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Sustainability at a
reasonable price



Sustainable Europe strategy
ESG impact reporting

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Signatory of:



4Q20



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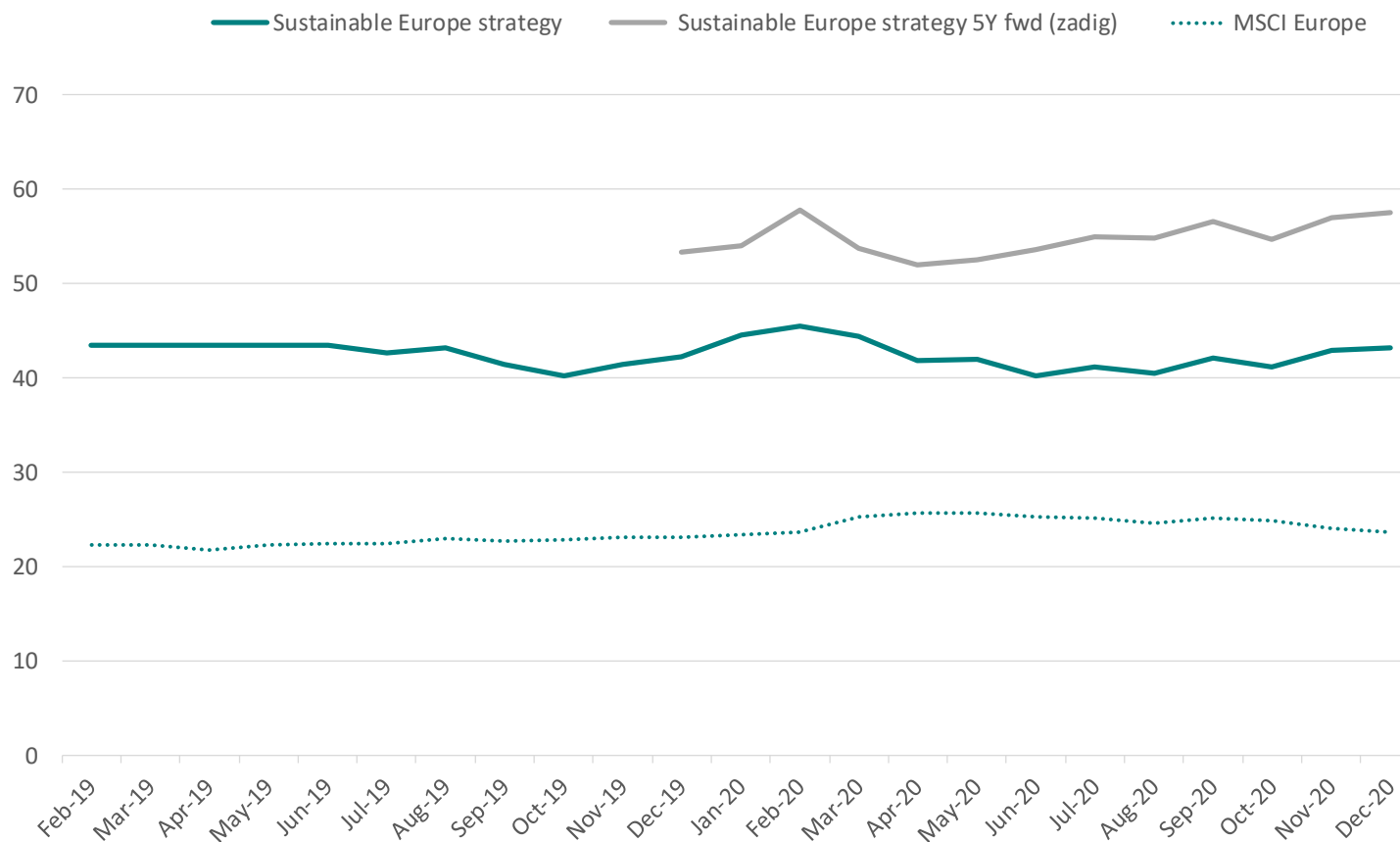
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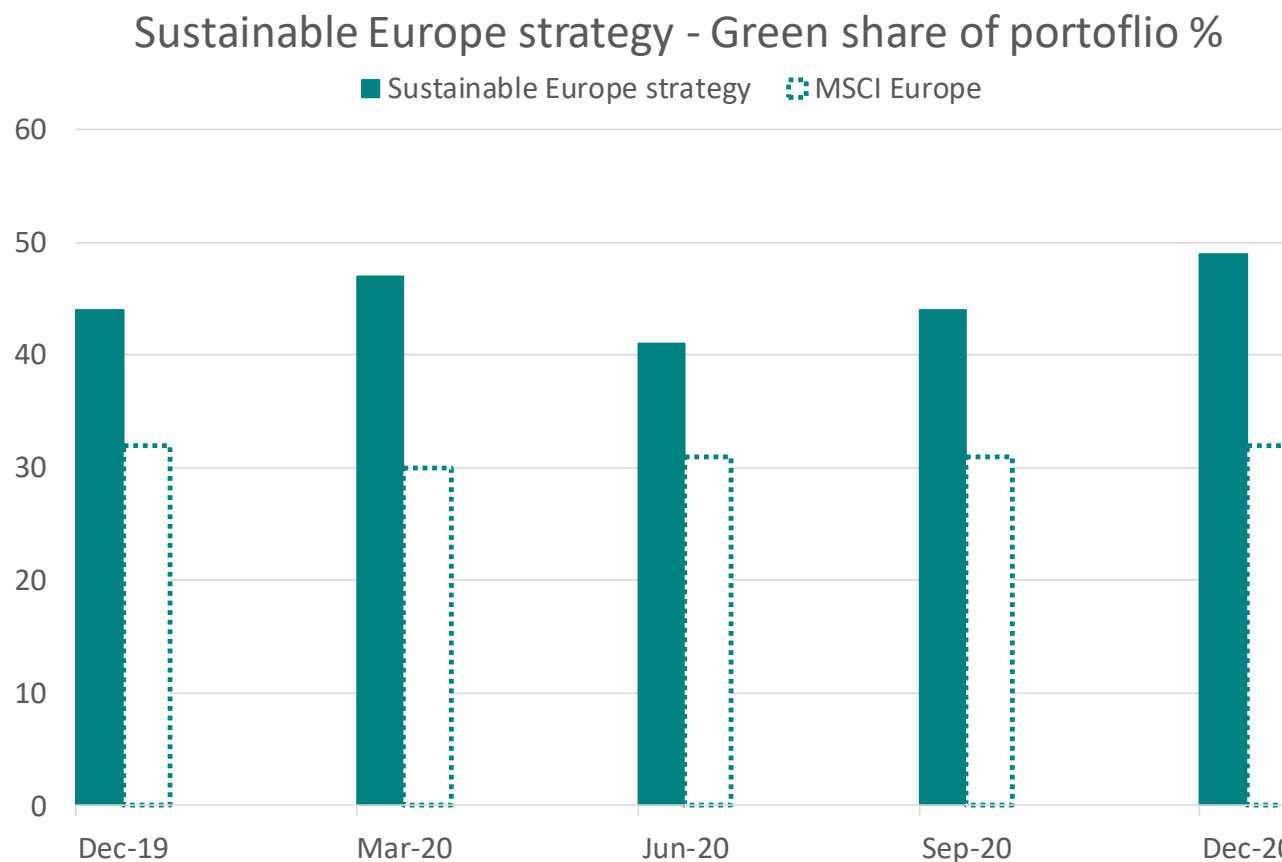


