



Responsible  
investing  
at UBP

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 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 of which 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.

### Summary Scorecard

AUM	Module Name	Your Score	Your Score	Median Score
	01. Strategy & Governance	A+		A
<b>Indirect - Manager Sel., App. &amp; Mon</b>				
<10%	02. Listed Equity	A		A
10-50%	06. Fixed Income - Securitized	B		A
<b>Direct &amp; Active Ownership Modules</b>				
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

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## Background on Union Bancaire Privée

Headquartered in Geneva and with over 20 offices worldwide, UBP is one of Switzerland's leading private banks, focussing on asset management for institutional clients and wealth management for private clients. UBP offers a diversified range of long-only and alternative products, encompassing both absolute and relative return strategies, which aim to grow client assets while applying a rigorous and disciplined risk management approach.

### History

UBP's roots trace back to 1969, when Edgar de Picciotto established the Compagnie de Banque et d'Investissements (CBI) in Geneva. In its over fifty-year history, the Bank has maintained its independence - being fully owned by the de Picciotto family - and has achieved remarkable growth, organically as well as through targeted acquisitions of several major players in wealth management, both in Switzerland and abroad. From the 1980s onwards, the largest of these was that of TDB-American Express Bank in 1990, which led to the creation of the current entity, Union Bancaire Privée. Another significant acquisition was that of Discount Bank and Trust Company in 2002. In more recent years, UBP has acquired ABN AMRO Bank (Switzerland) AG in 2011, the international private banking activities of Lloyds Banking Group in 2013 and the Royal Bank of Scotland's International Private Banking and Wealth Management business (Coutts) in 2016. In late 2018, UBP acquired ACPI Investments Limited (ACPI) and the activities of ACPI IM Limited in Jersey, followed by the acquisition of Banque Carnegie Luxembourg S.A. (BCL) in early 2019. UBP's strategic business development also involves partnerships and joint ventures with the objective to enrich its investment offering and distribution capabilities on the asset management side.

### Asset Management at UBP

UBP's Asset Management division provides investors with answers to increasingly challenging financial markets. The focus is on creating new solutions for our clients' evolving investment needs and on offering best-in-class products that take a differentiated approach. Investment teams draw upon UBP's sound infrastructure while being autonomous in their investment views and decision-making processes.

Most of the strategies are managed internally, such as global and emerging fixed income; the global, European, Swiss, emerging market and US equity; convertible bonds; multi-asset strategies; overlay solutions; long-only fund of funds and alternative strategies (including fund of hedge funds, customised portfolios and selected individual hedge fund strategies, through offshore and UCITS-compliant vehicles). External portfolio managers and partnerships are selected when they show unmatched long-term qualities.

### Responsibility

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

Building upon this foundation, UBP has developed a Sustainable offering and an Impact platform, the latter investing in companies generating positive social and environmental contributions alongside financial returns. Subsequently, several of our funds have been recognised by being awarded SRI labels.

To facilitate our evolution, UBP has partnered with an array of initiatives, associations and academia, including Cambridge Institute for Sustainability Leadership's Investment Leaders Group, Swiss Sustainable Finance, FAIRR and GIIN. UBP is a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).

Responsibility does not limit itself to investments but is equally applicable within the workplace. Thus, concurrently, UBP has developed, formalised and is implementing its CSR approach.

### Key figures

AUM Group	Of which Asset Management division	Headcount	Tier 1 ratio	Moody's long-term rating
CHF 147.4 BN	CHF 43.2 BN	1,812 FTE	27.7%	Aa2

31 December 2020

### Legal structure

Union Bancaire Privée, UBP SA is a Swiss-incorporated Société Anonyme (company limited by shares under Swiss law). The de Picciotto family, several of whom are active in the company, is the majority owner of CBI Holding SA, which controls 100% of the shares of UBP.

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## Responsible investing at UBP

### Commitments

UBP is committed to integrating Environmental, Social and Governance (ESG) considerations into our investment approach and we encourage all our investment professionals to actively integrate ESG factors in their processes.

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 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.”<sup>1</sup>**

**“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.”<sup>1</sup>**

This commitment to responsible investing was manifested by UBP becoming a signatory to the United Nations Principles for Responsible Investment (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 formalised the approach in our first RI Policy introduced in 2014, which was further enhanced in practices and in scope to its current form as of January 2018.

