

# ENGAGEMENT & ESCALATION POLICY

UBP – ASSET  
MANAGEMENT  
DIVISION



UNION BANCAIRE PRIVÉE

In UBP's Asset Management division (hereafter "UBP AM"), our engagement and escalation policy is a core component of our broader stewardship process. This policy aims to pursue a responsible investment strategy that aligns with our clients' values while seeking to deliver robust financial performance. It outlines our approach to engaging with investee issuers on environmental, social, and governance-related topics, as part of our commitment to active ownership, as stated in our Responsible Investment Policy. Together with our Voting Policy, these policies embody our comprehensive strategy for stewardship, emphasising our dedication to enhancing shareholder value, promoting sustainable business practices, and mitigating risks through active engagement and informed voting decisions.

All of the policies mentioned above and throughout are available [here](#).

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## Engagement at UBP

UBP AM is an active investor. We engage with companies to understand their ESG (Environmental, Social and Governance) practices, promote responsible best practices, and address specific issues and concerns. Our engagement aims to catalyse positive change in processes or disclosures.

The key principles of our stewardship are as follows:

- **Materiality:** Focusing on ESG issues that may significantly impact long-term investment value
- **Active Ownership:** Exercising voting rights and engaging to promote responsible business practices
- **Collaboration:** Enhancing engagement effectiveness through collaboration when necessary and suitable
- **Transparency:** Regularly reporting our engagement activities and outcomes to stakeholders

## Policy Scope

We engage with investee issuers of both equity and fixed-income instruments, as deemed appropriate.

## Forms of Engagement

UBP AM employs three types of engagement, which are not mutually exclusive:

- ◆ **Systematic Engagement:** Respecting international norms is a priority to us. To manage controversies effectively and timely, we have teamed up with Morningstar Sustainalytics, which engages on our behalf with investee companies that breach these norms. Morningstar Sustainalytics screens companies to identify breaches of international norms such as UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises. If an investee company is flagged, they:
  - Perform due diligence on company's current ESG practices
  - Define engagement objectives and decide on next steps
  - Implement an engagement strategy with a clear process and defined timeline
  - Typically arrange two conference calls per year with the engaged company
  - Regularly update UBP on progress and next steps

This enables UBP to maximise the influence of its engagement through collective effort/ pressure.

All investment teams, as well as other UBP staff associated with Responsible Investment, have access to the Morningstar Sustainalytics' platform and analysts if needed providing teams up-to-date research on all on-going engagement progress and methodology. Our Morningstar Sustainalytics' engagement activity is published annually.

- ◆ **Direct Engagement** is initiated by the investment teams based on their research and integration of ESG factors into their investment process. In addition to systematic engagement provided by Morningstar Sustainalytics, investment teams may also engage on specific individual controversies flagged through their analysis.

- ◆ **Collaborative Engagement** is conducted through either global or local initiatives. UBP AM collaborates with other like-minded actors in the financial system to enhance the effectiveness of engagements through its participation in relevant initiatives such as the CDP.

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## Process

### Governance:

The UBP AM Responsible Investment team is in charge of setting the engagement framework and key principles applicable to all UBP AM engagements and described in this policy.

Given the decentralised nature of our investment approaches, each investment team can choose to adhere to stricter engagement guidelines, while using this policy as a foundation. Investment teams have a degree of autonomy to identify company specific issues that they would like to engage on, typically driven by their investment mandate.

Investment teams have the autonomy to identify company-specific issues for engagement, typically driven by their investment mandate. They are supported by the Responsible Investment team and have access to external providers such as Morningstar Sustainalytics, for controversy assessment and engagement, and Maanch, our engagement tracker.

The selection of ESG issues on which to engage is two-fold:

- ◆ Centralised engagement themes are derived from commitments to external bodies such as the Net Zero Asset Managers (NZAM) initiative or the UN Principles for Responsible Investment (UN PRI). These may be defined by UBP's sustainability team and/or by senior management. For example, being an NZAM signatory, across UBP AM there has been a focus on engaging with climate topics. The centralised themes typically consist of controversies, for example questionable business conduct (flagged by Morningstar Sustainalytics), some global ESG themes, such as climate, for example company transition plans, or biodiversity, or sector specific issues.
- ◆ Other: Investment teams may also conduct additional research and determine if a specific topic warrants engagement. Issues may be uncovered through internal research or detailed questionnaires (see as example the Impact Engagement Framework described in the Appendix), created internally, and sent to companies to better understand their ESG practices.





Each investment team will contact investee companies, stating specific topics/ issues and initiating the engagement process. Should they choose, investment teams can reach out to the Responsible Investment (RI) team for guidance. The RI team can also provide teams with engagement questionnaires for specific sectors if necessary.

