

JUNE 2023

IMPACT REPORT 2022

UBAM - Biodiversity Restoration
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

Our Impact range continues to grow. With four strategies and a multi-talented team of eleven spread across different countries, it is now a substantial operation. This year's Impact Report features a new fund: Biodiversity Restoration.

Concerns over the future of our planet have been gradually extending beyond the climate change issue to encompass ecosystem and biodiversity preservation, and 2022 was the year in which that trend really picked up, culminating in the UN's biodiversity conference, COP15, with the launch of the Global Biodiversity Framework.

Leveraging on the foresight offered by our Impact Advisory Committee composed of independent sustainability experts, UBP's award-winning Impact Investing team have been building strong foundations in the biodiversity space for several years, enabling them to integrate nature into their strategy across the product range. As a result, we now have the aforementioned Biodiversity Restoration equity solution, and a dedicated Biodiversity Committee which ensures a multi-stakeholder approach to the topic. In that context, we have 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. The team also looks forward in 2023 to delivering the latest in a series of toolkits on nature in finance, through its involvement in the Investment Leaders Group¹.

At UBP we regard our organisation as an ecosystem too. Every colleague is important to a given process, which in turn has an influence on our larger-scale operations. And we know that the more diversity we have within that ecosystem, within our workforce – the greater the combination of different backgrounds, skills and approaches – the more productive, creative and successful we will be.

In this spirit, our impact franchise is evolving and adding variety with new strategies as the value that the asset class can bring becomes increasingly apparent and attracts more and more interest among investors. In addition to Positive Impact Equity and Positive Impact Emerging Equity, which were joined, as I said, by Biodiversity Restoration in 2021, the latest launch, in 2022, was Global Impact Equity. We are pleased that all four of them have an Article 9 classification ("having sustainable investment as an objective") under the EU Sustainable Finance Disclosure Regulation (SFDR). This sets us up for the further evolution of the regulatory framework as impact investing gathers momentum.

The development of our impact investing offering is a perfect example of a healthy and diverse ecosystem, drawing on UBP's special mix of adaptability, vision and ambition to create a balanced and multifaceted set of products and services. In fact, we regard the impact franchise as the mother tree of our sustainable investments. Supported by the arrival of our Global Head of Sustainability, and by the Bank's will to develop a comprehensive sustainable thematic offering, the five years of groundwork undertaken by the Impact team has laid solid foundations for our overall sustainability approach.

I trust this year's edition of the Report, with its comprehensive selection of data, case studies and projections for the future, will reflect the vision of our team and convey how effectively we are collaborating to deliver the highest-quality impact investments to our clients.

¹ facilitated by the Cambridge Institute for Sustainability Leadership

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Introduction



Victoria Leggett
 Head of Impact Investing
 & Portfolio Manager
 UBAM - Biodiversity Restoration

Welcome to the fifth edition of the UBP annual Impact Report! You will find all the regular content; an update on the Advisory Board, the findings from this year’s Impact Engagement Framework, the team’s ambitions for 2023 and of course the fund-specific data sections. I’m delighted to highlight the write-up of the CDP non-disclosure campaign, which was one of our goals in the last report. Also, we have taken some time to walk through a potentially controversial sector – ‘big pharma’ (p. 12–13) and examine the areas where we believe we can find positive impact.

Engagement continues to be central to our process and there are several case studies this year, both bilateral and collaborative. We’ve focussed our goals for 2023 on engagement, specifically how we can more clearly evidence its beneficial effect on our portfolio companies. We have been recording company feedback on our influence for several years as part of our Impact Engagement Framework (p. 20–21), but we aim to take this further this year so we can begin to show some clear additionality from our engagement.

Fittingly, this is the first year we have reported on UBAM - Biodiversity Restoration, as we approach its second anniversary. We have placed an even more significant emphasis on engagement for this strategy, not least because

the understanding and reporting on biodiversity is still in the very early stages (as discussed in last year’s report). We believe our role should be to partner with our investee companies and other stakeholders to help create systems change. Our Biodiversity Committee drives this work and, in 2022, hosted our first multi-stakeholder workshop. This conversation tackled a sector which is central to creating meaningful change for biodiversity and nature – food. We posed the question “How can companies in the food value chain alter their operations to protect and restore biodiversity without compromising the food requirements of humans?” and we were joined by several companies along the food value chain, NGOs and academics from the University of Cambridge. You can read more about this event on pages 16 and 17 of this report.

2022 was also a year of team development. We welcomed Crystal Wong (London) to the Impact team as an impact analyst, and Yiping Du (Hong Kong) became a full-time member of our team. We also saw the appointment of Robert de Guigné as Group Head of Sustainability at UBP. He brings a great deal of experience and energy to UBP’s sustainability ambitions and the Impact team looks forward to working with him in 2023. You can read a bit more about him on pages 10 and 11.

WE SUPPORT

2022 DISTINCTIONS FOR OUR FUNDS

We've been recognized for our outstanding environmental performance

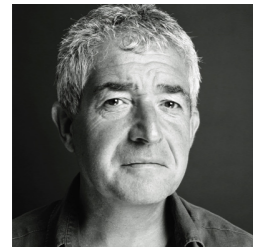
Past performance does not predict future returns.

GOVERNANCE

The UBP Impact Advisory Board

In 2022 the Impact Advisory Board met three times, having increased the frequency of meetings from two at the Impact Investing team's request, so that the team could derive even more benefit from its insights.

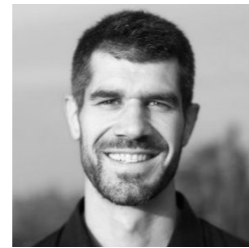
EXTERNAL ADVISORY BOARD MEMBERS



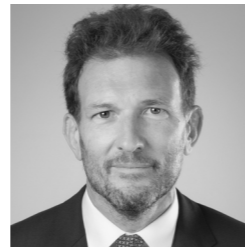
Tony Juniper
Chair, Natural England



Jake Reynolds
Head of Client Sustainability & Environment, Freshfields Bruckhaus Deringer



Bastien Sachet
CEO of the Earthworm Foundation



Simon Pickard
Chair, Impact Investment Committee



Kanini Mutooni
Managing Director, Draper Richards Kaplan Foundation

“Impact investing as a philosophy can now be safely said to have moved to the mainstream, with over USD 7 trillion in assets as at 2023 (according to the GIIN). Even so, we still have over USD 100 trillion of non-value-aligned assets that still remain on the sidelines. UBP as an institutional investor continues to be intentional in selecting listed companies with strong sustainability credentials and has signalled to the wider market that it is indeed possible to deploy public capital in a value-aligned manner.”

THE ADVISORY BOARD IN ACTION – INCORPORATION OF BIODIVERSITY RESTORATION FUND

In late 2022, the Board took on an advisory role for the newly launched third fund in the UBP impact franchise – the Biodiversity Restoration Fund (‘BRF’). A regular feature of Board meetings in 2023 was a report from Tony Juniper in his role as Chair of the Biodiversity Committee, which oversees the biodiversity credentials of this fund. The following key points emerged from the ensuing discussions:

- The Committee is working to co-create a forum for collaboration between the Fund, its NGO partners from the academic and conservation worlds, and the corporates whose shares the fund owns.
- Biodiversity is increasingly central in the policy and regulatory debate, with the lead-up to December’s COP-15 Biodiversity Summit in Montreal and the continuing development of the European Taskforce for Nature-related Financial Disclosures being recurring topics. Beyond Tony’s unparalleled expertise in this area, other Board members also have a wealth of experience in the interplay between biodiversity and finance and we expect the Board’s input to be an invaluable source of insight as the issue of biodiversity loss continues to grow in importance.
- The Committee can provide valuable input on how to generate meaningful KPIs for biodiversity with its additional complexity and lack of consensus compared to carbon.

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.

March Board Meeting

- Review of policy on nuclear energy – a variety of views expressed by the Board and a discussion of nuclear power’s applicability to various situations and countries
- Engagement case studies – at the Board’s request, examples of successful and unsuccessful engagements and lessons learned

- Review of policy on rare earths – a cautious view expressed by the Board on various ESG aspects

June Board Meeting

- Review of the 2021 UBP Impact Report – various recommendations on how to make the team’s engagements a point of differentiation, including: encouragement of robust measurement; a focus on key areas like biodiversity but with a ‘do no harm’ lens on other issues; participation in and convening of a collaborative ecosystem being as key as bilateral engagement
- Discussion on engagement scoring – recommendation to avoid reductive scoring given the difficulty of ascribing on governance, roadmaps, etc.
- Discussion on measuring UBP’s investor

additionality – recommendations around setting targeted engagements to fewer companies; asking companies to provide evidence of implementation as a proxy to collating impact-output KPIs

November Board Meeting

- Overview and in-depth discussion of COP27 and COP15 – comments on changing narrative around 1.5° warming target; influence of Ukraine war
- Preparation for first Biodiversity Workshop – outline of key targets for the meeting, participants; various recommendations made by non-Biodiversity Committee members
- Review of NGO relationships – discussion and recommendations around UBP’s NGO network and the opportunities for contributing to system changes and breaking down of silos

REVIEW OF STOCK ANALYSIS* AND IMAP SCORES

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 advice are shown below.

March Board Meeting

Holding	Points raised	Action taken
Beyond Meat (US, Planet-Compatible Diets)	Transparency on sustainability agenda; not resting on laurels of alternative protein	Further engagement on agricultural practices and supply chain
Pennon (UK, Healthy Ecosystems)	High-category pollution issues; nature-based solutions; biodiversity metrics	Further engagement on pollution control and biodiversity metrics
Pinduoduo (China, Inclusive & Fair Economies)	How does the company ultimately better the livelihoods of rural farmers	Further engagement on improving the livelihoods of rural farmers
China Education Group (China, Basic Needs)	Integration of sustainability into the syllabus	Adjustments to IMAP score; further engagement on impact transparency

June Board Meeting

Holding	Points raised	Action taken
NatWest (UK, Inclusive & Fair Economies)	Key role of financial companies in promoting positive impact; Net Zero movement in finance	Further engagement on providing evidence, identifying KPIs
Deere & Co (US, Basic Needs)	Deere as leader or follower; overall materiality of its impact	Adjustments to IMAP score; further engagement on implications of automation
CEMIG (Brazil, Basic Needs)	Future of hydro; risk of stranded assets; biodiversity impact	Adjustments to IMAP score; further engagement on biodiversity impact

November Board Meeting

Holding	Points raised	Action taken
Weyerhaeuser (US, Healthy Ecosystems)	Potential vulnerabilities to invasive species; wood pellet business; local community relations	Further engagement on impact on local communities, CO ₂ sequestration and biodiversity
Corticeira Amorim (Portugal, Healthy Ecosystems)	Strong impact case, which company could enhance with improved biodiversity reporting	Further engagement on number of independent directors
JD Health (China, Health & Wellbeing)	Appropriateness of KPIs used, with more focus on outcomes rather than outputs	Adjustments to IMAP score; further engagement on environmental impact and SBTi
Advanced Drainage Systems (US, Planet-Compatible Utilities)	Plastic-recycling aspect of the business strong but water management aspects could be improved	Further engagement on executive compensation; proportion of recycled plastics
Cathay Financial (Taiwan, Inclusive & Fair Economies)	Importance of not confusing joining initiatives with delivering outcomes; importance of concentrating on delivering insurance to underserved communities	Adjustments to IMAP score; further engagement on biodiversity impact

* The securities identified above should not be considered as recommended for purchase or sale.

INTERVIEW

Establishing sustainability as an essential dimension of investment

Robert de Guigné joined UBP in August 2022 as Group Head of Sustainability. He tells us about his first impressions, his mission, his priorities and how the Impact team and their role fits into his overall vision of the Bank's sustainability strategy.



Robert de Guigné
Group Head of Sustainability

You joined UBP as Group Head of Sustainability 10 months ago. What was your first impression of the Impact franchise?

My very first reaction was surprise to learn that there was a team of 11 people in London dedicated to impact investing, as I had previously thought it was only for private investments in small, specialised businesses. Yet here they were, taking a unique and innovative approach by investing in impact through listed equities.

“It would be unwise not to incorporate the Impact team's methodology into the foundation of our sustainable offering.”

What impressed me most about the team was their proprietary system (IMAP) for scoring the impact of business models. I also like their dedication to engagement with the companies they invest in to promote transparency and positive change. Their governance committees made up of recognised external sustainability experts and NGOs add a good balance.

Simply put, I found the team structured, committed, professional and knowledgeable and I am excited about the positive impact their investments can make.

How does this franchise fit within your overall vision of sustainability at UBP?

As the Group Head of Sustainability, my mission is to establish sustainability as an essential dimension of investment, alongside risk and return. We believe that companies making positive transitions towards sustainability by reducing negative externalities or finding solutions to environmental and social issues

are likely to outperform their peers and offer exciting investment opportunities.

From the beginning, my vision was to identify high-level sustainability themes to guide our investment solutions. I was pleased to learn that UBP's Impact team had been extensively working along similar lines and developing their approach for the past five years, as I see impact investing as a valuable part of our broader sustainable offering.

Given this it would be unwise not to incorporate their methodology into the foundation of our sustainable offering. One idea is to develop a simpler version of IMAP that can be applied to a wider range of companies and incorporate more quantitative factors to help define our sustainable investment universe.

What have the biggest drivers been for the impact franchise over the last year and how have they affected the impact team in their day-to-day work?

With the implementation of the EU's SFDR, the team had to carry out a major qualitative reassessment of each company within their impact universe. Not only did each company need to meet the positive impact criteria, but it also had to comply with stringent "Do no significant harm" criteria. While many EU funds were downgraded to Article 8 for failing to show sustainability as an objective, we are happy to count among the very select club of Article 9 equity fund producers.

On the thematic front in 2022, biodiversity rose up the agenda following the COP 15 Global Biodiversity Framework and the ongoing development of the TNFD. The impact team were early to enter the biodiversity space, and integrating biodiversity factors into all of their analysis is now fundamental to their investment process. Alongside their efforts to act as a bridge between academia, civil society and corporates, the Biodiversity Restoration strategy is a kind of incubator for an exchange of ideas, as attested by the workshop the team coordinated at the end of 2022.

On the investment side, in addressing the ongoing growth-value rotation, the team had to focus on how to make the funds' performance resilient, by increasing exposure to larger, more developed impact stories and broadly avoiding early-stage businesses. At the end of the day, it is only by the financial performance of our investments that we can fully leverage our impact.

How do you see impact investing evolving over the next three years, both within UBP and the sector more broadly?

At UBP, we strongly believe that the world's economies are on the move to adapt to the unquestionable sustainability megatrends. Governments and regulators are seeking to mobilise financing for adapting to the transition. At the same time, we are seeing growing recognition of the interdependency between financial returns and a positive impact, and therefore increasing demand for such investments across client segments, from institutionals to the next generation of private clients. Also, impact measurement is improving swiftly, facilitated by business and academic initiatives, regulation, and technological advancements.

“At the end of the day, it is only by the financial performance of our investments that we can fully leverage our impact.”

Our experience and track record, as well as our impact team's forward and innovative thinking, will stand us in good stead in capturing this wave for the benefit of our clients and our own growth.

UBP is a member of:



UBP Asset Management (Europe) S.A. is member of:



UBP supports:

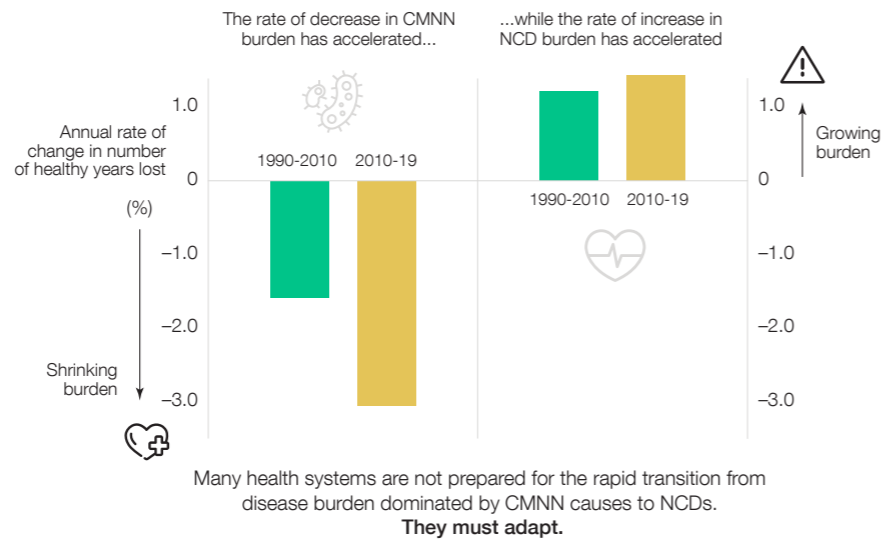


Assessing positive impact in pharmaceuticals

The pharmaceutical sector is a complex and fast-changing industry that plays a vital role in improving health outcomes and global access to medicines.