Sustainable Europe strategy - Sustainable Exposure (% revenue)





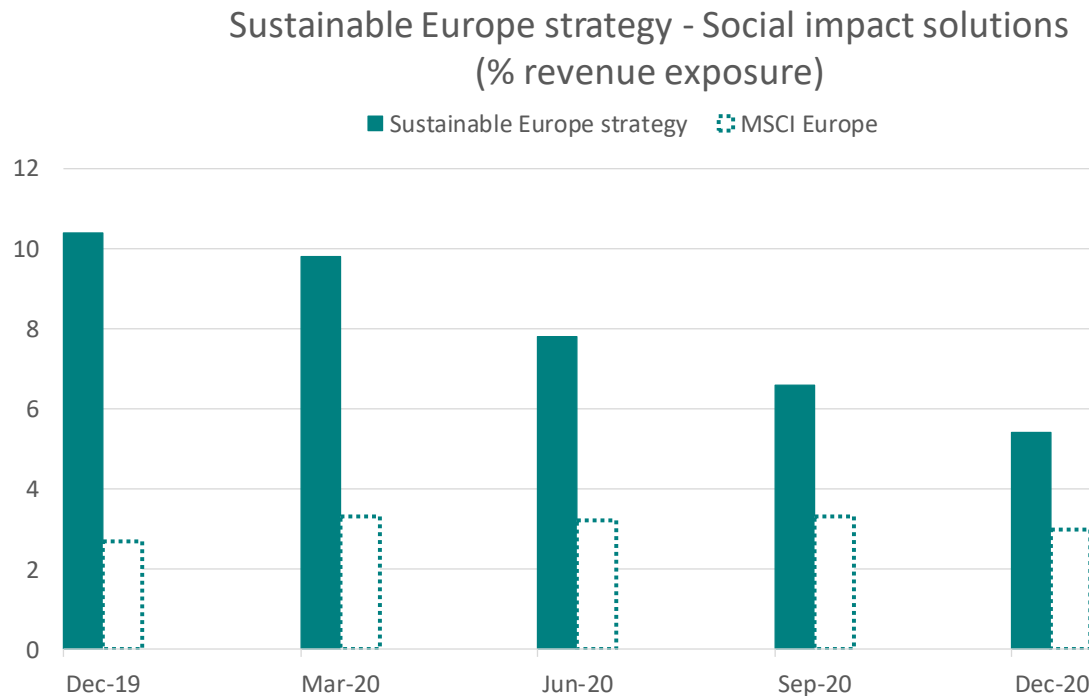
Green Share of the portfolio - Portfolio weighted average of environmental solutions
(source MSCI)



Social indicators: Social Impact solutions exposure as of Dec 20



Revenue exposure to Social Impact Solutions reflects the extent to which company revenue is exposed to products and services that help solve the world's major social challenges. It is calculated as a weighted average, using portfolio or index weights and each issuer's percent of revenue generated from Social Impact Solutions.





Global Compact signatories

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption

Sustainable Europe strategy

59% of holding are signatories of UN Global Compact

MSCI Europe

62% of names are signatories of UN Global Compact

Latest coverage Sustainable Europe strategy = 100% / MSCI Europe = 93%

Source Bloomberg / United Nations

Board diversity

Share of portfolio where 30% of board members are women (source Zadig)

