



UNIGESTION (UK) LTD.

UK Stewardship Code and Engagement Policy



Unigestion (UK) Ltd (“Unigestion”) manages assets for a range of institutional clients and a small number of high net-worth families. It manages assets for segregated mandates, pension funds, investment companies and for some of the Unigestion range of investment funds.

At Unigestion, we aim to act in the best interests of all our stakeholders by engaging with the companies that we invest in and by exercising our voting rights with care. Not only is this in line with good market practice, but it supports our investment philosophy of prudent risk management and responsible investment of our clients’ money.

This document explains Unigestion’s compliance with the UK Stewardship Code and its principles. It also fulfils our responsibilities under the EU Shareholder Rights Directive (SRD II), complies with FCA requirements and follows SEC guidance. It is publicly available on our website at: <https://www.unigestion.com/legal-information/>

1. Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

At Unigestion, managing risks lies at the heart of our investment philosophy and is the common thread running through all our investment strategies. We believe that integrating environmental, social and corporate governance (ESG) criteria into our investment decision making and shareholder engagement processes is essential to better understanding and managing the risks of our investments and therefore has a positive impact on the risk-adjusted performance of our investment portfolios. In addition, we serve institutions whose stakeholders take a keen interest in the ESG behaviour of the companies they invest in. We therefore believe it is also our duty towards them to integrate ESG criteria into the investment decision making and shareholder engagement processes.

Furthermore, we believe that prudent stewardship is of benefit to all constituents and we support a broad definition of fiduciary duty.

Unigestion casts votes on all shares under its control and we involve and inform our clients on the results through the services of ISS, a third-party proxy voting specialist firm. Votes are cast based upon a newly created customised policy built upon their International Sustainable Proxy Voting policy with enhancements to address Taft-Harley rules for US based firms as well as the incorporation of ISS’s Climate Voting Services, which uses their Climate Scorecard. The investment team and the Responsible Investment Committee monitor the voting guidelines monthly to ensure they are aligned with our approach to stewardship. In the context of segregated portfolios, clients can express their own stewardship and proxy voting requirements which we will endeavour to accommodate.

In all of our equity portfolios we include ESG analysis at different steps of the process to eliminate stocks with important specific ESG risks such as environmental, excessive carbon emissions, tobacco, thermal coal, producers of adult entertainment, predatory lenders, workforce treatment or corporate governance issues, legal problems or fraud. We also exclude stocks with direct exposure to controversial weapons (cluster bombs, landmines, depleted uranium, and chemical and biological weapons) from all our equities portfolios. In addition to our proprietary research, we use ESG research provided by Vigeo EIRIS as well as Sustainalytics, and carbon

emissions data from Trucost and the Transition Pathway Initiative, to help identify ESG risks.

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.

In addition, we have signed the Montreal Carbon Pledge and commit to publicly reporting on the carbon footprint of our liquid pooled funds on an annual basis.

We have participated in collaborative engagements organised by the UN-supported Principles for Responsible Investment (PRI). In addition to collaborative engagement, Unigestion engages directly with individual portfolio companies on a variety of issues.

The firm publishes a number of documents on the “Our Commitment to Society” page of its website <https://www.unigestion.com/philosophy/our-investment-philosophy/our-commitment-to-society/> including its: Responsible Investment Policy, Responsible Investment Annual Report, PRI Transparency Report and Assessment Report.

2. Institutional Investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

Unigestion (UK) Ltd. (“the Firm”) is under regulatory obligations to identify actual and potential conflicts which may arise during the course of carrying out regulated or ancillary activities or services and to have systems and procedures in place to manage such conflicts.

Principle 8 of the FCA Rules states that “A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client”.

The Firm shall take all appropriate steps to identify and to prevent or manage conflicts of interest across the Firm and measures have been put in place to manage such conflicts in a way that is fair to clients.

All employees and persons directly or indirectly linked to the Firm are expected to exercise the highest standards of integrity and ethical business conduct to ensure the fair treatment of clients. All employees are required to avoid situations in which their personal interests conflict with our fiduciary duties to clients. They are also required to



manage situations where the interests of clients may conflict.

