

# TRANSPARENCY CODE

UBAM – Positive Impact Emerging Equity

April 2021



GROUPE UNION BANCAIRE PRIVÉE

**SRI Transparency Code:**

“The present Transparency Code is an adaptation for France of the European Transparency Code which was devised and approved by the French Asset Management Association (*Association Française de la Gestion financière*, AFG), the French Social Investment Forum (SIF) and the European Sustainable Investment Forum (Eurosif) at their board meetings held on 13 December 2012, 20 December 2012 and 3 October 2012, respectively. All SRI funds open to the public and managed by companies that are members of the AFG or SIF must abide by this Code.”

**Declaration of engagement:**

Socially responsible investment is an essential part of the strategic positioning and management of the UBAM – Positive Impact Emerging Equity fund. The fund is managed by UBP SA’s Emerging Equity team, which is based in London. Our approach relies in the first instance on our proprietary process that enables us to identify those companies which have a positive environmental or societal impact, and which have sound environmental, social and governance (ESG) practices. As a responsible investor, we round off our ESG approach by actively exercising our voting rights and by engaging directly with the companies in which we invest.

Our overall response to the SRI Transparency Code can be found below, as well as on UBP’s website.

**Conformity with the transparency code:**

UBP is committed to being as transparent as possible given the regulatory and competitive environment in the countries in which it operates.

The UBAM – Positive Impact Emerging Equity fund respects all of the Code’s recommendations.

**Date of publication: April 2021**

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## 1) List of funds covered by the Code

- ◆ **Fund:** UBAM – Positive Impact Emerging Equity, UCITS – SICAV Luxembourg structure
- ◆ Inception date of the fund: 7 May 2020
- ◆ Dominant SRI strategy: thematic, impact investing
- ◆ Additional SRI strategy: exclusion and engagement
- ◆ Asset class: emerging equities, actively managed
- ◆ Exclusions (revenue thresholds may apply):
  - Controversial weapons
  - Conventional and nuclear weapons
  - Gambling
  - Production of pornography
  - Weapons
  - Tobacco
  - Thermal coal
  - Unconventional oil & gas
  - UN Global Compact
  - Others: conventional oil & gas, coal-fired electricity
- ◆ AUM as at 31 March 2021: USD 149 million

### Links to additional documents

- [KIID](#)
- [Prospectus](#)
- [Product Card](#)
- [Quarterly Comments](#)
- [Monthly Report](#)
- [Impact Report](#)

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## 2) General information about the fund management company

### 2.1 Name of the fund management company that manages the applicant fund.

Union Bancaire Privée, UBP SA, is a Swiss-incorporated *société anonyme* (a company limited by shares under Swiss law), specialising in wealth and asset management.

As at 31 December 2020, the Asset Management division of UBP had CHF 45 billion in assets under management across funds and segregated accounts.

UBP is headquartered in Geneva, Switzerland.

#### **Union Bancaire Privée, UBP SA**

Rue du Rhône 96–98  
PO Box 1320  
1211 Geneva 1  
Switzerland  
[www.ubp.com](http://www.ubp.com)

## 2.2 What are the Bank's track record and principles when it comes to integrating SRI into its processes?

As a signatory to the United Nations Principles for Responsible Investment (UN PRI) since March 2012, UBP is committed to integrating environmental, social and corporate governance (ESG) considerations into its investment activities. In 2018, UBP extended its existing ESG framework in both scope (now covering the majority of funds, selected mandates (in agreement with the client) as well as services provided to Private Banking through Discretionary Portfolio Management (DPM) and Advisory) and practices (reinforcing the Exclusion List while introducing a Watch List and a Sustainability Champions List).

Our belief in responsible investment stems from our following two public statements:

- ◆ “We apply our steadfast vision, our entrepreneurial spirit and our investment expertise to bring significant added value and long-term performance to our clients' wealth management activities.”
- ◆ “In an effort to raise client awareness about the challenges faced by society today, the Bank is committed to integrating and promoting environmental, social and corporate governance issues into its investment decisions.”

UBP works alongside several organisations, including Swiss Sustainable Finance and Sustainable Finance Geneva, and is a member of the Investment Leaders Group (a select network of pension funds, insurers and asset managers committed to advancing the practice of responsible investment facilitated by the University of Cambridge's Institute for Sustainable Leadership (CISL)).

### Principles

**Responsible investment** (RI) is an approach to investing that aims to incorporate ESG factors into investment decisions in order to better manage risk and generate sustainable, long-term returns.<sup>1</sup> UBP believes that companies with an appropriate management structure and the capability to manage and mitigate environmental and social risks are ultimately more likely to deliver long-term performance; consequently, ESG analyses and considerations, including active ownership, are assessed and incorporated throughout our investment processes.

To support our beliefs and as part of our commitment to responsible investing, UBP became a signatory to the UN PRI in March 2012.

The UN PRI is a global investor initiative that is designed to provide a framework for the better integration of ESG issues into mainstream investment practices. By signing up to the UN PRI, UBP demonstrates its commitment and determination to support the cause of socially responsible investing.

The six UN Principles for Responsible Investment are:

- ◆ To incorporate ESG issues into investment analyses and decision-making processes.
- ◆ To be active owners and incorporate ESG issues into our ownership policies and practices.
- ◆ To seek appropriate disclosure on ESG issues from the entities in which we invest.
- ◆ To promote acceptance and implementation of the principles within the investment industry.
- ◆ To work together to enhance our effectiveness in implementing the principles.
- ◆ To report on our activities and progress towards implementing the principles.

2012 was also the year in which UBP launched its first sustainable strategy: UBAM Convertibles Responsible SRI, a fund that has since been granted the French *Label ISR*, the Austrian Ecolabel and the Belgian Towards Sustainability Label.

In 2014, UBP implemented an exclusion list (originally limited to controversial weapons) and has since implemented active ownership, with proxy voting via ISS and engagement via GES (now Sustainalytics) across its equity and fixed-income strategies.

Since then, several investment centres, including the Emerging Equity team, which manages UBAM – Positive Impact Emerging Equity, have started to integrate ESG principles into their investment processes.

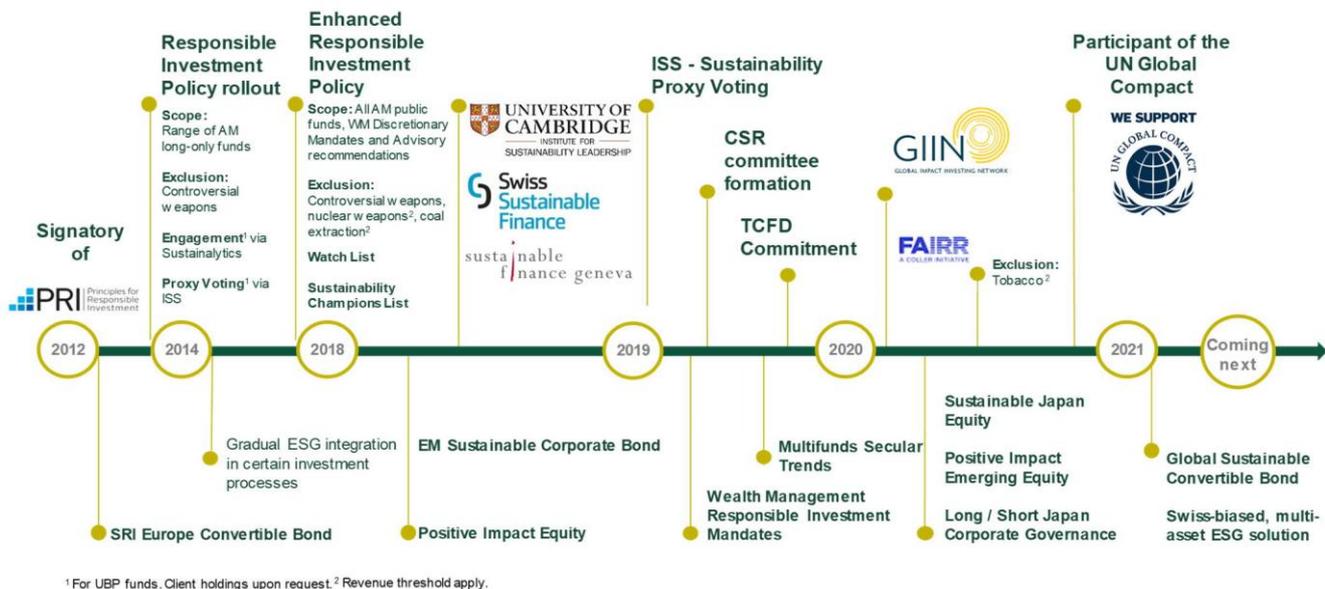
UBP accelerated its adoption of responsible investment in 2018, when, for instance, a watch list was set up and its Exclusion List was expanded to include coal in recognition of the fact that climate change was a material issue that UBP was keen to help address. This list applies to all UBP funds, as well as to the Bank's discretionary mandates and advisory offering (see below for further details).

