

Unicorn



Investing with conviction

# Sustainability and Stewardship Report

*For the 12-month period ended 31 December 2023*



*Unicorn is an active investment manager established in 2000. Our goal is to provide long-term investment returns for our clients whilst playing our role in the transition to a more sustainable world.*

*Unicorn believes a committed approach to sustainability from management teams is a leading indicator of long-term value creation within investee companies. We are dedicated to managing the business in a responsible way which can have a positive impact for our staff, stakeholders and the world in which we live.*



## Table of Contents

I. Who we are.....	3
II. Process .....	4
III. Responsibility and Oversight .....	10
IV. Accountability Mechanisms .....	11
V. Risk Management .....	13
VI. Our engagement approach .....	15
VII. Our proxy voting approach .....	20
VIII. Client and beneficiary needs .....	24
IX. Stewardship.....	25
X. Our purpose, culture and values .....	27
XI. ESG at Unicorn.....	28



# I. Who we are

## Unicorn Asset Management

*Our approach to investment is that of a Co-Investor, not a speculator. We back management to deliver on their strategy for our clients over the long-term*

**Independent &  
owner managed**

**Active investors with  
a proven process**

**Well-resourced UK  
specialist**

## UK Equity Investing

*Structural bias to Small & Mid-Caps & AIM*

*High conviction portfolios*

*Long only, long term, no hedging & no overseas companies*

*Excellent corporate access*

*Invested in ~200 U.K. PLCs*

*Strong ESG investment framework*

## Sustainability Focus

*Unicorn believes a committed approach to sustainability from management teams is a leading indicator of long-term value protection and creation, thereby improving their potential to deliver superior financial returns to our clients.*



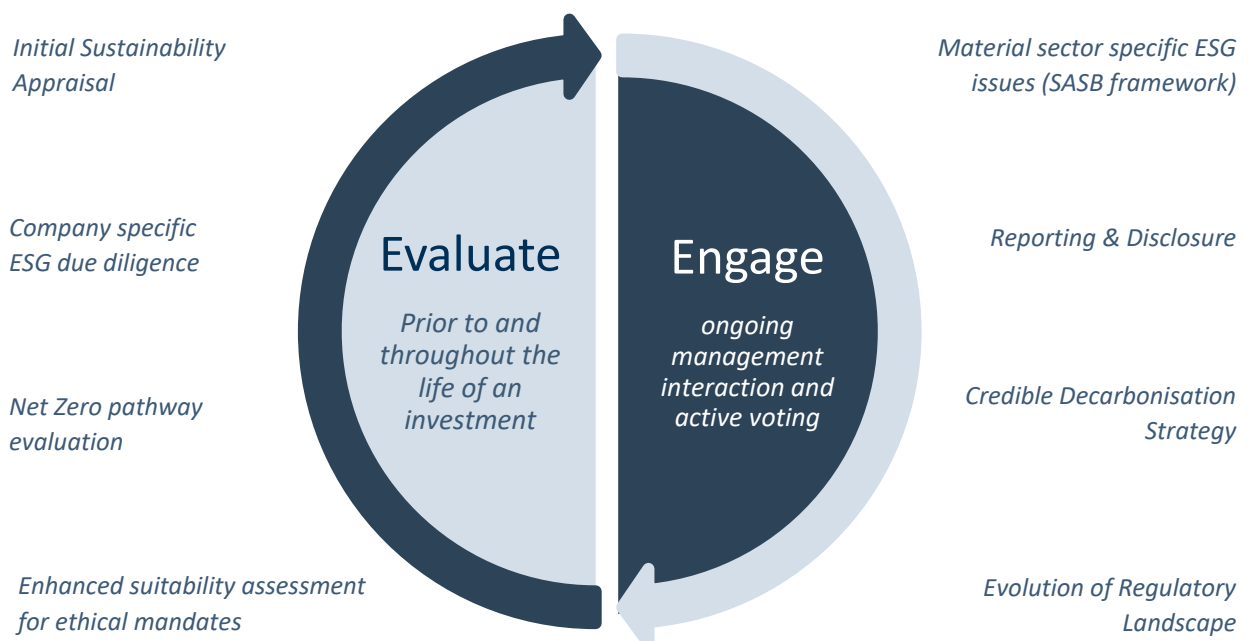
## II. Process

ESG analysis remains an integral part of our investment appraisal and a key focus prior to, and throughout the life of an investment. Implementation of robust ESG due diligence enables a more holistic mapping of material issues, enhancing decision-making from the outset and improving the sustainability and resilience of company business models. Businesses that act with a keen eye on ESG considerations will, in doing so, create meaningful value for the future.

Unicorn’s disciplined investment process seeks to identify the risks associated with any potential investment and identify the factors that may impact long-term returns. The assessment of ESG factors is integral to this framework and helps to provide a holistic understanding of a business. All stages of this process can be evidenced upon request.

As meaningful long-term shareholders, Unicorn’s investment team therefore tends to benefit from excellent corporate access to the senior management teams and Boards of our investee companies. This privileged corporate access provides a strong platform for engagement with management, through ongoing dialogue and active voting.

The practice of evaluating a company’s ESG credentials is highly subjective and constantly evolving. The simplest way to understand Unicorn’s ESG approach across funds is as two distinct activities: **Evaluate** and **Engage**. This process is then **Enhanced** with additional criteria for specific Responsible, Ethical or Impact strategies and for segregated mandates where required.





## Evaluate

Unicorn undertakes a detailed and thorough assessment of all companies we invest in as part of our investment and due diligence process. Research focuses on both quantitative and qualitative elements. All financially relevant and material ESG factors are considered for both existing and potential holdings. This review aims to prohibit investment in any company which is deemed to have inadequate considerations towards long-term business model sustainability. Further examination more specifically in line with Sustainability Accounting Standards Board (SASB) framework, in order to evaluate companies that operating in various sectors in different ways to provide more sector specific KPIs.

