UBP ASSET MANAGEMENT (EUROPE) STATEMENT ON PRINCIPAL ADVERSE IMPACTS - 2022

UNION BANCAIRE PRIVÉE

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Statement on principal adverse impacts of investment decisions on sustainability factors

Financial Market Participant: UBP Asset Management (Europe)

LEI: 5493007WR9BT7NBDHF50

Summary

UBP Asset Management (Europe) S.A. – LEI: 5493007WR9BT7NBDHF50 – considers the principal adverse impacts (PAI) of its investment decisions on sustainability factors.

The present statement is the consolidated statement on principal adverse impacts on sustainability factors of UBP Asset Management (Europe) S.A. and its subsidiary, namely UBP Asset Management (France) (referred on a consolidated basis as “UBPAM”). It covers the reference period from 1 January 2022 to 31 December 2022.

UBPAM is a fully owned subsidiary of UBP S.A. (hereafter referred to as "UBP"), a signatory to the UN Global Compact and the UN Principles for Responsible Investment. Additionally, UBPAM is a signatory to the Net Zero Asset Management Initiative (NZAM). As such, UBPAM is committed to considering the principal adverse impacts (PAI) of its investments on the environment and society.

During the reporting period, UBPAM implemented various strategies, including exclusions, the integration of ESG considerations, and engagement to mitigate adverse impacts. These considerations are integrated into the investment processes of our investment teams, tailored to their geographical exposure and asset class focus.

- Exclusion: UBPAM implements exclusions to avoid investments in controversial activities or business practices, aligning with its responsible investment policy and international standards.
- ESG integration: Each investment team has its own ESG process, incorporating PAI considerations. ESG assessments are conducted using company disclosures, industry reports and data from third-party providers.
- Engagement: Direct and collaborative engagement, as well as proxy voting, are part of UBPAM’s stewardship process to encourage issuers to improve their ESG performance and sustainability practices and mitigate potential adverse impacts on the environment and society.

Priority was given to certain PAIs, based on our values and responsible investment policy, materiality, and data availability. These priorities included avoiding exposure to companies involved in controversial weapons, limiting exposure to companies that violate international norms while engaging with them, and managing the carbon intensity of investments. UBPAM will continue to employ these strategies moving forward.

Although certain PAIs still suffer from limited availability and data quality, UBPAM's strategy involves persistently measuring these PAIs whenever feasible. Furthermore, we aim to progressively expand the coverage of these indicators to enhance our capacity to mitigate these negative effects over time. Monitoring and reassessment of PAIs are crucial steps in the process. Given the evolving landscape of sustainability risks and impacts and the need for increased data quality and coverage, methods and processes will be reviewed and adapted regularly.

Description of the principal adverse impacts on sustainability factors

The consideration and mitigation of principal adverse impacts is an integral part of our responsible investment conduct. UBPAM seeks to identify, measure and mitigate these impacts, giving priority to certain PAIs based on our corporate values and mission as well as materiality and data availability. These considerations are integrated into the investment processes of our investment teams, tailored to their geographical exposure and asset class focus.

Identification: Understanding the exposure to different sustainability risks and impacts is crucial in conducting ESG risk analysis.

Measurement: Material impacts are assessed based on measurement, with some having more significant effects than others. A variety of data points and methodologies are used, including direct issuer disclosure as well as third-party data providers, to identify potential ESG risks and opportunities.

Mitigation: PAIs are addressed through various means and strategies, such as exclusion, ESG integration, and engagement, with the aim of minimizing adverse impacts.

- Exclusion: UBPAM implements exclusions to avoid investments in controversial activities or business practices, aligning with its responsible investment policy and international standards.
- ESG integration: Each investment team has its own ESG process, incorporating PAI considerations. ESG assessments are conducted using company disclosures, industry reports and data from third-party providers.
- Engagement: Direct and collaborative engagement, as well as proxy voting, are part of UBPAM's stewardship process to encourage issuers to improve their ESG performance and sustainability practices and mitigate potential adverse impacts on the environment and society.