At a simplistic level the discovery and provision of medicines has a clearly positive impact on society and life expectancy and can dramatically improve quality of life.

Some communicable diseases have been completely eradicated and a golden age of drug discovery led by new technologies is transforming the lives of patients in many areas of high unmet need.



Source: Global Burden of Disease 2019 • Data available from <http://ghdx.healthdata.org/gbd-results-tool>. CMNN: communicable, maternal, neonatal and nutritional diseases; NCD: non-communicable diseases



The global burden of disease is formidable; as populations age the prevalence of non-communicable disease rises. In addition, poverty, in both high- and low-income countries, exacerbates the demographic challenges. There has been a shocking increase in obesity and related conditions such as heart disease, diabetes and kidney disease over recent decades.

The pressure added to stretched healthcare systems continues to rise and access to medicines in low- and middle-income countries remains a world away from the goal of universal care. Furthermore, the pandemic caused a terrible hiatus, setting back years of progress.

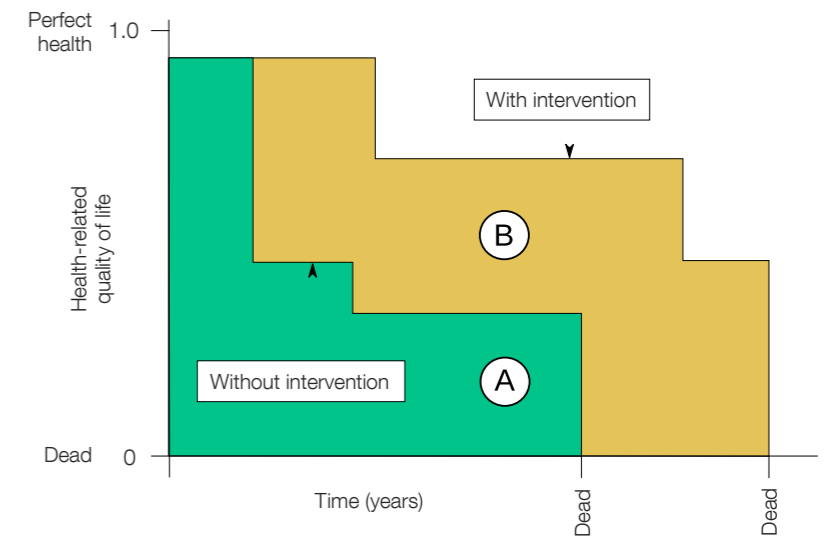
ASSESSING THE POSITIVE IMPACT OF INDIVIDUAL COMPANIES

We see two primary, distinct areas where companies can achieve a positive impact: firstly, in the development of new medicines that improve patient outcomes – here the concept of the QALY helps us; secondly, in their contribution to improving access to medicines, particularly in low- to middle-income countries where coverage gaps remain extreme.

Introducing the QALY – One Quality-Adjusted Life Year is equivalent to one year of perfect health. The QALY concept is used to assess the value of new treatments and medicines. It is used by the National Institute for Health and Care Excellence (NICE) in the UK to help guide the drug approval process. The measure evaluates life expectancy using data including trials. Quality of life is assessed by asking a selection of patients to rank their life quality on a scale of 1 to 10. For example, if a new drug is deemed to increase life expectancy by 5 years compared to the current standard of care but patients say that their health in those years ranks at 5 out of 10, then the treatment has added

2.5 QALYs. In the simplified graphic below the added QALYs are represented by area B – logically the quality of life experienced deteriorates over time both with and without the treatment (area A).

Healthcare providers can then compare the uplift in QALY to the cost of the new treatment in assessing its value. As investors we can think about the medicines of the companies we analyse in this way, as a guide for asking the right questions.



An example of strong QALY uplift is Sanofi's lead drug called Dupixent, the first effective medicine for atopic dermatitis (eczema), which can be severe. Here the high additional QALY greatly improves the value of the drug given the vastly improved quality of life it affords compared to the much less effective standard of care which was steroid-based.

Access to medicines – While impacts are complex and difficult to measure, the pharma companies are very good at disclosing details of the projects that they engage in and many have clear targets. For example, in 2014 AstraZeneca launched its 'Healthy Heart Africa' programme with the ambition of reaching 10 million people with elevated blood pressure, and hence cardiovascular disease risk, by 2025.

The programme is designed to be sustainable, so it includes the provision of over 1,200 facilities and the training of over 10,000 healthcare workers. While disclosure of these projects from the industry is thorough, the challenge for the investor is to judge the effectiveness of these efforts and to compare companies to see who the leaders and laggards are. Thankfully help is at hand here from an organisation called the Access to Medicines Foundation (AMF). The AMF was founded in 2003 with the aim of addressing the inequality of access to medicine by pushing the pharmaceuticals industry to do more for the billions of people lacking access. It produces an assessment of the top 20 global companies (representing around half of the global medicines industry by value) ranking them on their policies and achievements. This index reveals a wide gulf in the level of impact being achieved, highlights areas for improvement for all of

the companies, and gives investors the tools to engage effectively with them. One source of frustration for us is that the financial costs of these industry access programmes are not disclosed as they tend to be funded at a divisional level by each company. We have raised this issue during our engagements with companies and are optimistic that, in time, greater financial transparency will allow us to make even more informed comparisons and decisions.

<https://www.astrazeneca.com/sustainability/access-to-healthcare/healthy-heart-africa.html>

<https://accesstomedicinefoundation.org/news/2022-access-to-medicine-index-more-companies-move-to-address-access-to-medicine-will-they-now-go-further>

have been used extensively as both active and inactive ingredients in medicines.

We have been impressed with the leadership shown by AstraZeneca with their extensive and detailed carbon-reduction plan, which has been costed at around USD 1 billion to achieve a zero-carbon ambition by 2045. This includes a USD 400 million investment to eliminate F-gases from inhaler propellants, an initiative that will help them achieve their interim target of a 95% reduction in scope 1 and 2 emissions by 2026.

In recent company engagements we have focussed on the complex biodiversity impacts of the sector. Current drug development methods focus on areas such as biologics and cell and gene therapy. Sanofi recently informed us that none of their current R&D pipeline is either based on or derived from plants. However, many older drugs and inactive ingredients rely on plant, animal or other natural ingredients, and companies also have issues with controlling the leakage of active pharmaceutical ingredients in the supply chain. These are important and sensitive areas to continue to delve into and understand.

FOOTPRINTS – NEGATIVE INDUSTRY IMPACTS

In terms of emissions the industry has a relatively low footprint but still has an important role to play in some respects. The biodiversity issues are far more complex, not least because plants and natural products

Learn more: <https://www.astrazeneca.com/content/dam/az/Sustainability/2023/pdf/Ambition-Zero-Carbon.pdf>

Source: SDG report 2022 <https://sdgs.un.org/goals/goal3> (includes link to high-res graphic)

The power of collective engagement

CDP was founded in 2000 as the Carbon Disclosure Project, a charity aiming to get companies to disclose their greenhouse gas (GHG) emissions and associated strategies for reducing them. The key conviction was that "what gets measured gets managed". 20 years later, CDP counts over 500 investors and asset owners as signatories (including UBP), representing USD 100 trillion in investments.

About 18,700 companies, representing half of the global market's capitalisation, now disclose on the CDP platform, which has added water and forest management to its original carbon dataset (hence the use of the CDP acronym without reference to its original meaning, the Carbon Disclosure Project). It is estimated that over 20% of industrial emissions in the world are disclosed via CDP.

We value disclosure via CDP very highly because it provides a level of transparency and standardisation that is additional to regular company publications. Any analyst interested in the details of a company's environmental footprint is likely to check its disclosure on the CDP website. CDP also provides the opportunity for us to collaborate with our fellow investors through its collective engagement programme: the Non-Disclosure Campaign (NDC)¹.

The yearly campaign is designed to coordinate the action of the CDP members who wish to encourage companies to disclose their environmental data on the CDP platform. It works in three steps. First, CDP establishes a list of target companies based on size, sector or country. Second, NDC participants are assigned a number of them for which they wish to lead the engagement effort. Finally, letters underlining the importance of disclosing such data are drafted by CDP, signed by all interested signatories, and sent by the lead investors to their target companies.

Overall, it is an opportunity to join forces with other like-minded investors to reach a common goal. Companies can be impressed by a letter signed by, say, 20 shareholders with some of them in the top 10. The letter is ideally followed by a meeting where the lead investor explains the benefits of disclosure and, on request, CDP employees can help with the technical details.

One of the key strengths of this campaign is that its impact is rigorously estimated. To do

so, every year CDP monitors a control group of companies that have the same characteristics as those targeted by the NDC but that are not engaged with and receive no letter. Comparing the disclosure rates of the two groups allows CDP to estimate whether the engagement effort has made a difference. Additionality is an overused concept in the impact world, mainly because it is so hard to measure, but this is, to our knowledge, one of the best attempts to measure the additionality of an engagement action.

“CDP has made one of the best attempts to measure the additionality of engagement.”

For the 2022 campaign, it was found that engaging with companies multiplied the probability of disclosing to CDP by 2.3 (see table 1). Findings for previous campaigns confirm the positive effect and point to a similar magnitude, providing strong confirmation that this process works.

UBP was happy to play an active role in the campaign. We applied to be a lead investor for more than 50 companies, and were chosen in 19 cases. The letters were typically signed by 25 other investors and were sent to the companies at the beginning of June. Among them four companies agreed to disclose that same year (China Education Group, Cipla, Comet Holding and Tikehau Capital), and two pledged to do so in 2023. That puts our success rate below the overall campaign's average (21.5% vs. 26.5%) but there are a number of reasons that could explain this variation (e.g. small sample, geographical mix, previous engagements).

Our resolve remains undented as data produced by CDP shows that persistence is key: the disclosure rate in year 5 of being targeted by the campaign rises to 46%. We have already volunteered for the 2023 campaign and hope to use the lessons learned last year to increase our impact.

There is one engagement story that especially illustrates the difficulty for listed equity investors of estimating their own additionality. A company (which shall remain anonymous), for which we were lead investors last year, did not reply to the CDP letter or to any of our repeated follow-ups. We were disappointed as we had high hopes for this particular portfolio holding. To our surprise, though, we found out through CDP that the company submitted its first ever climate questionnaire just before the deadline. Did we have an impact in this case? We will probably never know for sure, but we are happy they chose to disclose.

Beyond the improved disclosure, there is more work for us and our portfolio companies. We see CDP as the first step on a journey that leads to better understanding GHG emissions and implementing ambitious emission-reduction strategies. This is why we aim to have 100% of our portfolio submitting targets under the Science-Based Targets initiative (SBTi) – a partnership which was incidentally co-founded by CDP² – by 2026. Encouraging companies to adopt those targets will, if they are met, lead to real-world emission reductions, something that investors don't necessarily achieve if they focus solely on their portfolios' carbon footprints.

As of the end of 2022, almost 75% of UBAM - Positive Impact Equity was composed of companies with a validated SBTi target, or a commitment to get one. The numbers are lower for the other funds (see table 2), partly due to their geographical mix. UBAM - Positive Impact Emerging Equity, for instance, suffers

from the fact that companies in emerging markets are very much behind the curve on this type of commitment, particularly when you look beyond the very large companies that dominate the index, to which we have limited exposure.

We are certainly not giving up hope that progress towards our goal might accelerate. The latest report from the SBTi campaign³ shows positive signs, with the number of companies signed up to the initiative up 40% year-over-year. And given the rising participation rate (up 100% for the upcoming campaign compared to two years ago), as well as the increasing "localisation" of the campaign to target behind-the-curve countries (with 48% of target companies in Asia), it is reasonable to expect strong growth and a broadening geographical scope.

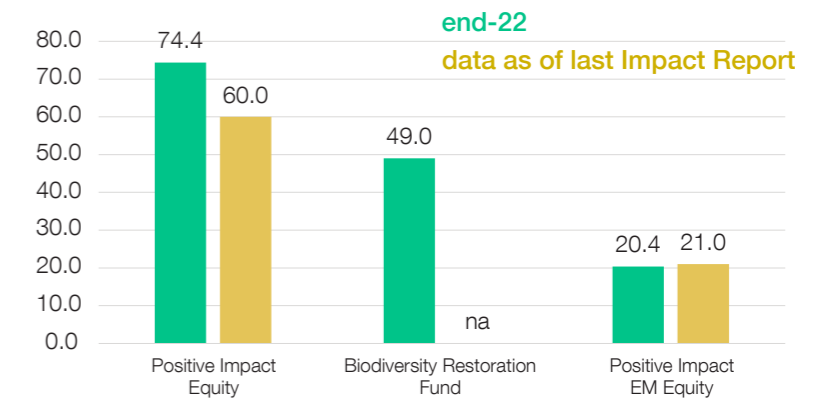
This initiative, like all others, has and will continue to receive criticism. We monitor those debates with great interest and will be happy to change our approach when needed. But SBTi has so far been the most constructive and rigorous way of getting companies to commit to real-world emission reductions, which we feel should be a key target for all investors, regardless of what framework they favour.

³ https://cdn.cdp.net/cdp-production/cms/reports/documents/000/006/586/original/CDP_Science-Based_Targets_campaign_-_progress_report_2021-22.pdf?1666699727

1. SUBMISSION RATES OF EACH THEME ACROSS BOTH SAMPLES

	Control Group		NDC sample	NDC vs control group response rates	
	Submitted	%	%	Absolute difference	Difference factor
Distinct companies	342	11.5	26.5	15	x2.3
Climate change	296	12.9	27.9	15	x2.2
Forests	32	3.6	11.4	7.8	x3.2
Water security	62	8.4	18.9	10.4	x2.2

2. SBTI COMMITMENT LEVELS (COMMITMENTS IN PRINCIPLE INCLUDED)



CASE IN POINT

ENGAGEMENT REPORT

NAME: **China Education Group** (HK Listed) - THEME: Health & Well-Being – Basic Needs - IMAP: 13 (3,5,2,3)

BACKGROUND

We have been a shareholder of China Education Group since the launch of the Positive Impact Emerging Equity strategy. We like the fact that they provide higher education services in a country where enrolment is rising structurally.

That said, their commitment to climate action is low and their GHG emission intensity is high. They were on the target list of CDP's Non-Disclosure Campaign and we were assigned the lead investor role.

OBJECTIVES OF ENGAGEMENT

Get the company to calculate and disclose its GHG emissions data on the CDP platform.

ACTION

We sent an e-mail to the Chief Financial Officer, with the letter signed by 25 other investors, on 8 June 2022. The CFO replied to a reminder a few weeks later, promising to look at it but then went silent.

Incidentally, a member of our team was in our Hong Kong office over the summer and took the chance to meet with China Education Group's CEO, on 11 August 2022. Our participation in the CDP campaign was mentioned and the CEO undertook to follow up with his CFO with the intention of disclosing data that same year.

The CFO responded shortly after that and submitted the questionnaire in time for the 2022 campaign.

COLLABORATIVE ENGAGEMENT

The collaboration with CDP gave us credibility in this engagement. Also, any of the other investors who signed the letter might well have engaged in parallel (even if they were not lead investors).

ESCALATION

Although it was not planned, the meeting with the CEO shortly after sending the letter acted as a catalyst.

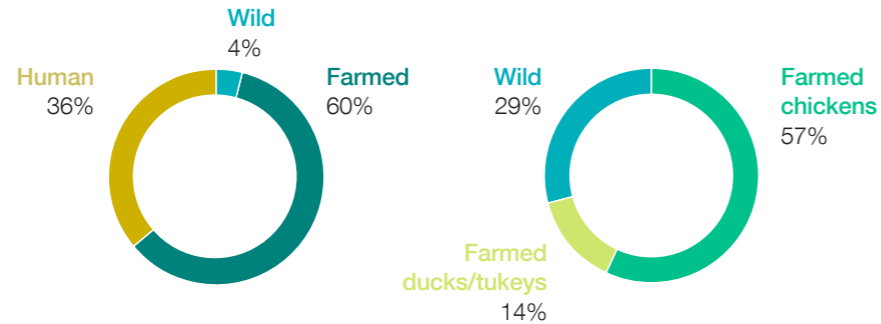
OUTCOME

The company is now listed as disclosing on the CDP website.

Partnering for change – Our first multi-stakeholder workshop

In last year's report, we introduced you to the rationale and investment process behind our new Biodiversity Restoration fund. One of the central aims at launch was to create a multi-stakeholder ecosystem and this understandably began with the formation of our own Biodiversity Committee. Our two partner NGOs, Cambridge Conservation Initiative (CCI) and Peace Parks Foundation (PPF), are both represented on the committee and our first decision as a group was to identify the best way of catalysing change in the corporate sector. We concluded that, along the lines of our investment themes, we could bring experts together on impactful industries (e.g. forestry, utilities, the food system) and hold a series of workshops which could advise our investee companies how to make the shift towards a nature-positive business model.

