



RESPONSIBLE
INVESTMENT
AT UBP



UNION BANCAIRE PRIVÉE

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Introduction

Union Bancaire Privée, UBP SA (“UBP”)’s commitment to sustainable wealth management 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 Environmental, Social and Governance (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.

The following document is designed to introduce the reader to responsible investing at UBP, including an overview of our journey, offering, commitments and the practices we have put in place via our RI Policy.

UN PRI assessment at a glance

On becoming a signatory to the UN PRI in March 2012, UBP committed to implement the principles, the sixth being to annually report on our activities and progress. This annual reporting, along with guidance given by UN PRI, has provided a framework and timeline to progressively develop our responsible investing capabilities, and it is encouraging to see year-on-year UBP building upon its assessment scores.

Below is our Summary Scorecard from the UBP UN PRI Assessment Report 2020 performing in line with or above its peers in all but one module assessed and achieving the highest rating of A+ in the Strategy & Governance class. The Assessment Report is publicly available on the UN PRI website [here](#).

Summary Scorecard

| AUM | Module Name | Your Score | Your Score | Median Score |
|--|--|------------|------------|--------------|
| | 01. Strategy & Governance | A+ | | A |
| Indirect - Manager Sel., App. & Mon | | | | |
| <10% | 02. Listed Equity | A | | A |
| 10-50% | 06. Fixed Income - Securitised | B | | A |
| Direct & Active Ownership Modules | | | | |
| 10-50% | 10. Listed Equity - Incorporation | A+ | | A |
| 10-50% | 11. Listed Equity - Active Ownership | A | | B |
| <10% | 12. Fixed Income - SSA | B | | B |
| 10-50% | 13. Fixed Income - Corporate Financial | A | | B |
| 10-50% | 14. Fixed Income - Corporate Non-Financial | A | | B |

Source: UN PRI Assessment Report 2020

Responsible investing at UBP

Commitments

UBP is committed to Responsible Investing through the promotion of good Governance principles and the integration of Environmental and Social considerations into our investment approach. We encourage all our investment professionals to actively integrate ESG factors in their investment processes and develop sustainable investment products. In addition, conscious of the crucial role finance has, as well as associated opportunities, for achieving the 2015 Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development, UBP has set ambitious targets for investing to deliver sustainable outcomes.

Our credence to responsible investment stems from our fiduciary duty to offer long-term, sustainable performance to our clients and is encapsulated in the following two public statements:

“We firmly believe that long-term risk adjusted returns can be enhanced through ESG integration, active ownership (engagement and voting) and a focus on the impact our investments make.”¹

“In response to the major social and environmental issues the world faces, we see it as our role, as a financial intermediary, to help channel capital towards responsible investment solutions that also offer real potential to generate financial returns.”²

This commitment was manifested by UBP becoming a signatory to the UN PRI in March 2012 and the subsequent launch of our first sustainable strategy, a European Convertible Bond. Following a period of research, development and implementation, we published our first RI Policy in 2014, and enhanced it in practices and in scope in 2018.

We consider RI and Corporate Social Responsibility (CSR) to be two sides of the same commitment to creating a sustainable world, and as such in 2020 UBP furthered its commitment to sustainability by becoming a member of the UN Global Compact.

UBP is also committed to participating in the fight against climate change and to contributing to the Paris Agreement’s objective to keep global warming well below 2°C above pre-industrial level. In that context, UBP is committed to integrating the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD).

UBP aims both to learn from and educate clients when possible and is committed to knowledge sharing with peers in the industry. With this in mind, UBP has entered into a number of partnerships and initiatives as a member of the Global Impact Investing Network (GIIN), Sustainable Finance Geneva, Swiss Sustainable Finance, Farm Animal Investment Risk & Return (FAIRR), and the Cambridge Institute for Sustainability Leadership.

Principles

Responsible investment is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long-term returns.³ UBP believes that investable companies with an appropriate management structure and the capability to manage and mitigate environmental and social risks, as well as to seize environmental and social opportunities, are ultimately more likely to deliver long-term performance. ESG analysis and considerations, including active ownership, are thus assessed and incorporated throughout our investment processes.