For the purposes of identifying the types of conflict of interest that arise, or may arise, in the course of providing a service and whose existence may entail a material risk of damage to the interests of a client, the Firm must take into account, as a minimum, whether the Firm or a relevant person, or a person directly or indirectly linked by control to the Firm:

- ▶ is likely to make a financial gain, or avoid a financial loss, at the expense of the client
- ▶ has an interest in the outcome of a service provided to the client
- ▶ has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client
- ▶ carries on the same business as the client
- ▶ receives or will receive from a person other than the client an inducement in relation to a service provided to the client, other than the standard commission or fee for that service.

The Firm will record each of the conflicts it identifies in its Conflicts of Interest Register. The register will identify each of the circumstances that may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients. Each entry will identify the investment service or ancillary service carried on by the Firm to which the conflict relates. The record will also specify the procedures adopted by the Firm to prevent or manage the conflict that has been identified. The Conflicts of Interest Register is maintained, and regularly updated, by the Compliance Officer.

Risks specific to voting are mainly that voting decisions are flawed because of lack of independence. Examples could include:

- ▶ The person taking the voting decision is not independent with regard to the issuer in question;
- ▶ The company to be voted on is also a client of Unigestion;
- ▶ Unigestion directors are acquainted with the board members of the company being voted on; or
- ▶ Resolutions are voted, not in shareholders' best interests, but to the benefit of a third party.

To manage and prevent such risks occurring, and in addition to the regular monitoring & controls of our Compliance department, several measures have been taken:

- ▶ All employees must report their holdings on a quarterly basis as part of the personal dealing policy.
- ▶ All employees and directors must disclose and Unigestion must approve any outside interests or directorships they hold.
- ▶ Our proxy voting service provider (ISS) establishes voting recommendations based on Unigestion's customised voting policy, which is validated by the Responsible Investment Committee.

- ▶ In cases where a potential conflict of interest is identified, ISS voting guidelines will be applied without any intervention from the manager in charge of the voting activities.
- ▶ Should we decide not to follow the independent provider's recommendations, the four-eyes principle applies, the Responsible Investment Committee must approve the decision, and this decision is documented.
- ▶ The ISS Conflicts of Interest Policy is obtained and reviewed by the Responsible Investment Committee.
- ▶ A post-vote review of our voting decisions is performed by our Responsible Investment Committee.

Employees are made aware of the policies and procedures in place that are designed to identify and manage possible conflicts through their normal business operating procedures, ad-hoc guidance from the compliance department, training and normal day to day business communications.

The Firm's standard employment contract requires staff to devote their full time and efforts to the Firm's business. Employees are prohibited from undertaking any other employment or engage or be involved or interested in any other business without the prior written consent of the board. The Compliance Officer maintains an Outside Interests Register for this purpose.

All staff and directors are required to sign an annual Interests declaration.

To manage any potential conflicts of interests the firm has put in place a number policies and procedures to mitigate and control the risk. Such policies include but are not limited to:

- ▶ The Firm's Code of ethics
- ▶ Risk Management Policy providing for the independent performance of the risk management function
- ▶ Market Abuse Policy
- ▶ Bribery & Corruption Policy
- ▶ Personal Account Dealing Procedure
- ▶ Gifts and Benefits Procedure
- ▶ Policy on the use of in-house products
- ▶ Treating customers fairly policy
- ▶ Allocation and Aggregation policy
- ▶ Stewardship Code

General organisation arrangements such as independent valuation committee, risk management committee, four eyes principle, segregation of duties, information security and remuneration structures help to underpin this effort.

The Firm monitors adherence to these policies and procedures through its compliance monitoring program on an on-going basis.

The full Conflicts of Interest Policy is publicly available at <https://www.unigestion.com/wp-content/uploads/2019/10/UUK-Conflicts-of-Interest-Policy-2019.pdf>



The Firm does not deal on its own account.