DISTRIBUTION OF GLOBAL BIOMASS ACROSS ALL MAMMALS AND BIRDS



Source: Bar-On, Y. M., Phillips, R. and Milo, R. (2018), "The biomass distribution on Earth", Proceedings of the National Academy of Sciences of the United States of America, 115(25):pp. 6506-11, doi: 10.1073/pnas.1711842115 (accessed 2 Nov. 2020)

HOW CAN COMPANIES IN THE FOOD VALUE CHAIN ALTER THEIR OPERATIONS TO PROTECT AND RESTORE BIODIVERSITY WITHOUT COMPROMISING ON THE FOOD REQUIREMENTS OF HUMANS?

It is accepted that the modern food system is a significant driver of biodiversity loss and as can be seen from the chart, humans and farmed animals represent a staggering 96% of all global biomass. Change in this space could have monumental impacts on the natural world and so it was an obvious choice for our first multi-stakeholder conversation.

The discussion was held under the Chatham House Rule, to maximise participation and create the best environment for open dialogue.

OBJECTIVES

Engaged participation – The investment team has collaborated a lot in the past with other shareholders and in working groups facilitated by a third party. Bringing very different stakeholders together was new to us and although we were convinced of the power this interaction could

have, it was hard to predict how the conversation would flow. Primarily, we wanted to create a balanced and open conversation. This required representation and input from all stakeholders.

A learning mindset – We sought to understand what the barriers to change are from different

perspectives and begin sketching out some solutions to the question.

A follow-up meeting – We agreed to meet again to develop some of the ideas discussed and figure out a way that CCI and PPF could support corporates in their implementation.

Attendees:

■ BIODIVERSITY COMMITTEE EXTERNAL MEMBERS

- Tony Juniper CBE, Chair of the Biodiversity Committee
- Sianne Haldane, Chief Impact Officer, Maanch
- Mike Maunder, Executive Director, CCI
- Colin Porteous, Chief Investment Officer, Peace Parks Foundation
- Simon Pickard, Co-Chair of the Biodiversity Committee

■ UBP INVESTMENT TEAM

■ REPRESENTATIVES FROM CCI

- Relevant academic experts from University of Cambridge
- Fauna & Flora International
- Traffic
- UNEP-WCMC

■ LISTED COMPANIES FROM THE FOOD VALUE CHAIN

Including a food producer, a food retailer and a meal-kit delivery business, all held in the UBAM - Biodiversity Restoration portfolio

THE DISCUSSION

Introduction from CCI members on their areas of focus

■ **Climate and biodiversity** – The link between the two is still not strong at policy-making level and many plans to tackle carbon e.g. via plantations are not necessarily aligned with biodiversity. There is also an issue with leakage: saving habitats in one place often displaces the problem to another. The solution needs to be joined up with local communities.

■ **Unsustainable nature of current food system** – The 20th century delivered food and security but used a lot of water, fertilisers and pesticides, and small-holder farmers were excluded from this system. In addition, the focus has been on a narrow range of crops. Increasing crop diversity would have a dual benefit on health and biodiversity.

■ **Financing** – What drives forest loss could also drive restoration, in particular corporate supply chain policies. Marginal changes to farming models e.g. integrated crop/livestock and forest systems can generate significant differences. How do we unlock finance and scale it up as actual implementation is far behind pledges? The intersection between gender equality and the bioeconomy and developing value chains for non-timber forest products can often be a pathway to empowerment for women.

■ **Data and analytics development** – Data is needed for managing risk, setting targets and improving disclosure. Location data is key for companies along the value chain to both track biodiversity and meet the requirements of the various developing frameworks e.g. Taskforce For Nature-Related Disclosure.

Corporate thoughts

■ **Tracking & measurement** – Companies are well-versed in tracking climate impact, but biodiversity is much more difficult. There are currently very few biodiversity metrics and no database mapped across the varying demands of the corporate supply chain so companies can more effectively analyse their impact. Two of the companies stated that due to this, so far they are taking a risk-based approach and focussing on the most material areas. The challenge is then to establish how they certify products from these areas. Can they trust certification and how do they follow up with independent audits?

■ **Financing** – The food retail company is a bricks & mortar business with 400 stores in the USA. They have strong relationships with growers, but cost and certification always come up as a barrier when discussing transition to more regenerative agriculture. It may be the sensible long-term option but insurers and financial institutions need to play a role in bridging the transition. The retailer noted that there's a yield gap of 1–2 years and questions whether a premium could be charged and how receptive consumers generally are to the biodiversity topic.

■ **Brand and storytelling** – All the companies felt that there is a need to connect emotionally with the customer as biodiversity can be an abstract concept. People need to have a better understanding of what each purchase means, how it connects to the local economy. Sales of sustainable products have outpaced non-labelled for several years, but it doesn't necessarily mean the customer understands the underlying concepts of sustainability. The macro environment can still have a big impact on spending patterns. There is a sense of frustration that the regulatory and disclosure initiatives are meeting the needs of investors and governments but not resonating with the end customer.

POTENTIAL AREAS OF COLLABORATION & NEXT STEPS

It's impossible to capture every aspect of such a wide-ranging and fascinating conversation here, but we can highlight three areas that really stood out: **regulation, measurement and consumer appetite**. The upcoming TNFD and SBTN governance frameworks are evidently challenging to companies, but it's clear from the non-profit side that these frameworks are important and can help to support change at both local and international level. At UBP, not only are we part of the TNFD forum but we have also worked closely with the Cambridge Institute for Sustainability Leadership on its nature-related risks series of publications. We therefore see a role for our investment team to support corporates with their adoption of biodiversity frameworks. We draw a similar conclusion from the measurement debate where the development of recognised and standard biodiversity metrics can be facilitated by the finance industry.

Finally, we now have a better understanding of the role of the consumer in a shift to a COP15-aligned food system. There is work to be done on education and potentially on ensuring the message is relevant. Biodiversity seems abstract, but can be very local. People can make real

change in their own neighbourhoods and so collectively we concluded that the consumer perspective must feature in the work we do together.

In 2023, we will continue to collaborate on these three topics and aim to take the conversation to the point of some practical outcomes. As ever, we welcome insight on the areas of focus from anyone who wishes to contribute to our ecosystem.



Sianne Haldane

“What makes the UBP Biodiversity fund unique and exciting is the way in which it is driving additional positive impact by learning from its not-for-profit partners. In this first workshop with corporates I could see the emergence of an approach which could genuinely knit together several types of stakeholder that, if successful, could generate real change.”



Colin Porteous

“As nature becomes mainstreamed in business decision-making, UBP is leading the way in understanding and integrating biodiversity with markets. The Biodiversity Committee, in charge of guiding the strategic direction towards a nature-positive economy, is refreshing in its practical, hands-on approach. The Bank has applied resources, and a lot of time and effort, to understanding what is a very complex integration, and I am convinced it will contribute to a risk-aligned and resilient market. It is a real pleasure to serve on such a structure with experts in both finance and nature.”

Bilateral case studies

IMPAX (UK)



- Inclusive & Fair Economies – Financial Stewardship
- IMAP 18 (5,5,4,4)
- Engagement objective: To escalate the discussion regarding the proxy voting firm Institutional Shareholder Services’ (ISS) recommendation to vote against two resolutions.

One of our main aims when engaging with our companies is to ensure a meaningful link between executive compensation and sustainability targets. By tying financial rewards to sustainable outcomes, companies can promote responsible behaviour, foster innovation in sustainable practices, and

ensure that their operations are protected against ESG risks. Furthermore, this strategy can be instrumental in advancing the global sustainability agenda, by contributing to the achievement of the UN SDGs which is our framework for defining positive impact.

- **9 March: E-mail to Investor Relations.** As part of our active voting policy, we vote against management of portfolio companies which do not have a clear and meaningful link between executive compensation and sustainability targets. We disclosed this intention to the investor relations team. They swiftly suggested a call with the Chairperson, Sally Bridgeland.
- **12 March: A productive meeting** where we were able to explain our view in detail to the Chair Ms Bridgeland, who was receptive to our position. We were also able to find out that they were in the process of setting specific objectives for

2023 with a quantitative framework and a plan to disclose more in next year’s report. We will keep monitoring the developments and disclosure in this area until a satisfactory remuneration policy is established. The second proposal from ISS was to vote against the re-election of the current Chair on the basis of a lack of racial or ethnic diversity on the Board. We elected to override ISS’s recommendation as we believe that the company has a good focus on this issue. This view was confirmed in our contact with the company.

It is important to note that, whilst ISS was recommending voting against the Chair’s reappointment, another proxy voting company, Glass Lewis, was recommending supporting the company. This kind of contradiction highlights the caution investors must practice when following the recommendations of proxy firms.

GEDEON RICHTER (HUNGARY)

Gedeon Richter is a pharmaceutical manufacturer that produces cardiovascular, central nervous system, contraceptive, and gastrointestinal drugs. We voted against the management and the ISS policy recommendation on the topic of remuneration due to the lack of sustainability-focused non-financial KPIs in the remuneration policy.

- **22 March:** We sent an e-mail explaining our decision to vote against different agenda items, some of which are related to remuneration topics. The company replied the next day with detailed additional documents, especially those related to non-remuneration items.
- **23 March:** We followed up and asked for more details about the non-financial KPIs in the remuneration policy. The

company replied in detail and stated that some ESG-related non-financial KPIs are taken into account in the remuneration policy but they are not written in detail in the company’s remuneration report.

- **28 March:** We sent an e-mail explaining our final decision, which was to vote against the company’s remuneration policy. We stated that although we appreciate the company’s communication and additional disclosure, we believe that these KPIs need to be publicly available and a clear element of the company’s message on sustainability.

Engagement on this topic will continue until we see improved disclosure.



GEDEON RICHTER

- Health & Well-Being, Pharmaceuticals
- IMAP 13 (3,4,3,3)
- Engagement objective: To inform the company about the reasons for our voting decisions in their annual general shareholder meeting in order to point out how important non-financial KPIs in the top management remuneration policies are to impact investors.

WEYERHAEUSER (USA)



- Healthy Ecosystems, Sustainable Forestry
- IMAP 14 (3,4,4,3)
- Engagement objective: To gain a better understanding of the company’s approach to the sustainable management of their asset base.

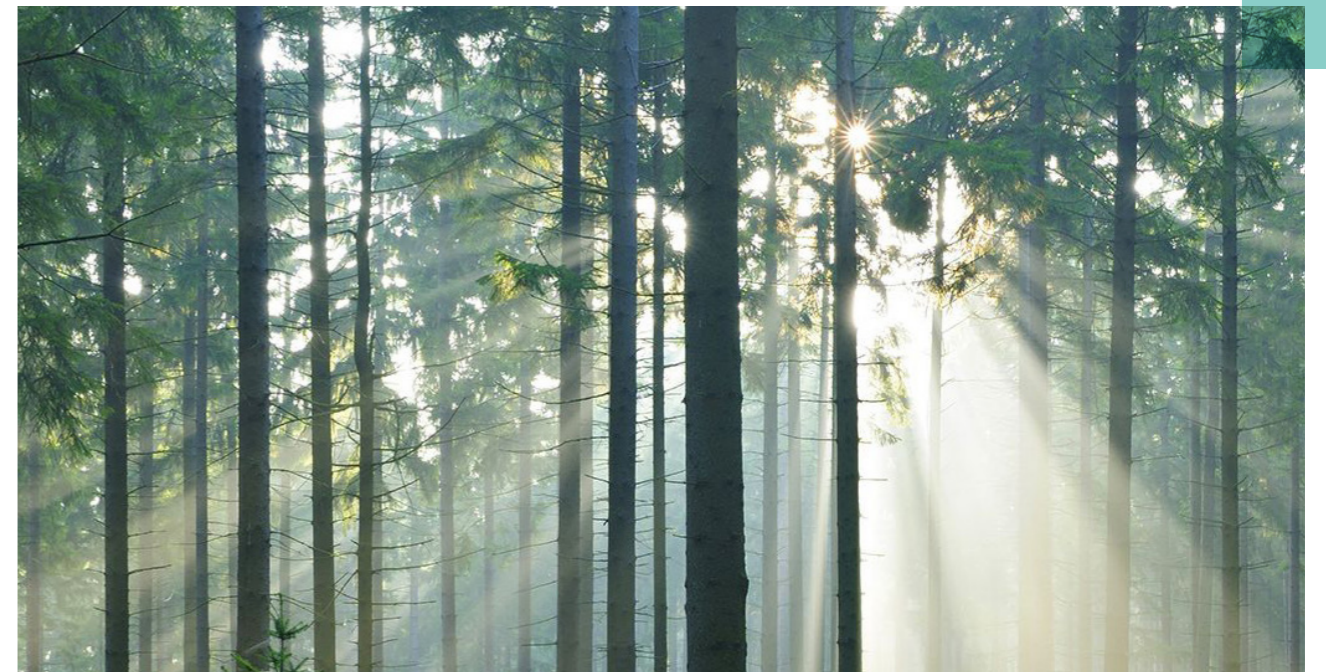
Weyerhaeuser is a timber REIT (real estate investment trust) and the largest private timberland owner in the US with over 11 million acres, of which over 3.5 million acres are enrolled in formal habitat conservation agreements. The company conducts regular biodiversity assessments as part of their ongoing stewardship and forest management operations and is engaged in water quality and biodiversity habitat protection initiatives.

Following extensive interaction with Weyerhaeuser in 2021, the team conducted a number of separate investigation-focused engagements with the company during 2022 to gain clarity on a number of topics:

- **January 2022:** At the start of the year we engaged with the company about how it mitigates the risks of climate change and wildfires in its timberland assets. One of the key advantages of a company the size of Weyerhaeuser is that it owns a portfolio of assets across different geographies and this has been optimised over time to take into account climatic conditions and wildfire risk. The use of technology including real-time satellite imagery to monitor the potential outbreak of fires is also commonplace across its portfolio as well as across neighbouring acreage.
- **July 2022:** We spoke to the company to assess its approach to protected species habitat in Alberta, Canada, specifically regarding caribou habitat in old growth forests. In Alberta, the company works extensively with the province and

with local indigenous populations to ensure the sustainable management of the relevant Forest Management Area which incorporates data and research on the potential impacts on watersheds and at-risk species including the caribou. Weyerhaeuser is also one of the founding members of the Alberta Regional Caribou Knowledge Partnership (ARCKP), which creates a forum for discussion and identification of woodland caribou issues and solutions among stakeholders, industry, government, and academia.

- **March 2023:** Our most recent engagement with the company in early 2023 involved an e-mail discussion seeking to understand the company’s position on wood pellets used for the biomass industry. Weyerhaeuser meets 70% of its own energy needs using renewable biomass. Residual materials and byproducts from sawmills are the main feedstock for wood pellets produced by third parties, along with a small proportion of fibre logs (smaller-diameter cuttings).

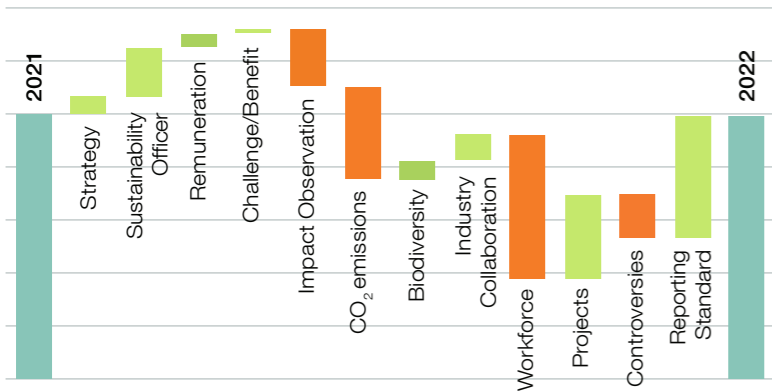


ENGAGEMENT

The Impact Engagement Framework

2022 marked the fourth annual cycle of the Impact Engagement Framework (IEF), the systematic sustainability audit of our holdings across the different impact strategies. The IEF has become a well-established pillar of our impact investment process and the data collected now builds on multi-year trends, allowing us to track progress and extract valuable statistics at corporate, theme, or aggregate level. In addition, its inclusive approach generates pragmatic and actionable opportunities for engagement which are then pursued by the team.

