RESPONSIBLE INVESTING IN DIRECT LIQUID ASSETS

May 2020

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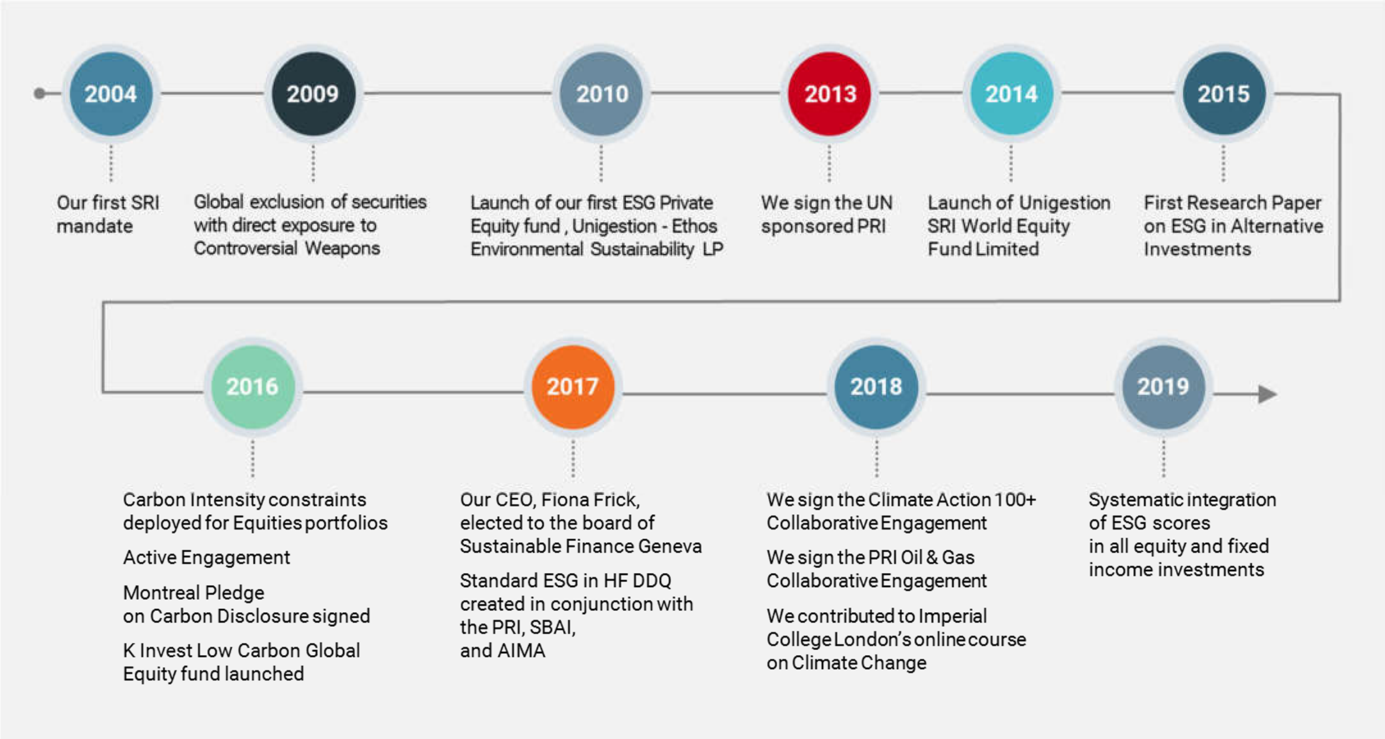
RESPONSIBLE INVESTING AT UNIGESTION

The Evolution of Responsible Investing at Unigestion

Unigestion has been an active proponent of responsible investing since 2004 when we launched our first Socially Responsible Investing (SRI) mandate for a Nordic investor. Since then, we have introduced a number of initiatives and products, signed the United Nation's Principles for Responsible Investment (UN PRI) in 2013 and significantly accelerated our SRI-related activities since 2016.

Figure 1: Responsible Investment Timeline at Unigestion



Today, SRI is ingrained into everything we do, from the integration of the UN PRI into our investment processes for both standard and customised products, to the promotion of these practices internally and externally.

Governance

Our Responsible Investment Committee leads the development and integration of SRI principles into all our investment processes across the firm. Composed of senior management, including our CEO, Fiona Frick, the committee has published our responsible investment policy, which states our corporate mission and establishes the following three principles to guide our activities:

- We integrate Environmental, Social and Governance (ESG) criteria into our investment decision-making processes.
- We actively exercise investors' rights as shareholder by voting at shareholder meetings through our external proxy voting policy, and engaging directly with investee companies whenever necessary.
- We promote SRI best practices by aligning our investment policy with the philosophy of the UN PRI and by being an active member of industry-wide movements such as Swiss Sustainable Finance.

In addition to guiding and monitoring ESG implementation across all investment activities, the Committee is also responsible for validating companywide policies on sector and activity exclusion.

We believe exclusions should be applied across the firm and all assets we manage for our clients. Below is a list of exclusions applied across all investment lines since 2019. Each exclusion is systematically considered but the relevance of the issue is determined by our team of fundamental equity analysts.

Figure 2: Exclusions Applied Across All Investment Activities

Exclusion	Description
Human Rights*	Businesses that do not support and respect the protection of internationally recognised human rights or are complicit in human rights abuses
Labour Rights*	Businesses that do not uphold: ▶ the freedom of association and the effective recognition of the right to collective bargaining ▶ the elimination of all forms of forced and compulsory labour ▶ the effective abolition of child labour ▶ the elimination of discrimination in respect of employment and occupation
Environmental Issues*	Businesses that do not: ▶ support a precautionary approach to environmental challenges ▶ undertake initiatives to promote greater environmental responsibility ▶ encourage the development and diffusion of environmentally friendly technologies
Business Ethics*	Businesses with any corruption allegation, including extortion and bribery
Controversial Weapons**	Businesses that manufacture, distribute or sell controversial arms or ammunitions such as cluster bombs, landmines, depleted uranium, etc.
Adult Entertainment Producers***	Businesses principally engaged in the production of pornography
Tobacco Producers***	Businesses principally engaged in the manufacturing of, or trading in, tobacco
Thermal Coal***	Businesses with more than 10% of their total revenue derived from thermal coal
Predatory Lending***	Businesses directly involved in unethical lending practices that impose unfair and abusive loan terms on borrowers.

