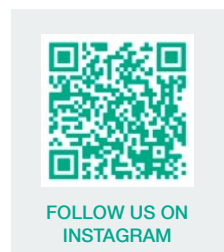
Last year we decided to highlight some of the items on the agenda for 2021 so you could see the new developments on the horizon that were not captured by the Annual Report. Happily, we have made progress on many of these, and below are some of the team’s 2022 targets. A common theme for our priorities is engagement, either bilaterally or as part of bigger initiatives.

 CDP	<p>We will participate in the 2022 Non-Disclosure Campaign organised by CDP and have volunteered to be the “lead investor” for 100% of our portfolio companies. The lead investor is the one which sends a collective letter to a company not yet reporting under CDP and which is co-signed by other members of this initiative; the lead investor also coordinates communications with CDP if a company expresses an interest in disclosure.</p>
 BIODIVERSITY COMMITTEE & REPORTING	<p>Launched alongside UBAM - Biodiversity Restoration, this committee is intended to provide oversight and serve as an “R&amp;D sandbox” for our corporate holdings so that lessons can be learnt from the expertise of our partner NGOs. We aim to disclose the outcomes of these workshops in our first Impact Report for the biodiversity fund in 2022.</p>
 ENGAGEMENT SCORING	<p>Engagement attribution was a key area for us last year and continues to be the most prominent area of process development. It is our goal in 2022 to establish an engagement score, which sits alongside the IMAP score, so we can deliver a more complete impact assessment of each investment (this includes both the impact of the company and of UBP).</p>
 TARGETED ENGAGEMENT PROJECTS	<p>We have identified a cluster of holdings that we feel have strong potential to provide clear traceability between our engagement and corporate changes. These corporates are from both high- and low-income countries and are at differing stages of their impact awareness and communication. We have set very specific targets and milestones for each engagement track and will be reporting on our progress in the 2022 Annual Report.</p>
 COLLABORATION	<p>Continued collaboration with CISL on the Integrating Nature publications. Since 2020, UBP has been an active participant in the working group for nature-related financial risks and we were excited to publish our first handbook in 2021. Since then, we have focussed on one specific use case, the “EU Farm to Fork Strategy and Fertiliser Companies”, which was published in early 2022. Our goal throughout 2022 is to ensure the reports and use cases get a wide and engaged audience and that we embed the findings of this and other use cases into our biodiversity work.</p>

## AN INVITATION

Although we have identified our own priorities for 2022, we understand that for us all to reach our collective goals, we must work together. We would love to hear from you if you would be interested in learning more about any of the topics discussed in this report. We would also welcome any suggestions that might help us improve our disclosure process.

Please contact us on [\\_ImpactinvestingLDN@ubp.com](mailto:_ImpactinvestingLDN@ubp.com) or via our Instagram [@ubp.impact](https://www.instagram.com/ubp.impact)