Governance Review Areas	Tangible KPIs
Management Process	Explaining processes for managing overall sustainability
Board Composition	Policy and process for managing identified business risks
Risk Management	Using recognized certifications for company processes
Community Engagement	Gender/Age diversity on the board & executive director level
Audit	Independent directors (%)
Remuneration Alignment	Director meeting attendance (%)
Remuneration Balance	Composition/ Size/Tenure of Boards & Committees
Director Contracts	Disclosure of executive performance conditions and pay targets
Shareholder Dilution Risk	Executive pay performance targets aligned to company long-term strategy / ESG metrics
	Charity and community activity
	Political activity
	Reference to a non-financial audit procedure
	Non-audit fees as % of audit fees
	Remuneration committee discretion
	Director contracts: appropriacy of notice periods & termination payments
	Shareholder pre-emption rights
Sustainability Review Areas	Tangible KPIs
Climate Stability	Energy/Water/Waste Management: Consumption levels
Ecological Impacts	GHG Emissions: Greenhouse gas emissions
Materials Sourcing & Efficiency	Air Quality: Emission of air pollutants
Product Quality & Safety	Non-compliance with environmental standards
Employee Health & Safety	Managing the use of critical materials
Product Design & Lifecycle Management	Penalties due to product safety issues
Supply Chain Management	Employee safety incidents
Business Ethics	Integrating social & environmental concerns into planning & design
Customer Privacy	Auditing suppliers' labour code of conduct
Data Security	Data security breaches
Labour Practices	Employee Turnover
Diversity & Inclusion	Racial and gender diversity in the workforce
Systemic Risk Management	Failures of professional integrity, such as bribery & corruption
	Managing liquidity and capital adequacy risks

Sources of information include, but are not limited to: corporate filings, industry publications, government databases, third-party platforms, company meetings.



## **Engage**

Engagement is a key component of our investment process and ongoing investment appraisal. We hold regular, typically biannual, meetings with investee company management teams in order to discuss their strategic and operational approach. These meetings also provide a platform for any governance structure and/or material ESG issues identified to be discussed further with the company management teams. These are recorded and the progress against such issues are monitored on an ongoing basis. Companies continue to be encouraged to improve disclosure and reporting where appropriate.

Company site visits are an important part of the investment process and allow the investment team to further scrutinise the ESG practices of investee companies. We aim to visit as many of our investee companies as possible. Another mechanism of engagement is the exercising of voting rights. Unicorn actively votes on all resolutions and challenges management by voting against recommendations, on issues which are inconsistent with our ESG expectations or where we believe it could be to the detriment of the interests of our underlying investors. The firm's voting records are available on the firm's website. *The firm's SRD annual disclosures are further outlined in Section VII.*

## **Enhance**

Additional criteria are considered for specific *Ethical* and *Responsible* products and for segregated mandates where requested. To learn more about the additional company scrutiny for the Unicorn UK Ethical Income Fund and Responsible AIM IHT & ISA portfolio services, please refer to [Unicorn's UK Ethical Income Fund Responsible Investment Policy](#).

*Additionally, in line with both the Ottawa Treaty and the Oslo Convention, Unicorn fully supports the international conventions on cluster munitions and controversial weapons including anti-personnel mines, cluster munitions and chemical & biological weapons. In line with our approach to responsible investment and our commitment to the UN PRI, we will not knowingly invest in any company that derives revenues from, or provides funding for, cluster munitions or controversial weapons – this exclusion parameter is imposed in relation to all of Unicorn's Funds or Mandates.*



### **Stock Lending**

Unicorn does not participate in stock lending.

### **Proprietary Research**

Investment research is performed in house, which has been the case since the inception of Unicorn Asset Management in 2000. This approach demands thorough due diligence of all investments, which fosters an in depth understanding of company business models from an operational, financial and ESG perspective. This is especially important when investing in smaller companies where relevant information is often less readily available. Regular meetings with company management teams form an integral part of the proprietary appraisal of investments.

### **Third Party Providers**

Specialist ESG service providers may be utilised to provide supplementary independent analysis of investee companies. ESG research produced by third parties is only used as an indicative guide, and to inform, support and challenge our internal ESG assessment of a company. We work proactively with third party providers, often sharing our expertise to help inform and improve their assessment of companies that do not form part of their standard ESG coverage.

### **Corporate Governance**

Unicorn invests in UK Companies and actively targets investment in those companies that employ strong corporate governance practices. Unicorn is committed to exercising responsible ownership. Our conviction is that companies which adopt best practice in corporate governance, will be more successful in their core activities and deliver enhanced returns for shareholders over the long term.

Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meetings.





## Venture Capital Trust

The Board and the Manager are committed to ESG integration and consideration throughout the VCT investment process at Unicorn Asset Management. The Manager continues to prioritise the following areas when engaging with VCT companies: improving transparency and completeness of sustainability and climate related disclosure in annual reporting. Additionally, supporting companies' development towards more refined net zero alignment and climate risk management considerations.

The Manager continues to develop and formalise its approach to incorporating ESG considerations into the investment framework and reporting process. The Manager continues to see opportunities to allocate capital to innovative, early-stage businesses, which have commercial models aligned with environmental, social and/or governance themes. Recent examples include Fusion Antibodies (follow on investment) and Tribe Technology (initial investment):

- *Fusion Antibodies*, operates as a biotechnology company, providing a range of antibody engineering services for the development of antibodies for both therapeutic drug and diagnostic applications. The Company's mission is to enable biopharmaceutical and diagnostic companies to develop innovative products in a timely and cost-effective manner for the benefit of the global healthcare industry
- *Tribe Technology* is a developer and manufacturer of autonomous mining equipment, founded to create a safer, more efficient work environment through the use of autonomous and safe drill rigs in the mining industry. As a result, workforce risk is significantly reduced and overall health and safety of employees is improved

# 87

General engagements

# 8

Material ESG engagements

*Source: Unicorn Asset Management, ISS Proxy Exchange. Data is for the 12 months ended 31 September 2023*

The Manager reported eight material ESG engagements with investee companies and five site visits over the period. The Manager remains mindful that whilst many of the portfolio companies are not currently required to report on emissions, there has been continued emphasis to formalise targets wherever feasible. The Manager has been encouraged by investee companies within the VCT company continuing to remain open and supportive of engagement regarding ESG matters. Around a third of investee companies have now made a formal commitment towards net zero alignment. The Manager recognises the importance of stewardship and shareholder engagement, which remain integral to their investment process. Regular meetings with company management teams provide the Manager with a valuable forum for dialogue, monitoring and appraisal of investee companies.



