

# UB American Equity

## Portfolio Impact Footprint



Manager: United Bankers

Benchmark: All Cap US Market Benchmark

Positions date: December 2021

Number of positions: 2326

Estimated total tracking error\*: 168 bps

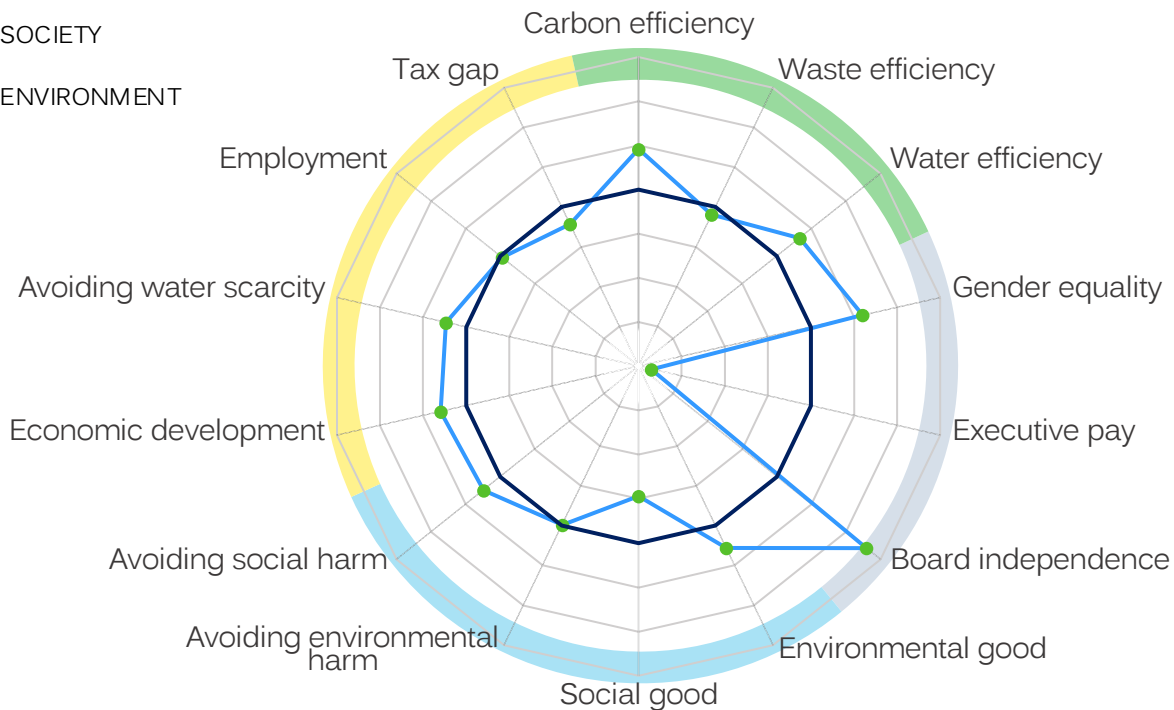
Performance relative to portfolio universe: 3<sup>rd</sup> quartile

**8%**  
NET ACTIVE  
ESG SHARES

Positive	64%	70 bps
Negative	-56%	-63 bps



- GOVERNANCE
- PRODUCTS & SERVICES
- SOCIETY
- ENVIRONMENT



IMPACT ATTRIBUTION		% MAPPED	
COUNTRY SELECTION	70%	PORTFOLIO	>99%
SECTOR SELECTION	30%	BENCHMARK	>99%

## UB American Equity

### PORTFOLIO IMPACT MEASURES


















	Portfolio	Benchmark	Based on company reported	% data estimated portfolio/benchmark	
Carbon efficiency	93.75	114.34	tons of GHG (Scope 1 & 2) emissions per \$1M revenue	21%	27%
Waste efficiency	113.79	94.62	tons of waste generated per \$1M revenue	41%	51%
Water efficiency	4.87	6.46	thousand cubic metres fresh water used per \$1M revenue	36%	46%
Gender equality	27.5%	26.9%	percentage of women in boards and top management	1%	2%
Executive pay	95.0	88.2	ratio of executive level pay to average employee pay	5%	5%
Board independence	86.1%	84.6%	independent board members	1%	2%
Environmental good	15.7%	14.9%	portfolio allocated to environmental solutions	not applicable	
Social good	11.6%	13.3%	portfolio allocated to help alleviate social issues	not applicable	
Avoiding environmental harm	3.9%	3.9%	portfolio allocated to environmentally destructive industries	not applicable	
Avoiding social harm	3.4%	3.7%	portfolio allocated to industries aggravating social issues	not applicable	
Economic development	\$50,600	\$50,900	median income of portfolio weighted geography of economic activity	not applicable	
Avoiding water scarcity	2.66	2.67	geographic water use (World Resource Institute scale 0-5 from least to most water scarce areas)	not applicable	
Employment	5.5%	5.5%	unemployment in portfolio weighted area of economic activity	not applicable	
Tax gap	3.26%	3.20%	estimated % tax avoided by corporate tax mitigation schemes	not applicable	