Monitoring and reassessment of PAIs are crucial steps in the process. Given the evolving landscape of sustainability risks and impacts and the need for increased data quality and coverage, methods and processes are regularly reviewed and adapted.

Table 1 – Indicators applicable to investments in investee companies

Indicators applicable to investments in investee companies[1]						
Adverse sustainability indicator		Metric	Impact [2022]	Impact [2021]	Explanation	Action taken, and action planned and targets for the next period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. Financed GHG Emissions (Tons CO2e)	Scope 1 GHG emissions	411'313.59	N/A	Eligibility[2]: 61.49% Coverage[3]: 54.41%	Seeking to reduce the level of GHG emissions of our investments, we signed up to the NZAM initiative and look to reduce our investment in high emitters, as well as increase selection of companies which have appropriate climate strategies (e.g. committed to net zero (NZ) or having set up science-based targets). We also develop low carbon investment strategies. Additionally, we encourage companies to disclose their emissions to CDP (Carbon Disclosure Project) and to adopt science-based targets. The quality and availability of scope 3 data remains limited, hence these are largely based on estimations. As a result, while we monitor the scope 3 of our investments, we have not yet set specific targets on this metric which remains potentially highly volatile. We plan to do so in the coming years, however, as we recognised the importance of reducing scope 3 emissions to reach a net zero economy. This approach will continue with the objective of reducing emissions further over time.
		Scope 2 GHG emissions	87'985.47	N/A	Eligibility: 61.49% Coverage: 54.41%	
		Scope 3 GHG emissions	2'800'062.79	N/A	Eligibility: 61.49% Coverage: 42.28%	
	2. Carbon footprint (Tons CO2e/ EUR mn invested)	Carbon footprint (scope 1+2)	51.32	N/A	Eligibility: 61.49% Coverage: 54.41%	Same as above.
		Carbon footprint (scope 1+2+3)	383.79		Eligibility: 61.49% Coverage: 46.28%	

[1] Eligible assets include direct holdings in corporate bonds and equities. Work is being conducted to improve coverage in the coming years by adding indirect holdings (e.g. external funds or derivatives) as not yet included due to data and technical constraints.

[2] Eligibility: Share of eligible assets in total net assets

[3] Coverage: Share of eligible assets for which the data is available in total net assets

	3. GHG Intensity of investee companies (Tons CO2e/ EUR mn revenues)	GHG Intensity (scope 1+2)	123.74	N/A	Eligibility: 61.49% Coverage: 57.83%	As part of our NZ commitment, we aim to reduce the weighted average carbon intensity of our investments by 50% by 2030 (baseline 2019) and achieving net zero by 2050. As mentioned above, for now, we only consider carbon intensity for scope 1+2 emissions, but look to extend this target to scope 1+2+3 when data and methodologies for scope 3 emissions improve. This approach will continue next year.
		GHG Intensity (scope 1+2+3)	915.45		Eligibility: 61.49% Coverage: 47.52%	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0.04%	N/A	Eligibility: 61.49% Coverage: 54.82% This metric Includes all companies with some revenues coming from fossil fuel. No revenue threshold is applied.	1) Across all funds and mandates (subject to client approval), we exclude any company with revenues of 20% or more coming from coal extraction. 2) Across our SFDR Article 8 and Article 9 financial product, we exclude any company with revenues of 10% or more from thermal coal extraction; any DM company with revenues of 10% or more from coal-powered electricity; any EM company with revenues of 20% or more from coal-powered electricity; any company with 10% or more from unconventional oil and gas. 3) For other fossil fuel, exposure is monitored and should be gradually decreased to comply with our NZ commitment. This approach will continue next year.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption of investee companies compared to renewable energy sources, expressed as a percentage of total energy sources	57.58%	N/A	Eligibility: 61.49% Coverage: 38.30%	Limited data coverage and/or data quality While we measure where possible the share of non-renewable energy in consumption and production, this has limited impact on investment decisions – except for utilities where we have specific exclusions linked to the use of coal for power generation in Article 8 and 9 strategies – as indicated above - or where several environmentally-conscious strategies more generally seek to limit investments in electricity utilities whose power production significantly come from non-renewable energy sources with a lack of commitment to the use of renewable sources. This approach will continue next year.
		Share of non-renewable energy production of investee companies compared to renewable energy sources, expressed as a percentage of total energy sources	17.97%		Eligibility: 61.49% Coverage: 11.00%	
	6. Energy consumption intensity per high impact sector	Energy consumption intensity per high impact sector – NACE A in GWh per million EUR of revenue	5.66	N/A	Eligibility: 61.49% Coverage: 0.15%	Limited data coverage and/or data quality Due to practical limitations in disclosure, these metrics currently assume that each company sits in only one sector, obtained via a mapping of its subindustry to