Sustainable Europe strategy

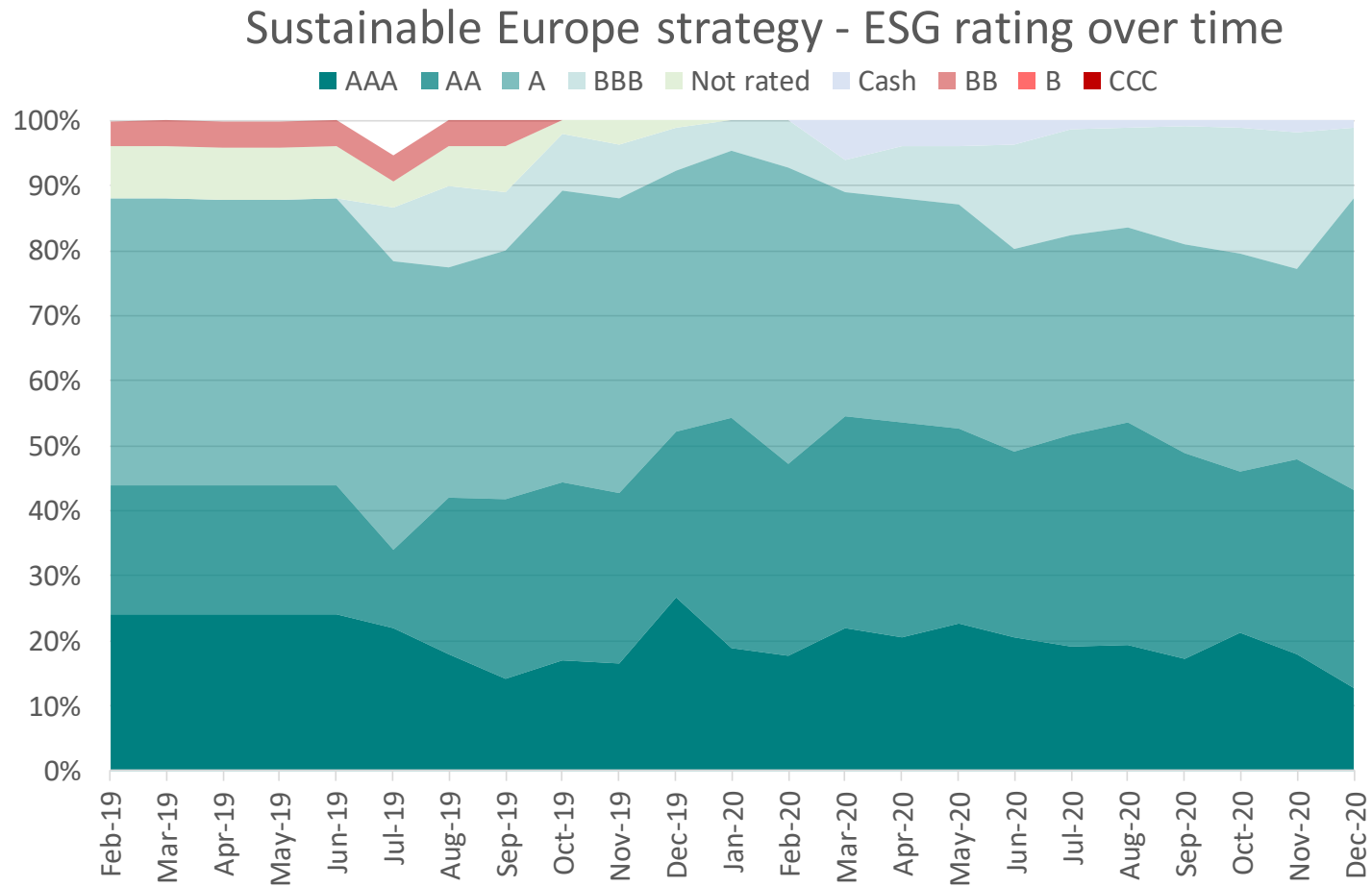
69% of holding the portfolio

Latest coverage Sustainable Europe strategy = 100%

Source Zadig

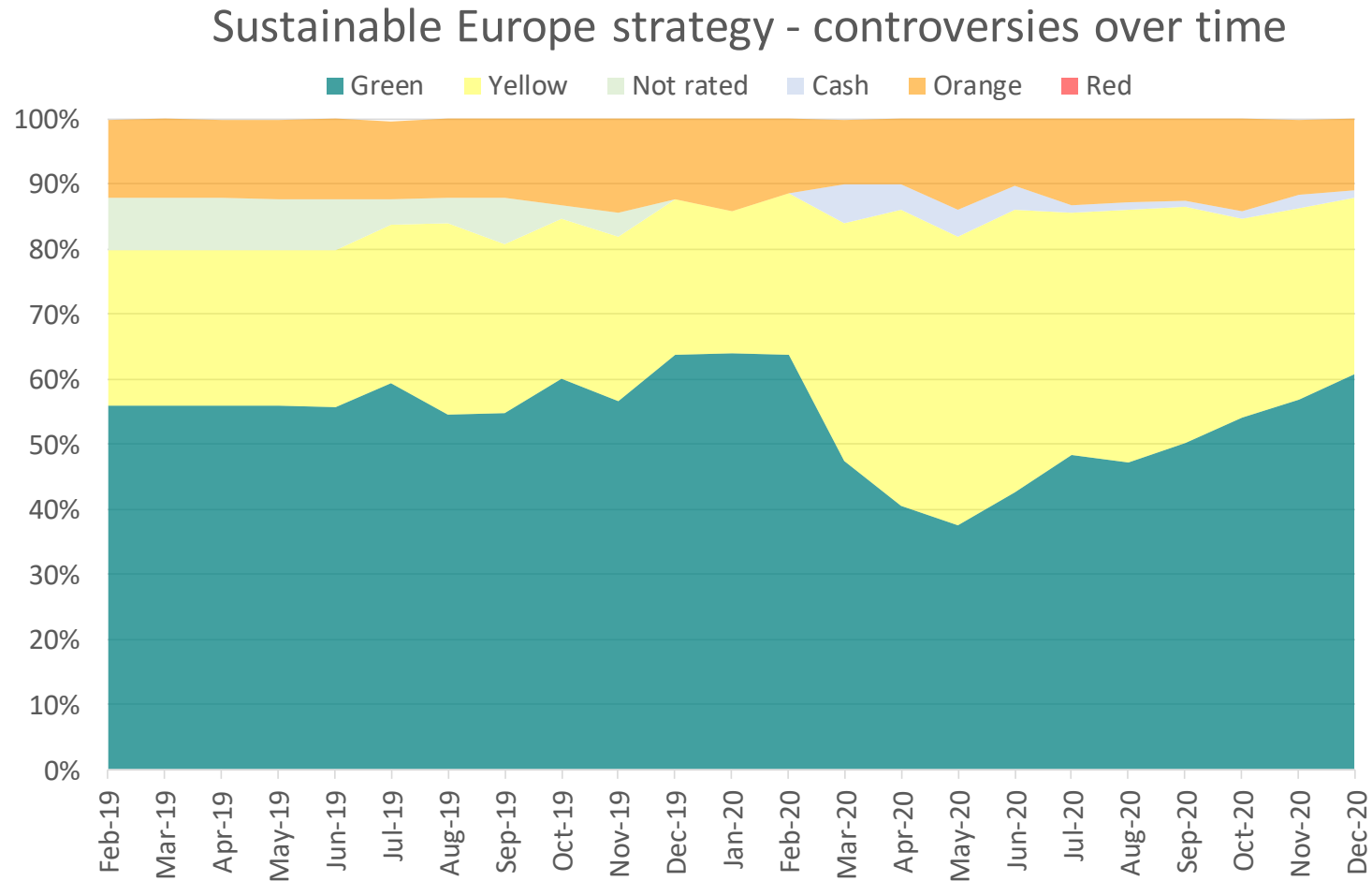


ESG report – Portfolio ESG rating over time





ESG report – Portfolio controversies over time





Engagement with ABB

ESG Rating AA – 1 moderate controversy

Controversy: Bribery and fraud in Turkey

ABB Ltd. is a client of Unaoil, a Monaco-based consulting firm allegedly involved in widespread and routine corruption in the Middle East, Asia, and Africa, particularly in the energy sector. In March 2016, Fairfax Media and The Huffington Post published a series of reports detailing illicit payments made by Unaoil on behalf of its clients, including ABB Ltd. The Age, a Fairfax Media newspaper, examined hundreds of thousands of Unaoil emails and other files dated from 2003 to 2012, which were leaked to them by an anonymous source. The documents indicated that Unaoil executives facilitated the bribery of government officials, their close associates, and other companies. Unaoil clients were reportedly complicit to the company's practices.