To substantiate our belief, we have committed to the UN six Principles for Responsible Investment detailed below:

- To incorporate ESG issues into investment analysis 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 by 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.

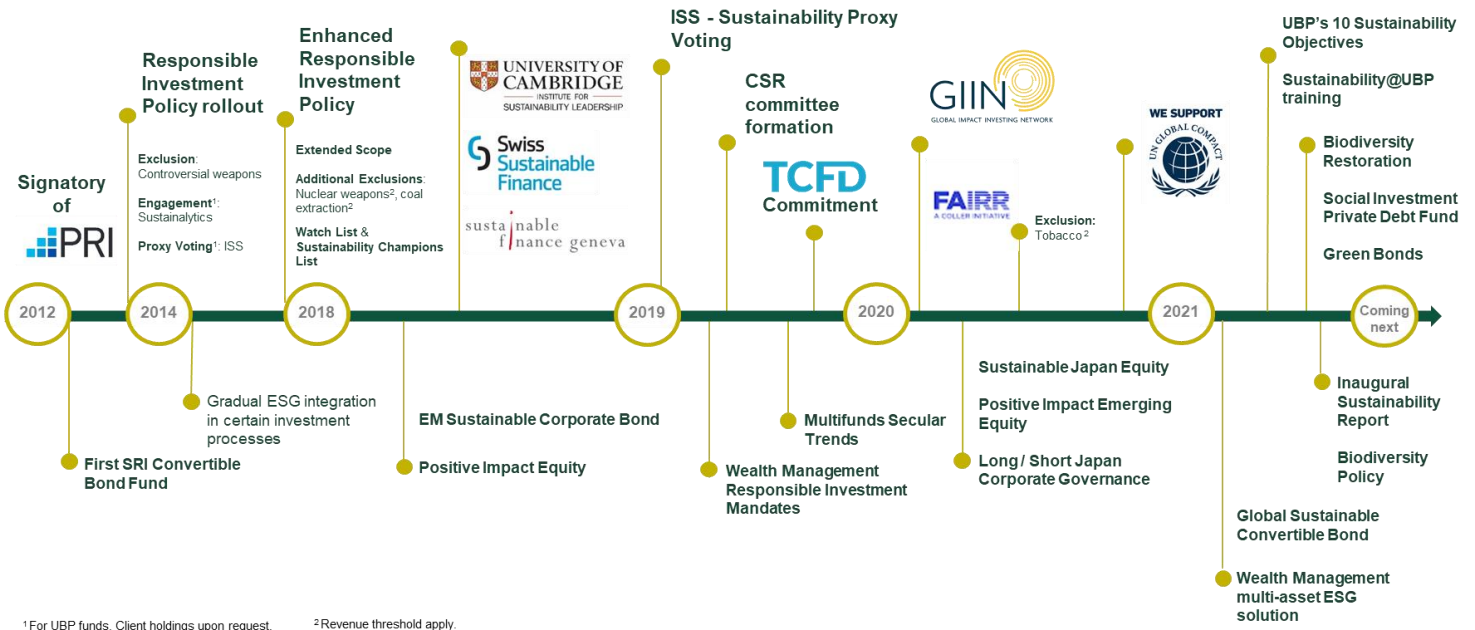
We also recognise that applying these Principles may better align investors with broader objectives of the society.

¹ <https://www.ubp.com/en/discover-ubp/responsibility>

² <https://www.ubp.com/en/investment-expertise/responsible-investment?csr=1395132288241117354>

³ For further information please refer to <https://www.unpri.org/about/what-is-responsible-investment>

Key milestones of a long-term commitment



Governance & responsibilities

The RI Policy clearly defines the responsibilities associated with its implementation and empowers its governance.

UBP's Board of Directors

UBP's Board of Directors is monitoring sustainability- and climate-related risks via the Risk Committee.

UBP's Executive Committee (ExCo)

UBP's Executive Committee is charged with designing and driving our RI Policy and CSR practices. To that end, the ExCo has defined a series of Sustainability KPIs, including increasing significantly assets in sustainable strategies or reducing our carbon footprint, which are regularly monitored.