In 2018 two new sustainable strategies were launched: UBAM – EM Sustainable High Grade Corporate Bond and UBAM – Positive Impact Equity.

<sup>1</sup> For further information please refer to <https://www.unpri.org/about/what-is-responsible-investment>

Since then, UBP has continued to strengthen its commitment, with, among other things, the adoption of the ISS Sustainability Proxy Voting policy, the development of a broader CSR policy, and the commitment to adopting the Task Force on Climate-Related Financial Disclosure's (TCFD) recommendations. UBP also became a participant of the UN Global Compact and a member of the GIIN.

UBAM Positive Impact Emerging Equity was launched in May 2020 and follows an approach similar to the first impact fund, with both investment teams working together as part of the Impact Platform.



UBP's sustainable investment webpages can be found [here](#).

### 2.3 How does the Bank formalise its sustainable investment process?

UBP's [responsible investment policy](#) is available on our website.

### 2.4 How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by the Bank?

UBP's responsible investment policy invokes the following practices:

- ◆ **The incorporation of ESG research and analysis** throughout our investment processes.
- ◆ **Negative screening** and the **promotion** of companies' adherence to and/or advancement of international environmental and social conventions (such as human rights, anti-corruption and labour rights). Resulting in:
  - ▶ an Exclusion List
  - ▶ a Watch List
  - ▶ a Sustainability Champions List
- ◆ **Continual engagement** with companies, with a particular focus on those deemed to be failing in ESG factors. By sharing the rationale behind our considerations with them, UBP encourages these companies to address these considerations.
- ◆ In order to act in the best long-term financial interests of our clients, UBP exercises the **voting rights** attached to its investments whenever possible; UBP adopts a principle of voting to promote business practices mindful of environmental, social and corporate governance issues, in line with the UN PRI.

#### Exclusion List

Sharing the view of many investors, UBP is categorically against the use of controversial weapons, as well as being acutely concerned by climate change as expressed via the 2014 Montreal Carbon Pledge and the 2015 Paris Agreement.

In addition, according to the World Health Organisation, tobacco is one of the biggest public health threats the world has ever faced, killing more than eight million people a year around the world. As a family-owned bank that puts sustainability and the needs of future generations at the heart of our development model, we believe that supporting the tobacco industry through our investments is simply no longer compatible with our objectives.

UBP therefore believes that some investments should be restricted and has put together an Exclusion List, applicable to all UBP-branded public funds and certificates, WM Discretionary Portfolio Management mandates, WM Advisory Services, as well as to institutional mandates in agreement with the client.

The list is updated on a quarterly basis using a third-party ESG database and supplemented by any additional companies that appear on the Belgian or Dutch regulators' exclusion lists, or that have been flagged by UBP's investment teams. This Exclusion List currently includes:

- companies that develop, manufacture or sell controversial weapons such as chemical and biological weapons, cluster munitions, landmines, incendiary weapons, blinding laser weapons and depleted uranium;
- companies which generate 5% or more of their revenues from nuclear weapons;
- companies which generate 20% or more of their revenues from thermal coal extraction;
- companies which produce tobacco and companies deriving 10% or more of their revenues from tobacco.

Additionally, and in line with UBP Group policy, securities under EU, HK, OFAC, Swiss, UK or UN sanctions are also excluded, as are investments in countries deemed to be "high risk" by the FATF, while any investments in other monitored jurisdictions, as set out by the FATF, are subject to prior due diligence and approval.

In order to ensure that the Exclusion List is adhered to, the List is encoded into the relevant portfolios' management systems. A second line of defence comes in the form of post-trade checks carried out by UBP's internal Group Risk Management team and by external fund administrators. Should a breach be detected, the relevant investment team is notified and required to correct the situation.

This Exclusion List defines the base-level exposure that UBP is willing to have to certain sectors/activities that are considered controversial and/or harmful. For other potentially controversial sectors/activities, UBP relies on ESG analysis, engagement and active ownership to be effective at improving poor ESG practices, while stricter restrictions are applied to our Sustainable and Impact product ranges.

### **Watch List**

UBP wants to be proactive when research suggests that companies' involvements in any ESG controversies represent a potential threat to their long-term forecasts.

The Watch List includes those companies "red-flagged" by MSCI ESG Research as being embroiled in controversies, such as not adhering to international norms and principles including the UN Global Compact and the ILO's Core Conventions.

The Watch List is not an exclusion list. Investment centres are challenged by the RICO (Responsible Investing Committee) and have to justify the inclusion of these stocks/issuers in their portfolios, as well as indicate engagement, if possible, with the company with the aim of improving its ESG practices.

### **Sustainability Champions List**

UBP's negative screening process is, in part, the recognition of the risks that poor ESG practices can present to an investment case, both financially and in terms of reputation. We believe that it is equally important to recognise the investment opportunities that good ESG practices can offer. Consequently, we have established a Bank-wide Sustainability Champions List.

Each investment centre is invited to include securities which they feel, either through their processes or end products, make a positive contribution to society and/or the environment. The UN's 17 Sustainable Development Goals<sup>2</sup> form the basis of this list, although it is the investment centres' bottom-up knowledge of their investment universe that is the ultimate determinant.

The resulting Sustainability Champions List is global and applies across asset classes; however, it does not make judgements on valuation, i.e. it does not constitute a direct investment recommendation. However, investment centres are encouraged, where appropriate, to consider this List in their investment decisions, and the percentage of AUM invested in companies from the Sustainability Champions List is monitored over time.

### **Engagement with companies**

<sup>2</sup> <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

Being an active investor, engagement is part of UBP's fundamental approach to the investment process. UBP believes that joining forces with other investors when engaging with companies will increase its impact by 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>3</sup>. Sustainalytics is a leading global engagement service provider specialising in collaborative engagement. This partnership is essential to facilitating the implementation of our responsible investment policy and to achieving long-lasting change in the selected companies.

When an investee company is flagged by Sustainalytics' screening process as having ESG issues, Sustainalytics contacts the company to seek additional information and to discuss potential and effective corrective actions that would protect and add value to the said investment. Engagement cases are selected on the basis of the results of continual qualitative screening, which can reveal reported breaches of international standards, sanctions issued by regional/national courts against companies and recognition of a company's responsibility in an incident.

UBP's externally-driven engagement process is as follows:

- ◆ in-scope portfolios and positions are regularly uploaded to Sustainalytics' secure web platform;
- ◆ upon identifying violation(s) of international norms by investee companies, Sustainalytics notifies UBP and places the company under observation;
- ◆ a detailed analysis is undertaken to prepare an engagement plan;
- ◆ continual shareholder engagement is entered into (some of them with official/public endorsement by UBP);
- ◆ steps to be taken – possibly including exclusion – are determined.

Investment centres, as well as other UBP staff dealing with responsible investing, have access to Sustainalytics' secured web platform. There is a continuous exchange between our investment professionals and Sustainalytics regarding specific questions about research provided by Sustainalytics and/or their methodology.

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

## Proxy voting

UBP believes that voting rights enable investors to preserve long-term economic value through the promotion of corporate governance best practice. Proxy voting can be applied to all our equity funds<sup>4</sup> and – at a client's request – to some dedicated mandates. Our voting policy aims to achieve two primary objectives:

- ◆ to act in shareholders' best financial interests in order to enhance long-term value, and;
- ◆ to promote ESG best practice.

