de Pury Pictet Turrettini

Cadmos Peace Investment Fund

Financial & Impact Report 2020

- First active global equity fund addressing SDG 16
- Partnership with the PeaceNexus Foundation
- Significant outperformance since inception
- Positive impact through expert driven direct engagement

Our Achievements

Since 2006 Cadmos represents more than

225

Investments

17 800

Items Voted

1 085

ESG Company Assessments

674

Engagement Meetings

242

Positive Impacts

DE PURY PICTET TURRETTINI

In 1996 David de Pury, Guillaume Pictet, Henri Turrettini joined forces to create their company, de Pury Pictet Turrettini & Cie S.A. (PPT). The firm provides both wealth management and asset management services to offer high value-added strategic advice based on advanced skills and experience to our private and institutional clients.

PPT has always demonstrated a great capacity for innovation, notably as a pioneer of responsible investment. It is the owner of the Buy and Care® strategy, manager of the Cadmos European Engagement Fund, Cadmos Balanced CHF and Cadmos Peace Investment Fund and advisor to the Cadmos Emerging Markets Engagement Fund and the Cadmos Swiss Engagement Fund. PPT ensures the funds' consistency, transparency and distribution. It is a signatory to the United Nations-supported Principles for Responsible Investment (PRI) since 2008.

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The Buy & Care Investment Strategy, applied since 2006, is a cyclical process designed by PPT to better integrate the financially material ESG factors. Through active ownership and direct engagement with companies, we can better select tomorrow's winners and improve our portfolios' risk-reward-impact profile.

The Buy & Care® strategy's three founding principles have proved to be reliable in the long term through changing financial and economic cycles.

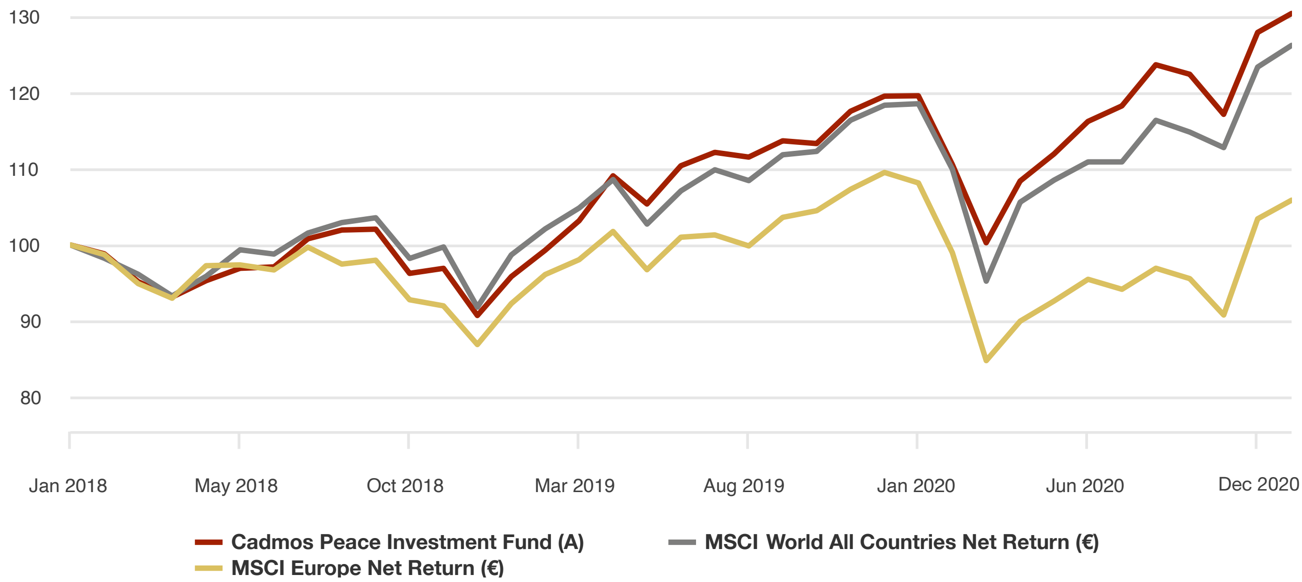
1. **Active Portfolio Management**
2. **Active Voting & Stewardship**
3. **Active Engagement & Impact**

More information on www.cadmos.ppt.ch

Active
Portfolio Management

We outperform by investing in attractive end-markets with long-term growth prospects

Performance since Inception until year-end 2020 of Cadmos Peace Investment Fund (A)



Since inception, from January 2018 to December 2020, the Fund returned +30.4%, outperforming the MSCI World Index by +4.2%. In 2019, the Fund generated +9.1% and outperformed MSCI World by +2.4% (in absolute terms).

The fund does not replicate the index. Its objective is to achieve steady growth based on security selection and valuation in order to best position the portfolio to deal with the various market phases. The fund invests in companies that show steady earnings growth, a solid balance sheet, a high return on investment and strong cash generation. After less than two years, it is visible that the turnover of the Cadmos Peace Investment Fund will remain low. It was at 15.1% in 2020, which indicates the long-term focus from the portfolio managers. We will keep the majority of our companies between 5 to 10 years, providing us enough time to achieve tangible results through our engagement activities.

For the full-year, the Cadmos Peace Investment fund delivered a solid positive performance of +9.1% vs. +6.7% for the benchmark.

From a sector allocation point of view, our non-exposure to the Energy and Real Estate sectors, which were, impacted the most by the lockdowns last year as well as our overweights in the Industrials and Materials sectors contributed positively to the portfolio relative performance.

Our underweights in the Information Technology sector which tend to be more resilient in downturns combined with our non-exposure to the Utilities sector, a clear beneficiary of the energy transition spree, were detrimental to the portfolio overall performance.

From a stock selection angle, 2020 was marked by what is commonly called “The Great Dispersion” with on the one hand companies benefitting from the acceleration of secular growth trends (energy transition, digitalisation, ESG, etc.) and on the other hand companies facing increasing challenges which may continue even in a “post-Covid” world.

In this backdrop, no surprise that the FANGs (Apple, Amazon, Microsoft, Alphabet, Facebook) and some of the names exposed to growth themes (Vestas Wind Systems, SIKA, Schneider Electric) significantly outperformed the overall equity markets in 2020.

It also worth noting that the Euro appreciated more than 8.5% against the US Dollar which had a negative impact on the portfolio overall performance.

During the first quarter, we took advantage of the sharp correction to exit our Johnson & Johnson position using the proceeds to build a new position in Bristol-Myers Squibb, a best-in-class US Pharmaceutical company. Although, we like Johnson & Johnson for its defensive profile and growth prospects, we became concerned about the on-going litigations that allege its talc-based baby powder causes cancer.

Meanwhile, as we became increasingly cautious on the banking sector and the sustainability of its business model, we decided to exit Standard Chartered in March.

On the back of central banks actions and government measures, the stock market bounced in April. The rebound was often labelled as "the most hated rally in history" as many investors were caught by surprise and left behind. Very similar to 2009, the key question was not about guessing 2020 EPS or the pace of the recovery. All that mattered was figuring out whether companies had enough cash and undrawn credit lines to cope with the pressures resulting from the lockdowns.

Thanks to our proprietary "Buy & Care" investment process that implies a low turnover as well as a quality/ growth bias, not only were we able to contain the losses during the market sell-off, but we also participated to the rebound, ending H1 ahead of the benchmark (MSCI AWCI NTR (EUR)) by more than 3.5%.

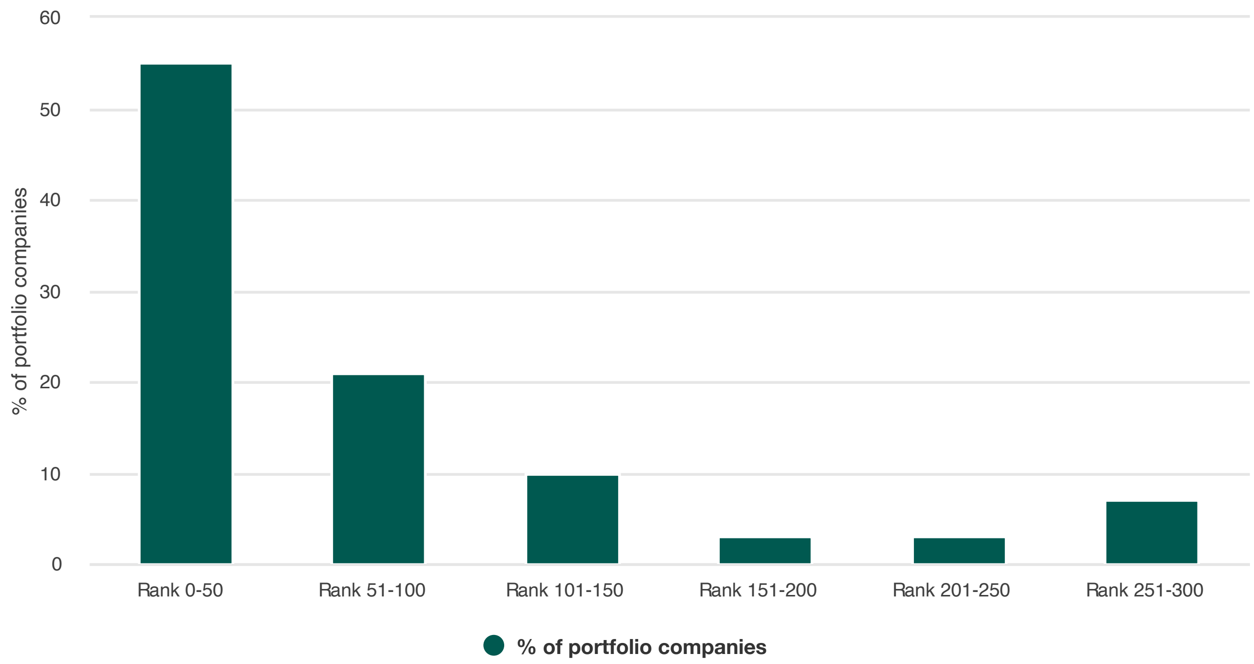
During the summer, equity markets started a consolidation phase, so we decided to keep our portfolio unchanged.

A more stable investing environment after Biden won the US election and more importantly, the announcement of several viable vaccines drove markets to rally in November. The EuroStoxx 600 gained +13.8% in its second highest monthly return ever with strong sector rotation. The value and cyclical sectors that saw some of the highest losses in Q1, have produced some of the largest gains, whilst many of the stocks that have benefited from the lockdowns have been underperformed. Following this rebound, we took that opportunity to further reduce our exposure to the Financial Sector by exiting Allianz.

For 2021, we expect all the positive drivers for equity markets remain in place: strong monetary and fiscal policy support, reduced political risks, lack of substantially yielding alternatives in the investment universe and especially better economic growth prospects for 2021. It is particularly true for Europe where we are seeing opportunities that we have not seen in many years, combining low relative valuations with sharp earnings growth prospects for the next two years at least, in a continued low interest rate environment.

We favor resilient companies – their positioning in the PBBI Index serves as a great proxy

Portfolio selection of Peacebuilding Business Index (PBBI) leaders



More than 50% of the companies in the Fund rank in the top 50 leaders of the PBBI.

We are convinced that companies that are adapted to performing responsibly in the complex environment of conflict-prone countries are more likely to be resistant to shocks and outperform their peers. The Fund only invests in profitable companies that have a net positive peacebuilding impact according to the PBBI.