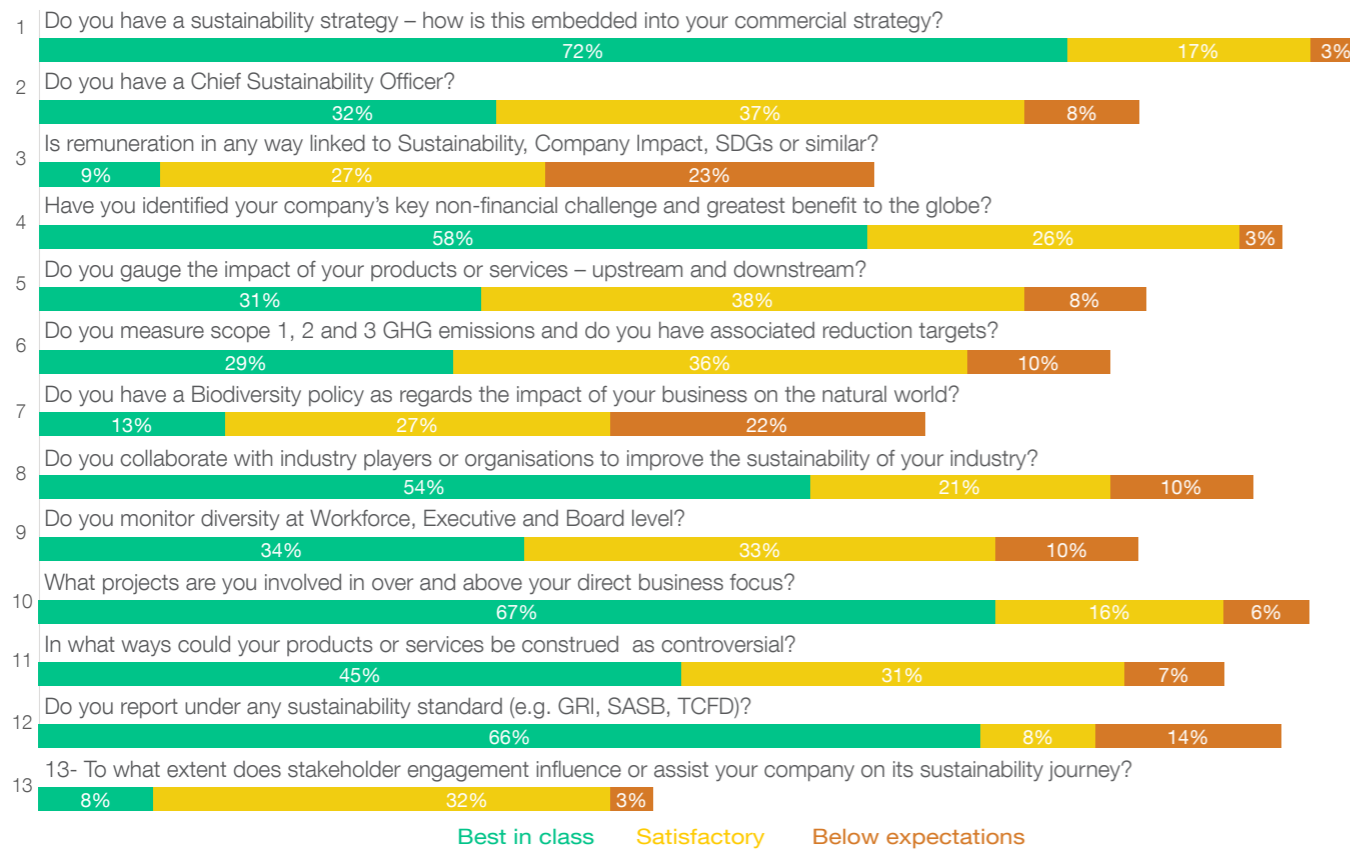
YEAR-ON-YEAR PROGRESS



THE IEF IN NUMBERS

At first sight, performances look mixed, with improvements in some areas and lower scores in others. This is due to evolving regulation and to the maturing of the topic of sustainability. For example, we now require explicit alignment with the Paris Agreement certified by a science-based methodology, and disclosure of scope 3 estimates.

THE IMPACT ENGAGEMENT FRAMEWORK 2022



Source: Bloomberg Finance L.P. Figures are trailing 12 months. The figures do not always tally due to common holdings in funds. Bar height indicative of the overall sample performance with maximum attainable score of 100%. The split of each bar indicates the proportion of Best in Class, Satisfactory, and Below Expectation company responses.

NOTABLE OBSERVATIONS


Below are a few highlights from the 2022 consultation. Please contact the team for more information.

Strongest progress: Reporting Standard, reflecting stricter disclosure requirements and growing adoption	Biodiversity fund companies are ahead on practically all “standard” sustainability indicators	Despite marginal progress, incorporation of sustainability in remuneration remains the lowest-scoring area	Greatest dispersion observed: Biodiversity impact/dependencies awareness
Only 12.5% of companies engaged with show no progress y/y*	Worsening scores on impact measurement, CO ₂ emissions, and workforce diversity reflect stricter requirements and rising expectations	AMN’s board is 56% female and its leadership team is 60% female	Befesa calculates 2.4mt of GHG emissions avoided and biodiversity loss avoided through its recycling operations – third-party verified
BYD first published a CSR report in 2010	Cathay Financial, as a founding member of the Asia Investor Group on Climate Change, is agitating in a region that is lagging behind on decarbonisation	CNHI has performed an Ellen MacArthur Foundation-designed Circulytics assessment focused on the circularity of the company’s entire operations	The Cargill–John Deere Carbon Tracking pilot programme pays farmers USD 25 per tonne of carbon sequestered through approved tillage and cover cropping practices
EDP has reduced the waste from the dismantlement of wind farms by 80%	Schneider Electric seeks to provide 100 million people with access to green electricity by 2030	Sika is at the Locate stage of the TNFD’s LEAP framework – identifying and prioritising its main nature–business interfaces	Vistry received advice from ecologists on every project to ensure biodiversity-sensitive areas are protected and ecological impacts managed

Observations are sourced directly from the relevant company. * no progress in terms of observable deliverables, but progress on development and implementation

The Impact Investment Team


Please meet the analysts and portfolio managers in the Impact Team and their 2022 top recommendations for impact-related inspiration!



**LIFE 3:0
BY MAX TEGMARK**

A fascinating briefing on AI from a man who was closely involved in its formative years.

Recommended by Rupert Welchman, Head of Developed Markets Impact, Portfolio Manager Positive Impact Equity, Positive Impact Global Equity




**REWILDING WITH ALAN WATSON
FEATHERSTONE**

<https://www.youtube.com/watch?v=VpLP7Dnbedw>

A video of a conference in which the speaker shows how biodiversity in wild forests is important for restoring nature.

Recommended by Özgür Göker, Impact Analyst




**REGENESIS
BY GEORGE MONBIOT**

An exploration of what a more sustainable food system could look like.


Recommended by Charlie Anniss, Portfolio Manager Biodiversity Restoration, Positive Impact Equity




CHIMP EMPIRE

From the director of "My Octopus Teacher", another close look at a different species which makes us realise how much we share in common with them and therefore makes it difficult not to care.


Recommended by Eli Koen, Portfolio Manager Positive Impact Emerging Equity, Positive Impact Global Equity

**THE WIZARD AND THE PROPHET
BY CHARLES C. MANN**

A book about two equally remarkable scientists with radically different legacies when it comes to tackling the issues of today.


Recommended by Mathieu Nègre, Head of Emerging Markets Impact, Portfolio Manager Positive Impact Emerging Equity




**THE SIXTH EXTINCTION,
AN UNNATURAL HISTORY
BY ELIZABETH KOLBERT**

By exploring the disappearance of unique species in recent history, this book highlights the unprecedented impact of human behaviour on the variety and abundance of species.


Recommended by Adrien Cambonie, Portfolio Manager Biodiversity Restoration, Positive Impact Equity

**SAPIENS: A BRIEF HISTORY
OF HUMANKIND
BY YUVAL NOAH HARARI**

Revisiting our history to better understand our world.

Recommended by Yvan Delaplace, Investment Specialist and Senior Fund Analyst




BREAKING BOUNDARIES

Tells the story of how humans are pushing Earth to a point beyond which the stability of our planet and the future of humanity will be under threat. It offers up the solutions we can and must put in place now if we are to protect Earth's life support systems.


Recommended by Crystal Wong, Impact Analyst




**NATURAL CAPITALISM:
CREATING THE NEXT
INDUSTRIAL REVOLUTION
BY PAUL HAWKEN, AMORY
LOVINS & HUNTER LOVINS**

An examination of what our economy would look like if it valued all forms of capital.



Recommended by Victoria Legget, Head of Impact, Portfolio Manager Biodiversity Restoration

**THE EMPEROR OF ALL
MALADIES
BY SIDDHARTHA MUKHERJEE**

An amazing book about the evolution of cancer treatment and medicine in general, with a really fascinating section on the extensive search for plants with cytotoxic properties in the 1960-70's.



Recommended by Scott Meech, Portfolio Manager, contributor Europe & US

THE DROPOUT

Drama miniseries that documents the rise and fall of the former Theranos CEO who allegedly brought about a revolution in diagnosing diseases such as cancer and diabetes with only a few drops of blood. This show portrays the antithesis of our Positive Impact franchise and highlights the importance of Intentionality in our IMAP process.


Recommended by Tidjan Ciss, Impact Analyst, Portfolio Manager Positive Impact Emerging Equity and Positive Impact Global Equity

**THE VITAL QUESTION:
ENERGY, EVOLUTION, AND
THE ORIGINS OF COMPLEX
LIFE
BY NICK LANE**

This book delves into the question of how life began and evolved on Earth, with a central focus on the role of energy in the process.

Recommended by Yiping Du, Portfolio Manager, contributor Asia



GOALS FOR 2023

Our central goal for 2023 is to ensure we create and demonstrate investor additionality wherever we can. We have been asking our investee companies about this for several years (and report it in the IEF, question 13), but there is much more we can do – particularly around multi-stakeholder engagement. Consequently, much of our energy in 2023 will be spent on ensuring the success of the following initiatives:

**WHAT DOES GOOD LOOK LIKE?
BEST PRACTICE PRIMER PACK FOR CORPORATES**

After 4 years developing the Impact Engagement Framework (see p. 20-21), the team has built a complex and globally diverse database of the sustainability approaches of our investee companies. We now have an excellent perspective on what best practice looks like through our IEF lens. We will produce a reference pack for corporates that will set out our findings, highlighting examples of outstanding approaches to each of the 13 areas of the IEF. Alongside our support, we aim to make this a valuable resource for any company that is receptive to positive change, but needs guidance on which initiatives to prioritise.

**PARTNERING FOR CHANGE:
EXPANDING OUR MULTI-STAKEHOLDER BIODIVERSITY APPROACH TO BROADER TOPICS**

We believe that deep systems change needs different stakeholders to work together with an open mind. Recent work with our partner NGOs as part of our Biodiversity Committee has demonstrated to us that involving non-profit organisations in our engagement with corporates can have a powerful impact (see p. 16-17). We have a long-standing relationship with several other NGOs, specifically for the work they do around SDG 16 (rule of law, anticorruption, human rights) and in 2023 we aim to create a similar sharing platform for them to exchange with corporates on topics such as modern-day slavery, operating in low transparency countries, etc.

**RADICAL COLLABORATION:
CREATING A BIODIVERSITY KNOWLEDGE-SHARING EVENT FOR THE WHOLE INVESTMENT VALUE CHAIN**

Through our bilateral conversations with corporates, clients and individual investors, it has become clear that there is a lot of confusion about the role of nature in the economy and where the risks and opportunities are in shifting to a more nature-aware approach. In the autumn of 2023, we will host an event to bring together people from across the investment value chain with the aim of bringing clarity and offering practical advice on both the financial solutions presented by nature and the related regulatory frameworks.



UBAM - BIODIVERSITY RESTORATION

UBAM - POSITIVE IMPACT EQUITY

UBAM - POSITIVE IMPACT EMERGING EQUITY

UBAM - BIODIVERSITY RESTORATION

Fund holdings as at year end

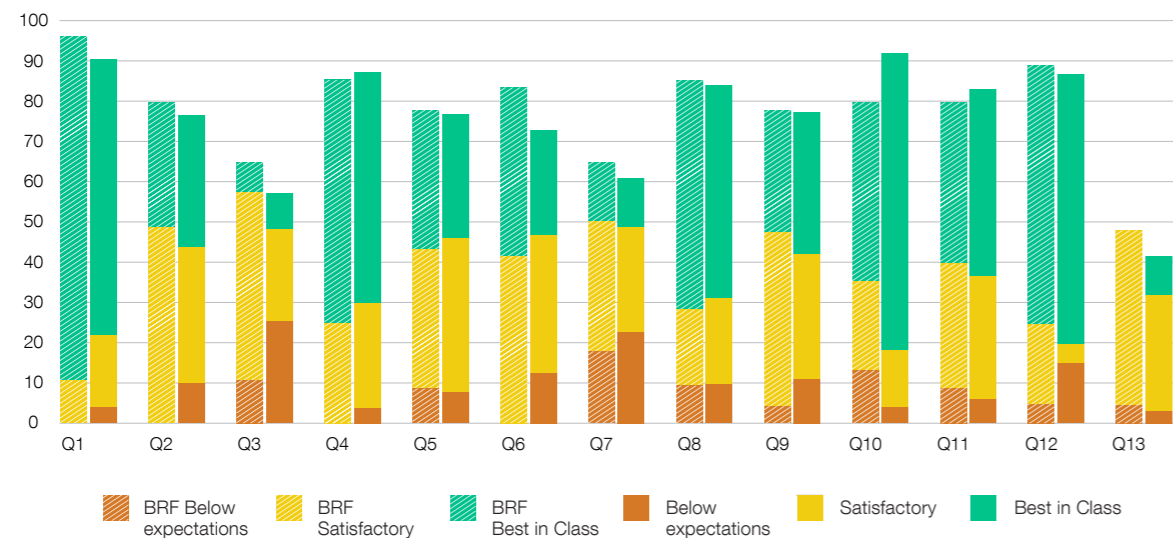
PROTECT			RESTORE		
Circular Economy	IMAP Score	%	Enablers of Change	IMAP Score	%
BEFESA SA	15	1.12	AUSTRALIAN ETHICAL INVESTMENT LTD	15	0.66
DANIMER SCIENTIFIC INC CLASS A	18	0.13	BADGER METER INC	15	3.15
DARLING INGREDIENTS INC	16	2.63	EUROFINS SCIENTIFIC	15	2.25
RENEWCELL	16	0.36	IMPAX ASSET MANAGEMENT GROUP PLC	18	1.68
SIMS LTD	17	2.48	NEL	18	0.61
Green Cities & Urban Spaces			Planet-Compatible Diets		
ARCADIS NV	15	4.13	COSTA GROUP HOLDINGS LTD	14	2.41
STANTEC INC	15	4.07	HAIN CELESTIAL GROUP INC	15	1.09
TETRA TECH INC	15	3.87	OATLY GROUP AMERICAN DEPOSITARY SH	17	0.14
TRANE TECHNOLOGIES PLC	16	1.09	RAISIO	17	0.80
Planet-Compatible Utilities			Sustainable Food Production		
ADVANCED DRAINAGE SYSTEMS INC	14	2.82	AGCO CORP	13	4.28
AMERICAN WATER WORKS INC	12	2.93	AKER BIOMARINE	14	0.44
CLEAN HARBORS INC	14	3.12	DEERE	12	4.30
EVOQUA WATER TECHNOLOGIES CORP	16	2.75	GEA GROUP AG	13	4.01
MUELLER WATER PRODUCTS INC SERIES	13	2.40	LINDSAY CORP	16	3.15
NX FILTRATION NV	16	0.76	SIPEF NV	12	0.48
VEOLIA ENVIRON. SA	12	2.71	UNITED PLANTATIONS	12	0.48
WASTE CONNECTIONS INC	14	2.40			
WASTE MANAGEMENT INC	15	2.91			
Sustainable Management of Natural Resources					
CORTICEIRA AMORIM SASTANTEC INC	16	1.06			
CRODA INTERNATIONAL PLC	13	1.48			
HELLOFRESH	14	0.31			
KLABIN UNITS SA	15	2.73			
KONINKLIJKE DSM NV	13	2.26			
NATURA CO HOLDING SA	12	0.50			
PHARMA MAR SA	13	1.75			
WEST FRASER TIMBER LTD	14	2.22			
WEYERHAEUSER REIT	14	3.31			

Fund weighted average IMAP score: 14.34

Deep dive into the IEF from a biodiversity perspective

As evidenced by the state of regulation and corporate disclosure, progress on the topic of protection and restoration of biodiversity is several years behind that of climate change mitigation. Therefore, it could be expected that biodiversity pioneers are also ahead on more traditional sustainability topics – and as reflected by the chart below, investigating the relative score of biodiversity fund constituents versus other impact companies highlights a general tendency to be ahead. Notably, these companies tend to have more advanced sustainability policies, more developed carbon-reduction strategies, including compliance with science-based methodologies, and more alignment of executive remuneration to strategic non-financial targets.