* As described by UN Global Compact (UNGC), Source: Sustainalytics
** Sources: NBIM, Sustainalytics
*** Source: Sustainalytics

Promoting Responsible Investing

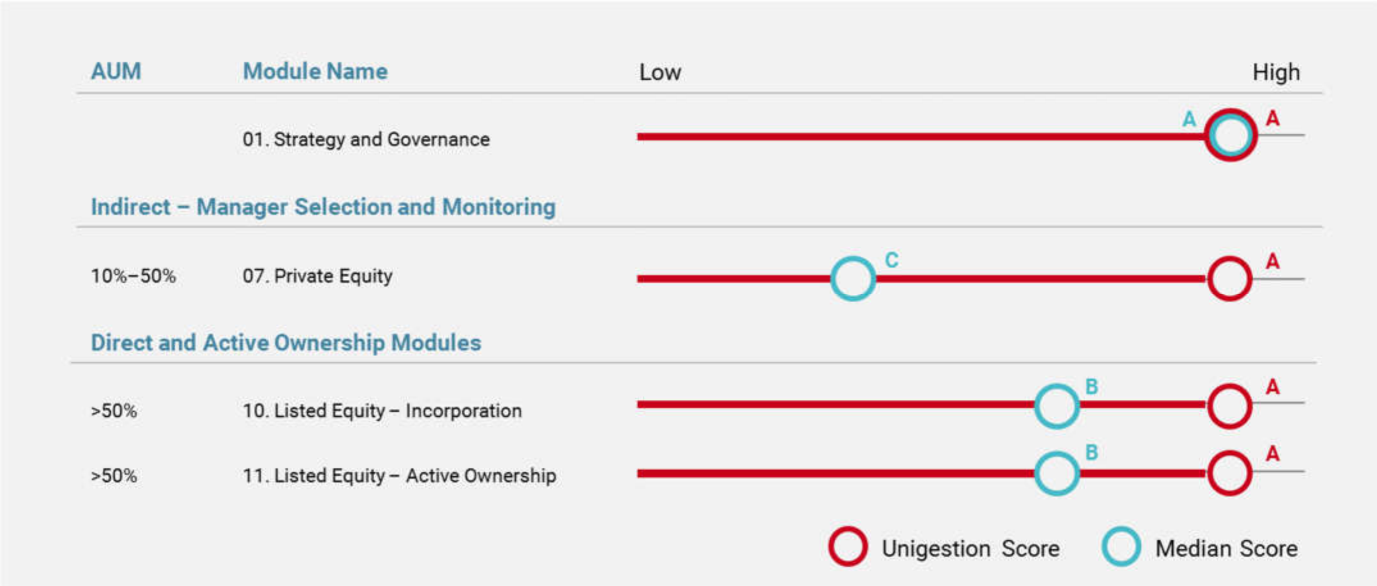
Promoting responsible investing to our stakeholders is an important part of our SRI effort. In addition, it is a key component of the UN PRI. We are committed to adhering to the Principles as long as they are consistent with our fiduciary duties:

- We incorporate ESG criteria into investment analysis and decision-making processes.
- We are active owners and incorporate ESG issues into our ownership policies and practices.
- We seek appropriate disclosure on ESG issues by the entities in which we invest.
- We promote acceptance and implementation of the principles within the investment industry.
- We work together to enhance our effectiveness in implementing the principles.
- We report on our activities and progress towards implementing the principles.

Currently, UN PRI signatories comprise 1,940 asset managers and service providers, and 432 asset owners, globally[1].
PRI Assessment Reports provide signatories with invaluable feedback regarding implementation of SRI practices. Figure 2 summarises our report and underscores the extent of our efforts to integrate the UN PRI into our investment activities.

[1] Source: https://www.unpri.org/pri/about-the-pri; as at 20.6.19

Figure 3: Summary Scorecard of PRI Assessment Report for 2019



An Active Participant in the Wider SRI Community

We are members of Swiss Sustainable Finance, created to promote sustainability in the Swiss financial market and to strengthen Switzerland's position as a leading centre worldwide for sustainable finance.

Our CEO is a member of the board of Sustainable Finance Geneva.

Further, we strive to actively drive engagement by promoting our views on ESG topics at industry events, including:

- PRI in Person, London, September 2015
- PRI, Stockholm, June 2017
- “Switzerland, Home of the Green Economy?”, Geneva, February 2018
- Geneva Forum for Sustainable Investment, Geneva, May 2018
- Building the Bridges Summit, Geneva, October 2019

RESPONSIBLE INVESTING IN EQUITY STRATEGIES

Consistent with our corporate commitment, we have taken significant steps to integrate the UN PRI into our equity strategies.

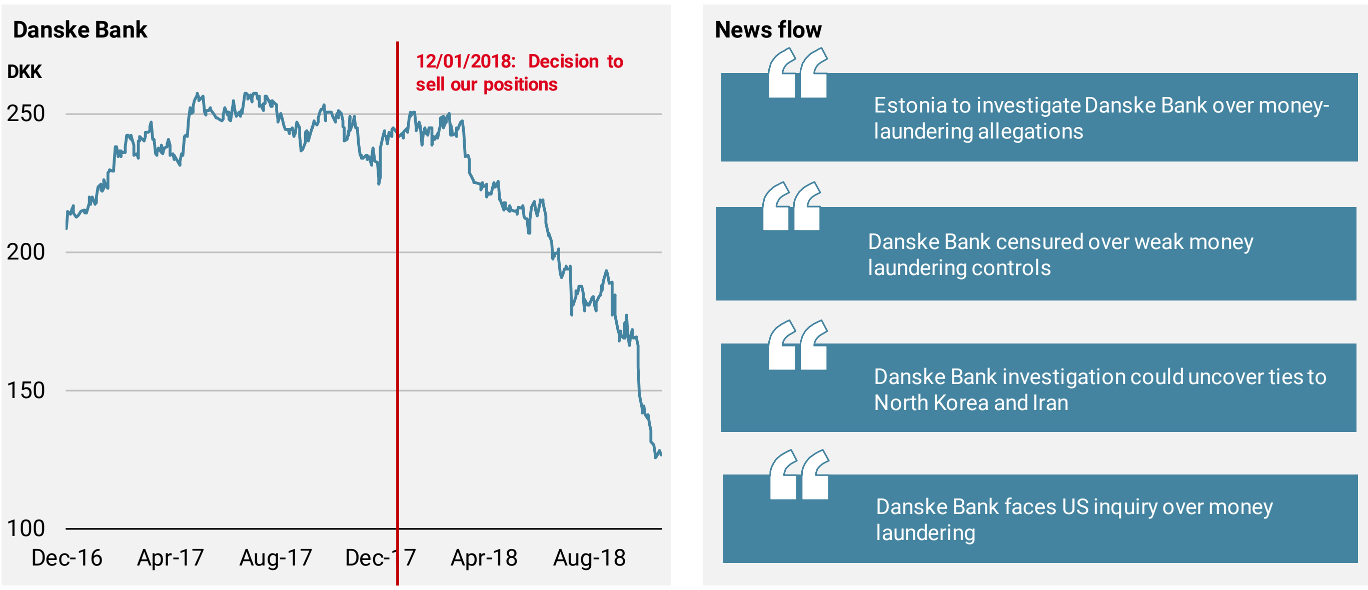
We believe that integrating ESG criteria into our investment and decision-making processes is essential to reducing the risks of our investments. A 360° approach to risk assessment is at the heart of our process. ESG criteria is therefore naturally integrated as a source of risk and it affects the way we select investments and build portfolios. In addition to traditional risk measures such as fundamentals, volatility and liquidity, key considerations within our risk assessment also include ESG characteristics of companies, their carbon footprint as well as potential controversies. We are convinced that SRI is key to protecting investors’ assets against the emergence of these new risks.

Figure 4: Responsible Investing Issues Are Key to Unigestion's 360° Risk Assessment

Paying attention to ESG characteristics has been beneficial to our strategies in the past, allowing us to identify risks before they materialised in the market. A recent example is Danske bank.

In early December 2017, our analysts began to closely monitor investigations into allegations of money laundering by Danske Bank's Estonian affiliate. After a detailed analysis, we concluded that the level of risk associated with this governance problem was too high and we divested our assets in Danske Bank as a result.