### Approach:

Investment teams prioritise engagements based on the materiality of the ESG issue, portfolio weight, and potential for meaningful improvement. Engagement topics vary across teams, recognizing the unique attributes of each situation and company. Each engagement has unique, relevant pre-set milestones, communicated to the engaged party to ensure transparency and alignment of objectives. These milestones are periodically reviewed to measure progress and may be adjusted if needed to maximize engagement impact and can be tracked through our engagement tracker.

Similarly, while the period of an engagement must be sensible and justified, the engaging investment team has the discretion to set the timeline as deemed appropriate. Our main goal is to maintain transparent and constructive dialogues that facilitate long-term relationship building.

We primarily leverage four interaction methods within our engagement strategies:

 <b>Email</b>	<p>Email correspondence is one of the main interaction channels for dialogues with investee companies, offering efficiency and ease of documentation.</p>
 <b>In person</b>	<p>In-person meetings facilitate direct exchanges and detailed analyses of the case with clearer discussions around the outcomes and challenges.</p>
 <b>Phone / Virtual Meeting</b>	<p>Phone/virtual meetings bridge the gap between different locations, providing a seamless connection between stakeholders.</p>
 <b>Roadshows / Investor Calls</b>	<p>Roadshows and investor calls serve as platform for discussions, enabling us to address concerns and gain valuable insights from the company and other investors.</p>

At UBP AM, we acknowledge that some of our engagement requests, such as establishing a Net Zero transition plan, committing to biodiversity safeguarding or taking corrective action in relation to a controversy, can be a lengthy process. Factors such as the responsiveness to engagement, level of disclosure when required, speed and depth of progress are all likely to influence an investment team when determining an engagement’s relative success/ failure, and subsequently in determining the necessity of escalation.

UBP AM does not restrict itself to one-to-one investee engagements. Where we feel that direct engagement may not be successful or that the issue is of a significant magnitude, we will collaborate with other industry players as part of a wider initiative to undergo an engagement. We engage in several collaborative engagements including, but not limited to:

- ◆ Climate Disclosure Project (CDP) non-disclosure campaign: A collaboration in which our role is to urge companies to reply to the CDP climate change questionnaire and encourage companies to adopt higher standards of disclosure and publish climate-, forest-, and water-, related data via CDP where possible.
- ◆ Farm Animal Investment Risk and Return (FAIRR): UBP AM became a network member of FAIRR initiative whose aim is to build a global network of investors who are focused on and engaged with the risks linked to intensive animal production.

Furthermore, we may also engage with sovereign bodies to advocate for policies and regulations that support the transition and collaborate with peers and stakeholders in the industry to increase the awareness of the urgency for climate and biodiversity action.

## Escalation Process

Investment teams may escalate issuers based on the level of achievement, or lack thereof, against pre-set milestones based on the following guidance:



When initiating an escalation process, the investment team raise their concern with company management and informs them of the escalation issue. We typically allow up to three months for the company to acknowledge the escalation and demonstrate its willingness to address the issue.

If no response or commitment is received within three months, options include:

- Raising the issue to the CEO/Board of Directors or relevant parties.
- Proxy Voting: As active owners, a team may exercise its voting rights to support its engagement process. This may include, for instance, voting against board members or voting against the remuneration policy.
- Limiting exposure: Investment teams can look to reduce the security weighting in the portfolio.
- Consider collaborative engagement to increase escalation effectiveness.

Ultimately, if the company remains unresponsive, divestment is a last resort.

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### **Engagement Monitoring and Reporting:**

UBP AM uses Maanch, a cloud-based engagement tracker, to track, report and analyse its engagements. This tool enhances our ability to monitor engagement progress and outcomes, facilitates the sharing of information across investment teams and offers reporting facilities. It improves collaboration, transparency, compliance with global regulations, and facilitates the engagement process.

Annual engagement reports and the UK Stewardship Code report provide detailed engagement case studies and outcomes.

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### **Review and Adaptation:**

UBP AM regularly reviews and updates its Engagement and Escalation Policy to reflect evolving ESG considerations, investment strategies, and regulatory requirements. Feedback from investors, NGOs, and industry experts can be incorporated to enhance the policy's effectiveness.



## Appendix: The Impact Engagement Framework

Given its dual mandate, UBP's Impact team has made engagement a core part of its investment process. The team aims to engage with all portfolio companies through its Impact Engagement Framework (IEF), which currently consists of 13 questions covering various ESG themes, as highlighted in the chart below.

The questionnaire is designed to extract ESG-related information from investee companies, provide key insight on material issues, and facilitate peer comparisons. It also helps identify potential areas for improvement, which can trigger targeted engagements with investees to promote the implementation of better practices.

Results are then aggregated yearly across all companies to map current sustainability practices and track their evolution overtime.

### THE IMPACT ENGAGEMENT FRAMEWORK 2023



Bar height indicative of the overall sample performance with maximum attainable score of 100%. The split of each bar indicates the proportion of Best in Class, Satisfactory, and Below Expectation company responses.

The IEF is subject to review and may be altered to reflect changing materiality at the Impact Equity team's discretion

Disclaimer:

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