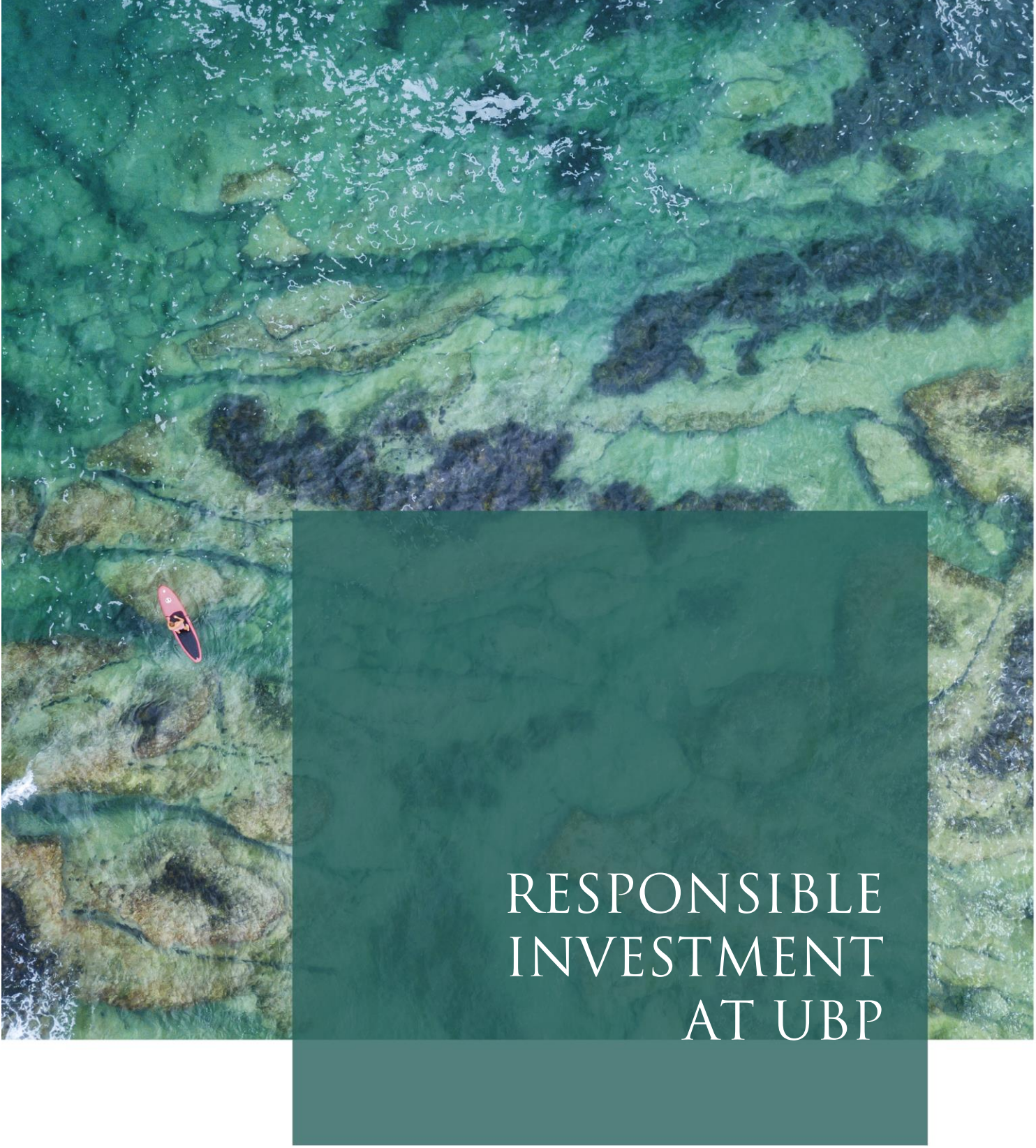

RESPONSIBLE INVESTMENT AT UBP

UBP

UNION BANCAIRE PRIVÉE

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Responsible investing at UBP

Commitments

UBP is committed to responsible investing by promoting good governance principles and integrating environmental and social considerations into our investment approach. We encourage all our investment professionals to actively integrate ESG factors into their investment processes and to develop sustainable products. Recognising the crucial role finance plays in achieving of the 2015 Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development, UBP is determined to seize associated opportunities and aims to deliver sustainable outcomes through its investments.

Our commitment to responsible investment stems from our fiduciary duty to offer long-term, sustainable performance to our clients and is encapsulated in the following statement[1]:

As a financial intermediary and a member of the economic and social fabric, we are determined to channel capital towards responsible investment solutions that offer real potential to generate financial returns, while adhering to sustainable business practices and working to quantify and improve our social and environmental footprint.

This commitment was demonstrated when UBP became a signatory to the UN PRI in March 2012 and the subsequently launched of its first responsible strategy, a European convertible bond fund. After a period of research, development, and implementation, we published our first Responsible Investment (RI) Policy in 2014 and enhanced it in practice and in scope in 2018.

We view RI and Corporate Social Responsibility (CSR) to be two facets of the same commitment to creating a sustainable world. Accordingly, UBP strengthened its commitment to sustainability by becoming a member of the UN Global Compact in 2020.

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 levels. With this in mind, UBP has sought to integrating the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD). Further, UBP Asset Management (Europe) S.A., our Luxembourg-based fund management company, has signed the Net Zero Asset Managers (NZAM) initiative, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

Furthermore, UBP aims to learn from and educate clients whenever possible and is committed to sharing knowledge with industry peers . To achieve this, UBP has entered into numerous partnerships and initiatives (see "Partnerships and initiatives" below).

Principles

Responsible investing is an approach that aims to incorporate ESG factors into investment decisions so as to better manage risk and generate sustainable, long-term returns.[2] 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 stewardship, are thus incorporated throughout our investment processes.