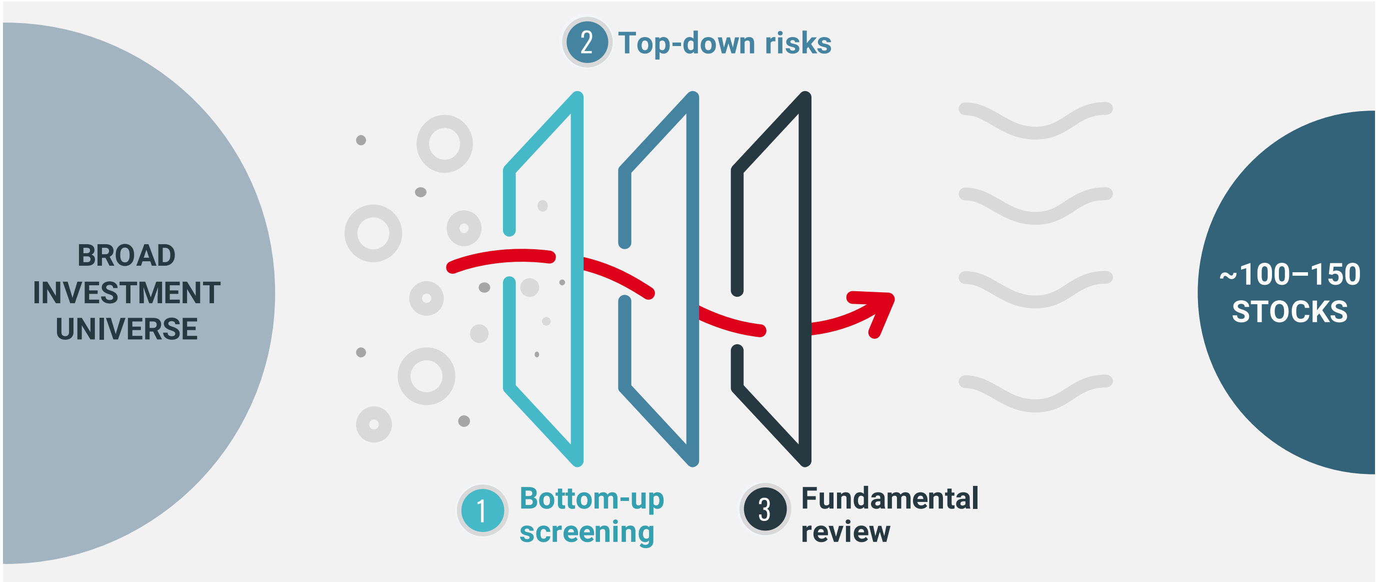
Figure 5: Danske Bank, an Example of a Governance Issue Affecting a Stock



ESG INTEGRATION IN EQUITY STRATEGIES

Our investment process for equities consists of three main steps, starting with the broad investment universe and resulting in the final portfolio as described in Figure 5.

Figure 6: Investment Process Overview



Below, we explain how each of the three steps of the process integrate ESG criteria. Our ESG process has four pillars, as outlined below. Pillar I and II are implemented in the bottom-up screening stage. Pillar III is implemented in the top-down risk guidelines while Pillar IV is an ongoing addition to our investment process.

Pillar I: Norm-based Screening

Norm-based screening is the process of excluding companies associated with key social or environmental issues. According to the European Sustainable Investment Forum, it is the "screening of investments according to their compliance with international standards and norms".

Unigestion considers three such exclusions: controversial weapons, tobacco producers and adult entertainment producers.

Exclusion of Controversial Weapons

Unigestion does not invest in companies that are involved in the production or distribution of controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons, depleted uranium ammunitions, nuclear weapons) as defined by UN conventions. These weapons are recognised as illegal by international conventions such as the Ottawa Treaty, which prohibits landmines.

We believe these companies represent high financial, compliance and reputational risks. Consequently, we exclude the companies below from our investment universe across the firm.

Figure 7: List of Excluded Companies in the MSCI AC World Index

Company	Sector (Level 4)	Weight in MSCI ACWI (%)
Boeing Co	Aerospace & Defense	0.42
Honeywell International Inc	Industrial Conglomerates	0.26
United Technologies Corp	Aerospace & Defense	0.23
Lockheed Martin Corp	Aerospace & Defense	0.22
Airbus SE	Aerospace & Defense	0.18
Northrop Grumman Corp	Aerospace & Defense	0.13
L3Harris Technologies Inc	Aerospace & Defense	0.10

Company	Sector (Level 4)	Weight in MSCI ACWI (%)
Safran SA	Aerospace & Defense	0.10
General Dynamics Corp	Aerospace & Defense	0.10
Eaton Corp Plc	Electrical Components & Equipment	0.07
Cummins Inc.	Construction Machinery & Heavy Trucks	0.05
BAE Systems PLC	Aerospace & Defense	0.05
Thales	Aerospace & Defense	0.03
Jacobs Engineering Group Inc.	Construction & Engineering	0.03
Garmin Ltd	Consumer Electronics	0.02
Textron Inc	Aerospace & Defense	0.02
Huntington Ingalls Industries Inc	Aerospace & Defense	0.02
Larsen And Toubro Ltd	Construction & Engineering	0.02
Leonardo SPA	Aerospace & Defense	0.01
Dassault Aviation SA	Aerospace & Defense	0.01
Fluor Corp	Construction & Engineering	0.01
Korea Aerospace Industries Ltd	Aerospace & Defense	0.01
Hanwha Corp	Industrial Conglomerates	0.00
China Dongfanghong Spacesat Co Ltd	Aerospace & Defense	0.00
Total weight		2.08

Source: Sustainalytics, Vigeo Eiris, NBIM, Unigestion, as of August 2019.

Exclusion of Tobacco Producers

We view the sector as unethical because it profits from harmful activities. There is growing pressure from the World Health Organisation Framework Convention on Tobacco Control and other institutions to develop legislation to reduce the number of smokers. The UN Global Compact excluded tobacco companies in 2017.

From a business point of view, tobacco is suffering from declining sales in combustibles (traditional cigarettes). Next-generation products are failing to offset this trend despite lower margins and they also carry potential health risks.

Given high reputational and litigation risk, and acknowledging that engagement is not likely to lead to any changes, we decided to exclude all tobacco producers from our investment universe.

Figure 8: List of Excluded Companies in the MSCI AC World Index

Company	Weight in MSCI ACWI (%)
Philip Morris International Inc	0.28
Altria Group Inc	0.19
British American Tobacco PLC	0.18
Japan Tobacco Inc	0.05
Imperial Brands PLC	0.05
ITC Ltd	0.03
Kt&G Corp	0.02
Swedish Match AB	0.01
Gudang Garam TBK	0.01
PT Hanjaya Mandala Sampoerna TBK	0.00
Eastern Tobacco Co	0.00
British American Tobacco (Malaysia) Berhad	0.00
Total weight	0.84

Source: Unigestion, MSCI, Sustainalytics, as of August 2019

Exclusion of Adult Entertainment Producers

We recognise that the sector is deemed unethical in many instances and it may profit from harmful activities. However, in this case we only exclude the producers with more than 10% of their revenue coming from this activity, not the so-called distributors.

Currently, there are no stocks recognised as such for exclusion from the MSCI ACWI universe of stocks.

Exclusion of Thermal Coal Exposure

In line with the aims of the Paris Agreement to reduce greenhouse gas emissions, we exclude any companies with considerable revenue exposure to thermal coal, i.e. with more than 10% of their revenue coming from this activity.