UBP has decided to exercise voting rights through Institutional Shareholder Services<sup>5</sup> (ISS), an industry-leading third-party voting-service provider. ISS offers global coverage of the securities markets and provides us with accurate information on investee companies, including the agendas of meetings and all the research materials needed to assess the items to be voted upon. ISS offers a central hub for managing all the votes and providing operational, record-keeping and reporting services.

In practice, UBP can instruct ISS to vote on behalf of the funds or clients (for mandates) as per ISS's recommendations. Our portfolio managers can consult ISS recommendations and make their own decisions, under the supervision of the relevant fund management company (this involves a veto and a right of final decision), or according to client requirements in the case of mandates.

Generally, voting rights are exercised with a view to:

- ◆ supporting and empowering 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.

<sup>3</sup> <https://stewardship.sustainalytics.com/>. UBP originally used Global Engagement Services which was acquired by Sustainalytics in January 2019.

<sup>4</sup> For practical reasons, funds under USD 15 million in assets under management are excluded from scope.

<sup>5</sup> <https://www.issgovernance.com/>

- ◆ supporting appropriate governance by management bodies (such as responsibility and accountability). Such governance must be clearly defined and made public to ensure transparency for all stakeholders.
- ◆ favouring remuneration policies that are commensurate with long-term shareholder value.
- ◆ promoting business practices mindful of environmental, social and corporate governance issues, in line with the UN PRI.

These guidelines focus on long-term economic value preservation through the promotion of corporate governance best practice. UBP has subscribed to ISS's "Sustainability" package which places an added emphasis on ESG when analysing these practices.

## Climate

As a signatory of the UN PRI, UBP is committed to comply with the Task Force for Climate-related Financial Disclosures (TCFD).

- ◆ **Governance:** climate-related issues come under the supervision of the Bank's Executive Committee, and are addressed at RICO and CSR Committee levels.
- ◆ **Strategy:** UBP is committed to:
  - measuring and reducing its own carbon footprint. This is done under the supervision of the CSR committee. As of 2021, we will offset our carbon footprint and we plan to reduce it by 25% by the end of 2025, and;
  - measuring and reducing the carbon footprint of its portfolios, and developing a low-carbon offering.
- ◆ **Metrics and targets:** reporting on funds' weighted average carbon intensity is gradually being rolled out. The measurement of funds' compliance with EU taxonomy will be implemented for our sustainable fund range, starting in 2022.
- ◆ **Risk management:** the use of climate scenarios and climate risk management has already begun for some of our sustainable and impact strategies and will be extended further to other strategies.

In addition to UBP's responsible investment policy, each investment centre is responsible for developing its own processes to integrate ESG/impact considerations into security selection, with, where needed, the help of the RICO members. To do so, the teams can rely on their own ESG analysis/direct engagement, as well as on data/analysis provided by our third-party providers, including MSCI ESG Research (who provide, among other things, ESG ratings, carbon metrics and impact metrics), Sustainalytics (for engagement) and ISS (for proxy voting).

### 2.5 Which teams are directly involved in the Bank's sustainable investment activity?

Since early 2021, UBP's approach to responsible investment (RI) has come under the direct supervision of the Executive Committee (ExCo) and is implemented by the RICO. Our RI policy clearly defines those responsibilities associated with its implementation and empowers its governance.

#### UBP's Executive Committee (ExCo)

UBP's Executive Committee is charged with designing and driving our responsible investment policy and corporate social responsibility practices. To that end, the ExCo has set out ten sustainability KPIs, which are regularly monitored.

Implementation of our sustainability policies is carried out by two committees, which report to the ExCo: the Responsible Investing Committee (RICO) and the Corporate and Social Responsibility Committee (CSRCO).

#### Responsible Investing Committee (RICO)

The ExCo is supported in its responsibilities by the Responsible Investing Committee (RICO).

The RICO is chaired by the Heads of Responsible Investment of the Asset Management and Wealth Management divisions. It is composed of representatives from UBP's investment teams, institutional sales, UBP Asset Management (Europe) S.A. (the management company of UBP's Luxembourg-domiciled funds), Wealth Management's dedicated investment services and Risks & Compliance. The RICO reports directly to the ExCo.

The RICO's responsibilities are to:

- maintain and monitor the Exclusion List, Watch List and curate the Sustainability Champions List;
- support investment and sales teams in all responsible investment matters, such as investment processes, new products and client requirements;
- drive the implementation of UBP's climate strategy in portfolios' investments;

- filter new developments in ESG and disseminate these to investment teams;
- review and coordinate engagement activities;
- support new product development;
- make proposals to the ExCo on strategic development.

The RICO convenes at least three times a year, or more frequently if required.

### **Investment centres**

UBP's investment teams are responsible for the day-to-day implementation of the responsible investment policy, as well as for integrating ESG considerations into their investment processes. 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.

In particular, as regards listed companies in the European Union (EU), the European Economic Area (EEA) and the UK, and in light of the EU's Shareholder Rights Directive 2 (SRD2), equity investment teams consider issuers' ESG credentials as an integral part of their decision-making process alongside more traditional financial metrics, and engage where necessary with investee companies.

Each investment team nominates a responsible investment point person. The point person is responsible for circulating information from the RICO to their investment team, while also informing the RICO of engagement with companies, proxy voting decisions if contrary to the recommendations (see below) and the justification of any investment in holdings that appear on the Watch List.

### **2.6 How many SRI analysts and portfolio managers are there?**

As mentioned above, there is no central team of SRI analysts and portfolio managers; each investment team has appointed at least one person to be in charge of sustainability issues.

### **2.7 Is the Bank involved in any responsible investment initiatives?**

In order to tackle the world's biggest challenges, governments, investors, the corporate world and the financial sector must all work together. Accordingly, UBP has partnered with, is a signatory to, or supports an array of initiatives, associations and academia.

#### **United Nations Principles for Responsible Investing (UN PRI)**

UBP has been a signatory to the UN PRI since March 2012. The UN PRI is a United Nations-supported international network of investors working together to implement its six aspirational principles. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices. In implementing these principles, signatories contribute to the development of a more sustainable global financial system.

<https://www.unpri.org/>

#### **United Nations Global Compact (UN GC)**

In September 2020, UBP joined the UN GC, the world's largest corporate sustainability initiative. UBP's Letter of Commitment is available at <https://www.unglobalcompact.org/what-is-gc/participants/141307>

<https://www.unglobalcompact.org/>

#### **Task Force on Climate-related Financial Disclosures (TCFD)**

UBP is a supporter of the TCFD. The TCFD will develop voluntary, consistent climate-related financial-risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

<https://www.fsb-tcfid.org/about/>

#### **Cambridge Institute for Sustainability Leadership's Investment Leaders Group**

Since February 2018, UBP has collaborated with the Cambridge Institute for Sustainability Leadership (CISL) as a partner of the exclusive Investment Leaders Group (ILG). The ILG is a global network of pension funds, insurers and asset managers, with over USD 12 trillion in assets under management and advice, and is committed to advancing the practice of responsible

investment. It is a voluntary initiative, driven by its members, facilitated by the CISL, and supported by academics at the University of Cambridge.

The ILG's vision is an investment chain in which economic, social and environmental sustainability are delivered as an outcome of the investment process as investors work on generating robust, long-term returns.

<https://www.cisl.cam.ac.uk/business-action/sustainable-finance/investment-leaders-group>

### **Global Impact Investing Network (GIIN)**

In June 2020, UBP became a member of the GIIN. By convening impact investors to facilitate knowledge exchange, highlighting innovative investment approaches, building the evidence base for the industry, and producing valuable tools and resources, the GIIN seeks to accelerate the industry's development through focused leadership and collective action.

<https://thegiin.org/>

### **Farm Animal Investment Risk & Return (FAIRR)**

In February 2020, UBP became a network member of FAIRR initiative. FAIRR's mission is to build a global network of investors who are focused and engaged on the risks associated with intensive animal production within the broader food system. It helps investors to exercise their influence as responsible stewards of capital to engage and safeguard the long-term value of their investment portfolios. FAIRR helps investors to identify and prioritise risk factors through cutting-edge research that investors can then integrate into their investment decision-making and active stewardship processes.

<https://www.fairr.org/>

### **Swiss Sustainable Finance**

In October 2018, UBP became a member of Swiss Sustainable Finance (SSF). SSF's mission is to strengthen the position of Switzerland in the global marketplace for sustainable finance by informing, educating and catalysing growth.