At present, 27 of the 29 companies in the Fund score above 50% in the PBBI index. Company scores range from 87 per cent for the company with the highest net contribution (Unilever), to 34 per cent for the company with the lowest score (Facebook). PBBI scores and ranking do fluctuate every year on the back of negative news. This was typically the case for Apple and Facebook.

Regarding Facebook, the main reasons for this low position relate to the massive negative media coverage on issues such as content moderation, hate speech (Myanmar), customer privacy, trolling and Russian influence on US elections. Given their low score and ranking, Facebook was exceptionaly allowed in the portfolio of the Peace Investment Fund given their massive impact, both positive and negative, on peace and security. At the time, our investment decision was also supported by Facebook's announcement to recruit a director of human rights policy to work on "conflict prevention" and "peacebuilding" which we later met. Civil society partners of PeaceNexus Foundation in Myanmar are in contact with Facebook to strengthen their content moderation policies and practices. To emphasize their message, the Executive Director of PeaceNexus personally wrote to the head of Global Affairs of Facebook to provide recommendations for improvement and offer support of the Foundation to implement these. In parallel, initial engagements with Facebook's Asia team took place, highlighting the importance of closer engagement between Facebook and local civil society organisations in high-risk countries. In early 2020, PeaceNexus spoke extensively with the new Human Rights Director of the company. We also supported a shareholder initiative urging social media companies to put an end of the distribution of objectionable content, following the Christchurch mosque shootings in 2019. As a direct response to our collective engagement efforts, the charter for Facebook's Risk and oversight Committee has been updated.

As we were working on this report, we decided in February 2021 to close our Facebook position on the back of scrutiny by EU/US authorities that could lead to tighter regulation. Moreover, despite our engagement efforts and meetings with company representatives, it was difficult to expect significant progresses on the company's capacity to contribute to the stabilisation of fragile countries anytime soon.

Apple's PBBI Score also dropped below 50% in 2020. The main reasons for this drop are stagnating reporting and media coverage on peacebuilding issues and child labor allegations in cobalt battery supply chains. We believe conflict-sensitive and peace-promoting business practices is a financially material topic for all companies with a big footprint in fragile states. We estimate that the 300 largest companies within the PBBI have invested 50bn USD in the 40 most fragile states.

Moreover, the companies that responsibly invest in conflict-affected countries or have a strong presence on the ground via their supply or distribution chains, have the potential to contribute to peace. Through our direct engagement with these companies, we strengthen their conflict-sensitivity and peace promoting business practices. Improvements in the PBBI scores of portfolio companies over time will be a measure of the Fund's success.

By 2030, up to two-thirds of the world's extreme poor will live in fragile and conflict-affected countries, according to a World Bank report. In the past decades, the peacebuilding and human rights track-record within fragile countries of most multinational companies, particularly within the extraction industry, was certainly not positive. Business-related human rights abuses, corruption and pillage of natural resources are on everyone's' mind. Terrorist attacks linked to local conflicts can hit almost anywhere and the flow of refugees which are often themselves the victims of terrorism are generating tangible social and economic costs not only in fragile countries.

The international community recognised that instability anywhere could be a threat to stability everywhere. In June 2011, the UN Human Rights Council supported by the OECD, the European Union and some leading businesses, endorsed unanimously the UN Guiding Principles on Business and Human Rights, known as the "Ruggie Principles". States and companies will need to take new measures to avoid direct or indirect human rights abuses in their cross-border activities. The application of these principles will represent an important challenge for large multinational companies in the coming years. This authoritative global framework on business and human rights, defines human rights due diligence as an ongoing and iterative process to identify, prevent, mitigate, and account for how a company addresses the most severe risks to people in connection to its business. Another challenge may consist of enabling victims of human-rights abuses to lodge a complaint in the home country of companies.

The tide of government action on human rights has strongly turned toward this type of regulation. Governments across the globe continue to introduce and implement mandatory human rights due diligence regimes. Many large multinational corporations already conduct human rights due diligence under emerging regulations. Meaningful and ongoing human rights due diligence can protect the communities affected by companies, help protect companies against costly litigation processes and settlements, high employee turnover rates, consumer boycotts, and other business risks. As part of our engagement activities, we strongly encourage our portfolio companies to adopt the UNGP Reporting Framework. Currently, 73% of our portfolio companies have either adopted the framework or do conduct specific human rights due diligence.

The underlying PBBI methodology developed by the PeaceNexus Foundation in collaboration with the ESG-rating agency Covalence, is instrumental for the selection of companies for the Fund. We begin by identifying the 300 investable companies with the biggest economic impact in 75 fragile countries. Our main source of data for economic impact in fragile states is the Financial Times fDi Markets database. The fDi Markets provides information per company and country on investment projects, foreign direct investment and the number of jobs created. We also consider companies with a strong presence on the ground via their supply chain or through the sale of products and services.

The PBBI then ranks these 300 companies according to their peacebuilding sensitivity based on the three levels of analysis: global peacebuilding related ESG policies (25% of the final score), local ESG practices (25%), and the local peacebuilding practices (50%). This information is gathered from various sources, including companies' global and local communications, global and local media and reporting by stakeholders such as trade unions and non-governmental organizations.

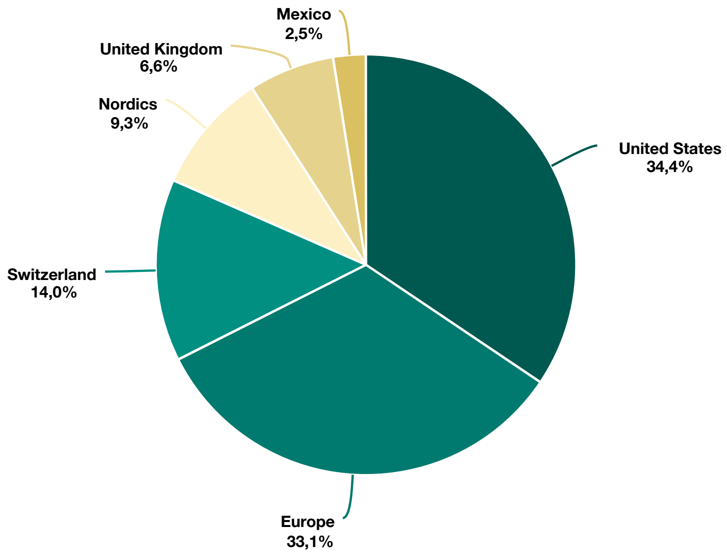
The Peacebuilding Business Criteria (PBBC) also developed by PeaceNexus clarify how companies can contribute to the stabilization of fragile states and provides a reference framework for the PBBI. The criteria are grouped under seven overarching issues: Labour, Sourcing, Community Relations, Governance, Product, Security and Environment. Under each area, there are key objectives, such as 'Inclusive hiring' or 'Promoting the local economy'. Under each objective, there are a number of indicators, which elaborate on the activities that company could pursue on that issue. For detailed information on the PBBC please click on the following link: https://peacenexus.org/wp-content/uploads/2019/05/PBBC-final-revision.pdf

Companies with a PBBI score of more than 50% are eligible for inclusion in the Cadmos Peace Investment Fund. But since peacebuilding data is often qualitative, and new information can emerge at any time, an advisory committee comprising PPT and the PeaceNexus representatives may nevertheless decide in exceptional circumstances to qualify a promising company.

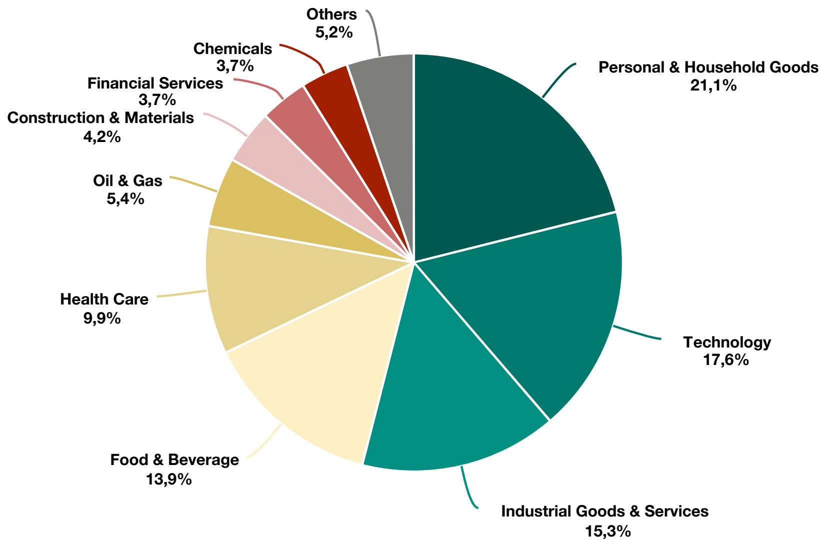
Best positioned and well diversified across industries and regions

The Buy & Care® strategy is built on a bottom-up stock selection process. We select only profitable, organically growing, sustainable businesses exposed to attractive end markets or secular trends.

Regions



Sectors



We do not take ex-ante regional nor sector bets. Specific sector or regional overweight or underweight are analyzed ex-post and are adapted only if we feel uncomfortable from a macroeconomic perspective. Most overweights are a result of our quality-growth bias and our fundamental bottom-up approach. From a sector allocation point of view, our non-exposure to the Energy and Real Estate sectors, which were, impacted the most by the lockdowns last year as well as our overweights in the Industrials and Materials sectors contributed positively to the portfolio relative performance.

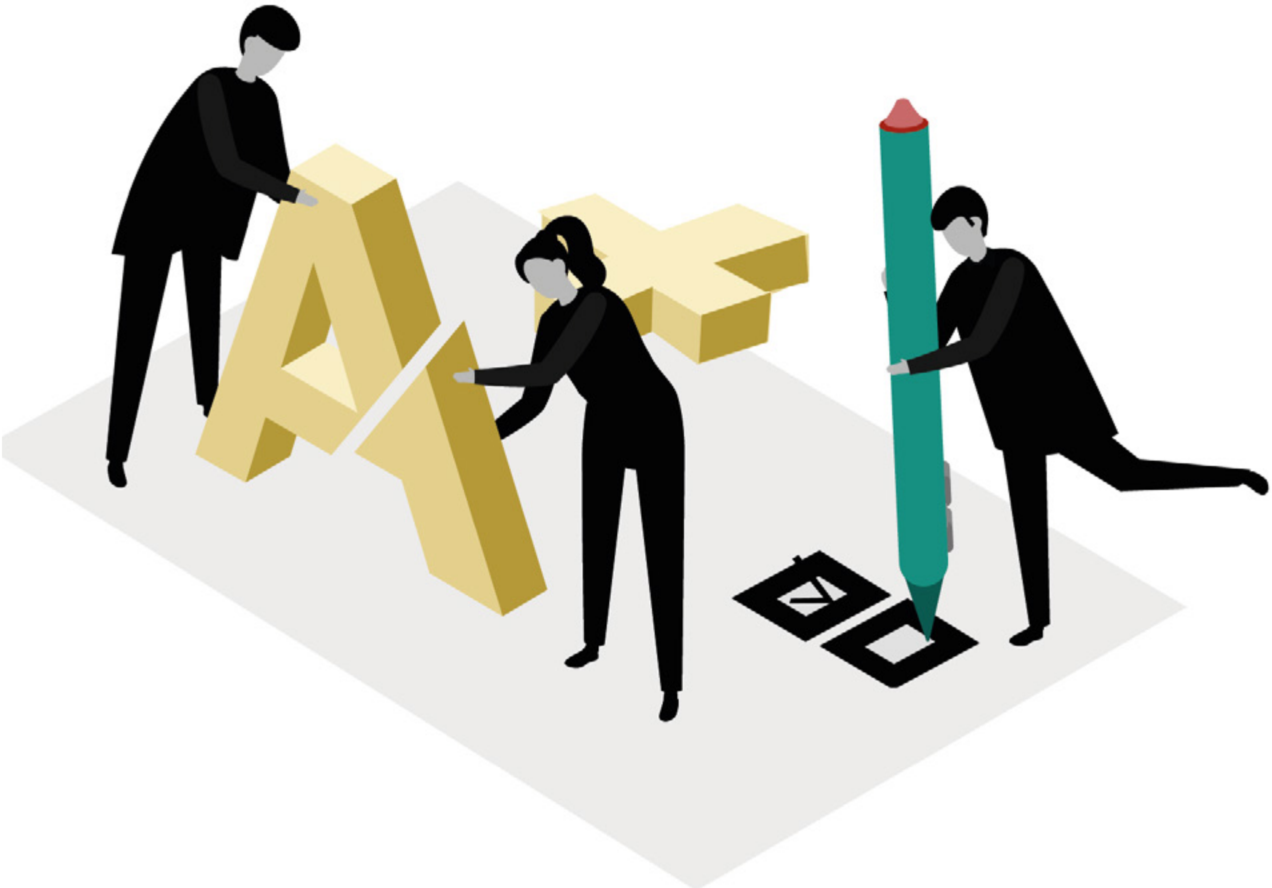
A quality portfolio built to deliver financial and social impact

