

UNIGESTION
**CLIMATE
POLICY**



UNIGESTION CLIMATE POLICY

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

Today, we stand on the cusp of the next great economic revolution – one where sustainability will be the focus of all aspects of life, from consumption, the production of goods, commercial services and business practices, through to investment decisions. We are already witnessing a seismic shift in consumer behaviour where price is no longer the defining factor. At the same time, employees are demanding that companies adopt more sustainable solutions in the work environment.

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

At Unigestion, we are doing everything we can to limit the impact of our own operations on the environment, from more efficient use of our infrastructure through to the optimisation of our consumption. As part of our climate action plan, we have a set of clear business objectives and targets in place, and we will be fully transparent in reporting on them. However, irrespective of our own actions, the biggest changes and challenges will come from how we manage the assets of our clients.

In a world where the climate and sustainability are at the forefront of the thought and decision making process, asset managers like ourselves will increasingly be assessed on the values they uphold, the ethics they promote, and the wider role they play in improving society, not just the financial returns they deliver. In other words, “social alpha” will be assessed alongside “performance alpha” and while “doing good” will hopefully translate into “doing well” over time, it is not a directly correlated relationship.

We strive to incorporate our net zero guidelines in how we operate ourselves and within our investment decision making process.

ENVIRONMENTAL RESPONSIBILITY

The importance of the UN’s Sustainability Development Goals (SDGs) and respect for the environment are at the very heart of our business. These considerations are an integral part of the investment process across all our lines of business, as well as part of the way Unigestion operates internally as an organisation. To this extent, SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action) are of paramount importance and form the basis of our environmental policy which focuses on:

- ▶ Use of efficient infrastructure
- ▶ Optimise our consumption
- ▶ Support green mobility

As an asset manager that incorporates Environmental, Social and Governance (ESG) considerations into our investment processes across all investment lines, we understand that our own activities have an impact on the environment and that we have a responsibility to reduce this impact wherever possible.

Net Zero Commitment

As part of our sustainability journey, in January 2022 we signed up to the Net Zero Asset Managers initiative. Here, an international group of asset managers have committed to supporting the goal of net zero greenhouse gas (GHG) emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. Launched in December 2020, by the end of 2021 the initiative had already attracted 236 signatories with USD 57.5 trillion in combined assets under management.

Under the initiative, we have committed to have 30% of our AUM in line with net zero by 2030, based on the Science Based Targets initiative (SBTi) methodology and using 2019 as a baseline, and 100% by 2050 or prior. We plan to achieve our targets across all of our asset classes, liquid and illiquid, in a gradual manner.

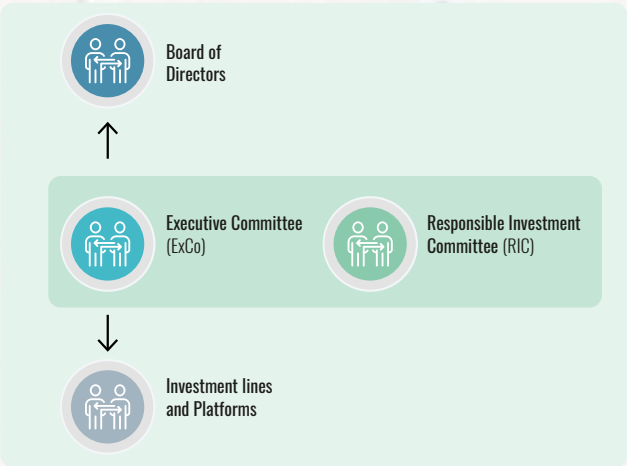


GOVERNANCE OF NET ZERO

Unigestion’s climate policy is defined in collaboration with the Responsible Investment Committee (RIC) and the Executive Committee (ExCo). The methodology is then communicated to and implemented by the different investment lines and platforms.

The ExCo is responsible for the company’s adherence to the commitment and to ensure that all appropriate steps advised by the RIC are taken throughout the company’s activities.