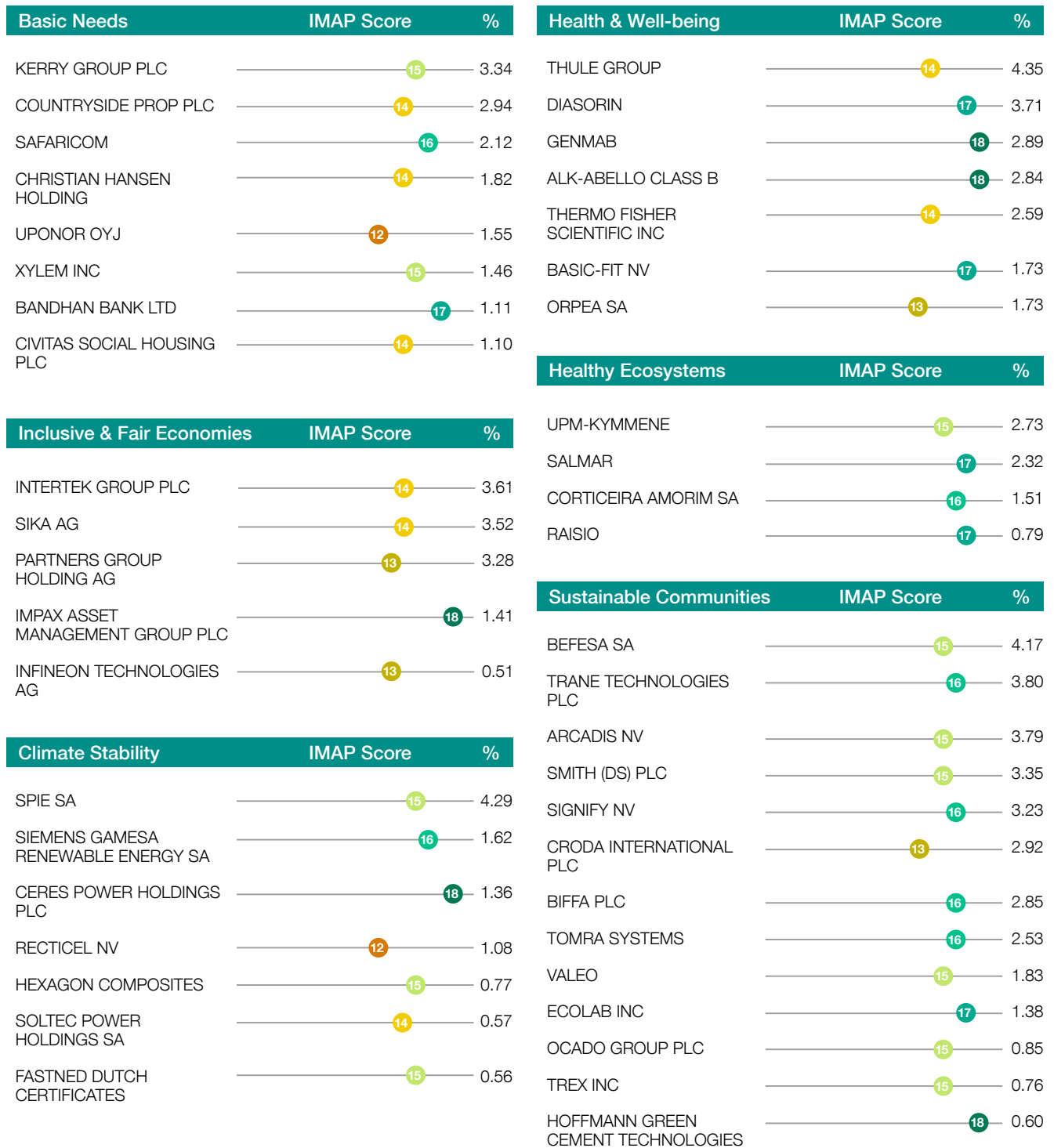


# UBAM - POSITIVE IMPACT EQUITY

UBAM - POSITIVE  
IMPACT EQUITY'S  
DISTINCTIONS



# Fund holdings as at year end

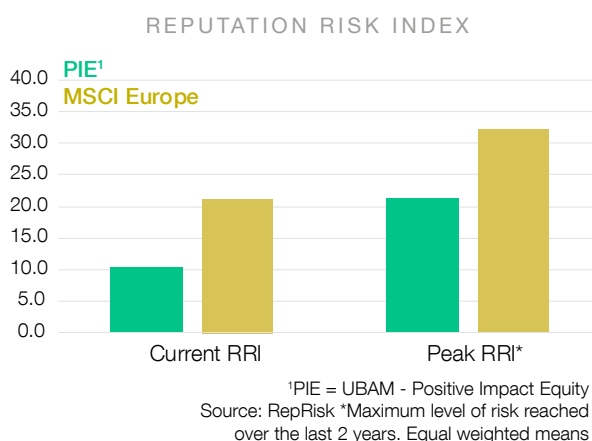


Average portfolio IMAP score: 14.8

# ESG monitoring 2021

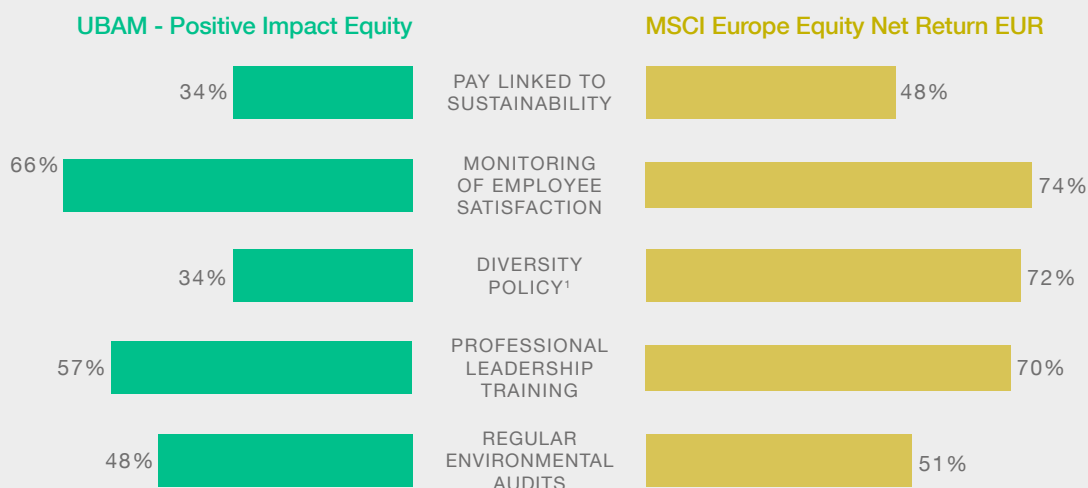
The data below reflects our areas of priority for ESG monitoring. Recognising that disclosure is often linked to geography and market capitalisation, we do not necessarily expect our funds to be superior to the reference benchmark for the majority of these factors. We do, however, expect progress over time and integrate the results into our engagement with individual companies.

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.



	UN GLOBAL COMPACT			HUMAN RIGHTS COMPLIANCE		
	Pass	Watch	Fail	Pass	Watch	Fail
PIE <sup>1</sup>	40	1	0	40	1	0
MSCI EU	389	28	3	397	20	1
MSCI ACWI	2,847	93	15	2,866	79	10
PIE <sup>1</sup>	98%	2%	0%	98%	2%	0%
MSCI EU	93%	7%	0.7%	95%	5%	0.2%
MSCI ACWI	96%	3%	0.5%	97%	3%	0.3%

	LABOUR COMPLIANCE - CORE			LABOUR COMPLIANCE - BROAD		
	Pass	Watch	Fail	Pass	Watch	Fail
PIE <sup>1</sup>	41	0	0	41	0	0
MSCI EU	411	6	0	409	8	0
MSCI ACWI	2,926	26	3	2,905	45	5
PIE <sup>1</sup>	100%	0%	0%	100%	0%	0%
MSCI EU	98%	1%	0%	98%	2%	0%
MSCI ACWI	99%	1%	0%	98%	2%	0%

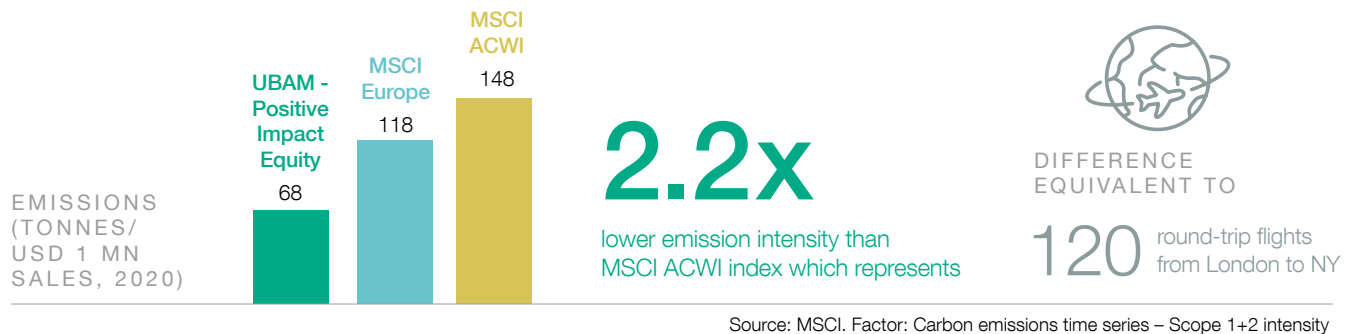


<sup>1</sup>Comment: Reflective of the relatively lower disclosure of smaller companies. Our IEF efforts demonstrate that 59% of fund companies actively measure and address workforce diversity.

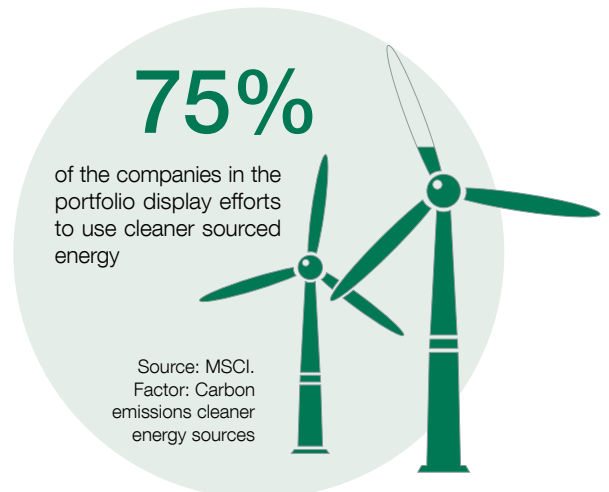
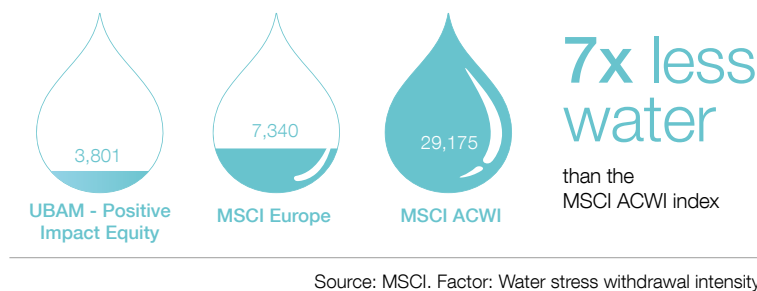
Source: MSCI. Not weight adjusted, reflective of % of companies of the fund. Factor: Pay linked to sustainability, Disclosure: Fund: 95%; MSCI Europe Equity Net Return EUR (MSCI EU): 100%. Factor: Monitor employee satisfaction, Disclosure: Fund: 93%; MSCI EU: 100%. Factor: Diversity policy for workforce, Disclosure: Fund: 91%; MSCI EU: 100%. Factor: Provides professional leadership development program, Disclosure: Fund: 93%; MSCI EU: 100%. Factor: Company conducts regular environmental audits of its operations, Disclosure: Fund: 93%; MSCI EU: 100%. Source: Bloomberg Finance L.P. Factor: R&D to sales. Disclosure: Fund: 84%; MSCI EU: 75%. Past performance is not a guide to current or future results.