The controversy is considered one of the biggest corporate bribery scandals to date, particularly in the energy sector. Various government agencies have since launched investigations into the matter including the U.S. Department of Justice and Federal Bureau of Investigation; UK's National Crime Agency and the Serious Fraud Office; Australia's Federal Police; Monaco's police; and Iraq's Integrity Commission; among others. While Unaoil denied the allegations of bribery, it did not challenge the veracity of the leaked documents. Between 2002 and 2013, ABB won control and security systems contracts from the Turkish government. During this same period, ABB was a client of Unaoil.

Zadig's take

There is no smoke without fire but to date ABB has yet to be convicted of any wrongdoing. We also note the dates mentioned between 2002 and 2013 and major changes in governance since then. Current Chairman Peter Voser (Swiss) took over in 2015 after a decade as CFO and CEO Shell. In May 2020, the UK's Serious Fraud Office closed its preliminary probe into alleged bribery dealings of ABB Ltd. with Unaoil, the preliminary investigation failed to meet standards for pursuing a full prosecution.

Current CEO Bjorn Rosengren took over in March 2020 after successful turnarounds at Wartsila and Sandvik. Other executive committee members also joined after 2013: CFO in 2017 and general counsel in 2019, both from Nokia.

At board level, the whole Finance, Audit and Compliance committee has been renewed since 2016.

We therefore think appropriate measures to improve compliance are underway if not already done. We last had a call with the company CFO on 01/12/2020.

LARGEST 5 INDUSTRY PEERS (ELECTRICAL EQUIPMENT)	Rating & Trend
SCHNEIDER ELECTRIC SE	AAA ◀▶
ABB Ltd	AA ◀▶
EMERSON ELECTRIC CO.	BBB ▲
EATON CORPORATION PUBLIC LIMITED COMPANY	BBB ◀▶
Contemporary Amperex Technology Co., Limited	BB
NIDEC CORPORATION	BB ▼



Engagement with Air Liquide

ESG Rating A – 1 moderate controversy

Controversy: Anticompetitive practices in Brazil

In September 2010, the Brazilian Administrative Council for Economic Defense (CADE) ordered Air Liquide subsidiary Air Liquide Brazil, Praxair, Air Products, Brazilian Industry Gas (IBG), and Linde Gas to pay a total of BRL 2.3 billion (approximately USD 1.3 billion) for alleged price fixing, customer allocation and bid rigging of industrial gases. Since 1998, the gas cartel purportedly conspired to manipulate the industrial gas market which affected various industries such as health, food, beverage, and mining. CADE penalized Air Liquide- BRL 197 million (USD 115 million), Air Products- BRL 179 million (USD 105 million), Linde Gas- BRL 188 million (USD 110 million); IBG- BRL 6.7 million (USD 3.9 million); Praxair- BRL 1.7 billion (USD 900 million)

Jan 2018: Air Liquide informed MSCI ESG Research that in November 2015, the Federal Court of Appeals in Brasilia confirmed a previous decision from the Federal Judge of first instance which had cancelled the investigation conducted by CADE. In November 2016, the Public Prosecutor's Office and CADE appealed the decision before the Supreme Court of Justice and the Superior Court and the case remains pending. The company also declared that it condemns non-ethical behaviour as stated in its compliance program.

Zadig's take

A complicated legal process where Air Liquide won a first appeal but still awaits the supreme court final decision. While it's too soon to draw a conclusion on this matter we Air Liquide shows a close to perfect score on all other matters, which comforts us in thinking this Brazilian event might be a one off rather than a widespread company problem.

We last had a call with the company on 03/12/2020 and there was no material update on this matter.

LARGEST 5 INDUSTRY PEERS (SPECIALTY CHEMICALS)

	Rating & Trend
ECOLAB INC.	AAA ◀▶
LINDE PUBLIC LIMITED COMPANY	A ▲
L'AIR LIQUIDE SOCIETE ANONYME POUR L'ETUDE ET L'EXPLOITATION DES PROCEDES GEORGES CLAUDE SA	A ◀▶
AIR PRODUCTS AND CHEMICALS, INC.	BBB ◀▶
THE SHERWIN-WILLIAMS COMPANY	BBB ◀▶
Shin-Etsu Chemical Co., Ltd.	BBB ◀▶



Engagement with Stora Enso

ESG rating: AA – 1 moderate controversy

Controversy: Impact on Local Communities

Veracel, a 50/50 joint venture between Stora Enso and Suzano Papel e Celulose (following the acquisition of Fibria Celulose) faced opposition and lawsuits by local farmers, indigenous groups, and landless people movements in Bahia, Brazil over its alleged occupation of lands for eucalyptus plantation. Since the 1990s, more than 20 families have opposed the company's lawsuit related to rectifying 3,543 hectares of land, which allegedly encompassed the farmers' properties. As of 2020, the case is pending. A researcher from the University of Helsinki also claimed in a December 2019 news report that there were irregularities in at least eight land dispute lawsuits wherein the title of the land purportedly did not match the license plate. Veracel also faced ongoing disputes with the Pataxo and Tupinamba indigenous groups. According to research conducted by the Oswaldo Cruz Foundation (Fiocruz) in October 2017, the company would have planted eucalyptus in approximately 1,700 hectares of the indigenous lands, which were still in the demarcation process.

Feb 2020: Stora Enso disclosed in its 2019 annual report that it initiated actions to settle the land disputes of its Veracel joint venture in Brazil through its Sustainable Settlements Initiative which was launched in 2012. The company stated that it maintained a continuous dialogue with landless people's movements, provided farmlands and educational support to hundreds of families, supported the transition of alleged illegal settlers to permanent residences, donated 225 hectares of land to landless people's movements, voluntarily given up approximately 20,000 hectares of land since 2012, help local livelihoods and fisheries, and support social programs to three Tupinamba and 30 Pataxo indigenous communities.

LARGEST 5 INDUSTRY PEERS (PAPER & FOREST PRODUCTS)		Rating & Trend
UPM-Kymmene Oyj	AAA	◀ ▶
MONDI PLC	AAA	◀ ▶
Svenska Cellulosa Aktiebolaget SCA	AAA	▲
Stora Enso Oyj	AA	◀ ▶
WEYERHAEUSER COMPANY	A	◀ ▶
SUZANO S.A.	B	◀ ▶

Zadig's take

This is a very complex situation to assess from abroad but we understand Stora Enso has been supporting local populations since 2012 through its Sustainable Settlements Initiative. We would also point out that Brazil farmers have been burning the rainforest to create additional farmland every year and Stora's forestry activities, while small in comparison, help rebuilding forests.

