



# IMPLEMENTING SHAREHOLDER RIGHTS DIRECTIVE II

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## Introduction

Union Bancaire Privée, UBP SA (“UBP”)’s commitment to **Responsible Investing** for our clients led us to become a signatory of the United Nations Principles for Responsible Investment (UN PRI) in March 2012. Since then, the world of responsible investment has evolved substantially, as has our approach.

As part of our continued pledge to upholding the principles of the UN PRI, in 2018 we both expanded and enhanced our Responsible Investment (RI) Policy to provide a robust foundation across the full range of our products and mandates within the Bank.

The financial rationale is clear – that a comprehensive approach to ESG considerations can support both risk management and alpha-generation. However, we are also firmly of the view that finance has a key role to play in creating a sustainable economy.

In order to best accomplish our fiduciary duty, and as a signatory to the UN PRI since March 2012, UBP is committed to integrating ESG considerations into its investment activities. To this end, UBP first implemented its Responsible Investment Policy in 2014, further extending its governance, scope and practices as of 2018.

To foster discussions on ESG matters with different **stakeholders**, UBP has partnered with an array of initiatives, associations and academia, including Cambridge Institute for Sustainability Leadership’s Investment Leaders Group, Swiss Sustainable Finance, FAIRR and GIIN. UBP is also a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).

This policy describes how UBP:

1. Monitors European companies including strategy, financial and non-financial performance as well as risk, capital structure, social and environmental impact and corporate governance,
2. dialogue with the investees companies and collaborative engagement
3. Exercises Voting Rights
4. Manages actual or potential conflicts of interest in relation to their commitment.

With regards to institutional mandates and dedicated funds, a contractual provision on the alignment of long-term interests of the Institutional Investor (as defined per Shareholder Rights Directive II) will be enhanced stating that, unless otherwise specified, UBP will apply its own Internal policy on engagement and voting.

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## 1. Monitoring of Investee Companies

UBP's investment teams are responsible for the day-to-day implementation of the Responsible Investing (RI) Policy, as well as for integrating ESG considerations into their investment processes.

UBP's investment teams are encouraged to assess ESG factors as part of their research and security selection processes as well as an ongoing systematic assessment of portfolio holdings and candidates for investment.

Their decisions and recommendations are based on analytical work which includes ESG issues where appropriate, in the sense that such issues could be detrimental to a company's, or indeed a sector's or a country's, growth prospects. For those ESG issues, they rely on the information they collect from the companies they are analysing (including companies' due diligence reports, management meeting minutes, annual and sustainability reports), brokers, rating agencies and data vendors, supplemented by the information provided by third-party specialist research providers.

Each team is able to develop its own sustainability approach, which best fits their asset class, ranging from research to portfolio construction or direct engagement.

With regards to listed companies in the European Union (EU), the European Economic Area (EEA) and the UK, and in light of the EU Shareholder Rights Directive II (SRD II), Equity investment teams consider issuers' ESG credentials as an integral part of their decision process alongside more traditional financial metrics, and engage where necessary with investee companies.

UBP's Responsible Investment Policy is available [here](#).

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## 2. Dialogue with the investees companies and Collaborative Engagement

Being an active investor, engagement is part of UBP's fundamental approach to the investment process. UBP believes that combining forces with **other investors** when engaging with companies will increase its impact in influencing behaviour or increasing disclosure of such companies. Moreover, UBP sees engagement as a tool for a long-term active ownership process based on the assumption that changes in business drive positive changes in corporate value.

To maximise the influence of its engagement activities, UBP has teamed up with a third-party engagement service provider, Sustainalytics<sup>1</sup>. This partnership is essential in facilitating the implementation of our RI Policy and achieving durable change in the selected companies.

While most engagement programmes are carried out by Sustainalytics, UBP's **investment teams are encouraged** to engage formally or informally, as well as collaboratively, on relevant matters with the management of companies in the course of their fundamental research.

Finally, collaborative engagement can also be undertaken via the UN PRI platform at the initiative of the RICO or investment teams.

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<sup>1</sup> <https://stewardship.sustainalytics.com/>. UBP originally used Global Engagement Services which was acquired by Sustainalytics in January 2019.

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### 3. Exercising Voting Rights

UBP believes that voting rights enable investors to preserve long-term economic value through the promotion of corporate governance and sustainable best practices. Proxy voting is applicable across our equity funds<sup>2</sup> and - upon request from clients - to their dedicated mandates. Our voting policy aims to achieve two primary objectives:

- To act in the best financial interests in order to enhance the long-term shareholder value, and
- To promote best ESG practices.

As general principles, voting rights are exercised with a view to:

- Support and empower effective boards of directors that:
  - ▶ Feature the skills and understanding to review and challenge management performance,
  - ▶ Are of adequate size,
  - ▶ Demonstrate an appropriate degree of independence and commitment.
- Support appropriate governance by management bodies (responsibility, accountability, etc.). Such governance must be clearly defined and made public to ensure transparency for all stakeholders.
- Favour remuneration policies that are commensurate with long-term shareholder value.
- Promote business practices mindful of environmental, social or corporate governance issues, in line with the UN PRI principles.

These guidelines focus on long-term economic value preservation through the promotion of corporate governance best practices.

UBP's voting policy is accessible [here](#).

UBP maintains a comprehensive record of its ESG engagements, votes cast and the reasons for voting against management or abstaining.

### Reports

More details on our voting activity will be published annually on our website and are also available upon request.

In addition and according to clients' needs and regulatory requirements, UBP is able to produce reports with specific instructions, restrictions and extra-financial data (e.g. carbon footprint, ESG quality score Proxy Advisor

### Proxy advisors

UBP has decided to exercise voting rights through an industry leading third-party voting service provider, ISS. ISS offers global coverage of the securities markets and provides us with accurate information regarding investee companies, including the agenda of the meetings and all the research material needed to assess the items to be voted upon. It offers a central hub for managing all the votes and providing operational, record keeping and reporting services.

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### 4. Managing Conflict of interest

Our engagement and voting activities are designed to promote and protect the interests of our clients as investors. We are aware that real and potential conflicts of interest may arise in connection with these engagement and voting activities. We have adopted policies, procedures to identify, prevent and manage such conflicts. Among them, the voting policy and the directive for handling conflicts of interest

UBP's conflict of interest policy is accessible [here](#).

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<sup>2</sup> For practical reasons, funds under EUR15 million in assets are excluded from scope.