Figure 9: List of Excluded Companies in the MSCI AC World Index

Excluded Companies	Sector (Level 4)	Weight in MSCI ACWI (%)
Duke Energy Corp	Electric Utilities	0.13
Southern Co (The)	Electric Utilities	0.13
Enel Ente Nazionale Per L'Energia Elettrica SPA	Electric Utilities	0.13
American Electric Power Co Inc	Electric Utilities	0.09
Xcel Energy Inc.	Electric Utilities	0.06
Anglo American PLC	Diversified Metals & Mining	0.06
WEC Energy Group Inc	Multi-Utilities	0.06
FirstEnergy Corp.	Electric Utilities	0.05
PPL Corp	Electric Utilities	0.05
DTE Energy Co	Multi-Utilities	0.05
Ameren Corp	Multi-Utilities	0.04
CLP Holdings Ltd	Electric Utilities	0.03
CMS Energy Corp	Multi-Utilities	0.03
Evergy Inc	Electric Utilities	0.03
Alliant Energy Corp	Electric Utilities	0.03
AES Corp (The)	Independent Power Producers & Energy Traders	0.03
EDP-Energias de Portugal SA	Electric Utilities	0.02
Origin Energy Ltd	Integrated Oil & Gas	0.02
NiSource Inc	Multi-Utilities	0.02
Tenaga Nasional Berhad	Electric Utilities	0.02
NRG Energy Inc	Independent Power Producers & Energy Traders	0.02
Emera Inc	Electric Utilities	0.02
South32 Ltd	Diversified Metals & Mining	0.02
Pinnacle West Capital Corp	Electric Utilities	0.02
AGL Energy	Multi-Utilities	0.02
Chubu Electric Power Co Inc	Electric Utilities	0.02
Vistra Energy Corp	Independent Power Producers & Energy Traders	0.02
OGE Energy Corp.	Electric Utilities	0.02
Endesa SA	Electric Utilities	0.02
Kansai Electric Power Co Inc	Electric Utilities	0.02
China Shenhua Energy Co Ltd	Coal & Consumable Fuels	0.01
Taiwan Cement Corp	Construction Materials	0.01
Korea Electric Power Corp	Electric Utilities	0.01
Tohoku Electric Power Co Inc	Electric Utilities	0.01
Canadian Utilities Ltd	Multi-Utilities	0.01
NTPC Ltd	Independent Power Producers & Energy Traders	0.01
Chugoku Electric Power Co Inc	Electric Utilities	0.01

Excluded Companies	Sector (Level 4)	Weight in MSCI ACWI (%)
Electric Power Development Co Ltd	Independent Power Producers & Energy Traders	0.01
Cez A.S.	Electric Utilities	0.01
Coal India Ltd	Coal & Consumable Fuels	0.01
Kyushu Electric Power Co Inc	Electric Utilities	0.01
Electricity Generating Public Co Ltd	Independent Power Producers & Energy Traders	0.01
Atco Ltd	Multi-Utilities	0.01
HK Electric Investments Ltd	Electric Utilities	0.01
China Resources Power Holdings Co Ltd	Independent Power Producers & Energy Traders	0.01
Exxaro Resources Ltd	Coal & Consumable Fuels	0.00
Huaneng Power International Inc	Independent Power Producers & Energy Traders	0.00
Aboitiz Equity Ventures Inc	Industrial Conglomerates	0.00
China Longyuan Power Group Corp Ltd	Renewable Electricity	0.00
Washington H.Soul Pattinson & Co Ltd	Coal & Consumable Fuels	0.00
Polska Grupa Energetyczna SA	Electric Utilities	0.00
Aboitiz Power Corp	Independent Power Producers & Energy Traders	0.00
China Power International Development Ltd	Independent Power Producers & Energy Traders	0.00
Tata Power Co Ltd	Electric Utilities	0.00
Metro Pacific Investments Corp	Multi-Sector Holdings	0.00
Huadian Power International Corp Ltd	Independent Power Producers & Energy Traders	0.00
Inner Mongolia Yitai Coal Co Ltd	Coal & Consumable Fuels	0.00
Shaanxi Coal Industry Co Ltd	Coal & Consumable Fuels	0.00
Datang International Power Generation Co Ltd	Independent Power Producers & Energy Traders	0.00
SDIC Power Holdings Co Ltd	Independent Power Producers & Energy Traders	0.00
GD Power Development Co Ltd	Independent Power Producers & Energy Traders	0.00
Shenergy Co Ltd	Independent Power Producers & Energy Traders	0.00
Shanxi Lu'an Environmental Energy Development Co Ltd	Coal & Consumable Fuels	0.00
Shenzhen Energy Group Co Ltd	Independent Power Producers & Energy Traders	0.00
Shanghai Electric Power Co Ltd	Independent Power Producers & Energy Traders	0.00
Shanxi Xishan Coal & Electricity Power Co Ltd	Coal & Consumable Fuels	0.00
Hubei Energy Group Co Ltd	Independent Power Producers & Energy Traders	0.00
Inner Mongolia Mengdian Huaneng Thermal Power Co Ltd	Independent Power Producers & Energy Traders	0.00
Total weight		1.42

Source: Unigestion, MSCI, Sustainalytics, as of December 2019

Exclusion of Companies Involved in Predatory Lending

Predatory Lending refers to any lending practice that imposes unfair and abusive loan terms on borrowers. We therefore exclude any lending organisation that engages in such practices.

Figure 10: List of Excluded Companies in the MSCI AC World Index

Company	Weight in MSCI ACWI (%)
Schroders PLC	0.01
Invesco Ltd	0.01
Blackrock Inc	0.13
Total weight	0.15

Source: Unigestion, MSCI, Sustainalytics, as of March 2020

Exclusion of Non-Compliant Companies According to the UN Global Compact

Launched in 2000, the UN Global Compact (UNGC) is the largest supranational sustainability initiative in the world.

According to the UNGC, "*corporate sustainability starts with a company's value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption*".

Its mission is to support companies to do business responsibly by aligning their operations and strategies with 10 principles:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

We consider these principles to be standards to which all our investee companies must adhere. We will therefore exclude any non-compliant company that, after careful deliberation by our team of fundamental equity analysts, is held to be in violation of these principles.

Figure 11: List of Excluded Companies in the MSCI AC World Index

Company	Weight in MSCI ACWI (%)
China Northern Rare Earth (Group) High-Tech Co Ltd	0.00
Inner Mongolian Baotou Steel Union Co Ltd	0.00
Tata Power Co Ltd	0.00
Hanwha Corp	0.00
Pepkor Holdings Ltd	0.00
Metallurgical Corporation of China Ltd	0.00
Ratch Group Public Co Ltd	0.00
G4S PLC	0.00
Mitsubishi Motors Corp	0.00
Adani Ports & Special Economic Zone Ltd	0.01
Hangzhou Hik-Vision Digital Technology Co Ltd	0.01
Oil & Natural Gas Corp Ltd	0.01
Southern Copper Corp	0.01
Zijin Mining Group Co Ltd	0.01
Korea Electric Power Corp	0.01
JBS SA	0.01
MTN Group Ltd	0.01
SK Holdings Co Ltd	0.01
Bausch Health Cos Inc	0.01
Larsen And Toubro Ltd	0.01
Tokyo Electric Power Co Holdings Inc	0.01
Atlantia SPA	0.02
Grupo Mexico S.A.B. de C.V.	0.02
Danske Bank As	0.02
Petrochina Co Ltd	0.02
Toshiba Corp	0.02
Freeport-McMoRan Inc	0.02
China Petroleum & Chemical Corp Sinopec	0.03
Equifax Inc.	0.04
Volkswagen AG	0.07
Vale SA	0.07
Wells Fargo & Co	0.29
Johnson & Johnson	0.87
Total weight	1.61

Source: Unigestion, MSCI, Sustainalytics, as of February 2020

Pillar II: Exclusionary Screening

Negative or exclusionary screening is the process of excluding companies from an investment universe based on our expectations regarding specific ESG-related risks.