Stora Enso disclosed in its 2019 annual report that about half of Veracel's 213,000 hectares of land in Bahia was reserved for rainforest conservation and restoration.

We last had a call with the company CEO on 03/12/2020 with no material update on this matter while the case is pending.



Engagement with Orange

ESG rating: A – 1 severe controversy

Controversy: Labour rights

Orange (formerly France Telecom) was involved in controversies regarding high numbers of employee suicides due to alleged "moral harassment" by former executives, including its CEO. An investigation was launched in 2009, after approximately 35 employees reportedly took their own lives between 2008 and 2009. Approximately 12 employees also attempted to commit suicide and approximately eight have been diagnosed with acute depression. In May 2019, the former executives went on trial at a criminal court in Paris due to alleged harassment that led to the suicides.

The company had been largely sold off to investors by the French state, and unions claimed the suicides and related incidents were linked to the restructuring and work pressures brought about by the transformation of the company from a government entity to a private firm. Orange reportedly cut 22,000 jobs from 2006 to 2008. Company doctors had reportedly alerted management about the potential psychological dangers of the restructuring, but unions claimed management had failed to take appropriate action to protect employee health and safety.

LARGEST 5 INDUSTRY PEERS (TELECOMMUNICATION SERVICES)	Rating & Trend
MAXIS BERHAD	AA ◀ ▶
Elisa Oyj	AA ◀ ▶
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	A ◀ ▶
ORANGE SA	A ▼ ▼
Deutsche Telekom AG	BBB ◀ ▶
TELECOM ITALIA SPA	BBB ◀ ▶

Zadig's take

This is a well known 12years old case and the reason why the full management team has changed. Stephane Richard, current Chairman and CEO, took over 10 years ago with a first mandate from the French state to restore peace and good working conditions within the group. The situation has been very well managed and he is now the longest standing Orange CEO.

This case is now closed as far as Orange is concerned as the company decided not to appeal the 2019 verdict.

The executive committee has largely been renewed since these events: CFO Ramon Fernandez joined the group in 2014. Orange France CEO Fabienne Dulac, while in the group since 1997, took over her current job in 2015. Christine Albanel, in charge of social responsibility in the group, joined in 2010. HR Chief Valerie Le Boulanger joined the group in 2016, who are responsible for improving the working conditions and dialogue with labour union representatives.

We last met with the company on 04/09/2019 had a call on 30/10/2020; improved HR policies & procedures and the management considers the case closed for Orange.



Engagement with Reckitt Benckiser

ESG rating: A – 1 severe controversy

Controversy: Former Reckitt subsidiary Indivior PLC has faced allegations of fraudulently marketing its Suboxone Film (SF) product, an opioid addiction treatment. The company spun-off from Reckitt in 2014. In April 2019, a federal jury in Abingdon, Virginia indicted Indivior citing charges of health care fraud, wire fraud, mail fraud and conspiracy. According to court proceedings, the company marketed its SF product as a safer option and less susceptible to abuse compared to other drugs used by patients recovering from opioid addiction. In its marketing materials, Indivior allegedly aggressively promoted SF to healthcare professionals and benefit programs with misleading claims. Lastly, prosecutors also claimed that Indivior introduced the "Here to Help" program that connected opioid addicted patients to doctors who prescribe painkillers at high rates in a "careless and clinically unwarranted manner". The scheme allegedly started before the spin-off of Indivior from Reckitt.

	RATING AND TREND
L'OREAL S.A.	AAA ↔
Henkel AG & Co. KGaA	AA ↔
THE PROCTER & GAMBLE COMPANY	AA ↔
KIMBERLY-CLARK CORPORATION	AA ↑
COLGATE-PALMOLIVE COMPANY	AA ↔
THE ESTEE LAUDER COMPANIES INC	A ↔
RECKITT BENCKISER GROUP PLC	A ↔
HINDUSTAN UNILEVER LIMITED	A ↔
UNILEVER PLC	A ↔
Unilever N.V.	A ↔
Kao Corporation	A ↔

Zadig's take

Controversy: The federal indictment was part of the Department of Justice investigation into the matter, where in August 2018, the agency announced that it would join whistleblower lawsuits filed against the company. While we took this legal risk into account, the recent development significantly increases the financial liability risk to Reckitt Benckiser and shed new light on the misleading marketing practice. In a press release Reckitt Benckiser stated that the indictment was for Indivior, which it demerged in 2014. However, we decided to reduce the position in Reckitt Benckiser following that development as we think this legal risk somewhat reduces the attractiveness of our investment cases partly based on the split of the company between its healthcare and household operations.

In July 2020, the US DOJ announced a USD 600 million settlement with Indivior to resolve civil and criminal investigations regarding the company's alleged marketing practices related to Suboxone.



Engagement with Roche

ESG rating: A – 2 severe controversies

Controversy: Alleged Payment of Bribes to the Ministry of Health of Iraq

In July 2018, Roche faced a U.S. Department of Justice (DOJ) investigation into alleged payment of bribes to obtain contracts from the Ministry of Health of Iraq. Other pharmaceutical companies namely Johnson & Johnson and Astra Zeneca received the same inquiry related to activities in Iraq from the DOJ. It is alleged that Roche, Johnson and Johnson, General Electric, Astra Zeneca and Pfizer paid bribes to officials of the Iraqi health ministry whom complainants alleged as "terrorists who openly controlled the importation of medical goods."

Controversy: Alleged Serious Side Effects Associated with Use of Anti-Malarial Drug

Roche faced numerous complaints that its anti-malarial drug mefloquine, marketed under the brand name Lariam, was associated with the development of serious mental health problems. Patients who took the drug reported adverse side effects, such as psychosis, depression, suicidal thoughts, and hallucinations, among other concerns.

Zadig's take

Controversies: While the side effect controversy of Lariam has been a developing over the last 15 years and is somewhat a recurring type of controversy for Healthcare companies – recent VA-sponsored study says research on long-term dangers of antimalarials is inconclusive. The alleged bribe controversy is worrying as raises questions over the implementation of its business ethics practices. Roche stated that the litigation is ongoing, and the company will defend the lawsuit and alleged violations.