### INVESTMENT EQUIVALENTS

In real terms compared to the All Cap US Market Benchmark, \$1M invested in American Equity Portfolio finances:

		Real world equivalent	SDG relevance
Carbon efficiency	4.47	less tons of GHG emissions	7, 15
Waste efficiency	-1.62	more tons of waste generated	6, 12, 14, 15
Water efficiency	0.3	less thousand cubic metres fresh water used	6
Gender equality	0.6%	more women in top management	5
Executive pay	-6.8	more multiples of average employee pay paid to top executives	10
Board independence	1.4%	more board independence	10, 16
Environmental good	0.8%	more invested in industries contributing to solving environmental issues	most SDGs
Social good	-1.7%	less invested in industries helping alleviate social issues	most SDGs
Avoiding environmental harm	0.0%	less invested in industries aggravating environmental issues	most SDGs
Avoiding social harm	0.4%	less invested in industries aggravating social issues	most SDGs
Economic development	\$ 300	more economic activity in less developed economies	1, 8, 9, 16, 17
Avoiding water scarcity	0.01	less water use in water scarce localities (World Resource Institute)	16, 17
Employment	0.0%	more economic activity in high unemployment geographies	1,8, 11, 12, 16
Tax gap	-0.07%	less tax paid	1, 9, 10, 16

## UN SDG PORTFOLIO EXPOSURE

1 NO POVERTY		CARBON EFFICIENCY, GENDER EQUALITY, ENVIRONMENTAL GOOD, SOCIAL GOOD, ECONOMIC DEVELOPMENT, EMPLOYMENT
2 ZERO HUNGER		TAX GAP, ENVIRONMENTAL GOOD, SOCIAL GOOD, AVOIDING ENVIRONMENTAL HARM, ECONOMIC DEVELOPMENT, EMPLOYMENT, AVOIDING WATER SCARCITY
3 GOOD HEALTH AND WELLBEING		CARBON EFFICIENCY, WASTE EFFICIENCY, WATER EFFICIENCY, GENDER EQUALITY, TAX GAP, ENVIRONMENTAL GOOD, SOCIAL GOOD, AVOIDING ENVIRONMENTAL HARM, AVOIDING SOCIAL HARM, EMPLOYMENT, AVOIDING WATER SCARCITY
4 QUALITY EDUCATION		GENDER EQUALITY, TAX GAP, SOCIAL GOOD, EMPLOYMENT
5 GENDER EQUALITY		WATER EFFICIENCY, GENDER EQUALITY, EXECUTIVE PAY, ECONOMIC DEVELOPMENT, AVOIDING WATER SCARCITY
6 CLEAN WATER AND SANITATION		WASTE EFFICIENCY, WATER EFFICIENCY, ENVIRONMENTAL GOOD, SOCIAL GOOD, AVOIDING ENVIRONMENTAL HARM, AVOIDING SOCIAL HARM, AVOIDING WATER SCARCITY
7 AFFORDABLE AND CLEAN ENERGY		CARBON EFFICIENCY, ENVIRONMENTAL GOOD, AVOIDING ENVIRONMENTAL HARM
8 DECENT WORK AND ECONOMIC GROWTH		CARBON EFFICIENCY, WASTE EFFICIENCY, WATER EFFICIENCY, EXECUTIVE PAY, BOARD INDEPENDENCE, TAX GAP, ENVIRONMENTAL GOOD, SOCIAL GOOD, AVOIDING ENVIRONMENTAL HARM, ECONOMIC DEVELOPMENT, EMPLOYMENT, AVOIDING WATER SCARCITY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE		CARBON EFFICIENCY, WASTE EFFICIENCY, WATER EFFICIENCY, TAX GAP, ENVIRONMENTAL GOOD, SOCIAL GOOD, AVOIDING ENVIRONMENTAL HARM, AVOIDING SOCIAL HARM, ECONOMIC DEVELOPMENT, AVOIDING WATER SCARCITY
10 REDUCED INEQUALITIES		GENDER EQUALITY, EXECUTIVE PAY, BOARD INDEPENDENCE, TAX GAP, ECONOMIC DEVELOPMENT, EMPLOYMENT, AVOIDING WATER SCARCITY
11 SUSTAINABLE CITIES AND COMMUNITIES		CARBON EFFICIENCY, WASTE EFFICIENCY, WATER EFFICIENCY, TAX GAP, ENVIRONMENTAL GOOD, SOCIAL GOOD, AVOIDING ENVIRONMENTAL HARM, AVOIDING SOCIAL HARM, ECONOMIC DEVELOPMENT, EMPLOYMENT, AVOIDING WATER SCARCITY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION		CARBON EFFICIENCY, WASTE EFFICIENCY, WATER EFFICIENCY, ENVIRONMENTAL GOOD, SOCIAL GOOD, AVOIDING ENVIRONMENTAL HARM, AVOIDING SOCIAL HARM,
13 CLIMATE ACTION		CARBON EFFICIENCY, WASTE EFFICIENCY, WATER EFFICIENCY, ENVIRONMENTAL GOOD, AVOIDING ENVIRONMENTAL HARM, ECONOMIC DEVELOPMENT, AVOIDING WATER SCARCITY
14 LIFE BELOW WATER		CARBON EFFICIENCY, WASTE EFFICIENCY, WATER EFFICIENCY, ENVIRONMENTAL GOOD, AVOIDING ENVIRONMENTAL HARM, AVOIDING WATER SCARCITY
15 LIFE ON LAND		CARBON EFFICIENCY, WASTE EFFICIENCY, WATER EFFICIENCY, ENVIRONMENTAL GOOD, SOCIAL GOOD, AVOIDING ENVIRONMENTAL HARM, AVOIDING WATER SCARCITY
16 PEACE, JUSTICE AND STRONG INSTITUTIONS		GENDER EQUALITY, EXECUTIVE PAY, BOARD INDEPENDENCE, TAX GAP, ENVIRONMENTAL GOOD, SOCIAL GOOD, AVOIDING ENVIRONMENTAL HARM, AVOIDING SOCIAL HARM, ECONOMIC DEVELOPMENT, EMPLOYMENT
17 PARTNERSHIPS FOR THE GOALS		GENDER EQUALITY, EXECUTIVE PAY, TAX GAP, ECONOMIC DEVELOPMENT