UBP is also committed to participating in the fight against Climate change and, in that context, 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 including a collaboration with the Cambridge Institute for Sustainability Leadership, and as a member of Sustainable Finance Geneva, Swiss Sustainable Finance, Pensions for Purpose, Farm Animal Investment Risk & Return (FAIRR) and Global Impact Investing Network (GIIN) as well as being a founding member of The Big Exchange.

### 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.<sup>2</sup> UBP believes that investable 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 and thus ESG analysis and considerations, including active ownership, are assessed and incorporated throughout our investment processes.

To substantiate our belief and as a signatory to UN PRI, we support the UN six Principles for Responsible Investment detailed below:

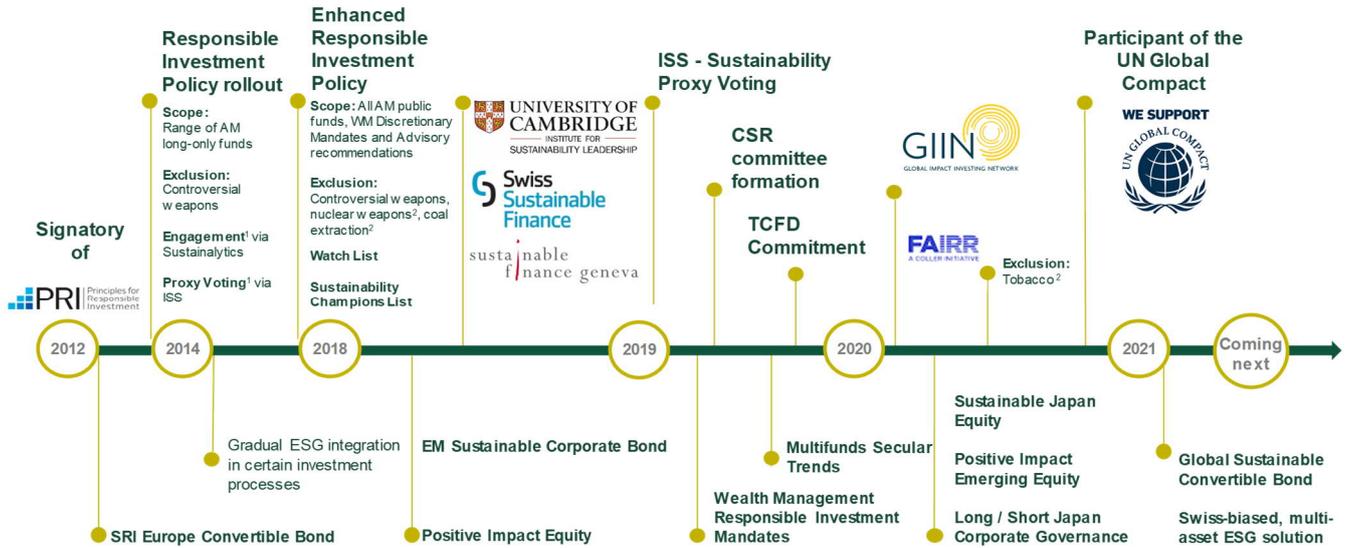
- To incorporate ESG issues into investment analysis and decision-making processes.
- To be active owners and incorporate ESG issues into our ownership policies and practices.
- To seek appropriate disclosure on ESG issues by the entities in which we invest.
- To promote acceptance and implementation 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.

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<sup>1</sup> For further information please refer to [www.ubp.com](http://www.ubp.com)

<sup>2</sup> For further information please refer to <https://www.unpri.org/about/what-is-responsible-investment>

