

About the portfolio manager

Assets under management USD 21.3 bn, USD 17.1 bn according to ESG principles (at 31.10.2020)

Number of inv. profess. 73

Number of inv. profess. dedicated to ESG 16

Participation in shareholder meetings No

ESG rating Yes

ESG consultant No

External data sources

- Sustainalytics
- ISS
- Trucost
- TPI

Memberships

Signatory to UNPRI Yes

UNPRI rating A+

Others (selection)

- Montreal Carbon Pledge
- UK Stewardship Code
- Sustainable Finance Geneva
- Climate Action 100+
- Swiss Sustainable Finance
- LGPS Transparency Code
- Tobacco-free Finance Pledge
- Standards Board of Alternative Investment (SBAI)
- Transition Pathway Initiative (TPI)

Voting activity

Exercise of voting rights Yes

ESG consultant ISS

Voting report Yes

Engagement

Engagement Yes

Consultant ISS, Sustainalytics, TPI

Decision making process for exclusion decisions

We exclude from all our equity portfolios, stocks with exposure to controversial weapons, adult entertainment producers, companies involved in predatory lending, companies with excessive carbon intensity and exposure to tobacco production. In addition, we exclude any companies with considerable revenue exposure to thermal coal in order to control the contribution to global warming as part of the climate change movement. Finally, we exclude companies deemed as Non-Compliant according to the United Nation's Global Compact. Decisions are made by the Equities Investment Committee in consultation with the Responsible Investment Committee.

Consultant for investment guidelines and exclusion criteria

We use Sustainalytics and ISS for ESG research scoring, ratings and Trucost and TPI for environmental data to customise our exclusion lists and for ESG integration.

Decision making process for exercising voting rights

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

As a firm, in 2020, we have voted 11'077 times, included 20.4% against Management.

Regarding proxy voting, the important themes for us, where we tend to focus our voting or engagement are in particular:

- Board independence
- Role and fees of external auditing firms
- Carbon footprint disclosure
- Proxy access

ESG consultant for engagement activities

Engagement activities are performed in-house but we tend to base our decisions on the recommendations of ISS and the ratings of Sustainalytics regarding ESG matters.

IST portfolio

Portfolio overview

ESG rating	7.8 (out of 10)
Application of an exclusion list	Yes

Identification of companies excluded

At the start of our investment process, we screen out the following stocks from all our listed equity portfolios:

- Exclusion of companies involved in the production of controversial weapons: The list is drawn by analysing and defining a black list of stocks defined as controversial by NBIM and Sustainalytics.
- Exclusion of tobacco stocks: The sector is excluded based on MSCI definition of GICS 3 and also companies involved in production of tobacco with revenue exposures above 10%.
- Exclusion of companies with Thermal Coal production involvement and revenue exposure above 10% of revenue.
- Exclusion of excessive carbon emitters: This list is used by using data from Trucost and includes companies with carbon intensity above 3'000 tCO₂e/mIn\$ Revenue. Those lists are reviewed and updated annually.
- Exclusion of Adult Entertainment Producers is based on Sustainalytics data where the company's revenue exposure is more than 10%.
- Exclusion of companies involved in predatory lending based on Sustainalytics data.
- Exclusion of companies identified as Non-Compliant according to the UN Global Compact initiative.
- Exclusion based on ESG criteria (non-covered or Worst-In-Class) based on our internal ESG score which is built using Sustainalytics and Trucost data.

In addition, we can further exclude stocks, activities or sectors based on our clients' specific SRI guidelines for specific mandates.

Incorporation of ESG factors into the investment process

ESG issues are managed at a number of levels within our investment process:

a) Initial bottom-up stage of our process

We systematically filter the investible universe in order to remove stocks with specific exposures from across all our equity portfolios, these include:

- Controversial weapons exposure: We exclude stocks with direct exposure to controversial weaponry, including cluster bombs, landmines, depleted uranium, as well as chemical and biological weapons.
- Excessive carbon intensity: We believe companies emitting high levels of carbon are more exposed to downside valuation risks given potential regulatory changes and greater investor focus; therefore, we filter out stocks with excessive carbon footprints.
- Tobacco: We view the sector as unethical because it profits from harmful activities. The UN Global Compact excluded tobacco companies from participating in the initiative in 2017. We also exclude production companies involved in tobacco with revenue exposure above 10%.
- Thermal Coal: We exclude any companies with considerable revenue exposure to thermal coal (more than 10% of their revenue coming from this activity).
- Adult Entertainment Producers: We recognise the sector as unethical because it profits from harmful activities. However, in this case we only exclude the producers (more than 10% of their revenue coming from this activity), not the so-called distributors.
- Predatory Lending: Businesses directly involved in unethical lending practices that impose unfair and abusive loan terms on borrowers are excluded from the investment universe.
- Non-covered companies: We exclude from the investment universe companies that are not covered by an ESG score.
- Worst-In-Class companies: We favour companies with good or improving ESG scores. We exclude companies with ESG scores in the worst decile of the universe, which present a negative trend in the last two years.
- Exclusion of Non-Compliant Companies According to the UN Global Compact

b) Top-down stage of our process

We require our portfolios to maintain an ESG score higher than the market reference on an ongoing basis. This is achieved through a positive tilt to equities with better ESG scores and a negative tilt to the ones with the worst ESG scores. In addition, for specific ESG/SRI funds and mandates, we can further exclude stocks, activities or sectors based on our clients' specific SRI criteria. We also require our portfolios to maintain a carbon intensity of at least 20% less than the market reference.

c) In-depth qualitative analysis of the portfolio in order to identify any potential ESG risks

Our systematic filters are supplemented by internal qualitative research by our team of fundamental analysts. We also use ESG research provided by Sustainalytics as well as ISS and climate risk specific data provided by Trucost. This second layer allows us to perform thorough bottom up assessments of companies before they enter our portfolios and to validate our equity positions on an ongoing basis. The aim here is to identify any potential ESG risks, such as environmental or corporate governance issues, treatment of workforce, legal problems, merger and acquisitions or fraud. These are all issues which we believe can affect a stock's future risk profile.