		Energy consumption intensity per high impact sector – NACE B in GWh per million EUR of revenue	47.43		Eligibility: 61.49% Coverage: 0.11%	NACE sectors, rather than it across the full spectrum of NACE activities and sectors in which it is involved. This PAI is indirectly considered through ESG integration and NZ commitment which should gradually result in increased selection of companies with ambitious climate strategies including the reduction of their energy consumption intensity over time.
		Energy consumption intensity per high impact sector – NACE C in GWh per million EUR of revenue	4.43		Eligibility: 61.49% Coverage: 1.24%	
		Energy consumption intensity per high impact sector – NACE D in GWh per million EUR of revenue	0.98		Eligibility: 61.49% Coverage: 17.98%	
		Energy consumption intensity per high impact sector – NACE E in GWh per million EUR of revenue	17.26		Eligibility: 61.49% Coverage: 1.11%	
		Energy consumption intensity per high impact sector – NACE F in GWh per million EUR of revenue	0.52		Eligibility: 61.49% Coverage: 0.90%	
		Energy consumption intensity per high impact sector – NACE G in GWh per million EUR of revenue	1.86		Eligibility: 61.49% Coverage: 0.89%	
		Energy consumption intensity per high impact sector – NACE H in GWh per million EUR of revenue	0.21		Eligibility: 61.49% Coverage: 0.16%	
		Energy consumption intensity per high impact sector – NACE L in GWh per million EUR of revenue	0.07		Eligibility: 61.49% Coverage: 0.92%	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	4.13%	N/A	Eligibility: 61.49% Coverage: 55.72%	Limited data coverage and/or data quality A complete assessment of operations located in or near to biodiversity sensitive areas requires a spatial perspective which, as of now, is not broadly available due to the lack of asset level databases. This PAI is thus assessed by considering potential environmental controversies and their relation to

						sensitive areas as defined by the Natura 2000 network of protected areas, the UNESCO World Heritage Sites or other protected areas as referred to in the regulation. Given the above, this PAI is measured where possible and considered primarily through the integration of environmental data and controversy analysis. We monitor ESG data provider's incident and controversy involvement research as a proxy for the consideration of this PAI. We aim to continue to monitor disclosures of such information and seek to mitigate negative impact including using more specific biodiversity indicators over time.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.48	N/A	Eligibility: 61.49% Coverage: 5.24%	Limited data coverage and/or data quality Given low availability of data, this PAI is measured where possible but has limited impact on investment decisions for now. We monitor potential environmental controversies as a proxy for the consideration of this PAI. We will continue to monitor disclosures of such information overtime.
Waste	9. Hazardous waste and radioactive waste		19.89	N/A	Eligibility: 61.49% Coverage: 23.46%	Limited data coverage and/or data quality Given low availability of data, this PAI is measured where possible but has limited impact on investment decisions for now. We monitor potential environmental controversies as a proxy for the consideration of this PAI. We will continue to monitor disclosures of such information overtime.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.58%	N/A	Eligibility: 61.49% Coverage: 55.72%	Companies in breach of UN Global Compact are excluded from all our Article 8 and Article 9 funds (based on MSCI). Companies in violation of UN GC and OECD guidelines are monitored across all strategies and engaged with, where possible. This approach will continue next year.

