RESPONSIBLE INVESTMENT ANNUAL REPORT 2022

February 2023

INTRODUCTION

During the course of 2022, a number of developments have been undertaken to continue to improve Unigestion's Responsible Investment (RI) behaviour. These efforts are coordinated by the Responsible Investment Committee which brings together senior management and representatives of the various investment teams as well as Risk, Compliance, Legal, Communications and Operations.

On 25 March 2013, Unigestion became a signatory of the United Nations supported Principles of Responsible Investment (PRI). In 2021, the UN PRI launched a brand-new Reporting Framework with new modules and inputs. We completed our reporting in April 2021, ahead of schedule, and without incident. Unfortunately, many of our peers were not so fortunate and, as the PRI admits: *"Issues with the new online Reporting Tool which centered on navigation and functionality, contributed to the time taken to report in 2021 and created problems during the review process for signatories. Unfortunately, this affected the quality of a portion of the 2021 reporting dataset as some (but not all) signatories' submissions has missing data and/or indicator errors."* As a result, all signatories' 2021 PRI Transparency and Assessment Reports were not released until September 2022, well over a year behind target. Scoring has moved from letter grades to a five-star ranking system which is summarised below:

Category	Star Rating	Unigestion Score/100	Peer Median Score/100
Investment & Stewardship Policy	★★★★	65	60
Direct Liquid Equity – Active Quantitative - Incorporation	★★★★★	92	65
Direct Liquid Equity – Active Quantitative - Voting	★★★★	71	61
Direct Fixed Income - SSA	★★★	60	50
Direct – Private Equity	★★★★★	91	66
Direct Hedge Fund – Multi-Strategy	★★★★	67	21
Direct Hedge Fund – Long/Short - Voting	★★★	52	0
Indirect - Private Equity	★★★★★	94	63
Indirect – Hedge Fund	★★★★	77	34

Please see our complete PRI Transparency Report and Assessment Report available here: https://www.unigestion.com/responsible-investment/policies-and-reporting/

The next reporting cycle will not begin again until mid-May 2023.

SFDR

We made a major update to our Responsible Investment Policy in 2020, which we continued to enhance in 2021 and 2022 to meet our responsibilities as set out under the Sustainable Finance Disclosure Regulation (SFDR) that came into effect on 10 March 2021.

The EU introduced this new package of regulations with the objective of ensuring that financial market participants are able to finance growth in a sustainable manner over the long term while combating "greenwashing".

The implementation of SFDR has been, and will continue to be, a major project for the firm over the coming years. The project sponsor is Mathias Belmas, our Chief Operating Officer, and Sponsor of the RI Committee, and he is supported by a cross functional project team with membership from the investment lines, Risk, Legal, Compliance with coordination by members of the Operational Platform.

PARTNERSHIPS, ALLIANCES AND MEMBERSHIPS

Over the course of 2022, we joined two new collaborative initiatives. The Access to Medicine Foundation stimulates and guides pharmaceutical companies to do more for the people living in low- and middle-income countries without access to medicine. As pharmaceutical companies are a mainstay of many of our defensive equities portfolios, this initiative is of particular interest and will further colour our discussions with firms such as Roche, Novo Nordisk and Johnson & Johnson among others. We also joined the Carbon Disclosure Project (CDP) which is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. The world's economy looks to CDP as the gold standard of environmental reporting with the richest and most comprehensive dataset on corporate and city action.

CLIMATE INITIATIVES

Climate change is the defining issue of our time, impacting every one of us, regardless of who or what we are, or where we come from. However, while it may be one of the greatest challenges we have faced, climate change is also an immense opportunity for businesses, industries and governments to come together and build a better world.

As a link between the providers of funding and those who need it, asset managers are in a privileged position to help improve the world we live in as well as grow clients' assets. The transition to a net zero economy will provide investors with significant opportunities and demand for climate-focused investment solutions will increase. The challenge will be how best to use capital in the real economy while adopting a net zero mind-set.