<https://www.sustainablefinance.ch/en>

### **Sustainable Finance Geneva**

In April 2018, UBP became a member of Sustainable Finance Geneva (SFG), an association that is renowned as a key global platform in sustainable finance in French-speaking Switzerland. SFG enables all stakeholders to engage and dialogue with each other, and is committed to promoting Geneva as a financial centre. Sustainable Finance Geneva is a Network partner to SSF.

<https://www.sfgeneva.org/>

### **Pensions for Purpose**

In May 2019, UBP became an Influencer Member for Pensions for Purpose. Pensions for Purpose was set up by a pension consultant from MJ Hudson as an impact thought leadership platform for UK institutional investors.

<https://www.pensionsforpurpose.com/>

### **The Big Exchange**

In June 2019, UBP became a founding member of The Big Exchange, a UK-based, mission-led, mobile-first financial services proposition which will open up investing and saving to everyone.

<https://bigexchange.com/>

## **2.8 How much in SRI assets does the Bank manage?**

- All UBP funds comply with UBP's responsible investment policy, which includes exclusion/engagement and proxy voting. In addition to this, some mandates also come under our responsible investment policy, subject to clients' consent. The total is approximately EUR 30 billion out of EUR 40 billion.
- The range of funds with different degrees of stricter sustainability requirements (ESG/impact) totalled EUR 5 billion as at March 2021.

## **2.9 What is the percentage of SRI assets compared with the total assets under the Bank's management?**

Total AUM covered by UBP's responsible investment policy (or equivalent) are currently 75% of the AUM of the Bank's Asset Management division as at March 2021.

Total AUM in stricter sustainable funds represent 12.5% of total funds managed (excluding funds of funds).

## 2.10 Which SRI funds does the Bank manage?

Funds with strict ESG/Impact objectives:

- UBAM – Positive Impact Equity – Article 9<sup>6</sup>
- UBAM – Positive Impact Emerging Equity – Article 9<sup>7</sup>
- UBAM – EM Sustainable Corporate Bond – Article 8
- UBAM – Global Sustainable Convertible Bond – Article 8
- UBAM – SNAM Japan Equity Value – Article 8

The above funds have dual objectives, in terms of both financial performance and sustainability. They also comply with stricter exclusion rules than UBP's Exclusion List which applies to traditional funds. For instance, these funds exclude, among other business activities, tobacco (5% threshold), weapons manufacturers (10% threshold), unconventional oil & gas (10% threshold), and coal-fired electricity (10% threshold in developed markets and 20% threshold in emerging markets). They also have normative exclusions (e.g. breach of the UN Global Compact, FATF high-risk and other jurisdictions).

Funds with significant ESG Integration:

- UBAM – 30 Global Leaders Equity (low carbon global equity strategy – Article 8
- UBAM – Swiss Equity – Article 8
- UBAM – Swiss Small and Mid Cap – Article 8
- UBAM – Bell Global SMID Cap Equity
- UBAM – Europe Small Cap Equity
- UBAM – Multifunds Secular Trends (thematic)
- U Access – Long Short Japan Corporate Governance (thematic)

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<sup>6</sup> The classification of the fund(s) as per the Sustainable Finance Disclosure Regulation (SFDR) is available on [ubp.com](http://ubp.com) or in the latest prospectus.

<sup>7</sup> The classification of the fund(s) as per the Sustainable Finance Disclosure Regulation (SFDR) is available on [ubp.com](http://ubp.com) or in the latest prospectus.

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### 3) General information about the SRI fund(s) that come under the scope of the Code 6

- ◆ Fund: UBAM – Positive Impact Emerging Equity, UCITS – SICAV Luxembourg structure
- ◆ Inception date of the fund: 7 May 2020
- ◆ SRI strategies followed:
  - *Focus on positive impact companies in emerging markets*
  - *Normative and business involvement exclusion*
  - *Integration of ESG factors into financial analysis*
  - *Engagement and voting on sustainability matters*

#### 3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

UBAM Positive Impact Emerging Equity invests in emerging markets, with the flexibility to invest in companies listed in developed markets but with more than 50% of their assets or revenues coming from emerging markets. It has a stated goal of achieving both financial and non-financial returns for its investors. The assessment of impact credentials and the integration of ESG factors allow the fund managers to select companies which generate a positive environmental or social impact through their revenue streams (complemented by their robust operational characteristics, e.g. a strong ESG profile).

Taking into account the impact and ESG characteristics of our investments will help the portfolio managers to reduce the risks associated to poor ESG management, and capture some of the opportunities provided by the themes represented in the fund. As the world continues to invest towards the UN SDGs, we expect our portfolio companies to benefit from favourable regulation and growing end-markets. We hope this will prove beneficial for the risk-adjusted returns over the cycle.

#### 3.2. What internal or external resources are used for ESG evaluations of the issuers who make up the investment universe of the fund(s)?

The fund managers have created a proprietary model – the IMAP system – to assess the impact intensity of a candidate company in the potential investment universe (see section 3.5 for details). This model relies on data derived directly from the company, either from sustainability/other reporting and/or from corporate engagement. This bilateral engagement is a critical tool for the evaluation of both ESG and impact.

The fund also draws on external expertise, with the MSCI ESG Research platform, RepRisk, ISS proxy voting and Sustainalytics' engagement platform all forming an important part of the investment approach.

#### 3.3. What ESG criteria are taken into account by the fund(s)?

When assessing impact criteria, the fund uses the United Nations Sustainable Development Goals as a blueprint. The fund aims to invest in the themes behind the first fifteen SDGs and so, to a greater or lesser extent, all of these criteria are taken into account.

The fund assesses environmental, social and governance issues. The emphasis placed on these issues is tilted according to which industry or sub-sector is being assessed, e.g. for publishing and finance, governance is scrutinised with particular emphasis.

Typically, the fund applies the methodology put forward by MSCI's ESG: for environment, the key criteria are toxic emissions, CO<sub>2</sub>, waste and water; for social, labour management, privacy and product safety; for governance, corruption, instability, corporate governance and board structure.

The Impact Engagement Framework was developed at the end of 2019 and is a key evolution in the team's approach to ESG. It takes the form of an annual questionnaire, which, rather than simply being sent out to companies, is an interactive process where the managers engage with us.

UBP's Impact Engagement Framework is our solution to a stronger and more homogenous engagement practice. It combines twelve points of discussion which explore relevant positive impact and ESG areas: five are quantitative and seven are qualitative, making it a powerful and extensive (covering the "E", "S" and "G" elements), although not exhaustive, tool.

The twelve points of discussion are as follows:

1. Strength of the sustainability strategy
2. Presence of a chief sustainability officer
3. Inclusion of sustainable indicators to calculate remuneration

4. Non-financial challenge/benefit
5. Impact KPI & LCA
6. Greenhouse gas emissions
7. Biodiversity & natural capital
8. Industry initiatives
9. Diversity
10. Charitable projects
11. Controversies
12. Reporting standards (GRI, TCFD, SBTi)

### 3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?

The fund's philosophy is to invest in companies which make a positive contribution to society and/or the environment, making climate change a priority for the investment process. The fund approaches investments via six themes. Three of these themes have an environmental focus and aim to address UN SDGs 7, 11, 12, 13 and 14 (see below). In particular, one of the themes is "Climate Stability", which focuses on UN SDGs 7 and 13. This means that climate change is embedded into the stock-selection decisions.

In addition, the fund adheres to an exclusion list which prohibits investment in the following sectors:

- ◆ Thermal coal extraction (0% tolerance)
- ◆ Electricity utilities with a carbon intensity limit of 393g CO<sub>2</sub>/kWh
- ◆ Unconventional oil & gas extraction (0% tolerance)
- ◆ Conventional oil & gas (maximum 30% revenues)

Last, through the fund managers' engagement activities, the question of climate change and a company's efforts to reduce its own carbon footprint, is raised regularly, reported on and, if necessary, followed up.