	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	33.98%	N/A	Eligibility: 61.49% Coverage: 54.97%	This is monitored, with the objective to reducing over time the share of companies that do not have processes and compliance mechanisms to monitor compliance with the UN GC and OECD MNE.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	15.8%	N/A	Eligibility: 61.49% Coverage: 3.65%	Limited data coverage and/or data quality As a result, this PAI has a limited impact on investment decisions. The expansion of non-financial reporting requirements should lead to the disclosure of more information on this indicator in the coming years. Therefore, we will continue to monitor it to eventually incorporate it into our ESG analysis criteria.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	31.80%	N/A	Eligibility: 61.49% Coverage: 51.44%	This indicator is normally part of governance analysis but is considered taking into account its inherent regional bias.
	14. Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00%	N/A	Eligibility: 61.49% Coverage: 61.49%	Investment in companies involved in controversial weapons is banned.

Source: UBP, Sustainalytics, MSCI – average information based on 2022 four end-of-quarter data.

Table 1 – Indicators applicable to investments in sovereigns and supranational

Indicators applicable to investments in sovereigns and supranational[4]						
Adverse sustainability indicator		Metric	Impact [2022]	Impact [2021]	Explanation	Action taken, and action planned and targets for the next period
Environmental	15. GHG Intensity Tons CO2e / EUR mn GDP)	GHG intensity of investee countries	272.73	N/A	Eligibility[5]: 26.26% Coverage[6]: 24.97%	Sovereign environmental footprint is integrated in our sovereign ESG analysis. Over time, dependent on progress in climate accounting methodologies, we will set targets for the reduction of GHG emissions of investee countries as part of our NZ commitment.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	1.75	N/A	Eligibility: 26.26% Coverage: 24.76%	While not formally excluded, the investment process of our sovereign strategies aims to limit investment in countries subject to social violations through ESG research and scoring. This approach will continue next year
		Ratio of the number of investee countries subject to social violations divided by the total number of investee countries	0.03	N/A	Eligibility: 26.26% Coverage: 24.76%	

Source: UBP, Sustainalytics, MSCI – average information based on 2022 four end-of-quarter data.

UBPAM does not directly invest in real estate, hence PAIs related to this asset class are not included in this report.

[4] Eligible assets include direct holdings in sovereign and corporate issuers. Work is being conducted to improve coverage in the coming years by adding indirect holdings (e.g. external funds or derivatives) as not yet included due to data and technical constraints.

[5] Eligibility: Share of eligible assets in total net assets

[6] Coverage: Share of eligible assets for which the data is available in total net assets

Other indicators for PAI on sustainability factors

Table 2 Additional climate and other environmental-related indicators

Additional climate and other environment-related indicators						
Indicators applicable to investments in investee companies[7]						
Adverse sustainability indicator		Metric	Impact [2022]	Impact [2021]	Explanation	Action taken, and action planned and targets for the next period
Water, waste and material emissions	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies	6.85%	N/A	Eligibility[8]: 61.49% Coverage[9]: 54.12%	This PAI is considered indirectly through the analysis conducted by investment teams of ESG practices and potential environmental controversies. Moreover, we engaged through CDP to encourage companies to disclose their water impact and approach. Overtime, we aim to start engaging with companies failing to publish their water management policies.

Source: UBP, Sustainalytics, MSCI– average information based on 2022 four end-of-quarter data

[7] Eligible assets include direct holdings in corporate bonds and equities. Work is being conducted to improve coverage in the coming years by adding indirect holdings (e.g. external funds or derivatives) as not yet included due to data and technical constraints.

[8] Eligibility: Share of eligible assets in total net assets

[9] Coverage: Share of eligible assets for which the data is available in total net assets

Table 3 Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Indicators applicable to investments in investee companies[10]						
Adverse sustainability indicator		Metric	Impact [2022]	Impact [2021]	Explanation	Action taken, and action planned and targets for the next period
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	3.98%	N/A	Eligibility[11]: 61.49% Coverage[12]: 50.09%	This PAI is considered indirectly through the analysis conducted by investment teams of ESG practices and potential controversies relative to the non-respect of human rights. Overtime, we aim to start engaging with companies failing to publish their human rights policies.