# METHODOLOGY NOTE

## IMPACT NUMBER

Our measure of total impact is the risk (measured in tracking error to benchmark) of the active ESG shares needed to achieve the portfolio's impact exposures. The total number is a net of positive and negative impacts, so our measure can be negative if the portfolio has more negative exposures than positive (think 'sin' portfolio). The impact number will always fall between the total traditional tracking error figure and its negative. For example, if a portfolio has 100bps tracking error, its impact will fall between 100 and -100.

The negative and positive impact numbers are shown separately for the set of factors above and below benchmark. Separating the positive and negative impact exposures can be useful, because sometimes portfolios with the same net impact arrive at a similar number with very different underlying exposures.

For example, Portfolio 1 with Positive Impact = 41bps, and Negative Impact = 39bps, and Portfolio 2 with Positive Impact = 6bps and Negative Impact = 4bps both arrive at the same net Total Impact of 2bps. But if you are concerned about avoiding negative sustainability impacts through your investments, you would see Portfolio 2 much more positively than Portfolio 1.

## RELATIVE PERFORMANCE

The relative performance measure takes into account the amount of net impact relative to the portfolio's overall TE. The higher this ratio relative to all portfolios analysed to date by Impact Cubed, the higher the quartile in which the result will place. The blue marker shows approximately where the result falls within the quartile.

The portfolio universe is a diversified sample of ESG and mainstream portfolios, covering all types of geographies, market caps and other characteristics, all analysed against their own benchmark. We update the universe periodically with new results. Because the sample is not peer matched to the particular portfolio or otherwise rules-based, we advise to read the relative performance measure as a general indication only.

## IMPACT GRAPH

### How to read the impact graph

1. The symmetrical navy circle in the middle of the graph represents the benchmark.
2. The (usually more irregular) bright blue line shows the portfolio's factor exposures relative to its benchmark's values on each factor.

We use standard deviations of each indicator to unify the scale in the impact graph.

If the two lines were exactly the same, this would mean the portfolio is tracking the benchmark closely on every impact factor.

When parts of the blue line which represent the portfolio are outside the benchmark circle, that indicates a positive impact. The further they are outside the benchmark circle, the bigger the active exposure of the portfolio to that particular impact indicator.

When the blue line falls inside the benchmark circle, this indicates that it has negative active exposure to an impact indicator. For example, in the example graph above, the sample portfolio allocated more capital to companies with highly paid and male executives.