To substantiate our belief, we have committed to the UN's six Principles for Responsible Investment as follows:

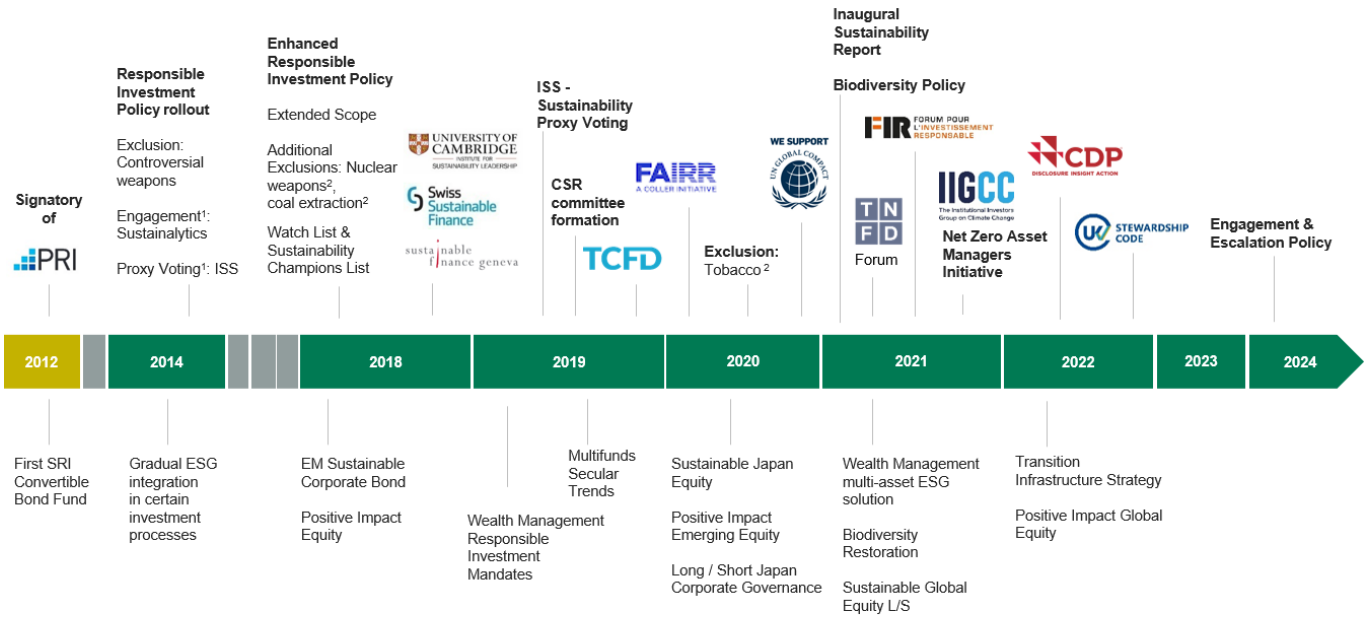
- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance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

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

[1] Source: UBP, Sustainability Report 2020
[2] For further information please refer to https://www.unpri.org/introductory-guides-to-responsible-investment/what-is-responsible-investment/4780.article

Furthermore, recognising the concept of double-materiality, EU-based UBP entities[3] consider and manage the principal adverse impacts (PAIs) on the environment and society that may result from their investment decisions. To do so, we rely primarily on this policy, which outlines the key principles applicable to all our funds as well as mandates, the latter subject to end investor's approval.

Key milestones of a long-term commitment



[1] For UBP funds. Client holdings upon request. [2] Revenue threshold apply.

[3] Entities within the scope of the EU regulation 2019/2088: "UBP Asset Management (Europe) S.A.", "UBP Asset Management (France)" and "Union Bancaire Privée (Europe) S.A. Luxembourg".

Governance & responsibilities

UBP's RI Policy clearly defines the responsibilities associated with its implementation and empowers its governance.

UBP's Board of Directors

UBP's Board of Directors oversees sustainability and climate-related risks through monthly reports provided by Group Risk Management.

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 significantly increasing assets in responsible strategies and reducing our carbon footprint.

Implementation of our sustainability approach is carried out by two committees: the Responsible Investing Committee (RICO) and the Corporate and Social Responsibility Committee (CSRCO), while a third, the Sustainability Steering Committee (STC) defines UBP's sustainability roadmap and goals for the Bank.

To ensure ongoing oversight, the RICO and CSRCO report every 2 months to the Sustainability Steering Committee. This committee is chaired by the Bank's Head of Sustainability who reports regularly to the ExCo on the proper implementation of the Group's sustainability roadmap and may escalate issues to the ExCo for decision if necessary.

Responsible Investing Committee (RICO)

The Executive Committee is supported in its work by the RICO.

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

The RICO's responsibilities include:

- Design responsible investment principles and policies
- Make proposals to the ExCo on strategic development
- Implement new sustainable finance regulations
- Define and maintain minimum ESG standards, including through the Exclusion List and Watch List
- Support investment and sales teams on all matters linked to responsible investment, such as designing investment processes and meeting client requirements
- Drive the implementation of UBP's climate and biodiversity strategies in portfolios' investments
- Review and coordinate stewardship activities
- Support the development of new responsible products

The two co-Heads are supported by dedicated responsible investment teams. These teams help their division with ESG integration and the promotion of responsible investment strategies and work closely together to support the RICO in its cross-divisional activities.

Corporate Social Responsibility Committee (CSRCO)

The CSRCO supports the ExCo in defining, implementing and monitoring UBP's Corporate Social Responsibility approach, ensuring that all relevant aspects are addressed, including the environment, human resources and community engagement.

The CSRCO's responsibilities include:

- Define and implement UBP's Corporate Social Responsibility roadmap regarding its:
    - Environmental footprint
    - Recruitment and working conditions

    - Social & community engagement
- Ensure adherence with non-financial and/or climate-related disclosure regulations
- Run regular assessments and identify areas for improvement
- Propose and compile initiatives, manage their implementation and monitor their progress
- Report and communicate to key stakeholders and staff (internally and externally)

Investment teams

UBP's investment teams are responsible for the day-to-day implementation of the RI Policy and the integration of ESG and sustainability considerations into their investment processes. Each team develops its own approach, which best fits its asset class and strategic objectives, ranging from research to portfolio construction and direct engagement, while at a minimum applying the ESG standards defined by 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 II (SRD2), equity investment teams from our Asset Management division consider issuers' ESG credentials as an integral part of their decision and voting processes, alongside more traditional financial metrics, and engage where necessary with investee companies.