Source: UBP, Sustainalytics, MSCI – average information based on 2022 four end-of-quarter data.

Table 3 Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Additional Indicators applicable to investments in sovereigns and supranational[13]						
Adverse sustainability indicator		Metric	Impact [2022]	Impact [2021]	Explanation	Action taken, and action planned and targets for the next period
Governance	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes	0.01%	N/A	Eligibility[14]: 26.26% Coverage[15]: 24.76%	While not formally excluded, our investment process aims to limit investments in non-cooperative tax jurisdictions. This approach will continue next year.

Source: UBP, Sustainalytics, MSCI – average information based on 2022 four end-of-quarter data.

[10] Eligible assets include direct holdings in corporate bonds and equities. Work is being conducted to improve coverage in the coming years by adding indirect holdings (e.g. external funds or derivatives) as not yet included due to data and technical constraints.

[11] Eligibility: Share of eligible assets in total net assets

[12] Coverage: Share of eligible assets for which the data is available in total net assets

[13] Eligible assets include direct holdings in sovereign and supranationals. Work is being conducted to improve coverage in the coming years by adding indirect holdings (e.g. external funds or derivatives) as not yet included due to data and technical constraints.

[14] Eligibility: share of eligible assets in total net assets

[15] Coverage: share of eligible assets for which the data is available in total net assets

Description of policies to identify and prioritise PAI on sustainability factors

PAIs have been identified and prioritised based on our values, materiality, occurrence and availability and quality of data. Each PAI criteria has been reviewed for its quality and ability to provide reliable and accurate information, as well as the extent of its universe coverage. Indeed, some indicators offer a higher degree of confidence than others, which are either poorly disclosed (e.g. unadjusted pay gap - PAI 12 Table 1), or are largely estimated or a proxy if the exact information is not available.

In accordance with UBP's responsible investment policy, UBPAM prioritizes reducing our investment's negative impact by avoiding or reducing exposure to products and services that go against our values or recognized international standards. This includes controversial weapons (Table 1, PAI 14) or certain categories of fossil fuels (Table 1, PAI 4 - coal and unconventional oil & gas (revenue threshold apply). In addition, companies that violate international norms and good conduct standards defined by the UN Global Compact and the OECD Guidelines for Multinational Enterprises, are subject to special monitoring, while financial products in line with SFDR Article 8 and Article 9 fully exclude companies breaching the UN Global Compact (Table 1, PAI 10).

In line with our commitment to the NZAM initiative, we also prioritise the reduction of climate-related adverse impacts. Our objective is to align our investments with the goals outlined in the Paris Agreement. This entails reducing the carbon footprint of our investments by focusing on PAIs 1 to 3 of Table 1.

Additionally, we indirectly address other adverse impacts by assessing issuers' management of ESG material issues and potential controversies.

Finally, some PAIs have, for now, lesser priority, due notably to the limited coverage and/or poor quality of data available: This includes for instance the unadjusted gender pay gap, for which more disclosures by companies would be needed.

The two PAIs of Table 1 on the sovereign and supranational side are in line with our priorities. PAI 15 for sovereign and supranational covers the GHG intensity of investee countries, which will be important to measure and seek to mitigate as part of our NZ commitment. PAI 16 for sovereign and supranational is in line with our efforts of limiting investment in countries subject to social violations through ESG research and scoring.

When selecting additional PAIs from Table 2 and Table 3, similar principals applied as we took into account the following aspects:

- whether a PAI was applicable to the majority of issuers or only to certain sectors
- whether the information was available (there are still many PAI in Table 2 and 3 for which the information is not widely available and where data quality is limited)

On this basis, we chose to focus on PAI 7 in Table 2 (companies without water management policies) and PAI 9 in Table 3 (companies without a human rights policy) for their good coverage and their universal reach across investment universes.

The process above is in line with UBP's Responsible Investment policy, which has been validated by the Responsible Investing Committee (RICO) and approved by the Executive Committee of UBP S.A.. The choice of additional PAI, was validated by the RICO and approved by the Board of UBP Asset Management (Europe) S.A. as well as by the *Comité de Direction* of its subsidiary, UBP Asset Management (France).