We last met with the management on 15/01/2020 and had a call with CEO on 17/09/2020 and had the opportunity to discuss these matters.

	RATING AND TREND
NOVO NORDISK A/S	AAA ↔
ASTRAZENECA PLC	AA ↔
SANOFI S.A.	A ↔
Roche Holding AG	A ↔
MERCK & CO., INC.	A ↔
ELI LILLY AND COMPANY	A ↔
JOHNSON & JOHNSON	BBB ↔
Novartis AG	BBB ↔
GLAXOSMITHKLINE PLC	BBB ↔
PFIZER INC.	B ↔



Engagement with ABF

ESG rating: AA – 1 severe and 1 moderate controversy

Controversy 1: Alleged non-provision of wages and unlawful termination of workers

In November 2020, Primark, a subsidiary of Associated British Foods PLC, among other apparel companies, was included in a report by the Clean Clothes Campaign (CCC), over allegations of unlawful termination and failure to provide full wages or severance pay for garment workers who have completed their work before the start of the pandemic. CCC is a labor rights advocacy which conducts investigation related to working conditions in the clothing industry and its respective supply chains. Its recent findings on the situation of garment workers affected by the pandemic situation are reflected in a report published in August 2020. Moreover, according to the CCC, the companies in the industry owe their workers approximately USD 3.2 billion to USD 5.8 billion in unpaid wages and legally-owed compensation. CCC conveyed its message to the retailers to guarantee that garment workers are paid proper and complete wages.

Controversy 2: Alleged Dismissal of Workers for Protest against Low Wages

Primark, a subsidiary of Associated British Foods (ABF), sources garments from Bangladesh. Bangladesh garment workers are among the lowest paid in the world, and their working conditions have been heavily criticized by labour and human rights activists and by the workers themselves. In May 2019, a campaign group criticized the company for allegedly dismissing 427 workers related to the protests calling for better living wages in Bangladesh.

LARGEST 5 INDUSTRY PEERS (FOOD PRODUCTS)	Rating & Trend
DANONE SA	AAA ◀ ▶
Nestle S.A.	AA ◀ ▶
ASSOCIATED BRITISH FOODS PLC	AA ◀ ▶
Mondelez International, Inc.	BBB ▼
THE KRAFT HEINZ COMPANY	BB ◀ ▶
Foshan Haitian Flavouring and Food Co Ltd	CCC ◀ ▶

Zadig's take

Controversy 1: We are not too concerned about this because they've always done the right thing and are generally very transparent and good corporate citizens. We have reached out to ABF's CFO to clarify their position on this matter and are awaiting their response.

Controversy 2: Primark has one of the most transparent supply chains in the garment industry and has engaged with their supplier in Bangladesh in May 2019 over the claim.

We last had a call with company on 04/08/2020 and discussed SRI and Supply chain matters with the CFO and found sufficient ground for satisfaction.



Engagement with Smith & Nephew

ESG rating: A – 1 severe controversy

Controversy: Product Safety and Quality

Smith & Nephew faced multiple lawsuits alleging injuries related to metal-on-metal components of the Birmingham Hip Resurfacing (BHR) product. The two metal-on-metal components, namely the Birmingham Hip Modular Head (BHMH) and the R3 Acetabular System (R3ML) allegedly caused adverse effects on patients after hip resurfacing procedures. According to complaints from patients, the cobalt-chromium alloy component of the products resulted in metallosis or metal poisoning, and bone and tissue necrosis. According to Smith & Nephew's 2019 Annual Report, the company's US subsidiary settled the majority of the product liability lawsuits in 2015 and 2016. The company stated that insurance receipts in the amount of USD 25 million covered the settlement fees. In November 2017, the US subsidiary entered into another memorandum of understanding to settle further claims, and another settlement was finalized in 2018. The company further noted that the modular metal-on-metal hip components are no longer in the market. Smith & Nephew recalled the BHMH and R3ML in 2014 and 2012, respectively. However, lawsuits continued to be filed in several district courts in the United States.

Since April 2017, product liability litigation relating to the BHR system components, in particular, were consolidated in multi-district litigation (MDL) due for pre-trial proceedings in a Maryland district court. Smith and Nephew stated in its 2019 Annual Report that there were approximately 1,260 pending BHR product liability claims globally, of which 733 cases were included in the MDL.

LARGEST 5 INDUSTRY PEERS (HEALTH CARE EQUIPMENT & SUPPLIES)		Rating & Trend
SMITH & NEPHEW PLC	A	◀ ▶
ABBOTT LABORATORIES	BBB	▲
THERMO FISHER SCIENTIFIC INC.	BBB	▲
MEDTRONIC PUBLIC LIMITED COMPANY	BBB	▲
DANAHER CORPORATION	BB	◀ ▶
STRYKER CORPORATION	B	◀ ▶

Zadig's take

The metal-on-metal flawed design was an industry wide issue and Smith and Nephew has recalled all products back between 2012 and 2014 with the appropriate provisions.

We last had a call with the company on 03/12/2020 and discussed this matter with the IR, and understand that the company will continue to defend its position. We will continue to monitor the situation.



Engagement with Danone

ESG rating: AAA – 1 moderate controversy

Controversy: Marketing and Advertising

A report published by NGO Save the Children titled 'Don't Push It: Why the formula milk industry must clean up its act' revealed that infant milk producers, including Danone, continued to violate provisions of the World Health Organization's International Code of Marketing of Breastmilk Substitutes (ICMBS).

The group found that while Danone has an extensive policy on the promotion of infant milk as compared to peers, there were noted incidences of non-compliance, especially in Asian countries. Danone was found to show television advertisements and other labelling non-compliance. Save the Children further recommended that Danone (i) create a global policy, removing the high-/low-risk distinction among countries, (ii) address internal system failings, and (iii) address gaps in its policy.

LARGEST 5 INDUSTRY PEERS (FOOD PRODUCTS)	Rating & Trend
DANONE SA	AAA ◀ ▶
Nestle S.A.	AA ◀ ▶
Mondelez International, Inc.	BBB ▼
THE KRAFT HEINZ COMPANY	BB ◀ ▶
Foshan Haitian Flavouring and Food Co CCC Ltd	◀ ▶
Muyuan Foods Co.,Ltd	CCC ◀ ▶

Zadig's take

Danone took note of Save the Children's report and issued a response, part of which we reproduce below. We are thus confident this issue is immaterial and will be addressed in due course:

"We took note of the recommendations of Save the Children regarding high-risk/low-risk distinction in our policy. While we recognize that such distinction results in a more complex matrix, we remain fully supportive of this approach developed by FTSE in collaboration with consultants, investor groups, NGOs and other stakeholders: it ranks higher risk countries according to the risk of infant mortality and malnutrition³, ultimately the most important public health challenges we all aim to address."