From a corporate perspective, we are focused on infrastructure efficiency, optimising our consumption and supporting green mobility. At the investment level, where most impact will be had, we are focused on the climate risks that entities are exposed to in their decision-making processes within the short- and medium-term and the climate risk management of companies in the long run.

In addition, we have developed specific products to meet the climate challenge. In early 2022, we launched the Uni-Global – Equities Global Climate Transition Fund. This fund meets Article 9 of the SFDR and is managed in line with TCFD guidelines. It generates social alpha by contributing to SDGs 7 and 13, focusing on investing in a portfolio of high-quality companies that are meeting the climate challenge either as 'mitigators', which are seeking to reduce their own C02 emissions, or 'enablers', which are developing solutions for other companies.

Later in 2022, we launched the Climate Impact private equity fund, which taps into Unigestion's 12 years of experience in private equity climate impact investing. The Fund, which targets a portfolio of innovative, high growth companies that provide solutions to the climate challenge, offers investors exposure to high impact companies across multiple climate impact sectors, such as energy transition, low carbon industry, green construction, green mobility, land management and circular material.

The Fund maximises impact by targeting companies that drive specific environmental outcomes such as climate change mitigation and adaptation. Examples include businesses in the green construction sector, land management businesses that seek to restore biodiversity and low waste packaging and waste management companies that support the transition to a circular economy.

VOTING & ENGAGEMENT

On the topic of Collaborative engagement, we, together with over 700 signatories representing USD 68 trillion of investments, are participating in the Climate Action 100+ initiative. This ongoing project by both asset managers and asset owners aims to engage with 166 of the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change. To further deepen our commitment to this initiative, Unigestion is a lead on the engagement with Canadian oil and natural gas production and distribution company; Enbridge. We are also a member of the North American Mid-Stream Working Group.

In April 2022, we signed up to FAIRR's Sustainable Protein Collaborative Engagement. The Sustainable Proteins engagement is the world's first and largest investor engagement focused on encouraging global food companies to systematically transition product portfolios to facilitate healthier, more sustainable diets. Furthermore, companies must complement their supply chain interventions with a systematic transition to ensure that their protein portfolio improves public health in line with planetary boundaries. A key area of focus of the engagement is to ask companies to set time-bound commitments to increase the share of nutritious alternative proteins in their portfolios. We became a supporting investor, along with four asset management firms, on the Nestlé collaborative engagement initiative.

We made a submission to the US Securities and Exchange Commission (SEC) regarding which extra-financial considerations should be made in corporate Annual Reports. We advocated strongly for the adoption of the TCFD framework as the one universally accepted benchmark. This was adopted by the SEC during 2022 and is now in the implementation phase.

Further on the topic of engagement, in 2022 we engaged directly with 60 portfolio companies on a variety of ESG issues. We did this by writing a letter to corporate management voicing our concerns and requesting that they be addressed. The intention is that this then sparks a dialogue with management through emails and phone conversations to clarify our position, personalise the engagement, and advocate for change.

We have further refined our engagement methodologies by including more measurable KPIs aligned with our pre-defined objectives. This, in turn, allows us to monitor the progress of company engagements on a more quantitative basis within the pre-defined timelines. Furthermore, we have formalised the inclusion of our Fundamental Equity Analysts into our engagement activities. Finally, we have set a spectrum of stronger escalation strategies to clearly signal the implications of unsuccessful responses to our requests.

Over the course of 2022, we observed the emergence of two new trends from our active ownership undertakings. Firstly, we see that some corporates have publicised very sweeping and aspirational goals that may not be backed up by realistic action plans to achieve them. Secondly, a number of firms, notably in the oil & gas sector, are proactively launching Net Zero Climate plans in an effort to pre-empt motions from activist shareholders. The challenge here, is that some shareholders may vote against these motions because they feel the plans do not go far enough, while other may oppose them because they feel they go too far. Reading the tea leaves becomes more difficult.