UBAM - BIODIVERSITY RESTORATION (BRF) VS NON-BRF COMPANIES



To capture the complementary progress on both of these issues, the Impact Engagement Framework was expanded at the launch of the Biodiversity Restoration strategy to incorporate a biodiversity annex. The annex replicates six of the questions – chief sustainability officer, executive remuneration, benefit/challenge, supply chain, project, and controversies – which have been refined to increase the focus on biodiversity. This is only applicable to companies of the Biodiversity Restoration fund and highlights that, despite better performance on traditional points, the journey ahead is still long on biodiversity. The good news, however, is that the progress made on climate constitutes a strong foundation for the development of biodiversity disclosure methodologies and measurement.

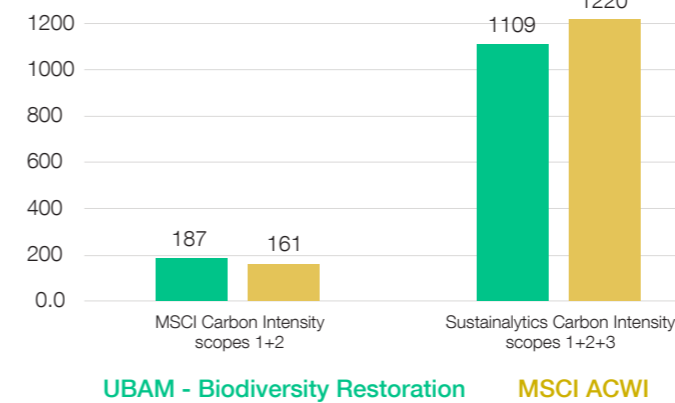
BRF: TARGETED VS NORMAL QUESTIONS



Carbon emissions and biodiversity: a closer look at the compromise

For the year 2022, UBAM - Biodiversity Restoration's weighted average carbon intensity for scopes 1, 2 and 3 was below its reference benchmark (MSCI ACWI index). However, when just assessing scope 1 & 2 it was 15% higher than the MSCI ACWI index: 187 tonnes per million dollars of sales versus 161. In our first report on the fund, we examine the reasons behind this and what it means for the carbon vs biodiversity debate.

WEIGHTED AVERAGE CARBON INTENSITY (T CO₂/\$M)



Climate change and the health of the natural world are closely linked: agriculture and land use activities are responsible for 24% of global emissions¹, while natural environments like forests, coasts and oceans absorb 30% of all emissions².

Arguably, though, their relationship is non-reciprocal because not all climate change solutions will benefit ecosystems (e.g. clearing land for a solar farm or drilling wind turbines in the sea bed) – but generally, limiting or reversing biodiversity loss will also support climate change mitigation (e.g. restoring natural spaces increases global carbon sink areas).

That being said, the complexity of biodiversity and the variety of processes it involves means the carbon benefits of some solutions are not immediately visible in scope 1&2 disclosure from corporates.

In fact, the majority of avoided emissions are not even reflected in scope 3 data and this can lead to high portfolio scores. Utilities such as waste management or water treatment companies run high energy intensity processes as is the nature of their operations – but they are significant positive impact enablers on their respective value chains by supporting the circular economy and, in doing so, contributing to avoided emissions. This is not captured by current carbon disclosure, but can be seen in the sector targets on emissions. Within the MSCI ACWI, **utilities is the sector with the highest percentage of companies with self-declared net-zero targets: 38% versus 15% for the information technology sector.**

machinery-related companies, which tend to display higher intensity values. Comparing emission intensity by sector quickly outlines the trends which are inherent in a biodiversity investible universe: the index benefits from low scope 1&2 carbon sectors, such as financials, healthcare, and IT. Companies in these sectors contribute positively to carbon intensity data but are rarely eligible to a biodiversity restoration strategy. On the other hand, utilities, materials and industrials are strongly populated with biodiversity protection ideas.

Therefore, the portfolio managers balance the carbon-intensity metric with the other side of the mandate – namely protecting and restoring biodiversity while generating financial returns for investors. This balance is particularly important with a challenging market backdrop where defensive businesses present an attractive opportunity. As with many potential conflicts within impact investing, improved data disclosure on carbon and biodiversity would go a long way towards alleviating concerns.

	MSCI ACWI Emission Intensity per Sector		Constituent Weights		
	MSCI Scope 1+2	Sustainalytics Scope 1+2+3	Index %	Fund %	Difference
Industrials	190	1063	10	48	38
Materials	991	3012	5	14	9
Consumer Staples	82	660	8	14	6
Utilities	2563	5644	3	5	2
Real Estate	83	278	2	3	1
Energy	712	6098	5	0	-5
Communication Services	33	83	7	0	-7
Health Care	42	133	13	4	-9
Consumer Discretionary	66	776	11	0	-11
Financials	10	74	14	2	-12
Information technology	82	1019	22	7	-16

Source: xxx

¹ Food and Agriculture Organisation of the United Nations (FAO), *Agriculture, Forestry and Other Land Use Emissions by Sources and Removals by Sinks*.
² Intergovernmental Panel on Climate Change (IPCC) report.

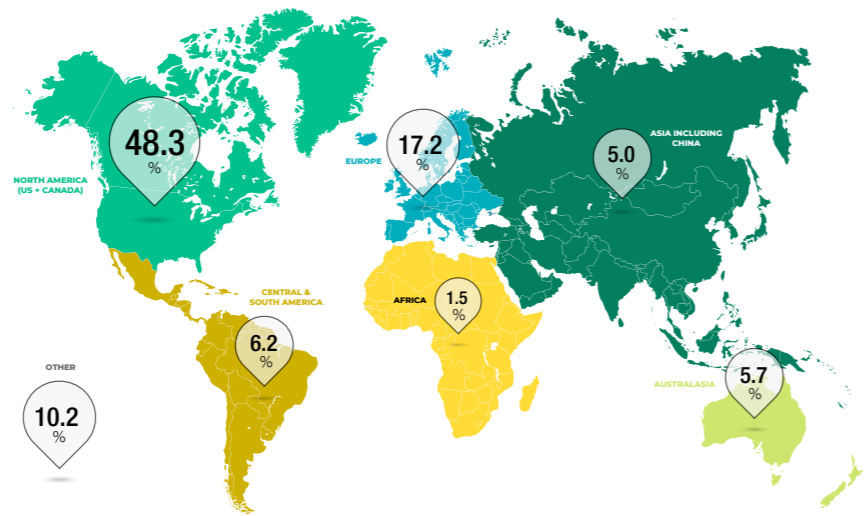
Location, Location, Location

Although there are many strong links between climate and nature, one area where nature is distinct is that dependencies and impacts tend to be location-specific. Mapping the location of both upstream (supply) and downstream (products) value chains gives a strong basis for assessing what the nature-related opportunities and risks are for a company or a portfolio of companies.

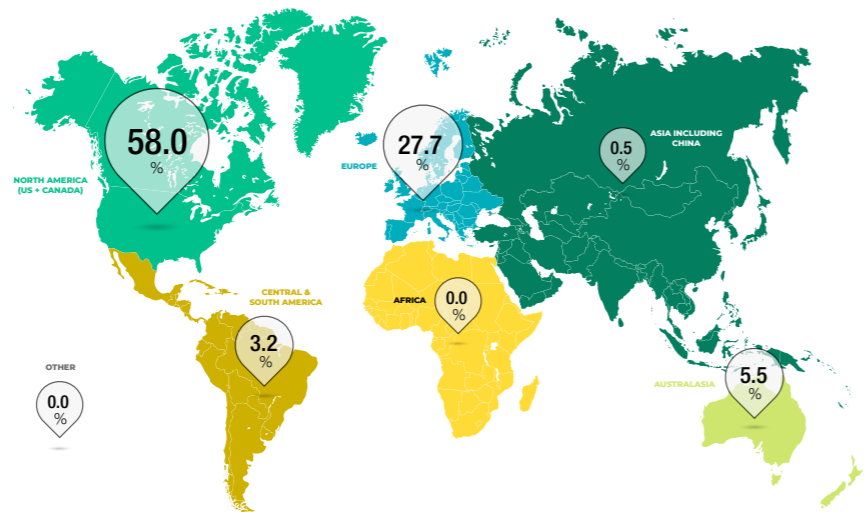
The Taskforce on Nature-related Financial Disclosures (TNFD) recognises this important first step in its LEAP methodology (Locate, Evaluate, Assess, Prepare). Unfortunately, the availability of data is poor. The chart to the right shows the first stage of our work in this area, by mapping the geographic split of the portfolio between where companies are listed/registered and where their revenues in 2022 are generated (downstream value chain). The next step, and high up on our to-do list for 2023, is to extend this work to the portfolio's upstream exposures.

It is clear that the revenue-generation of the portfolio has much higher exposure to emerging markets – and therefore potentially to biodiversity hotspots – than the listing locations would indicate. We forecast this EM exposure will be even more significant when we establish the upstream part of the value chain. Clarity on this will be a significant step for our investment process as it will shape our engagement priorities and enable us to make more accurate judgements on the nature-related risk and reward profile of each investment.

PORTFOLIO EXPOSURE BY REVENUES (%)



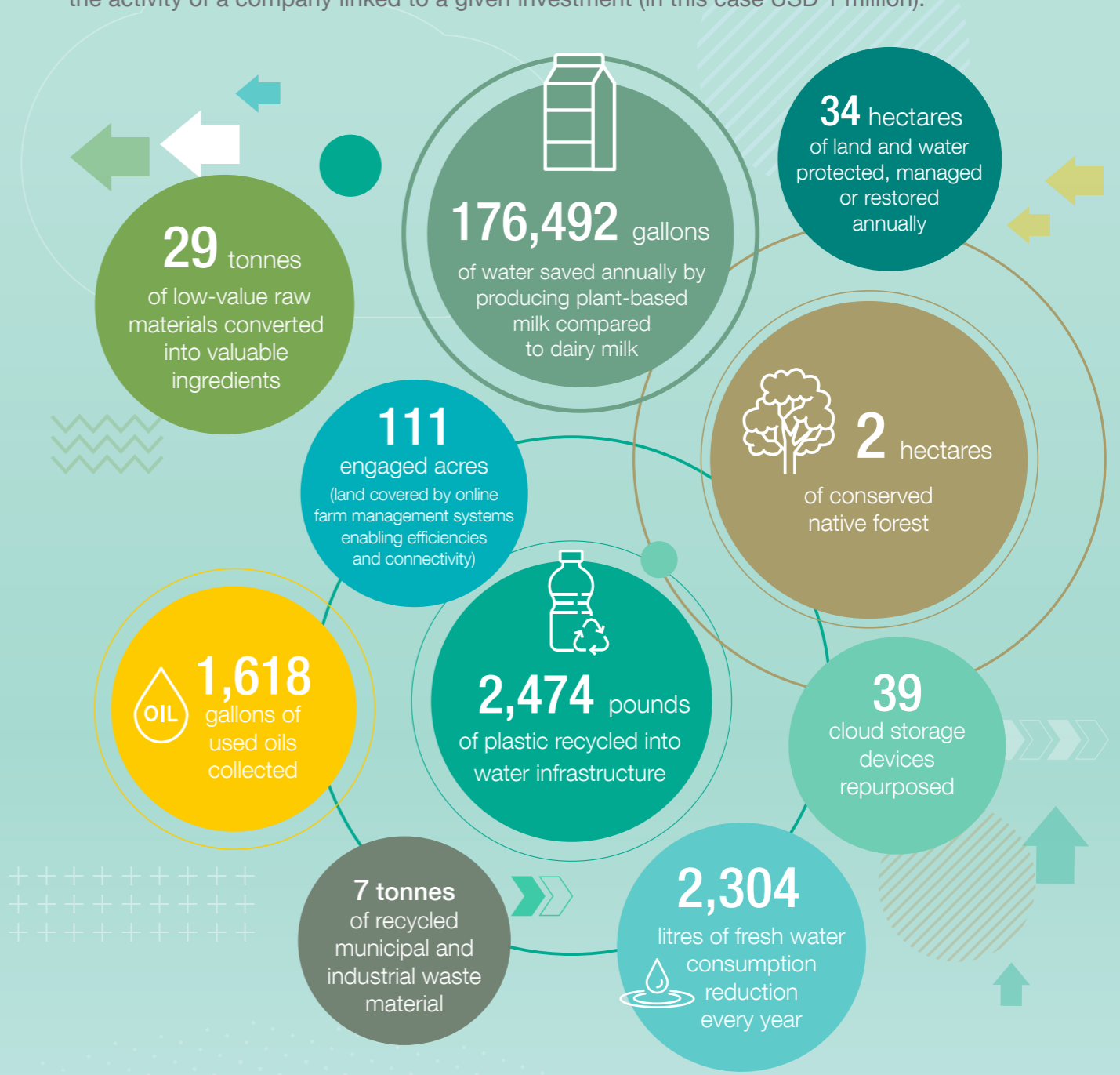
PORTFOLIO EXPOSURE BY LISTING COUNTRY (%)



Source: Company's public disclosures and Bloomberg. Disclosure Level: 99.4%
 Fund holdings: Equity: 94.9%, Cash: 5.1%
 Others include the Middle East and all emerging markets not specified in the company's public disclosures.
 Emerging market exposure is approximately 15% of revenue when others are included.

Stock-specific KPIs

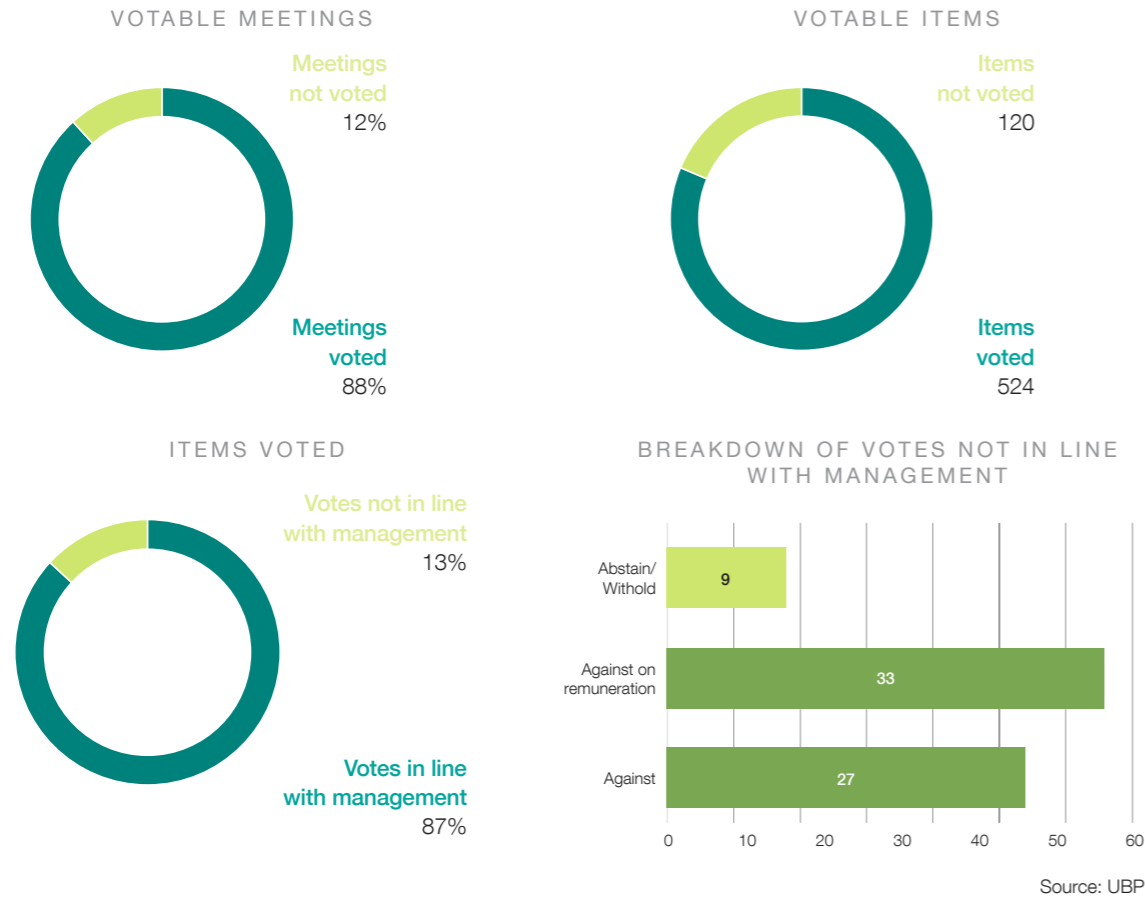
The companies in our portfolio represent a wide variety of technologies, end markets and product types, each one hopefully addressing a particular UN SDG. Although with secondary markets it is not possible to credit a particular KPI directly to our shareholding, we think it is fascinating to quantify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