Implementation of our sustainability approach is carried out by two committees, which report to the ExCo: the Responsible Investing Committee (RICO) and the Corporate and Social Responsibility Committee (CSRCO) while a third committee, the Sustainable Finance Regulation Committee coordinates the implementation of sustainable finance regulation across business lines.

Responsible Investing Committee (RICO)

The Executive Committee is supported in its responsibilities by the Responsible Investing Committee.

The RICO is chaired by the Heads of Responsible Investment for Asset Management and Wealth Management. The RICO is composed of global representatives from UBP's investment teams, institutional sales and Wealth Management dedicated investment services. It reports directly to the ExCo.

The RICO's responsibilities include:

- Design responsible investment principles and policies;
- Make proposals to the ExCo on strategic development;
- Maintain and monitor the Exclusion List, Watch List and the Sustainability Champions List;
- Support investment and sales teams on all matters linked to Responsible Investment (designing investment process, client requirements...);
- Drive the implementation of UBP's climate strategy in portfolios' investments;
- Filter new developments in ESG and disseminate to investment teams;
- Review and coordinate engagement activities;
- Support new sustainable product development.

The two co-Heads of Responsible Investment are supported by dedicated Responsible Investment teams.

The RICO convenes at a minimum three times a year, or more frequently as required.

Investment teams

UBP's investment teams are responsible for the day-to-day implementation of the RI Policy, as well as for the integration of ESG and sustainability considerations into their investment processes. Each team is able to develop its own approach, which best fits its asset class and strategies objectives, ranging from research to portfolio construction and direct engagement while applying minimum ESG standards defined by the RICO. Each investment team has nominated an RI point-person who is the key contact for the RICO.

In particular, 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 2 (SRD2), equity investment teams consider issuers' ESG credentials as an integral part of their decision and voting process alongside more traditional financial metrics, and engage where necessary with investee companies.

Sustainability Risk Management

A Risk Committee is responsible for managing sustainability risks at both Group and business unit levels. It performs the oversight of all risks by reviewing and analysing on a monthly basis the bank's risk profile, including sustainability risks.

The Group Risk Management department monitors and analyses specific sustainability KRIs across the Group according to UBP's sustainability risk framework. Its implementation started with the Bank's Asset Management division and has now been extended to all our activities.

The framework includes an on-going review of sustainability risk exposures and an analysis of potential breaches. If these cannot be resolved, they are submitted to the ExCo. In addition, monthly consolidated ESG reports are prepared and submitted to the Executive Board.

Partnerships and initiatives

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

Global

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 whose mission is to have companies do business responsibly by aligning their strategies and operations with ten principles relating to human rights, labour, the environment and anti-corruption. It also encourages them to take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.

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)

In 2020, UBP showed its determination to address major climate issues by taking the Paris Agreement Capital Transition Assessment (PACTA) 2020 climate sustainability test and by supporting the Task Force on Climate-related Financial Disclosures (TCFD). The initiative aims to 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-tcf.org/about/>

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. The development of impact investing in the listed equity segment is relatively new, and UBP's membership in GIIN represents a major step forward in building crucial collaborations with other experts.

<https://thegiin.org/>

Cambridge Institute for Sustainability Leadership's Investment Leaders Group

Since February 2018, UBP has collaborated with the Cambridge Institute for Sustainability Leadership (CISL) as partner of the exclusive Investment Leaders Group (ILG). The ILG is a global network of pension funds, insurers and asset managers, with over US \$12 trillion under management and advice, 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 in 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 go about generating robust, long-term returns.

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

Business for Nature

In September 2020, UBP signed up the Business for Nature's call to action. Business for Nature is a global coalition bringing together influential organisations and forward-thinking businesses. The purpose of the call to action is to gather powerful collective support from business to ask governments to adopt ambitious nature policies.