Further to norm-based screening, Unigestion considers three such exclusions: non-covered companies, worst-in-class companies and high carbon emitters.

Non-covered Companies

We exclude from the investment universe companies that are not covered by our ESG score – see the Appendix for a full methodology. Hereafter, 'ESG score' refers to Unigestion's score.

Worst-in-class Companies

We favour companies with good or improving ESG scores. In general, we aim to exclude companies with ESG scores ranked in the worst decile of the universe. However, we value the efforts made by companies in the worst decile of the universe to improve their ESG score and we do not exclude companies that show improvements over the last couple of years.

High Carbon Emitters

International mobilisation against climate change is leading to growing public and regulatory pressure to limit carbon emissions. Excessive carbon emitters are likely to face regulatory and pricing headwinds, and some activities may simply not be viable under strict scenarios.

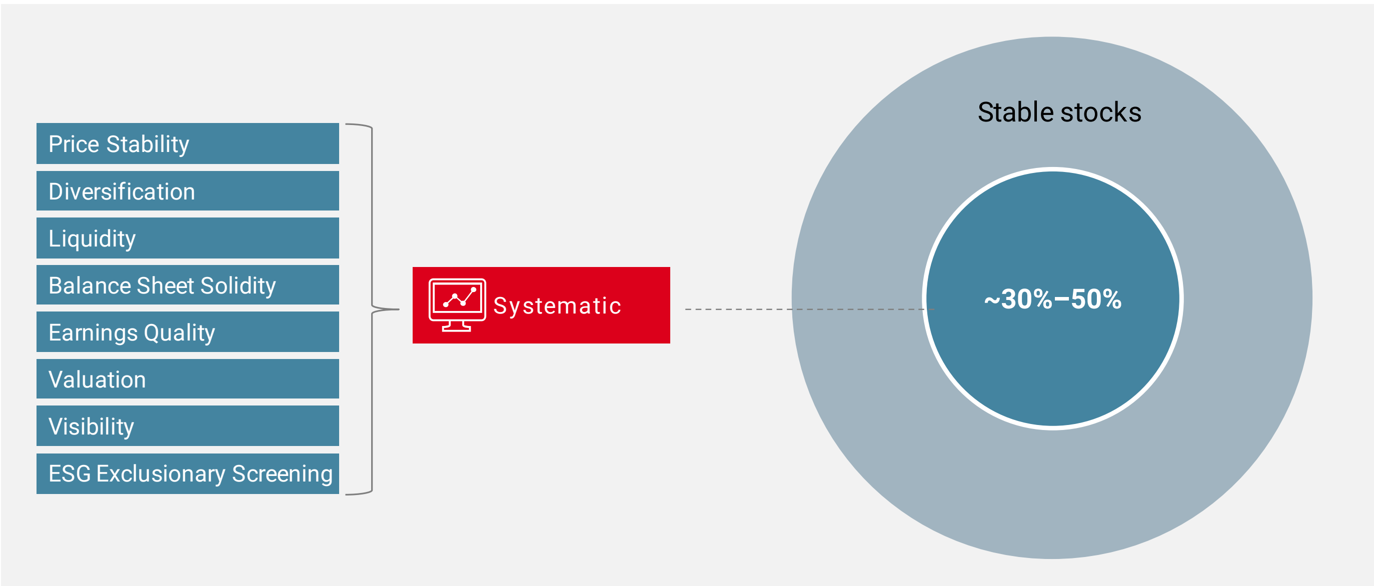
Unigestion recognises climate-related risks as part of each company's risk profile and excludes any company with a carbon footprint of more than 3,000 tons of CO2/USD millions in revenues.

Role of Pillar I and Pillar II in Bottom-up Screening

Starting from a broad investment universe, we incorporate the norm-based exclusions and exclusionary screening mentioned in pillars I and II as bottom-up filters on the investment universe, alongside screenings based on financial criteria such as liquidity and valuation.

The bottom-up filtering process reduces the investment universe to between 30% and 50% of the initial number of stocks.

Figure 12: Bottom-up Screening



Pillar III: ESG Risk Controlling

We require our portfolios to maintain an ESG score that is higher than the market reference on an ongoing basis. This is achieved through a positive tilt to equities with better ESG scores and a negative tilt to the ones with the worst ESG scores.

Top-down Risks

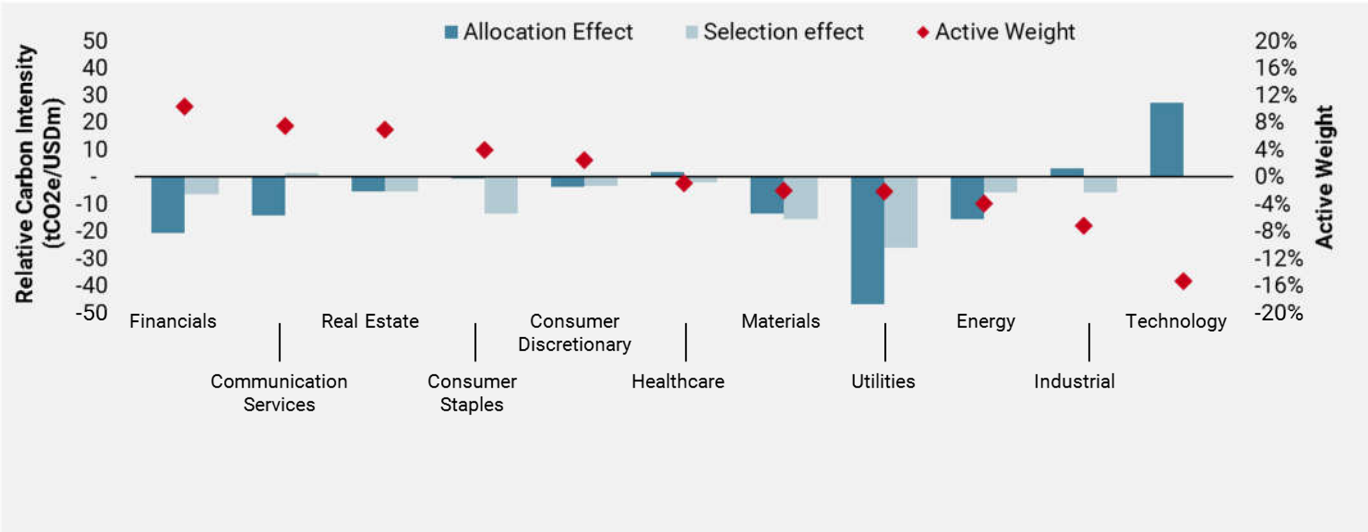
Portfolio construction is then performed through an optimisation process on the remaining, stable universe to produce a candidate portfolio that aims at minimising risk while considering a range of top-down guidelines. These guidelines reflect investment views such as country and sector risks as well as the ESG score of the aggregated portfolio. At this stage, by effectively favouring investments with higher ESG scores, we ensure an overall ESG score that is at least one decile higher than the market reference based on rankings from our internal scoring methodology.