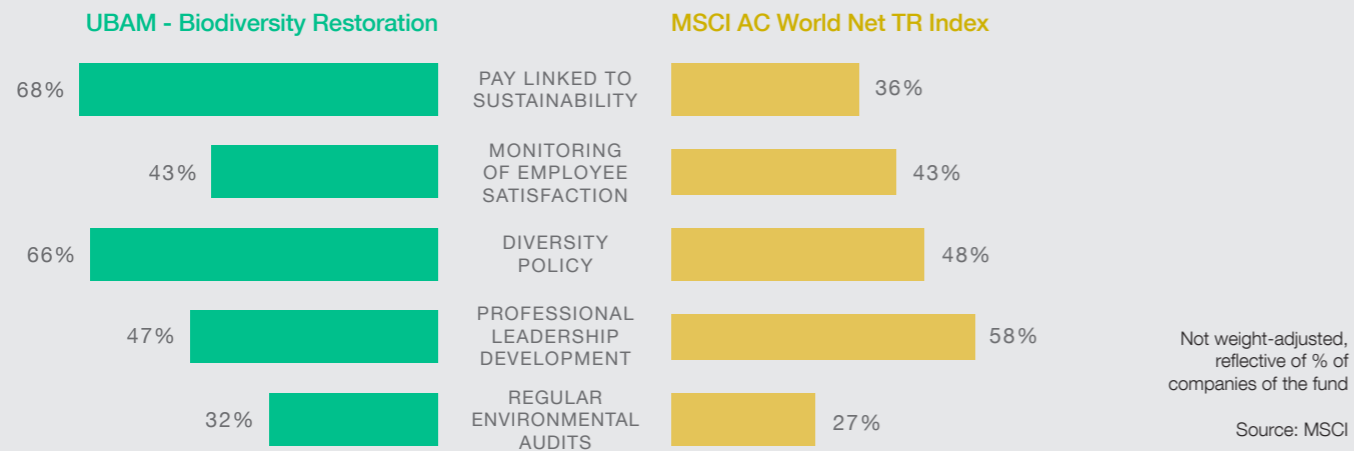
Annual figures based on disclosure by nine companies held in the fund and only considering relevant business lines in 2022.
 Metrics calculated using company-disclosed non-financial key performance indicators. Investment in the company from a USD 1 mn investment is derived using the fund weight/total market capitalisation x KPI to obtain a fund-attributable figure.
 Example: This year, Clean Harbors collected 322,000,000 gallons of used oils. At year end weight of 3.1%, every USD 1 mn investment allocates USD 31,000 to Clean Harbors which has a USD 6,171 mn market cap. Therefore, (0.031/6171) x 322,000,000 = 1,618 gallons.
 Past performance is not a guide to current or future results.

Fund voting record and ESG monitoring 2022

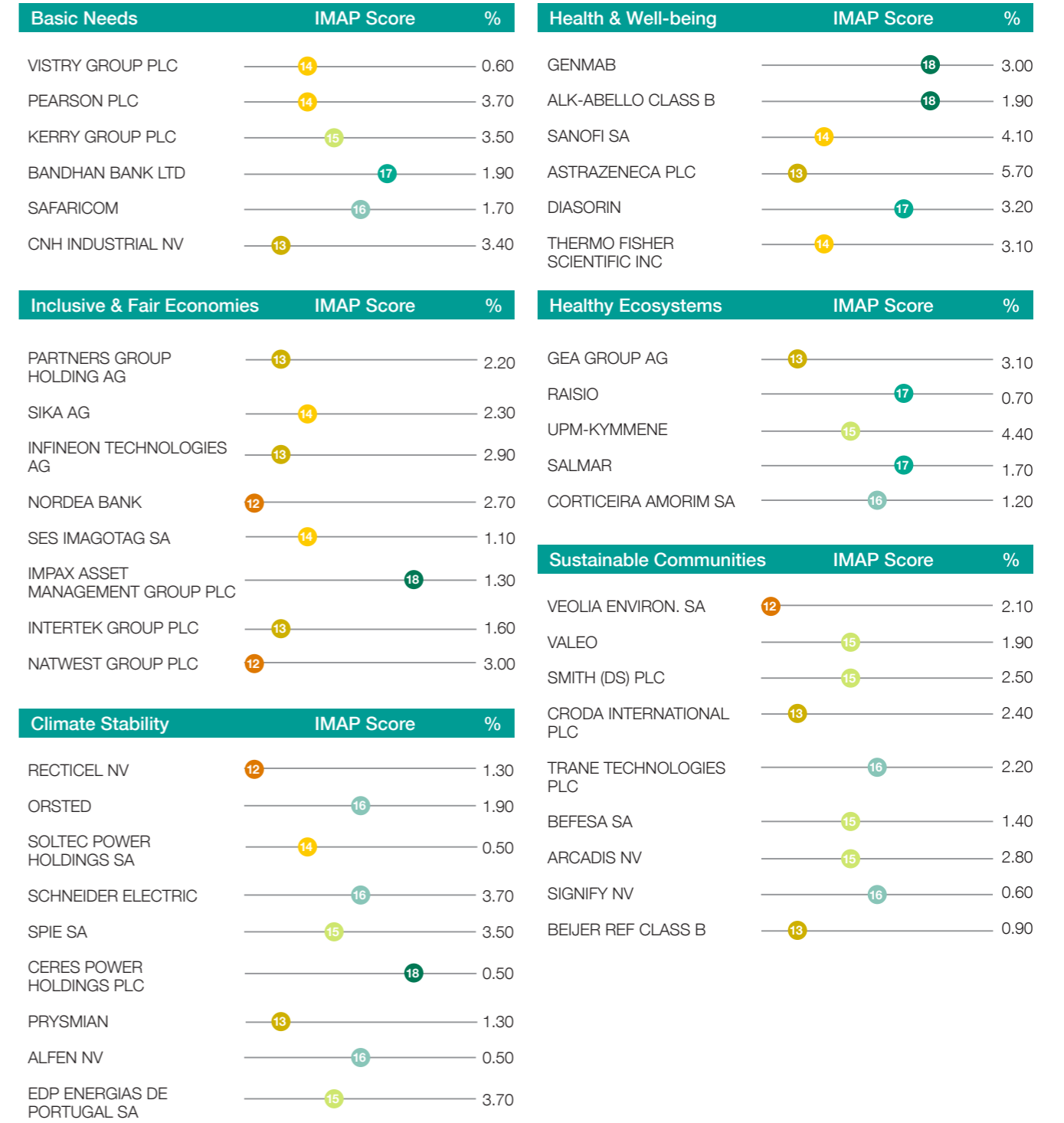
Below is a snapshot of our voting activity in 2022. Comprehensive disclosure for all managed funds at UBP can be found on the UBP website.



ESG MONITORING 2022



Fund holdings as at year end

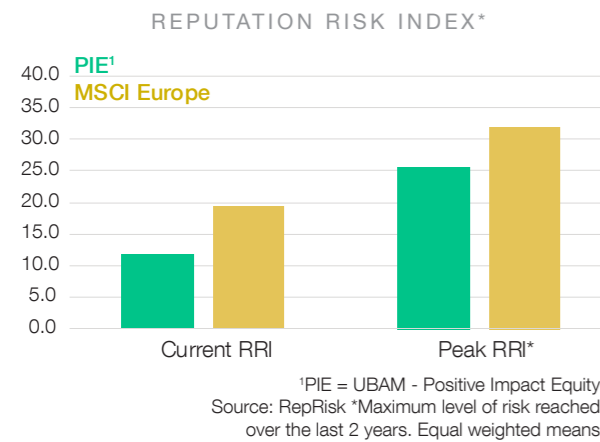


Average portfolio IMAP score: 14.56

ESG monitoring 2022

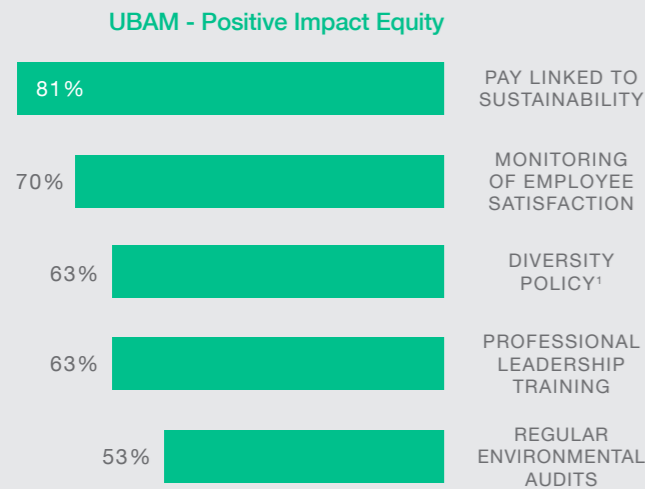
The data below reflects our areas of priority for ESG monitoring. Recognising that disclosure is often linked to geography and market capitalisation, we do not necessarily expect our funds to be superior to the reference benchmark for the majority of these factors. We do, however, expect progress over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

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	UN GLOBAL COMPACT			HUMAN RIGHTS COMPLIANCE		
	Pass	Watch	Fail	Pass	Watch	Fail
PIE ¹	42	0	0	42	0	0
MSCI EU	389	29	4	395	23	4
MSCI ACWI	2,727	120	23	2,727	121	22
PIE ¹	100%	0%	0%	100%	0%	0%
MSCI EU	92.2%	6.9%	0.9%	93.6%	5.5%	0.9%
MSCI ACWI	95.0%	4.2%	0.8%	95.0%	4.2%	0.8%

	LABOUR COMPLIANCE - CORE			LABOUR COMPLIANCE - BROAD		
	Pass	Watch	Fail	Pass	Watch	Fail
PIE ¹	42	0	0	42	0	0
MSCI EU	411	8	3	406	13	3
MSCI ACWI	2,807	45	18	2,778	73	19
PIE ¹	100%	0%	0%	100%	0%	0%
MSCI EU	97.4%	1.9%	0.7%	96.2%	3.1%	0.7%
MSCI ACWI	97.8%	1.6%	0.6%	96.8%	2.5%	0.7%

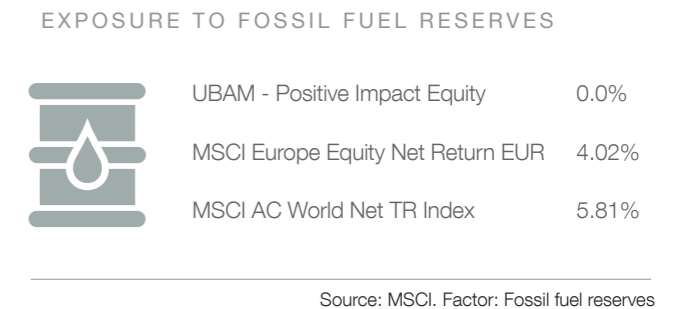
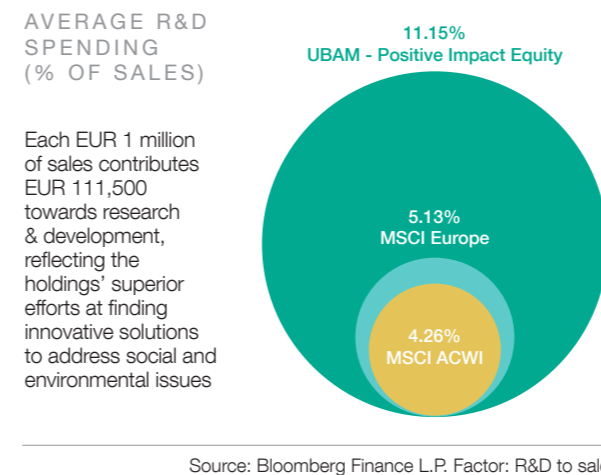
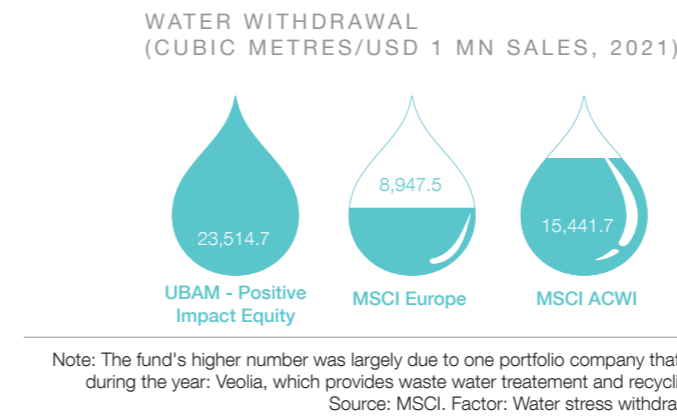
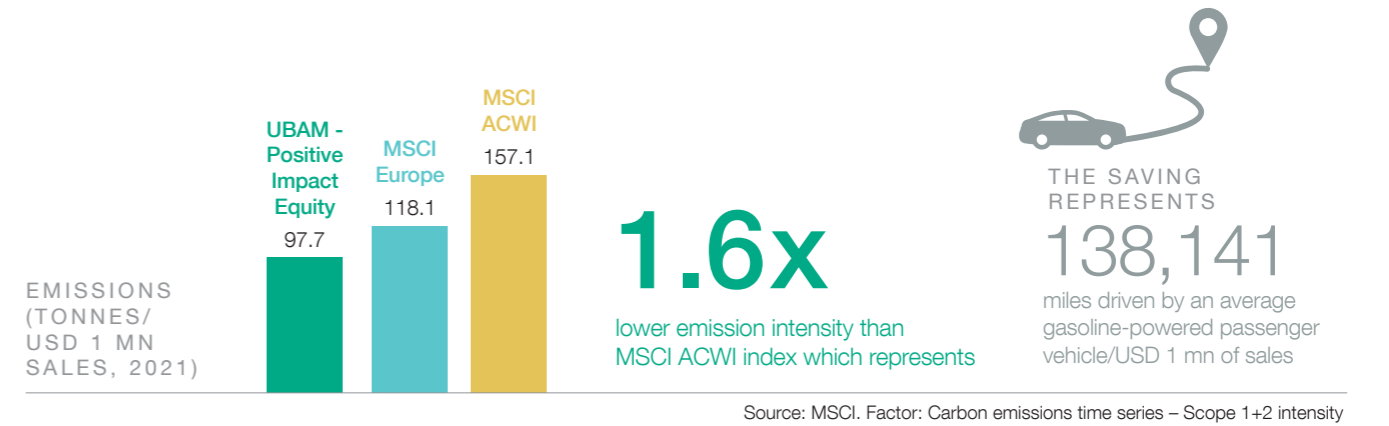


¹Reflective of the relatively lower disclosure of smaller companies. Our IEF efforts demonstrate that 67% of fund companies actively measure and address workforce diversity.

Source: MSCI. Not weight adjusted, reflective of % of companies of the fund. Factor: Pay linked to sustainability, Disclosure: Fund: 98%; MSCI Europe Equity Net Return EUR (MSCI EU): 99.8%. Factor: Monitor employee satisfaction, Disclosure: Fund: 98%; MSCI EU: 99.8%. Factor: Diversity policy for workforce, Disclosure: Fund: 95%; MSCI EU: 99.8%. Factor: Provides professional leadership development program, Disclosure: Fund: 98%; MSCI EU: 99.8%. Factor: Company conducts regular environmental audits of its operations, Disclosure: Fund: 98%; MSCI EU: 99.1%. Source: Bloomberg Finance L.P. Past performance is not a guide to current or future results.