Summary Table

Portfolio as at 31.12.2020	Country	Sector	Contribution 2020 (in EUR)	In cadmos since
ACCENTURE	Ireland	Industrial Goods & Services	0,53%	2018
ADIDAS	Germany	Personal & Household Goods	0,33%	2018
ALLIANZ (Out)	Germany	Insurance	-0,38%	2018
ALPHABET	USA	Technology	0,66%	2018
AMAZON.COM	United States	Retail	1,56%	2019
ANHEUSER-BUSH INBEV	Belgium	Food & Beverage	-0,27%	2017
APPLE	USA	Technology	1,91%	2018
ATLAS COPCO	Sweden	Industrial Goods & Services	0,71%	2018
AXA SA	France	Insurance	-0,70%	2006
BRISTOL-MYERS SQUIBB (New)	USA	Health Care	0,05%	2020
COLGATE-PALMOLIVE	USA	Personal & Household Goods	0,46%	2018
DANONE	France	Food & Beverage	-0,71%	2006
FACEBOOK	USA	Technology	0,73%	2018
FOMENTO ECONOMICO MEXICANO	Mexico	Food & Beverage	-0,66%	2014
JOHNSON & JOHNSON (Out)	USA	Health Care	0,05%	2018
KONINKLIJKE PHILIPS	Netherlands	Health Care	0,11%	2017
LINDE	United Kingdom	Chemicals	0,37%	2008
L'OREAL	France	Personal & Household Goods	0,66%	2006
LVMH	France	Personal & Household Goods	0,83%	2019
MASTERCARD	USA	Financial Services	0,38%	2018
MICROSOFT	USA	Technology	0,93%	2018
NESTLE	Switzerland	Food & Beverage	0,06%	2006
NOVARTIS	Switzerland	Health Care	-0,16%	2006
PEPSICO	USA	Food & Beverage	0,06%	2018
PROCTER & GAMBLE	United States	Personal & Household Goods	0,14%	2019
SAP	Germany	Technology	-0,22%	2009
SCHNEIDER ELECTRIC	France	Industrial Goods & Services	1,11%	2006
SGS	Switzerland	Industrial Goods & Services	0,16%	2006
SIKA	Switzerland	Construction & Materials	1,16%	2014
STANDARD CHARTERED (Out)	Britain	Banks	-0,82%	2007
UNILEVER	United Kingdom	Personal & Household Goods	-0,06%	2016
VESTAS WIND SYSTEMS	Denmark	Oil & Gas	3,44%	2018

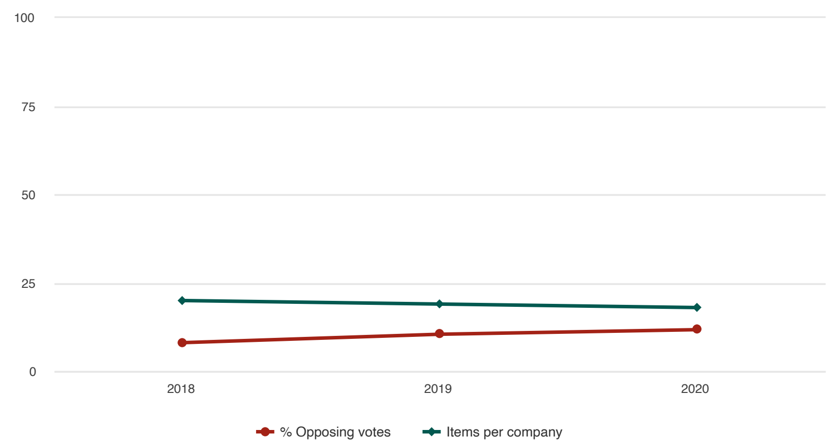
The full detail of any portfolio company
is available on www.cadmos.ppt.ch

Active
Voting & Stewardship

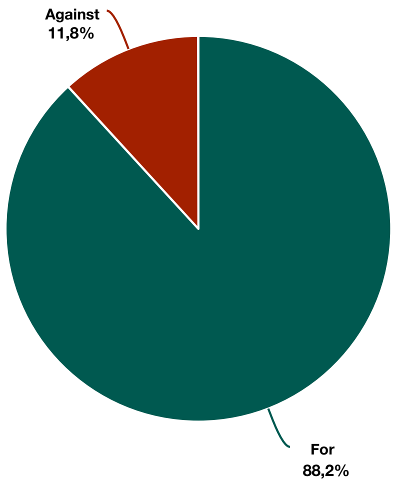


We vote and sharpen our insight into each company

Voting trends



For / Against Management



Of the total 561 votes that we cast in 2020, 11.8% were against management recommendations. The information obtained from voting continues to sharpen our insight into the governance, management and financial structure of each company.

We opposed at least one item at 65% of our companies, which is a mark of how seriously we take our role as active shareholders. We co-filed one shareholder resolution at Alphabet, but the vast majority of our portfolio companies do not however present controversial governance issues. We opposed none or only one item at 68% of our portfolio companies.

We opposed two or more items to the remaining 32% of companies. We urge these six companies (Alphabet, Anheuser-Bush Inbev, Atlas Copco, Facebook, Fomento Economico Mexicano and LVMH), to improve the independence of their board of directors and to provide more rights to loyal long-term shareholders.

In 2020, we supported 27 shareholder resolutions at 9 companies (Apple, Johnson & Johnson, Pepsico, Colgate-Palmolive, Bristol-Myers Squibb, Facebook, Amazon, Alphabet and Procter & Gamble). As mentioned earlier, we co-filed one resolution at Alphabet. Following the Christchurch mosque shootings in New Zealand, increased resurgence of hate speeches in social media led NZ Super to initiate an engagement dialogue with the main social media companies. The lack of improvement on this matter encouraged a large coalition of shareholders among which Cadmos, to co-file a shareholder proposal to Alphabet Inc regarding the establishment of a human rights risk oversight committee to help anticipate and supervise management of the adverse human rights and societal impacts associated with Alphabet's technologies. It led the Chair to start the 2020 AGM with a discussion on human rights. The resolution was supported by a significant 16.2% of votes, which helped to company to take some substantive steps towards better management of human rights issues. Alphabet indeed explicitly stated theses movements are a result of investor pressure. Alphabet has notably changed the mandate of its Audit committee to include oversight of civil and human rights-related risks. The company also created a Human rights Executive Council to provide oversight and guidance to the company's Human Rights Program.

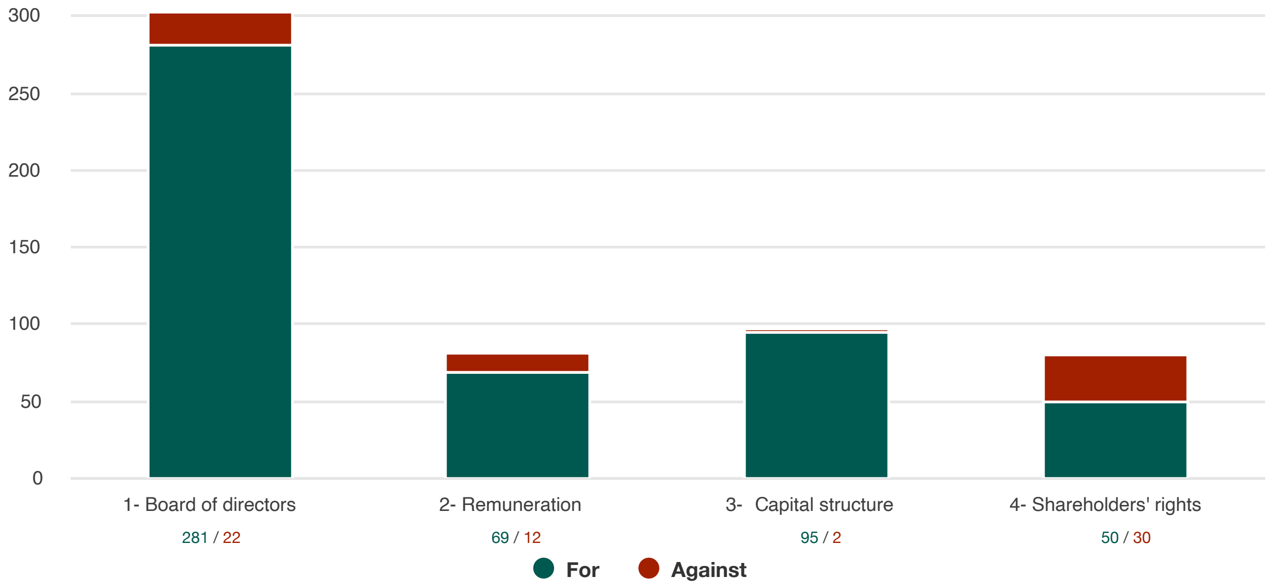
The portfolio managers define their voting positions by studying the analyses of annual general meetings (AGMs) and the voting recommendations supplied by Glass Lewis. They have the rights and the duty to deviate from the proxy's recommendations, should they find that these do not take full account of the companies' business models and particularities or do not correspond to our internal voting guidelines. When we feel it can accelerate a company's transition, we do not hesitate to collaborate closely with other investors to co-file a shareholder resolution.

In 2020, the voting items per company have slightly reduced while the percentage of opposing votes continued to slightly increase. The voting trends chart of the Cadmos Peace Investment Fund is showing now three years of history, which allows to draw more tangible conclusions on the implementation of its voting policy.

We were able to vote on all companies of the voting equity securities that were in the Fund at the time of the AGMs. This means that we actually exercised 100% of our voting rights of our portfolio companies, since the AGM of Standard Chartered happened after the company exited the Fund.

Voting is first and foremost a financial responsibility

Distribution of votes and oppositions by topic



67% of all items submitted to the vote in 2020 concerned the board of directors and the capital structure. The skills, independence and availability of a board of directors and the appropriate access to capital are critical to a company's future.