<https://www.businessfornature.org/call-to-action>

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 linked to 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/>

Local

Swiss Sustainable Finance

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

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

Forum pour l'Investissement Responsable (FIR)

In September 2021, UBP became a member of the French SIF, a multi-stakeholder platform whose purpose is to promote and develop responsible investment and its best practices. It brings together investors, asset managers, consultants, NGOs, unions, academic experts... FIR is a member of Eurosif.

<https://www.frenchsif.org/isr-esg/>

UK Stewardship Code

In September 2021, UBP became a signatory of the UK Stewardship Code, a voluntary code that sets 12 high stewardship principles for institutional investors who manage assets on behalf of UK clients or invests in UK assets. The aim is to demonstrate how signatories have practiced stewardship during the period, including investment decision making, monitoring assets and service providers, engaging with issuers and holding them to account on material issues, collaborating with others, and exercising voting rights and responsibilities.

<https://www.frc.org.uk/investors/uk-stewardship-code>

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/>

Dutch Climate Commitment of the Financial Sector (DUFAS)

UBP has signed the Dutch Climate Commitment of the Financial Sector, an initiative to provide insight into the role of the financial sector in the field of climate change, the efforts of the sector to reduce its impact on climate change, and the evolution of the carbon impact of the sector.

<https://klimaatcommitment.nl/about/>

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 to The Big Exchange, a UK-based, mission-led, mobile-first financial services proposition which will open investing and saving to everyone.

<https://bigexchange.com/>

External ESG service providers

UBP has recourse to global leading external ESG service providers, including but not limited to:

- **MSCI ESG Research LLC:** ESG data, SDG contribution, carbon emissions data and information on controversies and business involvement
- **Sustainalytics:** Collaborative engagement and information on controversies
- **Institutional Shareholder Services (ISS):** Voting rights exercise and climate data
- **RepRisk AG:** Controversial news and reputational risk

Responsible investment policy

The RI Policy codifies UBP's approach to responsible investment, and details the practices, scope and offering.

Responsible investment offering

UBP endeavours to apply responsible investment across its product offering, both in asset management as well as in the wealth management of our private clients. This offering is embodied across four approaches that include at least the following practices:

| Approach Practices | RI POLICY COMPLIANCE UBP's minimum ESG requirements ¹ | ESG INTEGRATION Inclusion of ESG criteria in investment analysis and investment decisions | SUSTAINABLE Strong focus on ESG integration, positive screening or sustainable themes, including climate | IMPACT Investment in companies with positive, measurable social and/or environmental impact |
|---------------------------|---|--|---|--|
| Negative Screening | | | | |
| ESG Integration | | | | |
| Positive Inclusion | | | | |
| Engagement ² | | | | |
| Proxy Voting ³ | | | | |
| SDG / Impact | | | | |

¹ Applies to all UBP's AuMs, excluding cash, Wealth Management's division execution only services and investments in third party funds.

² Not applicable to Wealth Management. Applicable to client holdings upon request.

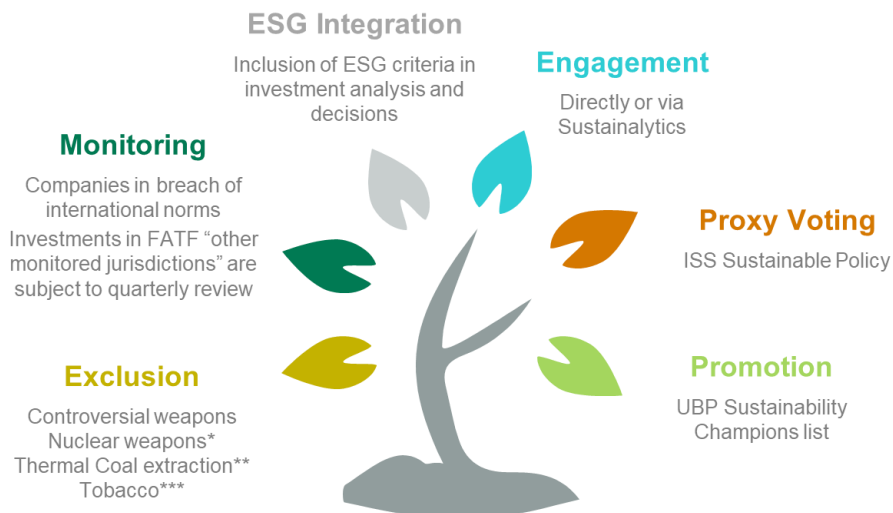
³ Ibid.