The Manager is active in exercising voting rights to ensure that the investee companies act in the best interests of Unicorn AIM VCT shareholders. During the financial year ended 30 September 2023, the Manager voted on a total of 928 Resolutions, and voted against Resolutions proposed on 87 separate occasions, representing 9% of total voting activity in the period. The Resolutions that the Manager actively decided to oppose were mainly around Corporate Governance, with particular focus on remuneration and Board composition. In the interests of transparency, the Manager has chosen to publish its voting history on the Unicorn Asset Management website.

# 928

Resolutions

# 87

Votes against resolutions

Source: Unicorn Asset Management, ISS Proxy Exchange. Data is for the 12 months ended 31 September 2023

## Mastertrust

The Unicorn Mastertrust Fund aims to achieve long-term capital growth by investing in a range of UK listed Investment Companies. An investment trust is a public limited company that aims to make money by investing in other companies. Owning shares in an investment trust is a way of investing in a variety of different companies. Given the nature of this investment fund, Unicorn are not the direct shareholders/owners of these public companies within the trusts and therefore our ESG approach is not the same. Unlike our firmwide bottom up ESG approach, for this fund we take a top-down approach looking at the investment managers themselves and reviewing on case-by-case basis the following areas:

Firmwide approach to responsible investing	Sustainability related disclosure	Partnerships and Initiatives
<ul style="list-style-type: none"> <li>➤ ESG integration</li> <li>➤ Purpose, strategy and culture</li> </ul>	<ul style="list-style-type: none"> <li>➤ TCFD reporting</li> <li>➤ Stewardship code</li> <li>➤ SASB framework</li> </ul>	<ul style="list-style-type: none"> <li>➤ PRI signatory</li> <li>➤ Net Zero Asset Manager Initiative (NZAMI)</li> </ul>

<i>(as of 31.12.23)</i>	<i>% of NAV ex cash</i>
<i>ESG Considerations</i>	<i>95.8%</i>
<i>PRI Signatory</i>	<i>66.2%</i>
<i>TCFD Reporting</i>	<i>56.8%</i>
<i>NZAMI Signatory</i>	<i>31.3%</i>
<i>Exclusions based ESG criteria considerations</i>	<i>25.7%</i>

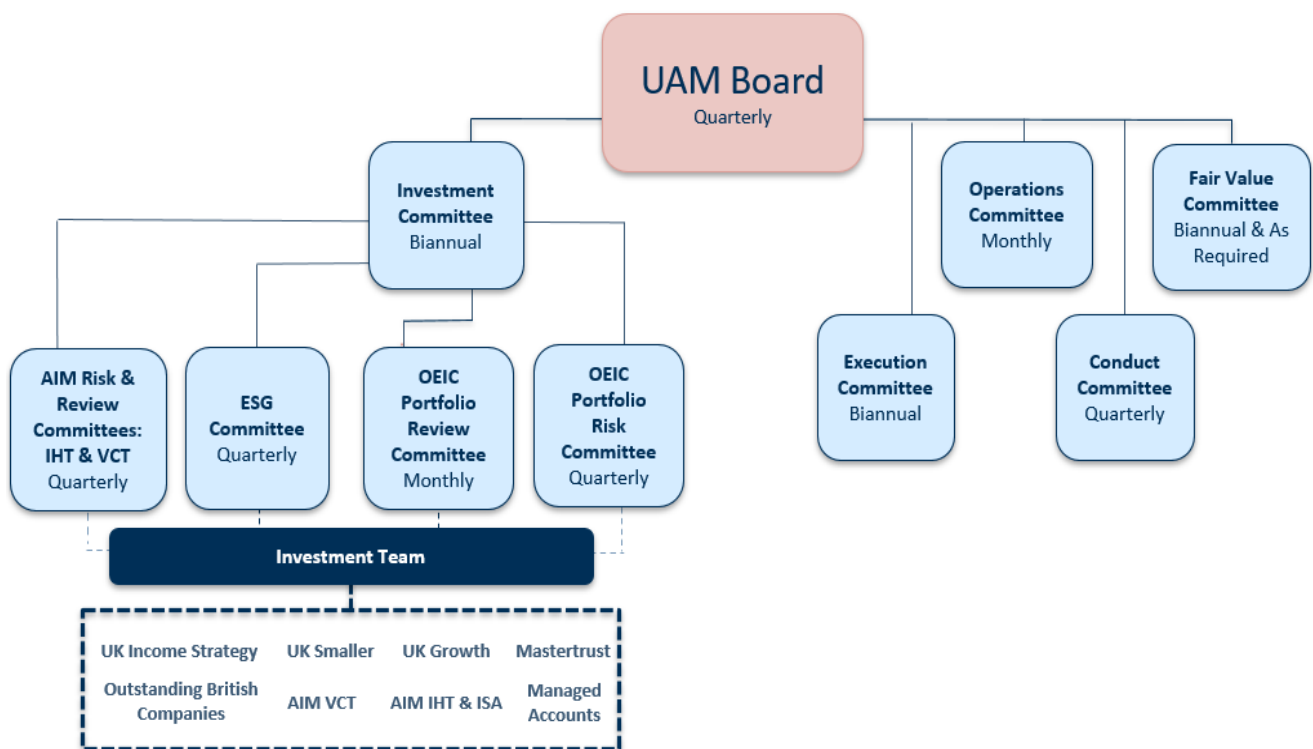


### III. Responsibility and Oversight

Unicorn’s approach to responsible investing is fully embraced by its Board of Directors, who act as the Firm's governing body. Consideration toward ESG factors have long formed part of Unicorn’s investment philosophy and this approach is applied across the business, considering the differing needs and practicalities of each strategy. The ESG process is implemented by the group’s ESG Officer and ESG Analyst and is overseen by the ESG Committee.