Unigestion has decided to absorb all investment research costs on its own P&L. This approach is in line with our values and ensures clear and transparent costs and charges delivery of our portfolios. Using this model also safeguards our clients from any potential conflicts of interests in providing best execution.

Unigestion (UK) Ltd. Is a wholly owned subsidiary of Unigestion Holding SA. As at 31.03.2020, 45% of our capital is held by FAMSA foundation, a family foundation with charitable goals, and Unigestion's Chairman Bernard Sabrier; 26% is held by Unipartners who are the management team and key Unigestion employees; 29% is held by institutional shareholders and external partners. Furthermore, with 71% of the firm's equity capital held by the Senior Management and with Unigestion's own assets invested alongside our clients', we believe we demonstrate considerable alignment of interest with our clients. Having well regarded institutional investors within the ownership structure reinforces a strong alignment of interest and provides the opportunity for their voices to be heard as members of the board thus ensuring that the long term strategy of the firm is aligned with the evolving needs of investors.

The Firm believes that it does not currently have any conflicts of interest risks to disclose that are not appropriately managed.

3. **Institutional investors should monitor their investee companies.**

Unigestion continuously monitors the companies it is invested in. The process is dynamic in the sense that the portfolio is constantly monitored to ensure its risk profile remains stable, without any undesirable qualitative or event-driven risk. A new specific risk, such as a takeover, acquisition, delisting, ESG, or corporate governance event news may affect the risk profile of a stock and trigger the sale of a position. In addition, the Fundamental Analysts use ESG research provided by Vigeo Eiris and Sustainalytics to identify emerging ESG risks within a holding. Furthermore, we monitor the carbon footprints of all of our holdings on a systematic basis using data from Trucost. The Fundamental Analysts monitor the investee company strategy, financial/non-financial performance, risk and capital structure using daily newsfeeds such as Bloomberg and RavenPack as well as from sell side analysts.

Our Fundamental Analysts cover all major positions held within the portfolios, as well as any stock that may present certain risks through time. They assign a rating to these positions, which determines a limit for the size of the position in the portfolio. The Analysts use ESG criteria at different levels in their SWOT analysis when they are reviewing stocks. They monitor closely where a company stands relative to its peers within its subindustry and industry group. They also pay close attention to corporate governance and communication transparency.

The traders also notify portfolio managers via a daily morning note with market analysts' recommendations, headlines and any specific news that may affect the stock price of positions held. All of this input may help to inform buy/sell decisions.

Unigestion also engages with portfolio companies when items are brought to a vote that go against the principles outlined in our customised Proxy Voting policy and with companies ranked in the bottom decile of our proprietary ESG scoring.

4. **Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.**

Unigestion's practice is to engage with portfolio companies on a variety of Directors Related, Routine Business, Reorganisation and Merger, Health & Environment, Social, and Corporate Governance issues by writing a letter to corporate management voicing our concern and requesting that it be addressed.

This includes proposals that affect: the composition, size, independence, election, removal and remuneration of the board of directors and committee members; appointment, remuneration and discharge of auditors; adoption of new articles of association; approval of charitable donations; approval of director/officer liability and indemnification; discussion on company's corporate governance structure; reorganisations and restructuring; mergers and acquisitions; initiation of share repurchase program; approval of loan agreement; approval of transaction with a related party; adoption of proxy access rights; board diversity; climate change; community environmental impact; facility safety; phasing out nuclear facilities; review drug pricing or distribution; and review tobacco marketing.

We have defined and incorporated a rule to identify companies within the worst decile of our proprietary ESG scoring 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. It is promising to engage with these companies as we already own them and value them in other aspects.

On a monthly basis, the Responsible Investment Committee reviews the specific corporate engagements, the issues, outcomes, statistics and trends.

5. **Institutional investors should be willing to act collectively with other investors where appropriate.**

ISS, our proxy voting agent, acts in collaboration with other investors when they believe collective action by institutions with mutual interests will enhance engagement efforts. ISS participates in company-facilitated shareholder engagement forums, organises roundtables and conferences for clients, and hosts an online discussion forum to facilitate dialogue on corporate governance issues.