Normal focus

Enhanced focus

UBP is committed to deepening ESG practices throughout our strategies and to substantially directing flows to sustainable investments that contribute to environmental and social objectives. As such, for our funds domiciled in the EU and in regards with the EU Sustainable Financial Disclosure Regulation (SFDR), UBP aims to increase our funds "that promote, among other characteristics, environmental or social characteristics or a combination of those characteristics" (also known as art. 8 funds) and our funds "that have sustainable investment as their objective" (also known as art. 9 funds).

Responsible investment practices



* threshold: 5% of revenues; ** threshold: 20% of revenues; *** all tobacco producers & 10% tobacco revenue threshold for all other companies

UBP's above four approaches to responsible investing invoke the following practices integrated to varying degrees:

- Encourages the **incorporation of ESG research and analysis** throughout our investment processes.
- **Negative screening** via an:
 - ▶ **Exclusion List**
 - ▶ **Watch List**
- **Sustainability Champions List** that promotes companies that, either through their processes or end products, make a positive contribution to society and / or the environment.
- **Engagement** with companies on an ongoing basis, with particular focus on those deemed to be failing in ESG factors. By sharing with them (directly or via our third-party engagement partner) the rationale behind our considerations, UBP is encouraging those companies to address those considerations.
- Finally, to act in the best financial interests of our clients in the long term, UBP exercises the **voting rights** attached to investments whenever possible. UBP adopts a principle of voting to promote business practices mindful of environmental, social or corporate governance issues, in line with the UN PRI principles.
- Stricter conditions and exclusions are applied to UBP's **Sustainable and Impact product ranges**.

ESG research and analysis

UBP's investment teams are encouraged to assess ESG issues as part of their research and security selection processes, in the sense that such issues could be detrimental to a company's, or indeed a sector's or a country's, growth prospects, or to the environment and society as a whole, or to the contrary that these companies may be seizing new business opportunities that are well positioned to help solve sustainability challenges.

Each of UBP's investment teams defines and applies its own ESG analysis and integration process as best adapted to their investment approach and asset under consideration. They rely on the information they collect from the companies, countries or third-party funds they analyse (including due diligence reports, management meetings, annual and sustainability reports), as well as from brokers, rating agencies supplemented by our external ESG service providers.

For sustainable funds-of-funds and alternative strategies, detailed ESG due diligence is carried out on both the asset manager and the product. This includes the evaluation of resources and tools dedicated to sustainability, their approach to negative and positive screenings, the coherence of the investment strategy towards ESG and/or SDG targets, the actual commitment towards engagement and proxy voting and how it is integrated to the investment process, etc.

Negative screening

Exclusion List

In accordance with The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (1997) and The Convention on Cluster Munitions (2008), UBP does not finance or support companies involved in such controversial weapons.

UBP is committed to participating in the fight against climate change and to contributing to the Paris Agreement's objective to keep global warming well below 2°C above pre-industrial level.

According to the World Health Organisation, the tobacco epidemic is one of the biggest public health threats the world has ever faced, killing more than 8 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 not compatible with our objectives.

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

The list is updated regularly using a third-party ESG database and supplemented by any additional companies that appear on the Belgian or Dutch regulators' exclusion lists of controversial weapons 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 or 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's Group policy, securities under EU, HK, OFAC, Swiss, UK and UN sanctions are also excluded, as well as investments in FATF High Risk Countries, while any investment in FATF Other Monitored Jurisdictions is 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 portfolio management systems. A second line of defence is in the form of post-trade controls performed by UBP's internal Group Risk Management team and by the external Fund Administrators. Should a breach be detected, the 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 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 have breached international norms, representing a potential threat to their long-term forecasts.