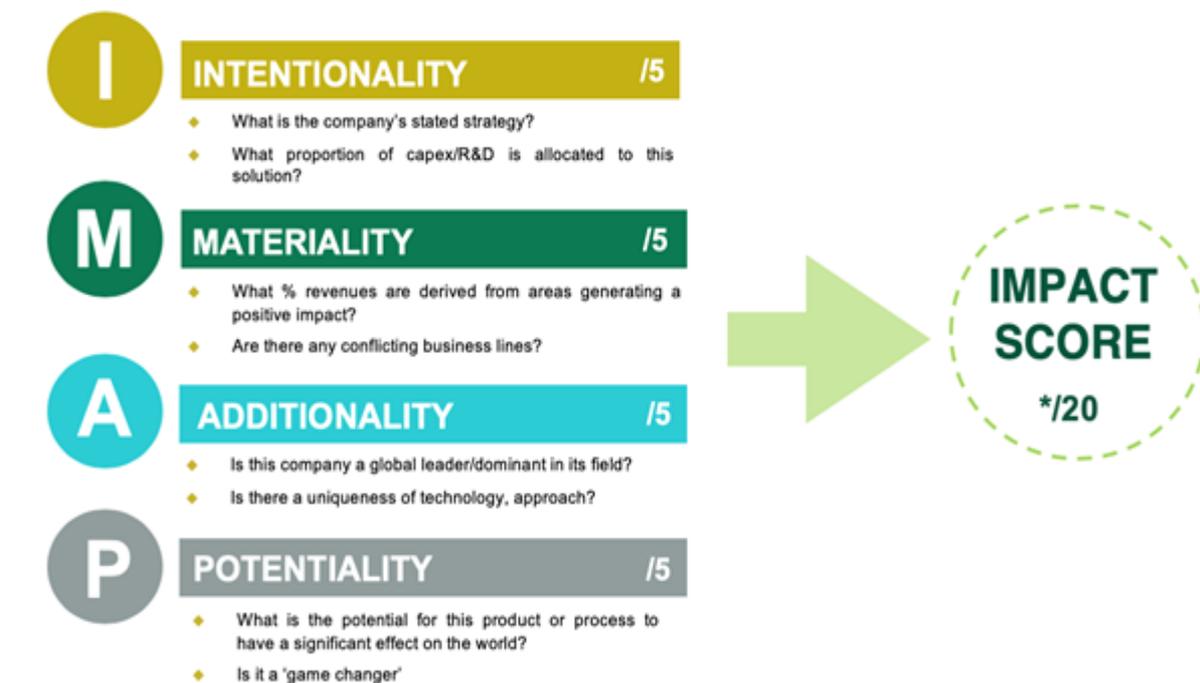
## Investment Process – UN SDGs mapped to investment themes

THE UN GOAL	THE UBP THEME	42 PORTFOLIO HOLDINGS	% FUND
   	BASIC NEEDS	9	16.6%
 	HEALTH & WELL-BEING	5	10.3%
  	INCLUSIVE & FAIR ECONOMIES	6	17.9%
 	HEALTHY ECOSYSTEMS	1	0.8%
 	CLIMATE STABILITY	11	25.2%
 	SUSTAINABLE COMMUNITIES	10	22.3%

Source: UBP, as at 31 March 2021

### 3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

As a positive impact fund, the methodology for building the investment universe and selecting stocks places a strong emphasis on the UN SDGs. The fund managers have built a proprietary model (the IMAP system) which assesses the impact intensity of a candidate company and attributes an overall score to that company. A candidate must score a minimum of 12/20 to progress to the next stage of assessment (ESG and financial analysis).



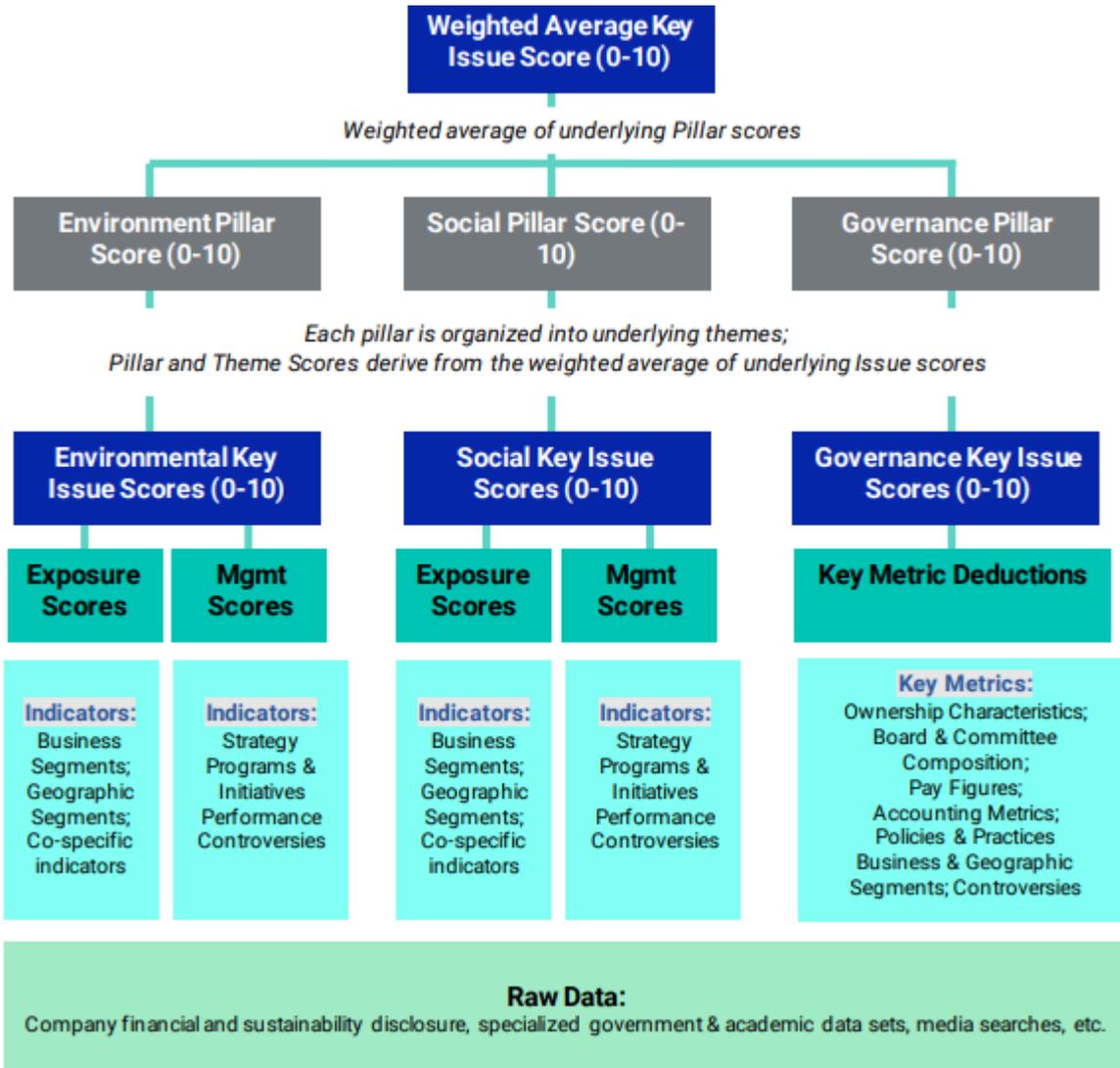
When examining ESG criteria, beyond the preliminary checks to ensure that there are no controversies and the company has generally good ESG credentials, the assessment for inclusion in the investment universe (assuming the impact criteria have been met) is based on whether the fund manager believes a fruitful engagement activity can take place, to improve any ESG aspects that are lacking.

The construction of the universe is therefore driven by positive inclusion, rather than exclusion. That is to say, through the six thematic lenses, the fund managers build a universe extracted from the benchmark (in this case, the MSCI Emerging Markets). This universe, built through adherence to the IMAP system and positive ESG credentials, is significantly smaller than the benchmark. The universe is composed of stocks in the MSCI Emerging Markets, to which are added all the stocks that the fund managers have researched in other regions that have the required exposure to emerging markets. This list of some 1,400 stocks is then narrowed down by the fund managers to a watch list of around 130 stocks, from which a fund of 35–45 names is formed. All screening and analyses are performed after the initial exclusion of names and sectors present on the exclusion list.