Shareholders' rights, with 30 oppositions representing 45% of all votes against management, was the most contentious category in 2020. From the 30 votes against management, 27 were linked to shareholder resolutions we supported. They were all in the best interest of long-term shareholders without representing a significant burden to the companies.

We expect the increase in the number and in the quality of shareholder resolutions, submitted mainly by relevant institutional investors based in the US, to continue.

The other items that once again elicited many oppositions (22 opposing votes) were linked to the structure and independence of the board of directors. The board of directors sets the strategy to follow, appoints executive management that will implement it, and sanctions them if the objectives are not reached. In order to reach those goals, the board of directors must consist of a coherent, available and competent team, which should be able to debate freely and evaluate openly the performance of general management. This applies particularly well for companies without a controlling shareholder. In more tightly held family- or founder-led structures however, the control function of the board of directors is often times lacking or almost inexistent. Even though we knowingly also invest in these companies, it is our duty to promote best practices and reduce this material risk.

It is undeniable that investors like Cadmos have led to improved corporate governance, particularly among companies with a more mixed shareholder base. But much can still be done to ensure the independence and appropriate mix of attributes and expertise of some companies' boards. We will continue to exercise our voting rights for all topics and support or co-file shareholder resolutions which are in the best interest of long-term shareholders and congruent with the best interests of the company, its employees and its stakeholders. We will also exercise our voting rights to further encourage conflict-sensitive and peace promoting business practices.

We do not delegate – Portfolio managers exercise their voting rights directly

Summary Table

Portfolio as at 31.12.2020	Country	Description	Total Resolutions	Total Against
ACCENTURE	Ireland	Voted	17	0
ADIDAS	Germany	Voted	6	1
ALLIANZ (Out)	Germany	Voted	4	0
ALPHABET	USA	Voted	24	7
AMAZON.COM	United States	Voted	25	9
ANHEUSER-BUSH INBEV	Belgium	Voted	19	5
APPLE	USA	Voted	12	1
ATLAS COPCO	Sweden	Voted	20	3
AXA SA	France	Voted	28	1
BRISTOL-MYERS SQUIBB (New)	USA	Voted	16	3
COLGATE-PALMOLIVE	USA	Voted	14	2
DANONE	France	Voted	21	0
FACEBOOK	USA	Voted	19	11
FOMENTO ECONOMICO MEXICANO	Mexico	Voted	7	4
JOHNSON & JOHNSON (Out)	USA	Voted	18	3
KONINKLIJKE PHILIPS	Netherlands	Voted	16	0
LINDE	United Kingdom	Voted	16	1
L'OREAL	France	Voted	17	0
LVMH	France	Voted	24	9
MASTERCARD	USA	Voted	16	1
MICROSOFT	USA	Voted	15	0
NESTLE	Switzerland	Voted	28	1
NOVARTIS	Switzerland	Voted	29	1
PEPSICO	USA	Voted	16	1
PROCTER & GAMBLE	United States	Voted	17	1
SAP	Germany	Voted	8	0
SCHNEIDER ELECTRIC	France	Voted	22	0
SGS	Switzerland	Voted	23	1
SIKA	Switzerland	Voted	20	0
STANDARD CHARTERED (Out)	Britain	Exit after AGM	0	0
UNILEVER	United Kingdom	Voted	26	0
VESTAS WIND SYSTEMS	Denmark	Voted	18	0

The full detail of any portfolio company
is available on www.cadmos.ppt.ch

Active
Engagement & Impact

Our engagement for impact on SDG 16 (Peace, Justice and Strong Institutions)

Level of Engagement for SDG Impacts – SDG 16

We selected 26 portfolio companies to engage on tangible SDG impact. 25 or 96% of them expressed interest in identifying together with our social impact partners, how they can best progress on the SDG journey. We are already developing a partnership with 5 companies (L'Oréal, Nestlé, SAP, Standard Chartered and Novartis) to create additional social impact and make the SDG's a source of business value.

5	Peacebuilding partnership in development Level 4
7	Peacebuilding in-depth assessment conducted Level 3
22	participated to follow-up meetings dedicated to peacebuilding Level 2
25	Expressed interest for a peacebuilding dedicated follow-up meeting Level 1

We encourage all portfolio companies to implement more conflict-sensitive and peace-promoting business practices within their operations in fragile states. Together with PeaceNexus, we developed a healthy pipeline of 22 interested companies (69% of the engaged companies) which we met one or several times to discuss issues around SDG 16. These are the companies with an engagement level on SDG 16 for peace promoting business practices of 2 and above. This increasingly high number illustrates the interest companies have in further improving operations in fragile states and better understanding how they can contribute to SDG 16.

The first objective of the fund is to increase the sensitivity of companies to their impact on the stability of fragile countries. Only 1 company (Linde) refused at this stage to have an engagement meeting with us and we did not get in contact with the relevant people at Alphabet, Apple, Accenture, Amazon and Procter & Gamble yet. We are proud to have been able to address SDG-16 specifically and the importance of peacebuilding at 25 of the current portfolio companies. This achievement is only the first step before the PeaceNexus Foundation brings in their expertise work on tangible impacts as with the following companies.

Novartis ranked #35 in the Peacebuilding Business Index in 2019, with a drop of 9 ranks since 2018. The main reasons for this high position are substantial reporting and media coverage on initiatives relating to access to essential medicines, their five-year commitment to the fight against malaria, social business for health, capacity building and training in clinical practice, youth employment and community investments. In the 2020 annual engagement meeting and during multiple follow-up calls, PeaceNexus raised the importance of understanding the social-political context and being conflict-sensitive when designing partnerships that improve patient reach and drive positive societal outcomes. PeaceNexus will host multiple round table discussions with Novartis in 2021 on navigating complex socio-political dynamics as a pharmaceutical company.

SAP ranked #40 in the Peacebuilding Business Index in 2019, rising 12 ranks since 2018. The main reasons for this high position are substantial reporting and media coverage on software solutions supporting inclusive hiring, responsible sourcing and anti-corruption, employee volunteering, youth employment, training to foster entrepreneurship and job creation and community investments. In the 2020 engagement meeting and various follow-up calls PeaceNexus focused on SAP's client and supply chain due diligence policies in conflict-affected countries. PeaceNexus and SAP are in an ongoing dialogue to further advance these policies.

L'Oréal ranked #4 in the Peacebuilding Business Index in 2019, rising 1 rank since 2018. The main reasons for this high position are substantial reporting and media coverage on conflict-sensitive hiring, gender equality, solidarity sourcing, community investments and women's empowerment. In this engagement, we focused on joint efforts to advance business contribution to SDG 16, among others, via the UN Global Compact Action Platform on SDG 16, as well as their challenges related to their due diligence of distributors in fragile states.

AXA, L'Oréal, Nestlé, SAP, Standard Chartered Novartis and PepsiCo are the 7 Companies with an engagement level for peace promoting business practices of 3 or more. They were all interested in receiving an in-depth peacebuilding assessment and further improving. PeaceNexus assessed publicly available information based on PeaceNexus' PBBC methodology and conducted additional interviews whenever possible. PeaceNexus produced and presented to all these companies the assessment, which includes a gap analysis with tangible recommendations. Follow-up with PeaceNexus' expert networks may result in a peacebuilding partnership with these companies.

Engagement & Impact Stories

Myanmar

Helping companies respond to the democratic crisis in Myanmar

Since the military seized power in a coup in February 2021, companies operating in the country have faced difficult decisions on how to respond and responsibly navigate the business and human rights challenges.

In response, PeaceNexus sought to provide Cadmos Peace Investment Fund (CADPIF) portfolio companies with relevant information from credible, local sources and with opportunities to exchange information about companies' response to the crisis.

To facilitate a constructive dialogue around their shared challenges, PeaceNexus convened two closed-door round table meetings for CADPIF portfolio companies with a presence in Myanmar. Drawing upon their strong partner network in Myanmar, the meetings provided reliable updates on recent developments, and a confidential space to discuss their concerns with experts and peers. The meetings encouraged responsible business conduct and advanced the collective company statement to the coup facilitated by the Myanmar Center for Responsible business. Six current and former portfolio companies signed on to this statement.

As the crisis unfolds, PeaceNexus will continue to assist businesses to navigate the changing operational environment in Myanmar, helping companies to act in ways that ensure respect for human rights and advance the long-term interests of the people of Myanmar.

PeaceNexus – SDG 16

Better understanding, contribution and reporting on SDG 16

SDG 16: Promote peaceful and inclusive societies, provide access to justice for all and build effective, accountable and inclusive institutions.

Portfolio companies in the Cadmos Peace Investment Fund expressed an interest to better understand how they can contribute to SDG 16 and how to report on this contribution. How can we review our products, operations and advocacy efforts to identify how we support peace, justice and strong institutions in the countries where we are active? The absence of internationally accepted business standards on SDG 16 is holding them back.

To address this, the PeaceNexus Foundation partnered with the United Nations Global Compact to advance the Action Platform on Peace, Justice and Strong Institutions. This Action Platform aims to provide global business standards for understanding, implementing and reporting on businesses' contribution to SDG 16.

Based on our engagement with L'Oréal in the past two years, they decided to become a 'patron' of this action platform. We are also in close contact with the second 'patron' of this initiative and Fund portfolio company, Nestle. Both companies are the driving force behind this platform.

In November 2020, PeaceNexus, in collaboration with the UN Global Compact, released a practice paper providing indicators for the five SDG 16 targets considered most operationally relevant by the interviewed stakeholders. It highlights the inconsistency between the importance given to the topics captured under SDG 16 by investors and standard setting agencies (84% of whom consider it (very) relevant to report on) and the lack of company reporting on SDG 16. One reason for this limited reporting is the lack of practical guidance, which this paper aims to address.

With the convening power of UN Global Compact, the active engagement of the Fund and expertise of PeaceNexus we feel confident that we can further advance company contribution to- and reporting on SDG-16.

Engagement Intensity by Key Material Sustainability Topic

Product Environmental Impact
Companies are expected to promote practices such as environmental responsibility, resource efficiency and pollution prevention across the full life cycle of their products and services.

Supplier Environmental Impact
Companies are expected to apply due diligence in their relationship with suppliers to prevent and mitigate negative environmental impacts and to engage with them to promote and foster positive environmental impacts.

Impact On Communities
Companies are expected to assess the rights and interests of communities, identify potential positive and negative impacts, avoid or mitigate negative impacts, foster positive impacts and establish engagement procedures.

Core Labor Standards Compliance
Companies are expected to exceed core labor standards (freedom of association, collective bargaining, forced or child labor, discrimination, health and safety, etc.) and not contribute to violations through their business relationships.

Business Integrity And Compliance
Companies are expected to maintain compliance and demonstrate their adherence to integrity, governance, and responsible business practices (bribery, money laundering, collusion, tax evasion, fraud, insider trading, etc).

Climate Change Impact
Companies are expected to cut GHG emissions in their own operations and value chains, foster low-carbon solutions, and mitigate and/or adapt to the impacts of climate change.

Product Social Impact
Companies are expected to exercise due care and foresight in their management of products and services to systematically prevent potential negative social impacts or foster positive impacts along the full life cycle.

Supplier Social Impact
Companies are expected to apply due diligence in their relationship with suppliers to prevent and mitigate negative social impacts and to engage with them to promote and foster positive social impacts.

Employee Loyalty and Skills
Companies are expected to foster a loyal and diverse workforce by acknowledging, understanding and proactively using differences among people to strike a balance that benefits the business.