Sustainability Risk Management

Group Risk Management is responsible for managing sustainability risks at both the Group and business unit levels. It oversees all risks by reviewing and analysing the Bank's risk profile, including sustainability risks.

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

The framework includes an ongoing review of sustainability risk exposures and an analysis of potential breaches. If any breaches cannot be resolved, they are submitted to the ExCo. In addition to this, monthly consolidated ESG reports are prepared and submitted to the ExCo.

Partnerships and initiatives

To tackle the world's biggest challenges, governments, investors, the corporate world, and the financial sector must work together. Accordingly, UBP has partnered with, become a signatory to, or supported an array of global and local initiatives, associations, and academic institutions.

Global

United Nations Principles for Responsible Investment (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 assist signatories in incorporating these issues into their investment decision-making and ownership practices. By 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-tcfd.org/about/

Taskforce on Nature-related Financial Disclosures (TNFD) Forum

The TNFD's mission is to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks. The aim is to support a shift in global financial flows away from nature-negative outcomes and towards nature-positive outcomes. Willing to do its share, UBP became a member of the TNFD Forum in September 2021 to contribute to the TNFD's work and mission.

https://tnfd.global/

CDP

In an effort to drive greater transparency on environmental risks and opportunities, UBP became a CDP investor signatory in January 2022. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. Every year, investors working with CDP jointly ask thousands of companies to respond to their questionnaire on climate change, deforestation, and water security. In 2024, over 23,000 companies (two thirds of global market capitalisation) disclosed data.

https://www.cdp.net/

Institutional Investors Group on Climate Change (IIGCC)

UBP Asset Management (Europe) S.A. joined the IIGCC in December 2021. The IIGCC is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 400 members, mainly pension funds and asset managers, across 27 countries, with over USD 65 trillion in assets under management.

https://www.iigcc.org/

Net Zero Asset Managers Initiative (NZAM)

In December 2021, UBP Asset Management (Europe) S.A. joined the Net Zero Asset Managers initiative, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C, and to supporting investing aligned with net zero emissions by 2050 or sooner. The initiative has more than 315 signatories, representing around USD 57 trillion in assets under management.

https://www.netzeroassetmanagers.org/

Finance for Biodiversity

In December 2022, the UBP Asset Management division signed the Finance for Biodiversity Pledge. We are therefore committed to protecting and restoring biodiversity by:

- Collaborating and sharing knowledge
- Engaging with companies
- Assessing impact
- Setting targets
- Reporting publicly on the above before 2025

https://www.financeforbiodiversity.org/

Cambridge Institute for Sustainability Leadership's (CISL) Investment Leaders Group (ILG)

Since February 2018, UBP has collaborated with the Cambridge Institute for Sustainability Leadership (CISL) as a partner in the exclusive Investment Leaders Group (ILG). The ILG is a global network of pension funds, insurers and asset managers with over USD 9 trillion under management and advice. It is committed to advancing the practice of responsible investment. It is a voluntary initiative, driven by its members, facilitated by the CISL, and supported by academics at the University of Cambridge.

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

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

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 on and engaged with 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 (SSF)

In October 2018, UBP became a member of Swiss Sustainable Finance (SSF). SSF's mission is to strengthen the position of Switzerland in the global marketplace for sustainable finance by informing, educating and catalysing growth. SSF is a member of Eurosif, which is the leading pan-European association promoting Sustainable Finance at European level.

https://www.sustainablefinance.ch/en

UK Stewardship Code

UBP is a signatory of the UK Stewardship Code, a voluntary code that sets twelve stewardship principles for institutional investors who manage assets on behalf of UK clients or who invest in UK assets. The aim is to demonstrate how signatories have practiced stewardship over the year, 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

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 best practice. It brings together a range of players, including investors, asset managers, consultants, NGOs, unions, and academic experts. FIR is a member of Eurosif.

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

Sustainable Finance Geneva (SFG)

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 with each other and is committed to promoting Geneva as a financial centre. Sustainable Finance Geneva is a network partner of SSF.

https://www.sfgeneva.org/

Dutch Climate Commitment of the Financial Sector (DUFAS)

In 2021, UBP signed the Dutch Climate Commitment of the Financial Sector, an initiative designed to provide insights 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/

The Big Exchange

In June 2019, UBP became a founding member to The Big Exchange, a UK-based, mission-led, mobile-first financial services offering which aims to open the opportunity to invest and save to everyone.