For ESG ratings, the companies with an unadjusted weighted average MSCI ESG score in the bottom 15% of the universe are excluded. The cut-off level to determine the bottom 15% of names is determined on a quarterly basis and updated in the portfolio management system until the next update. The level currently corresponds to a weighted average MSCI ESG score of 3.1 or below.

The MSCI score is constructed by evaluating how well the company is doing when dealing with its “key issues”, the set of challenges selected by MSCI and which depends on the sector and geography in which the company operates.

**MSCI: Weighted Average score methodology**

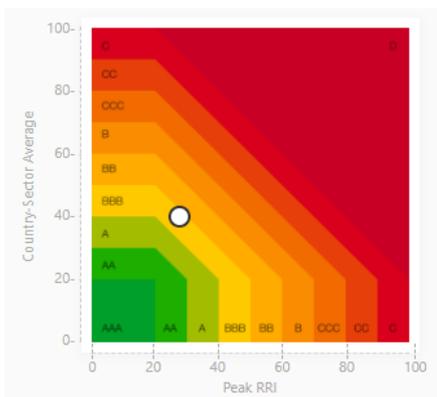


Source: MSCI ESG Ratings Methodology, December 2020

When an MSCI ESG rating is not available, we use the RepRisk rating as an input. RepRisk is specialist ESG data provider that leverages the combination of AI and machine learning with human intelligence to systematically analyse public information and identify material ESG risks. They cover news sources in 23 languages and more than 99% of our investment universe.

Among the companies covered by RepRisk, we are excluding the ones receiving a rating of C or D, the 2 bottom ratings. The RepRisk Rating depends not only on a company’s own performance (i.e., on its own risk incidents) but also on its country and sector affiliations. The scores range from AAA to D.

**Example: RepRisk rating for an Indian pharmaceutical company ranked BBB**



Source: RepRisk

As regards controversies, investments in companies in breach of the UN Global Compact are excluded.

As regards business involvement, in addition to activities excluded due to their potential negative environmental impact described in section 3.4 above, the fund also excludes:

- ◆ Nuclear and controversial weapons (0% tolerance)
- ◆ Other weapon producers (maximum 10% of revenues)
- ◆ Tobacco production and distribution (maximum 0%, 5% of revenues)
- ◆ Production of pornography (0% tolerance)
- ◆ Gambling (0% tolerance)

Last, corporates under international sanctions or domiciled in countries on FATF's High Risk and Other Monitored Jurisdictions, are also excluded.

As a result of our thorough impact and ESG selection process, the fund currently has:

- ◆ an IMAP score of 14.4/20
- ◆ no investment in corporates with poor ESG credentials



Sources: @2020 MSCI ESG Research LLC, UBP, holdings as at 26 February 2021 (report run on 1 March 2021)

**3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?**

The IMAP scores are reviewed at least once a year and ESG issues are examined on a systematic basis. In addition, the Impact Engagement Framework is updated annually (see section 3.3). Controversies are managed as per our engagement policy and follow the guidelines of engagement, milestones and escalation.

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## 4 – Investment process

### 4.1. How are the results of the ESG research integrated into portfolio construction?

Impact and ESG credentials are fully integrated into the decision-making process as regards the purchase, sale and positioning of underlying holdings. The “IMAP” score (from UBP’s proprietary scoring system), in combination with ESG and financial analyses, will determine the initial sizing of a position. The fund invests in six themes (three environmental and three societal) and there is a commitment to keep these broadly even. This balance ensures that the fund does not become overpopulated with any one sub-theme, such as renewable energy or healthcare, and is therefore protected against sector-specific risks.

ESG concerns which arise over an existing holding are also the potential cause of an adjustment to portfolio construction and position sizing. This would typically be at the end of a structured engagement process: if the issue were not resolved, there may be a divestment.

Given that the fund aims to invest only in positive impact businesses with minimal ESG concerns, the fund managers do not systematically adjust valuation/discount rates for ESG factors. However, the managers do engage with the companies on the structure of their debt and how it is shaped by their typically strong ESG profiles.

Last, as part of our investment process, we strongly believe in active ownership, through both engagement and voting.

As previously mentioned, engagement is conducted directly by the portfolio managers. It should be noted that the fund’s holdings are also sent to UBP’s third-party engagement manager, Sustainalytics, which takes up any controversies relating to international norms. At the moment, no such controversies have been identified as regards holdings in UBAM – Positive Impact Emerging Equity.

Proxy voting is conducted by ISS-Ethix voting, following their sustainability voting policy. The investment team may at times suggest overriding ISS’s proposed vote, subject to the validation of the fund’s management company.

### 4.2. How are climate-change-specific criteria integrated into portfolio construction?

Climate change considerations are best captured in the “Climate Stability” theme, which covers UN SDGs 7 and 13. This theme currently represents 14% of the portfolio.

As for any other themes, the fund aims to find “fixers”, i.e. companies which will help provide solutions to climate change. Examples include TPI Composites, Xinyi Solar and Longi Green.

Furthermore, the fund avoids investing in companies which could have a negative impact on the climate, such as those with high CO<sub>2</sub> emissions.

As a consequence of this approach, the fund currently has no investments in fossil energy and has a small carbon footprint. In addition, based on MSCI ESG Research, over 60% of the companies in the portfolio contribute to providing environmental solutions.

### 4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

All issuers in the portfolio are subject to impact and ESG analysis, both through internal processes and/or external contributions.

### 4.4. Has the ESG evaluation or investment process changed in the last twelve months?

The fund was launched on 5 July 2021. Since then, we have gained access to the RepRisk database which allows us to better track controversies in our investment universe and refine our approach to ESG risk. Other than that, the process is unchanged.

### 4.5. Is any part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

The fund invests according to six themes, which represent the first fifteen of the United Nations Sustainable Development Goals. Three of the themes, namely Basic Needs, Health & Well-Being and Inclusive & Fair Economies, have a focus on people and society and address goals 1, 2, 3, 4, 5, 6, 8, 9 and 10. All companies which are committed to these themes have social goals at the core of their investment approaches.

4.6. Does (do) the fund(s) engage in securities lending activities? If so, (i) is there a policy in place to recall the securities so as to exercise the voting rights? (ii) does the process for selecting the counterparty(ies) integrate ESG criteria? 7

No.

4.7. Does (do) the fund(s) use derivative instruments? If so, please describe

No.

4.8. Does (do) the fund(s) invest in mutual funds?

No.

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## 5 – ESG checks

5.1. What internal and/or external control mechanisms are in place to ensure that the portfolio complies with the ESG rules on managing the fund(s) as defined in section 4?

Firstly, the funds' rules in terms of exclusion are coded into the dealing platform (Aladdin) and so cannot be overridden by the fund manager.

Internally, the team has a commitment to refresh and review both the ESG profile and impact score of a holding every six months. An aggregated IMAP score (UBP's proprietary impact scoring system) and ESG score (MSCI ESG) for the fund is published monthly, so, as a client, it is possible to track these over time.

The fund's management team are also subject to a number of checks. There is a monthly Impact Investment Committee meeting at which the ESG and impact profiles of any potential new holdings/revisions to the portfolio are scrutinised by the Head of Responsible Investment, the Head of Impact and the Chair of the Investment Committee.

Twice a year, there is a meeting of the Impact Advisory Board. The majority of the board's members are independent, external and experts in the sustainability field. They challenge and scrutinise a selection of IMAP scores. The conclusions of the board meetings are published on UBP's website.

The fund managers have a strong commitment to transparency and provide ESG and impact information monthly, quarterly and ad hoc to clients, in addition to a very detailed annual impact report.

## 6 – Impact measures and ESG reporting

### 6.1. How is the ESG quality of the fund(s) assessed?

The impact quality is assessed through UBP's IMAP system, which places a quantitative score on a number of factors for each holding and then aggregates these scores at fund level. The ESG profile of the fund is assessed both internally by the fund managers – where any concerns about ESG are brought to the management's attention – and also by an external "sense-check" via the analysis of various external ESG ratings. Both the IMAP score and the MSCI ESG score are regularly (at least every month) communicated to clients.