"Human rights do not appear as a single topic. Instead, particularly in the light of the UN Guiding Principles on Human Rights, they are considered overarching, and are integrated into all nine topics."

Companies from the Fund as of 31.12.2020 as well as companies that exited the Fund but were engaged by Cadmos.

Product Environmental Impact
ADIDAS
ANHEUSER-BUSH INBEV
ATLAS COPCO
COLGATE-PALMOLIVE
KONINKLIJKE PHILIPS
LINDE
L'OREAL
LVMH
SGS
SIKA
UNILEVER
VESTAS WIND SYSTEMS

Climate Change Impact
ALLIANZ (Out)
AXA SA
SCHNEIDER ELECTRIC

Supplier Environmental Impact
ADIDAS
ANHEUSER-BUSH INBEV
DANONE
LVMH
NESTLE

Product Social Impact
ALLIANZ (Out)
ANHEUSER-BUSH INBEV
BRISTOL-MYERS SQUIBB (New)
DANONE
FACEBOOK
FOMENTO ECONOMICO MEXICANO
KONINKLIJKE PHILIPS
LINDE
L'OREAL
MASTERCARD
MICROSOFT
NESTLE
NOVARTIS
PEPSICO
SAP
SCHNEIDER ELECTRIC
UNILEVER

Impact On Communities
DANONE
TOTAL (Out)

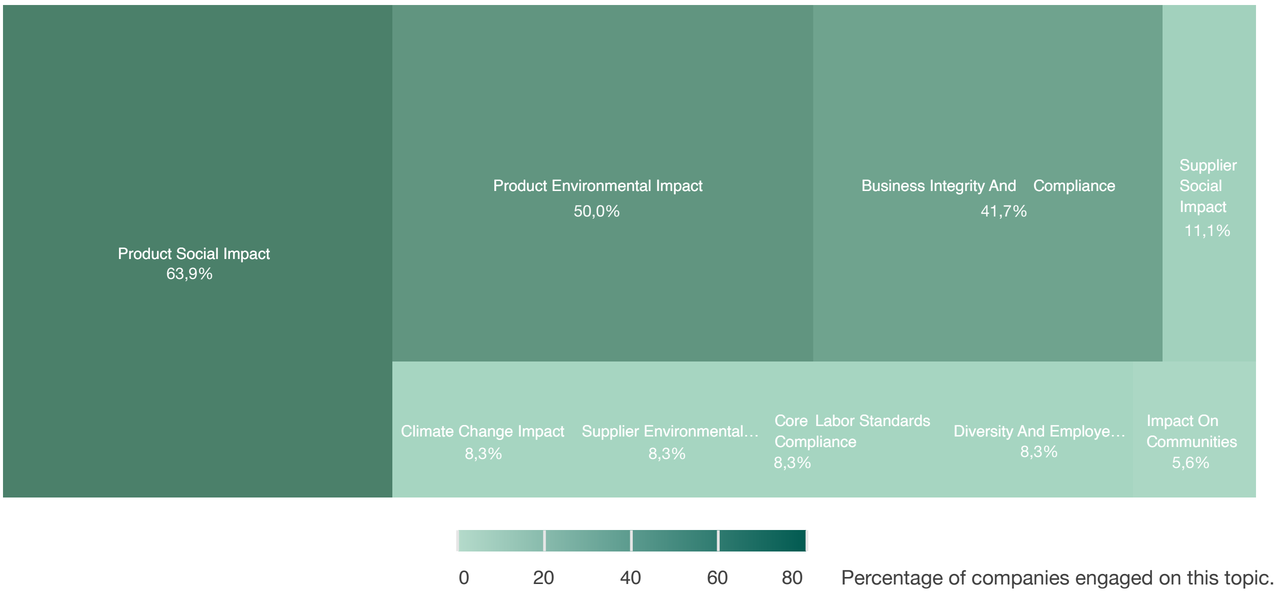
Supplier Social Impact
DANONE
L'OREAL
LVMH
NESTLE
UNILEVER

Core Labor Standards Compliance
ADIDAS
ATLAS COPCO
SCHNEIDER ELECTRIC
SIKA

Employee loyalty and skills
AXA SA
NOVARTIS
SAP
SGS

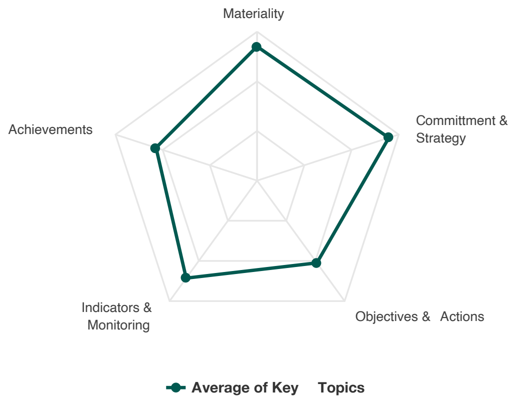
Business Integrity And Compliance
ALLIANZ (Out)
ATLAS COPCO
AXA SA
KONINKLIJKE PHILIPS
LINDE
NOVARTIS
SAP
SGS
SIKA

Key sustainability topics



We conduct a robust sustainability assessment of all portfolio companies

PREPAREDNESS ON THE KEY SUSTAINABILITY TOPICS

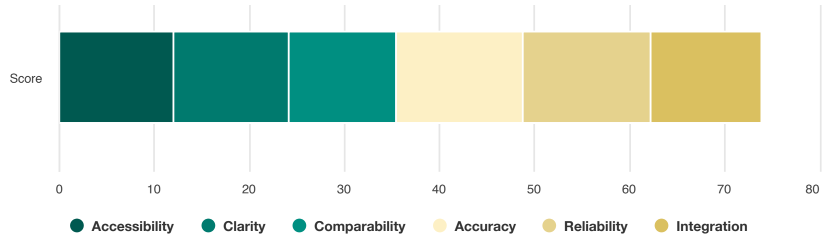


We assess and benchmark a company's preparedness to address its key material sustainability topics. Preparedness is assessed according to five criteria that draw heavily on the UN Guiding Principles.

The portfolio companies' average score for preparedness on key topics is 81%. A score of 100 % reflects absolute best practice by all the companies in the Fund in relation to their respective key topics, for all five indicators (Materiality, Commitment and strategy, Objective and Actions, Indicators and Monitoring, and Achievements).

Most companies are well positioned to manage their key material topics. The key gaps are found in the criteria "Objectives and Actions" and "Achievements". We often engage companies to set tangible short-term and long-term objectives, to develop a comprehensive set of actions and to report on positive and negative achievements.

QUALITY OF REPORTING

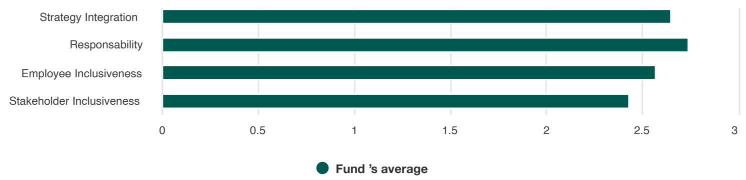


The assessment of reporting quality comprises six criteria: accessibility, clarity, comparability, accuracy, reliability and integration, to determine how well the company's publications address the most material topics.

The portfolio companies' average score for quality of reporting is 74%. A score of 100 % reflects absolute best practice by all the companies that we assessed, for all six indicators.

We invest in companies that are among the best at communicating about their ESG challenges and opportunities. ESG communication is however becoming increasingly complex and we often help the companies to streamline their communication and in particular regarding clarity, objectivity, balance, comparability and to better link ESG impacts to the bottom line, top line or risks.

SUSTAINABILITY ORGANISATION

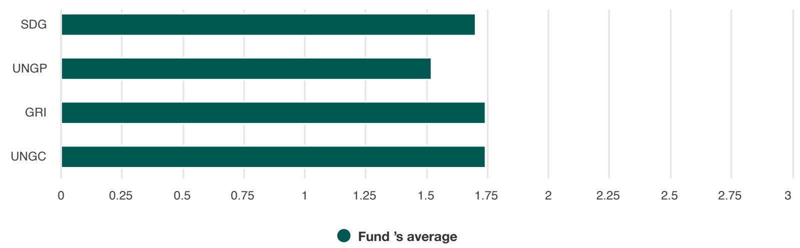


We also assess each company's sustainability organization and governance. Four criteria measure the extent to which sustainability is integrated into the company's organisation and governance.

The portfolio companies' average score for quality of sustainability organization is 2.60 from a maximum of 3, i.e. 87%. A score of 100% would reflect absolute best practice by all the companies that we assessed, for all four indicators (Strategy Integration, Responsibility, Employee Inclusiveness and Stakeholder Inclusiveness).

Most portfolio companies have already well integrated sustainability within their governance structure. The most frequent weaknesses we tend to engage on are linked to the insufficient involvement and engagement with either the employees or the stakeholders.

SUSTAINABILITY FRAMEWORKS

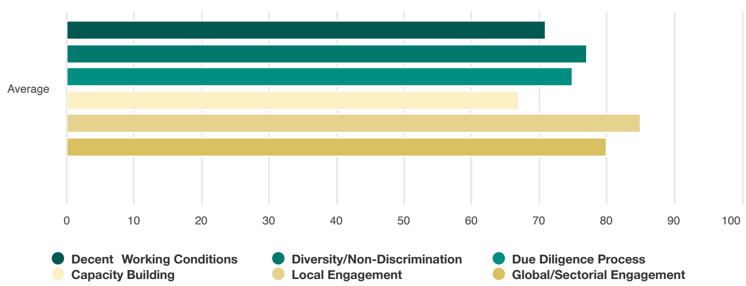


We also assess quantitatively how closely companies adhere to the principal reporting or impact frameworks, such as the UN Guiding Principles, the UN Global Compact, the Global Reporting Initiative and the Sustainable Development Goals.

The portfolio companies' average score for sustainability frameworks is 1.68 from a maximum of 3, i.e. 56%. A score of 100% would reflect absolute best practice by all the companies that we assessed, for all four frameworks.

We frequently engage companies to better integrate the SDGs into their business model. Without surprise, we measured important progresses on how companies are reporting on the SDGs. From 2018 to 2020, the score improved from 34% to 56%.

PEACEBUILDING EMBEDDEDNESS



Our Peacebuilding Embeddedness assessment provides a good evaluation on how companies contribute to- and report on SDG 16, either implicitly or explicitly. The Results illustrate whether the companies integrate their business activities in fragile states and help us to identity priority topics for engagement.

The portfolio companies' average score on "Peacebuilding embeddedness" is 76%. We strive to increase that score by engagement with the portfolio companies. A score of 100% would reflect absolute best practice by all the companies on the six indicators taken directly from the Labour, Sourcing and Stakeholder Engagement dimensions of the PBBC.

We noticed an increase compared to last year's average score of 71%. A continuous increase in Peacebuilding Embeddedness by our portfolio companies is another way to measure the Fund's positive impact.

Examples of gaps and recommendations

Allianz

Gaps and recommendations regarding Product Social Impact, Business Integrity and Compliance and Peacebuilding Embeddedness. These are 3 of the 6 gaps and recommendations formulated during our 2020 engagement meeting.

Gap 1

Little information is provided on concrete activities in the reporting year regarding product social impact.

Recommendation 1

We recommend Allianz to add some concrete actions taken in the reporting year that further product social impact, for example by exemplifying activities related to "customer centricity" which is a pillar of the current business strategy.

Gap 2

The company shows its commitment to the topic of business integrity and compliance. However, it does not set concrete targets which also negatively impacts the achievement dimension.