https://bigexchange.com/

External ESG service providers

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

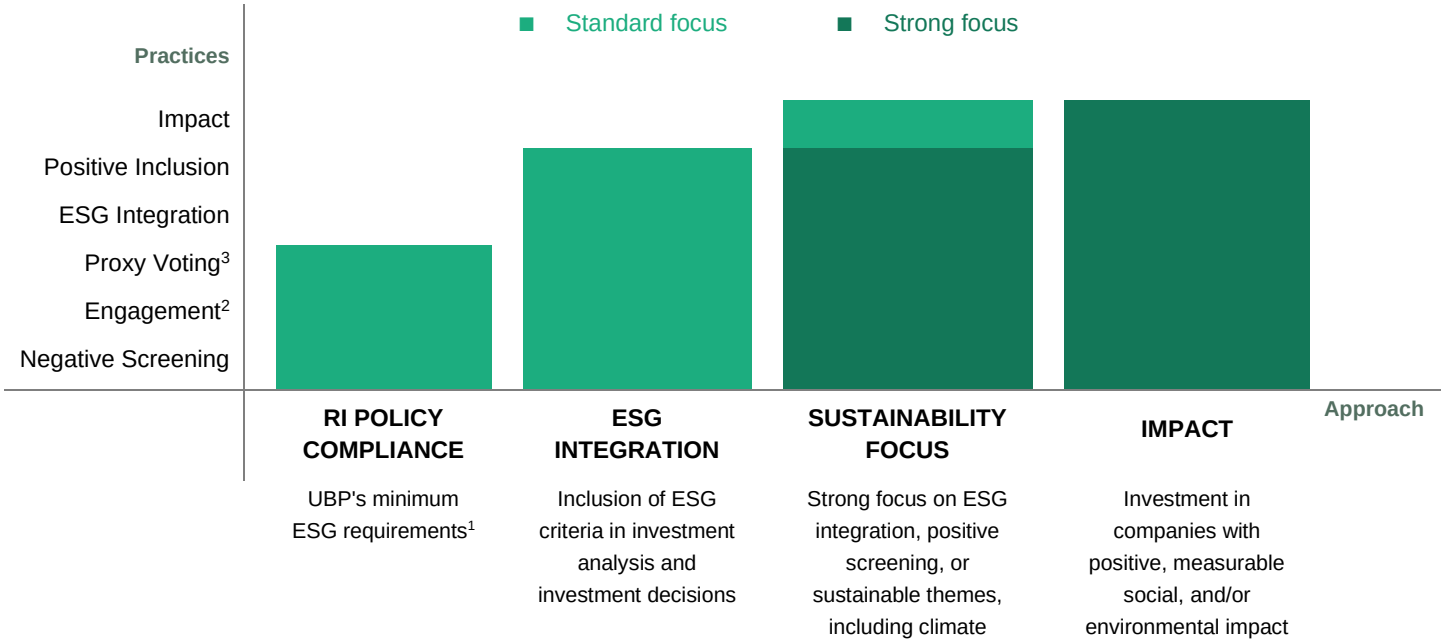
- **MSCI ESG Research LLC**: ESG data, SDG contribution, carbon emissions data and information on controversies, and business involvement
- **Morningstar Sustainalytics:** Controversy screening and systematic collaborative engagement, EU Taxonomy, and Principal Adverse Impact (PAI) data
- **Institutional Shareholder Services (ISS)**: Proxy voting and climate data
- **RepRisk AG**: Controversial news and reputational risk

Responsible Investment Policy

UBP's Responsible Investment Policy codifies the Bank's approach to responsible investment and sets out its practices, scope, and offering.

Responsible investment offering

UBP endeavours to apply responsible investment principles across its product offering, both in its Asset Management and its Wealth Management division. This offering is embodied in four approaches that may include the following practices:



For illustration purposes only.
[1] Applies to all UBP's AUM, excluding cash, Wealth Management's execution-only services and investments in third-party funds.
[2] Not applicable to Wealth Management. Applicable to client holdings upon request.
[3] Ibid.

UBP is committed to deepening ESG practices throughout our strategies and to directing inflows to sustainable investments that contribute to environmental and social objectives. As such, our product development process takes full account of ESG and sustainability factors. Moreover, for our funds domiciled in the EU and as regards the EU Sustainable Financial Disclosure Regulation (SFDR), UBP is committed to develop and offer funds that, "promote, among other characteristics, environmental or social characteristics or a combination of those characteristics" (also known as Article 8 funds) or that, "have sustainable investment as their objective" (also known as Article 9 funds).

Responsible investment practices

UBP's four approaches to responsible investing (Responsible Investment Policy Compliance, ESG Integration, Sustainability Focus, and Impact) invoke the following practices which are integrated to varying degrees:

Encouraging the **incorporation of ESG research and analysis** throughout our investment practices.

- **Negative screening** including norm-based screening and screening for business involvement via:
  - our **Exclusion List**
  - our **Watch List**
- **Stewardship**
  - including **systematic engagement** through an external engagement partner as well as **direct and collaborative engagement** with a particular focus on companies deemed to be failing in ESG factors. By sharing with them the rationale behind our considerations, either directly or via our third-party engagement partners, UBP encourages these companies to address these considerations.
  - and to act in the best financial interests of our clients in the long term, UBP exercises the **proxy voting** rights attached to investments whenever possible. UBP adopts a principle of voting to promote business practices that are mindful of environmental, social, or corporate governance issues, in line with the UN PRI.

- **ESG Integration** where UBP's investment teams are encouraged to assess ESG related issues, including climate considerations, as part of their research and issuer selection processes. Investment processes are specific to the individual teams, their asset class, and their strategies.
- **Positive Inclusion** to select companies based on their business activities and practices (e.g. taxonomy-aligned or sustainable investment).
- **Impact Investing** to promote investments which are better aligned with the broader environmental and social objectives of society. Consequently, within our Asset Management division we have an Impact Platform with an independent Impact Advisory Board.

ESG research and analysis

UBP's investment teams are encouraged to assess ESG issues, including climate (see "Climate risks and opportunities" below) and biodiversity ("UBP's Approach to Biodiversity" is available on our Responsible Investment webpage and is currently being rolled out across the Bank), as part of their research and security selection processes, in the sense that such issues could be detrimental to a company's, a sector's, or a country's growth prospects, or to the environment and society as a whole, or, on the contrary, that these companies may be seizing new business opportunities that are well positioned to help solve sustainability challenges.

Each of our Asset Management division's investment team defines and applies its own ESG analysis and integration process as best adapted to their investment approach and assets under consideration. They rely on the information they collect from the companies or sovereign issuers they analyse (including due diligence reports, management meetings, annual and sustainability reports), as well as from brokers and rating agencies supplemented by external ESG service providers.

For sustainable funds-of-funds and alternative strategies, 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 positive and negative screenings, the coherence of the investment strategy towards ESG and/or SDG targets, the actual commitment to engagement and proxy voting, and how this is integrated within the investment process.

Negative screening[4]

Exclusion List

- **Minimum exclusions**

In alignment with our core values and commitment to global conventions, UBP maintains an Exclusion List that applies to various business lines, including our public funds, wealth management discretionary mandates, advisory services, and UBP's own treasury portfolio. Additionally, this list may be applicable to dedicated funds and mandates, subject to client agreement.

Specifically, UBP endorses the Convention on Anti-Personnel Mines (1997) and the Convention on Cluster Munitions (2008), refraining from providing financing to companies involved in the production of such controversial weapons. Likewise, in support of the Paris Agreement's objective to limit global warming to well below 2°C above pre-industrial levels, UBP has established criteria for excluding coal-related investments. Furthermore, recognizing the significant health risks associated with tobacco, as outlined by the World Health Organization, UBP does not endorse the tobacco industry.