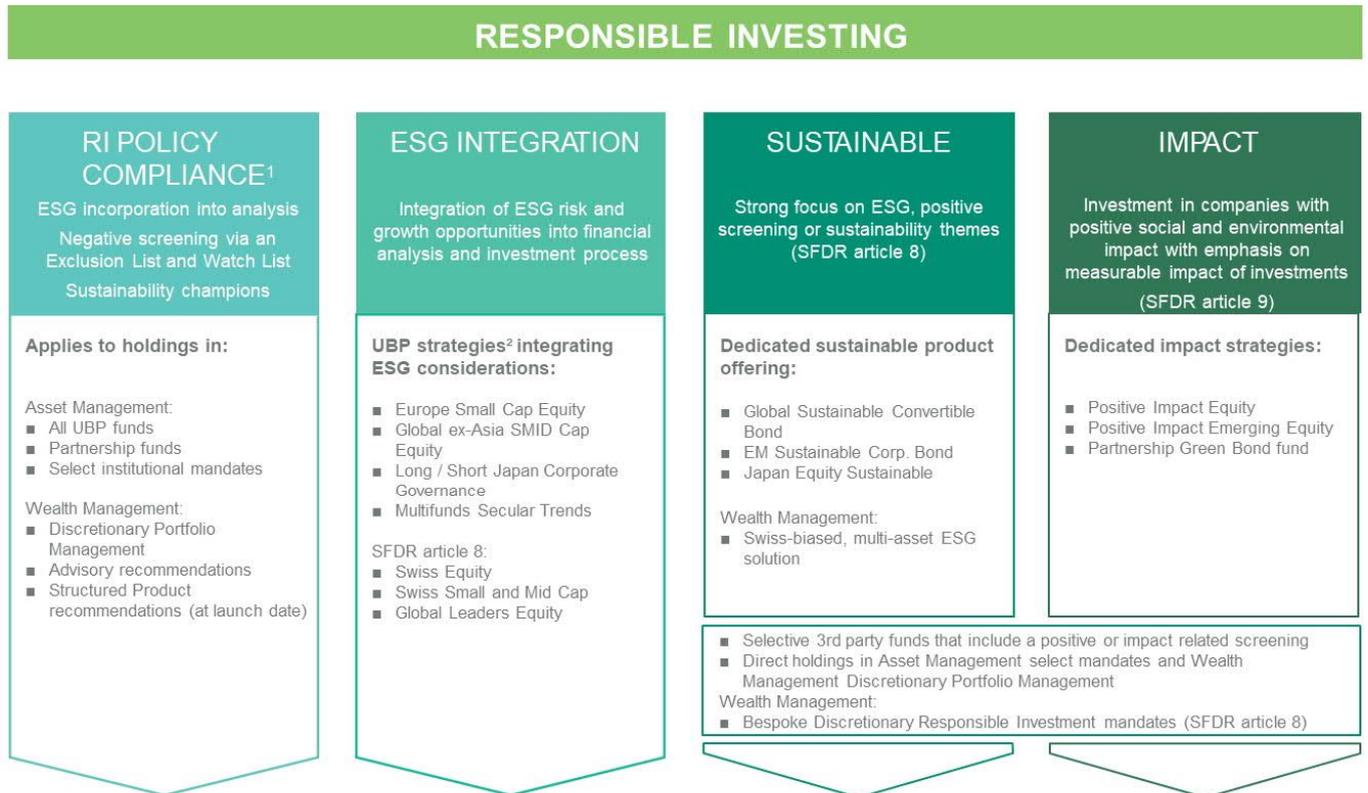
## Key milestones of a long-term commitment



<sup>1</sup> For UBP funds. Client holdings upon request. <sup>2</sup> Revenue threshold apply.

## Responsible investment offering

Since developing our first RI Policy in 2014, UBP has endeavoured to apply responsible investment across our product offering, both in asset management as well as in the wealth management of our private clients. Following the 2018 update of the RI Policy, UBP's offering was embodied across four approaches:



<sup>1</sup> Negative screening applies to approximately 40% of UBP's total AuMs. The rest mainly includes cash, the Wealth Management division's execution only service and investments in third party funds. <sup>2</sup> Applicable to UBP products and select mandates. <sup>3</sup> Applicable to UBP long only funds, client holdings upon request. SFDR = Sustainable Finance Disclosure Regulation.

## 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 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 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>

### 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 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/>

### 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.

<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 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/>

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## Responsible Investment Policy

UBP first implemented its RI Policy on 01.03.2014, whilst its scope and practices were enlarged as of 01.01.2018. This policy codifies UBP's commitments to responsible investment, and details the governance, scope and practices.

### Governance & responsibilities

The 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 defined a series of 10 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.