Footprint in 2022

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

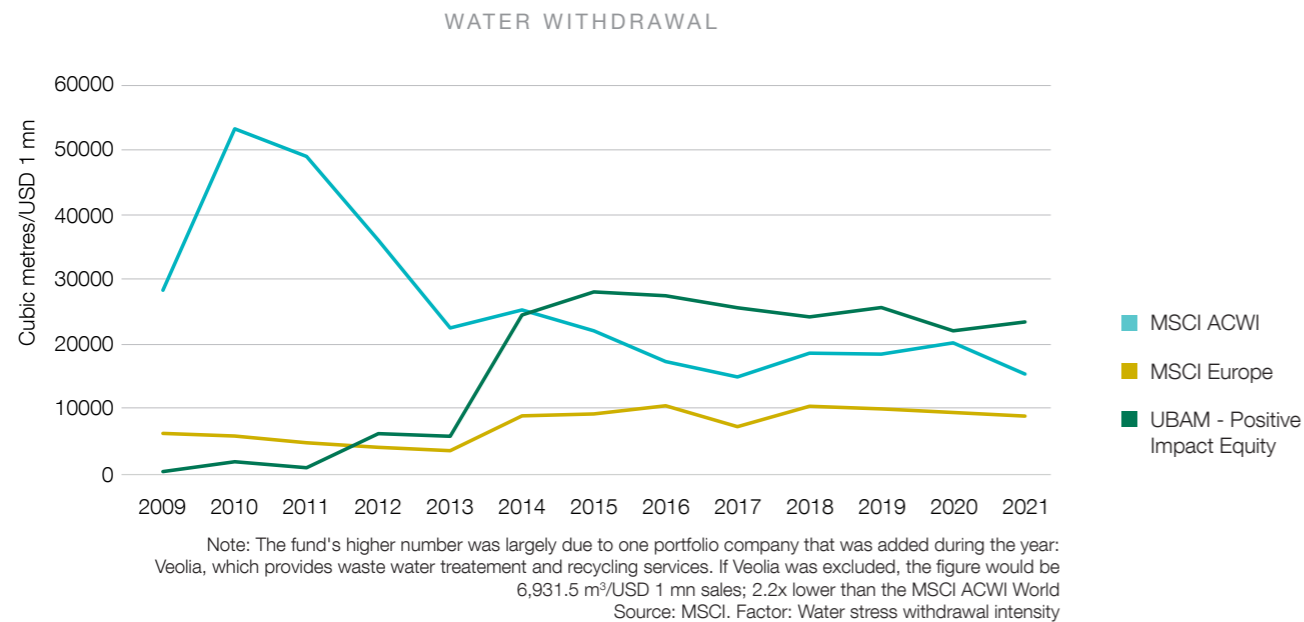
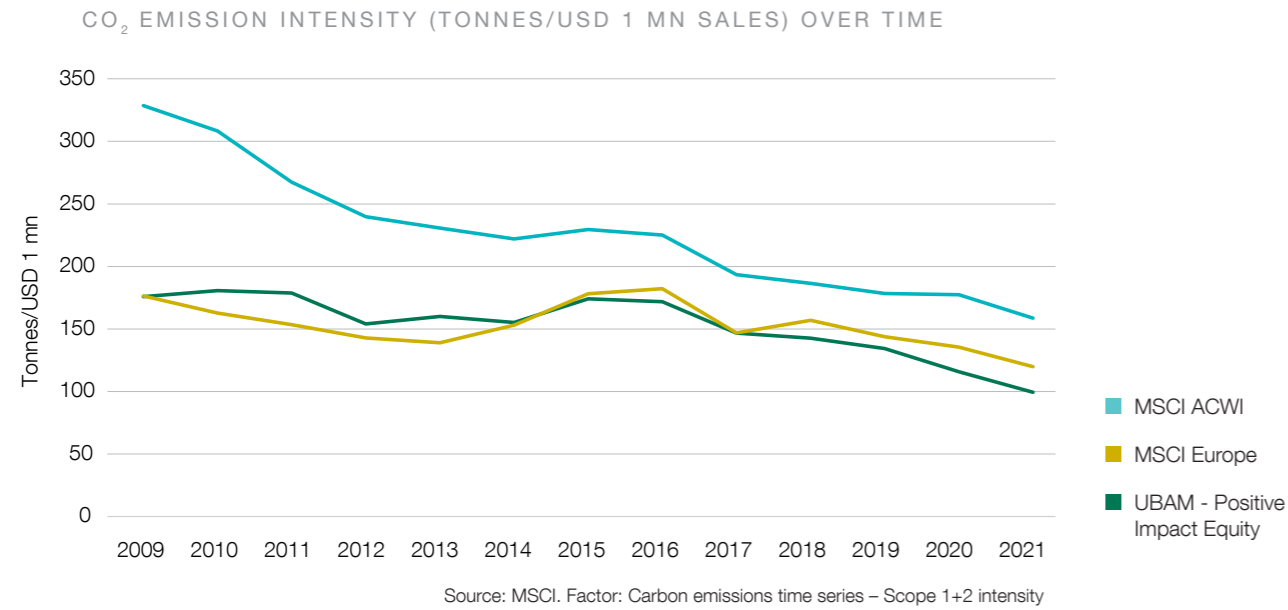


*Metrics calculated using relevant MSCI and Bloomberg data points (water withdrawal per USD 1 mn of sales, emissions per USD 1 mn of sales, clean energy sourcing, Efforts and R&D spending as % of sales). Data was adjusted to represent the entire sample when disclosure was missing for some constituents. The fund's higher number was largely driven by one portfolio company - Veolia, which provides wastewater treatment and recycling services. Past performance is not a guide to current or future results.

Disclosure levels: Emissions: Fund: 95%; MSCI Europe: 96%; MSCI ACWI: 95%, Water withdrawal: Fund: 30%; MSCI Europe 46%; MSCI ACWI 31%, R&D spending: Fund: 79%; MSCI Europe 75%; MSCI ACWI 73%, Clean energy efforts: Fund: 98%, Exposure to fossil fuel reserves: Fund: 100%; MSCI Europe 100%; MSCI ACWI 100%.

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.



*Metrics calculated using relevant MSCI data points (water withdrawal per USD 1 mn of sales, emissions per USD 1 mn of sales) over time. The fund's higher number was largely driven by one portfolio company - Veolia, which provides wastewater treatment and recycling services. If we exclude Veolia from the fund, the figure would be 6931.5 m³/USD 1 million sales. This would be 2.2x lower water withdrawal intensity than MSCI AW World. 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 2022 which are then backtested. Despite being normalised, the index performance values change over time as disclosure of constituents increases. Time frame subject to company disclosure date and MSCI data point availability, causing representation lag of most recent years. Past performance is not a guide to current or future results.

Stock-specific KPIs

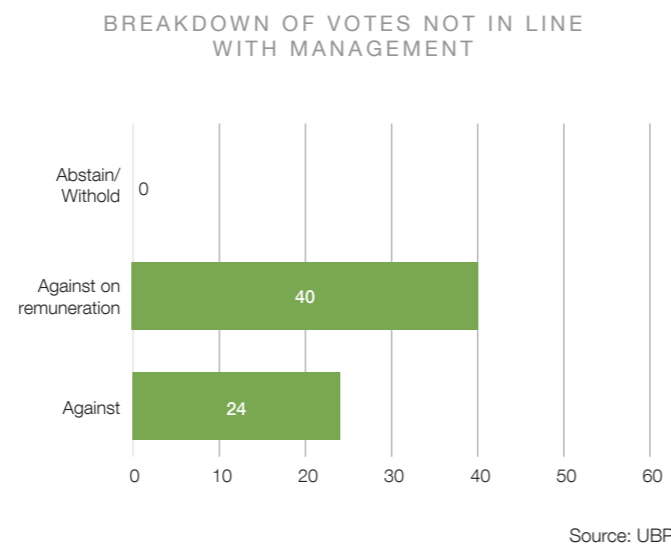
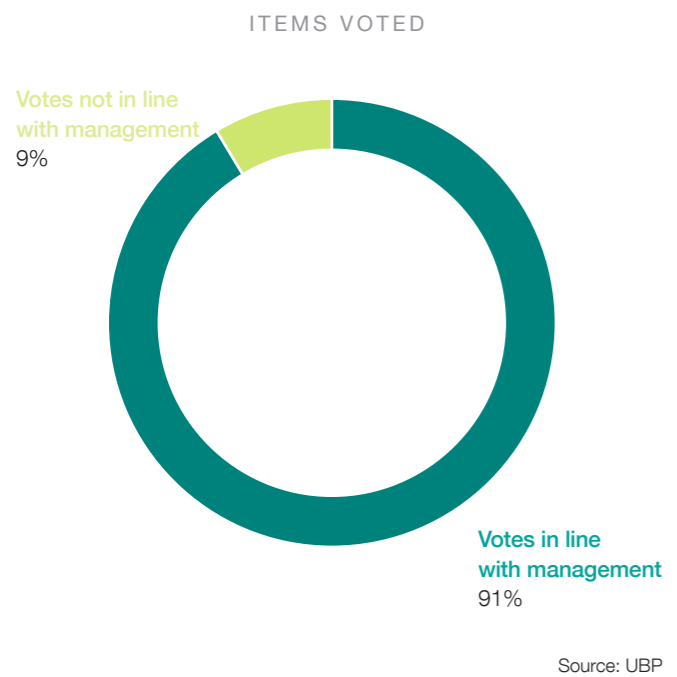
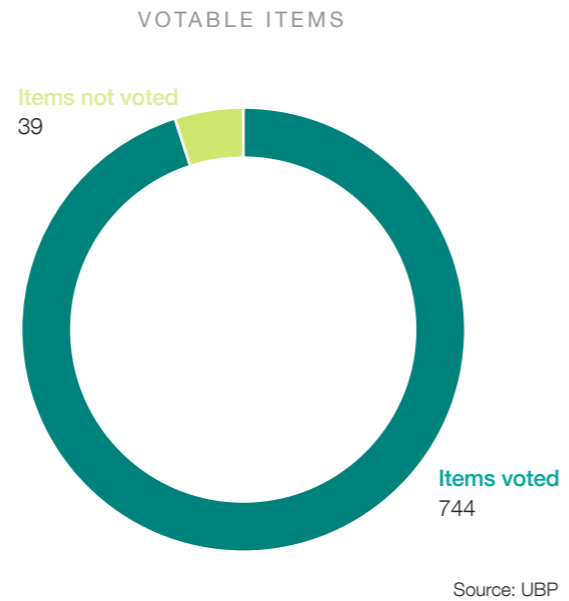
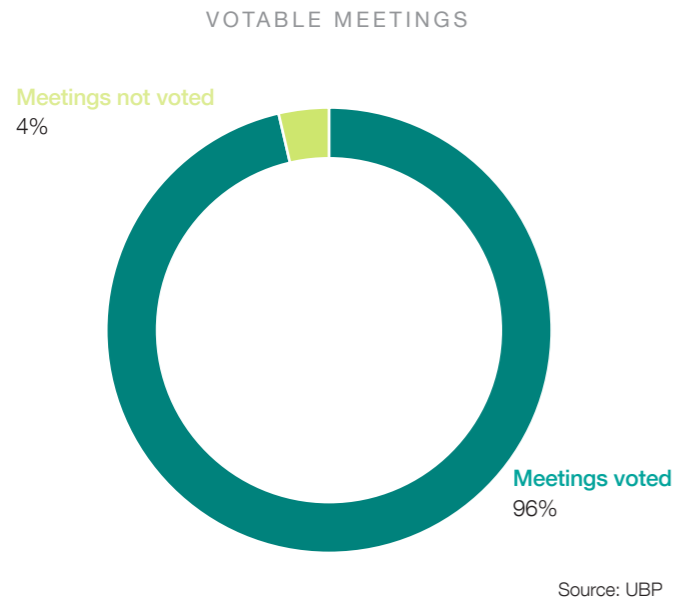
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Fund voting record 2022

Below is a snapshot of our voting activity in 2022. Comprehensive disclosure for all managed funds at UBP can be found on the UBP website.



Fund holdings as at year end

Basic Needs	IMAP Score	%	Health & Well-being	IMAP Score	%
CREDICORP LTD	13	2.20	SHANDONG WEIGAO GP MEDICAL POLYMER	14	4.10
CDIRECIONAL ENGENHARIA SA	15	1.40	GEDEON RICHTER	13	2.90
YDUQS PARTICIPACOES SA	14	1.50	CIPLA LTD	14	3.90
BANDHAN BANK LTD	17	3.60	SINO BIOPHARMACEUTICAL LTD	12	1.10
SAFARICOM	16	1.10	ALIBABA HEALTH INFORMATION TECH LT	15	1.90
CHINA EDUCATION GROUP HOLDINGS LTD	13	2.20			
COMPARTAMOS SAB DE CV	14	4.40	Inclusive & Fair Economies	IMAP Score	%
LAUREATE EDUCATION INC	15	2.70	BANK RAKYAT INDONESIA (PERSERO)	14	4.41
PINDUODUO ADR REPRESENTING INC	12	4.30	SHRIRAM FINANCE LTD	14	3.23
			DELTA ELECTRONICS INC	15	2.89
Climate Stability	IMAP Score	%	ADVANTECH LTD	14	1.77
NARI TECHNOLOGY LTD A	15	1.70	CATHAY FINANCIAL HOLDING LTD	14	1.45
ZHEJIANG CHINT ELECTRICS LTD A	12	1.40	SINBON ELECTRONICS LTD	14	1.10
LONGI GREEN ENERGY TECHNOLOGY LTD	17	2.50	TRANSACTION CAPITAL LTD	14	0.66
MING YANG SMART ENERGY GROUP LTD A	15	2.30			
LS ELECTRIC LTD	16	1.30	Sustainable Communities	IMAP Score	%
XINYI SOLAR HOLDINGS LTD	16	1.90	KLABIN UNITS SA	15	2.30
ENERGY ABSOLUTE PCL F	13	1.40	BYD LTD H	12	2.20
VOLTRONIC POWER TECHNOLOGY CORP	16	1.70	WUXI LEAD INTELLIGENT EQUIPMENT LT	15	2.30
			MONDI PLC	13	2.30
			SWIRE PROPERTIES LTD	15	2.70
			MTR CORPORATION CORP LTD	14	2.90
			SAMSUNG SDI LTD	14	4.40
			YADEA GROUP HOLDINGS LTD	12	1.50
			CLEANAWAY LTD	13	2.10
			GIANT MANUFACTURING LTD	12	1.70

Average portfolio IMAP score: 14.14

ESG monitoring 2022

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.

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	UN GLOBAL COMPACT			HUMAN RIGHTS COMPLIANCE		
	Pass	Watch	Fail	Pass	Watch	Fail
PIEE ¹	39	0	0	39	0	0
MSCI EM	1309	45	16	1309	45	16
PIEE ¹	100%	0%	0%	100%	0%	0%
MSCI EM	95.5%	3.3%	1.2%	95.5%	3.3%	1.2%

REPUTATION RISK INDEX



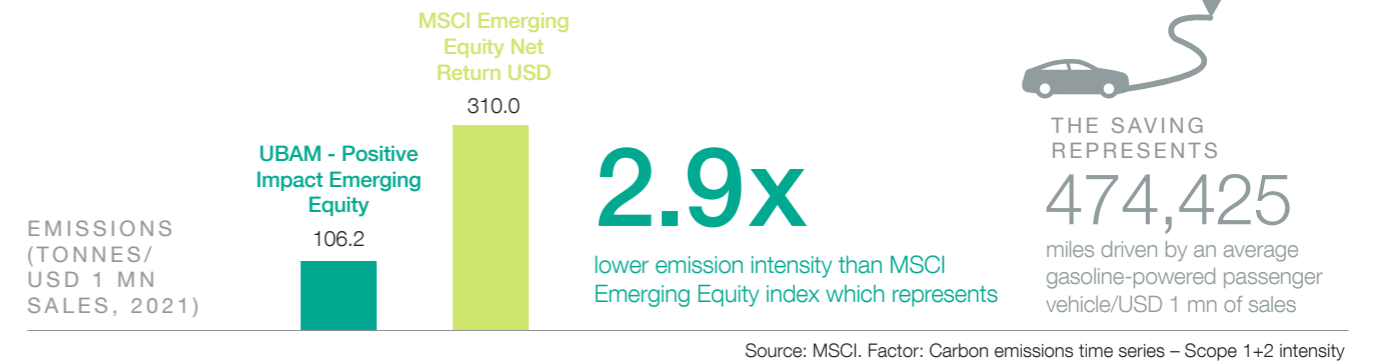
¹PIEE = UBAM - Positive Impact Emerging Equity
Source: RepRisk, Factor: RRI / Peak RRI Index.
Disclosure: Fund: 100%; MSCI EM: 95%

	LABOUR COMPLIANCE CORE			LABOUR COMPLIANCE BROAD		
	Pass	Watch	Fail	Pass	Watch	Fail
PIEE ¹	39	0	0	39	0	0
MSCI EM	1340	15	15	1330	24	16
PIEE ¹	100%	0%	0%	100%	0%	0%
MSCI EM	97.8%	1.1%	1.1%	97.1%	1.8%	1.2%

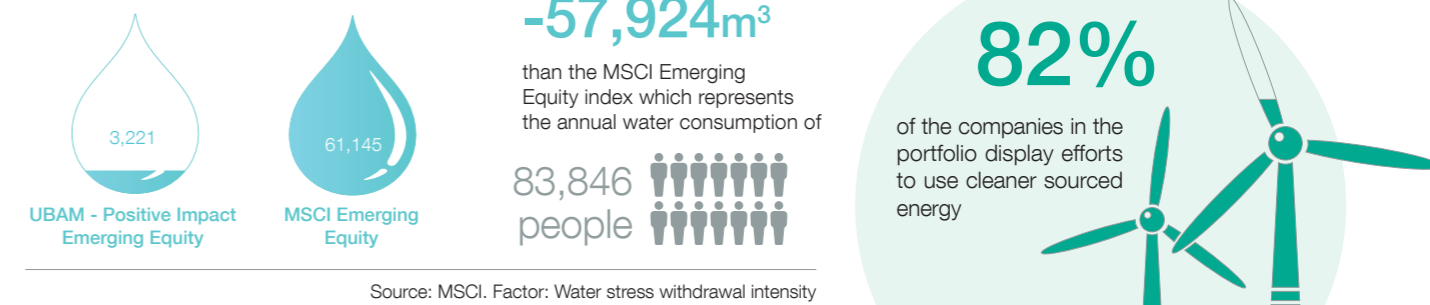
Source: RepRisk
*Maximum level of risk reached over the last 2 years