# UBAM – Positive Impact Equity’s footprint in 2021

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

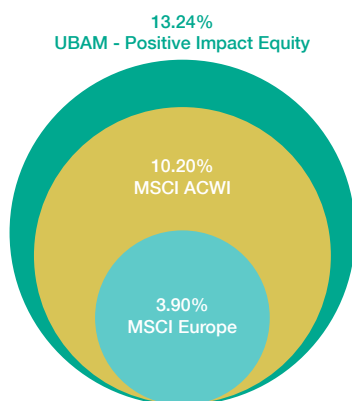


**WATER WITHDRAWAL (CUBIC METRES/USD 1 MN SALES, 2020)**



**AVERAGE R&D SPENDING (% OF SALES)**

Each EUR 1 million of sales contributes EUR 132,400 towards research & development, reflecting the holdings’ superior efforts at finding innovative solutions to address social and environmental issues



**EXPOSURE TO FOSSIL FUEL RESERVES**

UBAM - Positive Impact Equity	0.0%
MSCI AC World Net TR Index	6.5%
MSCI Europe Equity Net Return EUR	5.7%

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.

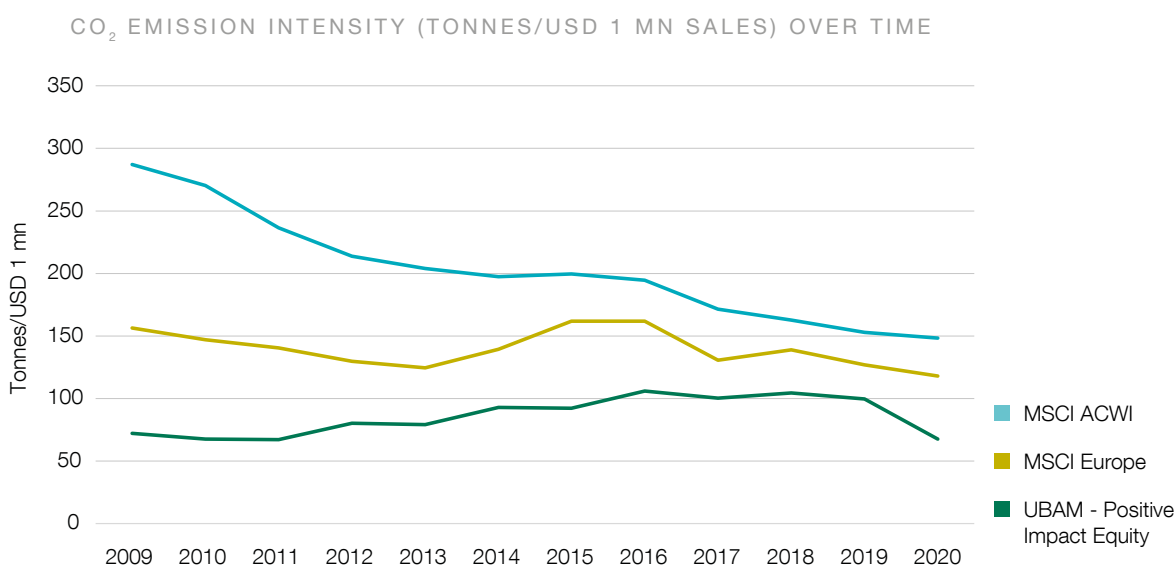
Disclosure levels:

Emissions: Fund: 89%; MSCI Europe: 97%; MSCI ACWI: 96%, Water withdrawal: Fund: 18%; MSCI Europe 47%; MSCI ACWI 28%, R&D spending: Fund: 84%; MSCI Europe 75%; MSCI ACWI 78%, Clean energy efforts: Fund: 91%, Exposure to fossil fuel reserves: Fund: 95%; MSCI Europe 100%; MSCI ACWI 100%. Past performance is not a guide to current or future results.

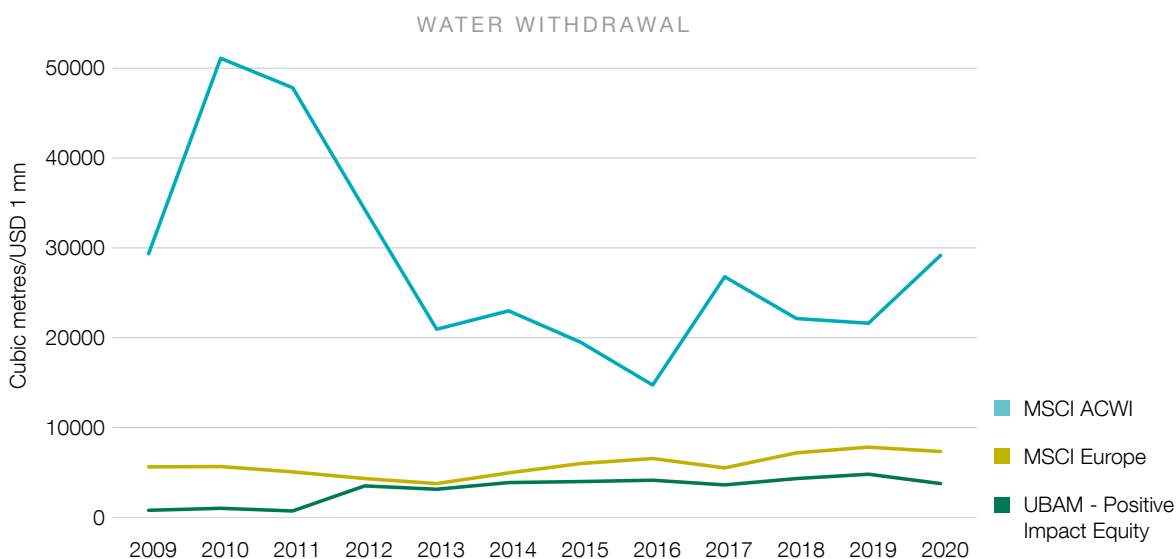


# Footprint over time

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.