The Exclusion List is updated regularly using a third-party ESG database and is 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 using white phosphorus, blinding laser weapons and depleted uranium weapons
- 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

[4] UBP relies on information and data collected from ESG third party data providers which may prove to be incorrect or incomplete. Although UBP applies a proven selection process of such third-party providers, its processes and proprietary ESG methodology may not necessarily capture appropriately the ESG risks. Indeed, data related to sustainability risks or PAI are today either not available or not yet systematically and fully disclosed by issuers, may be incomplete and may follow various methodologies.

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 "jurisdictions under increased monitoring" are subject to due diligence and approval.

To ensure that the Exclusion List is adhered to, the List is encoded into the relevant UBP Asset Management portfolio management systems and communicated to the various UBP Wealth Management teams. A second line of defence can be found in the form of post-trade checks performed by UBP's internal Group Risk Management and by the external Fund Administrators. Should a breach be detected, the investment team is notified and required to correct the situation.

The 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 and stewardship to be effective at improving poor ESG practices.

Extended exclusions[5]

UBP has also defined a set of stricter restrictions that apply to:

- Our funds that promote environmental and/or social characteristics (Art. 8 funds as per SFDR), and
- Our Sustainable and Impact funds (including Art. 9 funds as per SFDR).

Please note that additional exclusions or stricter thresholds may apply, in accordance with the investment policy of each financial product.

The table below summarises these extended restrictions, and the minimum exclusions in terms of revenue thresholds applicable to all products described above:

Sectors	Minimum exclusions	Funds that promote E/S charac. (Art. 8 SFDR)	Sustainable & Impact funds (incl. Art. 9 SFDR)
Controversial weapons[6]	0%	0%	0%
Nuclear weapons	5%	0%	0%
Other weapons[7]	-	10%	10%
Tobacco production	0%	0%	0%
Tobacco - Others	10%	5%	5%
Coal extraction	20%	20%	10%
Coal-powered utilities	-	20%	10% DM / 20% EM
Unconventional oil and gas[8]	-	10%	10%
Adult entertainment production	-	0%	0%
Adult entertainment – Others	-	5%	5%
UN Global Compact breach	Watch list	Excluded	Excluded
FATF High Risk Countries	Excluded	Excluded	Excluded
FATF Other Monitored Jurisdictions	Due diligence	Due diligence	Due diligence

In certain cases, for Article 8 and Article 9 dedicated funds and mandates, UBP and institutional clients may agree to different exclusion lists/criteria, subject to specific minimum standards defined by UBP.

Exclusions may be overridden in exceptional cases – subject to detailed rationale and formal validation by the relevant committees as defined in internal processes or end-investor in the case of dedicated products.

[5] Apply to individual holdings held in our funds.
[6] See definition above.
[7] Other weapons include conventional weapons and support systems.
[8] Unconventional oil and gas include oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane as well as Arctic onshore/offshore.

Watch List

UBP aims to be proactive when research suggests that companies have breached international norms, representing a potential threat to their long-term forecasts.

The Watch List comprises companies that have been "red-flagged" by MSCI's ESG Research LLC due to their involvement in very severe controversies, including non-compliance with international norms such as the UN Global Compact (UN GC), the OECD Guidelines for Multinational Enterprises or International Labour Organization (ILO) conventions. Additionally, companies in breach of the UN GC and OECD the Guidelines for Multinational Enterprises as assessed by Morningstar Sustainalytics are also included in the Watch List.

The Watch List is not an exclusion list. Investment teams are required to justify the inclusion of these issuers in their portfolios and, if possible, demonstrate their engagement with the company to enhance its ESG practices. Also, UBP has partnered with Morningstar Sustainalytics to systematically engage with companies identified in breach of international norms, on our behalf.

Importantly, in our SFDR Art. 8 and 9 funds, issuers in violation of the UN GC are automatically excluded as indicated in the section "exclusion list" above.

Stewardship (UBP Asset Management Division)

As an active investor, stewardship is a fundamental aspect of investment processes for UBP's Asset Management division. UBP views stewardship as a tool for long-term active ownership process based on the assumption that changes in business drive positive changes in corporate value. Stewardship is undertaken at UBP via four channels: 1) Systematic Engagement through an external engagement partner; 2) Direct Engagement, 3) Collaborative Engagement when seen as an opportunity to increase its impact in influencing behaviour or increasing disclosure of companies, and 4) Proxy Voting. Further detail about UBP AM's engagement and escalation process can be found in more detail in our Engagement and Escalation Policy.

- **Systematic Engagement** through an external engagement partner with regards to breaches of International Norms

As a result of our belief that respecting international norms is a priority and to manage controversies effectively and in a timely manner, we have decided to partner with Morningstar Sustainalytics to systematically engage on our behalf with companies in our portfolios that are found to be in breach of such norms. They identify potential violation(s) by invested companies of the UN Global Compact or other international norms, Morningstar Sustainalytics places the company under observation. It then:

- Performs due diligence on company's current ESG practices
- Defines engagement objectives and decides on next steps
- Implements an engagement strategy with a clear process and defined timeline
- Updates UBP on performance and next steps in real time on a continuous basis

Morningstar Sustainalytics typically arranges two conference calls per year with the engaged company – meetings are complemented or substituted by written correspondence and/or in-person meetings.

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

- **Direct Engagement**

UBP AM investment staff can initiate direct engagement when deemed appropriate as part of each investment team's research process. This forms part of their investment and ESG integration process. Our investment teams act independently from one another with each having a specific process and style tailored to their asset class and investment purposes. They can decide on which topic to engage in based on their bottom-up analysis which helps identify specific/material company gaps in terms of ESG practices but also participate in engagement on prioritised topics decided centrally to reflect UBP's AM key priorities.

These prioritized topics cover:

- the need to deepen knowledge of companies' ESG practices
- the promotion of sustainability/climate data disclosure
- the adoption of ambitious climate strategy, in line with UBP Asset Management (Europe) S.A. commitment to Net Zero
- Governance and human rights issues

Other issues may be addressed on a case-by-case basis, reflecting material issues identified for a given company by a given investment team.