The Watch List includes those companies "red-flagged" by MSCI's ESG Research LLC as embroiled in controversies such as not adhering to international norms and principles including the UN Global Compact, the OECD Guidelines for Multinational Enterprises or the International Labour Organization (ILO) Conventions.

The Watch List is not an exclusion list. Investment teams have to justify the inclusion of these issuers in their portfolios as well as indicate, if possible, engagement with the company aiming to improve its ESG practices.

Sustainability Champions List

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

Each AM investment team is invited to include issuers which they feel demonstrate particularly strong ESG credentials or make a positive contribution to society and / or the environment either through their practices or end products. The UN's 17 Sustainable Development Goals⁴ form the backdrop to this list, although it is the investment teams' bottom-up knowledge of their investment universe that is the ultimate determinant.

The resulting Sustainability Champions List is global and across asset classes but does not make judgements on valuation – i.e. it does not constitute a direct investment recommendation. However, investment teams are encouraged, where appropriate, to consider this List in their investment decisions.

Engagement with companies

Being an active investor, engagement is part of UBP's fundamental investment approach. 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, a leading global provider of ESG research which also offers global engagement services. This partnership is essential in facilitating the implementation of our RI Policy and achieving durable change in the selected companies.

UBP's externally driven engagement process is as follows:

- Upon identifying potential violation by invested companies of the UN Global Compact or other international norms, the engagement manager notifies UBP and places the company under observation.
- The company in breach is contacted to seek additional information and to discuss potential and adequate corrective actions.
- If needed, a detailed analysis is undertaken to prepare an engagement plan.
- Ongoing shareholder engagement is entered into.
- Follow-up actions are determined.

Investment teams as well as other UBP staff related to Responsible Investment have access to Sustainalytics' secured web platform. There is an ongoing exchange between our investment professionals and Sustainalytics regarding specific questions on research provided by Sustainalytics and / or their methodology.

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.

Our Sustainalytics' engagement activity is published annually by the end of the first quarter at

<https://www.ubp.com/en/investment-expertise/responsible-investment>.

⁴ <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

Proxy voting

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 funds⁵ 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.

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.

In practice, UBP can instruct the provider to vote on behalf of the funds or clients (for mandates) as per the provider's recommendations. Our investment teams can consult the provider's recommendations and make their own decisions, under the supervision (involving a veto and a final decision right) of the relevant Management Company for funds, or according to client requirements in the case of mandates.

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 has subscribed to our provider's "Sustainability" policy⁶ which places added emphasis on ESG when analysing these practices.

UBP's voting policy is accessible at <https://www.ubp.com/en/our-offices/ubp-asset-management-europe-sa>

Our voting summary and voting activity records are published annually by the end of the first quarter at <https://www.ubp.com/en/investment-expertise/responsible-investment>.

⁵ For practical reasons, funds under EUR15 million in assets are excluded from scope.

⁶ <https://www.issgovernance.com/file/policy/active/specialty/Sustainability-International-Voting-Guidelines.pdf>

Sustainable and Impact product ranges

At UBP, we believe that we have a responsibility to promote investments which are better aligned with the broader environmental and social objectives of society. Therefore, we have developed a Sustainable and an Impact product offering in which we aim to avoid harm and promote socially and environmentally conscious investments.

For our Sustainable and Impact product ranges, enhanced practices may include⁷:

- **ESG rating filter:** A minimum ESG rating applies to individual holdings;
- **Negative screening:** Stricter value-based and norms-based exclusions;
- **Positive screening:** Filtering on companies selected for positive ESG performance relative to industry peers;
- **Active engagement:** Direct engagement between investment teams and companies;
- **Impact investing:** Investments intended to generate a measurable, positive social and environmental impact alongside a financial return;
- **Thematic:** Investments in businesses offering sustainable solutions to environmental and / or social challenges.