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

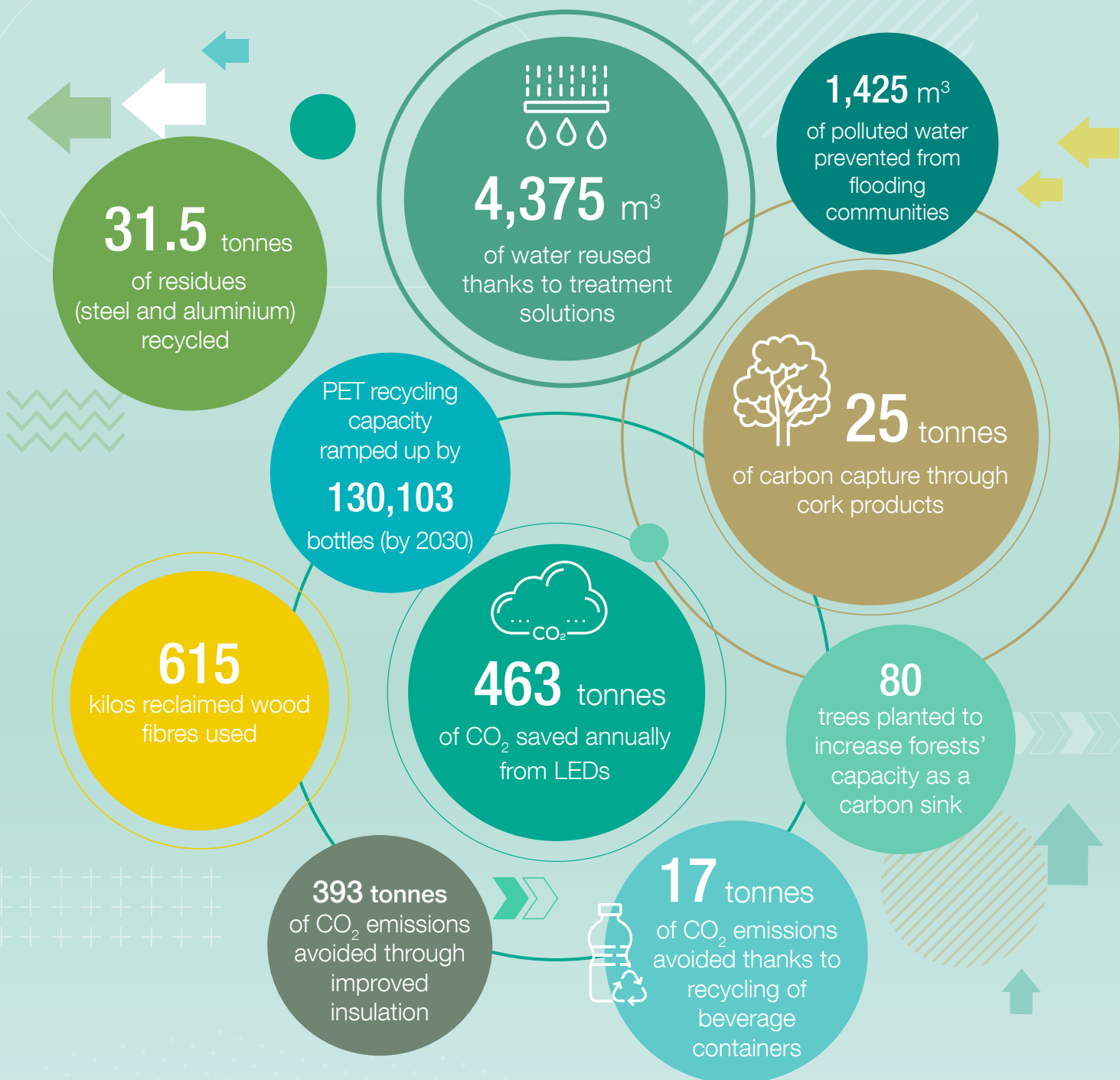


Source: MSCI. Factor: Water stress withdrawal intensity

\*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 December 2021 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. Backtested/Simulated performance is only an approximate means of modifying historical records to reflect certain aspects of the economic terms of the portfolio and constitutes no more than mathematical adjustments to actual performance numbers. MSCI ACWI/MSCI Europe - The Fund has no reference benchmark designated for the purpose of attaining its sustainability objectives. Past performance is not a guide to current or future results.

# 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).



Annual figures based on disclosure by nine 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.

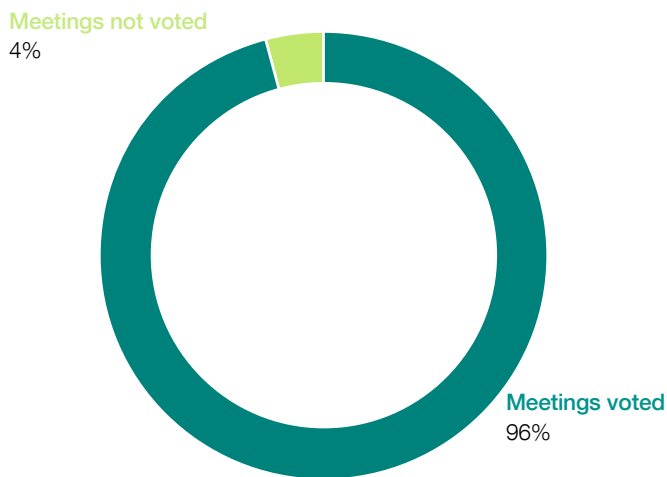
Example: This year, Signify's LEDs avoided 73,000,000 tonnes of CO<sub>2</sub> emissions. At year end weight, every EUR 1 mn investment allocates EUR 32,300 to Signify which has a EUR 5,093 mn market cap. Therefore, (0.0323/5093) x 73,000,000 = 463 tonnes.

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

# Fund voting record 2021

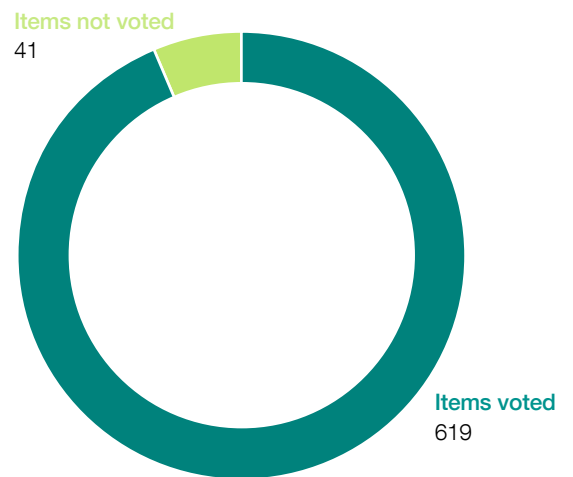
Below is a snapshot of our voting activity in 2021. Comprehensive disclosure for all managed funds at UBP can be found on the UBP website.