As fund management companies, these entities delegate the responsibility of the implementation of those policies to the Responsible Investment team of the asset management division of UBP and to the Investment Managers of the funds and mandates on which they have oversight.

Given the wide range of issuers (per geography, market cap…), we use primarily data from third party providers. These providers use data reported by companies themselves, where available and where they believe they can trust the information provided. Still, corporate and sovereign disclosure varies by sector, geography and indicator. As a result, third-party data might be based on estimations, when no direct data is available.

UBP conducted an in-depth assessment of ESG data providers focusing on data quality and methodologies for measuring or estimating PAIs. We selected two well recognised ESG providers: Sustainalytics and MSCI as our primary source of PAI information. Additional sources may be added, subject to quality checks, including data sourced directly from issuers (either in public reports or through direct engagement). Data and methodologies are also subject to quality checks over time and engagement with the providers is initiated whenever inconsistencies/errors are identified. The proportion of estimated data is expected to decrease over time as greater data disclosure regulations come into force.

Engagement policies

Engagement is carried out through direct or collaborative means. Direct engagement is determined by investment teams and is based on the materiality of specific issues for sectors or companies. Its primary purpose is to support ESG analysis, inform investment decisions as well as encourage issuers to adopt better ESG practices.

UBP has also established a set of priorities for collaborative engagement, directly linked to mitigating Principal Adverse Impacts (PAIs). These priorities include:

1) Respect for international norms and conventions:

Engaging with companies that violate international norms, in collaboration with Sustainalytics.

2) Support for the Paris Agreement:

Engaging with companies that lack science-based climate reduction targets, as part of the CDP SBT campaign.

3) Enhancing environmental footprint disclosure:

Engaging with companies that fail to disclose their environmental footprint, addressing climate, forest, and water-related disclosures within the framework of the CDP's annual Non-Disclosure Campaign.

Furthermore, UBP actively participates in ad-hoc collaborative engagements, such as FAIRR on Sustainable Aquaculture or the UN PRI Sustainable Commodities Practitioners' Group. These initiatives can contribute to limit the potential adverse environmental impact associated with investee companies.

As an active owner, UBPAM also seeks to address the negative impacts of its equity investments through voting. Our voting policy is aligned with the “Sustainability Voting Policy of our proxy voting agent, Institutional Shareholer services (ISS). This policy includes recommendations to withhold votes or vote against directors, committees, or even the entire board in cases where a company fails to effectively manage or mitigate ESG risks, including those related to climate change. Moreover, we generally support ESG shareholder proposals that advocate for enhanced transparency, adherence to internationally recognized standards and principles, or the reduction of greenhouse gas (GHG) emissions.

Regular reviews of engagement progress are conducted by investment teams, which may result in escalation over time if a company does not demonstrate improvements in its ESG business practices or fails to establish effective strategies to mitigate its negative impacts. Various escalation methods may be used, such as sending formal letters, requesting additional meetings. If all attempts at engagement prove unsuccessful, these may ultimately result in a decrease in exposure to the company or complete divestment.

UBP’s engagement and voting reports are published yearly on our website.

Reference to international standards

UBPAM is a fully owned subsidiary of UBP S.A. which adheres to various international standards and initiatives dedicated to promoting sustainability. Below, we outline specific initiatives directly related to mitigating the principal adverse impacts of our investments. A comprehensive list of our involvements is included in our Responsible Investment Policy.

Since 2012, UBP has been a signatory of the UN Principles for Responsible Investment, demonstrating our commitment to responsible investment practices. Additionally, since 2020, UBP has been a signatory of the UN Global Compact, adhering to responsible business conduct principles and internationally recognized standards for due diligence and reporting.