The RICO is chaired by the Heads of Responsible Investment for Asset Management and Wealth Management. 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 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 curation of Sustainability Champions List;
- Support investment and sales teams on all matters linked to Responsible Investment (designing investment process, new products, 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 product development;
- Make proposals to the ExCo on strategic development.

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 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, 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 process alongside more traditional financial metrics, and engage where necessary with investee companies.

Each investment team has nominated an RI 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.

## External service providers

UBP has recourse to the following external service providers to facilitate UBP's Responsible Investment process, among others.

- **MSCI ESG Research LLC** is one of the leading ESG research providers in the industry. Their research is not limited to ESG ratings, but also includes business involvement screening, controversy screening and sustainable impact metrics. The web-based tool includes reporting modules.
- UBP has also partnered with **Sustainalytics**, a leading global engagement service provider, to maximise the influence of its engagement activities via a collaborative approach. This partnership is essential in facilitating the implementation of our RI Policy and achieving sustainable change in the chosen companies, while also offering our investment professionals an additional platform to identify and research ESG controversies.
- Voting rights are exercised through **Institutional Shareholder Services (ISS)**, an industry-leading, third-party voting service provider. ISS offers global coverage of the securities markets and provides accurate information regarding investee companies, including agendas of meetings and all the research material 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.
- **ISS** has also been retained since June 2020 to support the gradual integration of climate change considerations and scenarios in UBP's investment processes and reporting.
- **RepRisk AG** specialises in ESG and business-conduct risk research via quantitative solutions which are deployed to provide risk assurance (business involvement) and flag potential controversies. RepRisk's model identifies increasing 'noise' levels around corporate ESG issues and so can provide an early indicator of meaningful controversies, which can be integrated into financial analysis and ongoing impact assessment to form thorough maintenance research of portfolio holdings.

### MSCI ESG Research LLC

To support our ESG research efforts, we selected MSCI and the MSCI ESG Manager solution<sup>3</sup>, which enables us to access:

- ESG ratings for equities, corporate & sovereign issuers;
- Bespoke analysis on companies and sectors to run the Exclusion List;
- Information on controversies which is used for the Watch List;
- Special modules:
  - ▶ Carbon Metrics to run the Carbon Footprint Report (as per French law)
  - ▶ Impact Metrics
  - ▶ Fund Metrics to assess external funds
  - ▶ Portfolio Reporting Tools

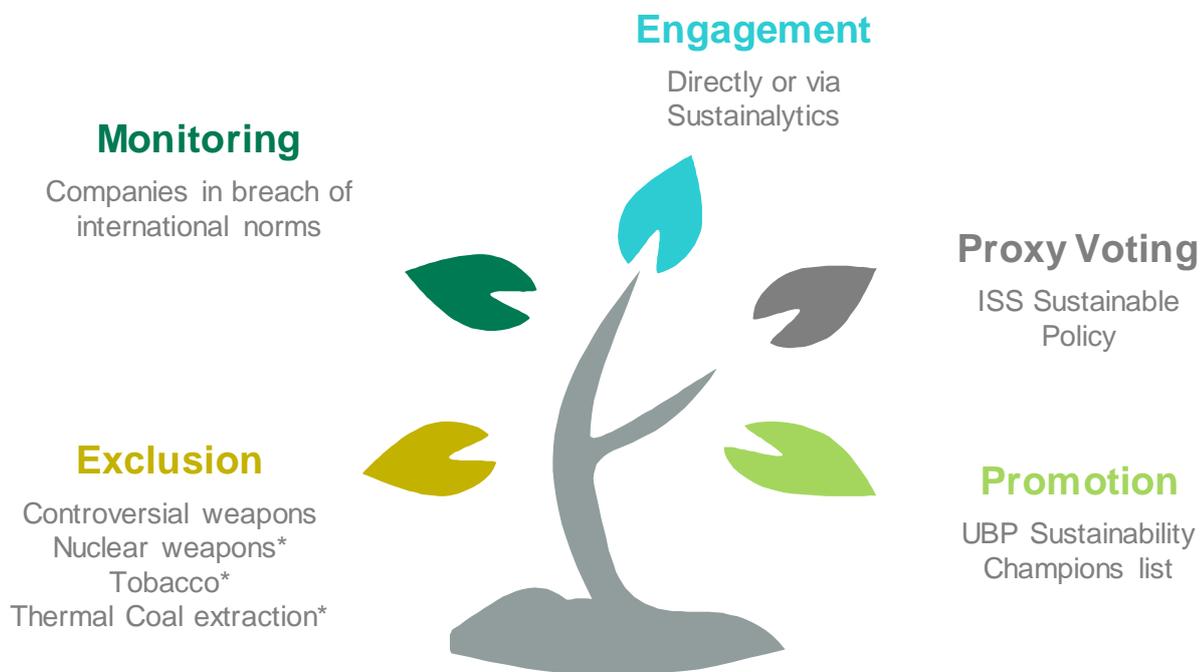
All these services are available via the MSCI ESG Manager web application, which is a user-friendly and secure system, deployed among our teams, allowing the possibility to upload portfolios and to be autonomous in accessing ESG information.