In addition, at the aggregated portfolio level, we ensure that the total carbon footprint is, at worst, 20% lower than the market reference.

Figure 13: Sample Portfolio Carbon Footprint Analysis

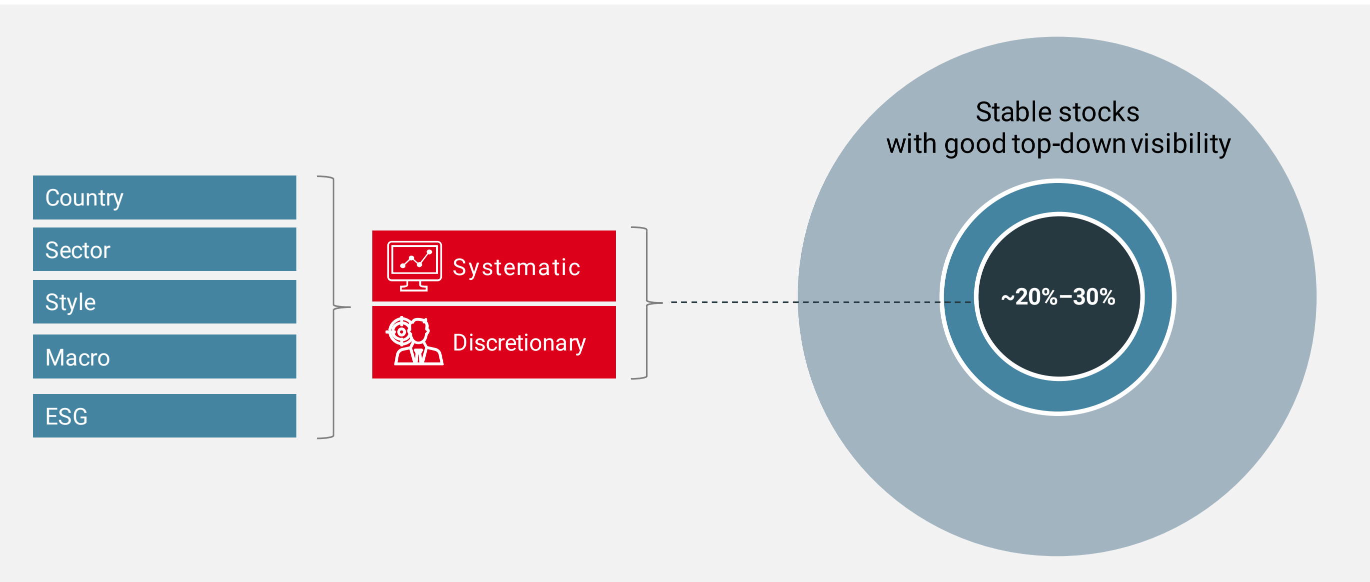
Carbon Footprint (tCO2e/USD m)	
Portfolio	62
Benchmark	229

Reduction	-167
Allocation Effect	-87
Selection Effect	-80



Source: Trucost, Unigestion, MSCI, as of 31.12.2019

Figure 14: Top-down Risks



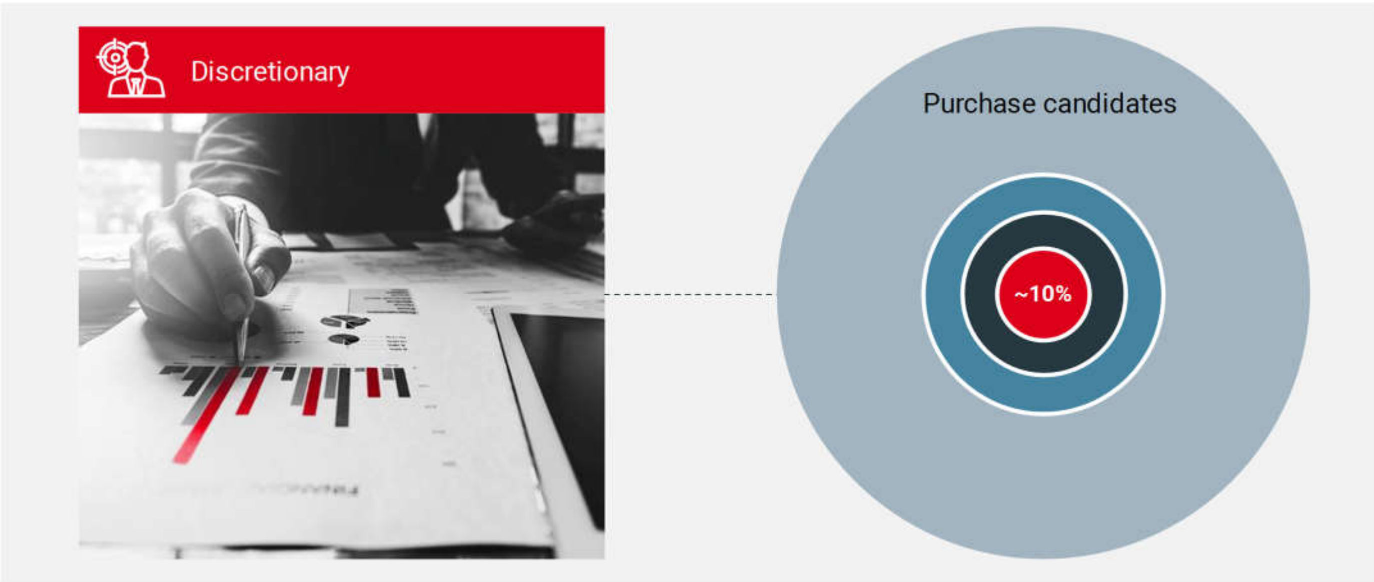
Read more of our latest investment thinking online: www.unigestion.com/insights

Fundamental Review

The resulting portfolio leads to a list of purchase candidates, which is then reviewed thoroughly by our portfolio managers and fundamental analysts. This review, although discretionary by nature, is highly disciplined and ESG is an integral part of the broader criteria used for validating the stocks within the portfolio. As this review may result in further exclusions, the last step may need to be repeated multiple times in order to find the optimal solution.

Our fundamental analysts cover all major positions held within the portfolios, as well as any stocks that may present certain risks over time. They assign a rating to these positions, which determines a maximum weight of the position in the portfolio. The analysts use ESG criteria at different levels in their SWOT analysis and closely monitor where a company stands relative to its peer group. They also pay close attention to corporate governance and communication transparency.

Figure 15: Fundamental Review



Pillar IV: Active Ownership

Unigestion aims to be an active owner of companies on SRI issues where we have a reasonable chance of influencing their behaviour and positioning positively.

We believe that in the long term, this process will contribute positively to our portfolios' risk/return profile.

Proxy Voting

Unigestion's proxy voting is carried out by ISS, using an enhanced version of their International Sustainable Proxy Voting policy that incorporates Taft-Harley rules for US-based firms as well as ISS's Climate Voting Services, which uses their climate Scorecard. The equity investment team and the Responsible Investment Committee monitor the voting guidelines to ensure they are aligned with our approach to stewardship.