The ExCO will report to the Board of Directors on an annual basis.



IMPLEMENTATION OF NET ZERO TARGETS



As a financial sector participant, we have two scopes to work with:

FIRM LEVEL

This constitutes Unigestion's emission reduction plan at the operational level and eventual offsetting. There are a number of initiatives we are undertaking to reduce and account for our own emissions. To have a better grasp on the firm level emissions, we have hired an external company, Climate Services, to evaluate our emissions (including scope 3, therefore including our business travel and product emissions).

At the firm level we strive to reduce the carbon footprint of the buildings we use, reduce the natural resources our offices consume, and reduce the impact of our employees on the move. We have an internal Environmental Committee in place which measures, monitors and sets targets for the impact of all aspects of our business from business travel, electricity consumption and commuting, through to paper consumption and the production of waste.

Using 2019 as a pre-pandemic base, we are monitoring our organisational carbon footprint on an ongoing basis. Our overall aim is to meaningfully cut carbon emissions per each full time employee equivalent by 2025. We will be fully transparent in reporting our progress.

Infrastructure Efficiency

Energy efficiency is a key objective for Unigestion across all our locations. To reduce the environmental impact of our premises, we select our buildings carefully. We apply strict environmental criteria throughout the selection process when we are considering new premises and are also constantly enhancing existing premises. As an example, initiatives such as motion sensor lighting, natural light sensors and the use of hydraulic electricity, as well as improved energy efficiency following an IT infrastructure upgrade, have already seen electricity consumption for our Geneva headquarters cut by 17% between 2013 and 2019, representing a reduction of 200,000 kWh per year.

Optimising our Consumption

In an effort to minimise the direct impact of our business and employees, we have introduced a series of initiatives to understand and optimise our consumption and waste production. For example, in recent years, we have made significant changes to the way we use paper, from reducing the number of printers and introducing a security pass access to them, through to printing client presentations in A5 format. One measure found that in 2019, we used 6,762.9kg of CO₂ – a 31% reduction compared to 2018.

We have also eliminated the use of plastic bottles and paper cups in our offices, replacing them with water fountains, while we are also reducing/phasing out our use of coffee capsules. Additionally, we recycle as much waste as we can – we have removed individual bins and introduced dedicated recycling points in order to separate and efficiently recycle PET, aluminium, organic and glass from other waste. To further our recycling efforts, all our old IT equipment is either recycled, returned to our IT equipment provider for a second life, or donated to schools. We also review our stationery products every year to move to green products wherever possible. As of today, more than 70% of our stationery is eco-friendly.

Supporting Green Mobility

Business travel is a major source of GHGs and we have taken a number of steps to reduce our contribution to these emissions. While business travel during the pandemic was unrealistically low, the last couple of years have shown us that it is not always necessary. It may be impossible to eliminate business travel completely, but today's technological advances together with a changing mind-set should ensure that it remains low on the list of priorities.

At Unigestion, we are well set up for a virtual meeting environment, with state of the art videoconferencing facilities installed in all meeting rooms in all offices globally, as well on employees' portable computers. In addition to this, all workstation telephones are installed with video cameras, enabling individuals to easily have face-to-face conversations at their desks. We have therefore been promoting video conferencing, whenever possible, as an alternative to business travel for some time and well before Covid hit.

Our vehicle fleet is composed exclusively of electrical and hybrid cars. We have also purchased an electric bike which is available to employees in our Geneva office for business or private travel during the week. We encourage our employees to use public transport where possible. Geneva-based staff are offered a financial subsidy to use public transport for their office commute. We are also promoting green methods of transport to work by increasing bicycle parking spaces and reducing car parking spaces. In addition, our work from home policy allows most employees to work up to two days from home. Our IT infrastructure ensures that employees can be just as productive at home as

INVESTMENT LEVEL

This constitutes the overall emission reduction plan of our investments and the eventual achievement of net zero. Our goal is to focus on the climate risks that entities are exposed to in their decision making processes within the short and medium term and the climate risk management of companies and countries in the long run.