Sustainable and Impact minimum requirements

To reinforce their sustainability characteristics, funds in these product ranges are all subject to more stringent restrictions than those in our standard range. These additional restrictions include compliance with, at a minimum, the following:

| Sustainable and Impact Exclusion List | Reason / Threshold | Source |
|--|---|-----------------------|
| Companies in breach of UN Global Compact | This is monitored using MSCI "Global Compact Compliance" factor, excluding companies that "Fail" | |
| Nuclear or other controversial weapons (cluster munitions, landmines, depleted uranium, biological/chemical weapons) | 0% of revenues | |
| Other weapon companies | 10% of revenues | |
| Tobacco production, other tobacco revenues | 0%, 5% of revenues | MSCI ESG Research LLC |
| Coal extraction | 10% of revenues | |
| Unconventional Oil & Gas extraction | 10% of revenues | |
| Coal-fired electricity generation | Note that for Emerging Markets, in order to comply with the principles of Just Transition, the threshold is set at 20% of revenues, as the transition to non-coal economy may have severe social impact. This threshold will be gradually reduced over time | |
| Sovereign or corporate based in countries recognised as heavily involved in money laundering or terrorist financing | FATF High Risk and Other Monitored Jurisdictions | |
| Forward contracts on agricultural commodities | Excluded from investment universe | |

Further, as part of our desire to help finance higher sustainability standards, and particularly the transition to a lower carbon economy, we favour companies with higher environmental and social practices, seeking for instance the protection of biodiversity⁸, sounder water consumption, pollution and waste management, the promotion of gender and diversity, or the reduction of their carbon footprint. As examples, products in the Sustainable and Impact range may aim to limit investments in electricity utilities whose power production (or expansion plans) come massively from conventional oil & gas or nuclear energy

⁷ The specific practices are detailed in each strategies' dedicated documentation

⁸ See UBP's Approach to Biodiversity at <https://www.ubp.com/en/investment-expertise/responsible-investment>

and do not show a commitment to the use of renewables. Similarly, products may seek to limit investments in companies involved in conventional oil & gas extraction. For these, specific thresholds are set at product level.

Finally, in our Sustainable and Impact product offerings, we are also concerned at a sovereign level to limit or ban investments in the worst oppressive regimes, countries with extensive use of the death penalty, and countries with poor measures to prevent tax fraud or tax evasion.

Impact platform

UBP has an **Impact Platform** with an independent Impact Advisory Board and an in-house impact investment process, the IMAP system, which aims to score each company's potential impact according to six themes based on the 17 UN Sustainable Development Goals and to four criteria: Intentionality, Materiality, Additionality and Potential.

To ensure that UBP's approach meets the most stringent impact criteria, the Bank has formalised its governance arrangements in this area by setting up two dedicated entities: The Impact Advisory Board and the Impact Investment Committee.

The **Impact Advisory Board** is chaired by a member of UBP's Board of Directors. Its role is to take thought leadership drawn from external experts in fields outside of investment management and embed it into the Bank's impact platform. The Board meets every six months to review the impact case behind companies held in UBP's impact investment solutions. Four independent external sustainability experts are also members of The Impact Advisory Board.

The **Impact Investment Committee** is in charge of developing the Bank's impact investing capabilities, while also incorporating industry best practices. The Committee includes the Head of Impact Investing, the Head of Responsible Investment - Asset Management, the Head of Multi-Management and Fund Research, as well as the members of the Impact Investment team. Relevant impact cases and ESG concerns are discussed, along with research pieces, with a focus on stress testing impact rationales.

More information about our Impact Platform, can be found at: <https://www.ubp.com/en/investment-expertise/impact-investing>

Climate risks and opportunities

Climate-related risks are threats that arise from the transitional or physical effects of climate change that may directly or indirectly impact UBP's financial performance, operations, or reputation. Specifically, UBP recognises that climate change has the potential to severely impact our clients' assets. Therefore, we assess, monitor and manage the effects of climate change on our clients' investments, as well as our own operations. Climate change, however, will not only manifest in the form of risks but may also create new opportunities, such as investing in climate change–mitigation technologies.