Part of our stewardship activities may include discussions and collaborations with relevant stakeholders of investee companies such as industry bodies, investor networks and initiatives, civil society organizations and regulators.

As a signatory of the UN supported PRI, we also participate in engagements coordinated through their Collaboration Platform. In addition, we have signed the Montreal Carbon Pledge and commit to publicly reporting on the carbon footprint of our equities pooled funds on an annual basis. The carbon intensity of our portfolios is an important concern to both us and our clients. As such, we have participated in a corporate carbon disclosure collaborative engagement with 130 large global corporations suspected of producing excessive carbon footprints that they are not currently reporting. We urged them to disclose their full and complete carbon footprint to investors.

We, together with 450 signatories representing USD 40 trillion of investments, are participating in the Climate Action 100+ collaborative engagement. This five-year project by both asset managers and asset owners aims to engage with 161 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 our work on Climate Action 100+, we are participating in the PRI-lead Oil & Gas Collaborative Engagement. Together with 125 signatories representing approximately USD 6.3 trillion of investments, we are engaging with companies active in the Oil & Gas industry.

We have also recently signed on to the PRI's Investor Expectations Statement on Climate Change for Airlines and Aerospace Companies and a letter to the SEC regarding the value of Proxy Voting Firms.

We have 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.

Finally, we contributed to a working group in conjunction with the PRI, AIMA and the SBAI to construct a standard RI Due Diligence Questionnaire which has become the benchmark across the Hedge Fund industry.

6. Institutional investors should have a clear policy on voting and disclosure of voting activity.

Unigestion casts votes on all shares under its control through the services of ISS, based upon a newly created customised policy built upon their International Sustainable Proxy Voting policy with enhancements to address Taft-Harley rules for US based firms as well as the incorporation of ISS's Climate Voting Services which uses their Climate Scorecard. We do not, as a matter of policy follow all the voting recommendations made by ISS. The proxy voting activities are reviewed on a monthly basis by the Responsible Investment Committee. We are currently completing a Due Diligence on ISS and our other

outsourced ESG providers to ensure that there are no unaddressed conflicts of interest, operational or cyber security issues.

Furthermore, members of the Responsible Investment Committee perform a detailed review of the ISS Reports and Proxy Voting Recommendations for between 80 and 100 of the roughly 700 positions held. This is done in order to validate that ISS's recommendations are free of error and in accordance with our proxy voting policy and to satisfy ourselves that these recommendations are not subject to a conflict of interest on the part of ISS.

In the context of segregated portfolios, clients can express their own stewardship requirements which we will endeavour to accommodate.

Voting activity disclosure reports with item by item detail are available to Unigestion clients upon request. In addition, voting summaries are included in our Responsible Investment Annual Report which is publicly available on our website.

Unigestion and its clients may participate in stock lending programmes. Stock on loan is not recalled for routine voting where cost considerations and loss of revenue for the client take priority over the ability to vote.

We exercise other shareholders' rights such as corporate actions in the best interest of our investors.

7. Institutional investors should report periodically on their stewardship and voting activities.

Unigestion provides its clients with detailed, regular reports on voting and engagement activities upon request. Voting summaries are included in our Responsible Investment Annual Report which is publicly available on our website. During 2019, Unigestion voted on 96.90% of 11,330 votable items. We voted against management on 7.73% of the votes we cast. Similarly, during 2019, Unigestion (UK) Ltd. voted on 98.90% of 1,904 votable items, and against management on 7.49% of the votes we cast

We also record each engagement with: corporate entity, issue, date of engagement, response if any, and outcome. We have created a proprietary engagement effectiveness rating from 0 (no acknowledgement) to 6 (our recommendation fully adopted). In 2019, we engaged directly with 58 portfolio companies. These matters are also included in our PRI Transparency Report which is publically available on our website.

Unigestion's proxy voting activity is independently verified by its external auditor, KPMG, as part of the annual ISAE 3402 review, which is available to clients on request.