For example, at Kroger, shareholders proposals requesting the company to report on metrics and targets related to the use of plastic packaging, as well as to report on efforts to eliminate hydrofluorocarbons (HFC) in refrigeration and reduce GHG emissions did not quite receive sufficient shareholder support. We voiced our concerns in a letter, the Company replied and we subsequently had a call on 15 December with company experts. One of their aspirations is “Zero Waste” yet the Plastic Solutions Investor Alliance, of which we are a member, rates them a "D". One reason is that they failed a goal to reach 20% recycled content use throughout packaging material by 2020 – while they reached just 5%. We agreed to continue the dialogue as a way to monitor their progress against targets.

Further on this theme of aspirational goals that may not be achievable, we engaged with Barry Callebaut around their goal: “By 2025, we will eradicate child labor from our supply chain.” While laudable and ambitious, this is not realistic. Currently, only “23% of the cocoa and non-cocoa volumes are sourced from third-party suppliers whereby Barry Callebaut considers the risk of child labor is adequately addressed.” Meanwhile, they created their *Child Labor Roadmap* which they say is “to define clear internal milestones between 2020 and 2025 to guide planning, resources, implementation and stakeholder engagement.” Unfortunately, these are not publicly disclosed, so the trajectory towards the 2025 goal is even harder to quantify. In our discussions, we advocated for more transparency in measuring the achievability of stated goals.

On the second theme, we voted and engaged with BP on their Net Zero - From Ambition to Action Report. We voted against this resolution because Scope 3 emissions are not disclosed in their entirety, which limits full analysis of their targets. The Company used intensity targets for its marketed energy products, rather than absolute downstream Scope 3 targets. Furthermore, BP has not fully committed to a regular say-on-climate shareholders' vote.

Our deal teams also engage with companies and funds held in our various private equity portfolios. For example, Home Instead is classified as a "laggard" in terms of ESG despite the high social value of its core services (home care for the elderly). Our deal team gathered proposals of ESG advisors and presented these early on to the management team. The ESG enhancement project as well as hiring of PwC was confirmed in June. Additionally, an internal person in charge was chosen who will lead the project along the way. The project will start with a gap analysis, followed by the preparation of an ESG strategy roadmap to improve the ESG score from "laggard" to "leader".

We believe in the importance of being an active shareholder and have therefore decided to exercise the shareholders’ rights of our clients through an outsourcing arrangement with a third-party proxy voting specialist firm. Unigestion’s proxy voting is carried out by ISS through a customised policy built upon their International Sustainable Proxy Voting policy with enhancements to address stricter rules for director and auditor independence, as well as the incorporation of ISS’s Climate Voting Services, which uses their Climate Scorecard. During 2022, Unigestion voted at 98.07% of meetings. We voted against management on 18.64% of the 8,206 votes cast.

CORPORATE ACTIVITIES

During 2022, we also achieved important independent ratings for our approach to ESG. Morningstar awarded Unigestion an 'Advanced' ESG Commitment Level rating, which is the second highest rating it provides, and stated that we have developed 'world class ESG reporting at the fund level'.

Furthermore, we have been delighted to achieve an *'Investissement Socialement Responsable'* label from AFNOR for our Uni-Global - Equities Emerging Markets, Uni-Global - Equities Europe and Uni-Global – Equities World funds. These labels, which are in addition to the label we already have for Uni-Global – Eurozone Fund, follows a rigorous audit process that assesses each fund on six pillars, including a review of the ESG policy and enhanced transparency. Both Morningstar and AFNOR are highly-regarded independent fund rating organisations which help investors assess the suitability of investment funds.

During 2020 we established the Environmental Committee which is tasked with measuring and monitoring the environmental footprint of Unigestion by reviewing internal logistics processes and related components which contribute most to the company's Environmental footprint. These include business travel, electricity consumption, commuting, production of waste and paper consumption, among others. Our environmental policy is driven by the understanding that our activities have an impact on the environment and that we have an obligation to reduce this impact wherever possible, whether through our investment practices or how we operate as a firm.

During the third quarter of 2021, the Environmental Committee achieved the completion of our Global Commuting Survey, enabling us to calculate our carbon footprint for the year. This is the first year we have calculated the emissions of our investments for the overall carbon footprint. Across our eight offices, we reported total CO2 emissions of 640 tCO2, the majority of which related to heating. Our goals are to continue reducing paper consumption, reduce our carbon emissions per full time employee and eliminate single use plastics from our regional offices, following our successful implementation of this policy at our headquarters.