Individual Direct Engagement

Since 2016, Unigestion has engaged with companies on a variety of issues relating to directorship, reorganisation and mergers, health and environment, and social and corporate governance. Naturally, we raised these issues shortly before respective AGMs.

We usually initiate the process by writing letters to corporate management, indicating that we are voting against them on a specific issue, voicing our concerns and formally requesting that they be addressed.

Recently, within the framework of our ESG integration process, we have defined and incorporated a rule to identify companies within the worst decile that have also shown signs of improvement over the last three years. We have decided to keep these companies in the portfolio on the evidence that they are trying to improve, while engaging with them based on our internal evaluations of their issues. We believe that engaging with these companies can be constructive as we already own them and value them in other aspects.

Collaborative Corporate Engagement

Unigestion believes collective action by investors with mutual interests can enhance engagement efforts:

- Corporate Carbon Footprint Disclosure Engagement in 2016: together with 30 other PRI signatories, we engaged with 130 large global corporations that did not disclose carbon emission.
- Climate Action 100+ in 2017: together with 373 signatories representing USD 35 trillion of investments, we engaged with 161 companies on climate-related issues.
- PRI-lead Oil & Gas Collaborative Engagement in 2018: together with 125 signatories representing approximately USD 6.3 trillion of investments, we engaged with companies active in the Oil & Gas industry.
- PRI-lead Climate Change Engagement for Airlines and Aerospace Companies in 2019: together with 122 investors representing USD 6.4 trillion of investments, we publicly endorsed an investor expectations statement outlining actions that airline and aerospace companies should take to manage their climate change-related risks and opportunities.

RESPONSIBLE INVESTING AND ESG INTEGRATION IN OTHER ASSET CLASSES

Consistent with our corporate commitment, we have taken significant steps to integrate the UN PRI into all of our liquid asset classes.

ESG criteria are defined either at company level, with respect to equities and corporate bonds, or at a country level, with respect to government bonds.

Government Bonds

The incorporation of ESG criteria within our investment process for government bonds is comprised of two main pillars: bottom-up exclusionary screening and ESG risk management, which is applied as a top-down guideline.

Pillar I: Exclusionary Screening

Similar to equities, negative or exclusionary screening is the process of excluding countries from an investment universe based on our expectations regarding specific ESG risks.

Unigestion considers three such exclusions: non-covered countries, negative-trend countries and high carbon emitters. The exclusions are applied to the global universe in the first step of the investment process, resulting in the remaining, investable universe.

Non-covered Countries

We exclude from the investment universe countries that are not covered by our proprietary ESG score – see the Appendix for a full methodology. Hereafter, 'ESG score' refers to our proprietary score. As a result, we excluded Hong Kong in 2020.

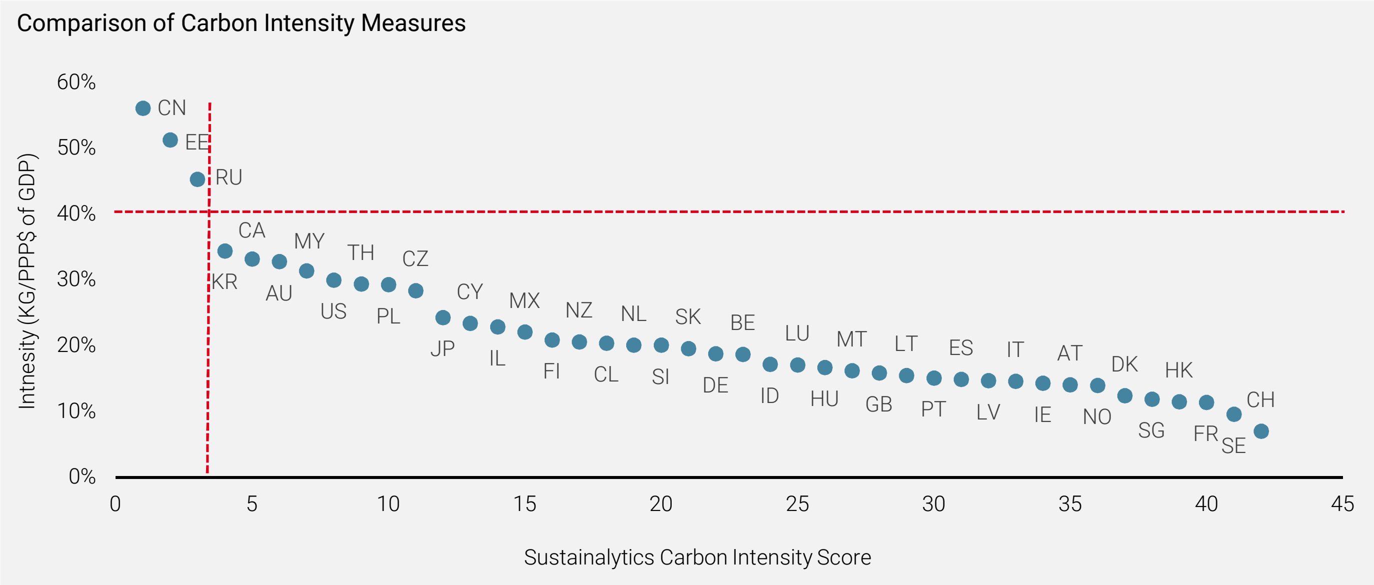
Worst-in-class Countries

We prefer countries with better or improving ESG scores. Therefore, we exclude from the investment universe countries with ESG scores in the worst decile of the universe, unless their score has improved over the last couple of years. The result changes over time.

High Carbon Emitters

In an attempt to limit carbon emissions in our investments, we exclude any country with a carbon footprint of more than 40% (KG/PPP $ of GDP) in revenues. As a result, we exclude China, Estonia and Russia.

Figure 16: Carbon Intensity



Source: Sustainalytics, World Bank, as of March 2020

Pillar II: ESG Risk Controlling

We require our portfolios to maintain an ESG score higher than the market reference on an ongoing basis. This is achieved through a positive tilt to countries with better ESG scores and a negative tilt to the ones with the worst ESG scores.

Top-down Risks

The global country allocation is then determined through an optimisation process on the investable universe. The objective is to maximise the overall ESG score while maintaining a diversified allocation across countries by controlling the tracking error versus the initial allocation. At this stage, by effectively favouring countries with higher ESG scores, we ensure that the overall ESG score is above the market reference while the allocation across countries is not distorted by too many exclusions.

Green Bonds

Investing in green bonds is one way to promote sustainable investment and we have decided to favour them over other government bonds. We implement our allocation such that:

- If government green bonds are available for a country, we will allocate 100% of the targeted country weight to government green bonds.
- If government green bonds are not available for a country but supranational green bonds are, 50% of the targeted country weight will be allocated to the supranational green bonds.

Commodities

In order to avoid speculation and volatility, which could negatively influence farmers and those with vulnerable food supplies, we do not invest in agricultural or livestock commodities.

CONCLUSION

Unigestion's commitment to SRI is evident across our equity and multi asset investment activities. It is a part of our DNA and we strive to improve our efforts on an ongoing basis.

Figure 17: Unigestion's Comprehensive Commitment to ESG

APPENDIX

The Unigestion ESG Score for Companies

In 2019, Unigestion developed a proprietary company ESG score to further integrate ESG criteria into the investment process. The score provides a comprehensive measure of companies' efforts in terms of ESG considerations. We believe that using a quantitative approach provides consistency in our analysis across companies and portfolios as well as transparency in our choices.