As part of our alignment with the Paris Agreement's objective to keep global warming well below 2°C above pre-industrial level, and as a supporter of the Task Force on Climate-related Financial Disclosures (TCFD)⁹, UBP is committed to integrating its recommendations that are structured around four key areas: Governance, Strategy, Metrics and Targets, and Risk Management. Aligned with these recommendations, UBP's approach encapsulates:

- **Governance:** Climate-related issues are under the supervision of UBP's Executive Committee and addressed at the RICO and CSR Committee levels.
- **Strategy:**
 - ▶ Measure UBP's operations carbon footprint and set targets for reduction;
 - ▶ Aim to reduce the carbon footprint of investment portfolios and develop lower carbon product offering.
- **Metrics & Targets:**
 - ▶ UBP measures the carbon footprint of its investments¹⁰ by their **Weighted Average Carbon Intensity (WACI)**, expressed in tons CO₂e/\$M sales. The WACI is defined as the market-weighted average of total carbon emissions divided by total revenues. It is calculated by MSCI ESG Research, using the latest available carbon emission data or estimates. It should be noted that only Scope 1 and 2 emissions are considered, as Scope 3 data is additive across companies and may result in double counting. This measure is the most appropriate across all asset classes, not only for equity but also for fixed income.
 - ▶ UBP also measures the carbon footprint (scope 1,2 and 3) of its own operations and has set targets to offset it annually and reduce it overtime.
- **Risk Management:** The use of climate scenarios and climate risk management is being rolled out gradually across strategies.

⁹ <https://www.fsb-tcfid.org/>

¹⁰ All UBP Equity and Fixed Income funds invested primarily in corporate debt domiciled in France or Luxembourg. UBP aims to gradually measure the carbon footprint of all its products and set reduction targets.

Monitoring and reporting

UBP is committed to be fully transparent on how this Responsible Investment Policy is implemented.

Monitoring

UBP takes into account Sustainability risks and monitors the potential impacts of those risks. As such, UBP has defined a Sustainability Risk Framework available at <https://www.ubp.com/en/legal-aspects/sustainability-related-disclosures>.

The framework includes UBP's definition of sustainability risk, the governance structure and risk monitoring.

Sustainability risk monitoring is organised around three main themes:

- Specific issuer list: Exclusion and Watch Lists
 - ▶ UBP's Exclusion List is encoded into its portfolio management systems ensuring pre-trade checks. Post-trade checks related to our Exclusion List are also performed by UBP internal Group Risk Management team and for the UBP Funds, by the external administrator. Should a breach be detected, the portfolio manager is notified and requested to correct the situation in the best possible delays.
 - ▶ In addition, Group Risk Management analyses portfolio investments in the Watch List on a quarterly basis and requires justification from each investment team as to why such investments are being held.
- Portfolio sustainability risk scores: for each portfolio, a sustainability score is computed and monitored.
- Carbon emissions:
 - ▶ We measure the carbon footprint of our investments by their weighted-average carbon intensity (WACI). See *Climate Risks and Opportunities* above for more information.
- Key risk indicators (e.g. WACI of the balance sheet, total assets under management on the watchlist etc.) and their respective limits are defined by the ExCo in line with the desired risk appetite level.

Reporting

The UN PRI Reporting Framework is a mandatory requirement for UN PRI signatories and UBP reports on its own progress regarding responsible investment on an annual basis, thereby promoting more widespread adoption and implementation of the PRI. The main elements of the UN PRI reported information are openly available on the UN PRI website.

UBP also produces an annual Sustainability Report aligned with the Global Reporting Initiative standards and includes the TCFD recommendations.

Additionally, UBP publishes an annual Impact Report.

Being a signatory of the UK Stewardship Code, UBP reports annually on our stewardship activities and outcomes for our Asset Management division.

UBP maintains a comprehensive record of its engagement activity, votes cast and the reasons for voting against management or abstaining. Our key engagements and voting record are published annually at <https://www.ubp.com/en/investment-expertise/responsible-investment>.

For products that follow UBP's ESG Integration, Sustainable or Impact approach, factsheets, available to all, and Monthly Reports, for professional clients, may include, but are not limited to, the ESG Quality Score, ESG Rating and Weighted Average Carbon Footprint. These reports are publicly available from <https://www.ubp.com/en/funds>

In accordance with clients' needs and regulatory requirements, UBP is able to produce tailored periodic ESG reports.

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