Two years ago, we launched *Sustainability Matters*, an internal ESG training programme. ESG issues are becoming increasingly important to understand and consider across the range of our business activities and these *Sustainability Matters* sessions have been set up to help employees navigate these issues. Last year's session was a deep dive on our SFDR Article 9 funds: Uni-Global - Equities Global Climate Transition and private equity Unigestion Climate Impact that were launched during the year.

Five years ago, we subscribed to a class action recoveries service provided by Securities Class Action Services, LLC (a subsidiary of our proxy voting services provider, ISS). The adoption of class action recoveries is considered a best practice in maximising value for investors. During 2022, we realised recoveries on six holdings on behalf of unitholders for a total of over USD 1 million. The most significant settlement was from DaVita Inc. followed by Spectrum Brands.

OUR ESG ROADMAP – PROGRESS REPORT

A task force of the RI Committee began meeting in the summer of 2018 to prepare a long-term ESG RoadMap for Unigestion. Our aim is to systematically integrate ESG within the investment process across all our assets under management as well as offering bespoke ESG solutions to meet the specific requirements of our clients.

In order to deliver on this plan, we set shorter-term objectives and review our progress on an annual basis. Our goals for 2022 included:

- Engagement in line with SDG 13 and SDG 3 for the year 2022. (Achieved)
- Define more visible engagement objectives while strengthening our process with measurable KPIs and pre-defined actions and consequences as well as reporting (for both Listed Equities and PE). (Achieved)
- Keep proxy voting level above 95% of votable items. (Achieved)
- Tighten our Equities carbon constraint from 20% to 30% reduction versus the relevant benchmark. (Deferred)
- Refine our proprietary ESG Score V3 to incorporate the SASB materiality map. (Achieved)
- Implement physical risk constraints within our Risk Managed Equities approach. (Achieved)
- Launch the Uni-Global – Equities Global Climate Transition Fund and the Uni-Global – Equities Europe Climate Transition Fund, both of which focus on climate mitigators and enablers. (SFDR Art. 9) (Global, Achieved. Europe Deferred)
- Expand ESG reporting to include TCFD and PAI Reporting for all accounts. (Achieved)
- Seek alignment with Science Based Targets initiative (SBTi) in new PE investments. (Achieved for Climate, otherwise Ongoing)
- Research and begin implementing solutions for measuring contributions of PE portfolio companies & funds to SDGs. (Deferred)
- Deliver our first PE ESG report to investors in Q1 2022. (Achieved)
- Establish and implement a process for the PE Climate Impact Fund to be compliant with SFDR Art.9. (Achieved)
- Achieve a first close of the PE Climate Impact Fund (SFDR Art.9) in 1H 2022 (Achieved in H2)
- Fully implement an engagement process with every PE fund and direct investee. (Achieved)
- Implement TCFD reporting for PE. (Ongoing)
- Maintain or improve our UN PRI scores. (Achieved)
- Perform research on the impact of climate change on the economy and asset allocation. (Cancelled)

- Enhance ESG reporting to include factor-based investments as well as Carbon footprint reduction of commodities in detail. (Achieved)
- Provide TCFD reporting for sovereigns. (Achieved)
- Improve our Diversity & Inclusion ratios at a firm level. (Ongoing)
- Progress in our Women's Initiative Network. (Achieved)
- Draft and implement an emissions reduction plan for Unigestion. (Ongoing)

ESG-INTEGRATED ASSETS UNDER MANAGEMENT

At the close of 2022, Unigestion managed USD 13.2 billion in ESG-integrated assets using a stringent calculation methodology.

Investment Strategy	AUM USD Mn	ESG AUM USD Mn	ESG as %
Private Equity	10,884	6,707	62%
Equities	6,304	6,129	97%
Multi Asset & Wealth Management	1,203	354	29%
Total Firm AUM	18,391	13,190	72%

Source: Unigestion, as at 31 December 2022.

IMPORTANT INFORMATION