Recommendation 2

The company should consider setting an overarching vision with concrete short-term and long-term goals under which the current company's related activities would indicate how the company is trying to achieve those targets.

Gap 3

The company does not disclose much information about peacebuilding activities related to suppliers.

Recommendation 3

Allianz should consider disclosing more information related to its approach to supplier management, in particular related to capacity building efforts. However, given the industry, it could be questioned if suppliers could be identified as their investee companies for which the company does have a clear approach.

Koninklijke Philips

Gaps and recommendations regarding Quality of Reporting, Peacebuilding Embeddedness and General. These are 3 of the 5 gaps and recommendations formulated during our 2020 engagement meeting.

Gap 1

The quality of the sustainability disclosures is very advanced with the longstanding use of the Integrated Reporting Framework, however the link between sustainability and financial information could be further developed.

Recommendation 1

The company should consider further developing the relationship between financial and non-financial information and explore how its sustainability efforts are impacting the financial results (for example, how the circular economy approach is affecting the cost/revenue structure and the bottom line).

Gap 2

Through its activities in fragile economies the company is working on access to health, however missing an holistic approach to the topic.

Recommendation 2

The company is encouraged to further develop its approach to affordability of its products and access to health in fragile economy.

Gap 3

The company publishes information on its environmental profit & loss. The comparability of the information is only partially addressed in the text that accompany the visual representation.

Recommendation 3

The company is encouraged to include the results of previous years in its environmental profit & loss for the reader to better understand the trends and to continue to further develop the methodology.

PepsiCo

Gaps and recommendations regarding Product Social Impact, Quality of Reporting and Peacebuilding Ambition. These are 3 of the 8 gaps and recommendations formulated during our 2020 engagement meeting.

Gap 1
While there is a clear description of applied monitoring schemes and KPIs the company's discussion of results has a predominantly positive bias. Also, the company's ambitious long-term targets are not broken down to short-term targets and/or actions.

Recommendation 1
Pepsico should not only discuss or stress the positive angles of achievements or performance but also shed light on challenges and setbacks and what has been learned from these. Additionally, the way forward to meeting its ambitious targets should be explained in more detail.

Gap 2
Integration: Pepsico's annual reporting does not yet interlink financial performance with ESG aspects of the business.

Recommendation 2
Pepsico should further integrate its sustainability reporting into its annual reporting and showcase the interlinkages between financial performance and underlying environmental or social aspects.

Gap 3
Although there are some case-based examples of efforts in fragile states Pepsico does not yet make an explicit connection to its peacebuilding impacts in fragile economies of operation.

Recommendation 3
Pepsico should showcase how its responsible business practices in fragile economies also benefit the communities from a peacebuilding perspective

Colgate-Palmolive

Gaps and recommendations regarding Product Environmental Impact, Reference to Sustainability Frameworks and Peacebuilding Embeddedness. These are 3 of the 7 gaps and recommendations formulated during our 2020 engagement meeting.

Gap 1
While several achievements are described, transparency related to non-achievements remains low.

Recommendation 1
Colgate-Palmolive should address challenges and non-achievements more transparently (e.g. more information for the spill in 2018).

Gap 2
Colgate-Palmolive refers to the SDGs in general and matches them with some of their activities.

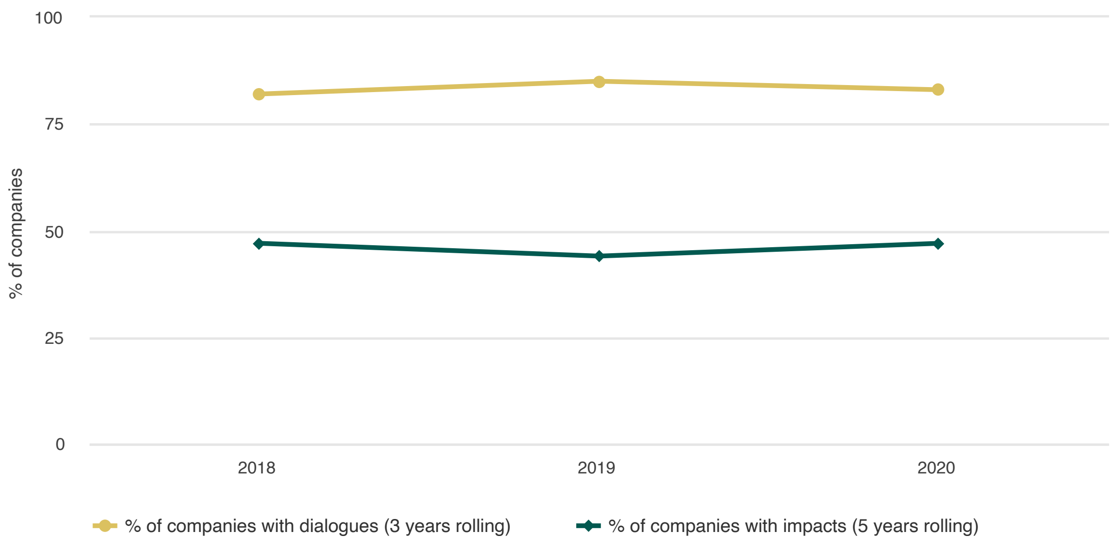
Recommendation 2
To further advance its reporting, the company could consider addressing the SDGs more specifically, ideally showcasing convincingly its efforts to align its sustainability agenda and related goals with selected SDGs.

Gap 3
The company has various local partnerships in place, in particular related to oral health and handwashing. No information was found on related fair marketing approaches.

Recommendation 3
The company should detail its approach to fair marketing especially in fragile economies and how it fits with its product accessibility approach in those economies.

We actively help companies progress on the strategic integration of their key sustainability topics

Engagement achievements – Strategic Integration of Sustainability



At the end of 2020, we had already an engagement dialogue with 25 or 85% of the portfolio companies we assessed. 14 companies or 47% of long-term holdings improved on weak points raised previously and implemented our recommendations linked to the strategic integration of sustainability into their business models.

Our recommendations are formulated on the basis of identified gaps which become visible through our systematic yearly assessments. Together with our external experts, we assess key material topics for each company according to their core business activities. For the Cadmos Peace Investment Fund, three key topics stand out as the most financially material to the universe of companies in the Fund: which are “Product Social Impact”, “Product Environmental Impact” and “Business Integrity and Compliance”.

Our engagement targets for the Cadmos Peace Investment Fund are ambitious. The first target is to create a dialogue with each company we engage within three years. We are positively surprised that we already conducted engagement meetings with 100% of the portfolio companies and by the quality of the dialogues. In the last engagement cycle of 2020, we engaged with 28 companies and most of them for the second consecutive year.

Moreover, to provide a transparent measure of the impact of our engagement with the companies, we measure the engagement level of each company, in order to evaluate our engagement progress. Only when a company reaches level 5 (engagement for the strategic integration of sustainability into the business model - level), signifying that it has acted on one of our recommendations regarding the strategic integration of sustainability, we consider that we have made the desired impact as responsible shareholders. For the Cadmos Peace investment Fund we aim to generate positive impacts within five years at a majority of our portfolio. We already reached our five years objective, only three years after launching the Fund by impacting 93% of our portfolio companies, implementing tangible suggested improvements. During the period under review, eight companies (Axa, Colgate-Palmolive, LVMH, Mastercard, Novartis, PepsiCo, SAP and Sika) acted on our recommendations and improved on at least one weak point raised the year before.

The Cadmos engagement impacts stand-out as they are the results of multiple engagement meetings spreading over multiple years. We want to embed sustainability in the strategic and operational decisions of our portfolio companies. We want to further accelerate the sustainability transition of the companies we invest in and are not looking for a flash in the pan. The more detailed descriptions of our engagement meetings with Nestlé and L'Oréal within this report do attest of our long-term oriented impact philosophy. Please also refer to our previous reports highlighting our multi-year engagement impacts at Standard Chartered or Total.

In 2020, we also noted significant progress from Mastercard. As previously recommended, the company acted on 2 of our recommendations. Firstly, by improving comparability of the reporting by publishing environmental and social data over several years. Secondly, by covering relevant issues more comprehensively as well as addressing particular challenges. At Novartis as well, we recommended that the company should avoid addressing corporate responsibility aspects in 3 different disclosure documents. We suggested to reduce the number of reports to avoid repetitions, overlaps and increase readability for the different relevant stakeholders.

Altogether, since the launch of the Fund in 2018, we have recorded 26 instances of companies' positive engagement based on their improvement upon a specific point in response to the suggestions provided by Cadmos. Detailed assessments and engagement feed-backs on all companies are provided within our Integrated Performance Reports (IPR's), available to all Cadmos investors on request. A sample IPR is available within this report.

We measure the level of impact of our engagement

Summary Table

Portfolio as at 31.12.2020	Type of Meeting*	Dialogue within 3Y*	Impact within 5Y*	SDG 16** Type of Meeting	SDG 16** Level
ACCENTURE	N/R	Less 3 years	In progress	Not Selected	N/R
ADIDAS	Conference call	Yes (2020)	In progress	Conference Call	2
ALLIANZ (Out)	Conference call	Yes (2020)	In progress	Conference Call	1
ALPHABET	N/R	Less 3 years	In progress	Not Selected	N/R
AMAZON.COM	N/R	Less 3 years	In progress	Not Selected	N/R
ANHEUSER-BUSH INBEV	Conference call	Yes (2020)	In progress	Conference Call	2
APPLE	N/R	Less 3 years	In progress	Not Selected	N/R
ATLAS COPCO	Conference call	Yes (2020)	In progress	Conference Call	1
AXA SA	Conference call	Yes (2020)	Yes (2020)	Conference Call	3
BRISTOL-MYERS SQUIBB (New)	Conference call	Yes (2020)	In progress	Conference Call	1
COLGATE-PALMOLIVE	Conference call	Yes (2020)	Yes (2020)	Conference Call	2
DANONE	Conference call	Yes (2020)	Yes (2019)	Conference Call	2
FACEBOOK	Conference call	Yes (2020)	In progress	In person meeting	2
FOMENTO ECONOMICO MEXICANO	Conference call	Yes (2020)	No impact	Conference Call	2
JOHNSON & JOHNSON (Out)	Exit: Not engaged	Exit	Exit	Exit	Exit
KONINKLIJKE PHILIPS	Conference call	Yes (2020)	In progress	Conference Call	2
LINDE	No assessment	Yes (2019)	Yes (2016)	No Meeting	0
L'OREAL	Conference call	Yes (2020)	Yes (2018)	Conference Call	4
LVMH	Conference call	Yes (2020)	Yes (2020)	Conference Call	2
MASTERCARD	Conference call	Yes (2020)	Yes (2020)	Conference Call	2
MICROSOFT	Conference call	Yes (2020)	In progress	Conference Call	2
NESTLE	Conference call	Yes (2020)	Yes (2018)	Conference Call	4
NOVARTIS	Conference call	Yes (2020)	Yes (2020)	Conference Call	4
PEPSICO	Conference call	Yes (2020)	Yes (2020)	Conference Call	3
PROCTER & GAMBLE	N/R	Less 3 years	In progress	Not Selected	N/R
SAP	Conference call	Yes (2020)	Yes (2020)	Conference Call	4
SCHNEIDER ELECTRIC	Conference call	Yes (2020)	Yes (2018)	Conference Call	2
SGS	Conference call	Yes (2020)	Yes (2018)	Conference Call	2
SIKA	Conference call	Yes (2020)	Yes (2020)	On-Site Meeting	1
STANDARD CHARTERED (Out)	Exit: Not engaged	Exit	Exit	Conference Call	4
UNILEVER	Conference call	Yes (2020)	In progress	Conference Call	1
VESTAS WIND SYSTEMS	No assessment	Yes (2019)	In progress	Conference Call	2