<sup>3</sup> <https://www.msci.com/esg-integration>

## Practices

UBP's RI Policy invokes the following practices:

- 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 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**.



\* Revenue threshold apply

## ESG research and analysis

UBP's investment teams are encouraged to assess ESG factors as part of their research and security selection processes as well as an ongoing systematic assessment of portfolio holdings and candidates for investment. Their decisions and recommendations are based on analytical work which includes ESG issues where appropriate, in the sense that such issues could be detrimental to a company's, or indeed a sector's or a country's, growth prospects. For those ESG issues, they rely on the information they collect from the companies they are analysing (including companies' due diligence reports, management meeting minutes, annual and sustainability reports), brokers, rating agencies and data vendors, supplemented by the information provided by our third-party specialist research providers: MSCI ESG Research LLC, Sustainalytics, RepRisk and ISS.

## Negative screening

### 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 2015 Paris Agreement.

In addition, 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 no longer 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, as well as for 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 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 and ILO Core Conventions.

The Watch List is not an exclusion list. Investment teams are challenged by the RICO and have to justify the inclusion of these stocks / 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 can offer. Consequently, we have established a firm-wide Sustainability Champions List.

Each 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 Goals<sup>4</sup> 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, and the AUM invested in companies from the Sustainability Champions List will be monitored over time.

## Engagement with companies

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

To maximise the influence of its engagement activities, UBP has teamed up with a third-party engagement service provider, Sustainalytics<sup>5</sup>. Sustainalytics is a leading global engagement service provider specialising in collaborative engagement. This partnership is essential in facilitating the implementation of our RI Policy and achieving durable change in the selected companies.

When an investee company is flagged by Sustainalytics' screening process as being non-compliant with the UN Global Compact principles or other international norms, Sustainalytics contacts the company to seek additional information and to discuss potential and adequate corrective actions that would protect and add value of said investment. Engagement cases are selected on the basis of the results of the ongoing qualitative screening, which can reveal reported breaches of international standards, sanctions issued by regional / national courts against companies or recognition of a company's responsibility in an incident.

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

- In scope portfolios and positions are uploaded onto the Sustainalytics' secured web platform on a regular basis.
- Upon identifying potential violation of UN Global Compact principles in relation to invested companies, the engagement manager notifies UBP and places the company under observation.
- A detailed analysis is undertaken to prepare an engagement plan.
- Ongoing shareholder engagement is entered into.
- Actions, possibly including exclusion, are determined.

Investment teams as well as other UBP staff related to Responsible Investing 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 are published annually [here](#).

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

<sup>5</sup> <https://stewardship.sustainalytics.com/>. UBP originally used Global Engagement Services which was acquired by Sustainalytics in January 2019.

## 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 funds<sup>6</sup> and - upon request from clients - to their dedicated mandates. Our voting policy aims to achieve two primary objectives:

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

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" policy which places added emphasis on ESG when analysing these practices.

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

UBP is also committed to report on its voting activity.

For the period from January to December 2020, UBP Asset Management (Europe) S.A.'s, UBP's Luxembourg Management Company, voting highlights include:

- Voting in 97.5% of the voteable meetings related to its holdings.
- Considering all the votes cast, voting 99% times in line with ISS Sustainability Policy and 10% against management.
- Looking more specifically at Shareholders' proposals on Environmental and Social issues, UBP voted 81% against management, in line with ISS Sustainability Policy.