The ESG Committee comprises:

- ESG Officer*
- ESG Analyst*
- Director of Operations*
- Risk Officer*
- Further members of the investment team*
- Compliance Officer*



Adherence to the Firm's ESG investing and stewardship approach is assessed as part of the firm's Compliance Monitoring Programme undertaken by our Compliance Officer. All company policies and procedures are reviewed on an annual basis.



## IV. Accountability Mechanisms

The ESG team produces a quarterly ESG report detailing interactions with the management teams of investee companies and providing a record of Unicorn's voting history and any other notable ESG engagements. The report and meeting minutes are then circulated and discussed by the Investment Committee, as a formal agenda item. Any required actions arising from the ESG Committee meetings are implemented as soon as is practicable. The ESG Committee formally reviews and updates Unicorn's ESG policy on at least an annual basis, for formal sign off by the Investment Committee.

### ***United Nations Principles of Responsible Investment***

Unicorn is a signatory of the United Nations Principles of Responsible Investment (UN PRI) and seeks to adhere to the six principles, which are to:

**1. Incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes**

**How we adhere:**

- Integrated firmwide ESG approach, places the responsibility for ESG evaluation and assessment onto Unicorn's investment team – ESG integration remains an integral part of the investment process. Companies which fail this assessment are precluded from investment or divested (*Evaluate & Engage*)
- Additional screening criteria and increased prudence is applied to explicitly Responsible & Ethical portfolios (*Enhance*)

**2. Be active owners and incorporate ESG issues into our ownership policies and practices**

**How we adhere:**

- Engage directly with the Senior Management and Board of Directors of investee companies through regular meetings and other channels of corporate access
- Actively vote on all resolutions

**3. Seek appropriate disclosure on ESG issues by the entities in which we invest**

**How we adhere:**

- Assess the ESG framework and disclosure of a company prior to investment and on an ongoing basis
- Encourage investee companies to improve disclosure where necessary

**4. Promote acceptance and implementation of the Principles within the investment industry**

**How we adhere:**

- Attend and participate in industry events, which promote sustainable and responsible investment
- Engage with third party ratings agencies sharing knowledge and understanding of investee companies



## 5. Work together to enhance our effectiveness in implementing the Principles

### How we adhere:

- Internal ESG Officer and ESG Analyst provide oversight of ESG issues and maintain the relevance of the firm’s approach
- Continue to review and improve our approach where necessary

## 6. Report on our activities and progress towards implementing the Principles

### How we adhere:

- Quarterly formal ESG Report produced and discussed at ESG Committee meetings (independent and separate from the Portfolio Review Committee)
- ESG findings are reviewed and challenged at board level
- The firm’s voting records are available on the firm’s website. *The firm’s SRD annual disclosures are further outlined in Section VII.*

### **Net Zero Asset Managers Initiative**

Unicorn is a signatory of the *Net Zero Asset Managers Initiative (NZAMI)*, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to support investing aligned with net zero emissions by 2050 or sooner. As of 4 December 2023, the initiative holds more than 315 signatories with USD 57 trillion in AuM. As of 31 December 2023, Unicorn is already ahead of our initial target for 2030, with 64% of total assets under management across our open-ended funds are already aligned either ahead or in line with Net Zero transition.

- *Initial target:* By 2030, 50% of total AuM across our open-ended funds (excluding Mastertrust Fund of investment trusts) is committed to be managed in line with net zero (meeting the criteria to be considered aligned with Net Zero by 2050, **IEA 2050 Net Zero Scenario**)
- *Baseline year performance for the target metric(s):* The assets under management currently meeting the criteria to be considered aligned to net zero represent 26% of total assets (baseline year 2021)
- *Additional information:* Scope 1 and 2 are the current basis for the targets. In our view, Scope 3 data coverage is not yet sufficient, but we intend to include Scope 3 over time.

<b>% weight of total AuM across open-ended funds</b>	<b>54%</b>
<i>% weight of total AuM aligned with Net Zero (excluding cash)</i>	49%
<i>% investee companies aligned with Net Zero across open-ended funds</i>	64%



## V. Risk Management

Unicorn Asset Management defines risk as any factor that could impede the organisation from achieving its long-term business objectives, complying with legal or regulatory obligations, jeopardising potential opportunities, compromising our commitment to customer best interests, or resulting in unfavourable investor outcomes.

Our risk management framework is deliberately structured to proactively identify critical risks and strategically determine the most effective course of action for controlling or mitigating them. The process consists of five primary steps: firstly, identifying the risks at hand; secondly, assessing their potential impact and likelihood; thirdly, making informed decisions on appropriate approaches to control or mitigate the identified risks in order to reduce or eliminate their potential impact or likelihood; and finally, closely monitoring and comprehensively reporting on the effective management of these risks.



The risks that have been identified, along with their corresponding risk ratings, controls, and actions, are meticulously recorded in the Risk Register. This allows a comprehensive overview of the most significant risks faced by Unicorn Asset Management, which can then be evaluated in alignment with the organisation's risk appetite. Consequently, it becomes possible to ascertain whether further measures are necessary to effectively mitigate these risks.



Continuous and regular monitoring of the identified risks is imperative to evaluate the efficacy of the risk identification, measurement, and management processes. This ongoing assessment allows for a clear understanding of whether the level and severity of risk are trending upward or downward.

The Board of Unicorn Asset Management plays a pivotal role in shaping the organisation's risk culture. This culture encompasses the collective awareness, attitudes, and behaviours of all employees with regard to risk management. The Board is committed to ensuring that appropriate resources and importance are allocated to risk management initiatives. They actively promote a positive and risk-aware culture among managers, which then filters throughout the entire staff. Each staff member is made aware of their responsibility in risk management, regardless of their role, as it remains integral to the day-to-day operations of the organisation, even as a smaller firm.