VOTABLE MEETINGS



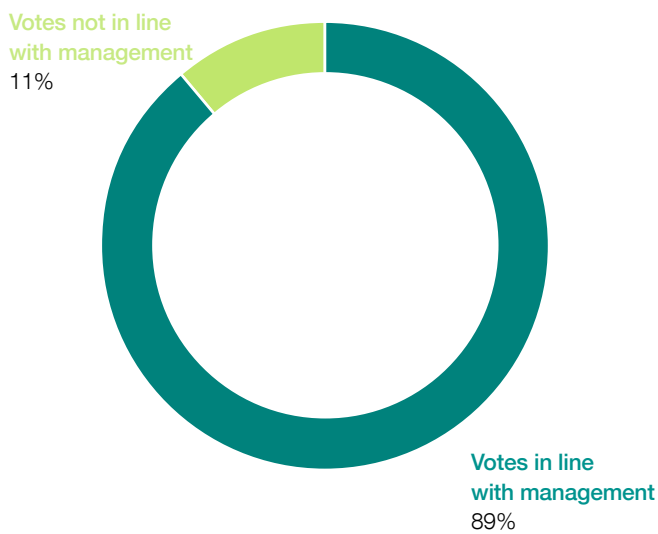
Source: UBP

VOTABLE ITEMS



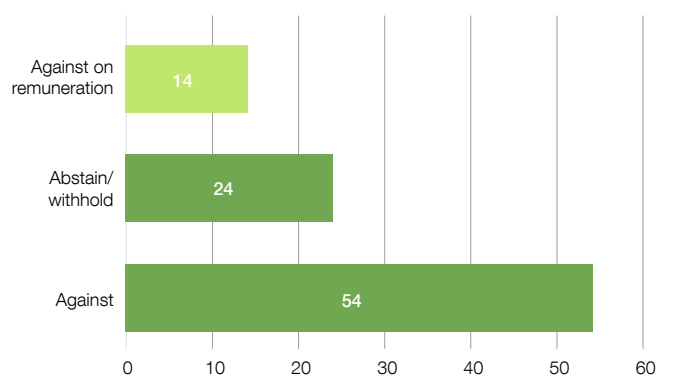
Source: UBP

ITEMS VOTED



Source: UBP

BREAKDOWN OF VOTES NOT IN LINE WITH MANAGEMENT



Source: UBP

# UBAM – POSITIVE IMPACT EMERGING EQUITY

UBAM - POSITIVE  
IMPACT EMERGING  
EQUITY'S DISTINCTIONS





# Fund holdings as at year end

Basic Needs			Health & Well-being		
	IMAP Score	%		IMAP Score	%
SAFARICOM	16	2.60	CIPLA LTD	14	3.76
CHINA EDUCATION GROUP HOLDINGS LTD	13	2.45	GEDEON RICHTER	13	2.85
LAUREATE EDUCATION INC	15	2.11	SHANDONG WEIGAO GP MEDICAL POLYMER	14	2.71
BANDHAN BANK LTD	17	2.07	SINO BIOPHARMACEUTICAL LTD	13	2.58
COMPARTAMOS SAB DE CV	14	1.84	ALIBABA HEALTH INFORMATION TECH LT	16	1.16
PINDUODUO ADR REPRESENTING INC	12	1.74			
CHINA YUHUA EDUCATION CORPORATION	13	1.34	Inclusive & Fair Economies		
STANDARD FOODS CORP	12	1.17	DELTA ELECTRONICS INC	15	4.41
DIRECIONAL ENGENHARIA SA	15	0.92	ADVANTECH LTD	14	3.23
YDUQS PARTICIPACOES SA	14	0.74	BANK RAKYAT INDONESIA (PERSERO)	14	2.89
			TRANSACTION CAPITAL LTD	14	1.77
Healthy Ecosystem			PAGSEGURO DIGITAL LTD CLASS A	13	1.45
			SINBON ELECTRONICS LTD	14	1.10
OCEANA GROUP LTD	14	0.53	TURKIYE SINAI KALKINMA BANKASI A	14	0.66
Climate Stability			Sustainable Communities		
			CLEANAWAY LTD	13	3.62
NARI TECHNOLOGY LTD A	16	3.85	MONDI PLC	13	3.13
XINYI SOLAR HOLDINGS LTD	16	3.17	LG CHEM LTD	14	2.63
LONGI GREEN ENERGY TECHNOLOGY LTD	17	2.94	MTR CORPORATION CORP LTD	14	2.58
MING YANG SMART ENERGY GROUP LTD A	15	2.40	GIANT MANUFACTURING LTD	12	2.47
ZHEJIANG CHINT ELECTRICS LTD A	12	2.32	SAMSUNG SDI LTD	13	2.37
VOLTRONIC POWER TECHNOLOGY CORP	16	2.20	YADEA GROUP HOLDINGS LTD	12	2.32
XINJIANG GOLDWIND SCIENCE AND TECH	15	1.58	SWIRE PROPERTIES LTD	15	2.31
CIA ENERGETICA DE MINAS GERAIS PRE	13	1.36	YUTONG BUS LTD A	12	1.44
DOOSAN FUEL CELL LTD	16	1.21	WUXI LEAD INTELLIGENT EQUIPMENT LT	15	1.40
ENERGY ABSOLUTE PCL F	13	1.12	BYD LTD H	12	1.18
TPI COMPOSITES INC	16	0.74			

Average portfolio IMAP score: 14.1

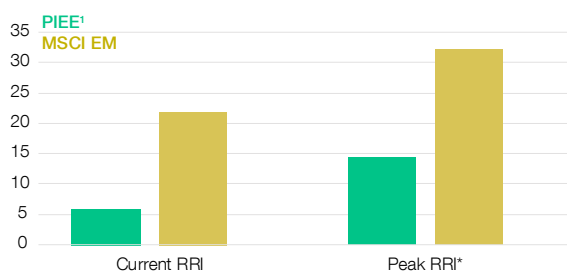
# ESG monitoring 2021

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	UN GLOBAL COMPACT			HUMAN RIGHTS COMPLIANCE		
	Pass	Watch	Fail	Pass	Watch	Fail
PIEE <sup>1</sup>	42	1	0	42	1	0
MSCI EM	1382	26	8	1389	21	6
PIEE <sup>1</sup>	97.7%	2.3%	0%	97.7%	2.3%	0%
MSCI EM	97.6%	1.8%	0.6%	98.1%	1.5%	0.4%

## REPUTATION RISK INDEX

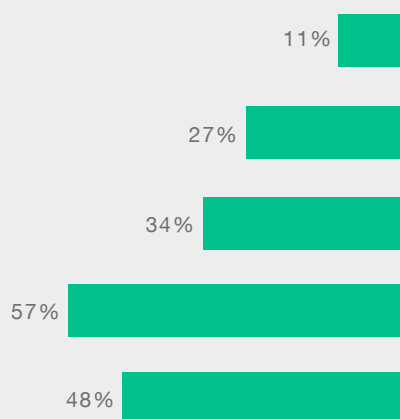


<sup>1</sup>PIEE = UBAM - Positive Impact Emerging Equity  
Source: RepRisk, Factor: RRI / Peak RRI Index.  
Disclosure: Fund: 100%; MSCI EM: 95%

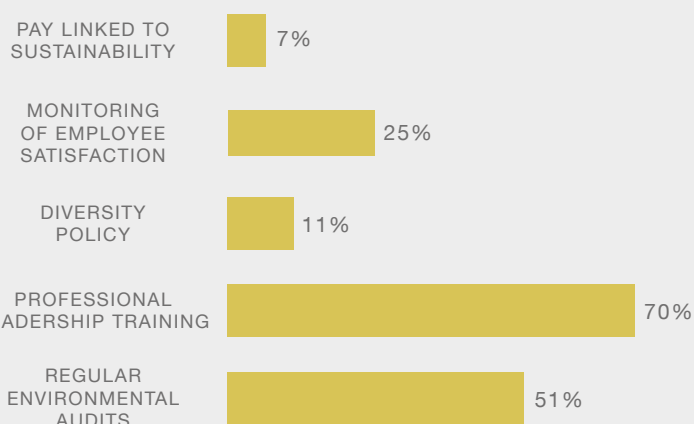
	LABOUR COMPLIANCE CORE			LABOUR COMPLIANCE BROAD		
	Pass	Watch	Fail	Pass	Watch	Fail
PIEE <sup>1</sup>	43	0	0	43	0	0
MSCI EM	1412	2	2	1405	7	4
PIEE <sup>1</sup>	100.0%	0%	0%	100.0%	0%	0%
MSCI EM	99.7%	0.1%	0.1%	99.2%	0.5%	0.3%