### 6.2. What ESG indicators are used by the fund(s)?

The fund focusses on impact indicators and aims to monitor, measure and report on several societal and environmental factors. In addition, the fund managers recognise that corporate disclosure on impact metrics is very limited, and so deep and regular bilateral engagement is undertaken to extract bottom-up KPIs from holding companies.

We use overall MSC ESG ratings, RepRisk ESG risk indicators when MSCI is not available, and carbon data from ISS and Urgentem.

We also use and report on the following indicators:

- 1) Demonstration of the performance in terms of human rights

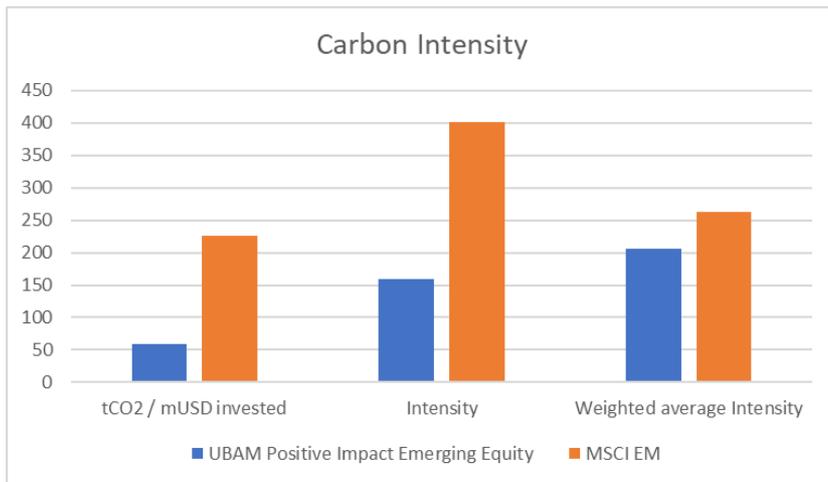
	UN Global Compact			Human Rights Compliance		
	Pass	Watch	Fail	Pass	Watch	Fail
Fund	41	0	0	41	0	0
MSCI EM	1342	26	9	1349	21	7
Fund	100%	0%	0%	100%	0%	0%
MSCI EM	97.5%	1.9%	0.7%	98.0%	1.5%	0.5%

Coverage rates: 97.4% for the fund, 98.7% for the MSCI EM

Sources: @2021 MSCI ESG Research, UBP

2) Demonstration of the performance in terms of the environment

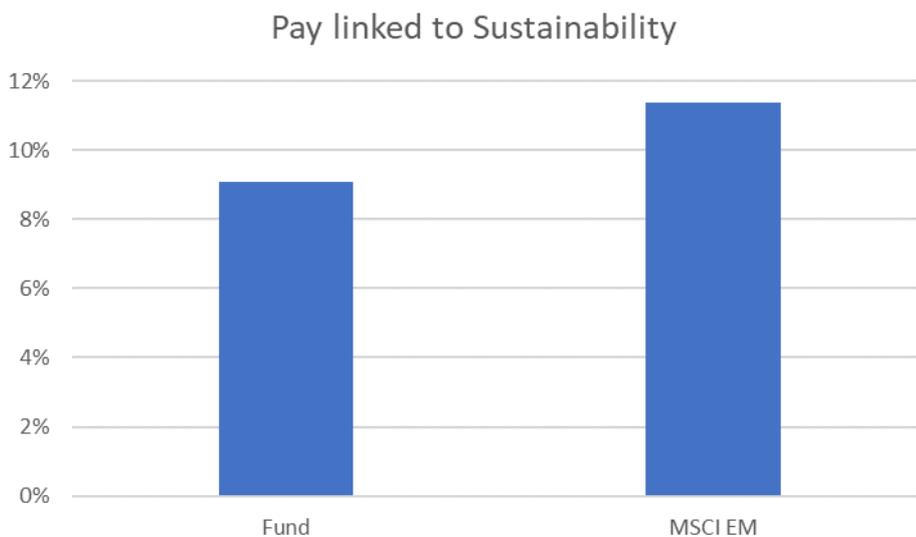
**UBAM Positive Impact Emerging Equity is committed to beating the benchmark (MSCI EM) in terms of tonnes of CO<sub>2</sub> per USD million invested.**



Coverage rates: 96.8% for the fund, 99.9% for the MSCI EM

Source: @2021 MSCI ESG Research

3) Demonstration of the performance in terms of governance



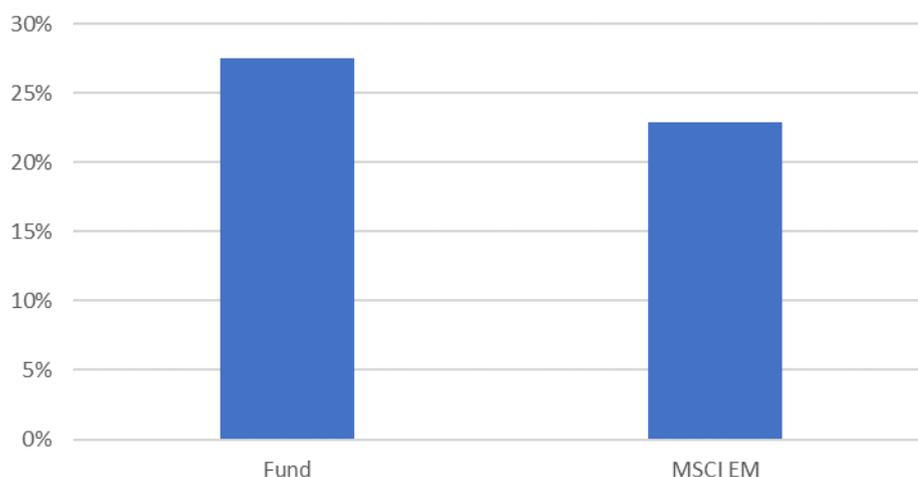
Coverage rates: 84% for the fund, 98.3% for the MSCI EM

9% of underlying holdings have executive pay linked to sustainability (Source: MSCI ESG)

4) Demonstration of the performance in terms of labour

This is one of the more challenging areas for a fund which invests across emerging markets. Disclosure of ESG factors relating to labour is limited. The fund managers have adopted a double-edged strategy: to build on current ESG availability and to focus on developing impact metrics in this area. At present, over 25% of holdings disclose that they monitor employee satisfaction. Through engagement, the fund managers hope to increase this percentage.

### Monitors employees satisfaction



Coverage rates: 95.6% for the fund, 98.6% for the MSCI EM

	Labor Compliance Core			Labor Compliance Broad		
	Pass	Watch	Fail	Pass	Watch	Fail
Fund	41	0	0	41	0	0
MSCI EM	1372	3	2	1365	7	5
Fund	100%	0%	0%	100%	0%	0%
MSCI EM	99.6%	0.2%	0.1%	99.1%	0.5%	0.4%

Coverage rates: 97.4% for the fund, 98.7% for the MSCI EM

Source: @2021 MSCI ESG Research.

These factors indicate whether the company is, according to MSCI, in compliance with the International Labour Organization’s core principles and broader set of labour standards, respectively. The core principles cover the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation. The broader principles contain recommendations on how companies should apply principles deriving from international labour standards in the areas of general policies, employment promotion and security, equality of opportunity and treatment, training, wages and benefits, minimum age, occupational health & safety, and industrial relations.

### 6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Every report the fund publishes includes non-financial data in addition to traditional metrics. The monthly quantitative report includes the ESG score, IMAP score and carbon data. The longer quarterly reports also include non-financial data. The annual impact report provides aggregated footprint data for the fund and bottom-up KPIs. In addition, it provides a good deal of educational material on the investment process and measurement methodology.

Transparency is thoroughly embedded in the investment practices of UBAM Positive Impact Emerging Equity; consequently, in addition to the above, the fund publishes the minutes and findings of the Impact Advisory Board. The managers also take part in a number of collaborative engagements with peers, where the focus is on client education, such as through the University of Cambridge Institute for Sustainability Leadership and panel discussions with IFA organisations/consultants.

#### 6.4. Does the fund management company publish the results of its voting and engagement policies?

If so, please include links to the relevant activity reports.

UBP’s Responsible Investment policy is available at [www.ubp.com](http://www.ubp.com).

Both UBP’s proxy voting and engagement reports are available to our clients and prospects upon request.