Unicorn Asset Management identifies and responds to market-wide and systemic risks by conducting thorough analysis of market trends and monitoring various economic indicators. Through the annual Individual Capital Adequacy and Risk Assessment (“ICARA”) Unicorn has been able to identify any systemic and market-wide risks to which it, its clients or the market may be exposed because of the activities it undertakes and to assess whether and to what extent the firm may be required to hold additional capital to mitigate the impact of any risks identified. The process seeks to ensure that the firm can remain financially viable throughout the economic cycle and is able to address potential material harms that result from our activities and to ensure that the firm is able to conduct an orderly wind down whilst minimising harm to our clients or other market participants.

At Unicorn, we understand the importance of diversification in protecting our clients' investments against market-wide risks. That's why our portfolios are carefully constructed to ensure a balanced and resilient approach. Furthermore, we work closely with other industry participants such as trade associations, contributing to the enhancement of industry best practice and regulatory engagement to promote a well-functioning financial system. By staying informed and taking proactive measures, we at Unicorn are committed to safeguarding our clients' investments and contributing to the overall stability of the financial system.



# VI. Our engagement approach

## Active Ownership

Our engagement approach is driven by our investment philosophy for the long-term value creation of our clients’ assets that have been entrusted to us. We are active (not passive or activist) investors. Unicorn defines engagement as any dialogue with purpose with those in a position to resolve an issue, usually the board and executives. Unicorn’s targeted approach across all of the funds focuses on two key areas:

**Strategic engagement** where we can have tangible influence, focusing primarily on further embedding sustainability into investee companies’ business models, developing credible decarbonisation agendas, formalising reporting standards, and managing any strategic or operational issues.

**General engagements** with investee companies on a regular basis, typically biannual, meetings with investee company management teams, face to face meetings or calls with management, in order to discuss their strategic and operational approach. These meetings, or site visits, also provide a platform to discuss any governance structure and/or ESG issues where necessary.

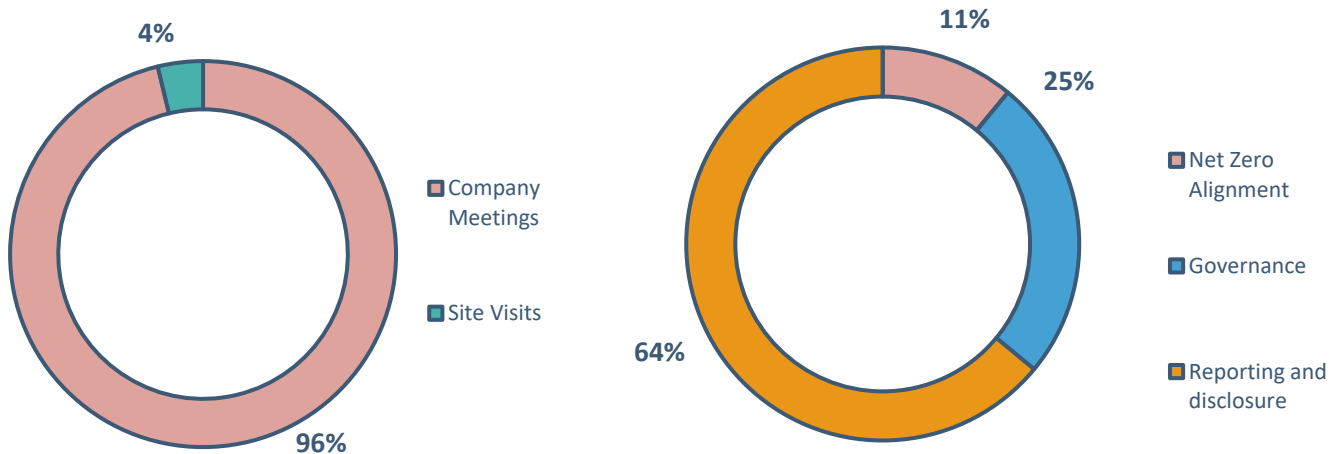
# 219

General engagements

# 36

Strategic engagements

### Engagement by category







During 2023, we took part in 255 engagements. The majority of our engagements initiated over the year have been regarding continued support and guidance for our investee companies' development in transparent and comprehensive ESG reporting and to further prioritise voting activities with companies on issues related to climate change, focusing on driving action towards a net zero emissions strategy and a credible decarbonisation agenda with feasible carbon reduction initiatives. Unicorn has an internal database accessible to all staff, which records all engagement interactions, progress, and outcomes.

### **Collaboration**

We do not typically collaborate with other investors as part of an engagement strategy but will do so if we deem necessary in order to serve the best interests of our clients.

### **Engagement escalation**

The identification of any significant controversies, or evidence of poor ESG practices, which result in a failure to meet firmwide ESG standards, which will result in the exclusion of that potential investment from any of Unicorn's Funds.

If an investee becomes incompatible with the firm's ESG philosophy, the relevant Investment Manager will be expected to disinvest, and will aim to sell that holding within 90 days of being made aware of the information.

In general terms, we give management and boards time to adequately respond to our questions before voting on critical issues. Repeated instances where engagement is ineffective or companies are not committed to change, we may choose to disinvest at last resort.



## Recent Case Studies

### Auction Technology Group

Auction Technology Group (ATG) operates six global marketplaces and proprietary auction platform technology for curated online auctions. Unicorn was evaluating the company as a potential addition to the portfolio. During our review, it became clear that the company currently has less than 1% of Group revenue from firearms, as found on one of their United States based auction sites (this remains the case).

No matter how small the revenue exposure, Unicorn is unable to get comfortable with any business that engages in the sale of automatic firearms, shotguns and ammunition. For this reason, the stock failed our firmwide ESG standards and became unsuitable for investment at this point.