Footprint in 2022

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

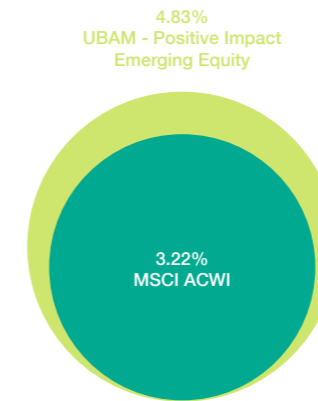


WATER WITHDRAWAL (CUBIC METRES/USD 1 MN SALES, 2021)



AVERAGE R&D SPENDING (% OF SALES)

Each USD 1 million of sales contributes USD 32,200 towards research & development, reflecting the holdings' superior efforts at finding innovative solutions to address social and environmental issues



EXPOSURE TO FOSSIL FUEL RESERVES

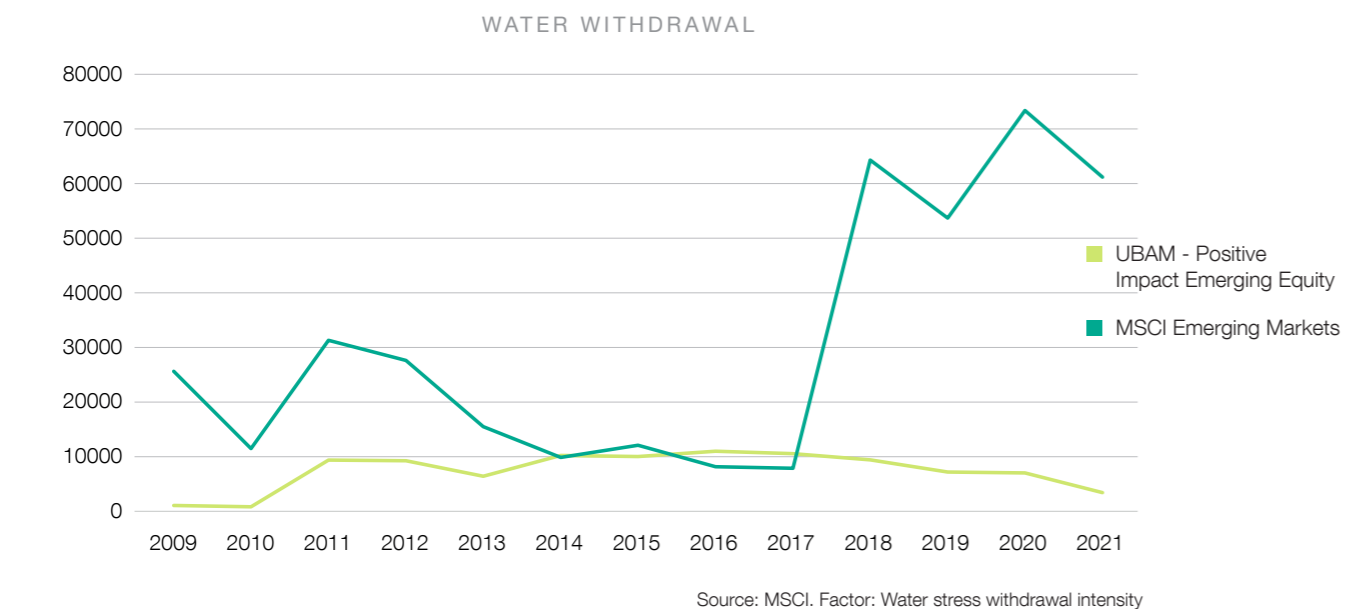
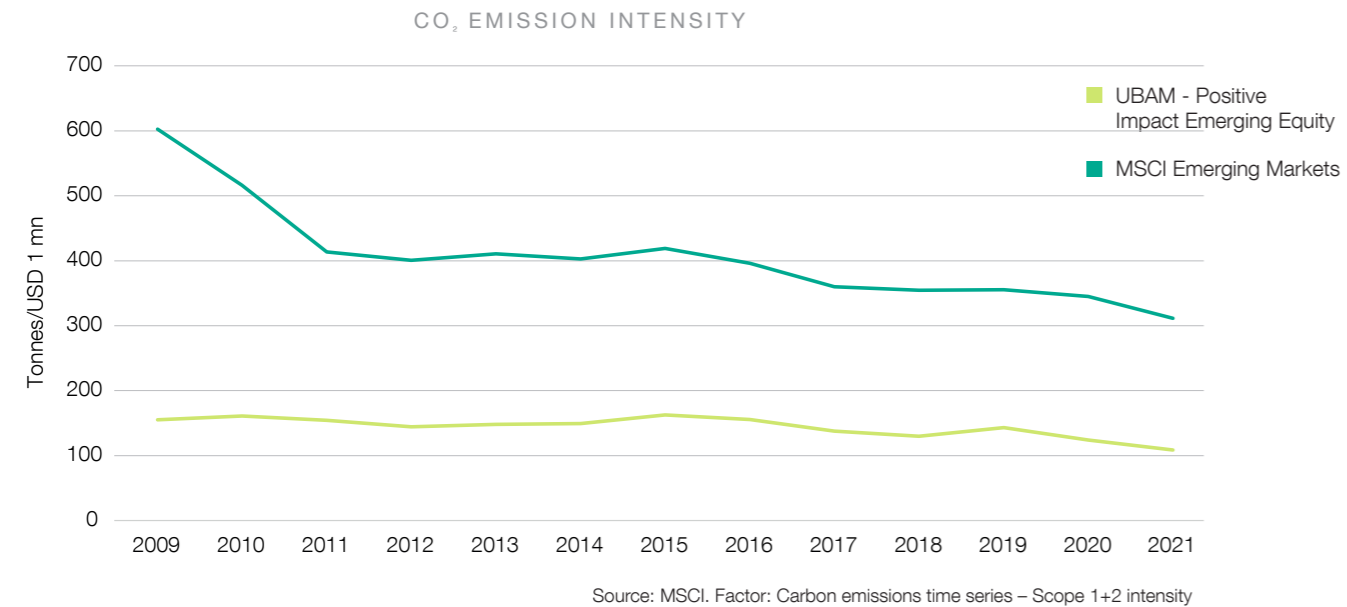


*Metrics calculated using relevant MSCI and Bloomberg data points (water withdrawal per USD 1 mn of sales, emissions per USD 1 mn of sales, clean energy sourcing. Efforts and R&D spending as % of sales). Data was adjusted to represent the entire sample when disclosure was missing for some constituents. Past performance is not a guide to current or future results.

Disclosure levels:
Emissions: Fund: 90%; MSCI Emerging Equity: 95%, Water withdrawal: Fund: 28%; MSCI Emerging Equity 29%, R&D spending: Fund: 82%; MSCI Emerging Equity 76%, Clean energy efforts: Fund: 100%, Exposure to Fossil Fuel Reserves: Fund: 100%; MSCI Emerging Equity 100%.

Footprint over time

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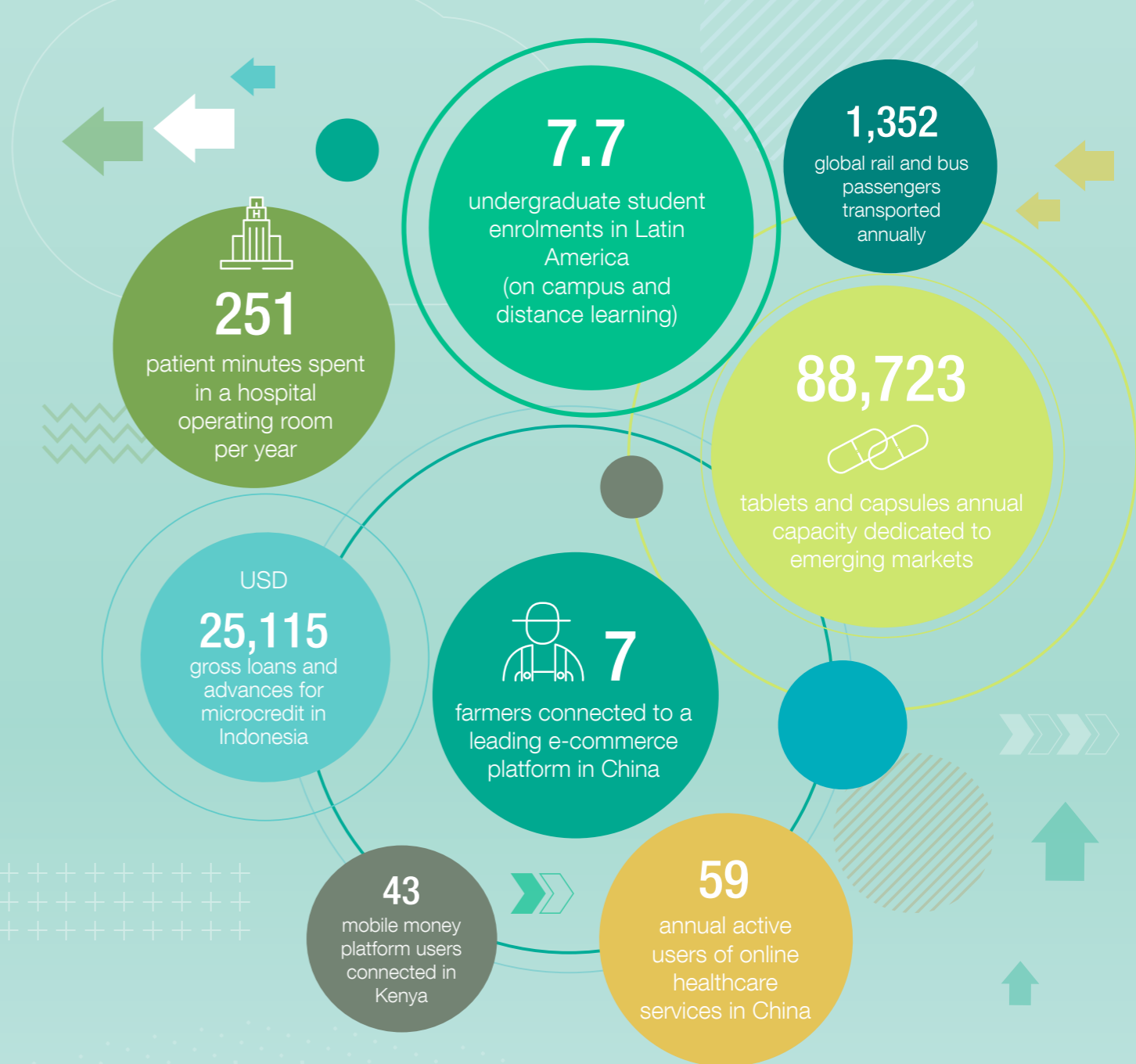


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*Companies that had more than 5% of their revenues coming from hydroelectricity were excluded from this calculation both for the fund and for the benchmark.

Stock-specific KPIs

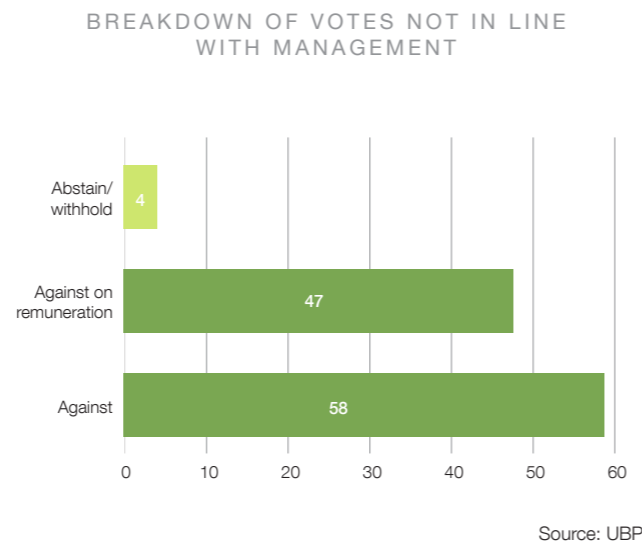
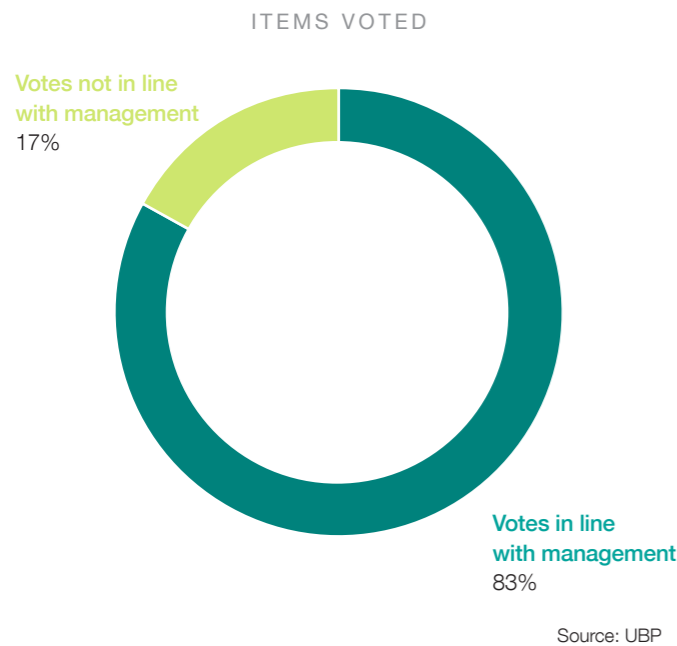
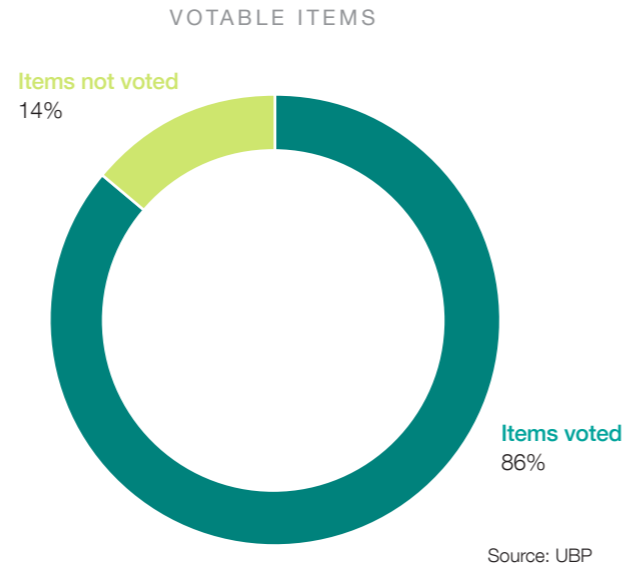
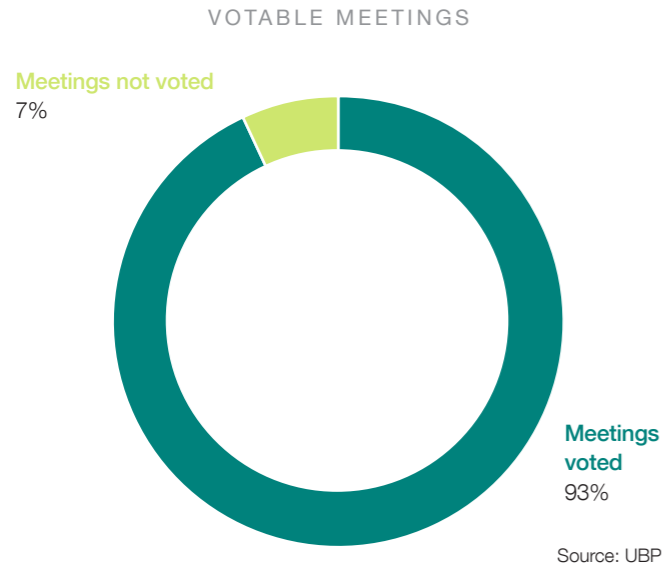
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Fund voting record 2022

Below is a snapshot of our voting activity in 2022. Comprehensive disclosure for all managed funds at UBP can be found on the UBP website.



Disclaimer

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It does not replace a prospectus, KID, KIID 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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