"As regards on the ground compliance, we have already identified some areas of improvements. Following our own in-house and 3rd party auditing, for example, we are working with our local trade partners to increase the awareness and understanding of our Policy, by formalizing our communication about our Policy.⁴ We look forward to working with civil society and independent auditors of our policies and practices like FTSE and ATNI to understand their concerns and potential areas of improvements. We would appreciate if you could share with us any additional data that you may have collected as part of your investigation so that we can review this and include it into our improvement process. Finally, let me underline that we are willing to work with local authorities and contribute to a policy framework and level playing field protecting breastfeeding and ensuring adequate complementary feeding."

We last had a call with the company on 11/12/2020 and discussed the progress with the IR.



Engagement with EssilorLuxottica

ESG rating: A – 2 moderate controversies

Controversy: Corporate Governance Disputes on Power-Sharing Agreement

In March 2019, Leonardo Del Vecchio, the executive chairman of EssilorLuxottica S.A. and its largest shareholder Delfin S.a.r.l. filed an arbitration request with the International Chamber of Commerce, alleging that the company's vice chairman Hubert Sagnieres violated the agreement created for the merger deal between Luxottica Group SpA and Essilor International SA in October 2018. The shareholder requested in a statement that the power-sharing agreement between the two companies should be respected until its expiration in 2021, while alleging it had been deprived joint control of the merged group. According to Reuters, the dispute arose in November 2018 after the executive Chairman planned to propose Luxottica's CEO Francesco Milleri to be the CEO of the merged company.

Controversy: Alleged Underpayment of Wages to Part-time Workers

In September 2019, Sunglass Hut, a subsidiary of EssilorLuxottica, faced allegations of underpaying approximately 620 part-time workers in Australia by approximately USD 2.3 million for more than five years.

Zadig's take

Controversies:

The power-sharing agreement will come to an end this year and governance will thus normalise. It's partly the reason why we invested in it. We've engaged with the company twice in the last couple of months and they are on track to appoint one CEO once the power-sharing agreement expires.

The company back paid approximately USD 1.5 million to 457 workers, with an outstanding payment of approximately USD 800,000 to the remaining employees. Sunglass Hut also agreed to a USD 50,000 contrition payment as part of the court-enforceable undertaking. We are keeping an eye on their practices regarding employee compensation especially in SunGlass Hut.

We last had a call with the company IR on 12/11/2020 and had the opportunity to discuss these matters.

LARGEST 5 INDUSTRY PEERS (TEXTILES, APPAREL & LUXURY GOODS)		Rating & Trend
ADIDAS AG	AAA	◀▶
PANDORA A/S	AAA	◀▶
KERING SA	AA	◀▶
COMPAGNIE FINANCIERE RICHEMONT SA	AA	◀▶
ESSILORLUXOTTICA SA	A	▲
LULULEMON ATHLETICA INC.	A	▲



Engagement with Alstom

ESG rating: AA – 2 moderate controversies

Controversy: Investigation into Alleged Cartel Involvement

As of July 2013, Brazil's antitrust regulator CADE had launched an investigation into allegations that Bombardier, Mistui, Alstom, Siemens, and CAF had formed a cartel. If a cartel were proven, CADE warned that all projects held by these companies would be stopped and tendered to other contractors. This could lead to the elimination of all five companies bidding for contracts under the Rio-Sao Paulo-Campinas bullet train project.

Controversy: Allegations of subjecting Uyghurs to forced labor in factories

In March 2020, Australian Strategic Policy Institute reported that Alstom SA's supplier KTK Group, a rail transportation equipment manufacturer, allegedly employed Uyghur or Uighur (a Muslim minority group in Xinjiang, China) workers who were part of the Chinese government's labor transfer programs. According to various reports, since 2017, more than one million Uyghurs, Kazakhs and other ethnic minorities have been detained in 're-education camps'. The camps were reportedly being monitored by cameras, guarded by armed police and walled with barbed wires. In addition, the reports cited allegations that the Uyghurs were forced to carry out manual labor in the camps for various production supply chains that provide raw materials allegedly sourced by a number of manufacturing and retail companies globally.

Zadig's take

Controversies:

These cases date from 1995 to 2003, some of them even before the company was listed in Paris (1998 IPO). The company structure (sale of energy business to GE), whole management team and supervisory board have changed since then. The oldest serving director was appointed in 2006 and is Olivier Bouygues representing the largest shareholder. Henri Poupart-Lafarge, CEO since 2015, has initiated a big push on ESG topics.

Although not perfect yet Alstom supply chain audits have improved a lot in recent years. We will engage with the company on this topic next time we speak to them.

We last had a call with the company CEO on 18/11/2020 and discussed these matters.

LARGEST 5 INDUSTRY PEERS (CONSTRUCTION & FARM MACHINERY & HEAVY TRUCKS)		Rating & Trend
Aktiebolaget Volvo		AA ◀▶
ALSTOM SA		AA ◀▶
CATERPILLAR INC.		A ◀▶
DEERE & COMPANY		A ◀▶
Zoomlion Heavy Industry Science And Technology Co., Ltd		BBB ◀▶
Sinotruk (Hong Kong) Limited		BB ◀▶



Engagement with Veolia

ESG rating: A – 2 moderate controversies

Controversy: Investigation into Death of Employee Involved in Sewage Clean-up

In June 2019, SafeWork NSW launched an investigation into the death of a Veolia employee involved in a sewage spill clean-up at the Sydney Olympic Park in May. The employee allegedly suffered nausea and light-headedness and died three days after working on the site. Veolia stated that it was cooperating with the investigation.

Controversy: Allegations of Bribery

Veolia Environment's subsidiary in Romania, Apa Nova, has been involved in a corruption controversy since 2015. Romanian prosecutors alleged that from 2008 to 2015 the company bribed officials with at least EUR 12 million (USD 14.2 million) to obtain permission to increase rates and proceed with infrastructure projects. In October 2015, Apa Nova's CEO at that time of the alleged bribery was charged with corruption.

In June 2017, French authorities launched an investigation into the matter.