### BAE Systems

BAE Systems plc is a British multinational arms, security and aerospace company, based in London, England. Unicorn reached out to BAE to gain greater clarity on BAE System's exposure to weapons which would be deemed controversial. Unicorn's definition of controversial weapons includes the following:

- Cluster bombs
- Anti-personnel mines
- Chemical weapons
- Nuclear weapons
- Incendiary devices
- Autonomous weapons

BAE confirmed the following: *BAE does not manufacture, buy, or sell cluster munitions/anti-personnel mines/chemical or biological weapons/depleted uranium. BAE Systems does not manufacture white phosphorous. However, we do supply certain mortars for obscuration only to the UK Ministry of Defence that contain white phosphorous. Under 0.1% of sales.*

Unicorn decided not to invest in BAE as felt whilst White Phosphorous isn't being used as a weapon, there is nothing stopping it being used as such in the future and that red phosphorous could do the same job but is nowhere near as damaging or combustible. We felt that we could not get comfortable with the exposure and ultimately that it was not the right investment choice across any of our funds failing to meet our firmwide ESG standards.



## Severfield

Company is an engineering and construction company and the largest specialist structural steelwork group in the UK.

- Severfield reached out to our ESG team for a meeting to discuss their approach to ESG and to hear our views on which areas we felt were most material to the company and subsector.
- Unicorn took part in a survey, where we spoke to an independent agency (Black Sun Global Stakeholder Engagement) who were conducting the assessment and we highlighted the following areas highlighted (see table right)
- Engagement helped to form the basis of the new ESG framework that the company will communicate at their next annual report

	SASB Material	Unicorn Material	Unicorn Commentary
<b>Responsible &amp; Ethical Business</b>	✓	✓	<ul style="list-style-type: none"> <li>• Policy in place for integrity and bribery and anticompetitive practice (disclose key data regarding penalties)</li> </ul>
<b>Sustainability Governance &amp; Management</b>	✓	✓	<ul style="list-style-type: none"> <li>• Good disclosure and processes and policies for managing sustainability</li> <li>• Full certification of systems for managing ESG issues</li> </ul>
<b>Climate Action</b>	✓	✓	<ul style="list-style-type: none"> <li>• Adopt NZ (S1/S2 – 2040 &amp; S3 – 2050)               <ul style="list-style-type: none"> <li>○ Interim targets to reduce S1/S2 in place and on target</li> <li>○ switch to ‘green’ electricity at all our production facilities and other ESOS related improvements</li> <li>○ transition to electric and hydrogen construction plant</li> </ul> </li> </ul>
<b>Product Stewardship</b>	✓	✓	<ul style="list-style-type: none"> <li>• Product design and lifecycle management</li> <li>• Policy in place to incorporate ESG factors into product/project design</li> <li>• No data on penalties related to product safety</li> <li>• Policy in place to incorporate ESG factors into product/project</li> </ul>
<b>Health &amp; Safety</b>	✓	✓	<ul style="list-style-type: none"> <li>• Good policy in place</li> <li>• Recordable safety incident rate not disclosed</li> </ul>
<b>Waste, Resource Use &amp; Circular Economy</b>	✓	✓	<ul style="list-style-type: none"> <li>• Waste – steel fabrication (often fabricated off site, easier to manage and reduces construction waste)</li> <li>• new waste reduction targets – includes plans to increase the use of hydrogenated vegetable oil (‘HVO’) fuels</li> <li>• project horizon – new digitation project, automation</li> </ul>
<b>Social and Environmental Supply Chain Management</b>		✓	<ul style="list-style-type: none"> <li>• Greater supply chain transparency and auditing suppliers labour code of conduct – whilst not material this is important and becoming an increasing area of focus</li> </ul>
<b>Biodiversity</b>	✓	✓	<ul style="list-style-type: none"> <li>• Biodiversity in place and discloses incidents of non-compliance with environmental permits and regulations (first quartile vs peers)</li> </ul>
<b>Board composition &amp; Remuneration</b>	✓	✓	<ul style="list-style-type: none"> <li>• Board composition (diversity and independence of directors is poor) – age diversity is good</li> <li>• ESG remuneration linked pay which is good</li> </ul>
<b>Communities &amp; Social Impact</b>	✓		<ul style="list-style-type: none"> <li>• Good community engagement – detailed disclosure of practices regarding charity and community action</li> </ul>



### Tracsis

Company is a leading provider of software, hardware, data analytics, and services for rail, traffic data and the wider transport industries. Unicorn has held the business since IPO in 2007. It is held across both our open ended fund range and VCT.

Unicorn's high conviction approach and low portfolio turnover means we often benefit from excellent corporate access to the senior management teams and Boards of our investee companies. This privileged corporate access provides a strong platform for engagement with management, through ongoing dialogue and active voting.

Unicorn had four separate engagements with senior management (either CEO and/or CFO) over the last twelve months regarding ongoing discussions regarding material ESG risks and opportunities specific to the business model and best practice regarding risk management and ongoing monitoring and disclosure:

- Key strengths included:
  - Awareness of ESG issues specific to the business and within a sector context
  - Energy management: electricity consumption
  - Net Zero alignment: carbon neutral (Scope 1 & Scope 2), 100% renewable energy supply and total fleet electrification all by 2030
- Key weaknesses:
  - Minimal disclosure on key quantifiable metrics material to the sub sector
  - Gender Diversity: percentage of their female workforce disclosure;
  - Competitive Behaviour: No anti-competition policy
  - Data Security: No company policy in place regarding data security or customer privacy breaches

Upon review following the annual accounts release, the overall sustainability score, governance score and impact score for the company have all improved year on year.



## VII. Our proxy voting approach

Unicorn will, to the extent we are authorised to do so by our clients, exercise proxy votes at all shareholder meetings. We regard proxy voting as a means to bring about change. Share interests carry ownership rights and responsibilities and we recognise that as institutional investors, we play a key role in relation to stewardship. It is an overriding principle of Unicorn's engagement with investee companies combined with its responsibility to maximise returns for the funds that it manages that this right is exercised.

It is important to note, that Unicorn acts as an agent on behalf of its clients and is not the beneficial owner of the investee company's shares and recognise we have a duty to act in the best interests of its clients. Our voting policy is designed to protect and enhance shareholders' long-term economic interests.