Unigestion's score methodology incorporates the following:

- Industry-specific factors: In line with the Sustainalytics methodology, our analysis is not focused on performance, rather on how companies manage ESG-related issues at a subindustry level. We measure the proportion of a company's exposure to ESG risks that are effectively managed and take into account the vulnerabilities of the industry and the competence of management.
- A broad range of indicators: For this purpose, we use the full scope of indicators provided by Sustainalytics and complement that with available indicators from Trucost for Environmental issues. We apply our internal weighting to these indicators, incorporating our view within each dimension of E, S and G while considering the subindustry exposure to each one of the issues. Finally, all of our data and the final score are updated on a monthly basis.
- Regional disparities: We account for varying standards and degrees of maturity between emerging and developed countries when calculating our bottom-up scores.
- Sector disparities: We recognise differences between sectors and account for our varying expectations of each when calculating our scores at a subindustry level.
- Minimal lag: We accommodate the impact of fast-evolving controversies as well as their severity by penalising the overall ESG score.
- Efforts to improve: We recognise companies' gradual improvements despite low base levels by assessing the trend of their ESG scores in addition to their absolute levels.
- Engagement activities: We incorporate our engagement activities into the ESG score.

Environmental, Social and Governance Allocations:

- We view all of the issues as important but, globally, we are in position to have a material impact on Environmental and Governance issues more than Social criteria.
- Governance Allocation (50%): We manage mainly low-risk strategies; we are sensitive to market risk. We therefore think Governance is the most relevant and important issue for companies based on our criteria
- Environmental Allocation (35%): We have a corporate-level commitment to climate change and improving environmental risks is part of our DNA. In addition to our considerations within the ESG scoring methodology, we currently have bottom-up and top-down guidelines on carbon footprint as well as an exclusion for thermal coal producers. Therefore, at a global scale, we believe that we control for Environmental issues at least as much as Governance issues and probably more.
- Social Allocation (15%): We are least able to control Social criteria and hence position them as secondary objectives. However, they remain important and we therefore allocate to them but with a lower dimension weight.
- The global allocation remains as explained but, as we have more than 100 indicators, each indicator carries different weightings depending on their importance and their relevance to the subindustry of each company.

Controversies:

- Controversies refer to ESG-related situations involving a company that could negatively affect shareholders, the environment or the company's operations. We regard these situations as material and we have therefore built a separate controversy indicator, which combines and ranks all of the controversies for each company in light of the numbers of incidents and their severity. This indicator is used to penalise the overall ESG score for each company from zero to 200%.

Trend:

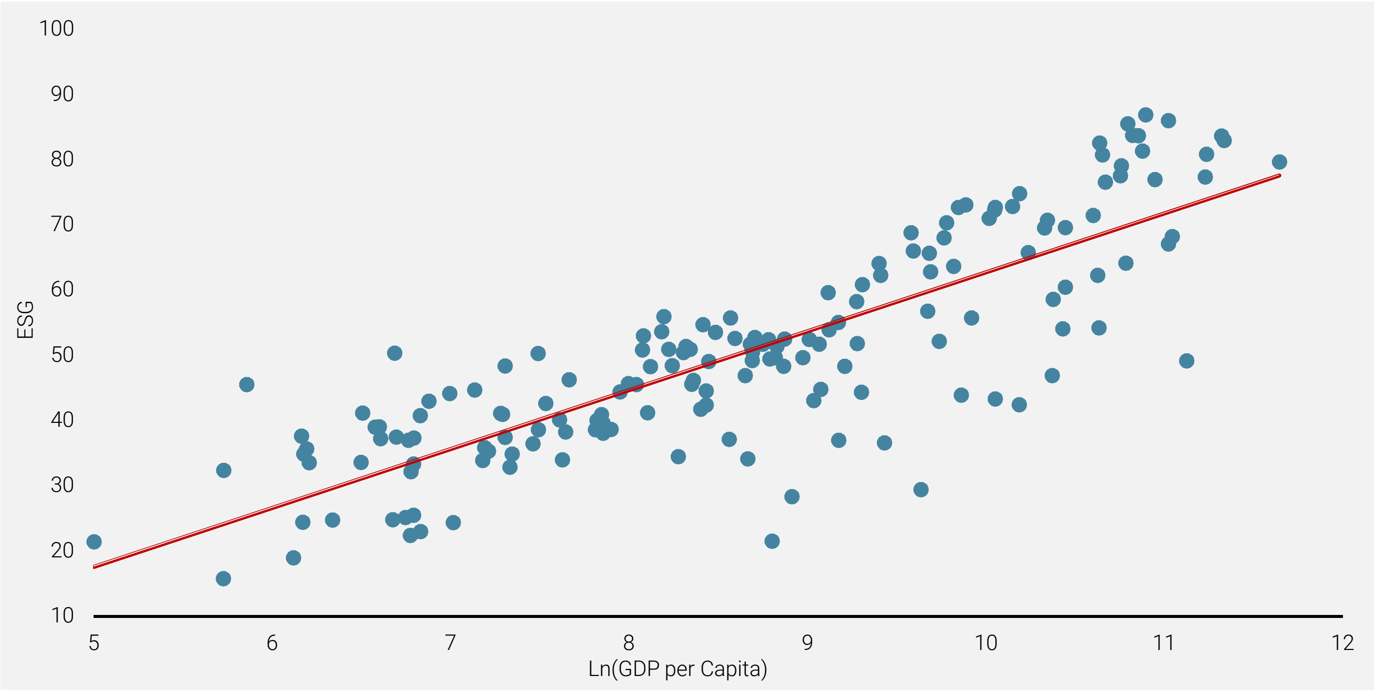
- We recognise companies' efforts to improve, especially those in our lowest ESG score decile. However, observable improvement needs to be stable over the long term. We therefore look at the difference between the average improvement of the company over the short term (6 months) and the long term (24 months).

The Unigestion ESG Score for Countries

In 2019, Unigestion developed a proprietary country ESG score to further integrate ESG criteria into the investment process for government bonds.

Unigestion's score methodology incorporates the following:

- ESG indicators provided by Sustainalytics form the building blocks of our score.
- Allocation to ESG factors are defined by our views to form the primaryESG score. In line with the global view of our company, we allocate 35% to Environmental issues, 15% to Social issues and 50% to Governance issues.
- The correlation between ESG score and GDP per capita is isolated (level).There is a high degree of correlation between countries' ESG scores and their GDP per capita. This is intuitive as the wealthier a country, the more resources it can allocate to tackle ESG issues.



Therefore, we isolate the impact of GDP per capita using a simple regression of our final ESG score on GDP per capita and use the error terms as our actual ESG score.

$$ESG_T = a + b \times Ln(GDP\ PC_T) + \varepsilon_T$$

ε_T is the score hereafter called "level".

(Data sample includes 166 countries; ESG source is Sustainalytics, GDP per Capita (current $) source is IMF.)

- Efforts of governments to improve have been taken into account through a three-year trend factor (trend)

$$ESG_{T-3Y} = a + b \times Ln(GDP\ PC_{T-3Y}) + \varepsilon_{T-3Y}$$

$$trend = \varepsilon_T - \varepsilon_{T-3Y}$$

- The ESG score used in the application is 67% of level and 33% of trend.

$$Score_T = ZS(0.67 * level_T + 0.33 * trend_T)$$

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