As part of our engagement strategies, we primarily leverage four interaction methods to communicate and engage with companies.

	Email	Email correspondence is one of the main interaction channels for initiating and maintaining dialogues with our investment companies, offering efficiency and ease of documentation.
	In person	In-person meeting facilitates direct exchanges and detailed analyses of the case with clearer discussions around the outcomes and challenges.
	Phone / Virtual Meeting	Phone/virtual meetings bridge the gap between different locations and can offer accessibility in case where in-person meetings are not possible, providing a seamless connection between stakeholders.
	Roadshows / Investor Calls	Roadshows and investor calls serve as a dynamic platform for real-time discussions, enabling us to address concerns and gain valuable insights from the company and other investors.

- **Collaborative Engagement**

UBP is a member of several global and local initiatives, in which it aims to take an active role. These platforms are particularly powerful for collaborative engagement when we believe that combining forces with other investors can increase our impact in influencing behaviour or increasing disclosure of such companies.

The choice of these collaborative engagement may vary but they would reflect UBP's priorities. For instance, given our focus on climate, we participate in CDP engagement campaigns (see our 2022 Sustainability Report). We also have a particular focus on biodiversity for our impact strategies and participate in working groups/engagement led by FAIRR (on Aquaculture) or UN PRI (on Nature and Sustainable commodities).

- **Proxy voting**

UBP believes that voting rights enable investors to preserve long-term economic value by promoting corporate governance and sustainable best practices. Proxy voting is applicable across our equity funds[9] and, upon client request, to dedicated mandates managed out of our Asset Management division. 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 ESG best practice.

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 about investee companies, including meeting agendas 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 (involving a veto and a final decision right) under the supervision 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 (e.g. responsibility and accountability). 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 ESG issues, in line with the UN PRI.

[9] For practical reasons, funds under EUR 15 million in assets are excluded from scope.

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[10] which places added emphasis on ESG, including climate, when analysing management and shareholder resolutions.

Our **voting summary** and **voting activity** records are published annually and are available on our website, as is our **voting policy**.

Escalation

In cases when engagement stalls, we may have to consider escalation measures. As a first step, each investment team discusses the failed engagement topic in their routine meetings to decide the next steps. The first step is generally to target a higher level of the corporate hierarchy, where we typically raise concerns with the Board of Directors or Executive Committee of the targeted company. We allow a timeline of 60 days between the first and second engagement when initiating an escalation process before we re-attempt contact. If no progress has been made after the second attempt, there are a number of options available to investment teams:

- Raising the issue to the CEO/Board.
- Voting at Assembly General Meetings: In addition to engagement, our active ownership strategy includes proxy voting. Shareholders can exercise their voting rights to exert pressure on management to ameliorate their practices. UBP AM's will utilise voting at assembly generals in resolutions that the team deem most effective and appropriate for the escalation. This includes, voting against board members or in some cases voting against the remuneration policy.
- Limiting exposure: Investment teams can look to reduce the security weighting in the portfolio.

If the above measures fail, further discussions can take place within investment teams. Teams will consider collaborative engagements with other investors to increase the effectiveness of our escalation.

Ultimately, if the company continued to be unresponsive, or no indication of verbal commitment from the company was received, we would opt for divestment as a last resort.

Tracking engagement and escalation

Our decentralised approach empowers our investment teams to select engagement topics tailored to the specific challenges faced by the companies within their portfolios. However, we acknowledged early on that balancing this autonomy with the imperative to thoroughly document and disseminate engagement cases across teams can be challenging. To address this challenge, we established a partnership with Maanch, a certified B-Corp and a leading technology entity. This collaboration led to the development and successful rollout of the Maanch Engagement Tracker in 2022.

Maanch Engagement Tracker is a cloud-based solution to track, report and analyse all portfolio engagements for improved collaboration, transparency, and compliance with global regulations. This tool has significantly enhanced our processes by automating the continuous collection of data and analysis related to our engagements with portfolio companies. Additionally, it serves as a central platform for monitoring escalation activities and facilitating seamless communication among our teams. This collaborative partnership with Maanch has proven instrumental in tailoring the tool to our precise needs, evolving iteratively through ongoing feedback.

ESG Integration

UBP's investment teams are encouraged to assess ESG issues, including climate considerations, as part of their research and issuer selection processes. Each team follows its own ESG integration approach, tailored to the strategies it manages, conducting its own ESG research complemented by third-party ESG data. The investment teams work within a common framework as laid out in the RI Policy and are overseen by the RICO and UBP's Group Risk Management division. However, for UBP funds to be classified as SFDR Article 8 or 9, the process and disclosures must be reviewed and approved by the Product Platform Committee (PPC), of which the Groupe Head of Sustainability and the Head of Responsible Investment for Asset Management are members.

Positive Inclusion

As part of our positive inclusion approach, certain investment strategies screen for businesses with stronger ESG practices or activities that positively contribute to the environment and society in line with the EU taxonomy or classified as Sustainable Investment under SFDR, according to UBP's in-house methodology.

Sustainable and Impact product ranges

[10] https://www.issgovernance.com/file/policy/active/specialty/Sustainability-International-Voting-Guidelines.pdf

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. Consequently, within our Asset Management division, we have developed a Sustainable and Impact product offering designed to promote socially and environmentally conscious investments.

For our Sustainable and Impact product ranges, enhanced practices may include[11]:

- **An ESG rating filter:** a minimum ESG rating applies to individual holdings
- **Negative screening:** stricter value-based and norms-based exclusions
- **Positive screening**: filtering 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

As part of our commitment to help finance higher sustainability standards, such as the transition to a lower-carbon economy, we favour companies with better environmental and social practices and which seek, for instance, to protect biodiversity[12], improve water consumption, manage pollution and waste, promote gender equality and diversity, or reduce carbon footprints. As examples, products in the Sustainable and Impact ranges exclude forward contracts on agricultural commodities. They may also aim to limit investments in electricity utilities whose power production (or expansion plans) significantly come from conventional oil & gas or nuclear energy, and which 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 or civilian firearms. For these, specific thresholds are set at product level.