Voting decisions are made by our Fund Managers and are based on their knowledge, and research of, the investee company concerned. All voting decisions are undertaken in-house and in accordance with corporate governance guidelines and in alignment with our firmwide ESG framework.

Where contentious issues arise in relation to Shareholder Resolutions at company meetings, Unicorn will usually contact the management of the investee company in order to exchange views and give management teams the opportunity to articulate their position. The long-term nature of the relationships that we develop with the Boards and senior management of investee companies typically enable us to resolve any concerns that we may have over strategy, the management of risk or governance practices. However, in the event of an unsatisfactory explanation of contentious issues, Unicorn will vote against the recommended proposals put forward by the investee company Board. Unicorn's voting records can be found on our website.

### Key proxy voting figures

100%

Of meetings voted at

289

Of meetings voted at

23%

With at least 1 vote not in favour

3,273

Proposals

Source: Unicorn Asset Management, ISS Proxy Exchange. Data is for the 12 months ended 31 December 2023



## **Managing conflicts of interest**

Unicorn has implemented conflicts of interest procedures to ensure the appropriate handling of proxy voting decisions where there is a potential conflict of interest. The guiding principle of Unicorn's conflicts of interest policy is simple: – to exercise our right to vote in the best interests of the clients on whose behalf we are managing funds.

The key steps in this process include the prior identification of potential conflicts, cross-reference against any available third-party proxy voting recommendations and record-keeping of the voting rationale. Unicorn recognises that there is a potential conflict of interest when it votes for a resolution proposed by a company with which its staff have a material interest or personal relationship. In this context, the fund manager has a duty to disclose any actual or potential conflict of interest relating to the vote.

In the situation where the vote is in accordance with its internal guidelines and that of the independent research, there is unlikely to be a conflict. However, when it votes contrary to the guidelines, then the position is reviewed by the Compliance Officer and a recommendation made to the Board who has final say.

## **Proxy Advisor**

We use an external proxy-research and vote-execution service provided by Institutional Shareholder Services (ISS). ISS delivers its benchmark research and Unicorn's custom policy research based on our internal voting policy; we take these into consideration when making a vote decision in the best interest of shareholders (which may differ from ISS recommendations). Consistent with our obligations under SRDii, we continue to review and monitor ISS's operating policies and procedures to ensure that they provide the best possible proxy research services.



### **Voting case study: Liontrust Asset Management**

Company operates as an equities fund management group in the United Kingdom, providing management services for a range of investment funds, which are aimed at both professional investors and advisors.

- **Proposal:** the Board is seeking shareholder approval to acquire GAM Holding AG for a consideration of 0.0589 of the Company's shares per GAM share, which was valued at approximately CHF 100.5m in aggregate at announcement.
- **Process:** In order to get comfortable that the deal would not be value destructive to shareholders Unicorn had several meetings with senior management and brokers in order to get further details and understanding behind the proposed transaction.
- **Strategic rationale:**
  - The meeting circular states that the acquisition of GAM will lead to the creation of a global asset manager with GBP 53bn assets under management on a pro forma basis. Moreover, the Company notes that it expects the proposed acquisition to accelerate its development by meeting all of its seven strategic objectives, and significantly enhance earnings in relation to adjusted diluted earnings per share for the financial year ending 31 March 2025 and in future years.
  - Other positives of the proposed acquisition highlighted by the Company include:
    - A broadening of its fund range and asset classes.
    - An expansion of distribution globally.
    - An increase of the Company's physical presence in Europe.
    - The provision of Asian and US offices.
    - A broader client base for the combined group's funds globally.
    - The addition of experienced investment teams, including nine fund managers rated between A to AAA by Citywire.
- **Outcome:** Unicorn voted in line with Management and ISS in support of the transaction as Company provided a compelling rationale for the acquisition and the valuation appeared reasonable, warranting support for the transaction.



## Unicorn’s significant votes

We have provided a summary of our most significant votes over the period, including rationales for our voting decision, as per the Shareholder Rights Directive II (“SRDII”) requirements. Unicorn describes the following significant: material holdings where we hold greater than five percent of issued equity for a company; those of a thematic nature (e.g., climate change); items that have a material impact on shareholder value; and significant corporate transactions that may have a material impact on future company performance, for example approval of a merger.

Company Name	Meeting Date	Meeting Type	Qualification
<i>Liontrust Asset Management</i>	<i>05-Jul-23</i>	<i>Special</i>	<i>Approve Acquisition of the Entire Issued Share Capital of GAM Holding</i>
<i>James Cropper</i>	<i>26-Sep-23</i>	<i>Annual</i>	<i>Re-elect Mark Cropper as Director</i>
<i>Hipgnosis Songs Fund Ltd</i>	<i>26-Oct-23</i>	<i>Annual</i>	<i>Approve Continuation of Company as Closed-Ended Investment Company</i>
<i>Hipgnosis Songs Fund Ltd</i>	<i>26-Oct-23</i>	<i>Special</i>	<i>Approve Sale by the Company of the First Disposal Assets to Hipgnosis SC IV (Delaware)</i>
<i>Braemar Plc</i>	<i>18-Dec-23</i>	<i>Special</i>	<i>Approve Remuneration Report</i>
<i>Microsaic Systems Plc</i>	<i>29-Dec-23</i>	<i>Special</i>	<i>Authorise Issue of Equity</i>
<i>Microsaic Systems Plc</i>	<i>29-Dec-23</i>	<i>Special</i>	<i>Authorise Issue of Equity without Pre-emptive Rights</i>

*This shortened list is limited to significant votes since the latest definition has been in place.*

Unicorn’s proxy voting history is available on the company website. Unicorn’s approach to proxy voting is set out in detail in [Unicorn Asset Management’s Voting Policy document](#).