Our voting activity records are published annually [here](#).

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<sup>6</sup> For practical reasons, funds under EUR15 million in assets are excluded from scope.

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## Reporting

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

The UN PRI Reporting Framework is a mandatory requirement for UN PRI signatories and UBP reports on its own progress 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.

Finally, in accordance with clients' needs and regulatory requirements, UBP is able to produce reports with specific instructions, restrictions and extra-financial data (e.g. carbon footprint, ESG quality score).

## TCFD

### Climate strategy

Committed to TCFD



UBP is a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) (<https://www.fsb-tcfid.org/tcfid-supporters/>) and is committed to integrating the recommendations. Aligned with the 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:**
  - ▶ Measurement of UBP's carbon footprint and set targets for reduction;
  - ▶ Aim to reduce the carbon footprint of investment portfolios and develop lower carbon product offering.
- **Metrics & Targets:** Reporting on weighted average carbon intensity is already in place for our Sustainable and Impact product offerings. Reporting of weighted average carbon intensity across all funds is to be rolled out gradually.
- **Risk Management:** The use of climate scenarios and climate risk management is planned

## Scope

The tables below summarise the general approach to ESG factors across each of our investment areas and the associated practices to be actioned. The tables make a distinction between investment areas in UBP's Investment Management department traditionally consolidated under Asset Management and investment services dedicated to Wealth Management clients.

<b>ASSET MANAGEMENT</b>		
Practices are applicable to all UBP-branded public funds and certificates (including where the investment management has been delegated externally) while for client mandates, practices are applied only on an <b>opt-in</b> basis.		
<b>Investment Areas / Strategy Group</b>	<b>ESG factors taken into account</b>	<b>Actions</b>
<b>EQUITIES</b>		
<b>Core Equities (excl. Sustainable Strategies)</b>	<ul style="list-style-type: none"> <li>▶ Assessed as part of research and stock selection processes</li> </ul>	<ul style="list-style-type: none"> <li>▶ Negative screening</li> <li>▶ Integration of Sustainability Champions</li> <li>▶ Engagement with company management</li> <li>▶ Proxy voting</li> </ul>
<b>Sustainable and Impact Strategies Equities</b>	<ul style="list-style-type: none"> <li>▶ Assessed as core part of research and stock selection processes, with further exclusionary approach, integration and impact investing</li> </ul>	<ul style="list-style-type: none"> <li>▶ Enhanced negative and positive screening</li> <li>▶ Active engagement with company management</li> <li>▶ Proxy voting</li> </ul>
<b>FIXED INCOME</b>		
<b>Sovereign Bonds</b>	<ul style="list-style-type: none"> <li>▶ ESG ratings available for government and government-like issuers</li> </ul>	<ul style="list-style-type: none"> <li>▶ Adherence to Group policy on sanctions</li> </ul>
<b>Non-Sovereign Bonds (incl. Convertibles, excl. Sustainable Strategies)</b>	<ul style="list-style-type: none"> <li>▶ No specific policies, but analysts' research process takes into consideration ESG factors</li> <li>▶ Some tangential benefits from Equities' engagement with company management</li> </ul>	<ul style="list-style-type: none"> <li>▶ Negative screening</li> <li>▶ Integration of Sustainability Champions</li> <li>▶ Engagement with company management</li> </ul>
<b>Sustainable Strategies Corporate Bonds</b>	<ul style="list-style-type: none"> <li>▶ Assessed as core part of research and selection processes, with further exclusionary approach, integration and impact investing</li> </ul>	<ul style="list-style-type: none"> <li>▶ Enhanced negative and positive screening</li> <li>▶ ESG rating filter</li> <li>▶ Active engagement with company management</li> </ul>
<b>ALTERNATIVE INVESTMENTS</b>		
<b>Alternative Investments</b>	<ul style="list-style-type: none"> <li>▶ No specific policies, but external managers informed about UBP RI Policy</li> </ul>	<ul style="list-style-type: none"> <li>▶ Information</li> </ul>
<b>Single Hedge Funds UCITS Managers</b>	<ul style="list-style-type: none"> <li>▶ Exclusionary approach and external managers informed about UBP RI Policy</li> </ul>	<ul style="list-style-type: none"> <li>▶ Negative screening</li> </ul>
<b>OTHER</b>		
<b>e.g. Multi-Asset, Fund Research, Risk Premia, Forex, etc.</b>	<ul style="list-style-type: none"> <li>▶ Assessed as part of research and selection processes</li> </ul>	<ul style="list-style-type: none"> <li>▶ Negative screening on direct holdings</li> </ul>