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

## UBAM - Positive Impact Emerging Equity



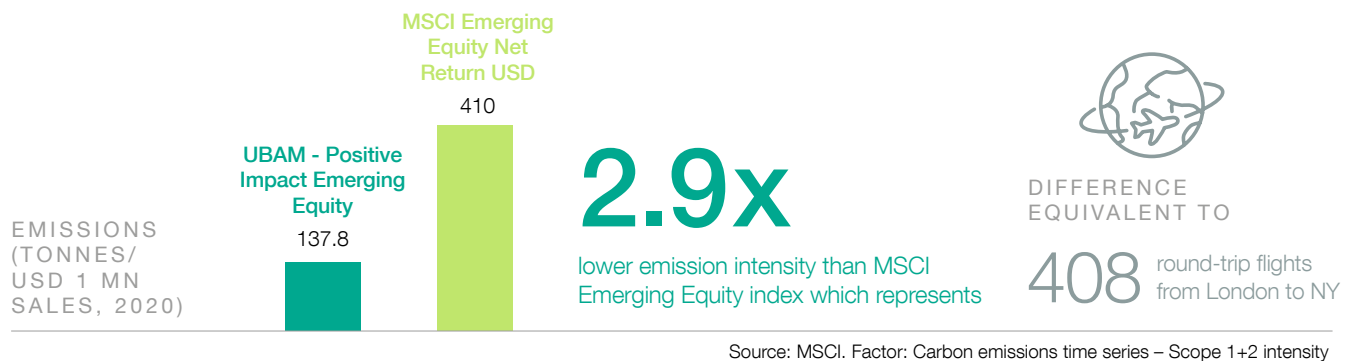
## MSCI Emerging Markets



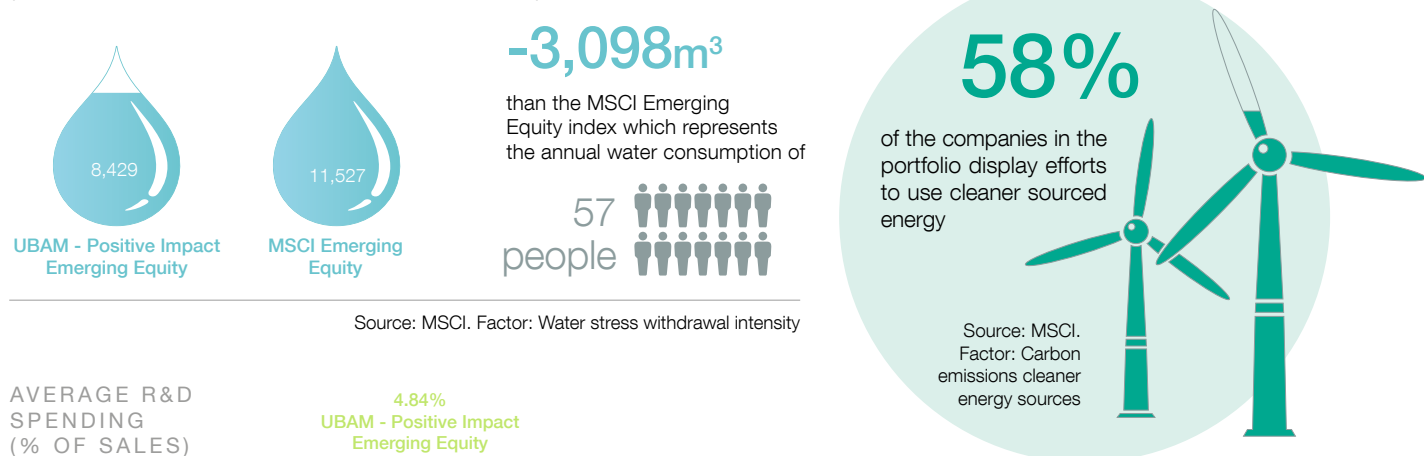
Source: MSCI. Not weight-adjusted, reflective of % of companies of the fund.  
Factor: Pay linked to sustainability, Disclosure: Fund: 96%; MSCI EM: 100%. Factor: Monitoring of employee satisfaction, Disclosure: Fund: 96%; MSCI EM: 100%. Factor: Diversity policy, Disclosure: Fund: 91%; MSCI EM: 98%. Factor: Professional leadership training, Disclosure: Fund: 57%; MSCI EM: 100%. Factor: Regular environmental audits, Disclosure: Fund: 93%; MSCI EM: 99%.  
Past performance is not a guide to current or future results.

# UBAM - Positive Impact Emerging Equity's footprint in 2021

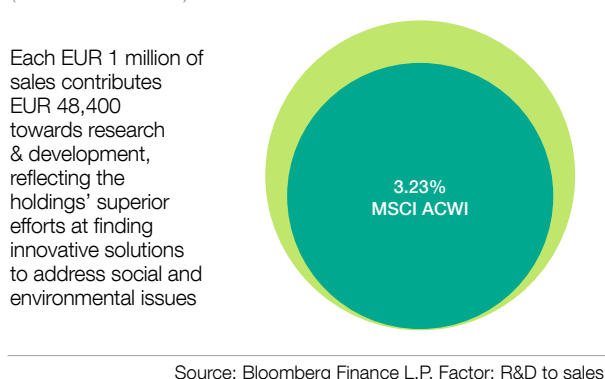
Performance\* of UBAM - Positive Impact Emerging Equity versus the MSCI Emerging Markets, per USD 1 million worth of sales



**WATER WITHDRAWAL (CUBIC METRES/USD 1 MN SALES, 2020)**



**AVERAGE R&D SPENDING (% OF SALES)**



**EXPOSURE TO FOSSIL FUEL RESERVES**



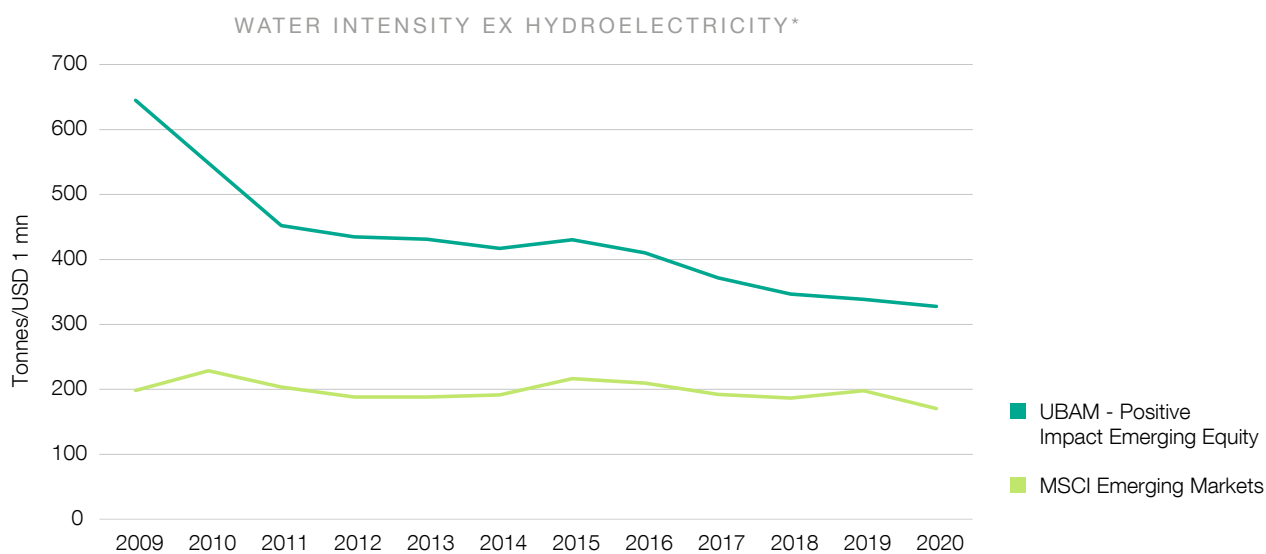
\*Metrics calculated using relevant MSCI and Bloomberg data points (water withdrawal per USD 1 mn of sales, emissions per USD 1 mn of sales, clean energy sourcing efforts and R&D spending as % of sales). Data was adjusted to represent the entire sample when disclosure was missing for some constituents.