To prevent short and medium-term risks, we have implemented multiple steps in controlling and reducing our exposure to climate risk across business lines.

As part of our ESG integration process, we primarily screen out:

- ▶ companies with thermal coal revenue exposure above 10%, and
- ▶ the most carbon intensive enterprises overall considering GHG intensity, including scopes 1, 2, and 3

From a portfolio construction perspective, we have explicit top-down GHG intensity reduction targets for all of our asset classes. In addition, we have specific mandates to practice our proxy voting with respect to climate issues and perform a certain level of engagements, whether direct or collaborative, with regards to the climate-related issues of the enterprises we own as well as their net zero advancements.

Scope 1 emissions are those that are directly generated by the company, such as an airline emitting exhaust fumes. Scope 2 emissions are those that are created by the generation of the electricity or heat needed by the company to sell its main products or provide its main services. Scope 3 emissions are those caused by the entire value chain, including the end-user of the product over its life cycle, and are much more difficult to measure.

they would be in the office, but with the added benefit of reduced commutes, which naturally benefits the environment.

Our operational focus is to control our impact on climate change by reducing the emissions of our own and acquired operations as much as feasible, therefore scopes 1, 2 and 3 upstream¹. Our ExCo will periodically review the level of these emissions and when the most efficient level of emissions by business operations is reached, will engage in offsetting these either through nature-based investments or certified GHG removal projects.

Then, as our main impact is felt through scope 3 downstream (in other words our business travel and the emissions of our products), we have drafted targets to control and reduce both gradually in a manner that allows us to meet our interim targets as well as reaching our net zero goal by 2050 or prior.

At the company level, we publish our GHG emissions breakdown on an annual basis within our Corporate Social Responsibility Report.

Our ultimate goal is to gradually align our firm with the Paris Agreement objectives.

In order to achieve that, Unigestion incorporates various climate directives, among other ESG directives, across the assets we manage:

- ▶ UN Global Compact Principles to identify businesses that are excessively harmful to the environment
- ▶ Task Force on Climate-related Financial Disclosure (TCFD) recommendations to control physical and transitional risks
- ▶ SBTi and the Transition Pathway Initiative in order to align investments with a certain degree trajectory

Moreover, as part of our frequent evaluation of portfolios with regards to ESG criteria, we evaluate the temperature of all of our equity portfolios and identify any outstanding future risks by determining value-at-risk of the companies held within our portfolios. In addition, we evaluate the longer-term risk of various sectors by performing climate scenario analysis.

At the same time, climate-related risks are independently controlled and verified by our risk management team in order to ensure compliance with our guidelines as well as identifying any uncaptured risks through the investment process.

SUMMARY FOR INVESTMENT LINES

The first part of our plan concerns GHG reduction:

- ▶ For Equities, since 2016 we have controlled the GHG intensity of our products and since 2018 we have targeted a 20% GHG reduction versus relevant market references. Since 2021, our main equity funds have been aligned with a 2-degree Celsius trajectory and we are proposing such alignment to all of our clients for their segregated mandates. Our goal is to gradually increase our GHG reduction efforts and eventually align all of our products with a 1.5-degree Celsius trajectory.
For sovereign bonds we have implemented GHG reduction within our investments and are researching 1.5-degree Celsius alignment possibilities.
- ▶ For Private Equity we are following the methodology put forward by SBTi, taking into account that our private equity portfolios are comprised of direct, secondary and primary investments. Our plan has been defined on the basis of an ambition level that is realistic within the current context of the small and mid-market private companies with fewer than 500 employees that we target as investees directly or via fund investments. It focuses on the existing investees in our private equity portfolio, excluding those investees that will be exited in a short time horizon, i.e. up to 24 months. We recognise that our greatest area of impact will be in direct investments rather than primary and secondary fund investments. In the case of primaries and secondaries, engagement with the fund managers will be the key course of action, as we acknowledge that we are unlikely to get access to the relevant data to be able to set science-based targets (SBTs).