* Engagement for the Strategic Integration of Sustainability into the Business Model
** Engagement for Tangible SDG Impacts – SDG 16 Peace Promoting Business Practices
Level 5 Implementation of tangible peacebuilding partnership
Level 4 Peacebuilding Partnership in development
Level 3 In-depth peacebuilding partnership assessment conducted
Level 2 Participated to follow-up meetings dedicated to peacebuilding
Level 1 Expressed interest for a peacebuilding dedicated follow-up meeting
Level 0 No meeting or no interest to follow-up on SDG impacts

The full detail of any portfolio company is available on www.cadmos.ppt.ch

Integrated Performance Report Sample (2020)

SAP

SAP

Integrated Performance Report
2020

Active Portfolio Management

Sector:	Technology
Industry:	Software
Country:	Germany
ISIN:	DE0007164600

Performance

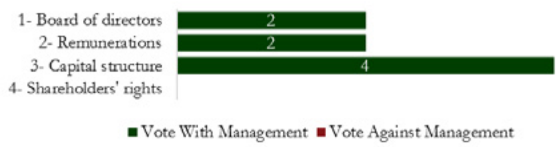
1Y:	-9.60%
3Y:	19.70%
5Y:	57.00%

Founded in 1972, SAP is the recognized leader in enterprise application software for all types of industries and for every major market. Headquartered in Walldorf, Germany, SAP is the world's largest application software company, and the world's third-largest independent software supplier overall. SAP employs over 100,000 people. There are strong fundamentals at SAP, with the S/4 HANA product cycle and LoB cloud apps driving growth today and the prospect of Leonardo driving growth in the future.SAP has very strong customer relationships, significant product depth and sufficient scale to invest competitively. Based on its growth prospects, the company targets EUR 8bn free cashflow by 2023.

Active Stewardship & Voting

2020: 8 votes total, 0 opposing

Cadmos approved or voted with management on all items presented for vote to shareholders in 2020. All items were approved by shareholders with a large majority.



Active Engagement & Impact

Notes on last engagement

The Investor Relations Manager in charge of Socially Responsible Investing and the Chief Sustainability Officer participated in the meeting. The representatives shared valuable insights on SAP's sustainability management and relevant subjects such as the impact of SAP's applications on customers' ability to manage sustainability issues were discussed in detail. The representatives acknowledge and positively reacted on our feedback and recommendations, e.g. with respect to the materiality assessment and reported information thereof. In relation to previous engagements, SAP made additional relevant policies and commitment statements publicly available.

Level of engagement

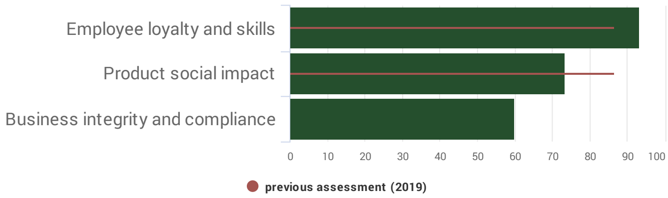
12th engagement cycle and 10th discussion round.
Type of meeting: Conference call.

5	**Shows improvements on recommedations**
4	Acknowledges recommendations
3	Accepts the principle of regular dialog
2	Agrees to discuss assessment results
1	Acknowledges receipt of assessment
0	No meeting conducted

Preparedness on key topics

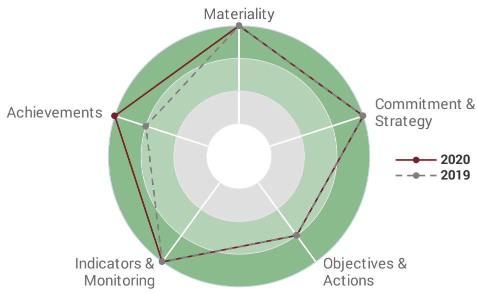
Sustainability focus

In order to remain a key player in a dynamic market, SAP's people management is of strategic importance because the company's success depends on a highly skilled, talented and diverse workforce. Technology can unlock economic potential by building capacities and empower local societies. Product social impact, also including data privacy and information security, is therefore a key sustainability topic. Operating internationally and in various jurisdictions, business integrity and compliance (covering anti-corruption, anti-competitive behavior and tax practices) should also be held high SAP.



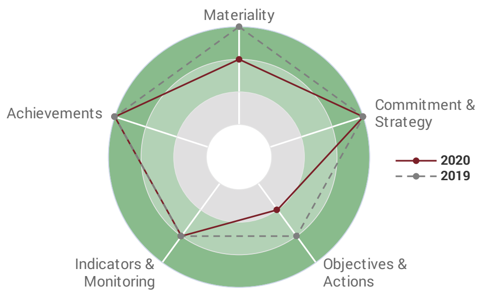
Employee loyalty and skills

SAP's disclosures on employee loyalty and skills is very advanced. Risks and opportunities related to employee development and diversity and inclusion are explained in detail. Commitments are included in the Code of Conduct, Anti-Discrimination Policy and the Human Rights Commitment Statement. SAP presents tangible short- to mid-term objectives and describes actions such as an awareness campaign on gender equality. Engagement survey and the EDGE certification are examples of monitoring instruments. Finally, SAP comments on several positive and some negative developments.



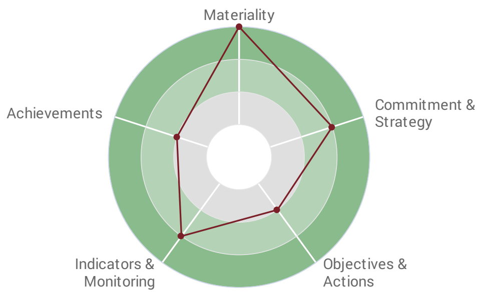
Product social impact

SAP's reporting on product social impact is on a good level. Data privacy and information security are of high relevance and come with several risks and opportunities for the company that are laid out in detail. The issue is also embedded in internal policies. Accessibility of software to empower people with disabilities is covered in the Human Rights Commitment Statement. Few actions and indicators but no objectives are presented. Monitoring mechanisms for data protection and IT security are in place and SAP reports some positive and negative events.



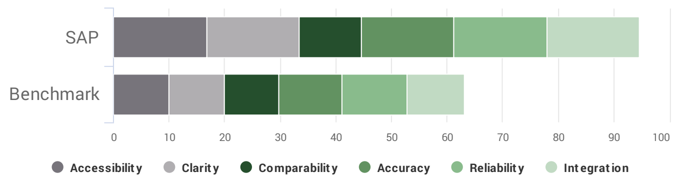
Business integrity and compliance

SAP solidly reports on business integrity and compliance. Various risks associated with corruption, anti-competitive behavior and tax practices are outlined and "business conduct" is recognized as a material topic. Internal Code of Conducts underpin the company's commitments and the implementation is supported e.g. with training and communication measures. Recently, the compliance team has been expanded, new trainings were designed, and a compliance app introduced. Information on objectives, indicators and achievements remains limited. Monitoring is well established within the company.



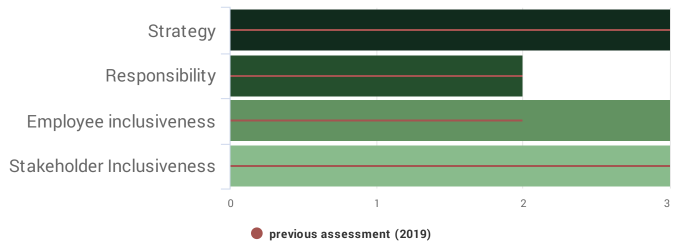
Quality of reporting

Quality of SAP's reporting is outstanding. Accessibility has improved as additional strategic documents are available. GRI/UNGC/SDG reference tables guide the reader in navigable reports. A comprehensive glossary ensures understandability and all material topics as defined by SAP are covered. Many absolute and relative indicators can be compared over 5 years. Data management explained in detail. Sustainability information is verified by an independent third party. Finally, SAP presents financial and non-financial results in an integrated manner with reference to IIRC.



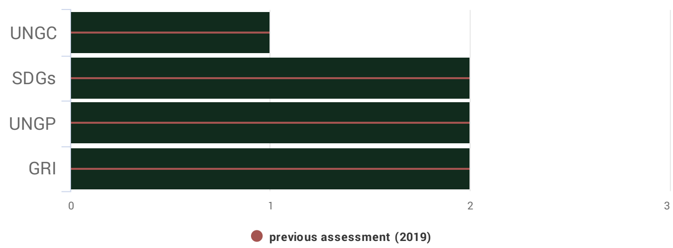
Sustainability organization

Sustainability is an integral part of the business model. The Chief Financial Officer heads sustainability within the Executive Board. Employees are involved e.g. though surveys, topical campaigns and trainings. The introduction of sustainability targets sets a strong signal to further align management compensation with strategic priorities as well as to enhance employee engagement. SAP initiates joint projects with partners to create collective impact. The company also stays in close touch with customers, investors, partners, NGOs and academia through its Stakeholder Advisory Panel.



Reference to sustainability frameworks

UNGC: SAP is a signatory to the UN Global Compact communicating on its progress since 2000.
SDG: SAP links its sustainability topics with the SDGs. Thereby, the company focuses on eight specific SDGs that correlate with its business activities and the use of its software by customers. Potential direct and indirect impacts are described, and relevant indicators, targets and documents matched to the selected SDGs.
UNGP: SAP has instituted a policy on human rights. The policy specifies the company's commitments and sets the basis for specific due diligence processes to identify, prevent, mitigate and account for its human rights impacts.
GRI: The company report has been prepared in accordance with the GRI Standards: Core option.



Gaps and Recommendations

Gap 1: SAP has completed a materiality assessment in 2016 and now published a materiality matrix. However, compared to peers with a similar level of corporate responsibility reporting, the matrix is not very detailed and focuses only on 5 issues.
Recommendation 1: It could be considered to further elaborate the materiality matrix and taking up more issues (or specific sub-topics) to show the relevance for the company and its stakeholders.

Gap 2: With the further sophistication of SAP software applications, particularly using AI solutions the risk of human rights violations will increase e.g. if used by administrations of totalitarian states and the company being accused to be complicit.
Recommendation 2: It should be taken into consideration to introduce a sort of due diligence for customers exposed to human right violations and other unethical or generally irresponsible practices.

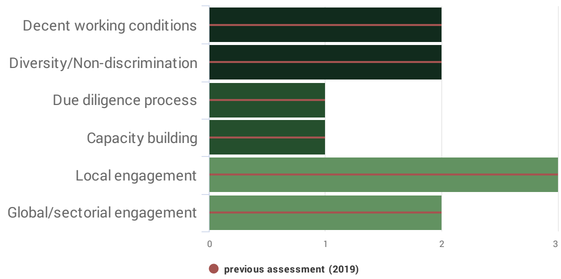
Gap 3: It seems that SAP is not monitoring or preventing the potential misuse of its software applications by clients in regard of personal information and privacy rights.
Recommendation 3: It could be considered to tackle this issue in the course of the ongoing development of SAP's governance and business integrity framework.