Disclosure levels:

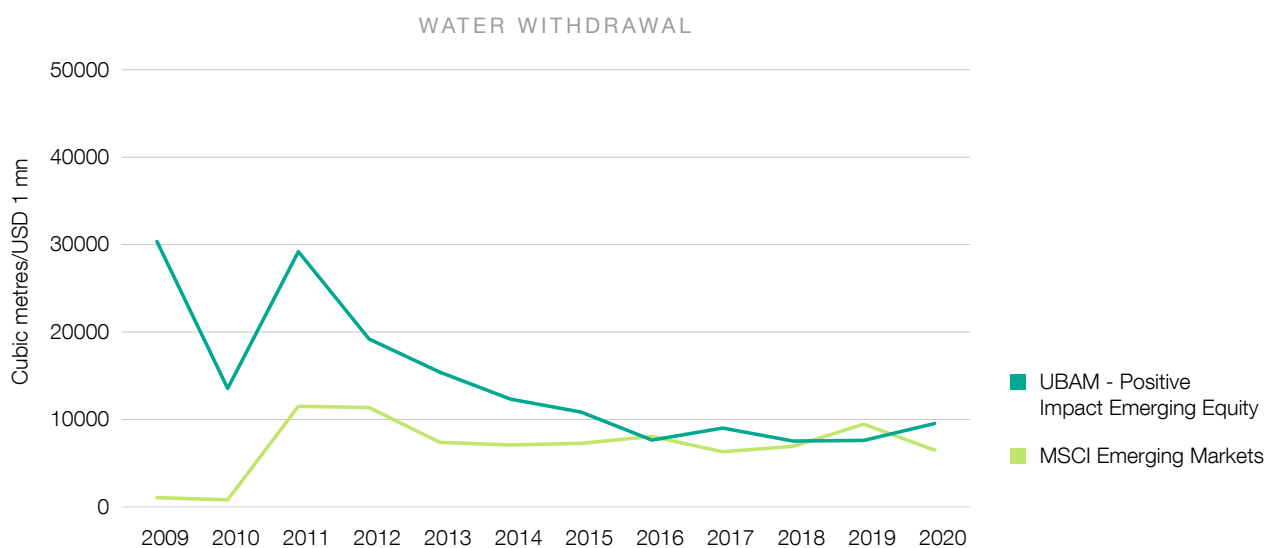
Emissions: Fund: 97.5%; MSCI Emerging Equity: 99.9%, Water withdrawal: Fund: 25.3%; MSCI Emerging Equity 41.%, R&D spending: Fund: 87%; MSCI Emerging Equity 79%, Clean energy efforts: Fund: 91%, Exposure to Fossil Fuel Reserves: Fund: 98%; MSCI Emerging Equity 100%. Past performance is not a guide to 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.



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



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.

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.

Backtested/Simulated performance is only an approximate means of modifying historical records to reflect certain aspects of the economic terms of the portfolio and constitutes no more than mathematical adjustments to actual performance numbers.

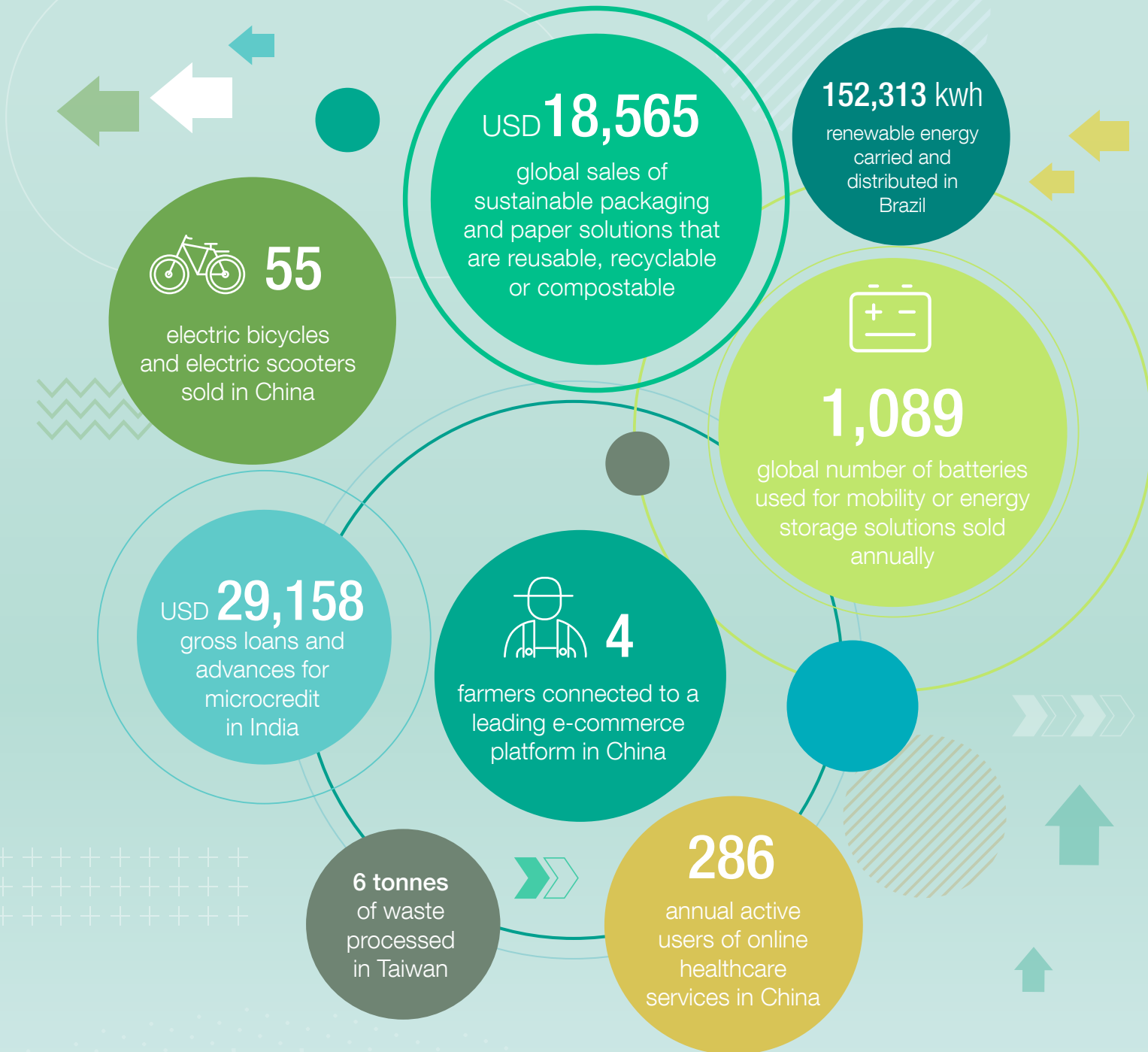
MSCI Emerging market - The Fund has no reference benchmark designated for the purpose of attaining its sustainability objectives.