Financial products under our Sustainable and Impact range consider (some or all mandatory) Principal Adverse Impacts (PAI).

Last, in our Asset Management Sustainable and Impact product offering, we are also concerned at sovereign level to limit or ban investments in the most oppressive regimes, those countries with extensive use of the death penalty, and those with poor measures to prevent tax fraud or tax evasion.

Impact Platform

UBP has an **Impact Platform** featuring an independent Impact Advisory Board and an in-house impact investment process, the IMAP system. This system aims to score each company's potential impact based on six themes derived from the 17 UN Sustainable Development Goals and four dimensions: 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 in 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 **impact investing at UBP** can be found in the dedicated section of our website.

[11] The specific practices are detailed in each strategies' dedicated documentation.
[12] See UBP's Approach to Biodiversity at https://www.ubp.com/en/investment-expertise/responsible-investment

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 on our own operations. Climate change, however, will not only manifest itself in the form of risks but may also create new opportunities, such as investing in climate change mitigation technologies.

Aligned with the Paris Agreement's objective to keep global warming well below 2°C above pre-industrial levels, and as a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD)[13], UBP is committed to integrating its recommendations, structured around four key areas: Governance, Strategy, Risk Management and Metrics & Targets. Aligned with these recommendations, UBP's approach encapsulates:

- **Governance:**
  - climate-related issues come under the supervision of UBP's Executive Committee and are addressed at RICO and CSRCO levels.
- **Strategy:**
  - Identify climate-related risks and opportunities.
  - Measure UBP's operational carbon footprint and set targets for reductions.
  - Reduce the carbon footprint of investment portfolios and develop a lower-carbon product offering. This is a key element for our funds that are in scope of UBP Asset Management (Europe) S.A.'s commitment to achieve net zero carbon emissions by 2050 or sooner.
  - Use active ownership (engagement/voting) to foster change and the adoption of ambitious climate strategies.
  - Develop products with low carbon footprint or with investment in climate solutions.
- **Risk Management:**
  - climate-related risks and opportunities are identified and assessed by the RICO and UBP's investment teams for our investments, and by the CSRCO for our operations. Climate-related risks are managed by the Group Risk Management, in accordance with UBP's Sustainability Risk Framework.
- **Metrics & Targets:**
  - UBP measures the carbon footprint of its investments[14] by their **Weighted Average Carbon Intensity (WACI)**, expressed in tons CO^2e/USD million 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 LLC using the latest available carbon emission data or estimates. For now, only Scope 1 and 2 emissions are considered, as Scope 3 data is additive across companies and may result in double counting. The WACI is the most appropriate metric across all asset classes, not only for equities 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 over time.

[13] https://www.fsb-tcfd.org/

[14] 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.

Biodiversity risks and opportunities

UBP acknowledges that biodiversity loss poses significant risks to companies, investors and the economy as a whole. Similar to climate risks, these can be divided into:

- **Physical risks** resulting from the degradation of biodiversity. These risks are often location-specific and can be chronic or acute. For instance, the loss of protective coastal habitats such as mangroves can increase flood risk. The World Bank suggests that, in a worst-case scenario, a collapse of just four ecosystem services could result in a US$2.7trn contraction of the world's GDP by 2030[15].
- **Transition risks** arising from the misalignment of economic activities with regulatory changes, legal precedents, technological advances, or shifts in investor sentiment and consumer preferences. As an example, a failure to meet stricter environmental regulation on deforestation could lead to increased litigation and reputational risks.

UBP is keen to address those risks as well as seize potential opportunities by investing in companies proactively seeking to protect and restore nature. We have thus developed a specific Biodiversity Approach, which ranges from raising awareness on the issue to joining specific initiatives, such as our membership of FAIRR and promoting engagement to address the issues with our investee companies.

UBP also works closely with Academia and collaborated on several publications such as:

- University of Cambridge Institute for Sustainability Leadership (CISL, 2021) – *Handbook for nature-related financial risks: key concepts and a framework for identification*
- University of Cambridge Institute for Sustainability Leadership (CISL, 2022) – *Integrating Nature; The case for action on nature-related financial risks*
- University of Cambridge Institute for Sustainability Leadership (CISL, 2023) – *Let's discuss Nature with Climate: Engagement Guide*

UBP's biodiversity approach is available here.

[15] The economic case for Nature – World Bank (2021)

Monitoring and reporting

UBP is committed to being fully transparent on how its Responsible Investment Policy is implemented.

Monitoring

UBP considers sustainability risks and monitors their potential impacts. To this end, UBP has defined a Sustainability Risk Framework, which includes the definition of sustainability risk, 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 Asset Management portfolio management systems ensuring pre-trade checks and is communicated across the different UBP Wealth Management teams. Post-trade checks related to our Exclusion List are carried out by UBP's internal Group Risk Management and by the external administrator for UBP funds. Should a breach be detected, the relevant portfolio manager is notified and asked to correct the situation as soon as possible.
  - In addition, Group Risk Management analyses portfolio investments on the Watch List on a quarterly basis and requires justification from each investment team as to why such investments are being held.
- UBP Asset Management portfolio sustainability risk scores: for each portfolio, a sustainability score is calculated and monitored. UBP Wealth Management aims to gradually measure the portfolio sustainability risk scores.
- 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 and total assets under management on the Watch List) 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 a more widespread adoption and implementation of the PRI. The main elements of the UN PRI reported information are available on the UN PRI website.

UBP also produces an annual Sustainability Report, which is aligned with the Global Reporting Initiative standards and includes our TCFD report.

Additionally, UBP publishes an annual Impact Report.

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 records are published annually on our website.

For UBP Asset Management division's 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, the ESG Rating and the Weighted Average Carbon Footprint. These reports are published at https://www.ubp.com/en/funds. In accordance with clients' needs and regulatory requirements, UBP is also able to produce tailored periodic ESG reports.

Appendix: Towards Sustainability labelled products

Financial products that conform with the Towards Sustainability label also comply, at a minimum, with the following requirements regarding companies and their supply chain involved in harmful activities.