SAP

Engagement for Peace Promoting Business Practices (SDG 16)

Peacebuilding embeddedness

SAP reports on relevant aspects of peacebuilding on a good level. Human and labor rights commitments are anchored in specific policies. Employee training and development as well as diversity and inclusion are systematically managed. SAP implements its own due diligence process. The Supplier Code of Conduct was updated but evidence of capacity building within the supplier network remains limited. Local engagements include initiatives to enhance digital literacy or the impacts of local organizations and governments through digital tools and data. Finally, SAP actively participates in multi-stakeholder initiatives and is a founding member of the Global Alliance for YOUth that was launched during this reporting period. Only with regards to local engagements there is an explicit reference to fragile economies.



Follow-up meetings and progress

SAP ranked #40 in the Peacebuilding Business Index in 2019, rising 12 ranks since 2018. The main reasons for this high position are substantial reporting and media coverage on software solutions supporting inclusive hiring, responsible sourcing and anti-corruption, employee volunteering, youth employment, training to foster entrepreneurship and job creation and community investments. In the 2020 engagement meeting and various follow-up calls PeaceNexus focused on SAP's client and supply chain due diligence policies in conflict-affected countries. PeaceNexus and SAP are in an ongoing dialogue to further advance these policies.

PeaceNexus Foundation

The peacebuidling assessment and engagement has been conducted in cooperation with the **PeaceNexus Foundation.**

PBBI Company Scorecard Sample (2020)

L'Oréal

Peacebuilding Business Index

L'Oréal SA (Household & Personal Products)

Country: FR **ISIN:** FR0000120321

Company Scorecard

31 December 2020

Presence in fragile economies

The company has subsidiaries and foreign direct investments in the following fragile countries: Bangladesh, Cameroon, Colombia, Egypt, Guatemala, India, Ivory Coast, Kenya, Lebanon, Mexico, Nigeria, Pakistan, Russia, South Africa, Turkey, Ukraine, Venezuela, Vietnam.

Source: Refinitiv (Thomson Reuters) / fDi Markets (FT)

Peacebuilding Business Index results

The Peacebuilding Business Index ranks the 300 companies showing the biggest presence in fragile states in terms of FDI impact or reported presence. The final score combines 3 values: Local Peacebuilding Practices (weight 50%), Local ESG Practices (25%), and Global ESG Policies (25%).

Company	Rank	Change Final rank	Final score 31.12.2020 (PBBC*2+ESG+Global)/4	Local peacebuilding practices, 50%	Local ESG practices, 25%	Global ESG policies, 25%
Unilever PLC	9	-8	81%	77%	78%	91%
L'Oreal SA	14	-10	79%	74%	81%	86%
Kimberly-Clark Corp	22	37	77%	75%	75%	81%
Procter & Gamble Co	26	-16	75%	72%	78%	79%
Henkel AG & Co KgaA	51	10	68%	62%	72%	76%
Colgate-Palmolive Co	91	-14	64%	51%	68%	86%
Dabur India Ltd	168	-15	58%	51%	61%	69%

Local peacebuilding practices: share of positive news over total news (positives and negatives) covering fragile states and classified with the Peacebuilding Business Criteria (PBBC) defined by PeaceNexus.

Local ESG practices: share of positive news over total news (positives and negatives) covering fragile states and classified with Covalence's 50 ESG criteria.

Global ESG policies: performance on global indicators sourced from Refinitiv and selected according to their relevance to SDG 16 Peace, Justice and Strong Institutions.

Comment

L'Oréal ranked #14 in the Peacebuilding Business Index in 2020 with a drop of 10 ranks since 2019. Main reasons for this high position are: substantial reporting and media coverage on conflict-sensitive hiring, gender equality, solidarity sourcing, community investments such as producing and donating antibacterial gel against COVID-19, women empowerment. In 2020 L'Oréal generated a higher volume of negative comments compared to previous years, due to social issues such as ethnic diversity (controversies around skin whitening cosmetics) and palm-oil-driven deforestation and human rights violations in cosmetics supply chains. The best result is found in Global ESG Policies (86%, 10th / 300), followed by Local ESG Practices (81%, 19th / 300), and Local Peacebuilding Practices (79%, 28th / 300).

In Local Peacebuilding Practices, L'Oréal SA's strengths are found in the following PBBC categories: Sourcing, Products, and Labour. In the Household & Personal Products industry group, the leader is Unilever NV while the laggard is Dabur India Ltd..

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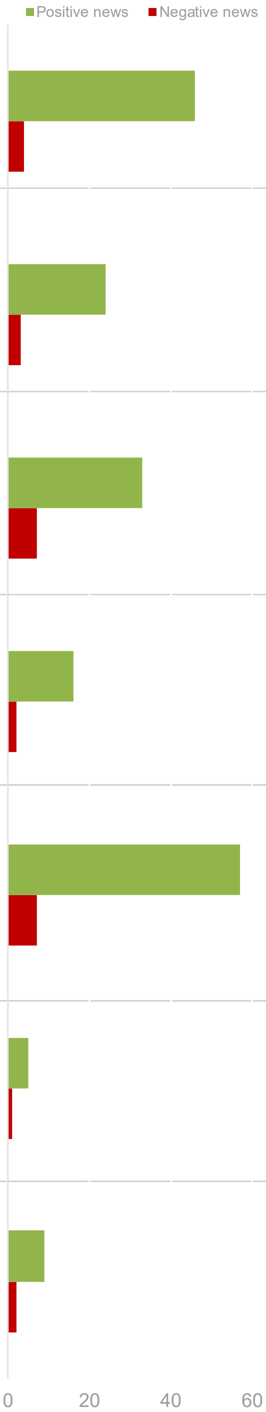
Focus on Local peacebuilding practices

L'Oreal SA

Business areas	Peacebuilding Business Criteria (PBBC)	Statistics	Most relevant stories
Labour	Conflict-sensitive hiring		
	Local recruitment		
	Labour standards promotion		
Sourcing	Due diligence		
	Local sourcing		
	Inclusive hiring promotion		
Community	Multi-stakeholder engagement		
	Grievance mechanisms		
	Community investments		
Governance	Payment and contract transparency		
	Conflict-sensitive leadership		
	Peace advocacy		
Products	Serving at-risk populations		
	Customers due-diligence		
	Pro-peace marketing		
Security	Security monitoring		
	Employee and supply chain protection		
Environment	Water-conflict-sensitivity		
	Land-conflict-sensitivity		

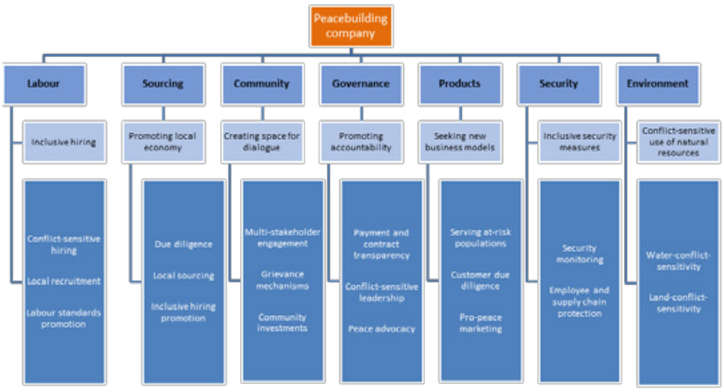
Peacebuilding Business Index

Methodology Overview

The PeaceNexus Foundation developed the Peacebuilding Business Index (PBBI) with the help of Covalence to support its mission-aligned investment strategy. The index defines the universe of the Cadmos Peace Investment Fund, a thematic global equity investment vehicle promoting peacebuilding business practices through a sophisticated selection process and engagement with portfolio companies on their peacebuilding role. The Fund was launched in 2018 with the Swiss asset manager, de Pury, Pictet, Turrettini.

Peacebuilding Business Criteria (PBBC)

To evaluate companies' peacebuilding contributions, PeaceNexus developed the Peacebuilding Business Criteria (PBBC). The PBBC address companies operating in fragile states with recommendations on how to adapt their business model and operations to a conflict-prone context. The research highlights the business case for conflict-sensitive behavior through concrete examples which go beyond the general interest of companies to operate in stable environments.



Universe of countries

We identified 75 fragile states that are mentioned at least three times in the nine considered lists for belonging to the most fragile states in the world. The color on the map reflects the level of fragility from 3 (pink) to 9 (red).

Universe of companies

The PBBI ranks the 300 companies with the biggest economic impact in fragile states. The fDi Markets database of the Financial Times is PBBI's main source of information to determine the economic impact of companies. fDi Markets provides information per company and country on investment projects, capital investment (FDI), and number of created jobs. We also considered companies with a strong presence on the ground through business partnerships in fragile states via their supply chain or through the sale of products and services.

Levels of analysis

The methodology combines the analysis of ESG data that is self-reported by companies with a semi-automated screening and classification of narrative content.

Information is gathered from over 4,000 sources including companies' global and local communications, global and local media, and reporting by stakeholders such as trade unions and NGOs.

Peacebuilding Business Index: Methodology Overview				
Level of analysis	**Type of analysis**	**Sources**	**Weight**	**Examples**
Global peacebuilding-relevant ESG policies	Analysis of ESG indicators disclosed by companies	Corporate	25%	Policy to improve employee health & safety in supply chain? YES/NO Targets on diversity and equal opportunity? YES/NO
Local ESG practices	Semi-automated analysis of narrative content	Corporate, Media, Stakeholders	25%	Stories on positive and negative impacts of companies in fragile countries regarding ESG issues: labour conditions, human rights, corruption, environmental protection, etc.
Local peacebuilding practices			50%	Stories on positive and negative impacts of companies in fragile countries regarding peacebuilding issues (PBBC): inclusive hiring, mediation, supply chain security, local sourcing, social business models, etc.

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About PeaceNexus

PeaceNexus Foundation's core mission is to provide peacebuilding-relevant actors – multilateral organisations, governments, non-profit organisations and businesses – with expertise and advice on how they can make best use of their peacebuilding role and capacity to help stabilise and reconcile conflict-affected societies.

Since our founding in 2009, PeaceNexus has engaged in numerous partnerships with economic actors to improve outcomes in fragile states, as well as applied research projects on the contributions of business to peacebuilding. Our foundation can provide tailored advisory services to **businesses who wish to leverage their peacebuilding potential and improve conflict-sensitivity** throughout their operations.

In addition, PeaceNexus acts as a "nexus" between organizations: we can provide guidance on suitable partners to assist businesses in managing conflict, peace and security issues. PeaceNexus works with dozens of organizations in 4 regions primarily: Western Africa, Western Balkans, Central Asia, and South East Asia. Our partner selection process is rigorous. Our network of partners includes the most promising organizations in peacebuilding.

About Covalence

Founded in 2001, Covalence SA helps investors integrate ESG factors while controlling greenwashing with its multi-source, AI-powered scoring system and data feeds. Our services include: ESG ratings, ESG news monitoring, portfolio advisory, and impact stories.

The Covalence approach is based on a diversity of sources of information and relies on web monitoring and artificial intelligence together with human analysis. We compare ESG data publicly reported by companies (disclosure) to online narrative content reflecting the perceptions of stakeholders such as the media and NGOs (reputation). This approach allows users to track inconsistencies, monitor changes and benefit from timely alternative data. The information is delivered in an actionable format to support ESG risk exposure mitigation and long term value creation.

Covalence is a signatory of the Principles for Responsible Investment (PRI), an institutional partner of Sustainable Finance Geneva (SFG), a founding member of Swiss Sustainable Finance, and a member of the Chamber of Social and Solidarity Economy in Geneva APRÈS-GE.

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