The second part of the plan concerns offsetting the remaining GHGs:

- ▶ As the majority of our investments are within companies, whether public or private, we hope that with proper selection and engagement, our investee companies will achieve net zero which will, in turn, aid us in achieving net zero in our portfolios too.

However, as there are possibilities of not achieving this goal in the proper time frame, we need to anticipate further offsetting plans. This comes as an additional action that fund managers and companies can take during their net zero journey. Offsetting can be done using natural carbon sinks (e.g. trees, the ocean and soil) or man-made carbon removal methods (e.g. carbon capture and storage). We will only support the offsetting that would be aligned with best practices: verifiable and correctly accounted offsets with low risk of creating negative unintended consequences for people and the environment. We expect that offsetting will be more needed among some investees in our portfolio than others, subject to their sectors.

EDUCATING OUR EMPLOYEES AND OUR CLIENTS

ESG and climate-related issues are no longer confined to investment management processes but are increasingly important to a broader range of our business activities. We are taking an active approach to educating our people on such matters and in late 2020 launched a series of ongoing internal training sessions open to all staff, called "Sustainability Matters". By taking an active role in internal education, we can ensure that staff are well-equipped to navigate these complex issues and consider them across their daily activities. In addition, all new joiners learn about the importance of responsible investing at a dedicated session on their company induction day.

We are also very active in educating our clients around climate-related topics through a number of mediums. This includes the publication of topical papers, educational videos, hosting webinars and speaking at conferences. We also sponsor related initiatives and events. In addition, we have a dedicated Responsible Investment section on our corporate website, which details our strategy and beliefs, our approach to ESG integration and active ownership, and the initiatives that we have pledged to. The site also provides access to all our papers and videos around this topic and, as part of our commitment to be transparent and provide as much visibility to clients as possible, to a series of reports on our ESG impacts and our active ownership activity.



REPORTING OF NET ZERO



Unigestion signed up to the **Net Zero Asset Managers (NZAM)** initiative in January 2022.

An important feature of NZAM is that the commitment gives rise to a duty of transparency and accountability.

The interlocutor for NZAM reporting is the Network Partners, who are responsible for the signatories compliance to their commitments (which includes ensuring that initial disclosures and annual reporting are completed appropriately).

NZAM reporting duty is made up of two components: an initial disclosure followed by annual reports.

THE INITIAL DISCLOSURE

This must be made within 12 months of joining the initiative and include the following information:

- ▶ Proportion of AUM to be managed in line with net zero;
- ▶ If less than 100% AUM is initially committed, a brief explanation of why the proportion is the maximum currently achievable and how it will increase over time;
- ▶ Baseline and target years;
- ▶ Quantified target(s) to be achieved by target year;
- ▶ Methodology used to set targets;
- ▶ Coverage of Scope 1,2 and extent of Scope 3 coverage of financed emissions;
- ▶ Underlying science-based net zero scenarios/pathways from which targets are derived;
- ▶ Brief description of how the asset manager considers the target to be consistent with delivering a fair share of the 50% global reduction in CO2 remissions by 2030 identified as a requirement in the IPCC special report on global warming of 1.5° Celsius;
- ▶ Information on the asset manager's policy in relation to fossil fuel investment.

THE ANNUAL REPORT

The aim of the annual report is to demonstrate implementation of the 10-point commitment and to report on actions taken and progress made against all elements of the said commitment. To comply with the aforementioned duty of transparency and accountability, annual reporting is expected to follow TCFD recommendations. The annual report must also include a climate action plan and set out the elements of the said plan. They will be reported via CDP or PRI annual reporting processes, and the information will be publicly available. Ultimate responsibility for upholding these commitments rests with the firm's Board of Directors which validates this annually.

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