



RESPONSIBLE INVESTMENT ANNUAL REPORT 2018



During the course of 2018, a number of developments have been undertaken to improve Unigestion's Responsible Investment (RI) behaviour. These efforts are coordinated by the Responsible Investment Committee which brings together senior management and representatives of the various investment teams. The RI Coordinator attends RI conferences and workshops, creates a network of likeminded industry peers and stays abreast of new developments to identify areas for the ongoing enhancement of Unigestion's RI capabilities, sharing these with the investment professionals to further advance our RI incorporation, as well as providing clear and transparent communication to our investors and the public.

Unigestion has written a Responsible Investment Policy (which follows) for the whole firm setting out the overarching principles to be applied throughout the company as well as the practices of each of the investment strategies.

On February 19th 2013, Unigestion became a signatory of the United Nations supported Principles of Responsible Investment (PRI). We completed our fifth PRI Reporting Framework in March 2018. This annual filing immediately generates a Transparency Report with the details on how we meet the six PRI principles. This Transparency Report is posted both on the PRI site and on the Responsibility page of our website. In June 2018 we received our Assessment Report in which the PRI benchmarks our efforts against those of our peers. We have continued to make progress again this year. We were rated an "A" for our Strategy & Governance, Private Equity and Listed Equity – Incorporation modules. Last year, we scored a "C" in the category of Listed Equity – Active Ownership which reflects a combination of Proxy Voting and Engagement activities. This year we dramatically increased our efforts in engaging with the management of companies whose shares we hold to try to positively influence their ESG behaviour. As a result, our marks on this measure also improve to an "A". In summary, we scored straight "A"s across the board. We are not, however, complacent and will continue to improve our policies and practices as the bar continues to be raised. Taking a leadership role in best practices, and in the spirit of transparency, we also posted this PRI Assessment Report on our website.

As we announced in last year's report, we set two major themes to be the focus of our RI activities in 2018: Carbon and Engagement.

In June 2016 we signed the Montréal Carbon Pledge, an ambitious collaboration between the PRI and investors from around the world. The pledge has attracted commitment from over 120 asset owners and investment managers with over USD 10tr in assets under management. By signing the pledge, we committed to measuring and disclosing the carbon footprint of all of our liquid portfolios to help investors better understand, quantify and manage climate change-related impacts, risk and opportunities.

Further on the topic of engagement: in 2018 we engaged directly with 38 portfolio companies on a variety of Directors Related, Routine Business, Reorganisation and Merger, Health & Environment, and Corporate Governance issues. We did this by writing a letter to corporate management voicing our concern and requesting that they be addressed. The intention is that this then sparks a dialogue with management through emails and phone conversations to clarify our position, personalise the engagement, and advocate for change. In addition, the RI Committee chose to add an additional category for engagement during the year. We will now also engage on Shareholder proposals on Social/Human Rights issues. During the year, we developed a proprietary rating to measure our engagement success on a scale ranging from 1 (no response) to 6 (full adoption of our recommendation). This score, as well as briefing notes on all of our engagements, is then fed back to our internal Fundamental Analysts for them to further refine their view of the company.

We have had an ongoing dialogue for over two years with Sodexo, the French food services and facilities management company, about the independence of their board of directors. Sodexo is majority family owned and it took some time to convince management that adequate independent representation on the board of directors was required by shareholders. As of early 2019, Sodexo has a majority independent board. Engagement is an ongoing process rather than a one-off event and persistence over the long-term is often required to get results.

We also have a very open and frank dialogue with the US based poultry producer, Sanderson Farms. As a normal course of business, they use antibiotics across the entirety of their flocks, regardless of the health of the bird. They assert that this is safe and is veterinary approved. One by-product of this approach is that birds put on an additional 15% in weight. Furthermore, shareholders like ourselves are concerned about both the birds becoming resistant to antibiotics as well as the downstream impact on the humans that consume them. No changes have as yet been made at Sanderson Farms but we will continue to engage on this topic.

We have also signed up to the Climate Action 100+ collaborative engagement. This five-year initiative is focused on engaging with the 100 largest global carbon emitters. The goal is to have them address how their businesses remain viable in a world that is constrained to a maximum of a two degree Celsius temperature rise. To date, 310 asset owners and asset managers, including Unigestion, with combined assets of USD 32tr have signed up to this initiative. To support our work on the Climate Action 100+, we have also taken an active role in the PRI lead Oil & Gas Collaborative Engagement. This engagement has so far attracted 125 signatories representing approximately USD 6.3tr.



Members of the RI Committee regularly attend and present at industry conferences. Firstly, on February 1st, Unigestion hosted “Switzerland: Home of the Green Footprint” in conjunction with 100 Women in Finance. The agenda featured our own Fiona Frick, Alexandre Marquis, Eric Cockshutt, Maria Musiela and Joana Castro as well as guest presenter Angela de Wolff of Conser and a keynote from Dr. Charles Donovan, Director, Centre for Climate Finance and Investment, Imperial College Business School. Over 60 people attended this event.

Please find below the list of the RI conferences in 2018 at which Unigestion employees spoke. Fiona Frick spoke at the Geneva Forum for Sustainable Investment and she recorded a MOOC for Imperial College London on how asset managers can address climate change. Eric Cockshutt spoke at the SBAI Institutional Investor Roundtable in Geneva on ESG best practices for asset managers. In addition, members of the RI Committee and Unigestion analysts attended a further 8 RI and ESG conferences.

Over the course of 2018, a number of enhancements were made in terms of how we integrate ESG factors into our investment decision-making processes. For example, we have now capped the carbon footprints of all of our equities portfolios to be lower than those of their relevant indices. Furthermore, we have chosen to exclude tobacco stocks from our equities portfolios due to the risk factors that they are subject to. This exclusion will be revisited annually. At the close of 2018 we also onboarded Sustainalytics, a new external ESG research firm, to supplement our existing research providers, which are Vigeo EIRIS as well as Trucost, which we use for carbon intensity data.

In September we participated in Best for Geneva, which enabled us to benchmark Unigestion versus other firms in terms of how we operate as a firm, rather than exclusively on how we invest money. The findings of this survey were shared with the firm at a presentation conducted by Mr. Jonathan Normand, Founder & Executive Director of B Lab (Suisse) and Program Leader Best for Geneva Challenge. We were pleasantly surprised by the very positive assessment while the very few areas where we were below average will be used to construct an action plan for 2019.

A task force of the RI Committee began meeting in the summer of 2018, to prepare a five year ESG Road Map for Unigestion. The work of the task force was presented to senior management and the Board in September. Based on their feedback, the plan was further refined to be even more ambitious in terms of our ESG goals and the timeline to us get there. We are looking to apply ESG more broadly across all of the investment strategies we manage as well offering bespoke ESG solutions to meet the specific requirements of our clients.

We believe in the importance of being an active shareholder and have therefore decided to exercise the shareholders' rights of our clients through an outsourcing arrangement with a third-party proxy voting specialist firm. Unigestion's proxy voting is carried out by ISS based on their International Sustainable Proxy Voting policy. During 2018, Unigestion voted on 90.18% of 10,001 votable items. We voted against management on 10.6% of the votes we cast.

At the close of 2018, Unigestion managed CHF 4.1bn in SRI funds and mandates: a doubling over the past three years.