<b>WEALTH MANAGEMENT (“WM”) INVESTMENT SERVICES</b>		
<b>Investment Areas / Strategy Group</b>	<b>ESG factors taken into account</b>	<b>Actions</b>
<b>WM Discretionary RI Mandates</b>	<ul style="list-style-type: none"> <li>▶ Assessed as core part of research and selection processes</li> <li>▶ Specific inclusion or exclusion criteria can be applied as per client requests</li> </ul>	<ul style="list-style-type: none"> <li>▶ Enhanced negative and positive screening</li> <li>▶ ESG rating filter</li> </ul>
<b>WM Discretionary Portfolio Management ex-RI Mandates</b>	<ul style="list-style-type: none"> <li>▶ Assessed as part of research and selection processes</li> </ul>	<ul style="list-style-type: none"> <li>▶ Negative screening</li> </ul>
<b>WM Advisory Services</b>		
<b>Structured Products</b>		

## 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 include:

- **ESG rating filter:** A minimum ESG rating applies to individual holdings;
- **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, beneficial social and environmental impact alongside a financial return;
- **Thematic:** Investment in businesses contributing to sustainable solutions both in environmental and / or social topics.

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

Nevertheless, given the connotations associated with sustainable and impact investing, funds in this product range are all subject to more stringent restrictions than those in our standard range. These additional restrictions include compliance with the following:

Sustainable and Impact Exclusion List	Reason / Threshold	Source
<b>Companies in breach of UN Global Compact</b>	This is monitored using MSCI ESG Research LLC factor "Global Compact Compliance", excluding companies that "Fail".	
<b>Nuclear or other controversial weapons</b> (cluster munitions, landmines, depleted uranium, biological/chemical weapons)	0% of revenues	
<b>Other weapon companies</b>	10% of revenues	
<b>Tobacco production, other tobacco revenues</b>	0%, 5% of revenues	MSCI ESG Research LLC
<b>Coal and unconventional Oil &amp; Gas extraction</b>	10% of revenues	
<b>Coal-fired electricity generation</b>	10% of revenues 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.	
<b>Sovereign or corporate based in countries recognised as heavily involved in money laundering or terrorist financing</b>	FATF High Risk and Other Monitored Jurisdictions.	FATF
<b>Forward contracts on agricultural commodities</b>	Excluded from investment universe	

Further, as part of our desire to help finance higher environmental standards and the transition to a lower carbon economy, we favour companies with higher environmental practices, seeking for instance the protection of biodiversity, sounder water consumption, 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 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 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.

- Regarding oppressive regimes, we ban the financing of sovereigns and 100%-owned quasi-sovereigns from countries which are assigned a Freedom Rating of 7 (i.e. the worst scores for both Political Rights and Civil Liberties) by Freedom House.
- Regarding countries using the death penalty, investments are not banned, but we take into account such practices when allocating investments to sovereigns and 100%-owned quasi-sovereigns from countries with extensive use of the death penalty i.e. as identified by Amnesty International.
- Similarly, investments in sovereigns or 100%-owned quasi sovereigns from countries on the EU blacklist of tax havens are prohibited.

### **Impact Investing Governance**

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 Anne Rotman de Picciotto, 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. The Impact Advisory Board's external sustainability experts are:

- Bastien Sachet, CEO of the Earthworm Foundation;
- Tony Juniper, Chair of Natural England, the UK government's official nature conservation agency, and a campaigner, writer and sustainability adviser as well as Executive Director for Advocacy and Campaigns for WWF-UK;
- Kanini Mutooni, Managing Director of Europe, Middle East and Africa for Toniic, the global action network for impact investors;
- Jake Reynolds, Executive Director, Cambridge Institute for Sustainability Leadership (CISL).

The **Impact Investment Committee** is in charge of developing the Bank's impact investing capabilities, while also incorporating industry best practice. 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, which focus on stress testing impact rationales.

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