Our 2020 voting record can be found below:

[https://www.ubp.com/files/live/sites/ubp/files/content/expertise/UBP\\_2020\\_Voting\\_Record.pdf?pdf=UBP\\_2020\\_Voting\\_Record](https://www.ubp.com/files/live/sites/ubp/files/content/expertise/UBP_2020_Voting_Record.pdf?pdf=UBP_2020_Voting_Record)

UBAM Positive Impact Emerging Equity works with ISS proxy voting, with their “sustainable investing” approach as the default position. Every week, two members of the Impact team check the upcoming resolutions and ISS’s recommendations and report their findings at the weekly team meeting. The managers then decide whether to support the ISS recommendations or override them. In the case of remuneration being linked to sustainability, the team has a rule to always vote against corporates who do not make this link.

The voting report for 2020 can be found below.

Please find our voting record below.

#### Board Statistics Report



Parameters Used:  
 Location(s): All locations  
 Account Group(s): All account groups  
 Institution Account(s): All institution accounts  
 Custodian Account(s): UBAM POSITIVE IMPACT EMERGING EQUITY  
 Reporting Period: 1/1/20 to 12/31/20

#### Meeting Overview

Category	Number	Percentage
Number of votable meetings	23	
Number of meetings voted	22	95.65%
Number of meetings with at least 1 vote Against, Withhold or Abstain	10	43.48%

#### Ballot Overview

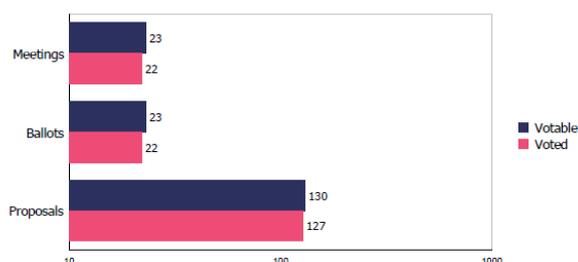
Category	Number	Percentage
Number of votable ballots	23	
Number of ballots voted	22	95.65%

#### Proposal Overview

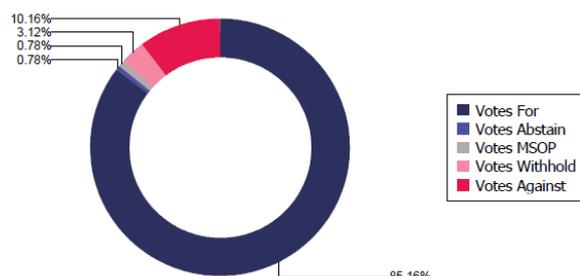
Category	Number	Percentage
Number of votable items	130	
Number of items voted	127	97.69%
Number of votes FOR	109	85.83%
Number of votes AGAINST	13	10.24%
Number of votes ABSTAIN	1	0.79%
Number of votes WITHHOLD	4	3.15%
Number of votes on MSOP	1	0.79%
Number of votes One Year	0	0.00%
Number of votes Two Years	0	0.00%
Number of votes Three Years	0	0.00%
Number of votes With Policy	125	98.43%
Number of votes Against Policy	2	1.57%
Number of votes With Mgmt	109	85.83%
Number of votes Against Mgmt	18	14.17%
Number of votes on Shareholder Proposals	2	1.57%

*Note: Instructions of Do Not Vote are not considered voted, and in cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted by type may be higher than unique proposals voted.*

#### Voting Statistics

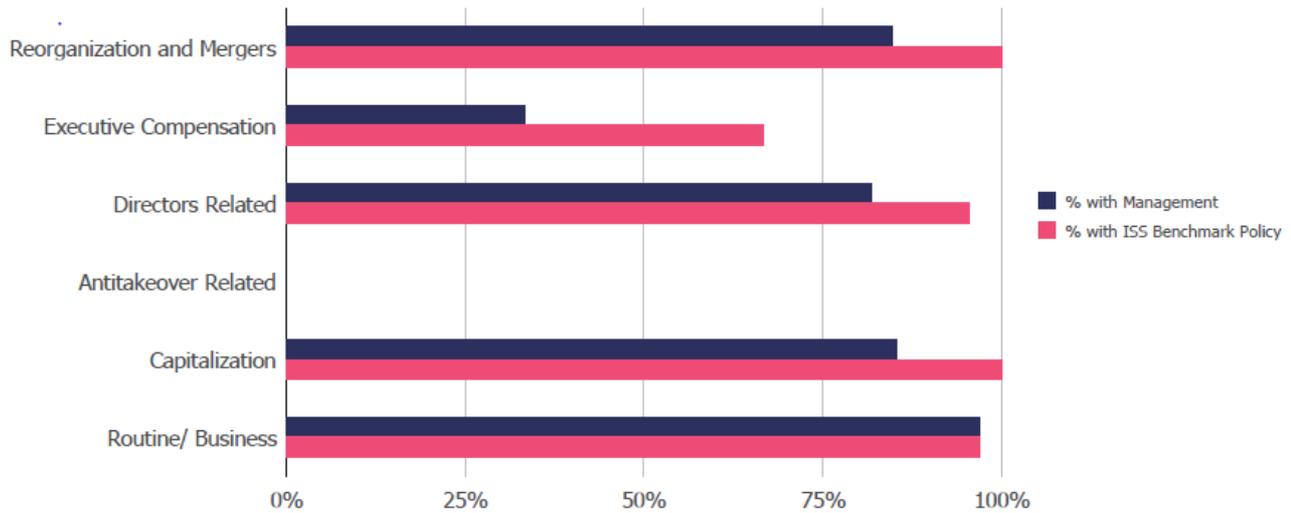


#### Vote Cast Statistics



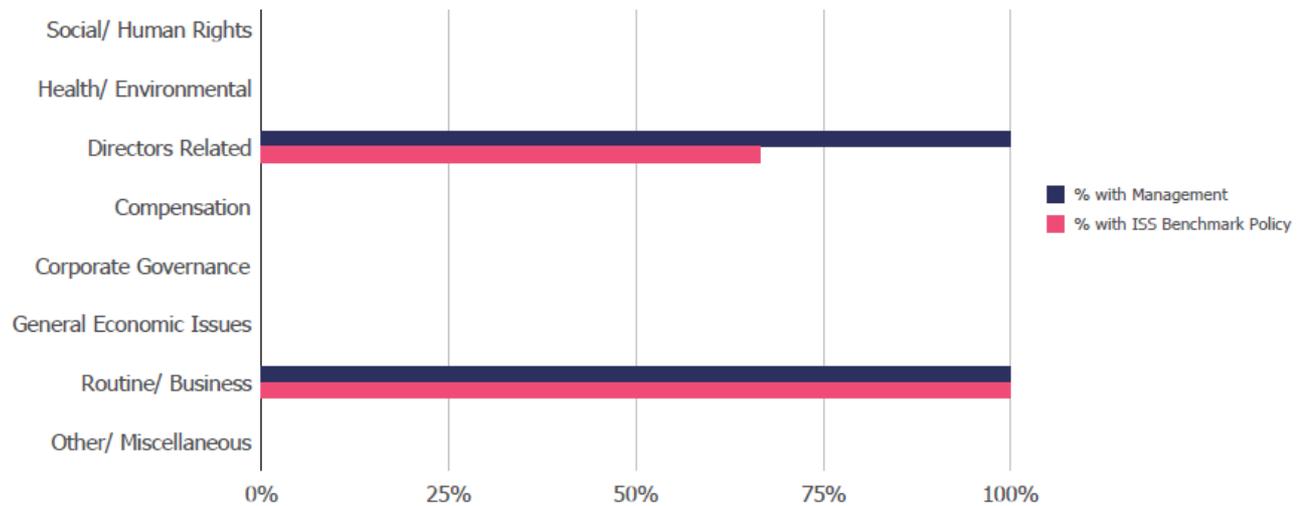
**Votes cast on management proposal categories**

› Comparing votes cast to management and ISS Benchmark Policy recommendations across the major proposal categories provides an insight into the positioning of votes on proposals submitted by management against these benchmarks.



**Votes cast on shareholder proposal categories**

› Votes cast on shareholder proposals, in opposition to management, reflect Union Bancaire Privée’s support for proposals submitted by shareholders.



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