The principles of the UN Global Compact are derived from several international conventions and guidelines, which are relevant to addressing principle adverse impacts, including potential violations of international norms. Notably:

- The first two principles, which pertain to respecting human rights and avoiding complicity in human rights abuses, are directly influenced by the UN Declaration of Human Rights.
- The third, fourth, fifth, and sixth principles, addressing labour standards, are influenced by International Labor Organization (ILO) standards.
- The seventh, eighth, and ninth principles, focusing on environmental issues, are influenced by the Rio Declaration on Environment and Development.
- The tenth principle, combating corruption, is based on the UN Convention Against Corruption.
- The UN Guiding Principles on Business and Human Rights inform the interpretation and implementation of the Global Compact's principles on human rights.

The OECD Guidelines for Multinational Enterprises cover various areas such as employment, human rights, environment, information disclosure, anti-corruption, and more. These guidelines also shape the UN Global Compact's principles, particularly those related to anti-corruption, environment, and labour.

UBP is also a signatory of the Finance for Biodiversity Pledge and actively participates in various initiatives aimed at addressing the potential adverse impacts of investments on Nature Capital. These include the Task Force on Nature-related Financial Disclosures Forum and FAIRR (Farm Animal Investment Risk & Return) initiative.

Finally, as a responsible investment manager, we strongly support the Paris Agreement and recognize the crucial role of financial institutions in facilitating the transition to a low-carbon economy. In alignment with this commitment, UBPAM joined the Net Zero Asset Management Initiative and publicly disclosed its emission reduction targets in early 2023. Our emission reduction targets are based on the P2 illustrative pathway from IPCC 1.5°C scenario. In line with the pathway, we set a target of 50% reduction of the weighted average carbon intensity of our investments by 2030 and net zero by 2050.

Measuring the climate footprint of our investments is an important step in trying to mitigate their potential adverse impact. As a supporter of the Task Force on Climate-related Financial Disclosures, UBP discloses climate metrics annually, as part of its Sustainability and TCFD report. These metrics include the greenhouse gas emissions of the investments of UBP's asset management division, their carbon footprint and intensity, as well as forward-looking metrics, based on climate scenarios. This allows us to assess climate transition and physical risks as well as the degree of alignment of our portfolios with the Paris Agreement, through a Temperature score. To calculate these metrics, we rely on ISS ESG.

To determine the warming potential associated with a portfolio, ISS ESG uses scenario alignment analysis, which compares current and future portfolio GHG emissions with the carbon budgets of the IEA Sustainable Development Scenario (SDS). This scenario is aligned with the Paris Agreement, which aims to limit the rise in global temperatures to "well below 2°C while pursuing efforts to limit it to 1.5°C.

Our analysis covers corporate bonds and equities for now, in line with the recommendations of the Partnership for Carbon Accounting Financials (PCAF). We will extend to other asset classes when data and methodology standards are developed.

Considering the combined portfolio of UBP Asset Management (Europe) S.A. and UBP Asset Management (France), corporate bonds and equities represent 58% of the total portfolio. At the end of 2022, these holdings had a potential temperature increase of 2.3°C by 2050. While not aligned yet with a well below 2°C scenario, this temperature already shows improvement compared to the potential temperature increase of global equities as measured by MSCI All Countries World Index (2.8°C) and of global corporate bonds as measured by Barclays Global Aggregate Corporate Bond Index (2.7°C), thanks to the increasing share of low carbon and impact strategies in our portfolios.

Historical comparison

This is UBPAM's inaugural PAI report and, therefore no historical data is available for comparison.

This consolidated information has been issued by UBP Asset Management (Europe) S.A. S.A., a Management Company authorised under Chapter 15 of the Law of 17 December 2010 relating to undertakings for collective investment (the “2010 Law”) and an Alternative Investment Fund Manager authorised under the Law of 12 July 2013 (the “AIFM Law”), which manages undertakings for collective investment subject to Part I of the 2010 law and other types of funds which qualify as alternative investment funds. 287-289, route d’Arlon P.O. Box 79 1150 Luxembourg T +352 228 007-1 F +352 228 007 221 and includes its subsidiary, namely UBP Asset Management (France), a Management Company licensed by the French Autorité des Marchés Financiers, - licence n° AMF GP98041; 116, av. des Champs Elysées l 75008 Paris, France T +33 1 75 77 80 80 Fax +33 1 44 50 16 19 www.ubpamfrance.com