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

\*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.

# 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).



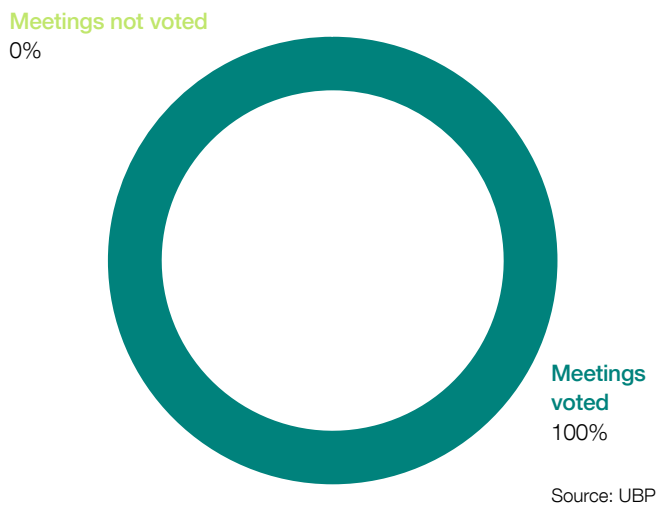
Annual figures based on disclosure by eight companies held in the fund and only considering relevant business lines. Metrics calculated using company-disclosed non-financial key performance indicators. Investment in the company from a USD 1 mn investment is derived using the fund weight/total market capitalisation x KPI to obtain a fund-attributable figure. Example: This year, Bandhan Bank had a total gross loans and advances book of USD 7,713,040,000 for microcredit. At current weight, every USD 1 mn investment allocates USD 20,656 to Bandhan which has a USD 5,464 mn market cap. Therefore,  $(0.020656/5,464) \times 7,713,040,000 = \text{USD } 29,158$  gross loans and advances as microcredit. Past performance is not a guide to current or future results.



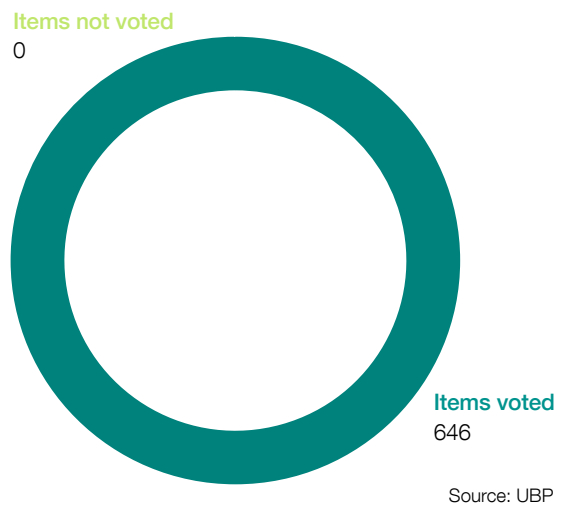
# Fund voting record 2021

Below is a snapshot of our voting activity in 2021. Comprehensive disclosure for all managed funds at UBP can be found on the UBP website.

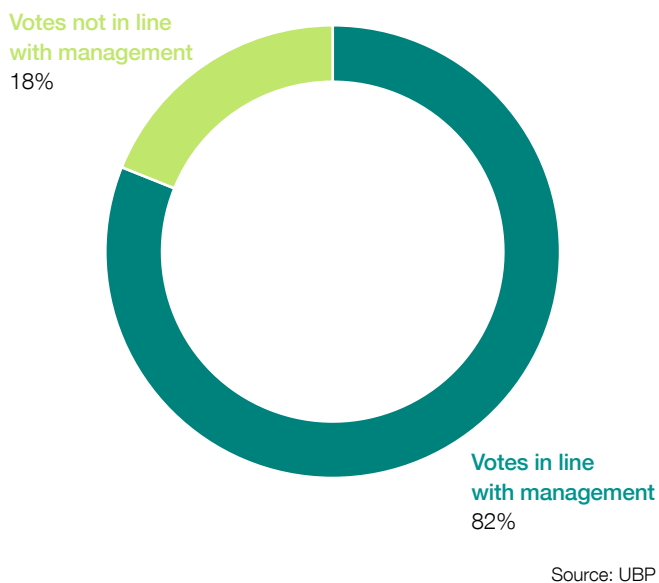
VOTABLE MEETINGS



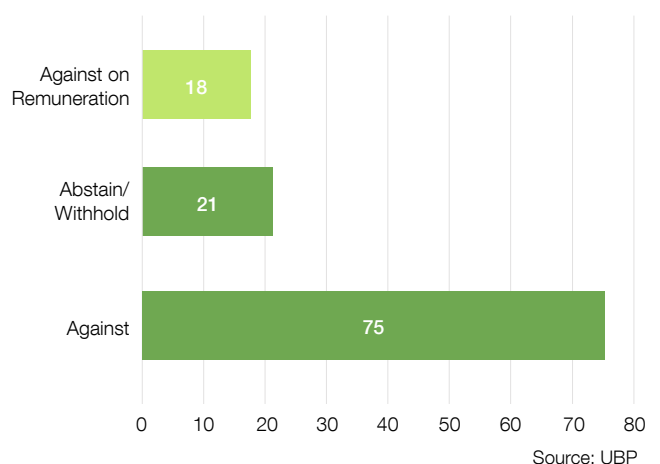
VOTABLE ITEMS



ITEMS VOTED



BREAKDOWN OF VOTES NOT IN LINE WITH MANAGEMENT



## Disclaimer

This document is a marketing communication containing GENERAL INFORMATION on the financial services and/or financial instruments, and reflecting the sole opinion of Union Bancaire Privée, UBP SA and/or any entity of the UBP Group (hereinafter "UBP") as of the date of issue. It may contain generic recommendations but it is not and should not be deemed an offer nor a solicitation to enter into any transaction with UBP, buy, subscribe to, or sell any currency, product, or financial instrument, make any investment, or participate in any particular trading strategy in any jurisdiction where such an offer or solicitation would not be authorised, or to any person to whom it would be unlawful to make such an offer or solicitation. This document is meant only to provide a broad overview for discussion purposes, in order to determine clients' interest. It does not replace a prospectus, KID, KLID or any other legal document relating to any specific financial instrument, which may be obtained upon request free of charge from UBP or from the registered office of the issuer of the instrument concerned, where applicable. The opinions herein do not take into account individual clients' circumstances, objectives, or needs. In this document UBP makes no representation as to the suitability or appropriateness, for any particular client, of the financial instruments or services described, nor as to their future performances. Clients who wish to obtain more information about any specific financial instruments can request it from UBP and/or their Relationship Manager. Where an investment is considered, the information on the risks linked to each financial instrument shall be provided in good time by separate means before the investment decision is taken. 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