All the indicators used in the model are positive indicators, meaning that the portfolio line falling outside the benchmark circle is always a positive. By looking at the graph, we can quickly tell how the positive and negative areas either side of the benchmark circle compare to each other in terms of size (summarized in the single impact number), and also how the portfolio's impacts are distributed between the different indicators.

For example, if you were looking at a best in class governance quality portfolio, you would want to see the blue line outside the benchmark circle for *Board independence*, *Executive pay* and *Gender equality*, whereas someone looking for an environmentally focused portfolio would want to see strong exposures in carbon, waste, water, and water scarcity, as well as the environmental good and harm revenues-based indicators.

### Our benchmarks

The benchmarks used in the calculation of the results are either provided by the user themselves or calculated by Impact Cubed in-house. In-house built benchmarks can closely track popular indices or be completely bespoke. We use regional classification and follow standard industry practice in their construction.

## PORTFOLIO IMPACT MEASURES

This section reports the raw data in terms of impact vs. the benchmark, indicator by indicator. For example, for *Executive pay* we will show the weighted average of the ratio of top management pay over average employee pay for the portfolio and the benchmark side by side. The standardized difference in these values is what is plotted on the impact graph.

### Estimated data

This is the percentage of positions by weight in the portfolio that did not report the data we use to calculate an indicator. We fill gaps in company reporting with proprietary estimation models

and run quality checks on reported data to identify outliers. In rare instances, the numbers reported by companies are completely implausible and we actually replace them with estimations. We disclose the percentage of reported data for transparency, and because it is a simple and commonly recognized metric to understand how much of the data comes directly from companies and how much relies on estimation.

## INVESTMENT EQUIVALENTS

This table translates the Portfolio Impact Measures from the previous section into the impacts per unit of investment (for instance a euro, a pound or a dollar), and maps each of them to the UN Sustainable Development Goals. The values in green are positive impacts, and those in red are negative.

For example, in real terms, what is the difference between investing in a portfolio with 8% tax gap vs. 12%? This section would translate this difference into 3 cents less tax paid by the listed companies held in this portfolio per 1 dollar invested, compared to investing in the benchmark portfolio. This number would show up in red because it's a negative impact, and in the last column in the table you will see that this impact relates to Sustainable Development Goals 1, 9, 10, and 16.

## IMPACT ATTRIBUTION ANALYSIS

This part of the report shows the drivers of the portfolio's impact both by indicator and at overall portfolio level. It is based on traditional financial performance attribution for a portfolio.

### Country and sector

We list what proportion of the impact in % is due to country vs. sector allocations.

This attribution helps further deepen the understanding of the impact profile of a portfolio and differentiate between similarly performing portfolios.

For example, a portfolio performing well on *Gender equality* where 80% of this performance can be attributed to country selection is different than one with similar performance on this indicator driven 80% by sector selection.

The first would hint that most of the impact may be achieved simply by investing more in markets where gender balance in leadership is more even. The second would suggest that the same positive impact is more so the outcome of allocating to sectors which tend to have more women on boards and executive committees.

## CONTRIBUTION BY SDG GOAL

This table shows to what degree the portfolio analysed contributes to each of the 17 SDGs. The measure we use is a weighted average of all factor exposures (relative to benchmark) mapped to a particular SDG, adjusted for the number of these factors. The weighted average takes into account the direct or indirect relationship between factors and a specific goal.

### CONTACT US

If you have questions about the Investment Impact report, or you would like to discuss the model and its application with us further, we will be happy to hear from you at [info@impact-cubed.com](mailto:info@impact-cubed.com).

### ABOUT IMPACT-CUBED

Impact-Cubed measures Investment Impact in terms of sustainable development for any portfolio of listed securities.

Understanding, measuring and managing investment impact facilitates cheaper access to capital for more sustainable companies, and with that, encourages a flourishing planet.

Impact-Cubed was originally used to measure investment impact in-house by Auriel Equity Investors LLP. It was spun off as a separate company (currently seeking B-Corp Certification in the UK) in summer 2017 with the intention of becoming a self-sustaining service to the investment community.

It is our hope that this service helps investors make informed decisions about the way they allocate capital, by shedding light on the varying levels and areas of impact delivered by different investment portfolios.

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	REDUCED INEQUALITIES
	SUSTAINABLE CITIES AND COMMUNITIES
	RESPONSIBLE CONSUMPTION AND PRODUCTION
	CLIMATE ACTION
	LIFE BELOW WATER
	LIFE ON LAND
	PEACE, JUSTICE AND STRONG INSTITUTIONS
	PARTNERSHIPS FOR THE GOALS

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