LARGEST 5 INDUSTRY PEERS (UTILITIES)	Rating & Trend
ENEL - SPA	AAA ◀ ▶
PINNACLE WEST CAPITAL CORPORATION	A ◀ ▶
VEOLIA ENVIRONNEMENT SA	A ◀ ▶
Centrais Eletricas Brasileiras S.A.	BB ◀ ▶
Chubu Electric Power Company, Incorporated	BB ◀ ▶
SDIC Power Holdings Co., Ltd.	B ◀ ▶

Zadig's take

Controversies:

Unfortunate but a fairly isolated case with low risk of being a structural or widespread issue in the company. In fact, lost time injury rates have been steadily been declining at Veolia (Number of incidents resulting in lost time from work, per 200,000 hours worked).

We understand that Veolia is cooperating with the investigation. This appears to be non-structural and doesn't seem to be widespread issue. We will keep an eye on these issues and engage further with the company if necessary.

We last had a call with the company CEO on 26/11/2020 and discussed these matters with no material update.



Comments on Companies with Low ESG Scores

Aalberts

ESG rating: BBB

It's BBB because they have no environmental targets and relative to Kone, Atlas Copco and Fanuc they have less clean tech and pollute more in the process of making their products. For us it's not totally irrelevant but their products save - 20/30% on energy in a building and that outweighs the cost.

Befesa

ESG rating: BBB

Its peer group is waste management players that naturally have less injuries in their workforce, pollute less on a relative basis as they are only collecting and shipping the waste vs Befesa which is transforming it from scrap steel to zinc.

Quilter

ESG rating: BBB

It's BBB because they handle lots of data that is sensitive relative to peers. This is a consumer business vs Blackrock, Blackstone who are institutional players and are included in Quilter's peer group. Quilter deals with Advisers that deal with retail customers – the business model is just different.



AGMs votes – Historical record for Sustainable Europe

Detailed voting report is available.

Votes shown are for 3Q20

Vote record	2020
Meeting Overview	
<u>Category</u>	<u>Percentage</u>
Number of votable meetings	
Number of meetings voted	100.0%
Number of meetings with at least 1 vote Against, Withhold or Abstain	50.0%
Ballot Overview	
<u>Category</u>	<u>Percentage</u>
Number of votable ballots	
Number of ballots voted	100.0%
	<u>2020</u>
Number of items voted	100.0%
Number of votes FOR	97.9%
% votes Against Resolution	2.1%
	<u>2020</u>
Number of votes With Policy	97.9%
% of votes different from ISS recommendation	2.1%
	<u>2020</u>
Number of votes With Mgmt	97.9%
% of votes different from Management recommendation	2.1%



Appendix

Names not in the portfolio anymore



Engagement with ERICSSON

ESG Rating A – 1 severe controversy

Controversy: Bribery and fraud

In November 2016, the U.S. Securities and Exchange Commission (SEC) launched an investigation against Telefonaktiebolaget LM Ericsson (Ericsson) over alleged kickbacks during state contract biddings. Former executives alleged that between 1998 and 2001, Ericsson engaged in kickbacks during bidding on state contracts, and sent bribes to Costa Rican politicians and various other recipients in Malaysia, Poland, China and Greece. In December 2016, the investigation reportedly expanded to include South Africa on allegations of bribery related to a project that was discontinued in 2013. As of the first quarter of 2017, the company's operations in Djibouti, Indonesia, Kuwait, Saudi Arabia, and Vietnam have also been put under investigation.

In December 2019, Ericsson agreed to pay a total of USD 1.06 billion to the U.S. SEC and DOJ to settle the allegations. Ericsson reportedly admitted to the violations that occurred between 2000 and 2016 which included allegations of bribery, falsification of accounts, and failure to implement internal controls.

LARGEST 5 INDUSTRY PEERS (TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS)	Rating & Trend
CISCO SYSTEMS, INC.	AA ▲
APPLE INC.	A ◀▶
Telefonaktiebolaget LM Ericsson	A ◀▶
SAMSUNG ELECTRONICS CO., LTD	BBB ◀▶
DELL TECHNOLOGIES INC.	BBB ◀▶
XIAOMI CORPORATION	B ◀▶

Zadig's take

The management team has been 100% renewed in the past 3 years with all members in their current positions since max 2017 including new CEO Borje Ekholm who comes directly from one of Ericsson's main shareholders, Investor AB, and has a good reputation. The board of directors has also changed recently with the arrival of a Ronnie Leten as Chairman, he was CEO of Atlas Copco, one of the best run industrial companies in Europe, for 8 years until 2017.

We therefore think this controversy is much less relevant today given the date of facts, the settlement agreed and paid, and the new teams in place.

We last had a call with the company on 08/06/2020 with no updates on this matter, because it's settled.



Engagement with Valeo

ESG Rating AAA – 1 moderate controversy

Controversy: Labour rights

In March 2016, the local General Confederation of Labour (CGT) of Angers, France, alleged that approximately 30 percent of workers at the Valeo Angers plant were temporary workers, exceeding legal frameworks. According to CGT, the Angers plant had temporary worker agency representatives from the Valeo Ecoflant site and practiced "organized rotation" of temporary workers, preventing the workers from staying at one site beyond 15 months to avoid detection by law. In addition, the union alleged that some of the temporary workers were assigned overtime.

Further, CGT claimed that issues of misuse of temporary workers have been raised in the past at Valeo in 2000, 2003 and 2007. Subsequently, in February 2017, CGT started legal action towards reinstating around 100 temporary workers as permanent workers at Valeo Angers.

In July 2017, post negotiations, the company agreed to recruit 175 workers. Further, in December 2017, the court reportedly ordered Valeo to pay EUR 20,000 (approximately USD 24,772) to CGT for improper treatment of the temporary workers and also ordered an additional payment of a "few thousand euros" to an interim worker who filed a lawsuit against the company on similar allegations.

LARGEST 5 INDUSTRY PEERS (AUTO COMPONENTS)		Rating & Trend
VALEO SA	AAA	▲
COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELINAA SCA		◀ ▶
DENSO CORPORATION	A	◀ ▶
APTIV PLC	A	▲
Continental Aktiengesellschaft	BBB	◀ ▶
BRIDGESTONE CORPORATION	BBB	◀ ▶

Zadig's take

Out of the 114,700 employees, 191 plants, 59 R&D centres (Dec. 2019 numbers) we view this situation as a one-off as it is not being repeated in a systematic way in the other group facilities. From an investor perspective we understand the use of temporary workforce given the high volatility and cyclicity of automotive production, as recently shown by the COVID crisis.