Our exclusion criteria are primarily informed by data from external sources, notably MSCI ESG Research LLC and Morningstar Sustainalytics, as well as specialized providers like Urgewald (e.g. the Global Coal Exit List, Global Oil and Gas Exit List). In cases where external data is lacking or outdated, we supplement it with internal research. When necessary, exceptions to our standard exclusion criteria can be authorized. Such overrides require approval either from the Head of Responsible Investment – Asset Management or the Group Head of Sustainability. Approval is contingent upon a detailed justification from the investment team. All exceptions must be thoroughly documented and subjected to regular monitoring and review, at minimum on an annual basis.

Tobacco

In line with UBP RI Policy, are excluded:

- companies involved in the production of tobacco, tobacco products or e-cigarettes.
- other companies involved in the supply chain, including wholesale trading or tobacco products and other enabling activities (such as suppliers, licensors, distributors) if their tobacco-related revenues reach 5% or more.

Weapons

In line with UBP RI Policy, are excluded:

- companies that develop, manufacture, or sell controversial weapons, such as chemical and biological weapons, cluster munitions, landmines, incendiary weapons using white phosphorus, blinding laser weapons and depleted uranium.
- companies that generate 5% or more of their revenues from nuclear weapons, and funds under this label will entirely exclude nuclear.
- companies that generate 5% or more of their revenues from other (conventional) weapons.

In addition, companies that derive 25% or more of their revenues from bespoke products, equipment and services enabling the production and sale of controversial and nuclear weapons are also excluded.

Coal

Companies involved in thermal coal prospection, exploration, mining, or extraction as well as those involved in its processing, transportation or sale to external parties are excluded unless they comply with the following criteria:

- the company has a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if any.
- the company is not involved in coal exploration, and not involved in the exploitation or development of new coal mines.
- the company's absolute coal production or capacity is not increasing.
- the company meets at least one of the following additional criteria:

  - it has an SBTi target (at a minimum of "well below 2°C")

  - have an annual thermal coal production less than 10MT and derives less than 5% of its revenues in above-mentioned coal-related activities

  - it has over 50% of its CapEx dedicated to contributing activities (such as activities aligned with the EU Taxonomy, excluding those related to natural gas and nuclear energy)

Unconventional Oil & Gas

Companies involved in the prospection, exploration or extraction of unconventional oil & gas (O&G): (oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane, extra heavy oil, and Arctic onshore/offshore & gas from unconventional production methods such as fracking or ultra deep drilling) are excluded unless:

- the company has a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if any.

- the company's absolute production of unconventional oil & gas or capacity is not increasing, and the company is not involved in exploration, and not involved in exploitation or development of unconventional oil or gas fields.
- the company meets at least one of the following additional criteria:

  - it has an SBTi target (at a minimum "well below 2°C")

  - it has less than 5% of its revenues in above-mentioned unconventional Oil & Gas-related activities

  - it has over 50% of its CapEx dedicated to contributing activities (such as activities aligned with the EU taxonomy, excluding those related to natural gas and nuclear energy)

On a best effort basis, companies with more than 25% of their revenues derived from products/services dedicated to the execution of the above-mentioned unconventional O&G-related activities.

Conventional Oil & Gas

Companies involved in the prospection, exploration or extraction of conventional oil & gas (O&G) as well as those involved in processing or refining of oil and gas, and the transportation of oil (not distribution), are excluded unless:

- the company has a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if any.
- The company shall currently not be involved in exploration, and not be involved in exploitation or development of new oil or gas fields.
- the company meets at least one of the following additional criteria:

  - it has an SBTi target (at a minimum "well below 2°C")

  - it has an emissions intensity aligned with a 1.5°C target

  - it has less than 5% of its revenues in above-mentioned conventional Oil & Gas-related activities

  - it has over 15% of its CapEx dedicated to contributing activities (such as activities aligned with the EU taxonomy, excluding those related to natural gas and nuclear energy)

On a best effort basis, companies with more than 25% of their revenues derived from products/services dedicated to the execution of the above-mentioned conventional O&G-related activities.

Power generation

Companies involved in the generation of power or heat from non-renewable energy sources are excluded unless:

  - the company has a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if any.

- the company's absolute production of or capacity for coal-based power is not structurally increasing and be less than 5 GW.
- the company meets at least one of the following additional criteria:

  - it has an SBTi target (at a minimum "well below 2°C")

  - it has a carbon intensity aligned with 1.5°C target

  - it has less than 5% of its revenues from activities under the activities in the above-mentioned power generation activities

  - it derives more than 50% of its revenues from contributing activities (such as activities aligned with the EU taxonomy, excluding those related to natural gas and nuclear energy)

  - it has over 50% of its CapEx dedicated to contributing activities (such as activities aligned with the EU taxonomy, excluding those related to natural gas and nuclear energy). Note that a phase out margin is possible as described with the Quality Standard (QS) of the Towards Sustainability label (note that any new requirements set in the 2023 version of the QS will be applicable as of January 2024 for newly labelled funds and as of June 2024 for funds labelled prior to 2024).

Finally, grand-fathering is allowed: Until 2025, electricity utilities with a carbon intensity lower than the annual thresholds described in the Quality Standard (QS) of the Towards Sustainability label referenced above and that are not structurally increasing coal- or nuclear-based power generation capacity, are eligible.

Other considerations

In addition to the exclusions outlined above, our financial products adhering to the 'Towards Sustainability' label incorporate a comprehensive ESG analysis. This analysis is notably designed to evaluate companies' commitment to sustainability. This includes, among other aspects, responsible management of water and waste, fostering diversity and inclusion in the workplace, and adherence to tax regulations. Moreover, our approach extends to assessing impacts on biodiversity, as detailed in UBP's Approach to Biodiversity document.

At a sovereign level, we exercise due diligence to restrict or prohibit investments in regimes known for oppressive practices. This includes countries with a prevalent use of the death penalty and those with inadequate measures to combat tax fraud and evasion. Our goal is to ensure that our investments not only align with sustainability standards but also reflect our commitment to ethical and responsible governance.

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