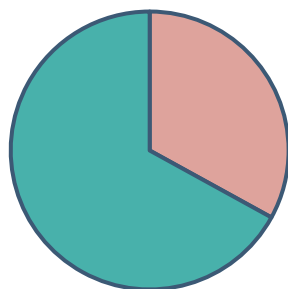


## VIII. Client and beneficiary needs

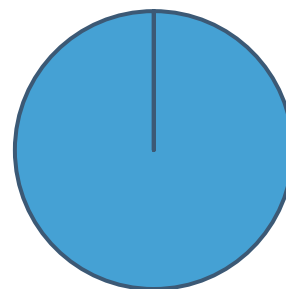
As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, Unicorn believes that ESG issues can impact portfolio investment performance and seek to apply the following principles outlined by the PRI to better align investors with broader objectives of society.

- *Incorporation of ESG issues into investment analysis and the decision-making process (as outlined in Section II)*
- *Be active owners and incorporate ESG issues into our ownership policies and practices*
- *Seek appropriate disclosure on ESG issues by the entities in which we invest*
- *Promote acceptance and implementation of the Principles within the investment industry*
- *Work together to enhance our effectiveness in implementing the Principles*
- *Report on our activities and progress towards implementing the Principles*

### Client Base by type and geography (Group Level)



■ Retail ■ Institutional



■ UK

*An institutional investor is defined as a professional client under the COBS 3: Client Categorisations within the FCA Handbook.*

### AuM Breakdown

**7.4 years**

*Average holding period\**

**Equity only**

*Asset Class*

**UK only**

*Geography*

*\*Average holding period calculated as combined score across all Unicorn assets*



## IX. Stewardship

Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. Unicorn believes that good governance of the companies in which we invest is an essential part of creating shareholder value and achieving sound investment performance for our clients. Unicorn is committed to ensuring that it always operates and makes decisions based on the best long-term interests of its clients.

This policy describes how Unicorn Asset Management applies the twelve Principles of the UK Stewardship Code which was adopted by the Financial Reporting Council (FRC) in September 2020, in line with the FCA's requirements under COBS 2.2.3.

**PRINCIPLE 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.**

*As outlined in Sections I, X & XI.*

**PRINCIPLE 2: Signatories' governance, resources and incentives support stewardship.**

*As outlined in Sections II, III, IV & XI.*

**PRINCIPLE 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.**

*As outlined in Sections VII.*

**PRINCIPLE 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.**

*As outlined in Sections V.*

**PRINCIPLE 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.**

*As outlined in Sections III & IV.*



**PRINCIPLE 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**

*As outlined in Section VIII.*

**PRINCIPLE 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.**

*As outlined in Sections II, III & IV.*

**PRINCIPLE 8: Signatories monitor and hold to account managers and/or service providers.**

*As outlined in Sections II, III & IV.*

**PRINCIPLE 9: Signatories engage with issuers to maintain or enhance the value of assets.**

*As outlined in Sections II, VI & VII.*

**PRINCIPLE 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.**

*As outlined in Section VI.*

**PRINCIPLE 11: Signatories, where necessary, escalate stewardship activities to influence issuers.**

*As outlined in Section VI.*

**PRINCIPLE 12: Signatories actively exercise their rights and responsibilities.**

*As outlined in Sections VI & VII.*



## X. Our purpose, culture and values

### **Our purpose**

We founded our business in London in 2000, with the aim of delivering positive financial outcomes to our clients. Our purpose today is simple: investing with conviction for a better more sustainable tomorrow – mobilising capital towards change but also embedding ESG within a firm’s culture.

Unicorn believes a committed approach to sustainability from management teams is a leading indicator of long-term value protection and creation, thereby improving their potential to deliver superior financial returns to our clients.

### **Our culture and values**

Unicorn’s culture embodies our overriding value: act with integrity. High ethical standards are critical to maintaining the public’s trust in financial markets and in the investment profession. This value, as adopted from the CFA Code of Ethics and Standards of Professional Conduct, underpins and informs every decision that we make at Unicorn. We emphasise five key areas of focus for our cultural integration.





## XI. ESG at Unicorn

As a business with a single location in London and a team of less than 20 people, our environmental footprint remains minimal. Our primary impact regarding climate stability remains within our investment activities and decisions. We continue to assess and expand our knowledge of the extent of our environmental impact and work to reduce it across all areas of the business.

The Company supports the principle of equal opportunities and opposes discrimination on the grounds of sex, age, sexual orientation, marital status, race, ethnic origin, religious belief or disability. Being a committed equal opportunities employer, the Company will take every possible step to ensure that employees are treated equally and fairly in respect of these matters. All policies and practices will conform to the principle of equal opportunities in terms of recruitment, selection, training, promotion, career development, discipline, redundancy and dismissal.

Unicorn Asset Management believes that its most valuable resource is its employees. The continued success of the company depends upon having highly motivated people with proper skills in the right job at the right time. We are committed to continue to sponsor professional qualifications and providing training to support employees in fulfilling their roles and their personal development.

As an FCA regulated firm, staff are subject to the Regulator's Conduct Rules specific to their role within the firm. In addition, standards of behaviour and conduct are set out in our Code of ethics which has been adopted from the CFA. As a team employing several members of the CFA we agree with and promote the standards to which they aspire.

Unicorn is committed to following the principles of the UK Corporate Governance Code ("the Code"). Published by the Financial Reporting Council ("FRC") <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code> . The Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability, and relations with shareholders.

Internal lines of reporting within the company and the roles and the responsibilities of the team can be seen clearly in the governance organisation chart. The board has conferred several delegated authorities upon its sub committees which each have Terms of Reference setting out their purpose.

Unicorn's corporate governance structure and implementation is monitored on an ongoing basis by independent third-party specialists the TCC Group <https://tcc.group/> This is to ensure our continued adherence to the highest standards.



**Contact us:**

**Email**

[esq@unicornam.com](mailto:esq@unicornam.com)

**Telephone**

020 7253 0889

**Address**

*Unicorn Asset Management, First Floor  
Office, Preacher's Court, The  
Charterhouse, Charterhouse Square,  
London, EC1M 6AU*